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Independent Accountants' Report on Financial Statements and Supplementary Information

Members of the Legislative Audit Committee:

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the Colorado State University System (the System), a component unit of the State of Colorado, as of and for the years ended June 30, 2010 and 2009, which collectively comprise the System's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the System's management. Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of the Colorado State University Foundation, the discretely presented component unit. Those statements were audited by other accountants whose reports have been furnished to us and our opinions, insofar as they relate to the amounts included for the discretely presented component unit, are based solely on the reports of the other accountants.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Colorado State University Foundation, the discretely presented component unit, were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of the other accountants provide a reasonable basis for our opinions.

In our opinion, based on our audits and the reports of other accountants, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the Colorado State University System as of June 30, 2010 and 2009, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Members of the Legislative Audit Committee

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2010, on our consideration of the System's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis and schedule of funding progress as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

BKD, LLP

December 1, 2010

Colorado State University System

(A Component Unit of the State of Colorado)

Management's Discussion and Analysis

Years Ended June 30, 2010 and 2009

(Unaudited)

This section of the financial report presents a discussion and analysis of the financial performance of the Colorado State University System (the System) for the fiscal years ended June 30, 2010 and 2009. The System includes Colorado State University (CSU), Colorado State University Pueblo (CSU-Pueblo), and Colorado State University Global Campus (CSU-Global). This discussion provides an analysis of the System's financial activities based on currently known facts, decisions, or existing conditions. This analysis should be read in conjunction with the System's financial statements and notes thereto, which are also presented in this document.

Financial Highlights

- Due to the continuing effects of the economic downturn experienced across the United States during fiscal year 2010 the State of Colorado reduced its funding to the System by $47.9 million. Of this $47.9 million, $33.3 million related to the fee for service contract with the remaining $14.6 million decline resulting from the reduction in the College Opportunity Fund stipend from $68 to $44 per credit hour. State Fiscal Stabilization Funds (SFSF), in the form of a federal grant from the U.S. Department of Education, were granted to the State of Colorado to offset such reductions in state funding primarily to local educational agencies (K-12) and institutions of higher education. The System received $81.2 million in resources from this funding source in 2010 as "backfill" for the reduction in state funding. This funding source is restricted for use in supporting educational and general expenditures in such a manner as to mitigate the need to raise tuition and fees for in-state residents. The SFSF funding is expected to decrease in fiscal year 2011 and funding for future years is uncertain.

- In fiscal year 2010 the System realized a $1.2 million increase in its restricted investments. The majority of these investments are held for the benefit of CSU by the Colorado State University Foundation.

- The assets of the System exceeded its liabilities at June 30, 2010 by $756.2 million (net assets). Of this amount $101.0 million is restricted for purposes which the donor or grantor or other external party intended, and $519.3 million related to investments in capital assets, net of related debt. The remaining $135.9 million is unrestricted and may be used to meet the System's ongoing obligations. Although unrestricted net assets are not externally restricted, they may be internally designated by the System's administration for various purposes.

- The System's net assets increased $44.9 million during fiscal year 2010. Of this amount, $29.4 million and $18.5 million relate to increases in capital assets, net of related debt and unrestricted net assets, respectively. These increases are offset by a $3.0 million reduction in donor/grant or restricted net assets.

- On August 12, 2010 the System issued $98.9 million in System Enterprise Revenue Bonds that will mature in varying annual amounts to March 2040 with the interest rates ranging from 4.000% to 6.057%. The proceeds from the sale of these bonds will be used to defray the costs of constructing, acquiring, renovating, improving and equipping certain facilities at CSU. This issuance included Recovery Zone Economic Development Bonds as well as Build America

Bonds that carry special tax credits and federal subsidies, reducing the effective borrowing costs to the issuer. The System's effective interest rate for this issue is approximately 3.44%.

The Basic 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.

The statements of net assets present information on all of the System's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the System is improving or deteriorating.

The statements of revenues, expenses and changes in net assets present information showing how the System's net assets changed during the two most recent fiscal years. All changes in net assets 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 only 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).

The statements of cash flows are reported on the direct method. The direct method of cash flows reporting portrays cash flows from operations, noncapital financing, capital and related financing, and investing activities.

The System reports its activity as a business-type activity using the economic resources measurement focus and the accrual basis of accounting. The System is a blended component unit of the State of Colorado.

The Notes to Basic 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 basic financial statements. The Notes to Basic Financial Statements follow the basic financial statements.

Management's Discussion and Analysis focuses on the primary government, which is the Colorado State University System.

Financial Analysis

The statements of net assets present the assets, liabilities, and net assets of the Colorado State University System as of the end of the fiscal year. The System assets exceeded liabilities resulting in net assets at June 30, 2010 and 2009 of $756.2 million and $711.3 million, respectively. The majority (69% and 69%, respectively) of the System's net assets are invested in capital assets (e.g., land, buildings and equipment), net of related debt. These assets are used to provide services to students, faculty, and administration. Consequently, these assets are not available to fund future spending.

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Summary of Net Assets
(Amounts expressed in thousands)

	Year Ended June 30		
	2010	**2009**	**2008**
Current assets	$ 383,900	356,784	339,002
Noncurrent assets, including capital assets of $911,761, $754,552 and $615,797, respectively	1,020,267	998,078	903,783
Total assets	$ 1,404,167	1,354,862	1,242,785
Current liabilities	$ 165,613	162,168	150,309
Noncurrent liabilities	482,344	481,379	418,535
Total liabilities	$ 647,957	643,547	568,844
Net assets:			
Invested in capital assets, net of related debt	$ 519,269	489,880	439,525
Restricted	101,014	104,023	101,494
Unrestricted	135,927	117,412	132,922
Total net assets	$ 756,210	711,315	673,941

- The $49.3 million increase in System assets in 2010 over that of 2009 is related to increases in both current and noncurrent assets of $27.1 million and $22.2 million, respectively. Current assets increased primarily due to an increase in cash of $20.1 million, an increase in student accounts receivable of $5.8 million and an increase in grant and other receivables of $1.7 million. The majority of the increase in noncurrent assets is related to increases of $62.1 million in construction in progress, $93.0 million in buildings and improvements, and $3.0 million in land which is offset by a decline in restricted cash and cash equivalents of $136.4 million. The changes in construction in progress, buildings and improvements, and land are discussed within the capital assets portion of this document. The reduction in restricted cash and cash equivalents is the result of the use of bond proceeds to support construction activities. The $112.1 million increase in System assets from fiscal year 2008 to fiscal year 2009 was primarily attributable to a $94.3 million increase in noncurrent assets. The increase in noncurrent assets was primarily due to increases of $110.7 million in construction in process, $5.7 million in land, and $20.9 million in buildings and improvements, offset by a $42.3 million decrease in restricted cash.

- In 2010, total liabilities increased $4.4 million which is primarily related to a $4.4 million increase in deposits held for others. Total liabilities of the System increased $74.7 million from fiscal year 2008 to fiscal year 2009. The majority of this increase, $50.8 million, was attributable to bonds payable and certificates of participation. Additionally, accounts payable increased $6.3 million and accrued liabilities increased $2.6 million.

The statements of revenues, expenses and changes in net assets report the results of operating and nonoperating revenues and expenses during the year and the resulting increase or decrease in net assets at the end of the fiscal year. Pell grant revenues of $17.4 million and $14.9 million have been reclassified from operating revenues to nonoperating revenues for the years ended June 30, 2009 and 2008, respectively.

Summary of Revenues, Expenses and Changes in Net Assets
(Amounts expressed in thousands)

	Year Ended June 30		
	2010	**2009**	**2008**
Operating revenues:			
Tuition and fees, net	$ 253,822	248,267	234,380
State fee for service revenue	38,798	73,233	82,669
Grants and contracts	265,990	280,130	266,784
Auxiliary enterprises	125,249	125,262	115,626
Other	28,978	25,909	24,093
Total operating revenues	712,837	752,801	723,552
Operating expenses:			
Instruction	226,367	219,522	203,506
Research	175,960	174,170	168,223
Public service	81,757	92,504	86,970
Academic support	54,625	54,186	50,676
Student services	29,387	28,840	26,288
Institutional support	45,126	47,434	41,083
Operation and maintenance of plant	54,403	59,978	57,657
Scholarships and fellowships	16,491	11,319	8,541
Auxiliary enterprises	111,248	117,261	109,625
Depreciation	47,593	43,593	41,151
Total operating expenses	842,957	848,807	793,720
Operating loss	(130,120)	(96,006)	(70,168)

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	Year Ended June 30		
	2010	**2009**	**2008**
Nonoperating revenues:			
State appropriations	6,300	4,750	3,250
State fiscal stabilization	81,195	33,271	—
Federal nonoperating grants and contracts	27,496	17,367	14,858
Other nonoperating revenues, net	27,280	36,470	42,882
Net nonoperating revenues	142,271	91,858	60,990
Income (loss) before other revenues (expenses)	12,151	(4,148)	(9,178)
State capital contributions	13,832	32,951	28,418
Capital grants	12,110	6,166	5,482
Capital gifts	5,813	4,028	1,474
Payments (to)/from governing boards or other institutions	(181)	938	1,193
Additions (reductions) to permanent endowments	1,170	(2,561)	(546)
Increase in net assets	44,895	37,374	26,843
Net assets:			
Net assets, beginning of year	711,315	673,941	647,098
Net assets, end of year	$ 756,210	711,315	673,941

The System experienced a $130.1 million, $96.0 million and $70.2 million loss from operations in fiscal years 2010, 2009 and 2008, respectively. The operating loss in 2010 was offset by net nonoperating and other revenues of $175.0 million which included $6.3 million in state appropriations, $81.2 million in State Fiscal Stabilization Funds, $30.3 million in gifts and capital gifts, $7.6 million in investment income, $25.9 million in state capital contributions and capital grants, $27.5 million in federal nonoperating grants and contracts, $1.1 million in permanent endowments, $4.2 million in other nonoperating revenues all of which was offset by $9.1 million in interest expense on capital debt. The state appropriations of $6.3 million included $3.25 million for wildfire preparedness, $1.0 million for forest restoration, $1.45 million for Healthy Forests – vibrant communities, and $600 thousand for the Wildfire Emergency Fund. In fiscal year 2009, this operating loss was offset by net nonoperating and other revenues of $133.4 million which included $4.75 million in state appropriations, $33.3 million in State Fiscal Stabilization Funds, $31.7 million in gifts and capital gifts, $11.2 million in investment income, $17.4 million in federal nonoperating grants and contracts, $39.1 million in state capital contributions and capital grants, $4.2 million in other nonoperating revenues, $938 thousand in other revenues, all of which was offset by $6.6 million in interest expense on capital debt, and $2.6 million in reductions to endowments. The state appropriations of $4.75 million included $3.25 million for wildfire preparedness, $1.0 million for forest restoration, and $500 thousand for the Colorado Water Institute. In

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fiscal year 2008, this operating loss was offset by net nonoperating and other revenues of $97.0 million, including $3.25 million of state appropriations for wildfire preparedness, $28.4 million of state capital contributions, $28.4 million of gifts and capital gifts, $14.4 million of investment income, $14.9 million in federal nonoperating grants and contracts, and $5.5 million of capital grants.

- Fiscal year 2010 System operating revenues decreased $40.0 million in relation to prior year levels. This is primarily attributable to a $5.6 million increase in tuition and fee revenue and a $2.8 million increase in educational sales offset by a reduction of $14.1 million in grants and contracts and $34.4 million in state fee for service revenue. State fee for service (FFS) revenue and the Colorado Opportunity Fund (COF) stipend included within tuition and fees were again reduced by the State as a result of the continuing economic conditions. These reductions were "backfilled" by the State with State Fiscal Stabilization Funds. The FFS was reduced $33.3 million and COF was reduced $14.6 million. Had these reductions not occurred, FFS funding would have been approximately the same as the previous year's reduced amount and tuition and fees would have increased approximately 8% which is related to this year's approved increase in tuition and fees and the incremental increase in the enrolled students. The decrease in grants and contracts is mainly related to a decrease in sponsored agreements of $14.1 million primarily related to activities of the Colorado State Forest Service.

- Fiscal year 2010 System operating expenses decreased $5.9 million in relation to prior year levels. This decrease represents larger strategic reductions in expenses in non-instructional areas of operations that allow instructional related areas to maintain or increase previous levels of expenditures thereby supporting the mission of the System.

- Fiscal year 2010 System net nonoperating revenues increased $50.4 million, which is primarily attributable to the receipt of the $81.2 million associated with the State Fiscal Stabilization Funds. Additionally Pell grants are now reported as nonoperating revenue. This change in accounting increased nonoperating revenue $27.5 million and $17.4 million in fiscal years 2010 and 2009, respectively. In addition, state appropriations increased $1.6 million as a result of $1.45 million in funding for Healthy Forests – vibrant communities and $600 thousand for the Wildfire Emergency Fund, offset by the end of funding for the Colorado Water Institute. The increases in SFSF and state appropriations are offset by increases in interest expense included within the other operating revenues, net, line item.

- Other revenues decreased $8.8 million in fiscal year 2010. This decrease was due to a $19.1 million decrease in state capital contributions and a $1.1 million decrease in payments to other institutions. The decreases were offset by a $3.7 million increase in permanent endowments and a $7.7 million increase in capital gifts and grants. Of the $13.8 million state capital contributions in 2010, $9.6 million was used for the Academic Resource Center/Library at CSU-Pueblo, $1.0 million for the CSU Clark Building, $1.4 million to replace the north line at CSU, $700 thousand for the main sanitary sewer at CSU, $400 thousand for environmental control replacement at CSU and several smaller projects.

