

Colorado State University System
Financial Statements and Independent Auditor's Reports
Financial Audit
Years Ended June 30, 2019 and 2018
Compliance Audit
Year Ended June 30, 2019

**COLORADO STATE UNIVERSITY SYSTEM
TABLE OF CONTENTS
YEARS ENDED JUNE 30, 2019 AND 2018**

FINANCIAL AND COMPLIANCE AUDIT REPORT SECTION

Independent Auditors' Report	4
Management's Discussion and Analysis (Unaudited)	6
Financial Statements	
Statements of Net Position	21
Statements of Fiduciary Net Position – OPEB	23
Statements of Revenues, Expenses, and Changes in Net Position	24
Statements of Changes in Fiduciary Net Position – OPEB	26
Statements of Cash Flows	27
Notes to Basic Financial Statements	30
Required Supplemental Information	
Schedule of Proportionate Share of the Net Pension Liability	107
Schedule of Pension Contributions	108
Schedule of Proportionate Share of the Net OPEB Liability and Schedule of OPEB Contributions	109
Schedule of Changes in Net OPEB Liability (Asset) and Related Ratios – Retiree Medical Subsidy for DCP Participants	110
Schedule of Changes in Net OPEB Liability (Asset) and Related Ratios – Retiree Medical Subsidy for PERA Participants	111
Schedule of Changes in Net OPEB Liability (Asset) and Related Ratios – Retiree Umbrella Prescription Plan PERA Participants	112
Schedule of Changes in Net OPEB Liability (Asset) and Related Ratios – Long-Term Disability Income Replacement Plan	113
Schedule of OPEB Contributions Retiree Medical Subsidy for DCP Participants	114
Schedule of OPEB Contributions Retiree Medical Subsidy for PERA Participants	115
Schedule of OPEB Contributions Retiree Umbrella Prescription Plan PERA Participants	116
Schedule of OPEB Contributions Long-Term Disability Income Replacement Plan	117
Schedule of Changes in the Net OPEB Liability (Asset) and Related Ratios Retiree Medical Subsidy for DCP Participants	118

**COLORADO STATE UNIVERSITY SYSTEM
TABLE OF CONTENTS
YEARS ENDED JUNE 30, 2019 AND 2018**

Schedule of Changes in the Net OPEB Liability (Asset) and Related Ratios Retiree Medical Subsidy for PERA Participants	119
Schedule of Changes in the Net OPEB Liability (Asset) and Related Ratios Umbrella Prescription Plan PERA Participants	120
Schedule of Changes in the Net OPEB Liability (Asset) and Related Ratios Long- Term Disability Income Replacement Plan	121
Schedule of Investment Returns	122



INDEPENDENT AUDITORS' REPORT

Legislative Audit Committee & Board of Governors

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, the aggregate discretely presented component units, and the fiduciary fund information of the Colorado State University System (the System), as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Colorado State University Foundation (the CSU Foundation), the Colorado State University Pueblo Foundation (CSU-Pueblo Foundation) or the Colorado State University System Foundation (CSUS Foundation), which represent 100 percent of the assets, net position, and revenues of the component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the CSU Foundation, CSU-Pueblo Foundation and CSUS 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit 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, the aggregate discretely presented component units, and the fiduciary fund information of the System as of June 30, 2019 and 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 1, the financial statements of the System, an institution of higher education of the State of Colorado, are intended to present the financial position, the changes in financial position and cash flows of the business-type activities of only the System. Financial results for the State of Colorado are presented in separate state-wide financial statements prepared by the Office of the State Controller and audited by the Office of the State Auditor. Complete financial information for the State of Colorado is available in these state-wide financial statements. Our opinion is 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 a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2019, on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the System's 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.



CliftonLarsonAllen LLP

Greenwood Village, Colorado
November 22, 2019

COLORADO STATE UNIVERSITY SYSTEM

Management's Discussion and Analysis

Years Ended June 30, 2019 and 2018

(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, 2019 and 2018, respectively, with comparative information for fiscal year 2017. 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 years ended June 30, 2019 and June 30, 2018.

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 System'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 as well as PERA's net Other Postemployment Benefits (OPEB) liability and contributions to PERA Health Care Trust Fund. In addition, the

COLORADO STATE UNIVERSITY SYSTEM

Management's Discussion and Analysis

Years Ended June 30, 2019 and 2018

(Unaudited)

schedules for OPEB include the schedule of changes in the net OPEB liability (asset) with related ratios, employer contributions, and investment returns.

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 for 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 and amounts for Student Tuition, Mandatory Fees, Western Interstate Commission for Higher Education (WICHE), and Service Fees.

For the fiscal years ended June 30, 2019 and 2018, appropriated expenses in the System were within the authorized spending authority. For the fiscal years ended June 30, 2019 and 2018, the System had a total state appropriation of \$639.0 million and \$599.4 million, respectively. For the fiscal years ended 2019 and 2018, the System's appropriation from re-appropriated funds consisted of \$46.5 million and \$43.6 million, respectively, received for students that qualified for stipends from the College Opportunity Fund, and \$108.4 million and \$95.7 million, respectively, as state fee for service contract revenue. Starting in fiscal year 2017, the students' share of tuition became appropriated from cash funds rather than informational only, totaling \$484.0 million in fiscal year 2019 and \$460.1 million in fiscal year 2018. The appropriated portion of WICHE funds was \$145 thousand in fiscal years ended 2019 and 2018. Mandatory fees and the student fee portion of WICHE funds, are shown in the long bill for informational purposes only. 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 as of June 30, 2019 by \$485.9 million (net position). Of this amount, \$756.1 million is related to the net investment in capital assets and \$60.9 million is restricted for purposes which the donor or grantor or other external party intended. The remaining negative \$331.1 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* and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the amount of \$849.1 million and \$946.3 million for fiscal years ended June 30, 2019 and 2018, respectively. The impact on net position is show in the table below.

COLORADO STATE UNIVERSITY SYSTEM

Management's Discussion and Analysis

Years Ended June 30, 2019 and 2018

(Unaudited)

Impact on Net Position of Pension (GASB 68) and OPEB (GASB 75)

(Amounts expressed in thousands)

	Year Ended June 30		
	2019	2018	2017
Net investment in capital assets	\$ 756,092	744,575	655,232
Restricted for nonexpendable purposes	27,849	27,296	26,709
Restricted for expendable purposes	33,030	29,879	44,388
Unrestricted	<u>(331,120)</u>	<u>(497,245)</u>	<u>(311,120)</u>
Total net position	485,851	304,505	415,209
Pension (GASB 68) impact	835,520	906,404	693,595
OPEB (GASB 75) impact	13,566	39,905	-
Net position excluding pension and OPEB	\$ <u>1,334,937</u>	<u>1,250,814</u>	<u>1,108,804</u>

The table below demonstrates the changes made due to GASB Statement No. 68 and GASB Statement No. 75 to the System's financial statements for the fiscal years ended June 30, 2019, 2018 and 2017, respectively. Pension expense decreased \$278.7 million in fiscal year ended June 30, 2019, which was a result of an \$8.6 billion decrease in the collective net pension liability for the State Division Trust Fund at PERA. A rate of 7.25 percent was used as the discount rate to value the collective total pension liability. The primary factors that contributed to the decreased liability were the increases to future contributions from members and employers, the State of Colorado's direct distribution payment to PERA, and changes to benefit provisions which are required by Senate Bill 18-200. In fiscal year ended June 30, 2018, pension expense increased \$46.9 million, and in fiscal year ended June 30, 2017, pension expense increased \$147.2 million. The required cash contributions in the fiscal years ended June 30, 2019, 2018, and 2017 of \$35.9 million, \$30.9 million, and \$28.8 million. OPEB expense recorded as of fiscal year 2019 and 2018 was negative \$23.0 million and \$6.1 million, respectively, with \$3.9 million and \$6.6 million in required contributions.

OPEB Expense Compared to Required Contributions

(Amounts expressed in thousands)

	Year Ended June 30		
	2019	2018	2017
OPEB Expense	\$ (22,930)	6,052	9,318
Expense increase (decrease) from prior year	(28,982)	(3,266)	N/A
Required contributions	3,886	6,561	6,439

PERA Pension Expense Compared to Required Contributions

(Amounts expressed in thousands)

	Year Ended June 30		
	2019	2018	2017
Pension Expense	\$ (34,901)	243,783	196,917
Expense increase (decrease) from prior year	(278,684)	46,866	147,208
Required contributions	35,957	30,949	28,826

COLORADO STATE UNIVERSITY SYSTEM
Management's Discussion and Analysis
Years Ended June 30, 2019 and 2018
(Unaudited)

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, 2019, 2018, and 2017. In fiscal years 2019 and 2018, deferred outflows of resources and deferred inflows of resources included amounts related to the PERA pension, whose liability was recorded due to GASB Statement No. 68. The System's proportionate share of the net pension liability as of fiscal years ended June 30, 2019 and 2018, was \$611.6 million and \$1.1 billion, respectively. The net OPEB liability was \$27.5 million at the end of fiscal year 2019. In fiscal year 2018, the System recognized a net OPEB liability of \$50.6 million due to the implementation of GASB Statement No. 75.

Summary of Net Position
(Amounts expressed in thousands)

	Year Ended June 30		
	2019	2018	2017
Current assets	\$ 522,393	\$ 673,787	642,754
Noncurrent assets, including net capital assets of \$1,934,622, \$1,907,410, and \$1,779,353, respectively	2,295,289	2,010,590	1,941,011
Deferred outflows	174,954	293,874	353,558
Total assets and deferred outflows	2,992,636	2,978,251	2,937,323
Current liabilities	239,766	203,939	232,453
Noncurrent liabilities	1,936,719	2,423,552	2,277,525
Deferred inflows	330,300	46,255	12,136
Total liabilities and deferred inflows	2,506,785	2,673,746	2,522,114
Net investment in capital assets	756,092	744,575	655,232
Restricted	60,879	57,175	71,097
Unrestricted	(331,120)	(497,245)	(311,120)
Total net position	\$ 485,851	304,505	415,209

In fiscal year 2019, total assets increased by \$133.3 million. In 2008, House Bill 08-1002 authorized the System to begin operating its own treasury. In fiscal year 2019 the System began investing a portion of its cash through the Colorado State University System Treasury, rather than operating solely out of the State's treasury pool. This change was the primary decrease in cash and cash equivalents in current assets of \$239.4 million in 2019. This cash investment has resulted in short-term and long-term investments of \$60.8 million and \$283.6 million, respectively. There was an increase in cash and cash equivalents of \$53.5 million over the prior year unrelated to the withdrawal of State Treasury funds. Capital assets, net increased by \$27.2 million, comprised of a decrease in total non-depreciable capital assets of \$89.7 million, primarily related to construction in progress, and an increase in total depreciable capital assets of \$116.9 million, primarily related to buildings and improvements. The changes in construction in progress and buildings and improvements were due to the completion and capitalization of several large projects. Restricted investments increased in fiscal year 2019 by \$24.4 million primarily due to the Center for Vector-borne Infectious Diseases Series 2018 A bond cash held and invested by a trustee until the proceeds for the construction project are spent down. Grant and other accounts receivable increased by \$16.3 million mainly due to an increase in sponsored program activity. Net OPEB assets were \$15.3 million as of fiscal year ended June 30, 2019, a \$5.8 million increase from the prior year as a result of changes in assumptions. Hughes Stadium is currently under contract for sale, therefore, land and construction in progress of \$4.3 million were reclassified to assets held for resale as of June 30, 2019.

COLORADO STATE UNIVERSITY SYSTEM

Management's Discussion and Analysis

Years Ended June 30, 2019 and 2018

(Unaudited)

The \$100.6 million increase in the System assets in 2018 over that of 2017 was related to an increase in contracts and grants receivable, depreciable capital assets offset by a large decrease in nondepreciable capital assets, and restricted cash. The \$31.0 million increase in current assets was primarily due to an increase of \$30.8 million in grant and other accounts receivable. The increase in noncurrent assets was primarily due to increases of \$352.2 million in building and improvements and \$8.1 million in land improvements, offset by decreases of \$238.3 million in construction in progress and \$55.1 million in restricted cash and cash equivalents. This increase in building and improvements and decrease in construction in progress is due to the completion and capitalization of large projects.

Deferred outflows decreased in fiscal year 2019 and 2018 from the prior fiscal years by \$118.9 million and \$59.7 million, respectively, and were both primarily related to the impacts of changes in PERA pension.

Total liabilities decreased by \$451.0 million in fiscal year 2019. Current liabilities increased by \$35.8 million, which was offset by a decrease in noncurrent liabilities of \$486.8 million. The increase in current liabilities was due primarily to the issuance of \$44.2 million in commercial paper notes, offset by a \$5.0 million principal payment, resulting in a net increase of \$39.2 million. The decrease in noncurrent liabilities was related to the decrease in pension liability of \$473.2 million and a decrease in net OPEB liabilities of \$23.1 million, which are due to GASB Statement No. 68 and GASB Statement No. 75.

Total liabilities increased \$117.5 million in fiscal year ended June 30, 2018. Current liabilities decreased \$28.5 million primarily due to a \$43.2 million decrease in accrued liabilities. The Office of the State Controller informed the System that the one day pay date shift implemented by the State, where June salaries are paid in July rather than in June, no longer applies to the institutions of higher education as of July 1, 2017. This decrease was offset by a \$10.0 million issuance of commercial paper. Noncurrent liabilities increased \$146.0 million. This increase is primarily due to the \$143.0 million increase in net pension and net OPEB liabilities due to GASB Statement No. 68 and GASB Statement No. 75.

Deferred inflows increased in fiscal year 2019 and 2018 from the prior fiscal years by \$284.0 million and \$34.1 million, respectively. Both increases were mainly due to the impact of GASB Statement No. 68 and GASB Statement No. 75. Deferred inflows related to pensions increased \$277.9 million, contributing to the majority of the total increase in fiscal year 2019.

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 System. 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 System. Nonoperating revenues/expenses include items determined to not fall in the operating category.

COLORADO STATE UNIVERSITY SYSTEM

Management's Discussion and Analysis

Years Ended June 30, 2019 and 2018

(Unaudited)

Summary of Revenues, Expenses and Changes in Net Position

(Amounts expressed in thousands)

	2019	2018	2017*
Operating revenues	\$ 1,311,277	1,247,581	1,168,545
Operating expenses	1,280,312	1,526,179	1,375,408
Operating income (loss)	30,965	(278,598)	(206,863)
Nonoperating revenues (expenses)	90,607	80,862	65,344
Income (loss) before other revenues (expenses)	121,572	(197,736)	(141,519)
Other revenues	59,774	136,112	60,752
Increase (decrease) in net position	181,346	(61,624)	(80,767)
Net position, beginning of year	304,505	415,209	495,976
Change in accounting principle	-	(49,080)	-
Net position, beginning of year as adjusted	304,505	366,129	495,976
Net position, end of year	\$ 485,851	304,505	415,209

* Reclassified

The System had \$30.9 million in net operating income in fiscal year 2019 and a loss of \$278.6 million and \$206.9 million in fiscal year 2018 and 2017, respectively. Nonoperating revenues and other revenues of \$90.6 million and \$59.8 million, contributed to a total increase in net position for fiscal year 2019 of \$181.3 million.

COLORADO STATE UNIVERSITY SYSTEM

Management's Discussion and Analysis

Years Ended June 30, 2019 and 2018

(Unaudited)

Operating and Nonoperating Revenues (Excluding Capital)

(Amounts expressed in thousands)

	Year Ended June 30		
	2019	2018	2017*
Operating revenues:			
Student tuition and fees, net	\$ 592,885	571,011	545,432
State fee for service revenue	108,350	95,718	91,242
Grants and contracts	351,096	332,802	305,307
Sales and services of educational activities	43,296	42,923	41,497
Auxiliary enterprises	203,677	193,005	175,045
Other	11,973	12,122	10,022
Total operating revenues	1,311,277	1,247,581	1,168,545
Nonoperating revenues:			
State appropriations	1,800	4,568	899
Gifts	51,684	82,624	48,859
Investment income	28,920	3,792	1,072
Federal nonoperating grants and contracts	46,389	45,646	41,736
State support for PERA pension	4,218	-	-
Other, net	4,066	(14,181)	4,255
Net nonoperating revenues	137,077	122,449	96,821
Total noncapital revenue	\$ 1,448,354	1,370,030	1,265,366

*Reclassified

Fiscal year 2019 System operating revenues increased \$63.7 million over fiscal year 2018. This is mainly attributable to increases in several operating revenue sources: tuition and fees increased \$21.9 million due to increases in both attendance and tuition and fee rates, grants and contracts increased by \$18.3 million due to increases in federal grants, and auxiliary enterprise revenue increased \$10.7 million due to increases in auxiliary food sales, rentals, merchandise, and third-party media rights, and sponsorships. State fee for service, sales and services of educational activities and other operating revenue had a combined increase of \$12.8 million.

In fiscal year 2018, System operating revenues increased \$79.0 million over fiscal year 2017. This is attributable to increases in several operating revenue sources: tuition and fees increased \$25.6 million due to increases in both attendance and tuition and fee rates, grants and contracts increased by \$27.5 million due to increases in federal grants, and auxiliary enterprise revenue increased \$17.9 million due to increase in auxiliary food sales, rentals, and merchandise. State fee for service, sales and services of educational activities and other operating revenue had a combined increase of \$8.0 million.

System nonoperating revenues increased \$14.6 million and \$25.6 million in fiscal years 2019 and 2018, respectively, over prior years. The fiscal year 2019 increase is due primarily to an increase in investment income of \$25.1 million, which was a result of dividend revenue and gain on investments from the System starting its own treasury, along with an unrealized gain on assets held with the State Treasury. In fiscal year 2019, the System recorded \$4.2 million from a direct distribution of PERA contributions made on the System's behalf by the State due to Senate Bill 18-200. These increases were offset by a decrease in gift revenue of \$30.9 million. The fiscal year 2018 increase is due primarily to a \$21.1 million gift in kind of software. Federal nonoperating grants and contracts also increased \$3.9 million in fiscal year 2018.

COLORADO STATE UNIVERSITY SYSTEM

Management's Discussion and Analysis

Years Ended June 30, 2019 and 2018

(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		
	2019	2018	2017 *
Student facility fees	\$ 13,787	14,027	14,116
State capital contributions	17,072	61,287	30,183
Capital grants	5,014	4,662	7,181
Capital gifts	20,991	53,045	7,756
Total capital revenues	\$ 56,864	133,021	59,236

* Reclassified

System capital revenue decreased by \$76.2 million in fiscal year 2019 compared to fiscal year 2018. In fiscal year 2019, the decrease was attributable to the System receiving less in state capital contributions of \$44.2 million, along with a decrease in capital gifts of \$32.1 million offset by small changes in capital grants and student facility fees of \$112 thousand, net. The state capital contributions in fiscal year 2019 were due to a reimbursement of expenses of \$6.6 million for the Anatomy/Zoology Health Education Outreach Center Addition, \$2.1 million for the National Western Water Resource Center, \$1.6 million for the Bioenvironmental Hazards Research Building Mechanical Retrofit, and \$1.3 million for the Chemistry Building. Capital gifts received in fiscal year 2019 included \$5.4 million for the Richardson Design Center and \$5.2 million for the C. Wayne Translational Institute.

The \$73.8 million increase in fiscal year 2018 over fiscal year 2017 is mainly related to an increase in state capital contributions and capital gifts. The fiscal year 2018 state capital contributions included \$28.3 million reimbursement of expenses for the National Western Center, \$15.6 million for the A/Z Health Education Outreach Center, and \$7.4 million for the Institute for Biological Translational Therapies and Horse Barn. The capital gifts increase is due to the following gifts: \$30.2 million for the C. Wayne Translational Institute, \$8.4 million for the Michael Smith Natural Resources Building, and \$5.2 million in CSU Medical Center gifts.

In fiscal year 2018, student facility fees were recategorized as other revenue from operating revenue. Student facility fees were reclassified in fiscal year 2017 to be comparable.

COLORADO STATE UNIVERSITY SYSTEM

Management's Discussion and Analysis

Years Ended June 30, 2019 and 2018

(Unaudited)

Operating Expenses by Functional Category

(Amounts expressed in thousands)

	Year Ended June 30		
	2019	2018	2017
Instruction	\$ 349,738	428,023	382,657
Research	221,194	250,498	233,438
Public service	137,212	144,128	119,404
Academic support	96,053	116,202	105,464
Student services	62,561	74,664	72,518
Institutional support	64,479	96,562	87,361
Operation and maintenance of plant	62,137	101,249	86,429
Scholarships and fellowships	36,907	31,439	30,820
Auxiliary enterprises	148,167	192,588	167,710
Depreciation	101,864	90,826	89,607
Total operating expenses	\$ 1,280,312	1,526,179	1,375,408

Fiscal year 2019 System operating expenses decreased \$245.9 million from fiscal year 2018. This is due to decreases in the following areas: \$78.3 million in instruction, \$29.3 million in research, \$6.9 million in public service, \$20.1 million in academic support, \$12.1 million in student services, \$32.1 million in institutional support, \$39.1 million in operation and maintenance of plant, and \$44.4 million in auxiliary enterprises offset by increases in scholarships and fellowships and depreciation of \$5.4 million and \$11.0 million, respectively. GASB Statement No. 68 caused a \$278.7 million decrease in total operating expenses in fiscal year 2019 from the recording of pension expense, while OPEB expense from GASB Statement No. 75 caused a decrease of \$29.0 million.

Fiscal year 2018 System operating expenses increased \$150.8 million from fiscal year 2017. This is due to increases in the following areas: \$45.4 million in instruction, \$17.1 million in research, \$24.7 million in public service, \$10.7 million in academic support, \$2.2 million in student services, \$9.2 million in institutional support, \$14.8 million in operation and maintenance of plant, \$619 thousand in scholarships and fellowships, \$24.9 million in auxiliary enterprises, and \$1.2 million in depreciation. GASB Statement No. 68 caused a \$46.9 million increase in pension expense. The System recorded a \$6.1 million OPEB expense due to the implementation of GASB Statement No. 75. The remainder of the increase is mainly related to cost of living increases. These increases are reflected across all functional lines.

Capital Assets and Debt Administration

As of June 30, 2019, the System had approximately \$1.9 billion of capital assets, net of accumulated depreciation of \$1.2 billion. As of June 30, 2018, the System had approximately \$1.9 billion invested in capital assets, net of accumulated depreciation of \$1.1 billion. As of June 30, 2017, the System had approximately \$1.8 billion invested in capital assets, net of accumulated depreciation of \$1.0 billion.

Depreciation charges were \$101.9 million, \$90.8 million, and \$89.6 million for the fiscal years ended June 30, 2019, 2018, and 2017, respectively.

