Colorado State University System

Financial Statements and Independent Auditor's Reports

Financial Audit

Years Ended June 30, 2014 and 2013

Colorado State University System
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Independent Auditor's Report

Members of the Legislative Audit Committee:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Colorado State University System (a higher education institution of the State of Colorado) (the System) as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of the Colorado State University Foundation (the Foundation), the discretely presented component unit of the System. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinions, insofar as they relate to the amounts included for the Foundation, are based solely on the report of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards.*

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

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

Opinions

In our opinion, based on our audits and the report of the other auditors, 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 System as of June 30, 2014 and 2013, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the System, an institution of higher education in the State of Colorado, are intended to present the financial position, the changes in financial position and, where applicable, cash flows of the business-type activities and the discretely presented component unit of the State of Colorado that is attributable to the transactions of the System. They do not purport to, and do not, present fairly the financial position of the State of Colorado as of June 30, 2014 and 2013, and the changes in its financial position or, where applicable, its cash flows for the years then ended in conformity with the accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 3 to the financial statements, in 2014, the System adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities.* Our opinion is not modified with respect to this matter.

Required Supplementary Information

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

BKD, LLP

Denver, Colorado
November 26, 2014

Management's Discussion and Analysis

We are pleased to present this financial discussion and analysis of the Colorado State University System (the System). It is intended to make the System's financial statements easier to understand and communicate our financial situation in an open and accountable manner. This section of the financial report provides an objective discussion and analysis of the financial performance of the System for the fiscal years ended June 30, 2014 and 2013. This discussion provides an analysis of the System's financial activities based on currently known facts, decisions, or existing conditions. University management is responsible for the completeness and fairness of this discussion and analysis, the financial statements, and related footnote disclosures.

The System includes Colorado State University (CSU), Colorado State University Pueblo (CSU-Pueblo), and Colorado State University Global Campus (CSU-Global). CSU-Pueblo and CSU-Global issued separate financial statements for the year ended June 30, 2014.

The Basic Financial Statements

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

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

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

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

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.

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Financial Highlights

Selected financial highlights for fiscal year ended 2014 include:

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

  For fiscal years ended 2014 and 2013, appropriated expenses in the System were within the authorized spending authority. For fiscal years ended 2014 and 2013, the System had a total appropriation of $109.8 million and $105.2 million, respectively. For fiscal years ended 2014 and 2013, the System's appropriated funds consisted of $37.8 million and $37.2 million, respectively, received from students that qualified for stipends from the College Opportunity Fund and $72.0 million and $68.0 million, respectively, as fee for service contract revenue. All other revenues and expenses reported by the System represent non-appropriated funds and are excluded from the annual appropriations bill. Non-appropriated funds include tuition and fees, grants and contracts, gifts, indirect cost recoveries, auxiliary revenues and other revenue sources.

- In fiscal year ended 2014, the System realized a $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 and deferred outflows of the System exceeded its liabilities at June 30, 2014 by $899.6 million (net position). Of this amount, $106.0 million is restricted for purposes which the donor or grantor or other external party intended and $623.9 million is related to the net investment in capital assets. The remaining $169.7 million is unrestricted and may be used to meet the System's ongoing obligations. Although unrestricted net position is not externally restricted, it may be internally designated by the System's administration for various purposes.

- The System's net position decreased $5.6 million during fiscal year 2014. $1.4 and $1.5 million relates to an increase in the net investment in capital assets and donor/grantor restricted net position, respectively. $8.5 million relates to a decrease in unrestricted net position.

- In fiscal year 2014, the system implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities.* This implementation resulted in the creation of deferred outflows where refunded debt is now recorded. Since this implementation is a change in accounting principal, the prior years' financial statements were restated which reduced the 2013 beginning net position $2.8 million.

- On September 24, 2013, the System issued Series 2013 C System Enterprise Revenue Bonds for $18.6 million that will mature in varying annual amounts to March 2044 with interest rates varying from 5.0 to 5.3 percent and issued Series 2013 D Taxable System Enterprise Revenue Bonds for $7.9 million that will mature in varying annual amounts to March 2028 with interest rates varying from 1.0 to 5.3 percent.

- On December 31, 2013, the System issued Series 2013 E System Enterprise Revenue Bonds for $138.7 million that will mature in varying annual amounts to March 2045 with interest rates varying from 3.0 to 5.0 percent.

- On June 27, 2014, CSU transferred all assets held in internal services funds at the University for the Other Post-Employment Benefits to an irrevocable trust. Total assets transferred were $61.9 million. As a result

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of this transfer, CSU recognized an adjustment of $22.2 million as a special item in relation to a change in the amortization factor on the DCP refund plan.

- CSU-Global experienced continued expansion by providing new courses and degree programs along with strong enrollment growth in fiscal year 2014.

Financial Analysis

The statement of net position presents the assets, deferred outflows, liabilities, and net position of the Colorado State University System as of the end of the fiscal year (the System has no deferred inflows). The System assets and deferred outflows exceeded liabilities resulting in a net position at June 30, 2014 and 2013 of $899.6 million and $905.2 million, respectively. The majority (69.4 percent and 68.8 percent in 2014 and 2013, respectively) of the System's net position is in the net investment in capital assets (e.g., land, buildings and equipment). These assets are used to provide services to students, faculty and administration. Consequently, these assets are not available to fund future spending.

Summary of Net Position
(Amounts expressed in thousands)

	June 30		
	2014	**2013***	**2012***
Current assets	$ 416,447	458,405	513,050
Noncurrent assets, including net capital assets of $1,223,641, $1,144,374, and $1,065,909, respectively	1,504,261	1,335,032	1,317,288
Deferred outflows	43,034	45,666	7,561
Total assets and deferred outflows	$ 1,963,742	1,839,103	1,837,899
Current liabilities	$ 179,069	182,746	221,780
Noncurrent liabilities	885,062	751,150	732,678
Total liabilities	$ 1,064,131	933,896	954,458
Net position:			
Net investment in capital assets	$ 623,886	622,472	575,988
Restricted	105,976	104,505	108,209
Unrestricted	169,749	178,230	199,244
Total net position	$ 899,611	905,207	883,441

*Restated

- The $124.6 million increase in System assets in 2014 over that of 2013 is related to both increases and decreases within the asset section. Current assets and deferred outflows decreased by $42.0 million and $2.6 million, respectively. These decreases were offset by an increase of $169.2 million in noncurrent assets. The decrease in current assets was primarily due to a decrease in cash and cash equivalents of $32.6 million and a decrease in student and grant receivables of $10.4 million, which included an $8.5 million decrease in grants and other accounts receivable, net. The reduction in cash and cash equivalents is mainly due to the transfer of the Other Post-Employment Benefits Plans cash to an external irrevocable trust. Noncurrent assets increased primarily due to increases in restricted cash and cash equivalents, $72.4

million; construction in progress, $76.6 million; and buildings and improvements, $14.2 million. Revenue bond series 2013 C, D, and E increased the restricted cash and cash equivalents $165.2 million. This was offset by the use of the bond cash on bonded projects such as $40.5 million on the Student Center project, $31.2 million on the Academic Village North project, and $10.2 million on the Animal Science Building project. These projects were not completed by the end of the fiscal year so they are also the main reason for the increase in construction in progress. The changes in, buildings and improvements, and land improvements are discussed within the capital assets portion of this analysis.

- In fiscal year 2014, total liabilities increased $130.2 million. Current liabilities decreased $3.7 million due primarily to a decrease in retainage payable, a part of accounts payable. The Engineering II 2010 Bond project was completed and the $2.5 million retainage payable was paid in 2014. Accrued liabilities also decreased $3.8 million mainly due to a reduction of the liability in the fringe pool. Noncurrent liabilities increased $133.9 million. This increase is primarily due to the $152.8 million increase in bonds payable offset by the $24.1 million decrease in other noncurrent liabilities. The increase in bonds payable is due to a combination of the issuance of Bond Series 2013 C, D, and E and the change in accounting for debt refunding related to the implementation of GASB 65. The decrease in other noncurrent liabilities is due to the transfer of the Other Post Employee Benefits to an external irrevocable trust.

The statements of revenues, expenses and changes in net position report the results of operating and nonoperating revenues and expenses during the year and the resulting increase or decrease in net position at the end of the fiscal year.