Capital Assets and Debt Administration

At June 30, 2010, the System had approximately $911.8 million invested in capital assets, net of accumulated depreciation of $558.6 million. At June 30, 2009, the System had approximately $754.6 million invested in capital assets, net of accumulated depreciation of $521.8 million.

Depreciation charges were $47.6 million and $43.6 million for the years ended June 30, 2010 and 2009, respectively.

During the fiscal year ended June 30, 2010, the System received $13.8 million of state capital contributions for capital construction projects. Of this amount $9.6 million relates to the Academic Resource Center/University Library at CSU-Pueblo, $1.0 million relates to the CSU Clark Building, $1.4 million relates to the replacement of the north line, $700 thousand to improve the main campus sanitary sewer system and $400 thousand to replace the environmental control systems in several campus facilities with the remaining funds being attributable to smaller projects primarily on the CSU campus.

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

Capital Assets, Net of Accumulated Depreciation
(Amounts expressed in thousands)

	Year Ended June 30		
	2010	2009	2008
Nondepreciable land and land improvements	$ 19,677	16,639	10,953
Land improvements	28,839	29,975	30,155
Buildings and improvements	548,297	455,315	434,380
Leasehold improvements	576	575	325
Equipment	57,301	55,919	52,043
Collections	2,024	1,384	1,337
Library materials	19,031	20,798	23,332
Construction in progress	236,016	173,947	63,272
Total capital assets, net	$ 911,761	754,552	615,797

In 2010 capital assets, net increased $157.2 million. This increase is primarily attributable to a $3.0 million increase in land, a $93.0 million increase in buildings and improvements, and a $62.1 million increase in construction in progress. The increase in buildings and improvements is primarily related to the completion and capitalization of the CSU projects including the Lake Street Parking Garage for $20.7 million, Aspen Hall for $19.1 million, Rockwell West Business School Addition for $17.0 million, the new Indoor Practice Facility for $15.8 million, the District Cooling #2 update for $5.7 million, Braiden Hall for $4.6 million, the Academic Training Center for $3.7 million, additions to Moby Arena for $1.9 million and several smaller projects on the CSU campus. Also included is the Crestone Hall at CSU-Pueblo for $16.2 million. These costs are offset by depreciation expense in the amount of $25.3 million. The increase in construction in progress is related to new projects at CSU-Pueblo including Culebra Hall and Greenhorn Hall for $28.6 million, and the Academic Resource Center for $10.4 million. The projects at CSU include the Research Innovation Center for $27.6 million, Behavioral Science Building for $25.8 million, Clark Building Renovation for $3.6 million, the Diagnostic Medicine Center for $1.0 million, the North Steam Line for $1.0 million and various smaller projects. These costs are offset by projects from the prior year that were capitalized including Crestone Hall at CSU-Pueblo for $14.6 million, the Lake Street Parking Garage for $11.5 million, Rockwell West Business School Addition for $9.9 million, Braiden Hall for $2.4 million, and Aspen Hall for $2.3 million.

In 2009 capital assets, net increased $138.8 million. This increase was primarily attributable to a $5.7 million increase in land, a $21.0 million increase in buildings and improvements, and a $110.7 million increase in construction in progress. The increase in land was the result of two easements purchased with federal funds for the benefit of the Colorado State Forest Service. The increase in buildings and improvements was primarily related to the completion and capitalization of the CSU Computer Science Building at a cost of $13.3 million, the completion of the CSU Bio-environmental Hazards Research Building (BSL-3) facility for $6.4 million, $4.6 million for the Atmospheric Science addition, the Music Building Renovation of $1.2 million, the Foothills Biomass Project of $1.1 million, the Forestry Renovation of $1.1 million, the CSU-Pueblo Recreation Center at a cost of $10.0 million, and several smaller projects on the CSU campus. These costs were offset by depreciation expense in the amount of $20.4 million. The increase in construction in progress was related to the resident housing project at CSU-Pueblo for $20.1 million and several projects at CSU for a total of $109.1 million. These costs were offset by projects from the prior year that were capitalized in the amount of $18.5 million. The projects at CSU included the Diagnostic Medicine Center for $26.7 million, the Research Innovation Center for $19.0 million, the Academic Village housing project for $16.6 million, the Athletic Indoor Practice Facility for $14.8 million, the Academic Instruction Building for $10.6 million, the Lake Street Parking Garage for $9.1 million, the Rockwell Building Expansion for $6.4 million, and the Student Recreation Center for $5.9 million.

The System had capital construction commitments outstanding of approximately $24.7 million at June 30, 2010. The total commitment at CSU was $11.8 million relating to the Student Recreation Center for $3.7 million, the Behavioral Science Building for $1.2 million, the Resident Hall exterior finishes for $1.2 million, the Clark Building Revitalization for $500 thousand, the CIRA Addition for $900 thousand and $4.3 million over numerous smaller projects. The remaining commitment of $12.9 million at CSU-Pueblo consists of $12.2 million for the Academic Resources Center Remodel and $700 thousand for the Housing projects and for several smaller projects.

The System had $419.9 million and $427.2 million of debt outstanding at June 30, 2010 and 2009, respectively.

Summary of Debt
(Amounts expressed in thousands)

	Year Ended June 30		
	2010	2009	2008
Debt outstanding			
Revenue bonds, certificates of participation	$ 413,268	419,865	369,103
Capital lease obligations	6,612	7,331	7,183
	$ 419,880	427,196	376,286

On March 18, 2009, the System issued $56.1 million in System Enterprise Revenue Bonds, Series 2009A. The proceeds are being primarily used to construct and equip student housing facilities at CSU-Pueblo. A small portion of this issuance was utilized to build an addition to the Cooperative Institute for Research in the Atmosphere (CIRA) building at CSU. The bonds bear interest rates from 3 to 5 percent with final maturity falling in 2039.

On June 12, 2008, the System issued $83.3 million in System Enterprise Revenue Bonds, Series 2008A. The proceeds from the sale of the Series 2008A are being used to defray the costs of constructing, acquiring, renovating, expanding, and equipping certain facilities at CSU. The improvement projects include the Academic Village Phase 1B, the Lake Street Parking Garage, the Student Recreation Center and the Academic Computing Center. The bonds bear interest rates from 3 to 5 percent with final maturity in 2038.

On September 6, 2007, the System issued $210.0 million in System Enterprise Revenue Bonds, Series 2007A-C. The proceeds from the sale of the Series 2007A-C Bonds were used to defray the costs of constructing, acquiring, renovating, expanding, and equipping buildings and facilities at CSU and CSU-Pueblo in addition to refunding all or a portion of certain outstanding bonds. These improvement projects include the CSU Academic Instruction Building, Computer Science Building, Research Innovation Center, Athletics Facilities, University Center for the Arts, Rockwell Hall Addition, Research Building Revolving Fund Multi-Scale Modeling of Atmospheric Process (RBRF MMAP) Building, Chiller Plant, Greenhouse and Research Space, Animal Research Infrastructure, Research Campus Renovations, and the Student Recreation Center at CSU-Pueblo. The revenue bonds bear interest rates from 4 to 5.883 percent with final maturity in 2037.

Current refunded bonds include Colorado State University Auxiliary Facilities Enterprise Refunding and Improvement Revenue Bonds, Series 1996 ($525,000) and Series 1997 ($11,365,000), Colorado State University Research Building Revolving Fund Enterprise Revenue Bonds, Series 1997 ($1,045,000) and Series 2001 ($3,145,000), and Colorado State University Certificates of Participation, Series 1997 ($3,205,000). The current refunded bonds were redeemed in October 2007.

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Advanced refunded bonds include Colorado State University Student Sports Recreational Facilities Revenue Bonds, Series 1998 ($1,755,000), Colorado State University Enterprise System Refunding and Improvement Revenue Bonds, Series 2003A (partial refund of $3,610,000), and Colorado State University Research Building Revolving Fund Enterprise Revenue Bonds, Series 2005A ($9,535,000). A portion of the proceeds of the Series 2007B Bonds were used to purchase U.S. Treasury Securities and to provide cash which was placed in an escrow account to refund the refunded bonds. The Escrow Agent paid the debt service requirements of the 1998 Bonds through April 1, 2008 and redeemed those maturing on April 1, 2009. The Escrow Agent will pay the debt service requirements on each of the remaining refunded bonds on each of their scheduled payment dates through and including the 2003A Bonds, March 1, 2013 and will redeem those maturing on March 1, 2014 and thereafter, at a redemption price equal to 100% of par ($1,600,000) on March 1, 2013; and for the 2005A Bonds, December 1, 2015 and will redeem those maturing on December 1, 2016 and thereafter, at a redemption price equal to 100% of par ($4,010,000) on December 1, 2015. The outstanding balance of defeased obligations at June 30, 2010, was $10,455,000.

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 identified above.

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

The State General Fund revenue is projected on a quarterly basis by the Legislative Council and the Office of State Planning and Budgeting. The most recent projection by Legislative Council (September, 2010) estimates that the State General Fund revenue will increase in fiscal year 2011 by 3.2% from the previous fiscal year. For fiscal year 2012, the General Fund revenue used for the State's budgeting process is projected to remain unchanged or relatively flat compared to General Funds available in FY 2011. The State's overall budgetary situation remains governed by the three constitutional budgetary provisions: The Taxpayer Bill of Rights (TABOR), the Gallagher Amendment on property taxes, and Amendment 23 requiring specified amounts in state support for K-12 Education. The budgetary situation for higher education has changed with the implementation of the College Opportunity Fund in fiscal year 2006. As a result of legislation adopted in the 2004 session (S.B. 04-189), the State no longer provides direct State General Fund appropriation to the governing boards. Instead, the State provides stipends to qualified, resident undergraduate students, and institutions receive fee for service contracts from the Colorado Commission on Higher Education for the provision of other educational services. Finally, S.B. 04-189 also allows institutions of higher education to become TABOR enterprises through this new funding mechanism. Enterprise status eliminates institutional cash funds, such as tuition, from counting against the state's TABOR limitation. The State's voters modified TABOR at the November 2005 election. The modification allowed the State to retain all revenues in excess of TABOR spending limitations for fiscal years 2006 through 2010.

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

The Colorado State University System is authorized to receive $74.6 million in fee for service contract revenue and $39.0 million in student stipends in fiscal year 2011. The $113.6 million of anticipated fiscal year 2011 fee for service contract revenue and the student stipends represents the same amount in state support provided in 2010.

For the fiscal year ending June 30, 2011, CSU will receive no additional state capital appropriation funding. CSU will carry forward state capital appropriation funding of $1.4 million for controlled maintenance projects from 2010. This includes $500 thousand to replace the deteriorating North Steam Line, $624 thousand to improve the main campus sanitary sewer system, and $262 thousand to replace the environmental control systems in several campus facilities.

Overall enrollment at both System institutions increased 3.5% as measured by total enrollment from 2009 to 2010. CSU-Pueblo experienced a 10.7% increase in student FTE in 2010. This increase is a result of specific initiatives begun in 2007 to support the goal of increased enrollment including an expansion of academic programs, increased marketing and recruitment efforts, expansion of athletic programs, and approval of a new masters program in teacher education, a graduate incentive program, and construction of a new student recreation facility. Based on early enrollment indicators from the Department of Higher Education, there has been strong enrollment increases at some institutions and it is anticipated that enrollment will increase into fiscal years 2011 and 2012. Overall, the projected enrollment increase for the CSU System in the next three years should be in the 2% - 3% range.

Requests for Information

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

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Colorado State University System

(A Component Unit of the State of Colorado)

Statements of Net Assets

June 30, 2010 and 2009

(Amounts expressed in thousands)

Assets		2010	2009
Current assets:			
Cash and cash equivalents	$	285,634	265,511
Student accounts receivable, net		20,004	14,224
Grant and other accounts receivable, net		62,724	61,029
Student loans receivable, net		2,620	2,527
Inventories		7,988	9,194
Prepaid expenses		4,930	4,299
Total current assets		383,900	356,784
Noncurrent assets:			
Restricted cash and cash equivalents		65,019	201,414
Restricted investments		17,791	16,613
Student loans receivable, net		21,359	22,117
Other noncurrent assets		4,337	3,382
Nondepreciable capital assets:			
Land and land improvements		19,677	16,639
Construction in progress		236,016	173,947
Collections		2,024	1,384
Total nondepreciable capital assets		257,717	191,970
Depreciable capital assets, net:			
Land improvements		28,839	29,975
Buildings and improvements		548,297	455,315
Leasehold improvements		576	575
Equipment		57,301	55,919
Library materials		19,031	20,798
Total depreciable capital assets, (net of accumulated depreciation)		654,044	562,582
Total noncurrent assets		1,020,267	998,078
Total assets	$	1,404,167	1,354,862

(Continued)

Colorado State University System

(A Component Unit of the State of Colorado)

Statements of Net Assets

June 30, 2010 and 2009

(Amounts expressed in thousands)

		2010	2009
Liabilities			
Current liabilities:			
Accounts payable	$	50,907	51,449
Accrued liabilities		72,234	69,086
Deferred revenue		24,636	23,929
Deposits held for others		5,263	4,842
Bonds payable and certificates of participation, current portion		6,648	6,449
Capital leases payable, current portion		1,472	1,469
Other long-term liabilities, current portion		2,154	2,673
Compensated absences liabilities, current portion		2,299	2,271
Total current liabilities		165,613	162,168
Noncurrent liabilities:			
Bonds payable and certificates of participation		406,620	413,416
Capital leases payable		5,140	5,862
Deposits held for others		15,589	11,622
Other long-term liabilities		15,115	11,140
Compensated absences liabilities		39,880	39,339
Total noncurrent liabilities		482,344	481,379
Total liabilities	$	647,957	643,547
Net assets			
Net assets:			
Invested in capital assets, net of related debt	$	519,269	489,880
Restricted for nonexpendable purposes		18,204	16,886
Restricted for expendable purposes - other		82,810	87,137
Unrestricted		135,927	117,412
Total net assets	$	756,210	711,315

See accompanying notes to basic financial statements.