During fiscal year 2019, the System received \$17.1 million of state capital contributions for capital construction projects. Of this amount, \$14.2 million was for the CSU campus and \$2.9 million was for the CSU-Pueblo campus. At CSU, \$6.6 million is related to the Anatomy/Zoology Health Education Outreach Center Addition, \$2.1 million is related to the National Western Water Resource Center, \$1.6 million is related to the

COLORADO STATE UNIVERSITY SYSTEM

Management's Discussion and Analysis

Years Ended June 30, 2019 and 2018

(Unaudited)

Bioenvironmental Hazards Research Building Mechanical Retrofit, and \$1.3 million is related to the Chemistry Building, with the remaining amount related to smaller campus projects. At CSU-Pueblo, \$1.4 million is related to the Psychology Building Renovation and Addition and \$736 thousand is related to roof replacement and exterior stairs for two buildings, 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		
	2019	2018	2017
Land	\$ 46,957	43,848	37,492
Land improvements	53,197	50,001	41,928
Buildings and improvements	1,652,817	1,539,372	1,187,177
Leasehold improvements	536	214	313
Equipment and software	78,242	78,248	78,213
Collections	7,854	6,000	5,831
Library materials	6,746	6,794	7,177
Construction in progress	88,273	182,933	421,222
Total capital assets, net	\$ 1,934,622	1,907,410	1,779,353

In fiscal year 2019, capital assets, net increased \$27.2 million due to the construction and acquisition of capital assets, less increases in accumulated depreciation and the disposal of assets. The majority of the increase in buildings and improvements and decrease in construction in progress is attributable to projects completed and capitalized during the fiscal year. The major projects capitalized in fiscal year 2019 were \$73.5 million – Translational Medicine Institute & Research Horse Barn, \$22.7 million – Anatomy/Zoology Health Education Outreach Center Addition, \$20.2 million – Michael Smith Natural Resource Addition/Roofing, \$19.7 million – Animal Science JBS Global Food Innovation Center, \$18.7 million Centre Avenue Building purchase, \$18.0 million – Richardson Design Center, \$11.3 million – Corbett Parmelee Dining Center & Lobby Renovation, as well as many other smaller projects at both CSU and CSU Pueblo. The increase was offset by a decrease in construction in progress of \$94.7 million due to the completion and capitalization of these projects.

In fiscal year 2018, capital assets, net increased \$128.1 million with the increase attributable to the completion and capitalization of multiple projects. The major projects that were capitalized are \$249.4 million - Multi Purpose Stadium, \$68.8 million - Biology Building, \$45.4 million - Chemistry Building, \$4.1 million - Shields Underpass expansion, as well as many other smaller projects. At CSU-Pueblo: \$36.9 million - Occhiato University Center, \$1.8 million - Modular Data Center, as well as many other smaller projects. The increase was offset by a decrease in construction in progress of \$271.6 million due to the completion and capitalization of the Multi-Purpose Stadium and the Biology Building with a total change of construction in progress of \$238.3 million.

The System had capital construction commitments of \$34.3 million as of June 30, 2019. CSU commitments included \$6.6 million for the National Western Water Resources Center, \$4.6 million for the National Western Center Animal Health Building, \$3.0 million for the Center for Vector-borne Infectious Diseases, \$1.9 million for the Meridian Village Redevelopment, \$1.7 million for the Equine Veterinary Teaching Hospital, \$1.4 million for the CSU Center at the National Western Center, and \$1.4 million for the LSC West Lawn Lagoon and Detention Pond. CSU-Pueblo capital construction commitments included \$1.1 million for the Psychology Building Renovation & Addition. The remaining commitments are for smaller projects at the System.

COLORADO STATE UNIVERSITY SYSTEM

Management's Discussion and Analysis

Years Ended June 30, 2019 and 2018

(Unaudited)

The System had \$1.3 billion of debt outstanding as of fiscal year ended June 30, 2019 and \$1.2 billion of debt outstanding as of fiscal years ended June 30, 2018 and 2017.

Summary of Debt

(Amounts expressed in thousands)

	June 30		
	2019	2018	2017
Debt outstanding:			
Commercial paper	\$ 49,200	10,000	-
Revenue bonds, certificates of participation, notes from direct placements	1,208,502	1,211,120	1,214,755
Capital lease obligations	18,260	19,526	17,898
Total Debt	\$ 1,275,962	1,240,646	1,232,653

In fiscal year 2019, the System issued \$30.4 million in taxable System Enterprise Revenue Bonds, Series 2018 A. The proceeds were used to finance the construction of the Center for Vector-borne Infectious Diseases on the Foothills Campus. The facility will include faculty and research infrastructure, functional research laboratories, insectary and office space. The proceeds were also used to finance a portion of the JBS Global Food Innovation Center addition for Animal Sciences. Series 2018 A bears a 2.6-4.2 percent interest rate and matures in March 2033.

On January 16, 2018, the System entered into a floating to fixed interest rate swap agreement (Swap Agreement) in connection with the Series 2015 D System Enterprise Revenue Bonds (Notes from Direct Placements). The Swap Agreement was entered into with the objective of protecting against the potential rising of interest rates. The Swap Agreement has a notional value of \$66.7 million. In accordance with accounting standards, the System is required to separately disclose the change in the fair value of the interest rate swap in the Statements of Net Position, as appropriate. As of June 28, 2019, the outstanding swap had a fair value of negative \$5.0 million. The fair value as of June 29, 2018 was \$654 thousand. The Swap Agreement has an effective date of July 1, 2019 and a termination date of March 1, 2047.

In fiscal year 2019, the Board of Governors authorized an increase in the aggregate principal amount to be issued of Commercial Paper Notes to \$75.0 million from \$50.0 million authorized the prior fiscal year, related to the Series A (tax-exempt) and Series B (taxable) issuance. The authorized increase to \$75.0 million is effective for fiscal year 2020. As of June 30, 2019, the commercial paper issued was \$49.2 million, up from \$10.0 million as of June 30, 2018. The proceeds of Series A, B are used to finance certain projects, as determined by the Board, including but not limited to: the construction, acquisition, renovation, 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 JBS Global Food Innovation Center in Honor of Gary and Kay Smith in Fort Collins; the Residence and Dining Corbett remodel project; and the Western Slope CVMBS/Extension Project; 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. Series A and Series B bear an interest rate based on a 365/366-day year and actual number of days elapsed and shall mature on a business day within a period not exceeding two hundred seventy days from its respective date of issue, but in no event later than March 1, 2037.

Prior to fiscal year 2019, in fiscal year 2018, the System issued \$117.6 million in System Enterprise Revenue Refunding Bonds, Series 2017 A, B. The proceeds of Series 2017 A were used to advance refund a portion of

COLORADO STATE UNIVERSITY SYSTEM

Management's Discussion and Analysis

Years Ended June 30, 2019 and 2018

(Unaudited)

the Board's System Enterprise Revenue Bonds, Series 2012 A and pay costs of issuing the Series 2017 A Bonds. The proceeds of Series 2017 B were used to advance refund a portion of the Board's System Enterprise Revenue Bonds, Series 2013 C and pay the costs of issuing the Series 2017 B Bonds. Series 2017 A bears a 2.0-5.0 percent interest rate and matures in March 2044, Series 2017 B bears a 2.0-5.0 percent interest rate and matures in March 2044.

In fiscal year 2018, the System issued \$204.7 million in System Enterprise Revenue Refunding Bonds, Series 2017 C, D. The proceeds of Series 2017 C, D were used for the purposes of financing the payment and discharge of all or a portion of certain bonds outstanding under the Master Resolution; and paying certain costs relating to the issuance of the Series 2017 C, D Bonds. Series 2017 C bears a 2.5-5.0 percent interest rate and matures in March 2047, Series 2017 D bears a 2.0-5.0 percent interest rate and matures in March 2039.

In fiscal year 2018, the System issued \$55.5 million in System Enterprise Revenue Refunding Bonds, Series 2017 E, F. The proceeds of Series 2017 E, F were used for the purposes of financing the payment and discharge of a portion of certain bonds outstanding under the Master Resolution; and paying certain costs relating to the issuance of the Series 2017 E, F Bonds. Series 2017 E bears a 2.0-5.0 percent interest rate and matures in March 2043, Series 2017 F bears a 2.0-5.0 percent interest rate and matures in March 2045.

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 were 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 3.0-5.0 percent interest rate and matures in March 2046.

Net proceeds of the above-mentioned Series 2017 A, B, Series 2017 C, D, and Series 2017 E, F and previous Series 2016 B, 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.

COLORADO STATE UNIVERSITY SYSTEM
Management's Discussion and Analysis
Years Ended June 30, 2019 and 2018
(Unaudited)

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	\$ 3,925	N/A	N/A	N/A
Series 2017 A	Series 2012 A	102,125	3/1/2022	102,125	100
Series 2017 B, 2017 D	Series 2013 C	18,610	3/1/2023	18,610	100
Series 2017 C	Series 2013 E	117,870	3/1/2025	117,870	100
Series 2017 D, 2017 F	Series 2015 A	26,675	3/1/2025	26,675	100
Series 2017 C, 2017 E	Series 2015 E-1	65,130	3/1/2025	65,130	100
Series 2017 C	Series 2015 E-2	30,335	3/1/2025	30,335	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 (College Opportunity Fund stipends).

The Colorado State University System is authorized to receive \$119.2 million in fee for service contract revenue and \$53.2 million in student stipends in fiscal year 2020. The \$172.4 million of anticipated fiscal year 2020 state support represents a \$6.7 million increase in student stipends and an \$10.8 million increase in fee for service, for a total \$17.5 million increase in state support related to fee for service and College Opportunity Fund stipends.

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 (June 2019) shows that revenue is expected to exceed the amount required to maintain the same level of appropriations in fiscal year 2019-2020. Per the June projection from the Governor's Office of State Planning and Budgeting, the State General Fund is currently estimated to end fiscal year 2018-2019 with \$1.1 billion in a general fund reserve, or 10.0 percent of appropriations. 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 K12 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

COLORADO STATE UNIVERSITY SYSTEM
Management's Discussion and Analysis
Years Ended June 30, 2019 and 2018
(Unaudited)

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 2019 was 38,373. This includes 26,465 at CSU, 3,359 at CSU-Pueblo, and 8,549 enrolled at CSU-Global. Compared to fiscal year 2018, CSU enrollment remained steady with a 1.1 percent increase. CSU-Pueblo enrollment dropped by 8.6 percent, and CSU-Global saw total enrollment grow .5 percent. Total enrollment at the System is anticipated to increase 4.6 percent in fiscal year 2020. This includes a 2.1 percent increase at CSU, a 3.5 percent decrease at CSU-Pueblo, and a 14.2 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, 475 Seventeenth Street, Suite 1550, Denver, CO 80202.

COLORADO STATE UNIVERSITY SYSTEM

Statements of Net Position

June 30, 2019 and 2018 (in thousands)

	2019		2018 *	
	University	Component Units	University	Component Units
Assets and Deferred Outflows of Resources				
Current Assets				
Cash and cash equivalents (Note 4)	\$ 272,562	3,043	511,993	3,385
Investments (Note 5)	60,834	-	-	-
Accounts and loans receivable, net (Note 6)	163,995	64,223	142,933	62,836
Inventories	8,993	-	9,580	-
Assets held for resale	4,307	-	-	-
Other assets	11,702	474	9,281	417
Total Current Assets	522,393	67,740	673,787	66,638
Noncurrent Assets				
Restricted cash and cash equivalents (Note 4)	44,034	-	44,738	-
Investments, restricted and unrestricted (Note 5)	283,609	545,343	27,763	527,202
Student loans receivable, net (Note 6)	17,755	-	20,562	-
Other assets	2	3,449	654	3,302
Capital assets, net (Note 7)	1,934,622	300	1,907,410	172
Net other postemployment benefit assets (Note 20)	15,267	-	9,463	-
Total Noncurrent Assets	2,295,289	549,092	2,010,590	530,676
Total Assets	\$ 2,817,682	616,832	2,684,377	597,314
Deferred Outflows of Resources				
Debt refundings	\$ 64,929	-	68,709	-
Pensions (Note 18)	97,569	-	221,978	-
Other postemployment benefits (Note 20)	7,393	-	3,187	-
Other	5,063	-	-	-
Total Deferred Outflows of Resources	\$ 174,954	-	293,874	-
Total Assets and Deferred Outflows of Resources	\$ 2,992,636	616,832	2,978,251	597,314
Liabilities and Deferred Inflows of Resources				
Current Liabilities				
Accounts payable	\$ 57,945	6,470	66,414	5,215
Accrued liabilities (Note 8)	39,004	213	35,686	189
Unearned revenue	50,996	-	47,228	-
Deposits held for others	7,337	-	7,127	-
Commercial paper (Note 9)	49,200	-	10,000	-
Bonds, certificates of participation, and capital leases payable (Note 11, 14)	29,961	-	28,600	-
Compensated absences	3,365	-	3,284	-
Other liabilities	1,958	53	5,600	48
Total Current Liabilities	239,766	6,736	203,939	5,452

* Reclassified

COLORADO STATE UNIVERSITY SYSTEM

Statements of Net Position

June 30, 2019 and 2018 (in thousands)

	2019		2018 *	
	University	Component Units	University	Component Units
Noncurrent Liabilities				
Bonds, certificates of participation, and capital leases payable (Note 11, 14)	\$ 1,196,801	-	1,202,046	-
Deposits held for others	22,712	13,500	19,382	13,596
Interest rate swap agreement	5,029	-	-	-
Compensated absences	51,429	-	49,659	-
Net pension liabilities (Note 18)	611,552	-	1,084,746	-
Net other postemployment benefit liabilities (Note 20)	27,464	-	50,610	-
Other liabilities	21,732	1,957	17,109	3,285
Total Noncurrent Liabilities	1,936,719	15,457	2,423,552	16,881
Total Liabilities	\$ 2,176,485	22,193	2,627,491	22,333
Deferred Inflows of Resources				
Pensions (Note 18)	\$ 321,537	-	43,636	-
Other postemployment benefits (Note 20)	8,763	-	1,945	-
Other	-	-	674	-
Total Deferred Inflows of Resources	\$ 330,300	-	46,255	-
Total Liabilities and Deferred Inflows of Resources	\$ 2,506,785	22,193	2,673,746	22,333
Net Position				
Net investment in capital assets	\$ 756,092	-	744,575	-
Restricted for nonexpendable purposes (Note 16)	27,849	-	27,296	-
Restricted for expendable purposes (Note 16)	33,030	-	29,879	-
With donor restrictions	-	545,514	-	530,258
Unrestricted	(331,120)	49,125	(497,245)	44,723
Total Net Position	\$ 485,851	594,639	304,505	574,981

* Reclassified

See accompanying notes to basic financial statements.

COLORADO STATE UNIVERSITY OTHER POSTEMPLOYMENT BENEFITS TRUST

Statements of Fiduciary Net Position

June 30, 2019 and 2018 (in thousands)

	2019	2018
Assets		
Cash and deposits	\$ 517	11,257
Receivables:		
Contributions	1,787	-
Investment income	-	3
Total receivables	<u>1,787</u>	<u>3</u>
Investments:		
Domestic equities	12,092	11,139
International equities	10,274	9,543
Fixed income	34,185	21,677
Private equity	3,244	2,051
Alternative investments	21,056	21,608
Real estate	4,329	4,076
Total investments	<u>85,180</u>	<u>70,094</u>
Total Assets	\$ 87,484	81,354
Liabilities		
Payables:		
Bank trustee and administration fees	\$ 149	7
Benefits payable to members	3,381	76
Total Liabilities	\$ 3,530	83
Net Position Restricted for Postemployment		
Benefits Other Than Pensions	\$ 83,954	81,271

COLORADO STATE UNIVERSITY SYSTEM
 Statements of Revenues, Expenses, and Changes in Net Position
 Years ended June 30, 2019 and 2018 (in thousands)

	2019		2018	
	<i>University</i>	<i>Component Units</i>	<i>University</i>	<i>Component Units</i>
Operating Revenues				
Student tuition and fees (including \$86,544 and \$79,043 of revenues pledged for bonds in 2019 and 2018, respectively, and net of scholarship allowances of \$131,127 and \$124,683 for 2019 and 2018, respectively) (Note 13, 22)	\$ 592,885	-	571,011	-
State fee for service revenue (Note 24)	108,350	-	95,718	-
Grants and contracts (including \$58,054 and \$55,292 of revenues pledged for bonds in 2019 and 2018, respectively) (Note 13)	351,096	-	332,802	-
Sales and services of educational activities	43,296	-	42,923	-
Auxiliary enterprises (including \$169,378 and \$150,476 of revenues pledged for bonds in 2019 and 2018, respectively, and net of scholarship allowances of \$4,695 and \$4,306 for 2019 and 2018, respectively) (Note 13, 22)	203,677	-	193,005	-
Contributions	-	62,897	-	58,636
Other revenues	11,973	4,453	12,122	3,192
Total Operating Revenues	1,311,277	67,350	1,247,581	61,828
Operating Expenses				
Instruction	349,738	-	428,023	-
Research	221,194	-	250,498	-
Public service	137,212	-	144,128	-
Academic support	96,053	-	116,202	-
Student services	62,561	-	74,664	-
Institutional support	64,479	79,154	96,562	122,608
Operation and maintenance of plant	62,137	-	101,249	-
Scholarships and fellowships	36,907	-	31,439	-
Auxiliary enterprises	148,167	-	192,588	-
Depreciation (Note 7)	101,864	23	90,826	17
Total Operating Expenses	1,280,312	79,177	1,526,179	122,625
Operating Income (Loss)	\$ 30,965	(11,827)	(278,598)	(60,797)

COLORADO STATE UNIVERSITY SYSTEM
 Statements of Revenues, Expenses, and Changes in Net Position
 Years ended June 30, 2019 and 2018 (in thousands)

	2019		2018	
	<i>University</i>	<i>Component Units</i>	<i>University</i>	<i>Component Units</i>
Nonoperating Revenues (Expenses)				
State appropriations	\$ 1,800	-	4,568	-
Gifts	51,684	-	82,624	-
Investment income (including \$1,885 and \$1,830 revenues pledged for bonds in 2019 and 2018, respectively) (Note 13)	28,920	31,579	3,792	34,778
Interest expense on capital debt	(46,470)	-	(41,587)	-
Federal nonoperating grants and contracts (including \$1,604 and \$1,597 revenues pledged for bonds in 2019 and 2018, respectively) (Note 13)	46,389	-	45,646	-
State support for PERA pension	4,218	-	-	-
Other revenues (expenses)	4,066	(94)	(14,181)	(2)
Total Nonoperating Revenues	90,607	31,485	80,862	34,776
Income (Loss) before Other Revenues	121,572	19,658	(197,736)	(26,021)
Other Revenues				
Student facility fees (including \$16,170 and \$16,177 of revenues pledged for bonds in 2019 and 2018, respectively, and net of scholarship allowances of \$4,459 and \$4,220 for 2019 and 2018, respectively) (Note 13, 23)	13,787	-	14,027	-
State capital contributions	17,072	-	61,287	-
Capital grants	5,014	-	4,662	-
Capital gifts	20,991	-	53,045	-
Payments from governing boards or other institutions	2,357	-	2,504	-
Additions to permanent endowments	553	-	587	-
Total Other Revenues	59,774	-	136,112	-
Change in net position	181,346	19,658	(61,624)	(26,021)
Net position, beginning of year	304,505	574,981	415,209	601,002
Adjustment for change in accounting principle	-	-	(49,080)	-
Net position, beginning of year	304,505	574,981	366,129	601,002
Net Position, End of Year	\$ 485,851	594,639	304,505	574,981

See accompanying notes to basic financial statements.

COLORADO STATE UNIVERSITY OTHER POSTEMPLOYMENT BENEFITS TRUST

Statements of Changes in Fiduciary Net Position

Years ended June 30, 2019 and 2018 (in thousands)

	2019	2018
Additions		
Employer contributions	\$ 151	2,175
Employee/Member contributions	1,636	1,577
Total contributions	1,787	3,752
Investment income:		
Net increase in fair value of investments	2,722	1,204
Interest and dividends	1,844	1,867
Less investment expense	(216)	(242)
Net investment income	4,350	2,829
Total Additions	\$ 6,137	6,581
Deductions		
Benefit payments	\$ 3,305	3,519
Administrative expense	149	159
Total Deductions	\$ 3,454	3,678
Net Increase in Net Position	\$ 2,683	2,903

Net Position Restricted for Postemployment

Benefits Other Than Pensions

Beginning of year	81,271	78,368
End of Year	\$ 83,954	81,271

COLORADO STATE UNIVERSITY SYSTEM

Statements of Cash Flows

Years ended June 30, 2019 and 2018 (in thousands)

	2019	2018
	<i>University</i>	
Cash Flows from Operating Activities		
Cash received:		
Tuition and fees	\$ 589,785	570,592
Student loans collected	5,498	5,424
Sales of products	23,522	25,029
Sales of services	222,068	212,542
State fee for service revenue	108,350	95,718
Grants and contracts	331,031	310,280
Other operating receipts	13,760	12,204
Cash payments:		
Scholarships disbursed	(32,980)	(27,883)
Student loans disbursed	(702)	(3,528)
Payments to employees	(905,920)	(905,294)
Payments to suppliers	(323,205)	(308,273)
Net Cash Provided by (Used in) Operating Activities	31,207	(13,189)
Cash Flows from Noncapital Financing Activities		
State appropriations - noncapital	1,800	4,568
Gifts and grants for other than capital purposes	49,234	60,849
Agency (direct lending inflows)	293,399	294,689
Agency (direct lending outflows)	(293,876)	(294,709)
Other agency inflows	77,258	78,577
Other agency (outflows)	(74,316)	(79,022)
Payments from governing boards or other institutions	2,357	2,686
Other nonoperating revenues	52,045	50,879
Net Cash Provided by Noncapital Financing Activities	107,901	118,517
Cash Flows from Capital and Related Financing Activities		
Proceeds from capital debt	74,335	10,858
State appropriations - capital	17,071	61,287
Capital grants, contracts, and gifts	22,491	56,663
Proceeds from sale of capital assets	-	522
Acquisition and construction of capital assets	(120,277)	(218,235)
Principal paid on capital debt	(34,816)	(32,370)
Interest on capital debt	(50,160)	(46,961)
Net Cash Used in Capital and Related Financing Activities	\$ (91,356)	(168,236)

COLORADO STATE UNIVERSITY SYSTEM

Statements of Cash Flows

Years ended June 30, 2019 and 2018 (in thousands)

	2019	2018
	<i>University</i>	
Cash flows from Investing Activities		
Proceeds from sale and maturities of investments	\$ 13,763	12,987
Purchase of investments	(317,954)	(13,459)
Investment earnings	16,304	4,046
Net Cash Provided by (Used in) Investing Activities	(287,887)	3,574
Net Decrease in Cash and Cash Equivalents	(240,135)	(59,334)
Cash and cash equivalents	511,993	516,194
Restricted cash and cash equivalents	44,738	99,871
Cash and Cash Equivalents, Beginning of the Year	556,731	616,065
Cash and cash equivalents	272,562	511,993
Restricted cash and cash equivalents	44,034	44,738
Cash and Cash Equivalents, End of the Year	\$ 316,596	556,731
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities		
Operating income (loss)	\$ 30,965	(278,598)
Adjustments:		
Depreciation expense	101,864	90,826
Noncash operating transactions	3,587	5,816
State support for PERA pensions	4,218	-
Decrease (increase) in assets:		
Receivables, net	(28,007)	(24,820)
Inventories and prepaids	(1,834)	12,241
Net other postemployment benefit assets	(5,803)	(19,471)
Deferred outflows pensions	124,409	88,457
Deferred outflows other postemployment benefits	(4,206)	(3,187)
Increase (decrease) in liabilities:		
Accounts payable	6,836	2,354
Accrued liabilities	3,346	(42,810)
Unearned revenue	3,768	7,197
Deposits held for others	872	985
Compensated absences liabilities	1,850	(5,033)
Net pension liabilities	(473,195)	92,409
Net other postemployment benefit liabilities	(23,146)	11,413
Deferred inflows pensions	277,901	31,942
Deferred inflows other postemployment benefits	6,818	1,945
Other liabilities	964	15,145
Net Cash Provided by (Used in) Operating Activities	\$ 31,207	(13,189)

COLORADO STATE UNIVERSITY SYSTEM
 Statements of Cash Flows
 Years ended June 30, 2019 and 2018 (in thousands)

	2019	2018
	<i>University</i>	
Noncash Transactions		
Noncash gifts	\$ 4,805	23,847
Noncash capital leases	1,389	5,048
Noncash additions (deletions) to investments held by Foundation	(97)	24
Unrealized gains (losses) on investments	14,625	(5,798)
Capitalized interest	1,618	2,049
Capital debt refinanced, gain/loss	-	28,934
Noncash bond issuance costs	96	1,147
Amortization of bond premium	5,876	4,515
Amortization of bond issuance costs	-	51
Retainage payable	(1,562)	(6,492)
Amortization of bond refunding	(3,780)	(3,348)
State support for PERA pensions	4,218	-

See accompanying notes to basic financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2019 and 2018

(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, 2019 and 2018.