(Continued)

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

	Year Ended June 30		
	2014	**2013***	**2012***
Operating revenues:			
Tuition and fees, net	$ 409,617	371,323	339,178
State fee for service revenue	72,025	68,030	67,932
Grants and contracts	269,965	269,247	329,162
Auxiliary enterprises	144,400	137,822	139,094
Other	42,306	38,053	31,463
Total operating revenues	938,313	884,475	906,829
Operating expenses:			
Instruction	272,049	248,234	232,346
Research	182,094	189,785	186,611
Public service	83,703	70,352	133,549
Academic support	78,804	69,756	62,629
Student services	46,913	39,713	36,241
Institutional support	56,194	51,411	46,964
Operation and maintenance of plant	65,493	58,835	59,576
Scholarships and fellowships	24,557	22,755	16,114
Auxiliary enterprises	137,459	131,683	125,430
Depreciation	77,648	72,890	66,414
Total operating expenses	1,024,914	955,414	965,874
Operating loss	(86,601)	(70,939)	(59,045)
Nonoperating revenues:			
State appropriations	2,472	1,754	2,450
Federal nonoperating grants and contracts	40,020	38,597	37,346
Other nonoperating revenues, net	29,275	20,276	21,706
Net nonoperating revenues	71,767	60,627	61,502
Gain (loss) before other revenues (expenses)	(14,834)	(10,312)	2,457
Other revenues (expenses):			
State capital contributions	3,620	1,880	1,644
Capital grants	4,514	10,460	10,194
Capital gifts	21,193	22,411	51,532
Payments (to) from governing boards or other institutions	258	237	(220)
Additions (reductions) to permanent endowments	1,838	1,434	2,324
Total other revenues	31,423	36,422	65,474
Special items:			
Transfer of Fire Suppression Activities to Department of Public Safety	-	(6,536)	-
Transfer to OPEB Trust	(22,185)	-	-
Extraordinary items:			
Gain on insurance recovery	-	2,192	1,153
Increase (decrease) in net position	(5,596)	21,766	69,084
Net position:			
Net position, beginning of year	905,207	883,441	814,357
Net position, end of year	$ 899,611	905,207	883,441

*Restated

- The System experienced an $86.6 million, $70.9 million, and $59.0 million loss from operations in fiscal years ended 2014, 2013, and 2012, respectively. The operating loss in 2014 was offset by net nonoperating and other revenues of $103.2 million which primarily included $2.5 million in state appropriations, $64.0 million in gifts and capital gifts, $8.1 million in state capital contributions and capital grants, $40.0 million in federal nonoperating grants and contracts, $1.8 million in permanent endowments, $5.3 million in investment income, and $5.2 million in other nonoperating revenues all of which was offset by $24.0 million in interest expense on capital debt. The System also recognized a $22.2 million special item, as discussed below. The state appropriations of $2.5 million included $1.0 million for forest restoration and $1.5 million for Healthy Forests – Vibrant Communities. The operating loss in 2013 was offset by net nonoperating and other revenues of $97.0 million which primarily included $1.8 million in state appropriations, $58.9 million in gifts and capital gifts, $12.3 million in state capital contributions and capital grants, $38.6 million in federal nonoperating grants and contracts, $1.4 million in permanent endowments, and $6.9 million in other nonoperating revenues all of which was offset by $20.0 million in interest expense on capital debt and $3.1 million in investment income. The System also experienced a $6.5 million loss on a special item and a $2.2 million gain on an extraordinary item. The special item was related to the transfer of fire suppression assets to the Department of Public Safety, and the extraordinary item related to insurance proceeds recovered as a result of the fire at the equine reproduction facility. The state appropriations of $1.8 million included $716 thousand for forest restoration and $1.1 million for Healthy Forests – Vibrant Communities. The operating loss in 2012 was offset by net nonoperating and other revenues of $127.0 million which primarily included $2.5 million in state appropriations, $83.5 million in gifts and capital gifts, $6.8 million in investment income, $11.8 million in state capital contributions and capital grants, $37.3 million in federal nonoperating grants and contracts, $2.3 million in permanent endowments, and $4.5 million in other nonoperating revenues all of which was offset by $18.7 million in interest expense on capital debt. The System also experienced a $1.2 million gain on an extraordinary item. The state appropriations of $2.45 million included $1.0 million for forest restoration and $1.45 million for Healthy Forests – Vibrant Communities.

- Fiscal year 2014 System operating revenues increased $53.8 million. This is primarily attributable to a $38.3 million increase in tuition and fee revenue, a $4.0 million increase in state fee for service, a $6.6 million increase in revenues from auxiliary enterprise activities and a $4.9 million increase in the other operating revenues. Fiscal year 2014 System operating expenses increased $69.5 million. This is primarily due to a $23.8 million increase in expenditures for instruction, a $13.3 million increase in public service expenditures, $9.0 million in academic support, $7.2 million in student services, $4.8 million in institutional support, $6.7 million in operation and maintenance of plant, $1.8 million in scholarships and fellowships, $5.8 million in auxiliary enterprises, and $4.8 million in depreciation. This was offset by a decrease of $7.7 million in expenditures in research.

- Fiscal year 2014 System net nonoperating revenues increased $11.1 million. State appropriations increased $718 thousand due to the full funding for forest restoration and Healthy Forests – Vibrant Communities. The increases in gifts, investment income, and federal nonoperating grants and contracts are offset by an increase in interest expense on capital debt and decrease in other nonoperating revenues.

- The $5.0 million decrease in other revenues is mainly attributed to a reduction in capital grants in 2014.

- A $22.2 million special item was recognized in fiscal year 2014 related to the transfer of the assets of the Other Post-Employment Benefits to an external irrevocable trust. The special item was due to a change in the amortization factor on the DCP Plan from 30 years to one year as a result of the plan being fully funded.

Capital Assets and Debt Administration

At June 30, 2014, the System had approximately $1.23 billion invested in capital assets, net of accumulated depreciation of $783.4 million. At June 30, 2013, the System had approximately $1.14 billion invested in capital assets, net of accumulated depreciation of $717.1 million.

Depreciation charges were $77.6 million and $72.9 million for the fiscal years ended June 30, 2014 and 2013, respectively.

During fiscal year 2014, the System received $3.6 million of state capital contributions for capital construction projects. Of this amount, $1.2 million related to General Classroom Building and $495 thousand related to campus projects at CSU-Pueblo. The remaining is the CSU portion with $222 thousand used to install fire sprinklers in the Microbiology building, $161 thousand to install fire sprinklers in Glover building, $630 thousand to install fire sprinklers in Visual Arts, $526 thousand to install fire sprinklers in Moby B Wing, $282 thousand to install fire alarms in various buildings, and other smaller projects across the University.

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

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

	June 30		
	2014	**2013**	**2012**
Land	$ 27,074	24,424	24,448
Land improvements	33,557	35,494	34,430
Buildings and improvements	888,201	873,986	771,395
Leasehold improvements	3,735	979	889
Equipment	104,831	108,560	103,759
Collections	2,878	2,666	2,617
Library materials	9,216	10,707	12,713
Construction in progress	164,149	87,558	115,658
Total capital assets, net	$ 1,233,641	1,144,374	1,065,909

In 2014 capital assets, net increased $89.3 million. This increase is primarily attributable to a $76.6 million increase in construction in progress, $14.2 million increase in buildings and improvements, $2.7 million increase in land, and a $2.8 million increase in leasehold improvements. These increases were offset by decreases of $3.7 million in equipment, $1.9 million in land improvements, and $1.5 million in library materials. The increase in construction in progress is largely attributed to $40.5 million on the Student Center project, $31.2 million on the Academic Village North project, and $10.2 million on the Animal Science Building project offset by projects that were capitalized during the year. The increase in buildings and improvements is mainly due to the completion and capitalization of $16.5 million for Braiden 4th floor addition, $10.7 million for the Moby Addition & Renovation, $9.0 million for the Behavioral Science Building Addition, $5.0 million for the Lory Student Center Seismic Upgrades, and $3.9 million for the Advanced Beam Lab. These costs are offset by depreciation expense. The increase in land is largely attributed to the acquisitions of three parcels of land in Fort Collins for $2.2 million and Bay Farm for $143 thousand. The increase in leasehold improvements is mainly due to three major projects that were completed, $2.5 million for the EECL, $855 thousand for Online Plus, and $213 thousand for the Northern Hotel.

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In 2013 capital assets, net increased $78.5 million. This increase is primarily attributable to a $102.6 million increase in buildings and improvements, $4.8 million increase in equipment, and a $1.1 million increase in land improvements, offset by a $28.1 million decrease in construction in progress and $2.0 million decrease in library materials. The increase in equipment and software is largely attributed to an in-kind gift of software to be used by the CSU Design and Merchandising department, valued at $9.5 million. These costs are offset by depreciation expense in the amount of $18.3 million. The increase in land improvements is largely attributed to the completion and capitalization of the Library-Hartshorn parking lot project, in the amount of $1.8 million. In 2012, projects totaling $18.8 million were completed and capitalized. In 2013, several major projects, totaling $140.6 million, were completed and capitalized. This resulted in the increase in buildings and improvements, which included the completion and capitalization of the following building projects: Engineering II for $68.1 million, Morgan Library Expansion for $18.7 million, Parmelee 4th Floor Addition for $16.8 million, Durrell Center Revitalization for $10.8 million, RIC Imaging Suite Buildout for $5.5 million, Corbett Exterior Modernization for $4.0 million, Equine Reproduction Lab Replacement for $3.7 million, and Academic Computing Center Renovation for $1.9 million. The decrease in construction in progress was due to the completion and capitalization of these large, high-dollar projects during 2013. The construction in progress balances for these completed projects were transferred to the building and land assets, resulting in a net decrease to construction in progress in 2013. There were also several ongoing projects in 2013, which added to the balance on construction in progress, including Braiden 4th Floor Addition ($13.6 million), Laurel Village ($12.6 million), and Lory Student Center Revitalization ($14.0 million). The decrease in physical library materials is attributed to the continued movement toward virtual library material. Less physical materials are being purchased and more physical volumes are being withdrawn from the collection.