Colorado State University System

(A Component Unit of the State of Colorado)

Colorado State University Foundation

Statements of Financial Position – Discretely Presented Component Unit

June 30, 2010 and 2009

(Amounts expressed in thousands)

Assets	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2010	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2009
Cash and cash equivalents	$ 547	310	375	1,232	457	273	1,012	1,742
Investments	14,090	94,707	124,195	232,992	4,086	90,204	116,684	210,974
Receivables:								
Pledges, net of allowance	370	15,005	4,208	19,583	380	16,441	4,876	21,697
Life income trusts	-	-	43	43	-	-	34	34
Property and equipment, net of accumulated depreciation	22	250	-	272	35	250	-	285
Cash surrender value of life insurance policies	51	2	432	485	48	2	436	486
Prepaids and other assets	52	94	57	203	44	99	62	205
Total assets	$ 15,132	110,368	129,310	254,810	5,050	107,269	123,104	235,423
Liabilities and Net Assets								
Accounts payable (primarily to CSU)	$ 255	682	-	937	85	1,420	-	1,505
Other accrued liabilities	102	-	-	102	91	-	-	91
Life income agreements	558	105	210	873	563	88	216	867
Deposit held in custody for CSU	-	2,655	8,037	10,692	-	2,727	7,314	10,041
Total liabilities	915	3,442	8,247	12,604	739	4,235	7,530	12,504
Net Assets								
Unrestricted:								
Undesignated	4,276	-	-	4,276	4,341	-	-	4,341
Board designated	18,711	-	-	18,711	13,139	-	-	13,139
Endowment investment losses in excess of gift value	(8,770)	-	-	(8,770)	(13,169)	-	-	(13,169)
Total unrestricted	14,217	-	-	14,217	4,311	-	-	4,311
Temporarily restricted	-	106,926	-	106,926	-	103,034	-	103,034
Permanently restricted	-	-	121,063	121,063	-	-	115,574	115,574
Total net assets	14,217	106,926	121,063	242,206	4,311	103,034	115,574	222,919
Total liabilities and net assets	$ 15,132	110,368	129,310	254,810	5,050	107,269	123,104	235,423

See accompanying notes to basic financial statements.

Colorado State University System

(A Component Unit of the State of Colorado)

Statements of Revenues, Expenses and Changes in Net Assets

Years Ended June 30, 2010 and 2009

(Amounts expressed in thousands)

		2010	2009
Operating revenues:			
Student tuition and fees, (including $47,572 and $46,470 of revenues pledged for bonds in 2010 and 2009, respectively, and net of scholarship allowances of $73,509 and $63,476 for 2010 and 2009, respectively)	$	253,822	248,267
State fee for service revenue		38,798	73,233
Grants and contracts (including $39,370 and $41,240 of revenues pledged for bonds in 2010 and 2009, respectively)		265,990	280,130
Sales and services of educational activities		23,262	20,449
Auxiliary enterprises, (including $96,244 and $94,884 of revenues pledged for bonds in 2010 and 2009, respectively, and net of scholarship allowances of $4,821 and $3,542 for 2010 and 2009, respectively)		125,249	125,262
Other operating revenue		5,716	5,460
Total operating revenues		712,837	752,801
Operating expenses:			
Instruction		226,367	219,522
Research		175,960	174,170
Public service		81,757	92,504
Academic support		54,625	54,186
Student services		29,387	28,840
Institutional support		45,126	47,434
Operation and maintenance of plant		54,403	59,978
Scholarships and fellowships		16,491	11,319
Auxiliary enterprises		111,248	117,261
Depreciation		47,593	43,593
Total operating expenses		842,957	848,807
Operating loss		(130,120)	(96,006)
Nonoperating revenues (expenses):			
State appropriations		6,300	4,750
State Fiscal Stabilization Fund		81,195	33,271
Gifts		24,521	27,670
Investment income (including $1,482 and $2,035 of revenues pledged for bonds in 2010 and 2009, respectively)		7,633	11,232
Interest expense on capital debt		(9,075)	(6,586)
Federal nonoperating grants and contracts		27,496	17,367
Other nonoperating revenues		4,201	4,154
Net nonoperating revenues		142,271	91,858
Income (loss) before other revenues (expenses)		12,151	(4,148)

(Continued)

Colorado State University System

(A Component Unit of the State of Colorado)

Statements of Revenues, Expenses and Changes in Net Assets

Years Ended June 30, 2010 and 2009

(Amounts expressed in thousands)

		2010	2009
Other revenues (expenses):			
State capital contributions		13,832	32,951
Capital grants		12,110	6,166
Capital gifts		5,813	4,028
Payments (to)/from governing boards or other institutions		(181)	938
Additions (reductions) to permanent endowments		1,170	(2,561)
Total other revenues		32,744	41,522
Increase in net assets		44,895	37,374
Net assets, beginning of year		711,315	673,941
Net assets, end of year	$	756,210	711,315

See accompanying notes to basic financial statements.

Colorado State University System

(A Component Unit of the State of Colorado)

Colorado State University Foundation

Statements of Activities - Discretely Presented Component Unit

Years Ended June 30, 2010 and 2009

(Amounts expressed in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2010	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2009
Support and revenue:								
Contributions	$ 222	16,139	5,384	21,745	726	23,623	9,091	33,440
In-kind contributions	1	5,753	-	5,754	-	3,470	-	3,470
Increase in allowance for uncollectible pledges	-	-	-	-	-	-	-	-
Total contributions	223	21,892	5,384	27,499	726	27,093	9,091	36,910
Net investment income (loss)	14,726	11,065	52	25,843	(3,068)	(34,775)	60	(37,783)
Actuarial change in value of life income agreements	(35)	(13)	(25)	(73)	(28)	(10)	(206)	(244)
Other Changes in Net Assets	-	-	-	-	(954)	188	766	-
Other revenue	2	(49)	51	4	(15)	27	52	64
Net assets released from restrictions:								
Satisfaction of program restrictions	29,551	(29,540)	(11)	-	26,699	(26,699)	-	-
Total support and revenue	44,467	3,355	5,451	53,273	23,360	(34,176)	9,763	(1,053)
Expenses:								
Program services:								
CSU College of:								
Agricultural Sciences	2,966	-	-	2,966	3,004	-	-	3,004
Applied Human Sciences	6,074	-	-	6,074	1,424	-	-	1,424
Business	5,333	-	-	5,333	1,166	-	-	1,166
Engineering	1,883	-	-	1,883	2,474	-	-	2,474
Liberal Arts	928	-	-	928	1,800	-	-	1,800
Warner College of Natural Resources	1,320	-	-	1,320	2,178	-	-	2,178
Natural Sciences	1,185	-	-	1,185	2,792	-	-	2,792
Veterinary Medicine and Biomedical Sciences	4,711	-	-	4,711	5,679	-	-	5,679
Athletics	1,938	-	-	1,938	3,067	-	-	3,067
Central Development	2,938	-	-	2,938	3,161	-	-	3,161
Other CSU programs	2,628	-	-	2,628	3,074	-	-	3,074
Total program services	31,904	-	-	31,904	29,819	-	-	29,819
Support services:								
Management and general	1,963	-	-	1,963	1,985	-	-	1,985
Total expenses	33,867	-	-	33,867	31,804	-	-	31,804
(Decrease) increase in allowance for uncollectible pledges	-	141	(22)	119	-	-	-	-
Change in net assets	10,600	3,214	5,473	19,287	(8,444)	(34,176)	9,763	(32,857)
Interfund Transfers	(694)	678	16	-	(13,169)	13,169	-	-
Net assets, beginning of year	4,311	103,034	115,574	222,919	25,924	124,041	105,811	255,776
Net assets, end of year	$ 14,217	106,926	121,063	242,206	4,311	103,034	115,574	222,919

See accompanying notes to basic financial statements.

Colorado State University System

(A Component Unit of the State of Colorado)

Statements of Cash Flows

Years Ended June 30, 2010 and 2009

(Amounts expressed in thousands)

		2010	2009
Cash flows from operating activities:			
Cash received:			
Tuition and fees	$	249,982	242,271
Student loans collected		3,710	2,941
Sales of products		20,462	19,689
Sales of services		131,470	128,413
State fee for service revenue		38,798	73,233
Grants and contracts		258,053	285,531
Other operating receipts		4,743	2,059
Cash payments:			
Scholarships disbursed		(11,336)	(8,377)
Student loans disbursed		(2,527)	(2,404)
Payments to employees		(562,853)	(551,233)
Payments to suppliers		(201,539)	(238,399)
Net cash used in operating activities		(71,037)	(46,276)
Cash flows from noncapital financing activities:			
State appropriations - noncapital		6,300	4,750
State Fiscal Stabilization Fund		81,195	33,271
Gifts and grants for other than capital purposes		22,041	25,335
Agency (direct lending inflows)		156,471	115,622
Agency (direct lending outflows)		(156,471)	(115,723)
Other agency (inflows)		46,036	56,278
Other agency (outflows)		(43,059)	(54,584)
Payments (to)/from governing boards or other institutions		(338)	2,099
Other nonoperating revenues		31,927	21,921
Net cash provided by noncapital financing activities		144,102	88,969
Cash flows from capital and related financing activities:			
Proceeds from capital debt		-	60,066
State appropriations - capital		14,456	35,155
Capital grants, contracts and gifts		15,076	7,984
Acquisition and construction of capital assets		(202,582)	(166,639)
Principal paid on capital debt		(8,401)	(8,290)
Interest on capital debt		(16,348)	(16,720)
Net cash used in capital and related financing activities		(197,799)	(88,444)

Colorado State University System

(A Component Unit of the State of Colorado)

Statements of Cash Flows

Years Ended June 30, 2010 and 2009

(Amounts expressed in thousands)

		2010	2009
Cash flows from investing activities:			
Proceeds from sale and maturities of investments		13,406	12,109
Purchase of investments		(13,922)	(12,614)
Investment earnings		8,978	20,011
Net cash provided by investing activities		8,462	19,506
Net decrease in cash and cash equivalents		(116,272)	(26,245)
Cash and cash equivalents		265,511	249,440
Restricted cash and cash equivalents		201,414	243,730
Cash and cash equivalents, beginning of the year		466,925	493,170
Cash and cash equivalents		285,634	265,511
Restricted cash and cash equivalents		65,019	201,414
Cash and cash equivalents, end of the year	$	350,653	466,925
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	$	(130,120)	(96,006)
Adjustments:			
Depreciation expense		47,593	43,593
Noncash operating transactions		(1,039)	22
Decrease (increase) in assets:			
Receivables, net		(3,554)	(5,582)
Inventories and prepaids		2,493	(2,792)
Increase in liabilities:			
Accounts payable		4,140	444
Accrued liabilities		4,045	1,244
Deferred revenue		372	3,265
Deposits held for others		440	74
Compensated absences liabilities		569	3,826
Other liabilities		4,024	5,636
Net cash used in operating activities	$	(71,037)	(46,276)

(Continued)

Colorado State University System

(A Component Unit of the State of Colorado)

Statements of Cash Flows

Years Ended June 30, 2010 and 2009

(Amounts expressed in thousands)

		2010	2009
Noncash activities:			
Noncash gifts	$	6,005	3,860
Noncash capital leases		1,429	1,657
Noncash additions (reductions) to investments held by Foundation		651	(3,084)
Unrealized gains on investments		972	3,799
Capitalized interest		7,740	6,901
Noncash bond issuance costs		-	7
Amortization of bond premium		238	196
Amortization of bond issuance costs		131	131
Retainage payable		922	960
Certificate of Participation		1,207	2,797

See accompanying notes to basic financial statements.

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(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 four 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)

Since CSU is the state's land grant institution, it 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 years ended June 30, 2010 and 2009.

(c) Discretely Presented Component Unit

The System follows Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations are Component Units*, *an amendment of GASB Statement No. 14*, and GASB Statement No. 14, *The Financial Reporting Entity*. These statements provide 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 Foundation (the Foundation or CSUF) has been determined to be a component unit of the System and has therefore been included as a discretely presented component unit in the System financial reporting entity and presented in the System's 2010 and 2009 financial statements. The Colorado State University Research Foundation and the Colorado State University – Pueblo Foundation do not meet the criteria to be reported as component units.

The 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 Foundation holds and invests is restricted for use by, or for the benefit of CSU by the donors. The Foundation is a private nonprofit organization that reports under Financial Accounting Standards Board (FASB) standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. 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 Foundation's financial information in the System's financial reporting entity for these differences, as permitted by GASB Statement No. 39. In fiscal year 2009, CSUF implemented Financial Accounting Standards Board Staff Position No. FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*. CSUF fully discloses the nature of its endowment funds, both donor restricted endowment funds and board-designated endowment funds.

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

The major source for the Foundation's revenue is gifts. For the years ended June 30, 2010 and 2009, respectively, gifts were $27,499,000 and $36,910,000. Included in Total Support and Revenue is net investment income (loss). The Foundation had net investment income for the year ended June 30, 2010 of $25,843,000 and investment losses for the year ended June 30, 2009 of ($37,783,000). The Total Support and Revenue at June 30, 2010 was $53,273,000. The large investment loss at June 30, 2009 resulted in an overall loss in Total Support and Revenue of ($1,053,000).