(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, 2019 and 2018
(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 sources for the Corporation's revenue are management services, applicant advising, and curriculum development. For the fiscal years ended June 30, 2019 and 2018, net income was \$205 thousand and \$368 thousand, 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 eleven voting members. Ten voting members are community members elected by the Board of Directors and the eleventh voting member is the President of the CSU Foundation. The four 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, the CSU Vice President for University Operations, and a member of the University's Board of Governors who holds the position of liaison to the Foundation. 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 CSU Foundation's major sources of revenue are contributions and net investment income. The CSU Foundation had \$59.8 million and \$66.3 million in contributions and \$28.7 million and \$31.3 million in net investment income for the fiscal years ended June 30, 2019 and 2018, respectively. The total support and revenue as of June 30, 2019 and 2018 was \$88.9 million and \$97.7 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 \$67.3 million and \$112.6 million was transferred to CSU for the fiscal years ended June 30, 2019 and 2018, respectively, in pursuit of the above stated objectives.

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements
Years Ended June 30, 2019 and 2018
(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 \$13.5 million and \$13.6 million as of June 30, 2019 and 2018, 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 300 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-eight 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 and net investment returns. The CSU-Pueblo Foundation had \$7.5 million and \$5.9 million in related revenue as of June 30, 2019 and 2018, respectively. The total revenue and support as of June 30, 2019 and 2018 was \$7.6 million and \$5.9 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 \$4.3 million and \$3.9 million in transfers of gifts and other assets to CSU-Pueblo during fiscal years ended June 30, 2019 and 2018, 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

The Colorado State University Other Postemployment Benefits Trust (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. The Trust Administrator transitioned to a new Trustee, Bank New York Mellon, effective July 1, 2019. Members 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 Associate Vice President for Human Capital, and any at-large members that may be appointed by the Administration Committee.

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2019 and 2018

(Amounts expressed in thousands)

(2) Basis of Presentation

For financial reporting purposes, the System is considered a special-purpose government engaged primarily in business-type activities. 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. Investments in mutual funds and money market funds and securities are presented as investments.

(b) Investments

With the implementation of GASB Statement No. 72, *Fair Value Measurement and Application*, the System now provides additional fair value measurements. Investments are reported in the financial statements at fair value, which is determined primarily based on quoted market prices as of fiscal year end. Contract value is used for the guaranteed investment agreement. The System's investment policy permits investments in fixed-income and equity securities. The policy is implemented using individual securities and mutual funds.

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).

(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.

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2019 and 2018

(Amounts expressed in thousands)

(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 self-insurance funds, unexpended bond proceeds, and 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 with the half-year convention method over the estimated useful lives of the assets or intangible assets, generally 10 to 70 years for buildings, 10 to 21 years for land improvements, 10 to 15 years for library materials, 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 to 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 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. Hughes Stadium land held a book value of \$6 thousand and the demolition of Hughes Stadium held a construction in progress balance of \$4.3 million that were moved to assets held for resale for fiscal year ended June 30, 2019. There were no material impairments of capital assets for fiscal year ended June 30, 2018.

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2019 and 2018

(Amounts expressed in thousands)

(f) *Deferred Outflows and Inflows 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 as well as the mark to market valuation of the System's Swap Agreement. For refundings resulting in defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is reported on the Statements of Net Position and amortized as a component of interest expense over the lesser of the remaining life of the old debt or the life of the new debt. With the implementation of GASB Statement No. 83, *Certain Asset Retirement Obligations*, the System now carries a deferred outflow of resources related to assets which have not been fully depreciated that may incur future remediation costs. 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 and deferred inflow of resources related to pensions. With the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the System now carries a deferred outflow of resources and deferred inflow of resources related to OPEB. As applicable, the difference between expected and actual experiences, the difference between projected and actual earnings on pension or OPEB plan investments, the impact on the net pension liability, net OPEB liability, or net OPEB asset resulting from changes in plan related assumptions, the changes in the System's proportionate share of the net pension or OPEB liability, the difference between the proportionate share of the collective contributions and the actual contributions, and contributions paid to PERA and the Trust subsequent to the plan's measurement date are all reported on the Statements of Net Position in relation to a net pension liability, net OPEB liability, or net OPEB asset. All the above-mentioned deferrals are amortized as a component of pension and OPEB expense over varying amounts of time with the exception of contributions paid to PERA and the Trust subsequent to the plan's measurement date which are a component of pension and OPEB expense in the current year.

(g) *Compensated Absences Liabilities*

Employees accrue and vest in annual and sick leave earnings based on their hire date and length of service. Compensated absences and related personnel expenses are recognized based on estimated balances due to employees as of fiscal year end. The value of annual leave liability is computed as the lesser of total days earned but not taken or the maximum amount of days allowed to be paid out based on employment type and university policy, multiplied by the salary rate as well as an additional amount for the State's share of PERA and Medicare as applicable. The value of sick leave liability is computed as the lesser of total days earned but not taken or the maximum amount of days allowed to be paid out based on employment type and university policy, multiplied by the salary rate and the State's estimated retirement rate as well as an additional amount for the State's share of PERA and Medicare as applicable. The amount of compensated absence liabilities that are recorded as a current liability on the Statements of Net Position are a three-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) *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

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2019 and 2018

(Amounts expressed in thousands)

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:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions or the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Foundation.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

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

(i) ***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 primarily include: 1) tuition and fees from students (after reduction for scholarship allowances provided with institutional funds); 2) state fee for service revenues; 3) grants and contracts from federal, state, and local governments, and private sources including businesses, individuals, and foundations; 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 are those not included as operating revenues or other revenues. 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 State appropriations and Federal grants including Pell and bond subsidies. Nonoperating expenses are

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2019 and 2018

(Amounts expressed in thousands)

those not included as operating expenses or other expenses. Nonoperating expenses include interest expense on capital debt.

Other revenues include student facility fees, state capital construction and controlled maintenance appropriations, capital gifts, and grants primarily designated for capital purposes. This classification also includes payments from (to) governing boards or other institutions as well as additions (reductions) to permanent endowments.

(j) 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.

(k) 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.

(l) 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.

(m) Reclassifications

Certain balances as of June 30, 2018 have been reclassified to conform to the presentation of fiscal year 2019 related to the component units of the System. The implementation of the FASB Update ASU 2016-14 required net assets to be classified as net assets without donor restrictions and net assets with donor restrictions, rather than the three previous classifications. In addition, the underwater portion of donor-restricted endowments is now reported as net assets with donor restrictions. As a result, \$1.8 million has been reclassified from net assets without donor restrictions.

(4) Cash and Cash Equivalents

The System deposits a portion of its cash and cash equivalents with the Colorado State Treasurer. 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, 2019, the System had cash on deposit with the State Treasurer of \$276.2 million which represented approximately 3.0 percent of the total \$9.1 billion fair value of deposits in the State Treasurer's Pool (Pool). As of June 30, 2018, the System had cash on deposit with the State Treasurer of \$496.4 million which represented approximately 6.5 percent of the total \$7.6 billion fair value of deposits in the Pool. As of June 30, 2019, the Pool's resources included \$73.7 million of cash on hand and \$9.0 billion of investments.

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.

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2019 and 2018

(Amounts expressed in thousands)

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 Treasurer for the fiscal years ended June 30, 2019 and 2018 was approximately \$7.8 million and \$8.3 million, respectively. These amounts reflect increases in cash and cash equivalents and increases in investment income. The System also records unrealized gains or losses on deposits with the State Treasurer. The System reflected an unrealized gain and an unrealized loss on cash and cash equivalents on deposit with the State Treasurer for the fiscal years ended June 30, 2019 and 2018 of \$1.3 million and \$6.1 million, respectively. The unrealized gain on investment income for the fiscal year ended June 30, 2019 was \$7.4 million and the unrealized loss on investment income for the fiscal year ended June 30, 2018 was \$5.8 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.

As of June 30, 2019 and 2018, the System's book value of cash not on deposit with the State Treasurer was \$40.4 million and \$60.3 million, respectively. Cash not on deposit included petty cash/change funds and bank account balances of \$110 thousand and \$40.3 million as of June 30, 2019 and \$115 thousand and \$60.2 million as of June 30, 2018, respectively. Bank account balances per the bank as of June 30, 2019 and 2018 were \$44.4 million and \$68.5 million, respectively. Of the June 30, 2019 deposits, \$779 thousand were covered by depository insurance and were not exposed to custodial credit risk, and the remaining \$43.6 million were collateralized with securities held by the pledging institution's trust department or agent in the System's name. Of the June 30, 2018 deposits, \$764 thousand were covered by depository insurance and were not exposed to custodial credit risk, and the remaining \$67.7 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.

In June 2008, House Bill 08-1002 authorized the System to establish its own Treasury function, withdrawing funds from the State Treasurer's Pool to invest its operating portfolio internally. In February 2015, the Board approved the formation of the Colorado State University System Treasury. The Board authorized the System to execute investment transactions within the parameters set out in the System's Operating Portfolio Investment Policy Statement in May 2018.

As of June 30, 2019, the System has withdrawn \$280.0 million from the Pool to begin investing in its own treasury investment pool. As of June 30, 2018, the System had not yet withdrawn funds from the Pool.

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, 2019.

Other Postemployment Benefits Trust – Cash and deposits for the Trust as of June 30, 2019 and 2018 was \$517 thousand and \$11.3 million, respectively.

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2019 and 2018

(Amounts expressed in thousands)

(5) Investments

As of June 30, 2019, and 2018, the System's investments had a fair value of \$344.4 million and \$27.8 million, respectively. Of the \$344.4 million and \$27.8 million, \$51.5 million and \$27.1 million were restricted and \$292.9 million and \$654 thousand were unrestricted, respectively. Restricted investments consist of treasury bills, a guaranteed investment contract, and investments held with the CSU Foundation. Unrestricted investments consist of investments held by the CSU System and an interest rate swap agreement. The fair value of the interest rate swap agreement was recorded as a \$5.0 million noncurrent liability as of June 30, 2019 and as a \$654 thousand noncurrent asset as of June 30, 2018. See Note 11 for more information regarding the interest rate swap agreement. Investment earnings consist of land fund interest and unrealized gains/losses, income/loss from investments held by the CSU Foundation, and dividends and gains/losses on investments held by the CSU System, net of expenses. For the fiscal years ended June 30, 2019 and 2018 there was a net investment gain of \$13.4 million and \$202 thousand, respectively.

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 fiscal year end.

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2019 and 2018

(Amounts expressed in thousands)

The following details each major category of the System's investments at fair value as of June 30, 2019 and 2018:

	June 30, 2019			
	Level 1	Level 2	Level 3	Total
U.S. Treasury obligations	\$ 13,828	-	-	13,828
Guaranteed investment contracts	24,191	-	-	24,191
Investments held by the CSU System:				
Mutual funds	176,860	-	-	176,860
Money markets	60,834	-	-	60,834
International equities	55,230	-	-	55,230
	<u>292,924</u>	<u>-</u>	<u>-</u>	<u>292,924</u>
Interest in investments held by CSU Foundation:				
Alternative investments	-	-	13,500	13,500
Total investments	\$ 330,943	-	13,500	344,443

	June 30, 2018			
	Level 1	Level 2	Level 3	Total
U.S. Treasury obligations	\$ 13,513	-	-	13,513
Floating to fixed interest rate swap	-	654	-	654
Interest in investments held by CSU Foundation:				
Alternative investments	-	-	13,596	13,596
Total investments	\$ 13,513	654	13,596	27,763

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2019 and 2018

(Amounts expressed in thousands)

(a) Interest Rate Risk

As of June 30, 2019, the following System investments were subject to interest rate risk:

Type of Investment	Fair Value	Weighted Average Maturity (in years)
U.S. Treasury obligations	\$ 13,828	0.07
Investments held by the CSU System in long-term endowment pool:		
Bond mutual funds	92,495	8.20
Guaranteed investment contracts	<u>24,191</u>	1.25
Investments subject to interest rate risk	<u>\$ 130,514</u>	

As of June 30, 2018, the following System investments were subject to interest rate risk:

Type of Investment	Fair Value	Weighted Average Maturity (in years)
U.S. Treasury obligations	\$ <u>13,513</u>	0.83
Investments subject to interest rate risk	<u>\$ 13,513</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, 2019, investments consisted of various securities carried at fair value as determined by quoted market prices on national exchanges. Some categories, including alternative investments, are valued at the net asset value (NAV) provided by the investment manager. This NAV is computed based on dealer quotations on the fair value of underlying securities,

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2019 and 2018

(Amounts expressed in thousands)

the vast majority of which are traded on national exchanges. The following details each major category of the CSU Foundation's investments at fair value as of June 30, 2019:

	Market	Student Funds	Adjusted Market	Adjusted Market Percent	DHIC
Public equities					
U.S. equities	\$ 88,199	-	88,199	17.45%	2,356
International equities	57,597	-	57,597	11.39%	1,538
Emerging market equities	28,050	-	28,050	5.55%	749
Global equities	84,032	-	84,032	16.62%	2,244
Fixed income	63,489	-	63,489	12.56%	1,695
Other/Global asset allocation	10,452	-	10,452	2.07%	279
Alternatives					
Hedge funds	44,664	-	44,664	8.83%	1,192
Private markets	107,461	-	107,461	21.25%	2,869
Opportunistic investments	10,674	-	10,674	2.11%	285
Short duration	8,279	-	8,279	1.64%	221
Student-managed investments	1,173	(1,173)	-	0.00%	-
Cash	2,678	-	2,678	0.53%	72
Total investments	\$ 506,748	(1,173)	505,575	100.00%	13,500

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2019 and 2018

(Amounts expressed in thousands)

Investment in Certain Entities that Calculate Net Asset Value per Share

Fund Description	June 30, 2019 Fair Value	June 30, 2018 Fair Value	June 30, 2019		
			Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Public equities	\$ 122,855	133,669	-	Daily, monthly, quarterly	2-30 days
Fixed income	29,489	28,342	-	Daily	1-2 days
Hedge funds (multi-strategy)	30,198	29,919	-	N/A, quarterly	N/A, 45-90 days
Hedge Funds (long/short)	14,466	12,849	-	N/A, quarterly	N/A, 45-60 days
Private equity	53,789	40,692	61,762	N/A	N/A
Private debt	43,541	30,135	21,993	N/A, quarterly	N/A, 90 days*
Venture capital	10,131	5,144	6,705	N/A	N/A
Opportunistic investments	10,674	10,539	-	Monthly	30 days
Total	\$ 315,143	291,289	90,460		

*after three year lock-up

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2019 and 2018

(Amounts expressed in thousands)

The following details each major category of the CSU Foundation's investments at fair value as of June 30, 2019 and 2018:

June 30, 2019					
	Level 1	Level 2	Level 3	Net Asset Value	Total
Cash and cash equivalents subject to investment management direction	\$ 2,678	-	-	-	2,678
Public equities:					
United States	88,199	-	-	-	88,199
International	-	-	-	57,597	57,597
Emerging markets	18,176	-	-	9,874	28,050
Global	28,648	-	-	55,384	84,032
Fixed income	34,000	-	-	29,489	63,489
Other/global asset allocation	10,452	-	-	-	10,452
Alternative investments:					
Hedge funds	-	-	-	44,664	44,664
Private markets	-	-	-	107,461	107,461
Short duration	8,279	-	-	-	8,279
Opportunistic investments	-	-	-	10,674	10,674
Student-managed investments	1,173	-	-	-	1,173
Total	\$ 191,605	-	-	315,143	506,748

June 30, 2018					
	Level 1	Level 2	Level 3	Net Asset Value	Total
Cash and cash equivalents subject to investment management direction	\$ 5,784	-	-	-	5,784
Public equities:					
United States	92,377	-	-	-	92,377
International	-	-	-	41,308	41,308
Emerging markets	-	-	-	19,504	19,504
Global	27,184	-	-	72,857	100,041
Fixed income	35,376	-	-	28,342	63,718
Other/global asset allocation	20,361	-	-	-	20,361
Alternative investments:					
Hedge funds	-	-	-	42,768	42,768
Private markets	-	-	-	75,971	75,971
Short duration	15,293	-	-	-	15,293
Opportunistic investments	-	-	-	10,539	10,539
Student-managed investments	1,105	-	-	-	1,105
Total	\$ 197,480	-	-	291,289	488,769

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2019 and 2018

(Amounts expressed in thousands)

Net investment income of the CSU Foundation consisted of the following for the fiscal years ended June 30, 2019 and 2018:

	June 30	
	2019	2018
Interest, dividends, and other income	\$ 7,069	7,201
Net unrealized and realized gain on investments	28,308	29,608
Less investment management fees	(6,106)	(4,818)
	<u>29,271</u>	<u>31,991</u>
Less net investment income on deposits held in custody for CSU	(565)	(679)
Total	\$ 28,706	31,312

The following details each major category of the CSU-Pueblo Foundation's investments at fair value for the fiscal years ended June 30, 2019 and 2018:

	June 30, 2019			
	Level 1	Level 2	Level 3	Total
Marketable equity securities:				
Domestic emphasis	\$ 18,732	-	-	18,732
International emphasis	6,399	-	-	6,399
Marketable debt securities:				
Domestic emphasis	13,217	-	-	13,217
Beneficial interest in charitable trusts held by others	-	-	247	247
Total	\$ 38,348	-	247	38,595

	June 30, 2018			
	Level 1	Level 2	Level 3	Total
Marketable equity securities:				
Domestic emphasis	\$ 19,883	-	-	19,883
International emphasis	5,184	-	-	5,184
Marketable debt securities:				
Domestic emphasis	12,767	-	-	12,767
Master limited partnership	353	-	-	353
Beneficial interest in charitable trusts held by others	-	-	246	246
Total	\$ 38,187	-	246	38,433

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2019 and 2018

(Amounts expressed in thousands)

Net investment return of the CSU-Pueblo Foundation consisted of the following for the fiscal years ended June 30, 2019 and 2018:

	June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Dividend income	\$ 502	1,856	2,358
Interest income	1	5	6
Realized gains - securities	6	21	27
Unrealized gains	116	426	542
SEC settlement fee	7	25	32
Investment expenses	(20)	(72)	(92)
Net investment return	\$ 612	2,261	2,873

	June 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Dividend income	\$ 230	1,702	1,932
Interest income	1	3	4
Realized gains - securities	5	38	43
Unrealized gains	177	1,310	1,487
Net investment return	\$ 413	3,053	3,466

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 minimizing 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.