The System had capital construction commitments of approximately $48.2 million at June 30, 2014 including approximately $13.0 million for the Lory Student Center Revitalization, $9.4 million for the Eddy Building Revitalization, $5.9 million for the Aggie Village North Redevelopment, $3.0 million for the Avenir Gallery Addition, $2.2 million for the Laurel Village, $1.8 million for the Animal Science Building Renovation, $1.7 million for the Stadium Program/Design Project, $1.6 million for the Health & Exercise Science Teaching Facility, and $1.1 million for the Housing & Dining Services North Landscaping Project. The remaining commitments are for other small projects at the University. CSU-Pueblo had capital commitments of $2.5 million related to $2.1 million for the General Classroom Building and $350 thousand for the upgrade HVAC, Nursing Program Wing, Technology Building.

The System had $828.2 million and $672.0 million of debt outstanding at June 30, 2014 and 2013, respectively.

Summary of Debt
(Amounts expressed in thousands)

	June 30		
	2014	**2013***	**2012***
Debt outstanding:			
Revenue bonds, certificates of participation	$ 818,860	664,162	651,508
Capital lease obligations	9,358	7,752	6,711
	$ 828,218	671,914	658,219

*Restated

On December 31, 2013, the System issued $138.7 million in System Enterprise Revenue Bonds, Series 2013 E. The proceeds from the sale of the Series 2013 E will be used at CSU for the Aggie Village North Redevelopment ($112.3 million), for the Animal Sciences Building Renovation ($3.9 million), to add an entrance to the William O.

Eddy Hall (Eddy Building) ($4.8 million), the Walter and Suzanne Scott, Jr. Bioengineering Building remodel ($8.5 million), and the Lory Student Center Seismic Upgrades ($5 million). The 2013 E Bonds bear interest rates from 3.0 to 5.0 percent with final maturity falling in 2045.

On September 24, 2013, the System issued $26.5 million in System Enterprise Exempt and Taxable Revenue Bonds, Series 2013 C, D. The proceeds from the sale of the Series 2013 C, D will be used to construct an addition to and to renovate, improve, and equip the Occhiato University Center on the CSU-Pueblo campus. The 2013 C Bonds bear interest rates from 5.0 to 5.3 percent with final maturity falling in 2044. The 2013 D Bonds bear interest rates from 1.0 to 5.3 percent with final maturity falling in 2028.

On March 28, 2013, the System issued $198.7 million in System Enterprise Revenue and Revenue Refunding Bonds, Series 2013 A, B. The proceeds from the sale of the Series 2013 A, B will be used to renovate the William O. Eddy Hall classroom building (Eddy Building) at CSU, advance refund all of the outstanding 2005 B Bonds, advance refund a portion of the outstanding Series 2007 A Bonds, advance refund all of the outstanding Series 2007 C Bonds, advance refund a portion of the outstanding Series 2009 A Bonds, and pay the costs of issuing the Series 2013 A, B Bonds. The 2013 A Bonds bear interest rates from 1.0 to 5.0 percent with final maturity falling in 2043. The 2013 B Bonds bear interest rates from 0.4 to 2.1 percent with final maturity falling in 2020.

Net proceeds of the above mentioned Series 2013 A, B; and previous Series 2012 B, C and Series 2007 B were placed in an escrow account to purchase U.S. Treasury Securities. The principal and interest from the U.S. Treasury Securities is being used to repay the refunded bonds which are considered to be defeased. The 2007 B Series current refunded bonds redeemed include Colorado State University Auxiliary Facilities Enterprise Refunding and Improvement Revenue Bonds, Series 1996 and Series 1997; Colorado State University Research Building Revolving Fund Enterprise Revenue Bonds, Series 1997 and Series 2001; and Colorado State University Certificates of Participation, Series 1997. The Series 2012 B, C and Series 2007 B advanced refunded bonds redeemed include Colorado State University Student Sports Recreational Facilities Revenue Bonds, Series 1998; Colorado State University Enterprise System Refunding and Improvement Revenue Bonds, Series 2003 A; and Colorado State University Enterprise System Revenue Bonds, Series 2003 B.

Remaining defeased obligations of $254.3 million related to the Series 2013 A, B; Series 2012 B, C; and Series 2007 B include advance refunded Colorado State University Research Building Revolving Fund Enterprise Revenue Bonds, Series 2005 A ($5.4 million); Colorado State University Enterprise System Revenue Bonds, Series 2005 B ($39.6 million); Colorado State University System Enterprise Revenue Bonds, Series 2007 A (partial refund, $141.5 million); Colorado State University System Enterprise Revenue Bonds, Series 2007 C ($13.8 million); and Colorado State University System Enterprise Revenue Bonds, Series 2009 A ($54.0 million).

The Escrow Agent will pay the debt service requirements on each of the remaining refunded bonds as detailed for each series below. For the Series 2005 A, payments through December 1, 2015 will be paid and those payments maturing on December 1, 2016 and thereafter will be redeemed at a redemption price equal to 100 percent of par ($4.0 million) on December 1, 2015; for the 2005 B Bonds, payments through March 1, 2015 will be paid and those payments maturing on March 1, 2016 and thereafter will be redeemed at a redemption price equal to 100 percent of par ($38.5 million) on March 1, 2015; for Series 2007 A, payments maturing on March 1, 2020 and thereafter will be redeemed at a redemption price equal to 100 percent of par ($141.5 million) on March 1, 2017; for the Series 2007 C, payments through March 1, 2020 will be paid; and for the Series 2009 A, payments through March 1, 2019 will be paid and those payments maturing on March 1, 2020 and thereafter will be redeemed at a redemption price equal to 100 percent of par ($50.7 million) on March 1, 2019.

Economic Outlook/Future of the Colorado State University System

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

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

The Colorado State University System is authorized to receive $78.0 million in fee for service contract revenue and $44.0 million in student stipends in fiscal year 2015. The $122.0 million of anticipated fiscal year 2015 fee for service contract revenue and the student stipends represents a $12.2 million increase in state support.

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 2014) estimates that the State General Fund revenue will increase in fiscal year 2015 by 1.3 percent from the previous fiscal year. The Legislative Council projects that the General Assembly will have $915.5 million, or 9.8 percent, more to spend in FY 2015-16. Money will need to be set aside in fiscal years 2015-16 and 2016-17 to fund $125.1 million and $392.6 million in anticipated TABOR refunds. 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.

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

Total enrollment at the System for fiscal year ended 2014 was 46,614. This includes 31,514 at CSU, 4,679 at CSU-Pueblo, and 10,421 enrolled in CSU-Global. Compared to fiscal year ended 2013, CSU saw slight growth in residential instruction and a 15.5 percent increase in nonresidential instruction. CSU-Pueblo experienced a decrease in residential and nonresidential enrollment of 3.6 percent and 6.1 percent, respectively. CSU-Global saw total enrollment grow 28.7 percent from fiscal year ended 2014.

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.