The support provided by the Foundation to CSU is intended to assist in the promotion, development, and enhancement of the facilities, educational programs and opportunities of the faculty, students, and alumni of CSU. Additionally, the Foundation provides receipts to contributors and invests philanthropic gifts. Approximately $31,904,000 and $29,819,000 was transferred to CSU for the years ended June 30, 2010 and 2009, respectively, in pursuit of the above stated objectives.

Endowments and the related expendable accounts of CSU are held by the Colorado State University Foundation for investment safekeeping. These funds amounted to $10,692,000 and $10,041,000 as of June 30, 2010 and 2009, respectively, and are reported as deposits held in custody for CSU in the financial statements of the Colorado State University Foundation.

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

(2) Basis of Presentation

The System has implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, with regard to the application of FASB pronouncements applicable to its proprietary operations. In accordance with the provisions of GASB Statement No. 20, the System has applied those FASB statements and interpretations issued on or before November 30, 1989. The System has elected not to apply FASB statements and interpretations issued after November 30, 1989.

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 bases of accounting and other requirements for the presentation of such information.

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

For financial reporting purposes, the System is considered a special-purpose government engaged only in business-type activities. Accordingly, 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

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

(b) Investments

Investments are accounted for at fair value, which is determined based on quoted market prices. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statements of revenues, expenses, and changes in net assets.

(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.

(Continued)

(d) Restricted Cash and Cash Equivalents and Restricted Investments

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

(e) Capital Assets

Land, land improvements, buildings and improvements, leasehold improvements, library materials, collections, and equipment are recorded at cost at the date of acquisition or fair market value at the date of donation in the case of gifts. Capitalization limits vary at the three institutions ranging from $5,000 to $50,000. At CSU, library materials are valued at average acquisition cost. At CSU-Pueblo, library materials are valued at actual cost.

Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets or intangible assets, generally 10 to 70 years for buildings, 10 to 21 years for land improvements, 3 to 15 years for library books, 3 to 12 years for equipment and software, and 5 to 40 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 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 tax-exempt borrowing to the date the qualifying asset is ready for use. Once the capital asset is ready for use, the net cost of interest on the borrowing is capitalized and added to the acquisition cost of the asset.

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

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

The System evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Capital assets are generally considered impaired if a decline in service utility occurs, the impairment is material, and the event or change in circumstance is outside the normal life cycle of the capital asset. Impaired capital assets that will no longer be used by the System are reported at the lower of carrying value or fair value. Impairment losses on capital assets that will continue to be used by the System are measured using the method that best reflects the diminished service utility of the capital asset. If evidence is available to demonstrate that impairment will be temporary, the capital asset is not written down. There were no material impairments of capital assets at June 30, 2010 or 2009.

(f) Compensated Absence Liabilities

The amount of compensated absence liabilities that are recorded as a current liability on the statements of net assets are the higher of the historical annual amount of separation payouts or the known amount of separation payouts. The remaining balance of the compensated absence liabilities is recorded as a long-term liability on the statements of net assets.

(g) Net Assets

Net assets of the System are classified as follows:

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

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

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

Unrestricted net assets – Unrestricted net assets represent 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 assets may be designated by actions of the Board.

Discretely presented component unit – Net assets of the Foundation and the changes therein are classified and reported as follows:

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

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

Permanently restricted net assets – Net assets are subject to donor-imposed restrictions that they be maintained permanently by the Foundation.

(h) Classification of Revenues

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

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

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

Nonoperating revenues consist primarily of gifts from grantors and donors, and investment income that are relied upon and budgeted for support of operating expenses. Also included in nonoperating revenues are State Fiscal Stabilization Funds and Federal Pell Grants. State Fiscal Stabilization funds are a federal grant from the U.S. Department of Education which was granted to the State of Colorado and passed through to Higher Education to offset reductions to the College Opportunity Fund stipend and the fee for service contract. Nonoperating expenses include interest expense on capital debt.

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

(i) 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.

(j) 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.

(k) 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.

(l) Changes in Accounting Principles

The System adopted GASB 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* during fiscal year ended June 30, 2009. The change had no effect on net assets at June 30, 2010 or 2009 or changes in net assets for the years then ended.

As discussed in Note 7, the System adopted GASB 51, *Accounting and Financial Reporting for Intangible Assets* during fiscal year ended June 30, 2010. This change had no effect on net assets at June 30, 2010 or changes in net assets for the year then ended.

The System adopted GASB 53, *Accounting and Financial Reporting for Derivative Instruments* during fiscal year ended June 30, 2010. This implementation had no effect on net assets at June 30, 2010 or 2009 or changes in net assets for the years then ended.

(m) Reclassifications

Certain 2009 amounts have been reclassified to conform to the 2010 basic financial statement presentation.

(4) Cash and Cash Equivalents

The System deposits cash and cash equivalents with the State Treasurer as required by Colorado Revised Statutes (CRS). The State Treasurer pools these deposits and invests them in securities approved 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 and Mesa State College. Monies deposited in the Treasury are invested until the cash is needed. As of June 30, 2010, the System had cash on deposit with the State Treasurer of $344,746,000 which represented approximately 5.8% of the total $5,977.9 million fair value of deposits in the State Treasurer’s Pool (Pool). As of June 30, 2009, the System had cash on deposit with the State Treasurer of $456,709,000 which represented approximately 8.0% of the total $5,742.1 million fair value of deposits in the Pool.

For financial reporting purposes all of the Treasurer’s investments are reported at fair value, which is determined based on quoted market prices at fiscal year end. 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. The unrealized gains or losses included in income reflect only the change in fair value for the fiscal year.

The difference between the System's cash carrying value, deposits with the State Treasurer and balances at other banks is due to outstanding checks and deposits in transit. Interest earned on deposits with the State for the fiscal years ended June 30, 2010 and 2009 was approximately $7,760,000 and $13,118,000, respectively. These amounts reflect increases in cash and cash equivalents and increases or decreases in investment income as a result of recording unrealized gains or losses on deposits with the State Treasurer. The System reflected an unrealized gain of $7,040,000 on cash and cash equivalents on deposits with the State Treasurer for fiscal year ended June 30, 2010 and an unrealized gain of $6,069,000 for the fiscal year ended June 30, 2009. The unrealized gains on investment income for the fiscal years ended June 30, 2010 and 2009, respectively, were $972,000 and $3,799,000. Detailed information on the State Treasurer's pooled cash and cash equivalents and investments is available from the State Treasurer's office.

Investments in the Pool are exposed to custodial credit risk if the securities are uninsured, are not registered in the State's name, and are held by either the counterparty to the investment purchase or the counterparty's trust department or agent but not in the State's name. As of June 30, 2010 and 2009, none of the investments in the State Treasurer's Pool are subject to custodial credit risk.

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

At June 30, 2010 and 2009, the System's book value of cash not on deposit with the State Treasurer was $5,907,000 and $10,216,000, respectively. Cash included petty cash/change funds and bank account balances of $199,000 and $5,708,000 as of June 30, 2010 and $134,000 and $10,082,000 as of June 30, 2009, respectively. Bank account balances per the bank at June 30, 2010 and 2009 were $8,147,000 and $14,194,000, respectively. Of the June 30, 2010 deposits $7,490,000 were covered by depository insurance and were not exposed to custodial credit risk, the remaining $657,000 were collateralized with securities held by the pledging institution in the System's name. All of the deposits at June 30, 2009 were covered by depository insurance and were not exposed to custodial credit risk.

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. Based on these parameters, as of June 30, 2010, approximately 88.1% of investments of the Pool are subject to credit quality risk reporting. Except for $25,573,000 of corporate bonds rated lower medium and $14,534,000 of corporate bonds rated speculative, and $14,219,000 of corporate bonds rated as very speculative, these investments are rated from upper medium to the highest quality which indicates that the issuer has a strong capability to pay principal and interest when due. As of June 30, 2009, approximately 92.6% of investments of the Pool are

(Continued)

subject to credit quality risk reporting. Except for $46,976,000 of corporate bonds rated lower medium and $38,237,000 of corporate bonds rated speculative, these investments are rated from upper medium to the highest quality which indicates that the issuer has a strong capability to pay principal and interest when due.

Interest rate risk is the risk that changes in the market rate of interest will adversely affect the value of an investment. In addition to statutory limitations on types of investments, the State Treasurer's investment policy mitigates interest rate risk through the use of maturity limits set to meet the needs of the individual fund if the Treasurer is investing for a specific fund rather than the Pool. The Treasurer actively manages the time to maturity in reacting to changes in the yield curve, economic forecasts, and liquidity needs of the participating funds. The Treasurer further limits investment risk by setting a minimum/maximum range for the percentage of investments subject to interest rate risk and by laddering maturities and credit ratings. As of June 30, 2010, the weighted average maturity of investments in the Pool was 0.04 years for Commercial Paper (3.7% of the Pool), 0.01 years for Money Market Funds (3.2% of the Pool), 1.30 years for U.S. Government Securities (73.8% of the Pool), 1.36 years for Asset Backed Securities (12.6% of the Pool), and 2.05 years for Corporate Bonds (6.7% of the Pool). As of June 30, 2009, the weighted average maturity of investments in the Pool was 0.08 years for Commercial Paper (1.8% of the Pool), .01 years for Money Market funds (7.1% of the Pool), 1.14 years for U.S. Government Securities (67.2% of the Pool), 1.55 years for Asset Backed Securities (16.7% of the Pool), and 2.01 years for Corporate Bonds (7.2% of the Pool).

The Pool was not subject to foreign currency risk or concentration of credit risk in fiscal years 2010 or 2009.

Additional information on investments of the Pool may be obtained in the State's Comprehensive Annual Financial Report for the year ended June 30, 2010.

(5) Restricted Investments

As of June 30, 2010 and 2009, the System's restricted investments had a fair value of $17,791,000 and $16,613,000, respectively. Investment earnings for the fiscal years 2010 and 2009 were $11,000 and $77,000, respectively.

No investment types were purchased and sold during the years that were not owned as of June 30, 2010 and 2009. The System only invests in U.S. Treasury securities, which are federally guaranteed investments, as required, by state law. The System's restricted investments include investments held by CSUF that are invested in the Foundation's long-term endowment pool, which are not evidenced by securities that exist in physical or book form.

The following details each major category of the System's investments at fair value as of June 30, 2010 and 2009:

	June 30 2010	June 30 2009
U.S. Treasury obligations	$ 7,099,000	6,572,000
Investments held by CSUF in long-term endowment pool:		
Corporate equities	$ 369,000	325,000
Mutual funds	4,624,000	4,521,000
Hedge funds	905,000	3,279,000
Other investments	4,794,000	1,916,000
	10,692,000	10,041,000
Total investments	$ 17,791,000	16,613,000

(a) Credit Quality Risk

At June 30, 2010 and June 30, 2009, the System (investments held by CSUF) had debt securities in the following credit risk categories:

	June 30 2010	June 30 2009
Bond mutual funds (Standard & Poor's/Moody's)		
AAA / Aaa	$ 398,000	764,000
AA / Aa	56,000	182,000
A / A	81,000	170,000
BBB / Baa	50,000	61,000
BB / Ba	25,000	12,000
B / B	6,000	-
Below B	6,000	24,000
	$ 622,000	1,213,000

The Foundation's investment policy is utilized to manage credit risk relating to the CSU System assets invested in the Foundation's long-term endowment pool. This policy specifies that the dollar weighted average of the fixed income portfolio should be investment grade quality or above.

(b) Interest Rate Risk

At June 30, 2010, the following System investments were subject to interest rate risk:

Type of investment	Fair value	Weighted average maturity (in years)	Duration (in years)
U.S. Treasury obligations	$ 7,099,000	0.08	
Investments held by CSUF in long-term endowment pool: Bond mutual funds: PIMCO - Low Duration Fund	622,000	2.93	1.89
Total investments subject to interest rate risk	$ 7,721,000		

At June 30, 2009, the following System investments were subject to interest rate risk:

Type of investment	Fair value	Weighted average maturity (in years)	Duration (in years)
U.S. Treasury obligations	$ 6,572,000	0.09	
Investments held by CSUF in long-term endowment pool: Bond mutual funds: PIMCO - Low Duration Fund	1,213,000	3.06	2.59
Total investments subject to interest rate risk	$ 7,785,000		

The Colorado State University Foundation’s investment policy is utilized to manage interest rate risk relating to the System amounts invested in the Foundation’s long-term endowment pool. This policy specifies that the portfolio’s weighted average maturity is to be 10 years or less at all times and that the fixed income portion of the portfolio is to be targeted at 6% of the total portfolio with an acceptable range being between 3% and 10%.

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 unit – As of June 30, 2010, Foundation investments consisted of various securities carried at fair market value as determined by quoted market prices on national exchanges. 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 market value of the underlying securities, the majority of which are traded on national exchanges. Alternative investments comprise two investment types: absolute return and long-term or short-term investments. The goal of absolute return investments is to earn a stable return uncorrelated with equity markets. The goal of long-term or short-term investments is to outperform the S&P 500 Index over the long- term with less volatility.

The following details each major category of the Foundation's investments at fair market value as of June 30, 2010 and 2009:

	June 30	
	2010	**2009**
Cash and cash equivalents subject to investment management discretion	$ 650,000	6,204,000
Equities:		
Large Cap	53,629,000	39,673,000
International	32,956,000	23,684,000
Micro Cap	8,033,000	6,814,000
Fixed Income	13,536,000	25,466,000
Alternative investments	73,373,000	68,818,000
Other Investments	50,815,000	40,315,000
	$ 232,992,000	210,974,000

Net investment income (loss) of the Foundation consisted of the following for the years ended June 30, 2010 and 2009:

	2010	**2009**
Interest, dividends, and other income	$ 3,323,000	2,828,000
Net unrealized and realized gain (loss) on investments	27,143,000	(40,837,000)
Less investment management fees	(3,623,000)	(2,415,000)
	26,843,000	(40,424,000)
Less (income) loss on deposits held in custody for CSU	(1,000,000)	2,641,000
	$ 25,843,000	(37,783,000)

(6) Accounts Receivable

Accounts receivable are shown net of allowances for doubtful accounts in the accompanying statements of net assets.