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2019 and 2018

(Amounts expressed in thousands)

The following details each major category of the Trust's investments at fair value as of June 30, 2019:

June 30, 2019				
	Level 1	Level 2	Level 3	Total
U.S. government securities	\$ 3,805	-	-	3,805
Corporate bonds	9,217	-	-	9,217
Municipal bonds	1,467	-	-	1,467
Asset backed securities	888	-	-	888
Mortgages	8,499	-	-	8,499
Bond mutual funds	10,309	-	-	10,309
Mutual funds	22,366	-	-	22,366
Private equities	-	-	3,244	3,244
Hedge funds	4,267	-	8,775	13,042
Alternative investments	-	-	12,343	12,343
Total	\$ 60,818	-	24,362	85,180

The following details each major category of the Trust's investments at fair value as of June 30, 2018:

June 30, 2018				
	Level 1	Level 2	Level 3	Total
U.S. government securities	\$ 2,829	-	-	2,829
U.S. government agencies	995	-	-	995
Corporate bonds	9,744	-	-	9,744
Municipal bonds	1,001	-	-	1,001
Asset backed securities	777	-	-	777
Mortgages	6,331	-	-	6,331
Mutual funds	20,682	-	-	20,682
Private equities	-	-	2,051	2,051
Hedge funds	5,680	-	8,451	14,131
Alternative investments	-	-	11,553	11,553
Total	\$ 48,039	-	22,055	70,094

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2019 and 2018

(Amounts expressed in thousands)

The following details the Standard & Poor's quality ratings of the fixed income assets of the Trust as of June 30, 2019 and 2018:

June 30, 2019						
Standard & Poor's	U.S. Government Securities	Corporate Bonds	Municipal Bonds	Asset Backet Securities	Bond Mutual Funds	Mortgages-Agencies
AAA	\$ -	-	517	514	-	-
AA	3,805	1,003	674	-	5,109	199
A	-	4,277	276	-	5,200	-
BBB	-	3,694	-	-	-	-
NR	-	243	-	374	-	8,300
Total	\$ 3,805	9,217	1,467	888	10,309	8,499

June 30, 2018						
Standard & Poor's	U.S. Government Securities	U.S. Government Agencies	Corporate Bonds	Municipal Bonds	Asset Backed Securities	Morgages-Agencies
AAA	\$ -	-	117	339	557	-
AA	2,829	995	1,387	505	-	-
A	-	-	4,934	157	-	-
BBB	-	-	3,306	-	-	-
NR	-	-	-	-	220	6,331
Total	\$ 2,829	995	9,744	1,001	777	6,331

The following details the effective weighted average maturity of fixed income investments of the Trust as of June 30, 2019:

June 30, 2019			
	Fair Value Amount	Weighted Average Maturity (in years)	Percent of Fixed Income Assets
U.S. government securities	\$ 3,805	2.6	11.1%
Corporate bonds	9,217	3.1	27.0%
Municipal bonds	1,467	0.3	4.3%
Asset backed securities	888	0.1	2.6%
Bond mutual funds	10,309	10.4	30.1%
Mortgages-agencies	8,499	10.4	24.9%
Total	\$ 34,185		100.00%

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements
Years Ended June 30, 2019 and 2018
(Amounts expressed in thousands)

The following details the effective weighted average maturity of fixed income investments of the Trust as of June 30, 2018:

	June 30, 2018		
	Fair Value Amount	Weighted Average Maturity (in years)	Percent of Fixed Income Assets
U.S. government securities	\$ 2,829	2.6	13.1%
U.S. government agencies	995	0.4	4.6%
Corporate bonds	9,744	2.7	44.9%
Municipal bonds	1,001	0.2	4.6%
Asset backed securities	777	0.1	3.6%
Mortgages-agencies	6,331	1.8	29.2%
Total	\$ 21,677		100.0%

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2019 and 2018

(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	
	2019	2018
Student accounts receivable:	\$ 64,097	56,219
Less allowance for doubtful accounts	(19,437)	(16,215)
Student accounts receivable, net	\$ 44,660	40,004
Student loans receivable:	\$ 24,550	28,437
Less allowance for doubtful accounts	(3,204)	(4,436)
Student loans receivable, net	21,346	24,001
Less current portion	(3,591)	(3,439)
Noncurrent student loans receivable, net	\$ 17,755	20,562
Grant and other accounts receivable:		
Sponsored programs	\$ 89,820	67,910
Commercial receivables	6,049	8,641
Conferences and summer programs	180	203
Insurance trust fund	3,530	77
Receivables from Foundation	5,913	4,756
Athletics	219	169
Capital construction - due from state	1,047	6,472
Self-funded operations	2,059	1,363
Other	14,487	15,844
Total grant and other accounts receivable	123,304	105,435
Less allowance for doubtful accounts	(7,560)	(5,945)
Grant and other accounts receivable, net	\$ 115,744	99,490

Discretely presented component unit – As of June 30, 2019 and 2018, the CSUS Foundation’s receivables are recorded at cost and provisions for doubtful accounts have not been established as all receivables are deemed collectible. For the fiscal year ended June 30, 2019 and 2018, accounts receivable was \$27 thousand and \$373 thousand, respectively.

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2019 and 2018

(Amounts expressed in thousands)

Discretely presented component unit – As of June 30, 2019 and 2018, the CSU Foundation’s pledges receivable consisted of the following:

	June 30	
	2019	2018
Receivables due in less than one year	\$ 14,616	14,197
Receivables due in one to five years	44,042	42,373
Receivables due in more than five years	9,451	10,942
	<u>68,109</u>	<u>67,512</u>
Less allowance for uncollectible pledges	(1,703)	(1,688)
Less present value discounting	(3,453)	(3,728)
	\$ 62,953	62,096

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 30 in the fiscal year in which the commitment is made.

Pledges receivable from two donors as of June 30, 2019 represented approximately 53 percent of net pledges receivable. Pledges receivable from two donors as of June 30, 2018 represented approximately 61 percent of net pledges receivable.

Discretely presented component unit – As of June 30, 2019 and 2018, the CSU-Pueblo Foundation’s unconditional promises to give consisted of the following:

	June 30	
	2019	2018
Restricted for scholarships or other particular purposes	\$ 1,325	383
Less allowance for uncollectible unconditional promises to give	(47)	(15)
Gross unconditional promises to give	1,278	368
Less unamortized discount	(35)	(1)
Net unconditional promises to give	\$ 1,243	367
Amounts due in:		
Less than one year	\$ 523	338
One to five years	720	29
Total	\$ 1,243	367

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 two 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 – Total receivables for the Trust as of June 30, 2019 and 2018 were \$1.8 million and \$3 thousand, respectively.

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2019 and 2018

(Amounts expressed in thousands)

(7) Capital Assets

Following are the changes in capital assets for the fiscal year ended June 30, 2019:

	Balance			Adjustments/	Balance
	June 30, 2018	Additions	Transfers	Deletions	June 30, 2019
Nondepreciable capital assets:					
Land	\$ 41,527	-	3,115	(6)	44,636
Land improvements	2,321	-	-	-	2,321
Construction in progress	182,933	109,052	(199,411)	(4,301)	88,273
Collections	6,000	1,854	-	-	7,854
Total nondepreciable capital assets	232,781	110,906	(196,296)	(4,307)	143,084
Depreciable capital assets:					
Land and leasehold improvements	110,947	-	8,028	-	118,975
Buildings and improvements	2,170,883	107	185,306	295	2,356,591
Software	61,679	1,455	999	(428)	63,705
Equipment	306,759	19,668	1,963	(6,989)	321,401
Library materials	90,197	1,243	-	(193)	91,247
Total depreciable capital assets	2,740,465	22,473	196,296	(7,315)	2,951,919
Less accumulated depreciation:					
Land and leasehold improvements	60,732	4,510	-	-	65,242
Buildings and improvements	631,511	72,396	-	(133)	703,774
Software	59,578	1,493	-	(374)	60,697
Equipment	230,612	22,174	-	(6,619)	246,167
Library materials	83,403	1,291	-	(193)	84,501
Total accumulated depreciation	1,065,836	101,864	-	(7,319)	1,160,381
Net depreciable capital assets	1,674,629	(79,391)	196,296	4	1,791,538
Total capital assets, net	\$ 1,907,410	31,515	-	(4,303)	1,934,622

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	\$ 20,735

The land at Hughes Stadium of \$6 thousand and Hughes Stadium demolition costs held in construction in progress of \$4.3 million have been recorded as assets held for resale as of June 30, 2019.

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2019 and 2018

(Amounts expressed in thousands)

Following are the changes in capital assets for the fiscal year ended June 30, 2018:

	Balance June 30, 2017	Additions	Transfers	Adjustments/ Deletions	Balance June 30, 2018
Nondepreciable capital assets:					
Land	\$ 35,171	-	1,765	4,591	41,527
Land improvements	2,321	-	-	-	2,321
Construction in progress	421,222	212,800	(434,487)	(16,602)	182,933
Collections	5,831	169	-	-	6,000
Total nondepreciable capital assets	464,545	212,969	(432,722)	(12,011)	232,781
Depreciable capital assets:					
Land and leasehold improvements	104,693	-	12,143	(5,889)	110,947
Buildings and improvements	1,776,611	-	418,048	(23,776)	2,170,883
Software	69,393	294	319	(8,327)	61,679
Equipment	295,062	25,404	2,212	(15,919)	306,759
Library materials	89,319	1,058	-	(180)	90,197
Total depreciable capital assets	2,335,078	26,756	432,722	(54,091)	2,740,465
Less accumulated depreciation:					
Land and leasehold improvements	62,452	4,116	-	(5,836)	60,732
Buildings and improvements	589,434	61,207	-	(19,130)	631,511
Software	63,775	2,407	-	(6,604)	59,578
Equipment	222,467	21,655	-	(13,510)	230,612
Library materials	82,142	1,441	-	(180)	83,403
Total accumulated depreciation	1,020,270	90,826	-	(45,260)	1,065,836
Net depreciable capital assets	1,314,808	(64,070)	432,722	(8,831)	1,674,629
Total capital assets, net	\$ 1,779,353	148,899	-	(20,842)	1,907,410

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	\$ 20,735

Interest expense capitalized, net of related interest income for the System, was \$1.6 million and \$2.0 million for the fiscal years ended June 30, 2019 and 2018, respectively.

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2019 and 2018

(Amounts expressed in thousands)

(8) Accrued Liabilities

The current accrued liabilities balances as of June 30, 2019 and 2018 were comprised of:

		June 30	
		2019	2018
Accrued payroll and benefits	\$	20,407	16,544
Accrued interest payable		15,938	15,792
Other liabilities		2,659	3,350
Total	\$	39,004	35,686

(9) Short-Term Obligations

On June 20, 2018, the Board of Governors of the Colorado State University System authorized the issuance of Commercial Paper Notes (Notes) in the aggregate principal amount not to exceed \$50.0 million as part of the Series A (tax-exempt) and Series B (taxable) issuance. The maturity date of any Notes issued may not exceed two hundred and seventy days from the date of issuance and no maturity may be later than March 1, 2037. Pursuant to the Bond Resolution, the obligations are payable solely from net revenues paid in portions by both CSU and CSU-Pueblo, as defined in the bond agreement. The Notes are being used to finance certain projects, as determined by the Board, including but not limited to: the construction, acquisition, renovation, 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 JBS Global Food Innovation Center in Honor of Gary and Kay Smith in Fort Collins; the Residence and Dining Corbett remodel project; the Western Slope CVMBS/Extension Project; 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 (collectively the "Commercial Paper Improvement Projects").

In May 2019, the Board of Governors approved the first amendment to the twelfth supplemental resolution, increasing the aggregate principal amount authorized to be issued from \$50.0 million to \$75.0 million. This increase will be effective beginning fiscal year 2020.

Short-term obligation activity for the year ended June 30, 2019 was as follows:

	Balance			Balance	
	June 30, 2018	Additions	Reductions	June 30, 2019	
Commercial paper by project:					
JBS Global Food Innovation Center	\$ 10,000	6,000	(5,000)	11,000	
Alumni Furniture	-	700	-	700	
Richardson Design Center	-	2,500	-	2,500	
Semester at Sea Building	-	9,200	-	9,200	
Institute for Biological Translational Therapies	-	20,800	-	20,800	
WCRC Orchard Mesa	-	5,000	-	5,000	
Total commercial paper	\$ 10,000	44,200	(5,000)	49,200	

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2019 and 2018

(Amounts expressed in thousands)

(10) Noncurrent Liabilities

Noncurrent liability activity for the fiscal year ended June 30, 2019 was as follows:

	Balance			Balance	Amounts
	June 30, 2018	Additions	Reductions	June 30, 2019	Due Within
					One Year
Bonds, COPs, notes, and capital leases:					
Revenue bonds and COPs payable	\$ 1,144,465	30,420	(33,038)	1,141,847	27,619
Notes from direct placements	66,655	-	-	66,655	-
Total bonds, COPs, and notes	1,211,120	30,420	(33,038)	1,208,502	27,619
Capital leases payable	19,526	1,790	(3,056)	18,260	2,342
Total bonds, COPs, notes, and capital leases	1,230,646	32,210	(36,094)	1,226,762	29,961
Other liabilities:					
Deposits held for others	26,509	225,292	(221,752)	30,049	7,337
Other	22,709	21,721	(20,740)	23,690	1,958
Interest rate swap agreement	-	5,029	-	5,029	-
Compensated absences	52,943	1,890	(39)	54,794	3,365
Total noncurrent liabilities	\$ 1,332,807	286,142	(278,625)	1,340,324	42,621

Noncurrent liability activity for the fiscal year ended June 30, 2018 was as follows:

	Balance			Balance	Amounts
	June 30, 2017	Additions	Reductions	June 30, 2018	Due Within
					One Year
Bonds, COPs, notes, and capital leases:					
Revenue bonds and COPs payable	\$ 1,148,100	421,405	(425,040)	1,144,465	25,911
Notes from direct placements	66,655	-	-	66,655	-
Total bonds, COPs, and notes	1,214,755	421,405	(425,040)	1,211,120	25,911
Capital leases payable	17,898	4,797	(3,169)	19,526	2,689
Total bonds, COPs, notes, and capital leases	1,232,653	426,202	(428,209)	1,230,646	28,600
Other liabilities:					
Deposits held for others	26,296	227,613	(227,400)	26,509	7,127
Other	7,162	22,210	(6,663)	22,709	5,600
Compensated absences	57,976	293	(5,326)	52,943	3,284
Total noncurrent liabilities	\$ 1,324,087	676,318	(667,598)	1,332,807	44,611

Deposits held for others are funds held by the System on behalf of third parties for which the System has not yet provided goods or services. These monies are not the property of the System and therefore are recorded as liabilities on the Statements of Net Position. As of June 30, 2019 and 2018, deposits held for

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2019 and 2018

(Amounts expressed in thousands)

others were comprised of funds related to self-insurance plans, housing, student accounts, health services, agency deposits, and other campus deposits.

Other noncurrent liabilities of the System are those not included in any other liability classification on the Statements of Net Position and are immaterial to the System in dollar value or nature. Other noncurrent liabilities are comprised of unspent debt cost of issuance dollars, workers' compensation and insurance claims discussed in Note 19, and the major activities described below.

With the expiration of the authority of institutions to disburse Perkins loans, the System is required to return the Federal share of funds to the Department of Education. The Perkins Loan Revolving Fund will be liquidated as funds are collected from the loan recipients. For award year 2018-19, the Department of Education has decided not to require the liquidation and return of funds. In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, the System carries a liability on the Statements of Net Position. As a result of the Department of Education's decision, the Federal share of loans collected during the fiscal year ended June 30, 2019 has been recorded as an increase to the liability. As of June 30, 2019 and 2018, the System's liabilities were \$17.5 million and \$16.3 million, respectively.

With the implementation of GASB Statement No. 83, *Certain Asset Retirement Obligations*, the System carries a liability related to the obligations that will be incurred during the retirement of assets with complex environmental impacts. The System has three types of obligations which include radiation detection, radiation sources and laboratory equipment utilized with radiation. These items are regulated by the State of Colorado Department of Public Health and Environment, as well as the Federal Nuclear Regulatory Commission that covers all radioactive materials. The System is in compliance with State regulations and has estimated decommissioning costs in its last financial assurance. The methods and assumptions for estimating the liability are based on calculations for closing laboratories, decontaminating laboratories, and decommissioning equipment. All assets related to the liability are fully depreciated, with the exception of two assets that have remaining useful lives of up to 30 months and are recorded as deferred outflows of resources on the Statements of Net Position. As June 30, 2019, the System's liability was \$1.5 million.

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

The revenue bonds and notes from direct placements consist of multiple issues to finance the acquisition, construction, repair, and equipping of various academic, auxiliary, and research facilities of the System. Debt service payments on the revenue bonds and notes from direct placements 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 and notes from direct placements 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 November 29, 2018, the System issued \$30.4 million in Taxable System Enterprise Revenue Bonds, Series 2018 A to finance the construction of an approximately 38,000 gsf Center for Vector-borne Infectious Diseases (CVID) facility on the Foothills Campus to house faculty and research infrastructure, functional research laboratories, insectary and office space; finance a portion of the JBS Global Food Innovation Center addition to Animal Sciences; and pay certain costs relating to the issuance of the Series 2018 A Bonds.

On October 2, 2017, the System issued \$117.6 million in System Enterprise Revenue Refunding Bonds, Series 2017 A, B to advance refund a portion of the Board's Series 2012 A Bonds, a portion of the Board's Series 2013 C Bonds, and to pay the costs of issuing the Series 2017 A, B Bonds.

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2019 and 2018

(Amounts expressed in thousands)

On December 20, 2017, the System issued \$204.7 million in System Enterprise Revenue Refunding Bonds, Series C, D to advance refund fully the Board's Series 2013 C Bonds, a portion of the Series 2013 E Bonds, a portion of the Series 2015 A Bonds, a portion of the Series 2015 E-1 Bonds, a portion of the Series 2015 E-2 Bonds, and to pay the costs of issuing the Series 2017 C, D Bonds.

On December 28, 2017, the System issued \$55.5 million in System Enterprise Revenue Refunding Bonds, Series E, F to advance refund a portion of the Series 2015 A Bonds, a portion of the Series 2015 E-1 Bonds and to pay the costs of issuing the Series 2017 E, F Bonds.

A general description of each bond and direct placement issue, original issuance amount, and the amount outstanding as of June 30, 2019 and 2018 is detailed below.

Revenue bonds, COPs payable and notes from direct placements consisted of the following as of June 30, 2019 and 2018:

		June 30	
	Interest Range	2019	2018
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%	\$ 760	790
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%	3,720	7,260
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

Notes to Basic Financial Statements

Years Ended June 30, 2019 and 2018

(Amounts expressed in thousands)

		June 30	
	Interest Range	2019	2018
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. \$102.1 million advance refunded on 2017 A.	2.000% -5.000%	\$ 15,060	17,675
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%	47,025	48,815
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%	154,940	160,395
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%	1,810	3,585
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%	5,495	5,990
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. \$117.9 million advance refunded on 2017 C.	3.000% -5.000%	12,135	14,820
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. \$9.4 million advance refunded on 2017 D and \$17.3 million advance refunded on 2017 F.	4.000% -5.000%	108,055	108,055

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2019 and 2018

(Amounts expressed in thousands)

		June 30	
	Interest Range	2019	2018
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%	65,765	66,835
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 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. \$33.3 million advance refunded on 2017 C and \$31.8 million advance refunded on 2017 E.	5.000%	31,360	31,360
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. \$30.3 million advance refunded on 2017 C.	5.000%	11,790	11,790
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%	9,825	12,680
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%	3,775	4,445
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%	61,005	63,300

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2019 and 2018

(Amounts expressed in thousands)

		June 30	
	Interest Range	2019	2018
Colorado State University System Enterprise Revenue Refunding Bonds of 2017 A, issued in the original amount \$103.8 million and mature in varying annual amounts to March 2044.	2.000%-5.000%	\$ 103,150	103,310
Colorado State University System Enterprise Revenue Refunding Bonds of 2017 B, issued in the original amount of \$13.8 million and mature in varying annual amounts to March 2044.	2.000%-5.000%	13,630	13,715
Colorado State University System Enterprise Revenue Refunding Bonds of 2017 C, issued in the original amount of \$185.2 million and mature in varying annual amounts to March 2047.	2.500%-5.000%	182,490	182,490
Colorado State University System Enterprise Revenue Refunding Bonds of 2017 D, issued in the original amount of \$19.5 million and mature in varying annual amounts to March 2039.	2.000%-5.000%	19,085	19,200
Colorado State University System Enterprise Revenue Refunding Bonds of 2017 E, issued in the original amount of \$35.8 million and mature in varying annual amounts to March 2043.	2.000%-5.000%	35,165	35,255
Colorado State University System Enterprise Revenue Refunding Bonds of 2017 F, issued in the original amount of \$19.7 million and mature in varying annual amounts to March 2045.	2.000%-5.000%	19,360	19,410
Colorado State University System Enterprise Revenue Bonds of 2018 A, issued in the original amount of \$30.4 million and mature in varying annual amounts to March 2033.	2.610%-4.232%	29,170	-
Unamortized bond premium/discount		99,266	105,143
Total System Bonds		\$ 1,206,891	1,209,373

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements
 Years Ended June 30, 2019 and 2018
 (Amounts expressed in thousands)

		June 30	
	Interest Range	2019	2018
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%	\$ 1,611	1,747
Total System Bonds and Certificates of Participation		\$ 1,208,502	1,211,120

The scheduled maturities of the revenue bonds, COPs and notes from direct placements as of June 30, 2019 are as follows:

	Bonds and COPs		Notes from		Total	Total
	Principal	Interest	Direct Placements			
			Principal	Interest		
2020	\$ 27,619	47,531	-	1,279	27,619	48,810
2021	29,927	46,285	-	1,276	29,927	47,561
2022	30,160	45,138	-	1,276	30,160	46,414
2023	31,588	43,849	-	1,276	31,588	45,125
2024	32,088	42,451	1,005	1,273	33,093	43,724
2025-2029	174,074	188,124	8,310	5,979	182,384	194,103
2030-2034	203,080	142,758	19,495	4,655	222,575	147,413
2035-2039	217,730	91,247	12,945	3,051	230,675	94,298
2040-2044	163,915	47,287	14,830	1,740	178,745	49,027
2045-2049	68,825	20,171	10,070	325	78,895	20,496
2050-2054	51,880	9,005	-	-	51,880	9,005
2055	11,695	482	-	-	11,695	482
Total debt service						
maturities	1,042,581	724,328	66,655	22,130	1,109,236	746,458
Unamortized bond premium/discount	99,266	-	-	-	99,266	-
Total	\$ 1,141,847	724,328	66,655	22,130	1,208,502	746,458

The System Enterprise Revenue Bonds and Notes from Direct Placements are secured by a pledge of 10 percent of all net tuition 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 13 for more information regarding these pledged revenues. The Revenue Bonds and Notes from Direct Placements 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, 2019 and 2018.

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2019 and 2018

(Amounts expressed in thousands)

State of Colorado Certificates of Participation

In fiscal year ended 2008, State of Colorado Senate Bill 08-218 made Federal Mineral Leasing (FML) monies available for capital construction at institutions of higher education. FML money is derived from ongoing leasing and production activities on federal lands within Colorado, and approximately half of these payments go to the State of Colorado. The State used part of this money on November 6, 2008 and issued Certificates of Participation (COPs) to support some higher education construction and maintenance projects. The System received \$2.0 million for renovations to the Clark Building in Fort Collins, \$22.0 million for renovations to the library building in Pueblo and \$554 thousand for security upgrades in Pueblo. The State of Colorado is responsible for making the principal and interest payments on the COPs.

On March 22, 2018, the State issued State of Colorado National Western Center Lease Purchase Financing Program Certificates of Participation, Series 2018 A (Tax-Exempt) and Series 2018 B (Taxable) with a par amount of \$50.7 million and \$81.4 million, respectively. The 2018 A certificates have an interest rate of 5.0 percent and mature in September 2033. The 2018 B certificates have interest rates ranging from 2.332 to 4.047 percent and mature in September 2038. Annual lease payments are made by the State and are subject to annual appropriations by the Legislature. As a result, this liability is recognized by the State and not included in the System's financial statements.

The certificates are secured by the buildings or equipment acquired with the lease proceeds and any unexpended lease proceeds. The proceeds will be used to fund various projects at the National Western Center in Denver, Colorado (CSU Water Resource Center), and affiliated facilities for the System at the Fort Collins campus (Equine Veterinary Teaching Hospital and Institute for Biological and Translational Therapies). The underlying capitalized assets will be contributed to the System from the State. The System has started construction of the buildings and has completed and capitalized \$29.6 million and has \$30.5 million capitalized as work in progress.