(Continued)

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Colorado State University System

Statements of Net Position

June 30, 2014 and 2013

(Amounts expressed in thousands)

Assets and Deferred Outflows of Resources	2014	2013*
Current assets:		
Cash and cash equivalents	$ 320,677	353,292
Student accounts receivable, net	26,981	28,849
Grant and other accounts receivable, net	52,188	60,684
Student loans receivable, net	2,462	2,381
Inventories	8,516	7,846
Prepaid expenses	5,623	5,353
Total current assets	416,447	458,405
Noncurrent assets:		
Restricted cash and cash equivalents	218,454	146,103
Restricted investments	25,665	23,714
Student loans receivable, net	20,927	20,839
Other noncurrent assets	5,574	2
Nondepreciable capital assets:		
Land and land improvements	27,074	24,424
Construction in progress	164,149	87,558
Collections	2,878	2,666
Total nondepreciable capital assets	194,101	114,648
Depreciable capital assets, net:		
Land improvements	33,557	35,494
Buildings and improvements	888,201	873,986
Leasehold improvements	3,735	979
Equipment	104,831	108,560
Library materials	9,216	10,707
Total depreciable capital assets (net of accumulated depreciation)	1,039,540	1,029,726
Total noncurrent assets	1,504,261	1,335,032
Deferred outflows of resources:		
Loss on Bond Refundings	43,034	45,666
Total deferred outflows of resources	43,034	45,666
Total assets and deferrred outflows of resources	$ 1,963,742	1,839,103

*Restated

(Continued)

Colorado State University System

Statements of Net Position

June 30, 2014 and 2013

(Amounts expressed in thousands)

	2014	2013*
Liabilities		
Current liabilities:		
Accounts payable	$ 37,899	41,086
Accrued liabilities	74,535	78,338
Unearned revenue	35,040	33,715
Deposits held for others, current	5,842	6,251
Bonds payable and certificates of participation, current	18,083	16,143
Capital leases payable, current	2,355	2,145
Other noncurrent liabilities, current	2,802	2,579
Compensated absences liabilities, current	2,513	2,489
Total current liabilities	179,069	182,746
Noncurrent liabilities:		
Bonds payable and certificates of participation	800,777	648,019
Capital leases payable	7,003	5,607
Deposits held for others	26,386	26,812
Other noncurrent liabilities	4,486	28,620
Compensated absences liabilities	46,410	42,092
Total noncurrent liabilities	885,062	751,150
Total liabilities	$ 1,064,131	933,896
Net position		
Net position:		
Net investment in capital assets	$ 623,886	622,472
Restricted for nonexpendable purposes	25,979	24,079
Restricted for expendable purposes - other	79,997	80,426
Unrestricted	169,749	178,230
Total net position	$ 899,611	905,207

*Restated

See accompanying notes to basic financial statements.

Colorado State University System

Colorado State University Foundation

Statements of Financial Position – Discretely Presented Component Unit

June 30, 2014 and 2013

(Amounts expressed in thousands)

Assets	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2014	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2013
Cash and cash equivalents	$ 126	715	46	887	94	384	274	752
Investments	37,043	169,812	168,816	375,671	34,036	136,615	154,763	325,414
Pledges receivable, net	-	23,732	1,371	25,103	350	27,467	1,677	29,494
Property and equipment, net of accumulated depreciation	7	-	-	7	6	-	-	6
Cash surrender value of life insurance policies	-	3	565	568	-	3	571	574
Prepaids and other assets	104	38	36	178	37	46	39	122
Total assets	$ 37,280	194,300	170,834	402,414	34,523	164,515	157,324	356,362
Liabilities and Net Assets								
Liabilities								
Accounts payable (primarily to CSU)	$ 150	668	-	818	535	1,619	-	2,154
Other accrued liabilities	149	-	-	149	132	-	-	132
Life income agreements	464	123	203	790	478	128	212	818
Deposit held in custody for CSU	-	2,168	12,808	14,976	-	2,182	11,807	13,989
Total liabilities	763	2,959	13,011	16,733	1,145	3,929	12,019	17,093
Net assets								
Unrestricted								
Undesignated	5,697	-	-	5,697	6,504	-	-	6,504
Board-designated	31,423	-	-	31,423	28,877	-	-	28,877
Endowment investment losses in excess of gift value	(603)	-	-	(603)	(2,003)	-	-	(2,003)
Total unrestricted	36,517	-	-	36,517	33,378	-	-	33,378
Temporarily restricted	-	191,341	-	191,341	-	160,586	-	160,586
Permanently restricted	-	-	157,823	157,823	-	-	145,305	145,305
Total net assets	36,517	191,341	157,823	385,681	33,378	160,586	145,305	339,269
Total liabilities and net assets	$ 37,280	194,300	170,834	402,414	34,523	164,515	157,324	356,362

See accompanying notes to basic financial statements.

Colorado State University System

(A Component Unit of the State of Colorado)

Colorado State University - Pueblo Foundation

Statements of Financial Position - Discretely Presented Component Unit

June 30, 2014 and 2013

(Amounts expressed in thousands)

Assets		**Total 2014**	**Total 2013**
Cash and cash equivalents	$	2,639	2,506
Accounts receivable		3	54
Other prepaid expenses		-	74
Unconditional promises to give, net		2,035	787
Marketable securities		27,517	18,225
Miscellaneous assets		1	2
Beneficial interest in remainder trusts		1,650	1,418
Investment in real estate		165	5,701
Investment in limited partnership		297	297
Leasehold improvements and office equipment		76	88
Less accumulated depreciation		(66)	(79)
Total assets	$	34,317	29,073
Liabilities and net assets			
Liabilities			
Accounts payable	$	1,569	1,441
Other liabilities		26	113
Income taxes payable		4	4
Total liabilities		1,599	1,558
Net assets			
Unrestricted		4,795	2,538
Temporarily restricted		15,123	12,561
Permanently restricted		12,800	12,416
Total net assets		32,718	27,515
Total liabilities and net assets	$	34,317	29,073

See accompanying notes to basic financial statements.

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Colorado State University System

Statements of Revenues, Expenses and Changes in Net Position

Years Ended June 30, 2014 and 2013

(Amounts expressed in thousands)

	2014	2013*
Operating revenues:		
Student tuition and fees, (including $68,429 and $65,148 of revenues pledged for bonds in 2014 and 2013, respectively, and net of scholarship allowances of $107,291 and $101,733 for 2014 and 2013, respectively)	$ 409,617	371,323
State fee for service revenue	72,025	68,030
Grants and contracts (including $44,516 and $43,675 of revenues pledged for bonds in 2014 and 2013, respectively)	269,965	269,247
Sales and services of educational activities	34,178	30,580
Auxiliary enterprises, (including $110,448 and $106,222 of revenues pledged for bonds in 2014 and 2013, respectively, and net of scholarship allowances of $4,468 and $4,986 for 2014 and 2013, respectively)	144,400	137,822
Other operating revenue	8,128	7,473
Total operating revenues	938,313	884,475
Operating expenses:		
Instruction	272,049	248,234
Research	182,094	189,785
Public service	83,703	70,352
Academic support	78,804	69,756
Student services	46,913	39,713
Institutional support	56,194	51,411
Operation and maintenance of plant	65,493	58,835
Scholarships and fellowships	24,557	22,755
Auxiliary enterprises	137,459	131,683
Depreciation	77,648	72,890
Total operating expenses	1,024,914	955,414
Operating loss	$ (86,601)	(70,939)

*Restated

(Continued)

Colorado State University System

Statements of Revenues, Expenses and Changes in Net Position

Years Ended June 30, 2014 and 2013

(Amounts expressed in thousands)

	2014	2013*
Nonoperating revenues (expenses):		
State appropriations	$ 2,472	1,754
Gifts	42,805	36,462
Investment income (including $917 and $868 of revenues pledged for bonds in 2014 and 2013, respectively)	5,272	(3,076)
Interest expense on capital debt	(24,048)	(19,961)
Federal nonoperating grants and contracts	40,020	38,597
Other nonoperating revenues	5,246	6,851
Net nonoperating revenues	71,767	60,627
Loss before other revenues	(14,834)	(10,312)
Other revenues:		
State capital contributions	3,620	1,880
Capital grants	4,514	10,460
Capital gifts	21,193	22,411
Payments from governing boards or other institutions	258	237
Additions to permanent endowments	1,838	1,434
Total other revenues	31,423	36,422
Special items:		
Transfer of assets of OPEB plans to irrevocable trust	(22,185)	-
Transfer of Fire Suppression Activities to Department of Public Safety	-	(6,536)
Total special items	(22,185)	(6,536)
Extraordinary items:		
Gain on insurance recovery	-	2,192
Total extraordinary items	-	2,192
Increase (decrease) in net position	(5,596)	21,766
Net position, beginning of year, as previously reported	905,207	886,239
Adjustment for change in accounting principle	-	(2,798)
Net position, beginning of year, as restated	905,207	883,441
Net position, end of year	$ 899,611	905,207

*Restated

See accompanying notes to basic financial statements.