		June 30	
		2010	**2009**
Student accounts receivable	$	24,581,000	17,778,000
Less allowance for doubtful accounts		(4,577,000)	(3,554,000)
Student accounts receivable, net	$	20,004,000	14,224,000
Student loans receivable	$	26,349,000	26,485,000
Less allowance for doubtful accounts		(2,370,000)	(1,841,000)
Student loans receivable, net		23,979,000	24,644,000
Less current portion		(2,620,000)	(2,527,000)
Student loans receivable	$	21,359,000	22,117,000
Grant and other accounts receivable:			
Sponsored programs	$	54,107,000	48,557,000
Commercial receivables		4,385,000	3,819,000
Conferences and summer programs		881,000	1,133,000
Insurance trust fund		499,000	431,000
Receivables from Foundation		902,000	1,581,000
Athletics		791,000	629,000
Capital construction-due from state		819,000	2,276,000
Due from other employees - pay date shift		519,000	518,000
Vendor credits		6,000	83,000
Other		1,109,000	3,011,000
Total grant and other accounts receivable		64,018,000	62,038,000
Less allowance for doubtful accounts		(1,294,000)	(1,009,000)
Grant and other accounts receivable, net	$	62,724,000	61,029,000

Discretely presented component unit – As of June 30, 2010 and 2009, the Foundation's pledges receivable consisted of the following:

		June 30	
		2010	**2009**
Receivables due in less than one year	$	3,600,000	4,083,000
Receivables due in one to five years		8,739,000	21,533,000
Receivables due in more than five years		11,402,000	412,000
		23,741,000	26,028,000
Less allowance for uncollectible pledges		(331,000)	(549,000)
Less present value discounting		(3,827,000)	(3,782,000)
	$	19,583,000	21,697,000

Unconditional promises to give (pledges receivable) are from foundations, corporations, and individuals. The discount factors utilized in the present value calculation are the five-year U.S. Treasury bond rates as of June 30 in the fiscal year the commitment is made.

Pledges receivable from one donor at June 30, 2010 and 2009 represented approximately 46% and 40% of net pledges receivable, respectively.

(Continued)

(7) Capital Assets

Following are the changes in capital assets for the year ended June 30, 2010:

	Balance July 1, 2009	Additions	Transfers	Deletions	Balance June 30, 2010
Nondepreciable capital assets:					
Land	$ 14,620,000	-	3,050,000	(12,000)	17,658,000
Land improvements	2,019,000	-	-	-	2,019,000
Construction in progress	173,947,000	183,214,000	(121,145,000)	-	236,016,000
Collections	1,384,000	658,000	-	(18,000)	2,024,000
Total nondepreciable capital assets	191,970,000	183,872,000	(118,095,000)	(30,000)	257,717,000
Depreciable capital assets:					
Land and leasehold improvements	60,129,000	623,000	1,028,000	-	61,780,000
Buildings and improvements	729,014,000	4,258,000	114,022,000	-	847,294,000
Software	3,730,000	393,000	-	-	4,123,000
Equipment	200,131,000	14,200,000	3,045,000	(9,790,000)	207,586,000
Library materials	91,349,000	1,887,000	-	(1,360,000)	91,876,000
Total depreciable capital assets	1,084,353,000	21,361,000	118,095,000	(11,150,000)	1,212,659,000
Less accumulated depreciation:					
Land and leasehold improvements	29,579,000	2,786,000	-	-	32,365,000
Buildings and improvements	273,699,000	25,298,000	-	-	298,997,000
Software	1,819,000	575,000	-	-	2,394,000
Equipment	146,123,000	15,279,000	-	(9,388,000)	152,014,000
Library materials	70,551,000	3,655,000	-	(1,361,000)	72,845,000
Total accumulated depreciation	521,771,000	47,593,000	-	(10,749,000)	558,615,000
Net depreciable capital assets	562,582,000	(26,232,000)	118,095,000	(401,000)	654,044,000
Total capital assets, net	$ 754,552,000	157,640,000	-	(431,000)	911,761,000

GASB 51 - *Accounting and Financial Reporting for Intangible Assets* was implemented during the year ended June 30, 2010.
Capitalized Software cost has been separated from the Equipment information. (See above)
Land includes the following conservation easements:

Catspaw conservation easement	3,155,000
Snow Mountain Conservation Easement	5,000,000
Elmgreen Conservation Easement	500,000
Total	8,655,000

(Continued)

Following are the changes in capital assets for the year ended June 30, 2009:

	Balance July 1, 2008	Additions	Transfers	Deletions	Balance June 30, 2009
Nondepreciable capital assets:					
Land	$ 8,934,000	2,833,000	3,155,000	(302,000)	14,620,000
Land improvements	2,019,000	-	-	-	2,019,000
Construction in progress	63,272,000	150,754,000	(40,079,000)	-	173,947,000
Collections	1,337,000	65,000	-	(18,000)	1,384,000
Total nondepreciable capital assets	75,562,000	153,652,000	(36,924,000)	(320,000)	191,970,000
Depreciable capital assets:					
Land and leasehold improvements	57,240,000	1,481,000	1,408,000	-	60,129,000
Buildings and improvements	687,987,000	7,618,000	34,322,000	(913,000)	729,014,000
Software	2,483,000	811,000	436,000	-	3,730,000
Equipment	190,355,000	18,577,000	758,000	(9,559,000)	200,131,000
Library materials	89,637,000	2,466,000	-	(754,000)	91,349,000
Total depreciable capital assets	1,027,702,000	30,953,000	36,924,000	(11,226,000)	1,084,353,000
Less accumulated depreciation:					
Land and leasehold improvements	26,760,000	2,819,000	-	-	29,579,000
Buildings and improvements	253,607,000	20,408,000	-	(316,000)	273,699,000
Software	1,225,000	594,000	-	-	1,819,000
Equipment	139,570,000	14,772,000	-	(8,219,000)	146,123,000
Library materials	66,305,000	5,000,000	-	(754,000)	70,551,000
Total accumulated depreciation	487,467,000	43,593,000	-	(9,289,000)	521,771,000
Net depreciable capital assets	540,235,000	(12,640,000)	36,924,000	(1,937,000)	562,582,000
Total capital assets, net	$ 615,797,000	141,012,000	-	(2,257,000)	754,552,000

Interest expense capitalized, net of related interest income for the System, was $7,740,000 and $6,901,000 for the years ended June 30, 2010 and 2009, respectively.

(8) Accrued Liabilities

The current accrued liabilities balances as of June 30, 2010 and 2009 were comprised of:

	June 30 2010	June 30 2009
Accrued payroll and benefits	$ 61,925,000	59,329,000
Emergency firefighting accrual	2,501,000	1,940,000
Accrued interest payable	6,605,000	6,597,000
Other liabilities	1,203,000	1,220,000
	$ 72,234,000	69,086,000

(9) Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2010 was as follows:

	Balance July 1, 2009	Additions	Reductions	Balance June 30, 2010	Amounts due within one year
Bonds and capital lease obligations:					
Revenue bonds and COPs payable	$ 419,865,000	—	(6,597,000)	413,268,000	6,648,000
Capital leases payable	7,331,000	1,430,000	(2,149,000)	6,612,000	1,472,000
Total bonds and capital leases	427,196,000	1,430,000	(8,746,000)	419,880,000	8,120,000
Other liabilities:					
Accrued compensated absences	41,610,000	569,000	—	42,179,000	2,299,000
Deposits held for others	16,464,000	19,701,000	(15,313,000)	20,852,000	5,263,000
Other	13,813,000	9,086,000	(5,630,000)	17,269,000	2,154,000
Total long-term liabilities	$ 499,083,000	30,786,000	(29,689,000)	500,180,000	17,836,000

(Continued)

Long-term liability activity for the year ended June 30, 2009 was as follows:

	Balance July 1, 2008	Additions	Reductions	Balance June 30, 2009	Amounts due within one year
Bonds and capital lease obligations:					
Revenue bonds and COPs payable	$ 369,103,000	57,766,000	(7,004,000)	419,865,000	6,449,000
Capital leases payable	7,183,000	1,657,000	(1,509,000)	7,331,000	1,469,000
Total bonds and capital leases	376,286,000	59,423,000	(8,513,000)	427,196,000	7,918,000
Other liabilities:					
Accrued compensated absences	37,785,000	3,825,000	—	41,610,000	2,271,000
Deposits held for others	13,507,000	3,091,000	(134,000)	16,464,000	4,842,000
Other	8,811,000	6,932,000	(1,930,000)	13,813,000	2,673,000
Total long-term liabilities	$ 436,389,000	73,271,000	(10,577,000)	499,083,000	17,704,000

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

The revenue bonds consist of multiple issues to finance acquisition, construction, repair, and equipping of various auxiliary and research facilities of the System. The revenue bonds are payable semiannually, have serial maturities, contain sinking fund requirements, and contain optional redemption provisions. The optional redemption provisions allow the System to redeem at various dates, portions of the outstanding revenue bonds at prices varying from 100% to 101% of the principal amount of the revenue bonds redeemed. Payment of the principal and interest on the bonds is insured by various financial guarantee insurance policies.

On March 18, 2009 the System issued $56,090,000 in System Enterprise Revenue Bonds, Series 2009A. The proceeds from the sale of the Series 2009A will be used to defray the costs of constructing, acquiring, renovating, expanding, and equipping certain facilities at CSU and CSU-Pueblo. The improvement projects include the Cooperative Institute for Research in the Atmosphere (CIRA) at CSU and the Student Housing facilities at CSU-Pueblo.

A general description of each bond issue, original issuance amount, and the amount outstanding as of June 30, 2010 and 2009 is detailed below.

Revenue bonds and COPs payable consisted of the following at June 30, 2010 and 2009:

	Interest range	2010	2009
Colorado State University:			
Colorado State University Auxiliary Facilities Bonds of 2003 A, issued in the original amount of $15,615,000 and mature in varying annual amounts to March 2017. $3,610,000 advance refunded with 2007B bond.	2.50% - 5.25%	$ 6,630,000	7,325,000
Colorado State University Auxiliary Facilities Bonds of 2003 B, issued in the original amount of $20,535,000 and mature in varying annual amounts to March 2035.	2.50% - 5.00%	18,580,000	18,990,000
Colorado State University Auxiliary Facilities Bonds of 2005 B, issued in the original amount of $45,200,000 and mature in varying annual amounts to March 2035.	3.50% - 5.00%	43,755,000	44,700,000
Colorado State University – Pueblo:			
Recreational Facilities and Occiato Student Center Bonds of 2003, issued in the original amount of $3,625,000 and mature in varying annual amounts to August 2011.	2.00% - 3.25%	965,000	1,430,000

	Interest range	2010	2009
Colorado State University System:			
Colorado State University System Enterprise Revenue Bonds of 2007 A, issued in the original amount of $160,665,000 and mature in varying annual amounts to March 2037.	4.625% - 5.250%	160,665,000	160,665,000
Colorado State University System Enterprise Revenue Bonds of 2007 B, issued in the original amount of $34,260,000 and mature in varying annual amounts to March 2021.	4.00% - 5.00%	22,995,000	26,410,000
Colorado State University System Enterprise Revenue Bonds of 2007 C, issued in the original amount of $15,120,000 and mature in varying annual amounts to March 2020.	5.883%	15,120,000	15,120,000
Colorado State University System Enterprise Revenue Bonds of 2008 A, issued in the original amount of $83,285,000 and mature in varying annual amounts to March 2038.	3.00%-5.00%	82,570,000	83,000,000
Colorado State University System Enterprise Revenue Bonds of 2009 A, issued in the original amount of $56,090,000 and mature in varying annual amounts to March 2039.	3.00%-5.00%	56,090,000	56,090,000
Unamortized bond premium/discount		3,242,000	3,407,000
Total System Bonds		410,612,000	417,137,000
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.	5.10%	2,656,000	2,728,000
Total System Certificates of Participation		2,656,000	2,728,000
Total System Bonds and Certificates of Participation		$ 413,268,000	419,865,000

(Continued)

The scheduled maturities of the revenue bonds and COPs for the fiscal year ended June 30, 2010 are as follows:

	Principal	Interest	Total Payments
2011	$ 6,648,000	19,954,000	26,602,000
2012	7,113,000	19,705,000	26,818,000
2013	7,573,000	19,455,000	27,028,000
2014	7,973,000	19,146,000	27,119,000
2015	8,383,000	18,825,000	27,208,000
2016-2020	49,237,000	87,582,000	136,819,000
2021-2025	65,210,000	73,840,000	139,050,000
2026-2030	84,774,000	55,848,000	140,622,000
2031-2035	107,030,000	32,945,000	139,975,000
2036-2040	66,085,000	6,325,000	72,410,000
Total debt service maturities	410,026,000	353,625,000	763,651,000
Unamortized bond premium/discount	3,242,000		
Total	$ 413,268,000		

The CSU Auxiliary Facilities Bonds are secured by a pledge of all net revenues derived at CSU from the operation of the auxiliary pledged facilities, special fees assessed to students or any other persons, and investment earnings on the balances in the applicable revenue fund.