In fiscal year 2017, State of Colorado Senate Bill 17-267 made monies available for capital construction projects. The State is authorized to issue Certificates of Participation up to a maximum \$2.0 billion, in \$500.0 million increments over a four-year period starting in fiscal year 2019. On September 26, 2018, the State issued \$500.0 million of State of Colorado Rural Colorado Certificates of Participation, Series 2018 A with a par value of \$500.0 million. These Certificates of Participation are secured by eligible state buildings. The System received \$2.2 million for the repair or replacement of the Moby Arena HVAC system in Fort Collins, \$2.0 million to replace/repair walls at Pickett Equine Center in Fort Collins, \$2.0 million to repair the exterior enclosure on the Industrial Sciences Building in Fort Collins, \$1.2 million to upgrade campus fire systems in Pueblo, \$1.1 million to replace obsolete building automation control centers (multiple buildings) in Fort Collins, \$1.0 million to replace electrical services at the Foothills Campus, \$890 thousand to install a campus security system in Pueblo, \$828 thousand to replace the roof on the Glover Building in Fort Collins, and \$1.6 million for other small projects. The State of Colorado is responsible for making the principal and interest payments on the COPs.

Interest Rate Swap Agreement

On January 16, 2018, the System entered into a floating to fixed interest rate swap agreement (Swap Agreement) in connection with the Series 2015 D System Enterprise Revenue Bonds (Notes from Direct Placements). The Swap Agreement was entered into with the objective of protecting against the potential rising of interest rates. The Swap Agreement had a notional value of \$66.7 million and a negative fair value of \$5.0 million as of June 28, 2019. The fair value of the Swap Agreement was recorded as a noncurrent liability and a deferred outflow of resources as of fiscal year ended June 30, 2019. The Swap Agreement had a notional value of \$66.7 million and a fair value of \$654 thousand as of June 29, 2018. The fair value of the Swap Agreement was recorded as a noncurrent asset and a deferred inflow of resources as of fiscal

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements
Years Ended June 30, 2019 and 2018
(Amounts expressed in thousands)

year ended June 30, 2018. The Swap Agreement has an effective date of July 1, 2019 and a termination date of March 1, 2047.

The Swap Agreement provides for certain payments by The Royal Bank of Canada (RBC) equal to the difference between the fixed rate of 1.91390 percent payable by the System and 70 percent of one-month UDS-LIBOR-BBA, payable by RBC. RBC, counterparty to the Swap Agreement, determined the fair value as of June 28, 2019 using a discounted forecasted cash flow.

There can be risks inherent to interest rate swaps that the System addressed and monitors pursuant to entering into interest rate Swap Agreements:

Termination Risk

Termination Risk is the need to terminate the transaction in a market that dictates a termination payment by the System. It is possible that a termination payment is required in the event of termination of a Swap Agreement due to a counterparty default. In general, exercising the right to optionally terminate an agreement should produce a benefit to the System, either through receipt of a payment from a termination, or if a termination payment is made by the System, a conversion to a more beneficial debt instrument or credit relationship.

Credit Risk

Credit Risk is the risk that the counterparty will not fulfill its obligations. The System considers the Swap Agreement counterparty's (RBC) credit quality rating and whether the counterparty can withstand continuing credit market turmoil. As of June 30, 2019, RBC's credit rating is rated A2 by Moody's and A- by S&P.

The Swap Agreement contract contains a credit support annex that allows for collateral to be posted if the market value threshold exceeds \$20.0 million at both parties' current credit rating or \$10.0 million if the parties credit rating falls to A2/A.

Basis Index Risk

Basis Index Risk arises as a result of movement in the underlying variable rate indices that may not be in tandem, creating a cost differential that could result in a net cash outflow from the System. Basis Index Risk can also result from the use of floating, but different, indices.

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2019 and 2018

(Amounts expressed in thousands)

As of June 30, 2019, the aggregate notes from direct placements payments and net swap cash payments, assuming current interest rates remain the same, for their term are reflected below:

Future Revenue Bonds and Net Swap Minimum Payments				
Year Ending June 30	Principal	Interest	Total Debt Service	Support Fee
2020	\$ -	1,279	1,279	281
2021	-	1,276	1,276	280
2022	-	1,276	1,276	280
2023	-	1,276	1,276	280
2024	1,005	1,273	2,278	279
2025-2029	8,310	5,979	14,289	1,312
2030-2034	19,495	4,655	24,150	1,022
2035-2039	12,945	3,051	15,996	669
2040-2044	14,830	1,740	16,570	382
2045-2047	10,070	325	10,395	71
Total Debt Service	\$ 66,655	22,130	88,785	4,856

(12) Defeased Obligations

There were no new refunding bond issuances or defeased obligations during the fiscal year ended June 30, 2019. Prior to fiscal year 2019, the System issued System Enterprise Revenue Refunding Bonds, Series 2017 A, B, C, D, E, and F in fiscal year 2018; System Enterprise Revenue and Refunding Bonds, Series 2016 B in fiscal year 2017; System Enterprise Revenue Refunding Bonds, Series 2015 C in fiscal year 2015; System Enterprise Revenue Refunding Bonds, Series 2013 A and B in fiscal year 2013; System Enterprise Revenue Refunding Bonds, Series 2012 B and C in fiscal year 2012; and System Enterprise Refunding Revenue Bonds, Series 2007 B in fiscal year 2008. The escrow deposits from Series 2017 A, B, C, D, E, and F, Series 2016 B, Series 2015 C, and Series 2013 A and 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. As a result, the refunded bonds 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 (COPs) 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 and B, and fully refunded on 2016 B); System Enterprise Revenue Bonds, Series 2007 B (partially refunded on 2015 C and partially refunded on 2016 B) System Enterprise Revenue Bonds, Series 2008 (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 partially refunded on 2015 C).

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2019 and 2018

(Amounts expressed in thousands)

System Enterprise Revenue Bonds, Series 2007 C (partially refunded on 2013 B); System Enterprise Revenue Bonds, Series 2012 A (partially refunded on 2017 A); System Enterprise Revenue Bonds Series 2013 C (partially refunded on Series 2017 B and fully refunded on Series 2017 D); System Enterprise Revenue Bonds Series 2013 E (partially refunded on Series 2017 C); System Enterprise Revenue Bonds Series 2015 A (partially refunded on Series 2017 D and partially refunded on Series 2017 F); System Enterprise Revenue Bonds Series 2015 E-1 (partially refunded on Series 2017 C and partially refunded on Series 2017 E); and System Enterprise Revenue Bonds, Series 2015 E-2 (partially refunded on Series 2017 C) were also refunded and have remaining defeased obligations as of June 30, 2019 as follows:

	Original Amount Refunded	Balance June 30, 2019
CSU System Enterprise Revenue Bonds, Series 2007 C	\$ 14,500	3,925
CSU System Enterprise Revenue Bonds, Series 2012 A	102,125	102,125
CSU System Enterprise Revenue Bonds, Series 2013 C	18,610	18,610
CSU System Enterprise Revenue Bonds, Series 2013 E	117,870	117,870
CSU System Enterprise Revenue Bonds, Series 2015 A	26,675	26,675
CSU System Enterprise Revenue Bonds, Series 2015 E-1	65,130	65,130
CSU System Enterprise Revenue Bonds, Series 2015 E-2	30,335	30,335
Total	\$ 375,245	364,670

(13) 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 System Enterprise Revenue Bonds, Revenue Refunding Bonds, Notes from Direct Placements, and Commercial Paper are pledged by ten percent of 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, revenues derived from auxiliaries as defined by bond resolutions, including Canvas Stadium, and federal bond subsidies. The pledged revenues and related expenses were as follows:

	June 30	
	2019	2018
Gross auxiliary facility and student fee revenue	\$ 215,757	191,686
Less auxiliary facility and student fee operating expenses	140,963	132,502
Net auxiliary facility and student fee revenue	74,794	59,184
Other pledged revenue:		
10% of tuition	\$ 52,742	50,358
Indirect cost recoveries	58,054	55,292
Research facilities	3,593	3,652
Investment income	1,885	1,830
Bond subsidies	1,604	1,597
Net other pledged revenue	117,878	112,729
Total net pledged revenue	\$ 192,672	171,913

These debt obligations 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

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2019 and 2018

(Amounts expressed in thousands)

with various other covenants while the debt is outstanding. Management of the two institutions believe the universities have met all debt service coverage ratios and have complied with all bond covenants.

(14) 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.

Fiscal year ending June 30:	Total
2020	\$ 2,823
2021	2,417
2022	2,083
2023	1,842
2024	1,535
2025-2029	9,808
2030-2034	30
Minimum future lease payments	20,538
Less amount representing interest	2,278
Present value of minimum lease payments	\$ 18,260

Capital lease agreements have been utilized to provide for the use of property and equipment. As of June 30, 2019 and 2018, respectively, the System had capital lease obligations in effect with capitalized asset costs of \$23.8 million and \$25.3 million; accumulated depreciation of \$7.1 million for both years; and related outstanding liabilities of \$18.3 million and \$19.5 million.

(15) 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.

Fiscal year ending June 30:	Total
2020	\$ 3,345
2021	2,042
2022	1,996
2023	1,385
2024	1,114
2025-2029	3,861
2030-2034	98
Total	\$ 13,841

Rent expense was \$3.5 million for the fiscal year ended June 30, 2019 and \$3.4 million for the fiscal year ended June 30, 2018.

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

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements
Years Ended June 30, 2019 and 2018
(Amounts expressed in thousands)

annual rent of the lease is \$100; however, CSU-Pueblo pays the annual costs of maintenance and upkeep for the lease premises.

(16) 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 23-31-118 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 veterinary medicine program funds such as pari-mutuel receipts and expenses related to horse racing. Part 10 of Colorado Revised Statute Article 23-31 enacted the Veterinary Education Loan Repayment Program. The program repays educational loans on behalf of select veterinarians practicing in rural areas where veterinary needs are not currently being met. 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.

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2019 and 2018

(Amounts expressed in thousands)

Total restricted net position was as follows:

	June 30	
	2019	2018
Restricted for nonexpendable purposes:		
Scholarships, research and other	\$ 13,426	13,506
Endowment/Land grant	14,423	13,790
Total	\$ 27,849	27,296
Restricted for expendable purposes:		
Endowment/Land grant	\$ 1,443	1,531
Student loans	11,900	11,499
Colorado Water Institute	314	284
Sponsored programs	28	-
Gifts	1,475	2,674
Plant fund transfers not capitalized	5,510	3,313
PVM federal and state restrictions	822	724
Colorado State Forest Service legislative funds	9,931	9,645
Workstudy	228	209
Reserves required by third party	1,232	-
Other	147	-
Total	\$ 33,030	29,879

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.

Discretely presented component unit – In regard to the net position of the CSUS Foundation, all net position is classified as unrestricted. As of June 30, 2019 and 2018, the CSUS Foundation has unrestricted net position of \$1.4 million and \$1.2 million, respectively.

Discretely presented component unit – The CSU Foundation's net assets without donor restriction consist of undesignated and board designated funds. The board designated net assets are comprised of a securities reserve, charitable gift annuity reserve and quasi-endowments. The CSU Foundations net assets with donor restrictions are restricted for use by CSU colleges and programs and for a permanent source of income. As of June 30, 2019 and 2018, the CSU Foundation's Board has designated \$36.5 million and \$33.6 million, respectively, of the net assets without donor restrictions to be used for board-designated endowments.

Discretely presented component unit – The CSU-Pueblo Foundation's net assets without donor restriction consist of undesignated and board-designated funds. For both fiscal years ended June 30, 2019 and 2018, CSU-Pueblo Foundation's Board has designated \$1.9 million of these funds to be used for an operating reserve for subsequent years' expense, special project awards, and University personnel discretionary funds. The CSU-Pueblo Foundation's net assets with donor restrictions consist of funds subject to expenditure for a specified purpose or time, namely related to academic support and scholarships, and endowments subject to the CSU-Pueblo Foundation endowment spending policy and appropriation.

Other Postemployment Benefits Trust – 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, 2019 and 2018, the Trust has net position restricted for postemployment benefits other than pensions of \$84.0 million and \$81.3 million, respectively.

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2019 and 2018

(Amounts expressed in thousands)

(17) Commitments

Outstanding purchase order commitments against future funds not reflected in the financial statements as of June 30, 2019 were \$101.7 million. These outstanding purchase order commitments included \$34.3 million of System capital construction commitments. CSU capital construction commitments included approximately \$6.6 million for the National Western Water Resources Center, \$4.6 million for the National Western Center Animal Health Building, \$3.0 million for the Center for Vector-Borne Infectious Disease, \$1.9 million for the Meridian Village Redevelopment, \$1.7 million for the Equine Veterinary Teaching Hospital, \$1.4 million for the CSU Center at the National Western Center, and \$1.4 million for the LSC West Lawn Lagoon and Detention Pond. CSU-Pueblo capital construction commitments included \$1.1 million for the Psychology Building Renovation & Addition. The remaining capital construction commitments were for other small projects at CSU and CSU-Pueblo. Of the remaining noncapital purchase order commitments, approximately \$37.3 million were related to CSU sponsored contracts and grants.

In addition to purchase order commitments, CSU has contracted obligations of \$47.2 million at June 30, 2019 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 as of June 30, 2019

Purchase order commitments	\$	101,652
Shared cost obligations on long-term revenue contracts		10,103
Obligations under accepted employment offers		37,067
Total	\$	148,822

(18) 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 of Colorado (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, 2019 and 2018 was approximately \$697.1 million and \$670.6 million, respectively. Payroll for employees covered by the SDTF plan, the DCP plan, and the SERP plan was approximately \$162.6 million, \$445.6 million, and \$14.7 million, respectively, for the fiscal year ended June 30, 2019 and \$159.0 million, \$430.8 million, and \$16.7 million, respectively, for the fiscal year ended June 30, 2018. The remaining employees were not eligible for participation in any of the System's plans.

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2019 and 2018

(Amounts expressed in thousands)

(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 plan 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.

The Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. A brief description of some of the major changes to plan provisions required by SB 18-200 for the SDTF are listed below. A full copy of the bill can be found online at www.leg.colorado.gov.

- Increases employer contribution rates for the SDTF by 0.25 percent on July 1, 2019.
- Increases employee contribution rates for the SDTF by a total of 2.0 percent (to be phased in over a period of three years starting on July 1, 2019).
- As specified in C.R.S. § 24-51-413, the State is required to contribute \$225.0 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SDTF based on the proportionate amount of annual payroll of the SDTF to the total annual payroll of the SDTF, School Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund.
- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, increases the highest average salary for employees with less than five years of service credit on December 31, 2019, and raises the retirement age for new employees.
- Member contributions, employer contributions, the direct distribution from the State, and the annual increases will be adjusted based on certain statutory parameters beginning July 1, 2020, and then each year thereafter, to help keep PERA on path to full funding in 30 years.
- Expands eligibility to participate in the PERA DC Plan to certain new members of the State Division hired on or after January 1, 2019, who are classified State College and University employees. Beginning January 1, 2021, and every year thereafter, employer contribution rates for the SDTF will be adjusted to include a defined contribution supplement based on the employer contribution amount paid to defined contribution plan participant accounts that would have otherwise gone to the defined benefit trusts to pay down the unfunded liability plus any defined benefit investment earnings thereon.

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2019 and 2018

(Amounts expressed in thousands)

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 provisions 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 (CAFR) 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 100.0 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 100.0 percent of highest average salary and also 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 50.0 percent or 100.0 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.

As of December 31, 2018, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments in certain years, referred to as annual increases in the C.R.S. Pursuant to SB 18-200, there are no annual increases (AI) for 2018 and 2019 for all benefit recipients. Thereafter, benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007, will receive an annual increase, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 1.5 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007, will receive the lesser of an annual increase of 1.5 percent or the average CPI-W for the prior calendar year, not to exceed 10.0 percent of PERA's Annual Increase Reserve (AIR) for the SDTF. The automatic adjustment provision may raise or lower the aforementioned AI for a given year by up to one-quarter of 1.0 percent based on the parameters specified C.R.S. § 24-51-413. 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.

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.

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2019 and 2018

(Amounts expressed in thousands)

Contributions

Eligible employees, the System, and the State are required to contribute to the SDTF at a rate set by Colorado statute. The contribution requirements for the SDTF are established under C.R.S. § 24-51-401, *et seq.* and § 24-51-413. Employee contribution rates for the period of July 2018 through June 2019 are summarized in the table below:

	July 1, 2018 through December 31, 2018	January 1, 2019 through June 30, 2019
Employee contribution	8.00%	8.00%

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

The employer contribution requirements for all employees are summarized in the table below:

	Fiscal Year 2018		Fiscal Year 2019	
	CY17	CY18	CY19	
	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	5.00%	5.00%	5.00%	5.00%
Supplemental Amortization Equalization Disbursement (SAED) ²	5.00%	5.00%	5.00%	5.00%
Total employer contribution rate to the SDTF	19.13%	19.13%	19.13%	19.13%

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

²As specified in C.R.S. § 24-51-411.

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

As specified in C.R.S. § 24-51-413, the State is required to contribute \$225.0 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SDTF based on the proportionate amount of annual payroll of the SDTF to the total annual payroll of the SDTF, School Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund.

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 for the fiscal years ended June 30, 2019, 2018 and 2017, included the 1.02 percent apportioned to the Health Care Trust Fund of \$1.7 million, \$1.6 million, and \$1.6 million, respectively, and totaled \$37.6 million, \$32.5 million, and \$30.5 million, respectively.

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2019 and 2018

(Amounts expressed in thousands)

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

The net pension liability for the SDTF was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll-forward the total pension liability to December 31, 2018. The System proportion of the net pension liability was based on System contributions to the SDTF for the calendar year 2018 relative to the total contributions of participating employers and the State as a nonemployer contributing entity for participating employers of the SDTF that are outside of the State's financial reporting entity.

As of fiscal years ended June 30, 2019 and 2018, the System reported a liability of \$611.6 million and \$1.1 billion, respectively, for its proportionate share of the net pension liability.

At December 31, 2018, the System proportion was 5.37 percent, which was a decrease of 0.05 percent from its proportion measured as of December 31, 2017.

The System has no legal obligation to fund this liability, 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, 2019 and 2018, the System recognized pension expense of negative \$34.9 million and \$243.8 million, respectively. This included \$4.2 million in State support for PERA pension as of fiscal year ended June 30, 2019.

The System reported deferred outflows of resources related to pensions from the following sources:

	June 30	
	2019	2018
Difference between expected and actual experience	\$ 17,488	16,914
Changes of assumptions or other inputs	32,201	188,353
Net difference between projected and actual earnings on pension plan investments	30,890	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	1,234	1,492
Contributions subsequent to the measurement date	15,756	15,219
Total	\$ 97,569	221,978

The System reported deferred inflows of resources related to pensions from the following sources:

	June 30	
	2019	2018
Changes of assumptions or other inputs	\$ 315,796	-
Net difference between projected and actual earnings on pension plan investments	-	40,856
Changes in proportion and differences between contributions recognized and proportionate share of contributions	5,741	2,780
Total	\$ 321,537	43,636

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements
 Years Ended June 30, 2019 and 2018
 (Amounts expressed in thousands)

\$15.8 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 during the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal year ending June 30	Total
2020	\$ (113,556)
2021	(144,601)
2022	1,517
2023	16,916
Total	\$ (239,724)

Actuarial Assumptions

The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

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	4.72%
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 (automatic)	2.00% compounded annually
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

The revised assumptions shown below were reflected in the roll-forward calculation of the total pension liability from December 31, 2017 to December 31, 2018:

Discount rate	7.25%
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 (automatic)	0.00% through 2019 and 1.50% compounded annually, thereafter
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements
Years Ended June 30, 2019 and 2018
(Amounts expressed in thousands)

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 70.0 percent factor applied to male rates and a 55.0 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 73.0 percent factor applied to rates for ages less than 80, a 108.0 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 78.0 percent factor applied to rates for ages less than 80, a 109.0 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was based on 90.0 percent of the RP-2014 Disabled Retiree Mortality Table.

The actuarial assumptions used in the December 31, 2016, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting.

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.

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 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.

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements
 Years Ended June 30, 2019 and 2018
 (Amounts expressed in thousands)

As of the most recent adoption of the long-term expected rate of return by the PERA Board, the target asset 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	30 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 7.25 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- 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 3.5 percent.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including scheduled increases in SB 18-200. 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 for each year, including the scheduled increase in SB 18-200. Employer contributions also include current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103.0 percent, at which point, the AED and SAED will each drop 0.5 percent every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care 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.
- As specified in law, the State will provide an annual direct distribution of \$225.0 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial,

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements
 Years Ended June 30, 2019 and 2018
 (Amounts expressed in thousands)

and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.

- Employer contributions and the amount of total service costs for future plan members were based upon a process 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. 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 middle of the year.

Based on the above assumptions and methods, the projection test indicates the SDTF’s fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent.

As of the prior measurement date, the long-term expected rate of return on plan investments of 7.25 percent and the municipal bond index rate of 3.43 percent were used in the discount rate determination resulting in a discount rate of 4.72 percent, 2.53 percent lower 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 7.25 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 (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	\$ 760,264	611,552	485,728

Pension Plan Fiduciary Net Position

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

Payables to the Pension Plan

The System reported a payable of \$2.5 million and \$2.4 million for the outstanding amount of contributions to the PERA SDTF required for the fiscal year ended June 30, 2019 and 2018, respectively.

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2019 and 2018

(Amounts expressed in thousands)

(b) Other Retirement Plans

Voluntary Investment Program (PERAPlus 401(K) Plan)

Plan Description

Employees of the System that are also members of the SDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S., as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available CAFR which includes additional information on the Voluntary Investment Program. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy

The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions and investment earnings. For the fiscal year ended June 30, 2019, program members contributed \$1.6 million for the Voluntary Investment Program.

Defined Contribution Retirement Plan (PERA DC Plan)

Plan Description

Employees of the State of Colorado that were hired on or after January 1, 2006, and employees of certain community colleges that were hired on or after January 1, 2008, which were eligible to participate in the SDTF, a cost-sharing multiple-employer defined benefit pension plan, have the option to participate in the SDTF or the Defined Contribution Retirement Plan (PERA DC Plan). SB 18-200 expands eligibility to participate in the PERA DC Plan to certain new employees hired on or after January 1, 2019, who are classified State College and University employees. The PERA DC Plan is an Internal Revenue Code Section 401(a) governmental profit-sharing defined contribution plan. Title 24, Article 51, Part 15 of the C.R.S., as amended, assigns the authority to establish Plan provisions to the PERA Board of Trustees. The DC Plan is also included in PERA's CAFR as referred to above.