Colorado State University System

Colorado State University Foundation

Statements of Activities - Discretely Presented Component Unit

Years Ended June 30, 2014 and 2013

(Amounts expressed in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2014	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2013
Support and revenue								
Contributions	$ 2,755	44,455	12,269	59,479	2,002	36,850	6,403	45,255
Net investment income	15,883	26,882	110	42,875	14,149	18,521	91	32,761
Actuarial change in value of life income agreements	(29)	(19)	(39)	(87)	18	(18)	(29)	(29)
Other revenue	38	19	30	87	-	10	53	63
Net assets released from restrictions								
Satisfaction of program restrictions	42,590	(42,590)	-	-	38,712	(38,696)	(16)	-
Total support and revenue	61,237	28,747	12,370	102,354	54,881	16,667	6,502	78,050
Expenses								
Program services								
CSU College of								
Agricultural Sciences	3,528	-	-	3,528	3,939	-	-	3,939
Applied Human Sciences	2,529	-	-	2,529	1,673	-	-	1,673
Business	2,630	-	-	2,630	2,340	-	-	2,340
Engineering	7,440	-	-	7,440	11,437	-	-	11,437
Liberal Arts	3,921	-	-	3,921	1,346	-	-	1,346
Warner College of Natural Resources	2,033	-	-	2,033	1,567	-	-	1,567
Natural Sciences	1,098	-	-	1,098	1,051	-	-	1,051
Veterinary Medicine and Biomedical Sciences	10,083	-	-	10,083	5,609	-	-	5,609
Athletics	2,878	-	-	2,878	5,182	-	-	5,182
Central Development	7,977	-	-	7,977	7,335	-	-	7,335
Other CSU programs	6,022	-	-	6,022	4,098	-	-	4,098
Total program services	50,139	-	-	50,139	45,577	-	-	45,577
Support services								
Management and general	2,824	-	-	2,824	2,403	-	-	2,403
Total expenses	52,963	-	-	52,963	47,980	-	-	47,980
(Decrease) increase in allowance for uncollectible pledges	(10)	2,979	10	2,979	-	266	282	548
Change in net assets	8,284	25,768	12,360	46,412	6,901	16,401	6,220	29,522
Interfund transfers	(5,145)	4,987	158	-	(1,350)	1,470	(120)	-
Net assets, beginning of year	33,378	160,586	145,305	339,269	27,827	142,715	139,205	309,747
Net assets, end of year	$ 36,517	191,341	157,823	385,681	33,378	160,586	145,305	339,269

See accompanying notes to basic financial statements.

Colorado State University System

(A Component Unit of the State of Colorado)

Colorado State University - Pueblo Foundation

Statements of Activities - Discretely Presented Component Unit

Years ended June 30, 2014 and 2013

(Amounts expressed in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2014	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2013
Revenue and support								
Contributions	$ 87	3,614	37	3,738	39	2,254	102	2,395
In-kind contributions	19	326	-	345	39	39	-	78
Fundraising revenue	-	347	-	347	-	305	-	305
Dividends	277	1,154	-	1,431	89	461	-	550
Interest	1	4	-	5	2	12	-	14
Realized gain on sale of marketable securities	41	171	-	212	8	42	-	50
Unrealized gain on marketable securities	374	1,558	-	1,932	252	1,303	-	1,555
Net rental income	29	122	-	151	73	378	-	451
Realized gain on sale of real estate investments	1,318	1,322	-	2,640	-	-	-	-
Miscellaneous income	11	25	-	36	41	17	-	58
Changes in the value of split-interest agreements	-	19	212	231	-	2	147	149
Reclassification of net assets	38	(173)	135	-	371	(420)	49	-
Net assets released from restrictions	5,927	(5,927)	-	-	2,736	(2,736)	-	-
Total revenue and support	8,122	2,562	384	11,068	3,650	1,657	298	5,605
Expenses								
Program expenses	5,097	-	-	5,097	2,081	-	-	2,081
Management and general	390	-	-	390	390	-	-	390
Fundraising	378	-	-	378	290	-	-	290
Total expenses	5,865	-	-	5,865	2,761	-	-	2,761
Change in net assets	2,257	2,562	384	5,203	889	1,657	298	2,844
Net assets, beginning of year	2,538	12,561	12,416	27,515	1,649	10,904	12,118	24,671
Net assets, end of year	$ 4,795	15,123	12,800	32,718	2,538	12,561	12,416	27,515

See accompanying notes to basic financial statements.

Colorado State University System

Statements of Cash Flows

Years Ended June 30, 2014 and 2013

(Amounts expressed in thousands)

	2014	2013*
Cash flows from operating activities:		
Cash received:		
Tuition and fees	$ 412,500	367,790
Student loans collected	3,574	4,034
Sales of products	24,726	21,298
Sales of services	150,900	145,756
State fee for service revenue	72,025	68,030
Grants and contracts	275,768	317,505
Other operating receipts	8,777	8,001
Cash payments:		
Scholarships disbursed	(20,462)	(14,500)
Student loans disbursed	(3,175)	(2,763)
Payments to employees	(672,302)	(676,507)
Payments to suppliers	(302,492)	(226,664)
Net cash provided by (used in) operating activities	(50,161)	11,980
Cash flows from noncapital financing activities:		
State appropriations - noncapital	2,472	1,754
Gifts and grants for other than capital purposes	38,452	34,063
Agency (direct lending inflows)	224,819	214,714
Agency (direct lending outflows)	(224,655)	(214,880)
Other agency inflows	54,796	45,576
Other agency (outflows)	(53,328)	(43,937)
Payments to governing boards or other institutions	(4,073)	(29,159)
Other nonoperating revenues	46,112	36,923
Net cash provided by noncapital financing activities	84,595	45,054
Cash flows from capital and related financing activities:		
Proceeds from capital debt	173,720	7,367
State appropriations - capital	3,400	1,829
Capital grants, contracts, and gifts	17,581	19,466
Acquisition and construction of capital assets	(142,481)	(103,737)
Principal paid on capital debt	(18,880)	(30,473)
Interest on capital debt	(30,946)	(23,908)
Net cash provided by (used in) capital and related financing activities	2,394	(129,456)

*Restated

(Continued)

Colorado State University System

Statements of Cash Flows

Years Ended June 30, 2014 and 2013

(Amounts expressed in thousands)

	2014	2013*
Cash flows from investing activities:		
Proceeds from sale and maturities of investments	9,736	14,703
Purchase of investments	(10,689)	(15,882)
Investment earnings	3,861	(2,305)
Net cash provided by (used in) investing activities	2,908	(3,484)
Net increase (decrease) in cash and cash equivalents	39,736	(75,906)
Cash and cash equivalents	353,292	367,946
Restricted cash and cash equivalents	146,103	207,355
Cash and cash equivalents, beginning of the year	499,395	575,301
Cash and cash equivalents	320,677	353,292
Restricted cash and cash equivalents	218,454	146,103
Cash and cash equivalents, end of the year	$ 539,131	499,395
Reconciliation of operating loss to net cash provided by (used in) operating activities:		
Operating loss	$ (86,601)	(70,939)
Adjustments:		
Depreciation expense	77,648	72,890
Noncash operating transactions	(10,896)	(790)
Decrease (increase) in assets:		
Receivables, net	3,051	40,304
Inventories and prepaids	(2,181)	4,201
Increase (decrease) in liabilities:		
Accounts payable	(4,924)	(168)
Accrued liabilities	(7,113)	(48,052)
Unearned revenue	1,275	5,485
Deposits held for others	(749)	49
Compensated absences liabilities	4,343	2,175
Other liabilities	(24,014)	6,825
Net cash provided by (used in) operating activities	$ (50,161)	11,980

*Restated

(Continued)

Colorado State University System

Statements of Cash Flows

Years Ended June 30, 2014 and 2013

(Amounts expressed in thousands)

		2014	2013*
Noncash activities:			
Noncash gifts	$	13,579	14,710
Noncash capital leases		4,343	3,045
Noncash additions to investments held by Foundation		987	410
Unrealized gains (losses) on investments		1,492	(6,875)
Capitalized interest		6,944	7,135
Capital debt refinanced, gain/loss		-	(38,105)
Noncash bond issuance costs		653	-
Amortization of bond premium		3,531	2,265
Amortization of bond issuance costs		40	240
Retainage payable		(2,388)	699
Amortization of bond refunding		(2,632)	-

*Restated

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 six nonvoting representatives from the institutions. In addition to these financial statements, the System's financial activity is also included in the basic financial statements of the State of Colorado.

(b) Reporting Entity

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

Colorado State University – (CSU)
Colorado State University – Pueblo (CSU-Pueblo)
Colorado State University – Global Campus (CSU-Global)

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 fiscal years ended June 30, 2014 and 2013.

(c) Discretely Presented Component Units

The System follows Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus*. This statement provides guidance to determine whether certain organizations for which the System is not financially accountable should be reported as component units based on the nature and significance of their relationship with the System. The Colorado State University Foundation (the CSU Foundation) and Colorado State University – Pueblo Foundation (CSU-Pueblo Foundation) have been determined to be component units of the System and have therefore been included as discretely presented component units in the System financial reporting entity and presented in the System's 2014 financial statements. The Colorado State University Research Foundation does not meet the criteria to be reported as a component unit.

The CSU Foundation is a legally separate, tax-exempt entity that was established to receive, manage and invest philanthropic gifts on behalf of CSU. The majority of resources or income thereon that the 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 CSU 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, the CSU Foundation 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. The CSU Foundation fully discloses the nature of its endowment funds, both donor restricted endowment funds and board-designated endowment funds.