The System Enterprise Revenue Bonds are secured by a pledge of 10% of all net revenues derived at the System from charges to students for the provision of general instruction by the System, 80% of the CSU facilities fee, 100% of the CSU-Pueblo facilities fee, 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. The pledge also includes the remaining pledged auxiliary revenue after current year debt service requirements on the 2003A, 2003B, and 2005B bonds. Investment earnings from revenue sources are also included. See Note 12 for more information regarding these pledged revenues. The Revenue Bonds are special limited obligations of the Board of Governors and do not constitute a general obligation of the Board or the System.

There were no material events to report for fiscal years 2010 and 2009. For fiscal year 2008, the Board provided notice of the following rating changes. The 2003A and B bonds are insured by Ambac Financial Group ("Ambac"), Inc. Fitch, Inc. removed its ratings on Ambac, Moody's Investors Service downgraded the financial strength rating of Ambac from "Aaa" to "Aa3", and Standard & Poor's Ratings Services lowered its financial strength rating on Ambac from "AAA" to "AA". The 2005B, 2007A, 2007B, and 2007C bonds are insured by Financial Guaranty Insurance Company ("FGIC"). Fitch, Inc downgraded the insurer financial strength of FGIC from "BBB" to "CCC" and placed the rating on Rating Watch Evolving, Moody's Investors Service downgraded the insurance financial strength of FGIC from "Baa3" to "B1", and Standard & Poor's Ratings Services had several rating actions on FGIC culminating in the current financial strength rating of

"BB". The 2008A bonds are insured by Financial Security Assurance ("FSA"). Moody Investors Service placed its "Aaa" rating of FSA's financial strength on review for possible downgrade and Standard & Poor's Ratings Services revised its outlook on FSA to negative from stable and affirmed its "AAA" rating.

(11) Defeased Obligations

In fiscal year 2008 the System issued System Enterprise Revenue Bonds, Series 2007B to refund outstanding bonds and COPs. Net proceeds were deposited with an escrow agent to be used for purchasing certain United States governmental obligations. The principal and interest from the United States governmental obligations will be sufficient to enable the escrow agent to make all future debt service payments on the refunded bonds and COPs. As a result, the refunded bonds and COPs are considered to be defeased and the liability for those bonds is no longer reflected on the Statement of Net Assets.

The following bonds and certificates of participation were included in the refunding 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; and Research Building Revolving Fund Enterprise Revenue Bonds, Series 2001. The Enterprise System Refunding and Improvement Revenue Bonds, Series 2003A (partial refund) and Research Building Revolving Fund Enterprise Revenue Bonds 2005A were also refunded and have remaining defeased obligations at June 30, 2010 as follows:

		Original Amount Refunded	Balance June 30, 2010
CSU Enterprise System Refunding and Improvement Revenue Bonds, Series 2003A	$	3,610,000	2,565,000
CSU Research Building Revolving Fund Enterprise Revenue Bonds, Series 2005A		9,535,000	7,890,000
	$	13,145,000	10,455,000

(12) Pledged Revenues and Related Expenses

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

CSU Enterprise System Refunding and Improvement Revenue Bonds (including Auxiliary Facilities Refunding and Improvement Revenue Bonds and Student Sports Recreational Facilities Revenue Bonds):

Pledged by auxiliary revenues.

		June 30	
		2010	**2009**
Operating revenues – pledged auxiliary revenues	$	97,489,000	97,351,000
Operating expenses		82,600,000	86,638,000
Pledged revenues over operating expenses		14,889,000	10,713,000
Net nonoperating expenses		(8,525,000)	(7,216,000)
Other revenues and transfers		563,000	(952,000)
Net increase	$	6,927,000	2,545,000

Colorado State University-Pueblo Auxiliary Facilities Enterprise Refunding and Improvement Revenue Bonds:

Pledged by auxiliary revenues.

		June 30	
		2010	**2009**
Operating revenues – pledged auxiliary revenues	$	10,391,000	9,380,000
Operating expenses		7,891,000	8,576,000
Pledged revenue over operating expenses		2,500,000	804,000
Net nonoperating expenses		—	—
Other revenues and transfers		(1,553,000)	(488,000)
Net increase	$	947,000	316,000

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

Pledged by 10% System tuition revenues, 80% CSU facilities fees revenues, 100% CSU-Pueblo facilities fees revenues, CSU research building revolving fund revenues, and remaining auxiliary revenue after current year debt service requirements for the 2003A, 2003B, and 2005B bond issues.

(Continued)

		June 30	
		2010	2009
Operating revenues	$	35,936,000	34,623,000
Operating expenses		1,335,000	3,628,000
Pledged revenues over operating expenses		34,601,000	30,995,000
Net nonoperating expenses		(4,789,000)	(1,106,000)
Other revenues and transfers		3,758,000	5,904,000
Net increase	$	33,570,000	35,793,000

The debt covenants for the above bonds require indirect cost recoveries from research-related grants to be pledged. The pledged revenue reported above includes $2,949,000 and $1,831,000 in indirect cost recoveries for the fiscal years ended June 30, 2010 and 2009, respectively, which is the amount of actual cost recoveries used to support the related bond activity. The remaining amount of indirect cost recoveries required to be pledged is $39,370,000 and $41,240,000 for the fiscal years ended June 30, 2010 and 2009, respectively.

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

(13) Capital Lease Obligations

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

		Total
Fiscal year ended June 30:		
2011	$	1,737,000
2012		1,487,000
2013		1,345,000
2014		1,131,000
2015		639,000
2016-2020		1,115,000
Minimum future lease payments		7,454,000
Less amount representing interest		842,000
Present value of minimum lease payments	$	6,612,000

Capital lease agreements have been utilized to provide for the use of property and equipment. As of June 30, 2010 and 2009, respectively, the System had capital lease obligations in effect with capitalized asset costs of $14,937,000 and $14,505,000; accumulated depreciation of $4,131,000 and $3,287,000; and related outstanding liabilities of $6,612,000 and $7,331,000.

(14) Operating Leases

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

		Future minimum obligations for operating leases
Fiscal year ended June 30:		
2011	$	1,268,000
2012		997,000
2013		934,000
2014		619,000
2015		425,000
2016-2020		2,024,000
Total	$	6,267,000

Rent expense was $1,814,000 and $1,556,000 for fiscal years 2010 and 2009, respectively.

(15) Net Assets

The System is subject to multiple constraints, including those imposed by Colorado Constitutional and related legislative actions, State of Colorado statutes, and bond covenants in conjunction with statutory provisions on pledging revenues of the auxiliary facilities.

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. The amounts restricted are $26,447,000 and $26,661,000 and are reported as restricted net assets - expendable on the financial statements as of June 30, 2010 and 2009, respectively.

The auxiliary facilities included in the CSU Student and Faculty Services have outstanding debt that is supported by pledges of revenue earned by the facilities. Under the bond covenants and statutes in effect at the time of debt issuance, any excess reserves earned by the auxiliary facilities are restricted for use by the auxiliary operations. The amounts so restricted of $27,901,000 and $29,813,000 are reported as restricted net assets - expendable on the financial statements as of June 30, 2010 and 2009, respectively.

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Colorado Revised Statute 23-31-135 requires a support fee to be annually assessed to cooperative state or accountable students in the System's professional veterinary medicine program. The statute specifies that this fee must be credited to a reserve account and used for renovation projects and for the acquisition or replacement of equipment. As of June 30, 2010 and 2009, this reserve had net assets of $2,171,000 and $2,028,000, respectively. These amounts were reported as restricted net assets - expendable on the statements of net assets.

Total restricted net assets were as follows:

		June 30	
		2010	**2009**
Restricted for nonexpendable purposes:			
Scholarships, research, and other	$	10,699,000	10,057,000
Federal Land Grant Act Account – nonexpendable		7,505,000	6,829,000
Total	$	18,204,000	16,886,000
Restricted for expendable purposes:			
Federal Land Grant Act Income Account – expendable	$	5,635,000	5,863,000
Student loans		26,447,000	26,661,000
Colorado Water Institute		447,000	503,000
Sponsored programs		2,602,000	1,285,000
Gifts		1,479,000	1,441,000
Auxiliary pledged net assets		27,901,000	29,813,000
Tuition and fee pledged assets		4,009,000	5,108,000
Research Building Revolving Fund		2,866,000	2,738,000
Equipment reserve for Vet Med		2,171,000	2,028,000
Colorado State Forest Service Legislative Funds		8,960,000	6,145,000
Other		293,000	5,552,000
Total	$	82,810,000	87,137,000

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

In regard to the net assets of the Foundation, temporarily restricted net assets and the income earned on permanently restricted net assets, consisting of endowment funds to be held in perpetuity, are available to support CSU by providing funds for student scholarships, capital improvements, research, and other educational purposes and activities. Also, as of June 30, 2010 and 2009, the Foundation's board has designated $18,711,000 and $13,139,000, respectively, of the unrestricted net assets to be used for board-designated endowments.

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(16) Commitments

Outstanding purchase order commitments against future funds not reflected in the financial statements at June 30, 2010 were $65,132,000. These outstanding purchase order commitments included $24,706,000 of System capital construction commitments. CSU capital construction commitments include approximately $545,000 for the Clark Building Revitalization, $1,166,000 for the Academic Instruction Building, $1,239,000 for the Residence Hall Revitalization, $3,680,000 for the Student Recreation Center, and $941,000 for the CIRA Building Addition. CSU-Pueblo commitments include $12,171,000 for the Academic Resources Center Remodel, $265,000 for the New Housing Facilities – Landscape, and $434,000 for the New Student Housing, Buildings #2 and #3. The remaining capital construction commitments were for other small projects at CSU and CSU-Pueblo. Of the remaining non-capital purchase order commitments in the amount of $40,426,000, $30,618,000 were related to CSU sponsored contracts and grants.

In addition to purchase order commitments, CSU has contracted obligations of $13,519,000 at June 30, 2010 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 obligation is considered highly probable. In both cases, settlement of the obligation involves payments to third parties, generally within three years.

Outstanding commitments at June 30, 2010 were:

Purchase order commitments	$	65,132,000
Shared cost obligations on long-term revenue contracts		7,142,000
Obligations under accepted employment offers		6,377,000
Total	$	78,651,000

(17) Employment Benefits

Employees of the System, eligible for retirement benefits, participate in one of three retirement plans. Eligible student employees participate in a student retirement plan, which is funded solely by contributions from the student employees. All other eligible employees of the System participate in one of two additional plans, the Public Employees' Retirement Association (PERA) plan or an optional defined contribution plan.

The System's total payroll for the fiscal years ended June 30, 2010 and 2009 was $468,877,000 and $476,063,000, respectively. Payroll for employees covered by the PERA plan, the optional defined contribution plan, and the student retirement plan was $154,092,000, $253,569,000 and $10,237,000, respectively, for the fiscal year ended June 30, 2010 and $161,290,000, $250,517,000 and $7,460,000, respectively, for the fiscal year ended June 30, 2009. The remaining employees were not eligible for participation in any of the System's plans.

(a) PERA Defined Benefit Pension Plan

Plan Description

Eligible System employees participate in PERA. The plan's purpose is to provide income to members and their families at retirement or in case of death or disability. The plan is a cost-sharing multiple-employer plan administered by PERA. PERA was established by state statute in 1931. Responsibility for the organization and administration of the plan is placed with the Board of Trustees of PERA. Changes to the plan require an actuarial assessment and legislation by the General Assembly. The state plan, as well as the other divisions' plans, are included in PERA's financial statements which may be obtained by writing to PERA of Colorado, P.O. Box 5800, Denver, Colorado 80217 or by calling PERA at 1-800-759-PERA (7372), or by visiting www.copera.org.

Prior to January 1, 2006, state employees and employees of local school districts were members of the combined State and School Division of PERA. On January 1, 2006, that combined division was segregated into a State Division and a separate School Division. PERA's financial statements at December 31, 2005, presented the state and school portions of the trust as a single division.

Plan members vest after five years of service, and if they were hired before July 1, 2005, most are eligible for retirement benefits at age 50 with 30 years of service, age 60 with 20 years of service, or at age 65 with five years of service. Persons hired on or between the dates of July 1, 2005 and December 31, 2006 (except plan members, inactive plan members, and retirees) are eligible for retirement benefits at any age with 35 years of service, at age 55 with 30 years of service, at age 60 with 20 years of service, or at age 65 with five years of service. Persons hired on or after January 1, 2007, are eligible for retirement benefits at any age with 35 years of service, at age 55 with 30 years of service, at age 60 with 25 years of service, or at age 65 with five years of service. Members hired before January 1, 2007, are also eligible for retirement benefits without a reduction for early retirement if they are at least 55 and have a minimum of five years of service credit, and their age plus years of service equals 80 or more. Persons hired on or after January 1, 2007, are eligible for retirement benefits without a reduction for early retirement if they are at least 55 with a minimum of five years of service credit and their age plus years of service equals 85 or more.

Monthly benefits are calculated as a percentage of highest average salary (HAS). For retirements before January 1, 2009, HAS is one-twelfth of the average of the highest salaries on which contributions were paid, associated with three periods of twelve consecutive months of service credit and limited to a 15 percent increase between periods. For members hired before January 1, 2007, that retired after January 1, 2009, HAS is calculated based on three periods of service credit and is limited to a 15 percent increase between periods; the lowest salary of four periods is used as a base for determining the maximum allowable 15 percent increase. For members hired on or after January 1, 2007, HAS is calculated based on three periods of service credit and is limited to an 8 percent increase between periods; the lowest salary of four periods is used as a base for determining the maximum allowable 8 percent increase.

In the 2010 legislative session, the General Assembly set the current increase as the lesser of 2 percent or the average of the monthly Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI) amounts for calendar year 2009. The 2009 CPI was negative resulting in a calendar year 2010 increase of 0 percent. The 2010 legislation moved the payment date of all increases to July. New rules governing the annual increase amount will be in effect beginning January 1, 2011.