Funding Policy

All participating employees in the PERA DC Plan and the System are required to contribute a percentage of the participating employees' PERA-includable salary to the PERA DC Plan. The employee and employer contribution rates for the period July 2018 through June 2019 are summarized in the tables below:

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements
 Years Ended June 30, 2019 and 2018
 (Amounts expressed in thousands)

	July 1, 2018 Through December 31, 2018	January 1, 2019 Through June 30, 2019
Employee Contribution Rates:		
Employee Contribution	8.00%	8.00%
Employer Contribution Rates:		
On behalf of all employees	10.15%	10.15%

Additionally the employers are required to contribute AED and SAED to the SDTF as follows:

	As of the fiscal year ended June 30, 2019
Amortization Equalization Disbursement (AED) ¹	5.00%
Supplemental Amortization Equalization Disbursement (SAED) ¹	5.00%
Total employer contribution rate to the SDTF²	10.00%

¹As specified in C.R.S. § 24-51-411.

²Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Contribution requirements are established under Title 24, Article 51, Section 1505 of the C.R.S., as amended. Participating employees of the PERA DC Plan are immediately vested in their own contributions and investment earnings and are immediately 50.0 percent vested in the amount of employer contributions made on their behalf. For each full year of participation, vesting of employer contributions increases by 10.0 percent. Forfeitures are used to pay expenses of the PERA DC Plan in accordance with PERA Rule 16.80 as adopted by the PERA Board of Trustees in accordance with Title 24, Article 51, Section 204 of the C.R.S. As a result, forfeitures do not reduce pension expense. Participating employees in the PERA DC Plan contributed \$4 thousand and the System recognized contributions of \$5 thousand, respectively, for the PERA DC Plan.

457 Deferred Compensation Plan

The PERA Deferred Compensation Plan (457 Plan) 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 costs of administration and funding are borne by the plan participants. In calendar year 2018, participants were allowed to make contributions of up to 100.0 percent of their annual gross salary (reduced by the percentage of their PERA contribution) to a maximum of \$18,500. Participants who are age 50 and older, an contributing the maximum amount allowable were allowed to make an additional \$6,000 contribution in 2018. Special 457(B) catch-up contributions allow a participant for three years prior to the normal retirement age to contribute the lesser of (1) twice the annual limit (\$37,000 in 2018, and \$38,000 in 2019), or (2) the basic annual limit plus the amount of the basic limit not used in prior years (only allowed if not using age 50 or over catch-up contributions). Contributions and earnings are tax-deferred. At December 31, 2018, the Plan had 273 participants.

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2019 and 2018

(Amounts expressed in thousands)

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

Under each 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 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. AIG Retirement Services (AIG)

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 12.0 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 10.8 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 11.5 percent of covered payroll or approximately \$51.1 million for the fiscal year ended June 30, 2019 and 11.0 percent of covered payroll or approximately \$47.4 million for the fiscal year ended June 30, 2018. The employee aggregate contribution to the above three vendors was equal to 8.0 percent of covered payroll or approximately \$35.6 million for the fiscal year ended June 30, 2019 and \$34.5 million for the fiscal year ended June 30, 2018.

The Federal retirement system covers a very limited number of employees at CSU Extension. The System's contribution to this plan was approximately \$51 thousand for the fiscal year ended June 30, 2019 and \$68 thousand for the fiscal year ended June 30, 2018.

(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, 2019 and 2018 was approximately \$1.1 million and \$1.3 million, respectively.

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2019 and 2018

(Amounts expressed in thousands)

(e) Health Insurance Programs

The System's contribution to the various third-party health insurance programs was approximately \$23.0 million and \$21.7 million for the fiscal years ended June 30, 2019 and 2018, respectively.

(19) 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 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 The Center for Environmental Management Military Lands (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 October 2017, after Board approval, additional limits were purchased so that CEMML could manage, and otherwise supervise prescribed burn activities. This resulted in insurance placed with total limits of liability equaling \$50.0 million for CEMML.

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 \$350 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, 2019 and 2018 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 \$30.6 million and \$26.6 million at June 30, 2019 and 2018, 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 \$3.5 million and \$3.8 million at June 30, 2019 and 2018, respectively. Liability self-insurance had estimated claim liabilities of \$895 thousand and \$144 thousand at June 30, 2019 and 2018, respectively. These estimates are based on

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2019 and 2018

(Amounts expressed in thousands)

current data and actuarial reports. Property self-insurance had no estimated claim liabilities at June 30, 2019 and 2018.

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

	2019	2018
Claim liabilities, beginning of year	\$ 30,548	29,917
Incurred claims (including IBNR)	62,504	57,038
Claim payments	(58,077)	(56,407)
Claim liabilities, end of year	\$ 34,975	30,548

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

(20) Postemployment Healthcare and Life Insurance Benefits

(a) PERA Postemployment Healthcare Plan

Summary of Significant Accounting Policies

The System participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Public Employees' Retirement Association of Colorado (PERA). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of healthcare participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Description

Eligible employees of the System are provided with OPEB through the HCTF—a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, 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 the premium subsidies. 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 (CAFR) that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits Provided

The HCTF provides a healthcare premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA healthcare plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The healthcare premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit. For members who retire having service credit with employers in the Denver Public Schools (DPS) Division and one or more of the other four Divisions (State, School, Local Government and Judicial), the premium subsidy is allocated between the HCTF and the Denver Public Schools Health Care Trust Fund (DPS HCTF). The basis for the amount of the premium subsidy funded by each trust fund is the

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2019 and 2018

(Amounts expressed in thousands)

percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

C.R.S. § 24-51-1202 et seq. specifies the eligibility for enrollment in the healthcare plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure are eligible for a premium subsidy, if enrolled in a healthcare plan under PERACare.

Enrollment in the PERACare is voluntary and is available to benefit recipients and their eligible dependents, certain surviving spouses, and divorced spouses and guardians, among others. Eligible benefit recipients may enroll into the program upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period.

The maximum service-based premium subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5.0 percent reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For benefit recipients who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, C.R.S. § 24-51-1206(4) provides an additional subsidy. According to the statute, PERA cannot charge premiums to benefit recipients without Medicare Part A that are greater than premiums charged to benefit recipients with Part A for the same plan option, coverage level, and service credit. Currently, for each individual PERACare enrollee, the total premium for Medicare coverage is determined assuming plan participants have both Medicare Part A and Part B and the difference in premium cost is paid by the HCTF on behalf of benefit recipients not covered by Medicare Part A.

Contributions

Pursuant to Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the State, School, Local Government, and Judicial Divisions are required to contribute at a rate of 1.02 percent of PERA-includable salary into the HCTF.

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the System is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the System were \$1.7 million and \$1.6 million for the fiscal years ended June 30, 2019 and 2018, respectively.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

As of fiscal years ended June 30, 2019 and 2018, the System reported a liability of \$25.7 million and \$25.0 million, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2018. The

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2019 and 2018

(Amounts expressed in thousands)

System's proportion of the net OPEB liability was based on the System's contributions to the HCTF for the calendar year 2018 relative to the total contributions of participating employers to the HCTF.

At December 31, 2018, the System's proportion was 1.89 percent, which was a decrease of 0.03 percent from its proportion measured as of December 31, 2017.

For the fiscal years ended June 30, 2019 and 2018, the System recognized OPEB expense of \$2.0 million in both years.

At June 30, 2019, the System reported deferred outflows of resources related to OPEB from the following sources:

	June 30	
	2019	2018
Difference between expected and actual experience	\$ 93	118
Changes of assumptions or other inputs	180	-
Net difference between projected and actual on OPEB plan investments	148	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	59	45
Contributions subsequent to the measurement date	823	797
Total	\$ 1,303	960

At June 30, 2019, the System reported deferred inflows of resources related to OPEB from the following sources:

	June 30	
	2019	2018
Difference between expected and actual experience	\$ 39	-
Net difference between projected and actual earnings on OPEB plan investments	-	418
Changes in proportion and differences between contributions recognized and proportionate share of contributions	397	14
Total	\$ 436	432

\$823 thousand reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements
 Years Ended June 30, 2019 and 2018
 (Amounts expressed in thousands)

resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal year ending June 30	Total
2020	\$ (4)
2021	(4)
2022	(4)
2023	99
2024	(41)
Thereafter	(2)
Total	\$ 44

Actuarial Assumptions

The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

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% in aggregate
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Healthcare cost trend rates	
Service-based premium subsidy	0.00%
PERACare Medicare plans	5.00%
Medicare Part A premiums	3.25% for 2018, gradually rising to 5.00% in 2025

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each actuarial valuation and on the pattern of sharing of costs between employers of each fund to that point.

The actuarial assumptions used in the December 31, 2017, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA’s actuary, as discussed below.

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2019 and 2018

(Amounts expressed in thousands)

In determining the additional liability for PERACare enrollees who are age 65 or older and who are not eligible for premium-free Medicare Part A, the following monthly costs/premiums are assumed for 2018 for the PERA Benefit Structure:

Medicare Plan	Cost for Members Without Medicare Part A	Premiums for Members Without Medicare Part A
Self-Funded Medicare Supplement Plans	\$ 736	367
Kaiser Permanente Medicare Advantage HMO	602	236
Rocky Mountain Health Plans Medicare HMO	611	251
UnitedHealthcare Medicare HMO	686	213

The 2018 Medicare Part A premium is \$422 per month.

In determining the additional liability for PERACare enrollees in the PERA Benefit Structure who are age 65 or older and who are not eligible for premium-free Medicare Part A, the following chart details the initial expected value of Medicare Part A benefits, age adjusted to age 65 for the year following the valuation date:

Medicare Plan	Cost for Members Without Medicare Part A
Self-Funded Medicare Supplement Plans	\$ 289
Kaiser Permanente Medicare Advantage HMO	300
Rocky Mountain Health Plans Medicare HMO	270
UnitedHealthcare Medicare HMO	400

All costs are subject to the healthcare cost trend rates, as discussed below.

Healthcare cost trend rates reflect the change in per capita health costs over time due to factors such as medical inflation, utilization, plan design, and technology improvements. For the PERA benefit structure, healthcare cost trend rates are needed to project the future costs associated with providing benefits to those PERACare enrollees not eligible for premium-free Medicare Part A.

Healthcare cost trend rates for the PERA benefit structure are based on published annual healthcare inflation surveys in conjunction with actual plan experience (if credible), building block models and heuristics developed by health plan actuaries and administrators, and projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services. Effective December 31, 2017, the healthcare cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements
 Years Ended June 30, 2019 and 2018
 (Amounts expressed in thousands)

The PERA benefit structure healthcare cost trend rates that were used to measure the total OPEB liability are summarized in the table below:

Year	PERACare Medicare Plans	Medicare Part A Premiums
2018	5.00%	3.25%
2019	5.00%	3.50%
2020	5.00%	3.75%
2021	5.00%	4.00%
2022	5.00%	4.25%
2023	5.00%	4.50%
2024	5.00%	4.75%
2025 +	5.00%	5.00%

Mortality assumptions for the determination of the total pension liability for each of the Division Trust Funds as shown below are applied, as applicable, in the determination of the total OPEB liability for the HCTF. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

Healthy mortality assumptions for active members were based on 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 70.0 percent factor applied to male rates and a 55.0 percent factor applied to female rates.

Healthy, post-retirement mortality assumptions for the State and Local Government Divisions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73.0 percent factor applied to rates for ages less than 80, a 108.0 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 78.0 percent factor applied to rates for ages less than 80, a 109.0 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

Healthy, post-retirement mortality assumptions for the School and Judicial Divisions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

- Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93.0 percent factor applied to rates for ages less than 80, a 113.0 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 68.0 percent factor applied to rates for ages less than 80, a 106.0 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements
Years Ended June 30, 2019 and 2018
(Amounts expressed in thousands)

For disabled retirees, the mortality assumption was based on 90.0 percent of the RP-2014 Disabled Retiree Mortality Table.

The following healthcare costs assumptions were updated and used in the measurement of the obligations for the HCTF:

- Initial per capita healthcare costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2018 plan year.
- The healthcare cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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.

Several factors were considered in evaluating the long-term rate of return assumption for the HCTF, 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 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.

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2019 and 2018

(Amounts expressed in thousands)

As of the most recent adoption of the long-term expected rate of return by the PERA Board, the target asset 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	30 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.

Sensitivity of the System’s Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability using the current healthcare cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current rates:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.25%	3.25%	4.25%
Ultimate Medicare Part A trend rate	4.00%	5.00%	6.00%
Proportionate share of the net OPEB liability	\$ 25,024	25,735	26,552

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements
Years Ended June 30, 2019 and 2018
(Amounts expressed in thousands)

Discount Rate

The discount rate used to measure the total OPEB liability was 7.25 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated healthcare cost trend rates for Medicare Part A premiums as of the December 31, 2018, measurement date.
- 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.
- 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.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the projection test indicates the HCTF’s fiduciary net position was projected to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent.

Sensitivity of the System’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$ 28,795	25,735	23,119

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2019 and 2018

(Amounts expressed in thousands)

OPEB Plan Fiduciary Net Position

Detailed information about the HCTF's fiduciary net position is available in PERA's CAFR which can be obtained at www.copera.org/investments/pera-financial-reports.

Payables to the PERA Health Care Trust Fund

The System reported a payable of \$132 thousand and \$127 thousand for the outstanding amount of contributions to the PERA HCTF required for the fiscal year ended June 30, 2019 and 2018, respectively.

(b) Other Postemployment Benefits (OPEB) – CSU

Summary of Significant Accounting Policies

The net OPEB (asset) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the OPEB Trust have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of healthcare participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

The financial statements for the irrevocable trust, included in the basic financial statements section, have been prepared using the accrual basis of accounting. The irrevocable trust does not issue separate financial statements. 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 plan's fiscal year end is June 30, 2019.

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.

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2019 and 2018

(Amounts expressed in thousands)

Membership of each plan consisted of the following as of June 30, 2019:

	DCP	PERA	Rx	LTD Income
	Refund	Subsidy	Subsidy	Replacement
Active plan members	4,596	142	142	5,464
Former employees receiving income replacement	-	-	-	25
Retirees receiving a subsidy	551	492	374	-
Retirees eligible for a subsidy but not yet receiving one	57	143	143	-
Total	5,204	777	659	5,489

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 plan 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 the DCP Refund plan at the time of appointment. DCP Refund plan 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 the DCP Refund plan. The DCP Refund plan is administered by HealthSmart.

On an annual basis, funds equal to the actuarially determined contribution (ADC), provided by the actuarial valuation, are transferred to the irrevocable trust. The funds available to cover the plan benefits were \$47.3 million and \$46.0 million for the fiscal years ended June 30, 2019 and 2018, respectively. No funds were provided for the benefit of the program for the fiscal years ended June 30, 2019 and 2018. Total amounts paid to retirees for this healthcare subsidy were \$1.1 million and \$966 thousand for the fiscal years ended June 30, 2019 and 2018, respectively. For the fiscal years ended June 30, 2019 and 2018, the DCP Refund plan had a total OPEB liability of \$34.1 million and \$38.2 million, respectively, a fiduciary net position of \$47.3 million and \$46.0 million, respectively, and a net OPEB asset of \$13.2 million and \$7.8 million, respectively. The fiduciary net position as a percentage of the total OPEB liability was 138.7 percent and 120.4 percent for the fiscal years ended June 30, 2019 and 2018, respectively.

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.

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements
Years Ended June 30, 2019 and 2018
(Amounts expressed in thousands)

On an annual basis, funds equal to the ADC, provided by the actuarial valuation, are transferred to the irrevocable trust. The funds available to cover the plan benefits were \$24.8 million for both the fiscal years ended June 30, 2019 and 2018. The funds contributed to the plan were zero and \$1.9 million for the fiscal years ended June 30, 2019 and 2018, respectively. The benefits paid by the University were \$1.2 million and \$1.6 million for the fiscal years ended June 30, 2019 and 2018, respectively. For the fiscal years ended June 30, 2019 and 2018, the PERA Subsidy plan had a total OPEB liability of \$19.0 million and \$45.9 million, respectively, a fiduciary net position of \$24.8 million for both years, and a net OPEB asset of \$5.8 million and a net OPEB liability of \$21.1 million, respectively. The fiduciary net position as a percentage of the total OPEB liability was 130.9 percent and 54.0 percent for the fiscal years ended June 30, 2019 and 2018, 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 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 ADC, provided by the actuarial valuation, are transferred to the irrevocable trust. The funds contributed to the plan for the fiscal years ended June 30, 2019 and 2018 were \$177 thousand and \$260 thousand, respectively. These funds, along with the amounts paid in by participants of \$26 thousand in fiscal year 2019, and the related interest income, have resulted in total funds available of \$1.0 million and \$899 thousand as of fiscal years ended June 30, 2019 and 2018, respectively, for this plan. Plan members were reimbursed \$80 thousand and \$83 thousand for prescription claims for the fiscal years ended June 30, 2019 and 2018, respectively. For the fiscal years ended June 30, 2019 and 2018, the Rx Subsidy plan had a total OPEB liability of \$2.6 million and \$3.4 million, respectively, a fiduciary net position of \$1.0 million and \$899 thousand, respectively, and a net OPEB liability of \$1.6 million and \$2.5 million, respectively. The fiduciary net position as a percentage of the total OPEB liability was 38.5 percent and 26.1 percent for the fiscal years ended June 30, 2019 and 2018, 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 60.0 percent of pre-disability covered monthly salary, not to exceed \$6,000 per month, or up to 69.0 percent of covered monthly salary, not to exceed \$6,900 per month for DCP Refund participants. The income replacement benefit will increase 3.0 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:

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements
 Years Ended June 30, 2019 and 2018
 (Amounts expressed in thousands)

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 SunLife Financial.

CSU funds the LTD Income Replacement 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, 2019 and 2018 were \$1.6 million and \$1.5 million, respectively. These funds, which include those previously set aside and the related interest income, have resulted in total funds available of \$10.8 million and \$9.6 million as of fiscal years ended June 30, 2019 and 2018, respectively. Plan members received \$896 thousand and \$907 thousand in benefits for the fiscal years ended June 30, 2019 and 2018, respectively. For the fiscal years ended June 30, 2019 and 2018, the LTD Income Replacement plan had a total OPEB liability of \$10.0 million and \$11.6 million, respectively, a fiduciary net position of \$10.8 million and \$9.6 million, respectively, and a net OPEB asset of \$841 thousand and a net OPEB liability of \$2.0 million, respectively. The fiduciary net position as a percentage of the total OPEB liability was 108.4 percent and 82.7 percent for the fiscal years ended June 30, 2019 and 2018, respectively.

Contributions

CSU funds the plans using the ADC amount, an amount actuarially determined in accordance with the parameters of GASB Statement No. 43, which referred to it as annual required contribution. The ADC 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. CSU’s related information for each plan for the fiscal year ended June 30, 2019, are as follows:

	DCP Refund	PERA Subsidy	Rx Subsidy	LTD Income Replacement
Contribution rates:				
CSU	Based on ADC	Based on ADC	Based on ADC	Based on ADC
Participants	N/A	N/A	\$0-\$99 / month based on eligibility	N/A

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 ADC 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 schedules of contributions, presented as required supplementary information following the notes to the financial statements, present multi-year trend information comparing actuarially determined contributions, and the methods and assumptions used to calculate them, to actual contributions.

Net OPEB (Asset) Liability

The net OPEB (asset) liability was measured as of January 1, 2019, and the total OPEB liability used to calculate the net OPEB (asset) liability was determined by an actuarial valuation based on census data as of January 1, 2019, adjusting for benefit payments, expected growth in benefit obligations, changes in key assumptions and plan provisions, and any significant changes in plan demographics that occurred during the year.

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2019 and 2018

(Amounts expressed in thousands)

Actuarial Methods and Assumptions

The total OPEB (asset) liability in the fiscal year ended June 30, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

	DCP Refund	PERA Subsidy	Rx Subsidy	LTD Income Replacement
Valuation date	1/1/2019	1/1/2019	1/1/2019	1/1/2019
Measurement date	1/1/2019	1/1/2019	1/1/2019	1/1/2019
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization method	30 Years Open, Level Percent of Pay	30 Years Closed, Level Percent of Pay	30 Years Closed, Level Percent of Pay	30 Years Open, Level Percent of Pay
Remaining amortization period	30 Years	19 Years	19 Years	30 Years
Asset valuation method	Market Value	Market Value	Market Value	Market Value
Actuarial assumptions:				
Investment rate of return	5.24%	5.24%	5.24%	5.24%
Inflation rate	2.50%	2.50%	2.50%	2.50%
Salary increase rate	N/A	N/A	N/A	6.00%
Healthcare cost trend rate	6.50% initial, 5.00% ultimate	6.50% initial, 5.00% ultimate	6.50% initial, 5.00% ultimate	N/A

Participant mortality was determined by separate mortality rates for non-annuitants and annuitants. Non-annuitants mortality was based on RP-2018 “Employees” sex-distinct tables and projected generationally using Scale BB, and annuitants mortality was based on RP-2018 “Healthy Annuitants” sex-distinct tables and projected generationally using Scale BB. For the LTD Income Replacement plan, the long-term disabled participant mortality is based on the 1987 Commissioner’s Group Disability Table with a three month elimination period.

The actuarial assumptions used in the January 1, 2019 valuation for retirement rates, non-retirement termination rates and salary scale were updated based on an experience study conducted in 2019.

The CSU OPEB Trust Investment Committee, in conjunction with Innovest Portfolio Solutions, LLC, developed a forward looking, five to 10 year outlook for the overall global economy along with individual asset classes. The process was iterative where preliminary return, risk, and correlation values are chosen for each asset class and entered into an optimization program. The resulting optimal portfolios were subjected to a careful examination and the return, risk, and correlation values were adjusted until portfolios produced were appropriately diversified and reasonable considering the current and expected economic conditions and were consistent with the tenets of modern portfolio

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2019 and 2018

(Amounts expressed in thousands)

theory. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table for fiscal year ended June 30, 2019:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large cap equity	9.0%	6.00%
Small/mid cap equity	4.0%	6.50%
International equity	9.0%	6.75%
Emerging market equity	3.0%	7.75%
Domestic fixed income	41.0%	3.50%
Floating rate corp loans	9.0%	5.75%
Low correlated hedge	10.0%	4.75%
Private equity	5.0%	8.25%
MLP's	5.0%	9.75%
Real estate	5.0%	6.00%
	100.00%	

The annual money-weighted rate of return net of expenses for the OPEB Trust were 7.5 percent and 3.6 percent for the fiscal years ended June 30, 2019 and 2018, respectively.

Discount Rate

The discount rate used to measure the total OPEB (asset) liability was as follows for each of the plans as of fiscal year ended June 30, 2019:

Plan	Discount Rate
DCP Refund	5.24%
PERA Subsidy	5.24%
Rx Subsidy	5.24%
LTD Income Replacement	5.24%

The projection of cash flows used to determine the discount rate assumed that the contributions were made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB (asset) liability.