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

The major source for the CSU Foundation's revenue is gifts. For the fiscal years ended June 30, 2014 and 2013, respectively, gifts were $59.5 million and $45.3 million. Included in Total Support and Revenue is net investment income. The CSU Foundation had net investment income for the fiscal years ended June 30, 2014 and 2013 of $42.9 million and $32.8 million, respectively. The Total Support and Revenue at June 30, 2014 and 2013 was $102.4 million and $78.0 million, respectively.

The support provided by the CSU Foundation to CSU is intended to assist in the promotion, development, and enhancement of the facilities, and educational programs and opportunities of the faculty, students, and alumni of CSU. Additionally, the Foundation provides receipts to contributors and invests philanthropic gifts. Approximately $50.1 million and $45.6 million was transferred to CSU for the fiscal years ended June 30, 2014 and 2013, 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 $15.0 million and $14.0 million as of June 30, 2014 and 2013, respectively, and are reported as deposits held in custody for CSU in the financial statements of the Colorado State University Foundation.

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

CSU-Pueblo Foundation was established in 1954 as an independent 501(c)(3) nonprofit corporation. CSU-Pueblo Foundation was formed to advance and assist in the development, growth, and operation of CSU-Pueblo. Twenty-five trustees of CSU-Pueblo Foundation are elected by trustees of 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's sources of revenue are interest earned on bank accounts and investments, donations, rental property, fundraising activities, and sales on investments. CSU-Pueblo Foundation had $6.9 million and $3.2 million in related revenue as of June 30, 2014 and 2013, respectively. The Total Revenue and Support at June 30, 2014 and 2013 was $11.1 million and $5.6 million, respectively.

CSU-Pueblo Foundation recorded $5.1 million and $2.1 million in transfers of gifts and other assets to CSU-Pueblo during fiscal years ended June 30, 2014 and 2013, respectively. During the same periods, CSU-Pueblo provided $345 thousand and $79 thousand, respectively, in in-kind support to CSU-

Pueblo Foundation for fiscal years ended June 30, 2014 and 2013. Further, CSU-Pueblo did not incur any expenses on behalf of CSU-Pueblo Foundation during the fiscal years ended June 30, 2014 and 2013.

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

(2) Basis of Presentation

For financial reporting purposes, the System is considered a special-purpose government engaged only in business-type activities. The System applies all applicable Governmental Accounting Standards Board (GASB) pronouncements.

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

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

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 position.

(c) Inventories

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

(d) Restricted Cash and Cash Equivalents and Restricted Investments

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

(e) Capital Assets

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

Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets or intangible assets, generally 10 to 70 years for buildings, 10 to 21 years for land improvements, 10 to 15 years for library books, 3 to 12 years for equipment and software, and 3 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. In 2014, there were no material impairments of capital assets. In 2013, per HB12-1283, forestry functions of the Board were transferred to the Department of Public Safety including $781 thousand in moveable equipment.

(f) Deferred Outflows of Resources

With the implementation of GASB Statement No. 65, *Items Previously Reported as* Assets *and Liabilities,* the System now carries a deferred outflow of resources related to the loss on bond refundings previously reported as a liability. The balances as of June 30, 2014 and June 30, 2013 were $43.0 million and $45.7 million, respectively.

(g) Compensated Absences Liabilities

The amount of compensated absence liabilities that are recorded as a current liability on the Statements of Net Position 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 noncurrent liability on the Statements of Net Position.

(h) Net Position

Net position of the System is classified as follows:

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

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

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

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

Discretely presented component units – Net assets of the CSU Foundation and CSU-Pueblo Foundation and the changes therein is 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 CSU Foundation, CSU-Pueblo Foundation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

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

(i) Classification of Revenues

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

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

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

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

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

(j) Summer Session Revenue and Related Expenses

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

(k) Application of Restricted and Unrestricted Resources

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

(l) Use of Estimates

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

(m) Reclassifications and Restatements

Certain reclassifications and restatements have been made to the 2013 financial statements to comply with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities,* in order to present comparable financial statements to that of 2014. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. The reclassification and restatement resulted in a decrease to beginning net position of $2.8 million for fiscal year 2013, due to a requirement in GASB No. 65 to expense debt issuance costs as incurred rather than reporting such costs as an asset and amortizing them over the life of the related debt. This implementation also caused a decrease to the change in net position of $796 thousand, creating an ending net position adjustment of $3.6 million for the year ended June 30, 2013. Additionally, GASB No. 65 limits the use of the term “deferred” in the financial statement presentations.

(4) Cash and Cash Equivalents

The System deposits cash and cash equivalents with the Colorado State Treasurer as required by Colorado Revised Statutes (CRS). The State Treasurer pools these deposits and invests them in securities authorized by CRS 24-75-601.1. The State Treasury acts as a bank for all state agencies and institutions of higher education, with the exception of the University of Colorado. Monies deposited in the Treasury are invested until the cash is needed. As of June 30, 2014, the System had cash on deposit with the State Treasurer of $522.2 million which represented approximately 7.0 percent of the total $7.5 billion fair value of deposits in the State Treasurer's Pool (Pool). As of June 30, 2013, the System had cash on deposit with the State Treasurer of $479.4 million which represented approximately 6.6 percent of the total $7.3 billion 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, and there is no assignment of income related to participation in the Pool. The unrealized gains or losses included in income reflect only the change in fair value for the fiscal year.

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, 2014 and 2013 was approximately $5.0 million and $5.3 million, respectively. These amounts reflect increases in cash and cash equivalents and increases or decreases in investment income as a result of recording unrealized gains or losses on deposits with the State Treasurer. The System reflected an unrealized gain of $2.3 million and $789 thousand on cash and cash equivalents on deposit with the State Treasurer for fiscal years ended June 30, 2014 and 2013, respectively. The unrealized gain on investment income for the fiscal year ended June 30, 2014 was $1.5 million and the unrealized loss on investment income for the fiscal year ended June 30, 2013 was $6.9 million. 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 Treasurer's 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, 2014, 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, 2014 and 2013, the System's book value of cash not on deposit with the State Treasurer was $17.0 million and $20.0 million, respectively. Cash included petty cash/change funds and bank account balances of $175 thousand and $16.8 million as of June 30, 2014 and $177 thousand and $19.9 million as of June 30, 2013, respectively. Bank account balances per the bank at June 30, 2014 and 2013 were $24.4 million and $24.0 million, respectively. Of the June 30, 2014 deposits, $776 thousand were covered by depository insurance and were not exposed to custodial credit risk, and the remaining $23.7 million were collateralized with securities held by the pledging institution's trust department or agent in the System's name. Of the June 30, 2013 deposits, $774 thousand were covered by depository insurance and were not exposed to custodial credit risk, and the remaining $23.2 million were collateralized with securities held by the pledging institution's trust department or agent in the System's name.

Credit quality risk is the risk that the issuer or other counterparty to a debt security will not fulfill its obligations. This risk is assessed by national rating agencies which assign a credit quality rating for many investments. Credit quality ratings for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not reported; however, credit quality ratings are reported for obligations of U.S. government agencies that are not explicitly guaranteed by the U.S. government. Based on these parameters, as of June 30, 2014, approximately 87.0 percent of investments of the Treasurer's Pool are subject to credit quality risk reporting. Except for $15.2 million of corporate bonds rated lower medium and $25.4 million of corporate bonds rated 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, 2013, approximately 88.5 percent of investments of the Pool are subject to credit quality risk reporting. Except for $41.1 million of corporate bonds rated lower medium, these investments are rated from upper medium to the highest quality.

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 these 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, 2014, the weighted average maturity of investments in the Treasurer's Pool was 0.043 years for Commercial Paper (1.0 percent of the Pool), 1.424 years for U.S. Government Securities (55.8 percent of the Pool), 3.033 years for Asset Backed Securities (19.9 percent of the Pool), and 2.766 years for Corporate Bonds (23.3 percent of the Pool). As of June 30, 2013, the weighted average maturity of investments in the Pool was 0.037 years for Commercial Paper (1.0 percent of the Pool), 1.321 years for U.S. Government Securities (63.9 percent of the Pool), 3.371 years for Asset Backed Securities (16.0 percent of the Pool), and 3.100 years for Corporate Bonds (19.1 percent of the Pool).

The Treasurer's Pool was not subject to foreign currency risk or concentration of credit risk in fiscal years ended June 30, 2014 or 2013.

Additional information on investments of the State Treasurer's Pool may be obtained in the State's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2014.

(5) Restricted Investments

As of June 30, 2014 and 2013, the System's restricted investments had a fair value of $25.7 million and $23.7 million, respectively. Investment earnings consisting of land fund interest and income from investments held by the CSU Foundation for the fiscal years ended June 30, 2014 and 2013 were $999 thousand and $421 thousand, respectively.