Members disabled, who have five or more years of service credit, six months of which has been earned since the most recent period of membership, may receive retirement benefits if determined to be permanently disabled. PERA contains benefit provisions for both short and long term disability. If a member dies before retirement, his/her spouse or their eligible children under age 18 (23 if a full-time student) are entitled to a single payment or monthly benefit payments. If there is no eligible child or spouse, financially dependent parents, beneficiaries, or the member’s estate, may be entitled to receive a survivor’s benefit.

Funding Policy

The contribution requirements of plan members and their employers are established, and may be amended, by the General Assembly. Annual “gross covered wages” subject to PERA are the gross earnings less any reduction in pay to offset employee contributions to benefit plans established under Section 125 of the Internal Revenue Code.

Employees contribute 8% of their gross covered wages to an individual account with the plan. During fiscal years 2009-2010, 2008–2009, 2007-2008, 2006-2007, and 2005-2006, the System contributed 10.15% of employees’ gross covered wages to PERA of which 1.02% of the total contribution was allocated to the Health Care Trust Fund. Beginning January 1, 2006, in addition to the 10.15% contributed on employees’ gross covered wages, the System remitted an Amortization Equalization Disbursement (AED) payment, discussed below, of 0.5% of employees’, including annuitant retirees, gross covered wages.

Per Colorado Revised Statutes, an amortization period of 30 years is deemed actuarially sound. At December 31, 2005, the State and School Division of PERA was underfunded with an infinite amortization period, which means that the unfunded actuarially accrued liability would never be fully funded at the current contribution rate.

In the 2004 legislative session, the General Assembly authorized an Amortization Equalization Disbursement (AED) to address a pension-funding shortfall. The AED requires PERA employers to pay an additional 0.5% of salary beginning January 1, 2006, another 0.5% of salary in 2007, and subsequent year increases of 0.4% of salary until the additional payment reaches 3.0% in 2012.

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In the 2006 legislative session, along with other significant provisions affecting the plan, the General Assembly authorized a Supplemental Amortization Equalization Disbursement (SAED) that requires PERA employers to pay an additional one half percentage point of total salaries paid beginning January 1, 2008. The SAED is scheduled to increase by one half percentage point through 2013 resulting in a cumulative increase of three percentage points. The SAED will be terminated when each division's trust fund reaches 100 percent funding. For state employers, each year's one half percentage point increase in the SAED will be deducted from the amount of changes to state employees' salaries and used by the employer to pay the SAED.

The System's contributions to PERA for the fiscal years ended June 30, 2010, 2009, 2008, 2007 and 2006 were $20,681,000, $20,258,000, $18,001,000, $16,141,000 and $14,978,000, respectively. These contributions were equal to the contribution requirement.

(b) Voluntary Tax-Deferred Retirement Plans

PERA offers a voluntary 401(k) plan entirely separate from the defined benefit pension plan. The state offers a 457 deferred compensation plan and institutions of the state offer a 403(b) or 401(a) plan.

(c) Defined Contribution Pension Plan

Under the optional defined contribution plan, eligible faculty, administrative professionals, post doctoral fellows and veterinary interns of the System enrolled in the defined contribution plan as an alternative to PERA. Three vendor choices are offered at CSU through the defined contribution plan: Teachers Insurance and Annuity Association (TIAA), Variable Annuity Insurance Corporation (VALIC), and Fidelity Investments/MetLife. Eligible faculty and staff at CSU-Pueblo do not have the Fidelity Investments/MetLife option available. 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 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 administrators of the plan. All participants contribute the required 8% of eligible salary. As required, CSU provides a matching contribution of 9% of eligible salary for all "permanent" appointees (those with regular and special 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 11.1%, 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 vendors. The System's aggregate contribution to the above three vendors was equal to 8.6% of covered payroll or $22,227,000 for the fiscal year ended June 30, 2010 and $21,812,000 for the fiscal year ended June 30, 2009. The employee aggregate contribution to the above three vendors was equal to 8.0% of covered payroll or $20,285,000 for the fiscal year ended June 30, 2010 and $20,041,000 for the fiscal year ended June 30, 2009.

A Federal retirement program covers some employees employed by the CSU Extension. The System's contribution to this plan was $223,000 for fiscal year ended June 30, 2010 and $239,000 for fiscal year ended June 30, 2009.

(d) Student Employee Retirement Program

Eligible student employees contribute 7.5% 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 plan administrator is the "Committee". This Committee is comprised of 13 individuals representing participating state institutions of higher education and one representative appointed by the Colorado student association. All contributions are vested immediately and are participant-directed within the funds available through the one vendor for the SERP, TIAA-CREF. The contribution by student employees for the fiscal years ended June 30, 2010 and June 30, 2009 was $768,000 and $560,000, respectively.

(e) Health Insurance Programs

The System's contribution to the various health insurance programs was $13,956,000 and $12,740,000 for the fiscal years ended June 30, 2010 and 2009, respectively.

(18) Risk Financing and Insurance-Related Activities

CSU manages a combination of self-insured and fully insured property and casualty insurance programs to best protect the University's assets. At CSU, separate accounts currently make up the self-insured program: workers' compensation, liability, auto comprehensive/collision and property. CSU contracts various day-to-day operations of the self-funded benefit plan, including claims processing, to third-party administrators. CSU carries excess insurance for general liability and workers' compensation claims over $500,000 per occurrence, including claims arising from employment practices. CSU self-insures for property insurance claims less than $100,000 per occurrence with a $1,000 deductible per occurrence paid by the university department incurring the loss. CSU purchases property insurance with limits of $1 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, TULIP (Tenant User Liability Insurance Program), and self-insures for in-state auto insurance.

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 premiums paid by benefit plan participants. The self-funded benefit plans are fully self-insured except for healthcare coverage, which is reinsured for plan expenses above $200,000 in

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claims per covered employee per year. The Unallocated Reserve Account is a general contingency fund for miscellaneous and unanticipated expenses of the other health-related accounts. CSU also provides post-retirement healthcare premium subsidies to faculty and administrative professional retirees. The post-retirement healthcare premium subsidies and the "umbrella prescription plan" are funded by CSU contributions.

The amount of claims and administrative costs for the self-funded plans for fiscal year ended June 30, 2010 and 2009 did not exceed plan revenues and reserves. Exempt employees may select from various benefit plans and may elect to make certain contributions in the form of a pre-tax salary reduction.

The above health-related programs had estimated claim liabilities of $16,309,000 and $11,942,000 at June 30, 2010 and 2009, 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, and industry guidelines.

In addition to these claims, workers' compensation had estimated claim liabilities of $5,216,000 and $5,086,000 at June 30, 2010 and 2009, respectively. Liability self-insurance had estimated claim liabilities of $241,000 and $1,509,000 at June 30, 2010 and 2009, respectively. These estimates are based on current data and actuarial reports. Property self-insurance had no estimated claim liabilities at June 30, 2010 and 2009.

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

		2010	2009
Claim liabilities, beginning of year	$	18,537,000	17,798,000
Incurred claims (including IBNR)		32,285,000	28,919,000
Claim payments		(29,056,000)	(28,180,000)
Claim liabilities, end of year	$	21,766,000	18,537,000

(19) Postemployment Healthcare and Life Insurance Benefits

(a) PERA Post Employment Healthcare Plan

The PERA Health Care Program began covering benefit recipients and qualified dependents on July 1, 1986. This benefit was developed after legislation in 1985 established the program and the Health Care Fund; the program was converted to a trust fund in 1999. The benefits and employer contributions are established in statute and may be amended by the General Assembly. PERA includes the Health Care Trust Fund in its Comprehensive Annual Financial Report, which may be obtained by writing PERA at PO Box 5800, Denver, Colorado 80217, by calling PERA at 1-800-759-PERA (7372), or by visiting http://www.copera.org.

The plan is a cost-sharing multiple-employer plan under which PERA subsidizes a portion of the monthly premium for health care coverage. The benefit recipient pays any remaining amount of the premium through an automatic deduction from the monthly retirement benefit. Effective July 1, 2000, the maximum monthly subsidy is $230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; and $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 maximum subsidy is based on the recipient having 20 years of service credit, and is subject to reduction by 5% for each year less than 20 years.

The Health Care Trust Fund is maintained by an employer's contribution of 1.02% of covered salary. The System paid $1,564,000 into this fund during fiscal year 2010 and $1,627,000 into this fund during fiscal year 2009. In each year the amount contributed was 100 percent of the required contribution. Monthly premium costs for participants depend on the healthcare plan selected, the number of persons being covered, Medicare eligibility, and the number of years of service credit. PERA contracts with a major medical indemnity carrier to administer claims for self-insured plans, and with health maintenance organizations providing services within Colorado. As of December 31, 2009, there were 46,985 enrollees in the plan. At December 31, 2009, the plan had an unfunded actuarial liability of $1.50 billion, a funded ratio of 14.8 percent, and a 53 year amortization period.

(b) Other Post Retirement Benefits (OPEB) – CSU

Plan Descriptions

CSU contributes to three single-employer defined benefit healthcare plans: CSU Retiree Medical Premium Refund plan (DCP Subsidy), Retiree Medical Premium Subsidy for PERA Participants (PERA Subsidy), and the Umbrella Rx (Rx Subsidy). Each plan provides 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 (LTD) Income Replacement Plan. 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. CSU does not issue separate financial reports for the plans.

DCP Subsidy

Employees who retire from the university at age 55 with 20 or more years of service or age 60 with five 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 five and 20 years. DCP participants include employees who were hired after April 1, 1993 who have less than one year of participation in PERA or employees with such previous participation in PERA who elect to enroll in the DCP at the time of appointment. DCP 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. The plan is administered by American Administrators Group.

The DCP Subsidy is a revocable trust whereby the plan assets are restricted to expenditures necessary and appropriate to fulfilling the purpose of the plan. On an annual basis, CSU provides funding equal to 1% of covered participant's payroll. To the extent the funds are not utilized in covering benefits, they are maintained in the revocable trust and earn interest. The funds available to cover the plan benefits were $26,721,000 and $24,300,000 for the years ended June 30, 2010 and 2009, respectively. Funds provided for the benefit of the program include an amount equal to the annual OPEB cost of $2,415,000 and $2,389,000 for the years ended June 30, 2010 and 2009, respectively, plus the corresponding interest income less plan costs. Total amounts paid by CSU to retirees for this healthcare subsidy were $561,000 and $524,000 for 2010 and 2009, respectively. As of June 30, 2010 and 2009, 261 and 249 former employees, respectively, were qualified to receive such benefits.

PERA Subsidy

University faculty and nonclassified staff participating in the PERA retirement plan who retire from the University with at least ten years of University service, are eligible to receive a subsidy. 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 the Colorado Public Employees' Retirement Association (PERA) which bills CSU on a monthly basis for the applicable premiums. On an annual basis, funds equal to the annual OPEB costs are set aside, along with the related interest income, in an internal service fund to cover plan benefits. The funds available to cover the plan benefits were $8,516,000 and $5,579,000 for the years ended June 30, 2010 and 2009, respectively. The annual OPEB costs for 2010 and 2009 were $4,050,000 and $4,005,000, respectively. The average number of beneficiaries of this subsidy was 509 and 492 for fiscal years 2010 and 2009, respectively. The benefits paid by the University were $1,246,000 and $1,202,000, for fiscal years 2010 and 2009, respectively.

Rx Subsidy

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. PERA provides a prescription insurance program through Caremark for retirees enrolled in any medical insurance plan. The Caremark 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 Caremark's 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 per prescription 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

(Continued)

$99 per month for those not enrolled in Medicare. The plan is administered by Employee Benefit Management Services, Inc.

CSU set aside funds in an internal service fund equal to the OPEB obligation of $204,000 and $196,000 at June 30, 2010 and 2009, respectively. These funds, which include those previously set aside, along with the amounts paid in by participants of $30,000 in 2010 and the related interest income, have resulted in total funds available of $274,000 and $305,000 as of June 30 2010 and 2009, respectively, for this plan. Plan members were reimbursed $145,000 and $122,000 for the years ended June 30, 2010 and 2009, respectively.

Long-Term Disability Insurance Subsidy

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

CSU set aside funds in an internal service fund equal to the OPEB obligations of $489,000 and $360,000 at June 30, 2010 and 2009, respectively. These funds, which include those previously set aside and the related interest income, have resulted in total funds available of $4,995,000 and $4,925,000 as of June 30, 2010 and 2009, respectively. Plan members received $983,000 and $914,000 in benefits for the years ended June 30, 2010 and 2009, respectively.