The discount rate is equal to the investment rate of return for the DCP Refund, PERA Subsidy, and Rx Subsidy plans, as well as the LTD Income Replacement plan in fiscal year ended June 30, 2019. The investment rate of return for the DCP Refund, PERA Subsidy, and Rx Subsidy plans for the fiscal years ended June 30, 2019 and 2018, were 5.24 percent and 5.23 percent, respectively. The LTD Income Replacement plan's discount rate for the fiscal years ended June 30, 2019 and 2018, were 5.24 percent and 4.91 percent, respectively, and the fiscal year ended June 30, 2018, incorporated a municipal bond rate, which was obtained from the Bond buyer 20-Bond General Obligation Index. The LTD Income Replacement plan's municipal bond rate for the fiscal year ended June 30, 2018 was 3.44 percent.

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2019 and 2018

(Amounts expressed in thousands)

Changes in the Net OPEB (Asset) Liability

Changes in the net OPEB asset are a combination of the following plans: DCP Refund, PERA Subsidy, and LTD Income Replacement. The total of the three plans as of fiscal year ended June 30, 2019, are as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan	Net OPEB Asset
		Fiduciary Net Position	
(a)	(b)	(a) - (b)	
Measurement period beginning balance, January 1, 2018	\$ 94,036	80,589	13,447
Changes for the year:			
Service cost	3,539	-	3,539
Interest	4,792	-	4,792
Differences between expected and actual experience	(8,973)	-	(8,973)
Change in assumptions	(28,246)	-	(28,246)
Contributions-employer	-	2,532	(2,532)
Net investment income	-	(2,600)	2,600
Benefit payments	(3,510)	(3,510)	-
Administrative expense	-	(106)	106
Net changes	(32,398)	(3,684)	(28,714)
Measurement period ending balance, December 31, 2018	\$ 61,638	76,905	(15,267)

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements
 Years Ended June 30, 2019 and 2018
 (Amounts expressed in thousands)

Changes in the net OPEB liability for the Rx Subsidy plan as of fiscal year ended June 30, 2019, are as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Measurement period beginning balance, January 1, 2018	\$ 3,451	759	2,692
Changes for the year:			
Service cost	24	-	24
Interest	179	-	179
Differences between expected and actual experience	(466)	-	(466)
Change in assumptions	(488)	-	(488)
Contributions-employer	-	274	(274)
Net investment income	-	(28)	28
Benefit payments	(53)	(53)	-
Administrative expense	-	(34)	34
Net changes	(804)	159	(963)
Measurement period ending balance, December 31, 2018	\$ 2,647	918	1,729

The net OPEB assets and liabilities as of June 30, 2019, are recorded in net other postemployment benefit assets and net other postemployment benefit liabilities on the Statements of Net Position.

Sensitivity of the Net OPEB (Asset) Liability to Changes in the Discount Rate

The following presents the net OPEB (asset) liability of CSU, as well as what CSU's net OPEB (asset) liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate as of fiscal year ended June 30, 2019:

Plan	1% Decrease	
	Discount Rate	Net OPEB (Asset) Liability
DCP Refund	4.24%	(6,170)
PERA Subsidy	4.24%	(1,804)
Rx Subsidy	4.24%	2,017
LTD Income Replacement	4.24%	281

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements
 Years Ended June 30, 2019 and 2018
 (Amounts expressed in thousands)

Current Rate		
Plan	Discount Rate	Net OPEB (Asset) Liability
DCP Refund	5.24%	(10,726)
PERA Subsidy	5.24%	(4,298)
Rx Subsidy	5.24%	1,729
LTD Income Replacement	5.24%	(243)

1% Increase		
Plan	Discount Rate	Net OPEB (Asset) Liability
DCP Refund	6.24%	(14,499)
PERA Subsidy	6.24%	(6,357)
Rx Subsidy	6.24%	1,487
LTD Income Replacement	6.24%	(738)

Sensitivity of the Net OPEB (Asset) Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB (asset) liability of CSU, as well as what CSU's net OPEB (asset) liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates as of fiscal year ended June 30, 2019:

1% Decrease		
Plan	Healthcare Cost Trend Rate	Net OPEB (Asset) Liability
DCP Refund	5.50%	(10,744)
PERA Subsidy	5.50%	(6,838)
Rx Subsidy	5.50%	1,488
LTD Income Replacement	N/A	N/A

Current Rate		
Plan	Healthcare Cost Trend Rate	Net OPEB (Asset) Liability
DCP Refund	6.50%	(10,726)
PERA Subsidy	6.50%	(4,298)
Rx Subsidy	6.50%	1,729
LTD Income Replacement	N/A	N/A

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2019 and 2018

(Amounts expressed in thousands)

Plan	1% Increase	
	Healthcare Cost Trend Rate	Net OPEB (Asset) Liability
DCP Refund	7.50%	(10,712)
PERA Subsidy	7.50%	(1,288)
Rx Subsidy	7.50%	2,014
LTD Income Replacement	N/A	N/A

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the fiscal years ended June 30, 2019 and 2018, CSU recognized OPEB expense of negative \$25.0 million and \$4.1 million, respectively.

At June 30, 2019, CSU reported deferred outflows of resources related to OPEB from the following sources:

	June 30	
	2019	2018
Differences between expected and actual experience	\$ 302	-
Changes of assumptions or other inputs	248	304
Net difference between projected and actual earnings on OPEB plan investments	4,661	-
Contributions subsequent to measurement date	879	1,923
Total	\$ 6,090	2,227

At June 30, 2019, CSU reported deferred inflows of resources related to OPEB from the following sources:

	June 30	
	2019	2018
Differences between expected and actual experience	\$ 2,464	408
Changes of assumptions or other inputs	5,863	-
Net difference between projected and actual earnings on OPEB plan investments	-	1,105
Total	\$ 8,327	1,513

\$879 thousand reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB (asset) liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements
Years Ended June 30, 2019 and 2018
(Amounts expressed in thousands)

of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal year ending June 30	Total
2020	\$ (534)
2021	(534)
2022	(534)
2023	(244)
2024	(345)
Thereafter	(925)
Total	\$ (3,116)

Payable to the OPEB Plan

For the fiscal year ended June 30, 2019 and 2018, CSU reported a payable of \$1.8 million and zero, respectively, for the outstanding amount of contributions to the Trust.

(c) Adoption of New Accounting Standard

Effective July 1, 2017, the System adopted the provisions of Governmental Accounting Standards Board Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB Statement No. 75). GASB Statement No. 75 requires the System, as a participant in the multiple-employer cost-sharing PERA defined benefit OPEB fund to record its proportionate share, as defined in GASB Statement No. 75, of PERA's unfunded OPEB liability. 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. GASB Statement No.75 requires CSU, as a participant of three single-employer defined benefit healthcare plans: DCP Refund, PERA Subsidy, and Rx Subsidy, as well as a self-insured LTD plan to record its unfunded OPEB (asset) liability. CSU eliminated the net OPEB (asset) obligation required by GASB Statement No. 45 as part of the implementation of GASB Statement No. 75 and established the unfunded OPEB (asset) liability for GASB Statement No. 75 for the fiscal year ended June 30, 2018.

(d) Life Insurance Program

During fiscal years ended June 30, 2019 and 2018, 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.

(21) Direct Student Financial Aid Reporting

During fiscal years ended June 30, 2019 and 2018, 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, none of the Universities are a party to the loans and are 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, 2019 and 2018 were \$293.9 million and \$294.7 million, respectively.

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2019 and 2018

(Amounts expressed in thousands)

(22) Scholarship Allowance

Tuition, fees, and auxiliary revenues and the related scholarship allowances for the year ended June 30, 2019 were as follows:

June 30, 2019				
	Tuition and Fees	Auxiliary Revenues	Facility Fee Revenues	Total
Gross revenue	\$ 724,012	208,372	18,246	950,630
Scholarship allowances:				
Federal	31,456	879	1,118	33,453
State	15,626	749	539	16,914
Private	34	29	1	64
Institutional	84,011	3,038	2,801	89,850
Total allowances	131,127	4,695	4,459	140,281
Net revenue	\$ 592,885	203,677	13,787	810,349

Tuition, fees, and auxiliary revenues and the related scholarship allowances for the year ended June 30, 2018 were as follows:

June 30, 2018				
	Tuition and Fees	Auxiliary Revenues	Facility Fee Revenues	Total
Gross revenue	\$ 695,694	197,311	18,247	911,252
Scholarship allowances:				
Federal	31,767	805	1,133	33,705
State	14,539	693	499	15,731
Private	7	-	-	7
Institutional	78,370	2,808	2,588	83,766
Total allowances	124,683	4,306	4,220	133,209
Net revenue	\$ 571,011	193,005	14,027	778,043

(23) System Foundations and Endowments

(a) Colorado State University Research Foundation (CSURF)

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 Trustees. The Board of Trustees consists of five voting members and two nonvoting members. No person who is an employee of CSU, CSU-Pueblo, or CSU-Global 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 CSURF. CSUV is used to assist in the promotion, development, improvement, and expansion of the facilities and programs of the System. The sole voting member of the nonprofit corporation is CSURF. Effective June 30, 2019, the entity CSUV was dissolved and, as a result, CSURF received all assets and liabilities on that date. CSURF will continue operations of these valuable activities as a separate program.

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

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2019 and 2018

(Amounts expressed in thousands)

Pathways 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 property rentals, royalties, and administration fees. During the fiscal years ended June 30, 2019 and 2018, revenues from property rentals equaled \$6.5 million and \$6.2 million, respectively, royalties equaled \$3.7 million and \$1.8 million, respectively, and administration fees equaled \$3.8 million and \$3.8 million, respectively. 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. Total operating expenses for the fiscal years ended June 30, 2019 and 2018 were \$15.5 million and \$13.8 million respectively.

At June 30, 2019, CSURF's debt to provide buildings for use by the universities was \$41.4 million.

At June 30, 2019, the assets of CSURF consisted of	
Cash and current assets	\$ 10,576
Property and equipment	41,895
Other assets	17,235
Total assets	\$ 69,706

At June 30, 2018, CSURF's debt to provide buildings for use by the universities was \$50.2 million.

At June 30, 2018, the assets of CSURF consisted of	
Cash and current assets	\$ 8,020
Property and equipment	51,364
Other assets	16,067
Total assets	\$ 75,451

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. 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 fund was established in 1994 with the proceeds from the sale of land in the Walking Stick Development adjacent to the university campus. The sale of excess land provides resources that support the academic mission of CSU-Pueblo. To date, CSU-Pueblo has sold 16 parcels of land. On June 30, 2000, CSU-Pueblo sold the KTSC-TV television license and certain related assets, establishing the second fund. The proceeds provide support for the maintenance of the Buell Communication Center building, telecommunications equipment associated with the Mass Communications program of CSU-Pueblo, and scholarships.

In December 2018, the Board of Governors approved the withdrawal and use of the principal of the Walking Stick Quasi-Endowment and the principal of the KTSC Quasi-Endowment to cover operational deficits at CSU-Pueblo. The Walking Stick Fund held no assets as of fiscal year ended June 30, 2019. The cash and land held by the fund were \$5.4 million as of fiscal year ended June 30, 2018. The KTSC Fund held no assets as of fiscal year ended June 30, 2019. The cash held by the fund was \$2.6 million as of fiscal year ended June 30, 2018.

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2019 and 2018

(Amounts expressed in thousands)

(c) *INTO-CSU, LLC*

INTO-CSU, LLC is a limited liability company in which CSURF and INTO USA, LLC are members. 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 LLC 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, Colorado State University has agreed to reimburse CSURF for net funds loaned to the Joint Venture. As of June 30, 2019 and 2018, the University has booked a receivable for \$1.2 million due from CSURF relating to amounts that have been loaned to the Joint Venture by CSURF. The University has also established a bad debt reserve for \$1.2 million. As of June 30, 2019 and 2018, the University has also booked a receivable for \$243 thousand and \$182 thousand, respectively, due from CSURF relating to unpaid interest. As of June 30, 2019 and 2018, the University has also established a bad debt reserve of \$243 thousand and \$182 thousand, respectively. The CSURF payment to the University is contingent upon CSURF receiving payments from INTO USA, LLC. No payments have been received as of June 30, 2019.

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

CSURF AC operates the campus in Todos Santos Mexico which 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. The campus in Todos Santos was held in a Trust by a Mexican bank.

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. As of March 19, 2019, MIRA transferred the assets to the Trust and forgave the related debt. Upon those actions, the Trust was dissolved and CSURF gained control of the remaining portion of this investment and now own 100% of CSURF AC.

(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, 2019 and 2018, the System received \$108.4 million and \$95.7 million, respectively, in state fee for service contract revenue.

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, 2019 and 2018, stipends were provided to students attending classes at Colorado State University and Colorado State University-Pueblo in the amount of \$46.5 million and \$43.6 million, respectively.

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements
Years Ended June 30, 2019 and 2018
(Amounts expressed in thousands)

(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.

(26) Subsequent Event Footnote

On November 7, 2019 Colorado State University System issued \$33.1 million in tax-exempt Series 2019 A Enterprise Revenue and Refunding Bonds. The 2019 A bonds were sold as State-Intercept backed bonds and will be used to (a) finance and refinance (through refunding certain Commercial Paper Notes) certain improvements as determined by the Board of Governors, including, but not limited to (i) completion of interior construction of the third floor of the Richardson Design Center, (ii) construction of two new facilities (12,800 gsf and 5,500 gsf) on the Western Campus, Orchard Mesa, Colorado, (iii) construction of a new facility (6,733 gsf) on the High Plains Campus, Rocky Ford Colorado, (iv) acquire and improve a three-story building (33,000 gsf) on Centre Avenue, Fort Collins, (v) provide a portion of the funds to construct an addition to and renovation to the Shepardson Building, (vi) construction of infrastructure (utilities, roads, buildings, animal waste management facilities, etc.) in support of the veterinary medicine campus on South Campus, Fort Collins and (vi) provide a portion of funds to construct an addition to and renovation to the Shepardson Building on the main campus; and (b) to pay certain costs relating to the issuance of the 2019 A Series Bonds.

On November 7, 2019 Colorado State University System issued \$79.1 million in taxable Series 2019 B System Enterprise Refunding Bonds. The 2019 B bonds were sold as State-Intercept backed bonds and will be used to: (a) advance refund (i) a portion of the Board's System Enterprise Revenue Bonds, Series 2012 A, (ii) a portion of the Board's System Enterprise Revenue Refunding Bonds, Series 2015 C, (iii) a portion of the Board's System Enterprise Revenue Bonds, Series 2015 E-1, (iv) a portion of the Board's System Enterprise Revenue Bonds, Series 2015 E-2 (Green Bonds), and (v) a portion of the Board's System Enterprise Revenue Refunding Bonds, Series 2017 C; (b) construct a new Animal Resource Facility (10,000-12,000 gsf) on the Sough Campus, and (c) to pay certain costs relating to the issuance of the Series 2019B Bonds.

REQUIRED SUPPLEMENTAL INFORMATION

COLORADO STATE UNIVERSITY SYSTEM
Required Supplemental Information
Schedule of Proportionate Share of the PERA State Division Trust Fund Net Pension
Liability
June 30, 2019
(Unaudited)
(Amounts expressed in thousands)

The amounts presented were determined as of the measurement date, which is the calendar year (CY) end that occurred within the System's fiscal year.

Schedule of Proportionate Share of the PERA State Division Trust Fund Net Pension Liability						
	CY2018	CY2017	CY2016	CY2015	CY2014	CY2013
Proportion of the net pension liability	5.4%	5.4%	5.4%	5.5%	5.6%	5.6%
Proportionate share of the net pension liability	\$ 611,552	1,084,746	992,336	578,718	524,663	500,698
Covered payroll	165,909	161,545	156,234	154,327	152,106	146,046
Proportionate share of the net pension liability as a percentage of covered payroll	368.6%	671.5%	635.2%	375.0%	344.9%	342.8%
Plan fiduciary net position as a percentage of the total pension liability	55.1%	43.2%	42.6%	56.1%	59.8%	61.1%

Notes to Schedule of Proportionate Share of the PERA State Division Trust Fund Net Pension Liability

Significant Changes in Assumptions or Other Inputs Affecting Trends in Actual Information

Changes in assumptions or other inputs effective for the December 31, 2018 measurement period are as follow:

- The assumed investment rate of return of 7.25 percent was used as the discount rate, rather than using the blended rate of 4.72 percent.

Changes in assumptions or other inputs effective for the December 31, 2017 measurement period are as follows:

- The discount rate was lowered from 5.26 percent to 4.72 percent.

Changes in assumptions or other inputs effective for the December 31, 2016 measurement period are as follows:

- 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 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.
- The wage inflation assumption was lowered from 3.90 percent to 3.50 percent.
- The mortality tables were changed from RP-2000 Combined Mortality Table for Males and Females, as appropriate, with adjustments for mortality improvements based on a projection scale of Scale AA to 2020 to RP-2014 White Collar Employee Mortality for active employees, RP2014 Healthy Annuitant Mortality tables projected to 2020 using the MP-2015 projection scale for retirees, or RP-2014 Disabled Retiree Mortality Table for disabled retirees.
- The discount rate was lowered from 7.50 percent to 5.26 percent.

There were no changes in terms or assumptions for the December 31, 2015 measurement period for pension compared to the prior year.

COLORADO STATE UNIVERSITY SYSTEM
 Required Supplemental Information
 Schedule of PERA State Division Trust Fund Pension Contributions
 June 30, 2019
 (Unaudited)
 (Amounts expressed in thousands)

The amounts presented are the contributions and payroll for each fiscal year (FY).

		FY2019	FY2018	FY2017	FY2016	FY2015	FY2014
Contractually required contributions	\$	35,957	30,949	28,826	27,295	25,498	23,760
Contributions in relation to the							
contractually required contribution		(35,957)	(30,949)	(28,826)	(27,295)	(25,498)	(23,760)
Contribution deficiency (excess)		-	-	-	-	-	-
Covered payroll	\$	168,821	164,511	156,756	155,689	152,974	150,398
Contributions as a percentage of							
covered payroll		21.3%	18.8%	18.4%	17.5%	16.7%	15.8%

COLORADO STATE UNIVERSITY SYSTEM
 Required Supplemental Information
 Schedule of Proportionate Share of the PERA Health Care Trust Fund Net OPEB Liability and
 Schedule of PERA Health Care Trust Fund OPEB Contributions
 June 30, 2019
 (Unaudited)
 (Amounts expressed in thousands)

Schedule of Proportionate Share of the PERA Health Care Trust Fund Net OPEB Liability

The amounts presented were determined as of the measurement date, which is the calendar year (CY) end that occurred within the System's fiscal year.

	CY2018	CY2017	CY2016
Proportion of the net OPEB liability	1.9%	1.9%	1.9%
Proportionate share of the net OPEB liability	\$ 25,735	25,008	24,904
Covered payroll	160,119	156,229	151,664
Proportionate share of the net OPEB liability as a percentage of covered payroll	16.1%	16.0%	16.4%
Plan fiduciary net position as a percentage of the total OPEB liability	17.0%	17.5%	16.7%

Notes to Schedule of Proportionate Share of the PERA Health Care Trust Fund Net Pension Liability

Significant Changes in Assumptions or Other Inputs Affecting Trends in Actual Information

There were no changes in assumptions or other inputs effective for the December 31, 2018 measurement period for OPEB compared to the prior year.

There were no changes in assumptions or other inputs effective for the December 31, 2017 measurement period for OPEB.

Schedule of PERA Health Care Trust Fund OPEB Contributions

The amounts presented are the contributions and payroll for each fiscal year (FY).

	FY2019	FY2018	FY2017
Contractually required contributions	\$ 1,659	1,621	1,549
Contributions in relation to the contractually required contribution	(1,659)	(1,621)	(1,549)
Contribution deficiency/(excess)	-	-	-
Covered payroll	\$ 162,682	158,896	151,819
Contributions as a percentage of covered payroll	1.02%	1.02%	1.02%

COLORADO STATE UNIVERSITY SYSTEM
 Required Supplemental Information
 Schedule of Changes in the Net OPEB (Asset) Liability and Related Ratios
 Retiree Medical Subsidy for DCP Participants
 June 30, 2019
 (Unaudited)
 (Amounts expressed in thousands)

The amounts presented were determined as of the measurement date, which is the calendar year (CY) end that occurred

	CY2018	CY2017	CY2016
Total OPEB liability:			
Service cost	\$ 1,743	1,648	N/A
Interest	1,913	1,815	N/A
Differences between expected and actual experience	377	(243)	N/A
Changes of assumptions	(6,817)	285	N/A
Benefit payments	(1,032)	(903)	N/A
Net change in total OPEB liability	(3,816)	2,602	N/A
Total OPEB liability - beginning	37,093	34,491	N/A
Total OPEB liability - ending (a)	\$ 33,277	37,093	34,491
Plan fiduciary net position:			
Contributions-employer	\$ -	1,850	N/A
Net investment income	(1,486)	3,114	N/A
Benefit payments	(1,032)	(903)	N/A
Administrative expense	(35)	(47)	N/A
Net change in plan fiduciary net position	(2,553)	4,014	N/A
Plan fiduciary net position - beginning	46,556	42,542	N/A
Plan fiduciary net position - ending (b)	\$ 44,003	46,556	42,542
Net OPEB (asset) liability - ending (a)-(b)	\$ (10,726)	(9,463)	(8,051)
Plan fiduciary net position as a percentage of the total OPEB liability			
	132.2%	125.5%	123.3%
Covered-employee payroll			
	\$ 391,638	370,767	348,547
Net OPEB (asset) liability as a percentage of covered-employee payroll			
	-2.7%	-2.6%	-2.3%

Notes To Required Supplementary Information

Changes of assumptions and methods:

Discount rate/investment rate of return: For the fiscal year ended June 30, 2019, the discount rate/investment rate of return assumption was updated to 5.24 percent. For the fiscal year ended June 30, 2018, the discount rate/investment rate of return assumption was updated to 5.23 percent. For the fiscal year ended June 30, 2017, the discount rate/investment rate of return assumption was 5.33 percent.

Mortality assumption: For the fiscal year ended June 30, 2019, the mortality assumption used the RP-2018 mortality tables with separate rates for males and females and generational projection using improvement scale BB. For the fiscal year ended June 30, 2018, the mortality assumption used the RP-2017 mortality tables with separate rates for males and females and generational projection using improvement scale BB. For the fiscal year ended June 30, 2017, the mortality assumption used the RP-2016 mortality tables with separate rates for males and females, and generational projection using improvement scale BB.