No investment types were purchased and sold during the years that were not owned as of June 30, 2014 and 2013. The System only invests in U.S. Treasury securities, which are federally guaranteed investments, as required by state law. The System's restricted investments include investments held by the CSU Foundation that are invested in the CSU 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, 2014 and 2013:

	June 30	
	2014	**2013**
U.S. Treasury obligations	$ 10,689,000	9,724,000
Investments held by the CSU Foundation in long-term endowment pool:		
Corporate equities	711,000	650,000
Mutual funds	5,617,000	4,704,000
Private equities	2,010,000	2,279,000
International equities	2,471,000	2,272,000
Hedge funds	1,373,000	1,005,000
Alternative investments	2,794,000	3,080,000
	14,976,000	13,990,000
Total investments	$ 25,665,000	23,714,000

(a) Credit Quality Risk

At June 30, 2014 and 2013, the System (investments held by the CSU Foundation) had debt securities in the following credit risk categories:

	June 30	
	2014	**2013**
Bond mutual funds		
(Standard & Poor's/Moody's)		
Below A1	$ 168,000	-
AAA / Aaa	238,000	304,000
AA / Aa	149,000	226,000
A / A	10,000	56,000
BBB / Baa	307,000	64,000
BB / Ba	69,000	35,000
B / B	40,000	14,000
Below B	10,000	7,000
	$ 991,000	706,000

The CSU Foundation's investment policy is utilized to manage credit risk relating to the CSU System assets invested in the CSU 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, 2014, 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	$ 10,689,000	0.64	-
Investments held by the CSU Foundation in long-term endowment pool:			
Bond mutual funds:			
PIMCO - Low Duration Fund	991,000	3.50	2.80
Total investments subject to interest rate risk	$ 11,680,000		

At June 30, 2013, 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	$ 9,724,000	0.64	-
Investments held by the CSU Foundation in long-term endowment pool:			
Bond mutual funds:			
PIMCO - Low Duration Fund	706,000	3.50	3.50
Total investments subject to interest rate risk	$ 10,430,000		

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

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

Discretely presented component units – As of June 30, 2014, the Foundations' 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 position 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 are comprised of two investment types: absolute return and long/short investments. The goal of absolute return investments is to earn a stable return uncorrelated with equity markets. The goal of long/short investments is to outperform the S&P 500 Index over the long-term with less volatility.

The following details each major category of the CSU Foundation's investments at fair market value as of June 30, 2014 and 2013:

	June 30	
	2014	**2013**
Cash and cash equivalents subject to investment management direction	$ 1,899,000	1,398,000
Equities:		
Large-cap	108,424,000	85,705,000
International	61,828,000	52,447,000
Micro-cap	17,791,000	15,015,000
Fixed income	24,813,000	16,304,000
Alternative investments	160,064,000	152,137,000
Other investments	852,000	2,408,000
Total	$ 375,671,000	325,414,000

Net investment income of the CSU Foundation consisted of the following for the fiscal years ended June 30, 2014 and 2013:

	June 30	
	2014	**2013**
Interest, dividends, and other income	$ 3,397,000	3,873,000
Net unrealized and realized gain on investments	43,688,000	33,788,000
Less investment management fees	(2,624,000)	(3,679,000)
	44,461,000	33,982,000
Less net investment (income) loss on deposits held in custody for CSU	(1,586,000)	(1,221,000)
Total	$ 42,875,000	32,761,000

The following details each major category of the CSU-Pueblo Foundation's investments at fair market value as of June 30, 2014 and 2013:

	June 30	
	2014	**2013**
Marketable equity securities		
Domestic	$ 14,485,000	11,872,000
International	3,360,000	1,179,000
Marketable debt securities		
Domestic	7,337,000	4,522,000
International	1,284,000	652,000
Real estate investment trust	522,000	-
Master limited partnership	529,000	-
	$ 27,517,000	18,225,000

Net investment income of the CSU-Pueblo Foundation consisted of the following for the fiscal years ended June 30, 2014 and 2013:

	2014		
	Unrestricted	**Temporarily Restricted**	**Total**
Dividend income	$ 277,000	1,154,000	1,431,000
Interest income	1,000	4,000	5,000
Net rental income	29,000	122,000	151,000
Realized gains - securities	41,000	171,000	212,000
Realized gains - real estate	1,318,000	1,322,000	2,640,000
Unrealized gains	374,000	1,558,000	1,932,000
Total investment income	$ 2,040,000	4,331,000	6,371,000

	2013		
	Unrestricted	**Temporarily Restricted**	**Total**
Dividend income	$ 89,000	461,000	550,000
Interest income	2,000	12,000	14,000
Net rental income	73,000	378,000	451,000
Realized gains - securities	8,000	42,000	50,000
Realized gains - real estate	-	-	-
Unrealized gains	252,000	1,303,000	1,555,000
Total investment income	$ 424,000	2,196,000	2,620,000

(6) Accounts Receivable

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

	June 30	
	2014	**2013**
Student accounts receivable:	$ 36,586,000	34,349,000
Less allowance for doubtful accounts	(9,605,000)	(5,500,000)
Student accounts receivable, net	$ 26,981,000	28,849,000
Student loans receivable:	$ 27,438,000	26,766,000
Less allowance for doubtful accounts	(4,049,000)	(3,546,000)
Student loans receivable, net	23,389,000	23,220,000
Less current portion	(2,462,000)	(2,381,000)
Noncurrent student loans receivable, net	$ 20,927,000	20,839,000
Grant and other accounts receivable:		
Sponsored programs	$ 43,318,000	48,055,000
Commercial receivables	5,267,000	6,133,000
Conferences and summer programs	516,000	713,000
Insurance trust fund	1,174,000	2,337,000
Receivables from Foundation	2,394,000	3,692,000
Athletics	625,000	684,000
Capital construction - due from state	272,000	51,000
Self-funded operations	665,000	399,000
Other	2,226,000	2,597,000
Total grant and other accounts receivable	56,457,000	64,661,000
Less allowance for doubtful accounts	(4,269,000)	(3,977,000)
Grant and other accounts receivable, net	$ 52,188,000	60,684,000

Discretely presented component unit – As of June 30, 2014 and 2013, the CSU Foundation's pledges receivable consisted of the following:

	June 30	
	2014	**2013**
Receivables due in less than one year	$ 11,709,000	8,718,000
Receivables due in one to five years	14,222,000	13,254,000
Receivables due in more than five years	801,000	11,694,000
	26,732,000	33,666,000
Less allowance for uncollectible pledges	(618,000)	(579,000)
Less present value discounting	(1,011,000)	(3,593,000)
	$ 25,103,000	29,494,000

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

During the year ended June 30, 2014, a previously recorded testamentary promise to give was satisfied. The CSU Foundation considered the net present value of the commitment, and accepted an immediate cash gift as well as a one-year pledge in satisfaction of the testamentary commitment. This transaction resulted in a $2.6 million recorded loss, which is included in the change in allowance for uncollectible pledges in the statement of activities.

Pledges receivable from two donors at June 30, 2014 represented approximately 41 percent of net pledges receivable. Pledges receivable from two donors at June 30, 2013 represented approximately 78 percent of net pledges receivable.

Discretely presented component unit – As of June 30, 2014 and 2013, CSU-Pueblo Foundation's net unconditional promises to give was $2.0 million and $787 thousand, respectively.

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

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

(7) Capital Assets

Following are the changes in capital assets for the year ended June 30, 2014:

	Balance June 30, 2013	Additions	Transfers	Deletions	Balance June 30, 2014
Nondepreciable capital assets:					
Land	$ 22,405,000	-	2,348,000	-	24,753,000
Land improvements	2,019,000	302,000	-	-	2,321,000
Construction in progress	87,558,000	147,630,000	(61,744,000)	(9,295,000)	164,149,000
Collections	2,666,000	212,000	-	-	2,878,000
Total nondepreciable capital assets	114,648,000	148,144,000	(59,396,000)	(9,295,000)	194,101,000
Depreciable capital assets:					
Land and leasehold improvements	78,329,000	194,000	5,125,000	(301,000)	83,347,000
Buildings and improvements	1,272,318,000	8,000	54,142,000	(76,000)	1,326,392,000
Software	65,003,000	8,505,000	-	(390,000)	73,118,000
Equipment	242,309,000	24,847,000	129,000	(14,900,000)	252,385,000
Library materials	88,844,000	1,027,000	-	(2,177,000)	87,694,000
Total depreciable capital assets	1,746,803,000	34,581,000	59,396,000	(17,844,000)	1,822,936,000
Less accumulated depreciation:					
Land and leasehold improvements	41,856,000	4,199,000	-	-	46,055,000
Buildings and improvements	398,332,000	39,859,000	-	-	438,191,000
Software	19,866,000	13,489,000	-	(7,000)	33,348,000
Equipment	178,886,000	19,635,000	-	(11,197,000)	187,324,000
Library materials	78,137,000	466,000	-	(125,000)	78,478,000
Total accumulated depreciation	717,077,000	77,648,000	-	(11,329,000)	783,396,000
Net depreciable capital assets	1,029,726,000	(43,067,000)	59,396,000	(6,515,000)	1,039,540,000
Total capital assets, net	$ 1,144,374,000	105,077,000	-	(15,810,000)	1,233,641,000