Funding Policy, Status, Progress, and Annual OPEB Cost

Contribution requirements are established and may be amended by the Board of Governors of the Colorado State University System. CSU's annual OPEB cost for each plan is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years. Fiscal year 2008 was the year of transition and CSU has elected to prospectively implement GASB Statement 45 resulting in the net OPEB obligation at the beginning of the year being set at $0. For each of the plans, CSU has set aside funds to cover future benefits in varying amounts, however under GASB 45 in order to consider the assets available to the plan they must be segregated and restricted in a trust or equivalent arrangement. CSU's annual OPEB cost for 2010 and the related information for each plan are as follows:

	DCP Subsidy	PERA Subsidy	Rx Subsidy	LTD Subsidy
Actuarial accrued liability (a)	$ 25,188,000	55,864,000	2,899,000	12,219,000
Actuarial value of plan assets (b)	-	-	-	-
Unfunded actuarial accrued liability (a) - (b)	$ 25,188,000	55,864,000	2,899,000	12,219,000
Funded ratio (a)/(b)	0.0%	0.0%	0.0%	0.0%
Covered payroll (c)	$ 241,508,000	N/A	N/A	N/A
Unfunded actuarial accrued liability as a percentage of covered payroll [(a) - (b)}/(c)	10.4%	N/A	N/A	N/A
Contribution rates:				
CSU	Pay-as-you-go	Pay-as-you-go	Pay-as-you-go	Pay-as-you-go
Participants	N/A	N/A	$0 - $99 Based on eligibility	N/A
Annual required contributions (ARC)	$ 2,393,000	4,147,000	187,000	1,109,000
Interest on net OPEB obligation	135,000	219,000	7,000	15,000
Adjustment to ARC	(113,000)	(316,000)	(11,000)	(12,000)
Annual OPEB cost	2,415,000	4,050,000	183,000	1,112,000
Contributions made	(561,000)	(1,246,000)	(145,000)	(983,000)
Increase in net OPEB obligation	1,854,000	2,804,000	38,000	129,000
Net OPEB obligation - beginning of year	3,377,000	5,479,000	196,000	360,000
Net OPEB obligation - end of year	$ 5,231,000	$ 8,283,000	$ 234,000	$ 489,000
Percentage of OPEB cost contributed	23.2%	30.8%	79.2%	88.4%
Assets held within internal service funds - revocable trusts for future plan benefits	$ 26,721,000	8,516,000	274,000	4,995,000

(Continued)

CSU's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligations for 2010 and the preceding years for each of the plans were as follows:

	Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
DCP	6/30/2010	$ 2,415,000	23.2%	$ 5,231,000
Subsidy	6/30/2009	2,389,000	21.9%	3,377,000
	6/30/2008	1,998,000	24.3%	1,512,000
PERA	6/30/2010	4,050,000	30.8%	8,283,000
Subsidy	6/30/2009	4,005,000	30.0%	5,479,000
	6/30/2008	3,768,000	29.0%	2,676,000
Rx	6/30/2010	183,000	79.2%	234,000
Subsidy	6/30/2009	188,000	64.9%	196,000
	6/30/2008	264,000	50.8%	130,000
LTD	6/30/2010	1,112,000	88.4%	489,000
Subsidy	6/30/2009	1,081,000	84.6%	360,000
	6/30/2008	987,000	80.4%	193,000

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 annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. OPEB liabilities are recorded in other long-term liabilities as follows:

	DCP	PERA	Rx	LTD	Total
OPEB, current portion	$ 763,000	1,293,000	234,000	489,000	2,779,000
OPEB, noncurrent portion	4,468,000	6,990,000	-	-	11,458,000
Total	$ 5,231,000	8,283,000	234,000	489,000	14,237,000

Actuarial Methods and Assumptions

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

	DCP Subsidy	PERA Subsidy	Rx Subsidy	LTD Subsidy
Valuation date	1/1/2009	1/1/2009	1/1/2009	1/1/2009
Actuarial cost method	Entry Age Normal	Projected Unit Credit	Projected Unit Credit	Entry Age Normal
Amortization method	Level Percent of Pay	Level Dollar	Level Dollar	Level Percent of Pay
Remaining amortization period	30 Years, open	28 Years, closed	28 Years, closed	30 Years, open
Asset valuation method	Unfunded	Unfunded	Unfunded	Unfunded
Actuarial assumptions				
Investment rate of return	4.00%	4.00%	4.00%	4.00%
Inflation rate	3.00%	3.00%	3.00%	3.00%
Salary increase rate	4.00%	N/A	N/A	4.00%
Healthcare cost trend rate	8% initial, 5% ultimate	8% initial, 5% ultimate	N/A	N/A

(c) Other Postemployment Benefits (OPEB)

CSU-Pueblo – Retired faculty and exempt administrative staff are eligible to participate in the Colorado Higher Education Insurance Benefits Alliance Trust (CHEIBA). CHEIBA is a cost-sharing multiple-employer insurance purchasing pool, which allows for post employment health coverage until the retiree is eligible for Medicare. The retiree is responsible for paying 100% of the health insurance cost. As of June 30, 2010, there were 29 participants in the plan, of which 2 were CSU-Pueblo retirees.

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

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

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(d) Life Insurance Program

During fiscal years 2010 and 2009, PERA provided its members access to a group decreasing term life insurance plan offered by Unum Provident. Active members may join the Unum Provident Plan and continue coverage into retirement. PERA retirees are not eligible to enroll in the insurance program. Premiums are collected by monthly payroll deductions or other means. In addition, PERA maintained coverage for members under closed group plans underwritten by Anthem Life, Prudential, and New York Life.

(20) Compensated Absence Liability

System employees may accrue annual and sick leave based on the length of service and subject to certain limitations regarding the amount that will be paid upon termination. The estimated liability of compensated absences for which employees are vested as of June 30, 2010 and 2009 was $42,179,000 and $41,610,000, respectively.

Overall, expenses increased for the fiscal years ended June 30, 2010 and 2009 by $569,000 and $3,825,000, respectively, for the estimated compensated absence liabilities.

(21) Direct Student Financial Aid Reporting

During the fiscal years ended June 30, 2010 and 2009, CSU 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 and CSU-Pueblo help students obtain these loans, the University is not a party to the loans and is not responsible for collection of monies owed or for defaults by borrowers.

The gross amounts of Direct Loans disbursed during the fiscal years ended June 30, 2010 and 2009 were $156,471,000 and $115,795,000, respectively.

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(22) Scholarship Allowance

Tuition, fees, and auxiliary revenues and the related scholarship allowances for the year ended June 30, 2010 were as follows:

	2010		
	Tuition and fees	**Auxiliary revenues**	**Total**
Gross revenue	$ 327,331,000	130,070,000	457,401,000
Scholarship allowances:			
Federal	26,002,000	1,544,000	27,546,000
State	7,495,000	678,000	8,173,000
Private	227,000	162,000	389,000
Institutional	39,785,000	2,437,000	42,222,000
Total allowances	73,509,000	4,821,000	78,330,000
Net revenue	$ 253,822,000	125,249,000	379,071,000

Tuition, fees, and auxiliary revenues and the related scholarship allowances for the year ended June 30, 2009 were as follows:

	2009		
	Tuition and fees	**Auxiliary revenues**	**Total**
Gross revenue	$ 311,743,000	128,804,000	440,547,000
Scholarship allowances:			
Federal	17,913,000	859,000	18,772,000
State	8,935,000	570,000	9,505,000
Private	380,000	160,000	540,000
Institutional	36,248,000	1,953,000	38,201,000
Total allowances	63,476,000	3,542,000	67,018,000
Net revenue	$ 248,267,000	125,262,000	373,529,000

(23) System Foundations and Endowments

As discussed in note 1(c), the Foundation was incorporated into the System’s financial reporting entity during fiscal year 2004 as a result of adopting GASB Statement No. 39. The Colorado State University Research Foundation (CSURF) and the Colorado State University – Pueblo Foundation (CSU-Pueblo Foundation) did not meet the requirements of GASB Statement No. 39 to be incorporated into the System’s financial reporting entity.

(a) Colorado State University Research Foundation

CSURF is a private, not-for-profit Colorado corporation established in 1941 to aid and assist the institutions governed by the Board of the System in their research and educational efforts. CSURF officers are appointed annually by the Board of Directors. The Board of Directors consists of five voting members and two nonvoting members. No person who is an employee of CSU or CSU-Pueblo is eligible to serve as an officer of CSURF or as a voting member of the Board.

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

The major sources of CSURF revenues are royalties, rents, management fees, licensing fees, and administration fees. The support provided by CSURF to the universities includes patent and licensing management, equipment leasing, municipal lease administration, debt financing through mortgage debt service, and land acquisition, development and management. During the years ended June 30, 2010 and 2009, royalty revenues equaled $1,139,000 and $2,790,000, respectively, and expenses were $744,000 and $1,759,000, respectively.

At June 30, 2010, CSURF's debt to provide buildings for use by the universities was $4,184,000.

At June 30, 2010, the assets of CSURF consisted of:

Cash and current assets	$	2,545,000
Property and equipment		10,243,000
Other assets		9,832,000
Total assets	$	22,620,000

At June 30, 2009, CSURF's debt to provide buildings for use by the universities was $3,300,000.

At June 30, 2009, the assets of CSURF consisted of:

Cash and current assets	$	2,474,000
Property and equipment		8,785,000
Other assets		9,902,000
Total assets	$	21,161,000

Audited financial statements of CSURF are available at 410 University Services Center, P.O. Box 483, Fort Collins, CO 80522.

(b) Colorado State University – Pueblo Foundation

CSU-Pueblo Foundation was established in 1954 as an independent 501(c)(3) nonprofit corporation. The CSU-Pueblo Foundation was formed to advance and assist in the development, growth and operation of CSU-Pueblo. Twenty-seven trustees of the CSU-Pueblo Foundation are elected by members of the CSU-Pueblo Foundation. In addition, one officer of CSU-Pueblo, and one member of the Board of Governors serve as nonvoting, ex-officio members.

CSU-Pueblo Foundation recorded $1,760,000 and $2,115,000 in transfers of gifts and other assets to CSU-Pueblo during fiscal year 2010 and 2009, respectively. During the same periods, CSU-Pueblo provided $107,000 and $173,000, respectively, in in-kind support to CSU-Pueblo Foundation for 2010 and 2009. Further, CSU-Pueblo did not incur any expenses on behalf of CSU-Pueblo Foundation during the fiscal years ended June 30, 2010 and 2009.

At June 30, 2010, the assets of CSU-Pueblo Foundation consisted of:

Cash	$	2,070,000
Investments		14,104,000
Property and equipment, net		21,000
Other assets		5,186,000
Total assets	$	21,381,000

At June 30, 2009, the assets of CSU-Pueblo Foundation consisted of:

Cash	$	3,378,000
Investments		11,102,000
Property and equipment, net		26,000
Other assets		4,721,000
Total assets	$	19,227,000

CSU-Pueblo Foundation's sources of revenue are interest earned on bank accounts and investments, donations, rental property, and fundraising activities. CSU-Pueblo Foundation had $673,000 and $262,000 in outstanding liabilities and $20,708,000 and $18,965,000 in net assets as of June 30, 2010 and 2009, respectively.

Audited financial statements may be obtained from CSU-Pueblo's Foundation office at 2200 Bonforte Boulevard, Pueblo, CO 81001-4901.

(c) CSU-Pueblo Board-Designated Funds

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

The Walking Stick Fund assets at June 30, 2010 consisted of:

Cash	$	5,352,000
Land		41,000
Total assets	$	5,393,000

The Walking Stick Fund assets at June 30, 2009 consisted of:

Cash	$	5,344,000
Land		41,000
Total assets	$	5,385,000

On June 30, 2000, CSU-Pueblo sold the KTSC-TV television license and certain related assets. The proceeds of the sale have been placed in a board-designated fund to support the maintenance of the Buell Communication Center building, telecommunications equipment associated with the Mass Communications program of CSU-Pueblo, and scholarships.

The KTSC Fund assets at June 30, 2010 consisted of:

Cash	$	2,432,000
Due from other funds		102,000
Total assets	$	2,534,000

The KTSC Fund assets at June 30, 2009 consisted of:

Cash	$	2,386,000
Due from other funds		102,000
Total assets	$	2,488,000

(Continued)

(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 fiscal years 2010 and 2009 the System received $38,798,000 and $73,233,000, 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 fiscal years 2010 and 2009 stipends were provided to students attending classes at Colorado State University and Colorado State University-Pueblo in the amount of $26,890,000 and $40,387,000, respectively.

(25) Contingencies

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

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

On August 12, 2010 the System issued $98,915,000 in System Enterprise Revenue Bonds, Series 2010A-C. The bonds mature in varying annual amounts to March 2040 with the interest rate ranging from 4.000% to 6.057%. The proceeds from the sale of the Series 2010A-C Bonds will be used to defray the costs of constructing, acquiring, renovating, improving and equipping certain facilities at CSU. Improvement projects include Engineering II, Library Expansion, Braiden Hall 4th Floor Addition, Parmelee Hall 4th Floor Addition, LSC Theatre Renovation, and various classroom renovations.

The Department of Education (DOE) conducted a program review of CSU's programs authorized under Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 et seq. CSU is currently preparing its responses to this review. In addition, CSU-P is currently engaged in an employment tax audit by the Internal Revenue Service (IRS) for calendar years 2008 and 2009. Results of DOE's program review and the IRS's audit have not been finalized; however, it is probable that a liability will result, the amount of which has not yet been determined. No provision has been made in the audited financial statements relating to these potential liabilities. In the opinion of management, the ultimate outcome of these matters will not have a material adverse effect on the System's financial position.

Colorado State University System

(A Component Unit of the State of Colorado)

Required Supplementary Information

Colorado State University Retiree Medical Premium Refund Plan (DCP Subsidy), PERA Subsidy, Umbrella Rx (Rx Subsidy) and Long Term Disability Insurance Subsidy (LTD Subsidy)

Schedule of Funding Progress

June 30, 2010

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Pyaroll ((b-a/c)
DCP Subsidy							
	1/1/2009	$ -	$ 25,188,000	$ 25,188,000	0%	$ 241,508,000	10.4%
	1/1/2007	-	22,080,000	22,080,000	0%	199,794,000	11.1%
PERA Subsidy							
	1/1/2009	$ -	$ 55,864,000	$ 55,864,000	0%	$ -	0%
	1/1/2007	-	54,012,000	54,012,000	0%	-	0%
Rx Subsidy							
	1/1/2009	$ -	$ 2,899,000	$ 2,899,000	0%	$ -	0%
	1/1/2008	-	4,267,000	4,267,000	0%	-	0%
LTD Subsidy							
	1/1/2009	$ -	$ 12,219,000	$ 12,219,000	0%	$ -	0%