COLORADO STATE UNIVERSITY SYSTEM
Required Supplemental Information
Schedule of Changes in the Net OPEB (Asset) Liability and Related Ratios
Retiree Medical Subsidy for PERA Participants
June 30, 2019
(Unaudited)
(Amounts expressed in thousands)

The amounts presented were determined as of the measurement date, which is the calendar year (CY) end that occurred within CSU's fiscal year.

	CY2018	CY2017	CY2016
Total OPEB liability:			
Service cost	\$ 320	376	N/A
Interest	2,349	2,332	N/A
Differences between expected and actual experience	(6,950)	(90)	N/A
Changes of assumptions	(20,963)	119	N/A
Benefit payments	(1,562)	(1,569)	N/A
Net change in total OPEB liability	(26,806)	1,168	N/A
Total OPEB liability - beginning	45,691	44,523	N/A
Total OPEB liability - ending (a)	\$ 18,885	45,691	44,523
Plan fiduciary net position:			
Contributions-employer	\$ 952	2,011	N/A
Net investment income	(802)	1,628	N/A
Benefit payments	(1,562)	(1,569)	N/A
Administrative expense	(25)	(34)	N/A
Net change in plan fiduciary net position	(1,437)	2,036	N/A
Plan fiduciary net position - beginning	24,620	22,584	N/A
Plan fiduciary net position - ending (b)	\$ 23,183	24,620	22,584
Net OPEB (asset) liability - ending (a)-(b)	\$ (4,298)	21,071	21,939
Plan fiduciary net position as a percentage of the total OPEB liability			
	122.8%	53.9%	50.7%
Covered-employee payroll	\$ 13,638	15,721	17,415
Net OPEB (asset) liability as a percentage of covered-employee payroll			
	-31.5%	134.0%	126.0%

Notes To Required Supplementary Information

Changes of assumptions and methods:

Discount rate/investment rate of return: For the fiscal year ended June 30, 2019, the discount rate/investment rate of return assumption was updated to 5.24 percent. For the fiscal year ended June 30, 2018, the discount rate/investment rate of return assumption was updated to 5.23 percent. For the fiscal year ended June 30, 2017, the discount rate/investment rate of return assumption was 5.33 percent.

Mortality assumption: For the fiscal year ended June 30, 2019, the mortality assumption used the RP-2018 mortality tables with separate rates for males and females and generational projection using improvement scale BB. For the fiscal year ended June 30, 2018, the mortality assumption used the RP-2017 mortality tables with separate rates for males and females and generational projection using improvement scale BB. For the fiscal year ended June 30, 2017, the mortality assumption used the RP-2016 mortality tables with separate rates for males and females with generational projection using improvement scale BB.

COLORADO STATE UNIVERSITY SYSTEM
Required Supplemental Information
Schedule of Changes in the Net OPEB (Asset) Liability and Related Ratios
Retiree Umbrella Prescription Plan PERA Participants
June 30, 2019
(Unaudited)
(Amounts expressed in thousands)

The amounts presented were determined as of the measurement date, which is the calendar year (CY) end that occurred within CSU's fiscal year.

	CY2018	CY2017	CY2016
Total OPEB liability:			
Service cost	\$ 24	28	N/A
Interest	179	182	N/A
Differences between expected and actual experience	(466)	(147)	N/A
Changes of assumptions	(488)	4	N/A
Benefit payments	(53)	(65)	N/A
Net change in total OPEB liability	(804)	2	N/A
Total OPEB liability - beginning	3,451	3,449	N/A
Total OPEB liability - ending (a)	\$ 2,647	3,451	3,449
Plan fiduciary net position:			
Contributions-employer	\$ 274	234	N/A
Net investment income	(28)	38	N/A
Benefit payments	(53)	(65)	N/A
Administrative expense	(34)	(46)	N/A
Net change in plan fiduciary net position	159	161	N/A
Plan fiduciary net position - beginning	759	598	N/A
Plan fiduciary net position - ending (b)	\$ 918	759	598
Net OPEB (asset) liability - ending (a)-(b)	\$ 1,729	2,692	2,851
Plan fiduciary net position as a percentage of the total OPEB liability			
	34.7%	22.0%	17.3%
Covered-employee payroll	\$ 13,638	15,721	17,415
Net OPEB (asset) liability as a percentage of covered-employee payroll			
	12.7%	17.1%	16.4%

Notes To Required Supplementary Information

Changes of assumptions and methods:

Discount rate/investment rate of return: For the fiscal year ended June 30, 2019, the discount rate/investment rate of return assumption was updated to 5.24 percent. For the fiscal year ended June 30, 2018, the discount rate/investment rate of return assumption was updated to 5.23 percent. For the fiscal year ended June 30, 2017, the discount rate/investment rate of return assumption was 5.33 percent.

Mortality assumption: For the fiscal year ended June 30, 2019, the mortality assumption used the RP-2018 mortality tables with separate rates for males and females and generational projection using improvement scale BB. For the fiscal year ended June 30, 2018, the mortality assumption used the RP-2017 mortality tables with separate rates for males and females and generational projection using improvement scale BB. For the fiscal year ended June 30, 2017, the mortality assumption used the RP-2016 mortality tables with separate rates for males and females, and generational projection using improvement scale BB.

COLORADO STATE UNIVERSITY SYSTEM
Required Supplemental Information
Schedule of Changes in the Net OPEB (Asset) Liability and Related Ratios
Long-Term Disability Income Replacement Plan
June 30, 2019
(Unaudited)
(Amounts expressed in thousands)

The amounts presented were determined as of the measurement date, which is the calendar year (CY) end that occurred within CSU's fiscal year.

	CY2018	CY2017	CY2016
Total OPEB liability:			
Service cost	\$ 1,476	1,407	N/A
Interest	530	499	N/A
Differences between expected and actual experience	(2,400)	(221)	N/A
Changes of assumptions	(466)	69	N/A
Benefit payments	(916)	(855)	N/A
Net change in total OPEB liability	(1,776)	899	N/A
Total OPEB liability - beginning	11,252	10,353	N/A
Total OPEB liability - ending (a)	\$ 9,476	11,252	10,353
Plan fiduciary net position:			
Contributions-employee/member	\$ 1,580	1,515	N/A
Net investment income	(312)	601	N/A
Benefit payments	(916)	(855)	N/A
Administrative expense	(46)	(68)	N/A
Net change in plan fiduciary net position	306	1,193	N/A
Plan fiduciary net position - beginning	9,413	8,220	N/A
Plan fiduciary net position - ending (b)	\$ 9,719	9,413	8,220
Net OPEB (asset) liability - ending (a)-(b)	\$ (243)	1,839	2,133
Plan fiduciary net position as a percentage of the total OPEB liability	102.6%	83.7%	79.4%
Covered-employee payroll	\$ 432,046	411,443	389,965
Net OPEB (asset) liability as a percentage of covered-employee payroll	-0.1%	0.4%	0.5%

Notes To Required Supplementary Information

Changes of assumptions and methods:

Discount rate: For the fiscal year ended June 30, 2019, the discount rate was updated to 5.24 percent. For the fiscal year ended June 30, 2018, the discount rate was updated to 4.91 percent. For the fiscal year ended June 30, 2017, the discount rate assumption was 5.03 percent.

Investment rate of return: For the fiscal year ended June 30, 2019, the investment return assumption was updated to 5.24 percent. For the fiscal year ended June 30, 2018, the investment return assumption was updated to 5.23 percent. For the fiscal year ended June 30, 2017, the investment return assumption was 5.33 percent.

Mortality assumption: For the fiscal year ended June 30, 2019, the mortality assumption used the RP-2018 mortality tables with separate rates for males and females and generational projection using improvement scale BB. For the fiscal year ended June 30, 2018, the mortality assumption used the RP-2017 mortality tables with separate rates for males and females and generational projection using improvement scale BB. For the fiscal year ended June 30, 2017, the mortality assumption used the RP-2016 mortality tables with separate rates for males and females with generational projection using improvement scale BB.

COLORADO STATE UNIVERSITY SYSTEM

Required Supplemental Information
 Schedule of OPEB Contributions
 Retiree Medical Subsidy for DCP Participants
 June 30, 2019
 (Unaudited)
 (Amounts expressed in thousands)

The amounts presented are the contributions and payroll for each fiscal year.

	FY2019	FY2018	FY2017
Actuarially determined contributions	\$ 790	1,340	1,296
Contributions in relation to the actuarially determined contributions	-	-	(4,070)
Contribution deficiency (excess)	\$ 790	1,340	(2,774)
Covered-employee payroll	\$ 400,207	381,584	359,213
Contributions as a percentage of covered-employee payroll	0.0%	0.0%	1.1%

Notes To Required Supplementary Information

Valuation date	The valuation dates are biennial dates as of January 1. As of fiscal year ended June 30, 2019, the valuation date was January 1, 2019.
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry age normal, level percent of pay
Amortization method	30 years open, level percent of pay
Amortization period	30 years
Asset valuation method	Market value
Inflation	As of fiscal year ended June 30, 2019, inflation became 2.50 percent. In prior years, inflation was 3.00 percent.
Investment rate of return	5.24%
Salary increases	N/A
Cost-of-living adjustments	N/A
Healthcare cost trend rates	6.50 percent decreasing by 0.25 percent per year to 5.00 percent in 2025 and later.
Mortality	Separate mortality rates for non-annuitants (based on RP-2018 "Employees" sex-distinct tables and projected generationally using Scale BB) and annuitants (based on RP-2018 "Healthy Annuitants" sex-distinct tables and projected generationally using Scale BB). In fiscal year ended June 30, 2018, the mortality assumption used the RP-2017 mortality tables with separate rates for males and females and generational projection using improvement scale BB. In fiscal year ended June 30, 2017, the mortality assumption used the RP-2016 mortality tables with separate rates for males and females and generational projection using improvement scale BB.

COLORADO STATE UNIVERSITY SYSTEM
 Required Supplemental Information
 Schedule of OPEB Contributions
 Retiree Medical Subsidy for PERA Participants
 June 30, 2019
 (Unaudited)
 (Amounts expressed in thousands)

The amounts presented are the contributions and payroll for each fiscal year.

	FY2019	FY2018	FY2017
Actuarially determined contributions	\$ -	1,942	1,981
Contributions in relation to the actuarially determined contributions	-	(1,942)	(1,981)
Contribution deficiency (excess)	\$ -	-	-
Covered-employee payroll	\$ 12,573	14,903	16,396
Contributions as a percentage of covered-employee payroll	0.0%	13.0%	12.1%

Notes To Required Supplementary Information

Valuation date	The valuation dates are biennial dates as of January 1. As of fiscal year ended June 30, 2019, the valuation date was January 1, 2019.
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry age normal, level percent of pay
Amortization method	30 years closed, level percent of pay
Amortization period	19 years
Asset valuation method	Market value
Inflation	As of fiscal year ended June 30, 2019, inflation became 2.50 percent. In prior years, inflation was 3.00 percent.
Investment rate of return	5.24%
Salary increases	N/A
Cost-of-living adjustments	N/A
Healthcare cost trend rates	6.50 percent decreasing by 0.25 percent per year to 5.00 percent in 2025 and later.
Mortality	Separate mortality rates for non-annuitants (based on RP-2018 "Employees" sex-distinct tables and projected generationally using Scale BB) and annuitants (based on RP-2018 "Healthy Annuitants" sex-distinct tables and projected generationally using Scale BB). In fiscal year ended June 30, 2018, the mortality assumption used the RP-2017 mortality tables with separate rates for males and females and generational projection using improvement scale BB. In fiscal year ended June 30, 2017, the mortality assumption used the RP-2016 mortality tables with separate rates for males and females and generational projection using improvement scale BB.

COLORADO STATE UNIVERSITY SYSTEM
Required Supplemental Information
Schedule of OPEB Contributions
Retiree Umbrella Prescription Plan PERA Participants
June 30, 2019
(Unaudited)
(Amounts expressed in thousands)

The amounts presented are the contributions and payroll for each fiscal year.

	FY2019	FY2018	FY2017
Actuarially determined contributions	\$ 151	232	240
Contributions in relation to the actuarially determined contributions	(151)	(232)	(240)
Contribution deficiency (excess)	\$ -	-	-
Covered-employee payroll	\$ 12,573	14,903	16,396
Contributions as a percentage of covered-employee payroll	1.2%	1.6%	1.5%

Notes To Required Supplementary Information

Valuation date	The valuation dates are biennial dates as of January 1. As of fiscal year ended June 30, 2019, the valuation date was January 1, 2019.
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry age normal, level percent of pay
Amortization method	30 years closed, level percent of pay
Amortization period	19 years
Asset valuation method	Market value
Inflation	As of fiscal year ended June 30, 2019, inflation became 2.50 percent. In prior years, inflation was 3.00 percent.
Investment rate of return	5.24%
Salary increases	N/A
Cost-of-living adjustments	N/A
Healthcare cost trend rates	6.50 percent decreasing by 0.25 percent per year to 5.00 percent in 2025 and later.
Mortality	Separate mortality rates for non-annuitants (based on RP-2018 "Employees" sex-distinct tables and projected generationally using Scale BB) and annuitants (based on RP-2018 "Healthy Annuitants" sex-distinct tables and projected generationally using Scale BB). In fiscal year ended June 30, 2018, the mortality assumption used the RP-2017 mortality tables with separate rates for males and females and generational projection using improvement scale BB. In fiscal year ended June 30, 2017, the mortality assumption used the RP-2016 mortality tables with separate rates for males and females and generational projection using improvement scale BB.

COLORADO STATE UNIVERSITY SYSTEM
 Required Supplemental Information
 Schedule of OPEB Contributions
 Long-Term Disability Income Replacement Plan
 June 30, 2019
 (Unaudited)
 (Amounts expressed in thousands)

The amounts presented are the contributions and payroll for each fiscal year.

	FY2019	FY2018	FY2017
Actuarially determined contributions	\$ 1,286	1,426	1,373
Contributions in relation to the actuarially determined contributions	(1,610)	(1,550)	(1,478)
Contribution deficiency (excess)	\$ (324)	(124)	(105)
Covered-employee payroll	\$ 440,686	421,858	400,340
Contributions as a percentage of covered-employee payroll	0.4%	0.4%	0.4%

Notes To Required Supplementary Information

Valuation date	The valuation dates are biennial dates as of January 1. As of fiscal year ended June 30, 2019, the valuation date was January 1, 2019.
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry age normal, level percent of pay
Amortization method	30 years open, level percent of pay
Amortization period	30 years
Asset valuation method	Market value
Inflation	As of fiscal year ended June 30, 2019, inflation became 2.50 percent. In prior years, inflation was 3.00 percent.
Investment rate of return	5.24%
Salary increases	6.00%
Cost-of-living adjustments	3.00%
Healthcare cost trend rates	N/A
Mortality	Separate mortality rates for non-annuitants (based on RP-2018 "Employees" sex-distinct tables and projected generationally using Scale BB) and annuitants (based on RP-2018 "Healthy Annuitants" sex-distinct tables and projected generationally using Scale BB). In fiscal year ended June 30, 2018, the mortality assumption used the RP-2017 mortality tables with separate rates for males and females and generational projection using improvement scale BB. In fiscal year ended June 30, 2017, the mortality assumption used the RP-2016 mortality tables with separate rates for males and females and generational projection using improvement scale BB. Long-term disabled participant mortality is based on the 1987 Commissioner's Group Disability Table with a three month elimination period.

COLORADO STATE UNIVERSITY SYSTEM OTHER POSTEMPLOYMENT BENEFITS

Required Supplemental Information
 Schedule of Changes in the OPEB (Asset) Liability and Related Ratios
 Retiree Medical Subsidy for DCP Participants
 June 30, 2019
 (Unaudited)
 (Amounts expressed in thousands)

The amounts presented are for each fiscal year.

	FY2019	FY2018	FY2017
Total OPEB liability:			
Service cost	\$ 1,689	1,681	N/A
Interest	2,059	1,873	N/A
Demographics losses (gains)	357	(284)	N/A
Assumption changes	(7,105)	290	N/A
Benefit payments	<u>(1,090)</u>	<u>(966)</u>	<u>N/A</u>
Net change in total OPEB liability	(4,090)	2,594	N/A
Total OPEB liability - beginning	38,217	35,623	N/A
Total OPEB liability - ending	\$ 34,127	38,217	35,623
Plan fiduciary net position:			
Net investment income	\$ 2,455	1,639	N/A
Benefit payments	(1,090)	(966)	N/A
Administrative expense	<u>(39)</u>	<u>(37)</u>	<u>N/A</u>
Net change in plan fiduciary net position	1,326	636	N/A
Plan fiduciary net position - beginning	45,999	45,363	N/A
Plan fiduciary net position - ending	\$ 47,325	45,999	45,363
Net OPEB (asset) liability - ending	\$ (13,198)	(7,782)	(9,740)
Plan fiduciary net position as a percentage of the total OPEB liability	138.7%	120.4%	127.3%

Fiscal year ended June 30, 2017, was the year of implementation of GASB Statement No. 74, so there was no data available except the total OPEB liability - ending, plan fiduciary net position - ending, and net OPEB (asset) liability, resulting in the rest being noted as not applicable, per the actuaries.

COLORADO STATE UNIVERSITY SYSTEM OTHER POSTEMPLOYMENT BENEFITS

Required Supplemental Information
 Schedule of Changes in the OPEB (Asset) Liability and Related Ratios
 Retiree Medical Subsidy for PERA Participants
 June 30, 2019
 (Unaudited)
 (Amounts expressed in thousands)

The amounts presented are for each fiscal year.

	FY2019	FY2018	FY2017
Total OPEB liability:			
Service cost	\$ 285	323	N/A
Interest	2,382	2,359	N/A
Demographics losses (gains)	(7,123)	(399)	N/A
Assumption changes	(21,232)	125	N/A
Benefit payments	<u>(1,239)</u>	<u>(1,563)</u>	<u>N/A</u>
Net change in total OPEB liability	(26,927)	845	N/A
Total OPEB liability - beginning	45,883	45,038	N/A
Total OPEB liability - ending	\$ 18,956	45,883	45,038
Plan fiduciary net position:			
Contributions-employer	\$ -	1,942	N/A
Net investment income	1,322	849	N/A
Benefit payments	(1,239)	(1,563)	N/A
Administrative expense	<u>(33)</u>	<u>(24)</u>	<u>N/A</u>
Net change in plan fiduciary net position	50	1,204	N/A
Plan fiduciary net position - beginning	24,756	23,552	N/A
Plan fiduciary net position - ending	\$ 24,806	24,756	23,552
Net OPEB (asset) liability - ending	\$ (5,850)	21,127	21,486
Plan fiduciary net position as a percentage of the total OPEB liability	130.9%	54.0%	52.3%

Fiscal year ended June 30, 2017, was the year of implementation of GASB Statement No. 74, so there was no data available except the total OPEB liability - ending, plan fiduciary net position - ending, and net OPEB (asset) liability, resulting in the rest being noted as not applicable, per the actuaries.

COLORADO STATE UNIVERSITY SYSTEM OTHER POSTEMPLOYMENT BENEFITS

Required Supplemental Information

Schedule of Changes in the OPEB (Asset) Liability and Related Ratios

Retiree Umbrella Prescription Plan PERA Participants

June 30, 2019

(Unaudited)

(Amounts expressed in thousands)

The amounts presented are for each fiscal year.

	FY2019	FY2018	FY2017
Total OPEB liability:			
Service cost	\$ 21	24	N/A
Interest	179	181	N/A
Demographics losses (gains)	(469)	(159)	N/A
Assumption changes	(495)	4	N/A
Benefit payments	(80)	(83)	N/A
Contributions-employee/member	26	28	N/A
Net change in total OPEB liability	(818)	(5)	N/A
Total OPEB liability - beginning	3,444	3,449	N/A
Total OPEB liability - ending	\$ 2,626	3,444	3,449
Plan fiduciary net position:			
Contributions-employer	\$ 151	232	N/A
Contributions-employee/member	26	28	N/A
Net investment income	52	22	N/A
Benefit payments	(80)	(83)	N/A
Administrative expense	(37)	(37)	N/A
Net change in plan fiduciary net position	112	162	N/A
Plan fiduciary net position - beginning	899	737	N/A
Plan fiduciary net position - ending	\$ 1,011	899	737
Net OPEB (asset) liability - ending	\$ 1,615	2,545	2,712
Plan fiduciary net position as a percentage of the total OPEB liability	38.5%	26.1%	21.4%

Fiscal year ended June 30, 2017, was the year of implementation of GASB Statement No. 74, so there was no data available except the total OPEB liability - ending, plan fiduciary net position - ending, and net OPEB (asset) liability, resulting in the rest being noted as not applicable, per the actuaries.

COLORADO STATE UNIVERSITY SYSTEM OTHER POSTEMPLOYMENT BENEFITS

Required Supplemental Information

Schedule of Changes in the OPEB (Asset) Liability and Related Ratios

Long-Term Disability Income Replacement Plan

June 30, 2019

(Unaudited)

(Amounts expressed in thousands)

The amounts presented are for each fiscal year.

	FY2019	FY2018	FY2017
Total OPEB liability:			
Service cost	\$ 1,424	1,440	N/A
Interest	630	514	N/A
Demographics losses (gains)	(2,405)	(188)	N/A
Assumption changes	(410)	(13)	N/A
Benefit payments	<u>(896)</u>	<u>(907)</u>	<u>N/A</u>
Net change in total OPEB liability	(1,657)	846	N/A
Total OPEB liability - beginning	11,629	10,783	N/A
Total OPEB liability - ending	\$ 9,972	11,629	10,783
Plan fiduciary net position:			
Contributions-employee/member	\$ 1,610	1,550	N/A
Net investment income	522	318	N/A
Benefit payments	(896)	(907)	N/A
Administrative expense	<u>(40)</u>	<u>(60)</u>	<u>N/A</u>
Net change in plan fiduciary net position	1,196	901	N/A
Plan fiduciary net position - beginning	9,617	8,716	N/A
Plan fiduciary net position - ending	\$ 10,813	9,617	8,716
Net OPEB (asset) liability - ending	\$ (841)	2,012	2,067

Plan fiduciary net position as a percentage of the total OPEB liability	108.4%	82.7%	80.8%
--	--------	-------	-------

Fiscal year ended June 30, 2017, was the year of implementation of GASB Statement No. 74, so there was no data available except the total OPEB liability - ending, plan fiduciary net position - ending, and net OPEB (asset) liability, resulting in the rest being noted as not applicable, per the actuaries.

COLORADO STATE UNIVERSITY SYSTEM OTHER POSTEMPLOYMENT BENEFITS

Required Supplemental Information

Schedule of Investment Returns

June 30, 2019

(Unaudited)

(Amounts expressed in thousands)

The amounts presented are for each fiscal year.

	FY2019	FY2018	FY2017
Annual money-weighted rate of return net of investment expense	7.5%	3.6%	3.4%