Land includes the following conservation easements:	
Catspaw Conservation Easement	$ 3,155,000
Snow Mountain Conservation Easement	5,000,000
Elmgreen Conservation Easement	500,000
Ben Delatour Forest Legacy Conservation Easement	4,000,000
Total	$ 12,655,000

Following are the changes in capital assets for the year ended June 30, 2013:

	Balance June 30, 2012	Additions	Transfers	Deletions	Balance June 30, 2013
Nondepreciable capital assets:					
Land	$ 22,429,000	-	-	(24,000)	22,405,000
Land improvements	2,019,000	-	-	-	2,019,000
Construction in progress	115,658,000	115,811,000	(143,911,000)	-	87,558,000
Collections	2,617,000	49,000	-	-	2,666,000
Total nondepreciable capital assets	142,723,000	115,860,000	(143,911,000)	(24,000)	114,648,000
Depreciable capital assets:					
Land and leasehold improvements	73,802,000	139,000	4,388,000	-	78,329,000
Buildings and improvements	1,133,285,000	-	139,239,000	(206,000)	1,272,318,000
Software	55,142,000	9,942,000	249,000	(330,000)	65,003,000
Equipment	229,053,000	28,049,000	35,000	(14,828,000)	242,309,000
Library materials	88,393,000	1,180,000	-	(729,000)	88,844,000
Total depreciable capital assets	1,579,675,000	39,310,000	143,911,000	(16,093,000)	1,746,803,000
Less accumulated depreciation:					
Land and leasehold improvements	38,483,000	3,373,000	-	-	41,856,000
Buildings and improvements	361,890,000	37,017,000	-	(575,000)	398,332,000
Software	8,384,000	11,764,000	-	(282,000)	19,866,000
Equipment	172,052,000	17,550,000	-	(10,716,000)	178,886,000
Library materials	75,680,000	3,186,000	-	(729,000)	78,137,000
Total accumulated depreciation	656,489,000	72,890,000	-	(12,302,000)	717,077,000
Net depreciable capital assets	923,186,000	(33,580,000)	143,911,000	(3,791,000)	1,029,726,000
Total capital assets, net	$ 1,065,909,000	82,280,000	-	(3,815,000)	1,144,374,000

Land includes the following conservation easements:	
Catspaw Conservation Easement	$ 3,155,000
Snow Mountain Conservation Easement	5,000,000
Elmgreen Conservation Easement	500,000
Ben Delatour Forest Legacy Conservation Easement	4,000,000
Total	$ 12,655,000

Interest expense capitalized, net of related interest income for the System, was $6.9 million and $7.1 million for the fiscal years ended June 30, 2014 and 2013, respectively.

(8) Accrued Liabilities

The current accrued liabilities balances as of June 30, 2014 and 2013 were comprised of:

	June 30 2014	June 30 2013
Accrued payroll and benefits	$ 61,247,000	68,463,000
Accrued interest payable	12,023,000	8,865,000
Other liabilities	1,265,000	1,010,000
Total	$ 74,535,000	78,338,000

(9) Noncurrent Liabilities

Noncurrent liability activity for the fiscal year ended June 30, 2014 was as follows:

	Balance June 30, 2013 *	Additions	Reductions	Balance June 30, 2014	Amounts Due Within One Year
Bonds and capital lease obligations:					
Revenue bonds and COPs payable	$ 664,162,000	173,880,000	(19,182,000)	818,860,000	18,083,000
Capital leases payable	7,752,000	4,343,000	(2,737,000)	9,358,000	2,355,000
Total bonds and capital leases	671,914,000	178,223,000	(21,919,000)	828,218,000	20,438,000
Other liabilities:					
Deposits held for others	33,063,000	1,536,000	(2,371,000)	32,228,000	5,842,000
Other	31,199,000	724,000	(24,635,000)	7,288,000	2,802,000
Accrued compensated absences	44,581,000	4,342,000	-	48,923,000	2,513,000
Total noncurrent liabilities	$ 780,757,000	184,825,000	(48,925,000)	916,657,000	31,595,000

*as restated per GASB 65

Noncurrent liability activity for the fiscal year ended June 30, 2013 was as follows:

	Balance June 30, 2012 *	Additions *	Reductions *	Balance June 30, 2013 *	Amounts Due Within One Year
Bonds and capital lease obligations:					
Revenue bonds and COPs payable	$ 651,121,000	238,434,000	(225,393,000)	664,162,000	16,143,000
Capital leases payable	6,711,000	3,045,000	(2,004,000)	7,752,000	2,145,000
Total bonds and capital leases	657,832,000	241,479,000	(227,397,000)	671,914,000	18,288,000
Other liabilities:					
Deposits held for others	29,430,000	5,024,000	(1,391,000)	33,063,000	6,251,000
Other	26,354,000	5,385,000	(540,000)	31,199,000	2,579,000
Accrued compensated absences	42,404,000	2,177,000	-	44,581,000	2,489,000
Total noncurrent liabilities	$ 756,020,000	254,065,000	(229,328,000)	780,757,000	29,607,000

*as restated per GASB 65

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

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

On December 31, 2013, the System issued $138.7 million in System Enterprise Revenue Bonds, Series 2013 E. The proceeds from the sale of Series 2013 E will be used to construct, remodel, improve, renovate and equip the Aggie Village, Eddy Hall, Lory Student Center, Animal Sciences and Engineering II at CSU and pay capitalized interest and the costs of issuing the Series 2013 E Bonds.

On September 24, 2013, the System issued $26.5 million in System Enterprise Revenue Bonds, Series 2013 C, D. The proceeds from the sale of Series 2013 C, D will be used to renovate, remodel, improve, and construct an addition to the Occhiato University Center at CSU-Pueblo and pay capitalized interest and the costs of issuing the Series 2013 C, D Bonds.

On March 28, 2013, the System issued $198.7 million in System Enterprise Revenue and Revenue Refunding Bonds, Series 2013 A, B. The proceeds from the sale of the Series 2013 A, B will be used to renovate the William O. Eddy Hall classroom building (Eddy Building) at CSU, advance refund all of the outstanding 2005 B Bonds, advance refund a portion of the outstanding Series 2007 A Bonds, advance refund all of the outstanding Series 2007 C Bonds, advance refund a portion of the outstanding Series 2009 A Bonds, and pay the costs of issuing the Series 2013 A, B Bonds.

A general description of each bond issue, original issuance amount, and the amount outstanding as of June 30, 2014 and 2013 is detailed below.

Revenue bonds and COPs payable consisted of the following at June 30, 2014 and 2013:

	Interest Range	June 30 2014	June 30 2013*
Colorado State University System:			
Colorado State University System Enterprise Revenue Bonds of 2007 A, issued in the original amount of \$160.7 million and mature in varying annual amounts to March 2037. \$26.9 million advance refunded with 2012 B, \$110.8 million advance refunded with 2013 A, and \$3.8 million advance refunded with 2013 B.	4.625%-5.250%	\$ 19,185,000	19,185,000
Colorado State University System Enterprise Revenue Refunding Bonds of 2007 B, issued in the original amount of \$34.3 million and mature in varying annual amounts to March 2021.	4.000%-5.000%	12,320,000	14,785,000
Colorado State University System Enterprise Revenue Bonds of 2008 A, issued in the original amount of \$83.3 million and mature in varying annual amounts to March 2038.	3.000%-5.000%	76,970,000	78,740,000
Colorado State University System Enterprise Revenue Bonds of 2009 A, issued in the original amount of \$56.1 million and mature in varying annual amounts to March 2039. \$54.4 million advance refunded with 2013 A.	3.000%-5.000%	1,150,000	1,175,000
Colorado State University System Enterprise Revenue Bonds of 2010 A, issued in the original amount of \$25.3 million and mature in varying annual amounts to March 2020.	4.000%-5.000%	19,880,000	22,675,000
Colorado State University System Enterprise Revenue Bonds of 2010 B, issued in the original amount of \$40.3 million and mature in varying annual amounts to March 2033.	4.900%-5.957%	40,335,000	40,335,000
Colorado State University System Enterprise Revenue Bonds of 2010 C, issued in the original amount of \$33.3 million and mature in varying annual amounts to March 2040.	6.057%	33,250,000	33,250,000
Colorado State University System Enterprise Revenue Bonds of 2012 A, issued in the original amount of \$126.2 million and mature in varying annual amounts to March 2044.	2.000%-5.000%	126,245,000	126,245,000

	Interest Range	June 30 2014	June 30 2013*
Colorado State University System Enterprise Revenue Refunding Bonds of 2012 B, issued in the original amount of $54.1 million and mature in varying annual amounts to March 2035.	2.000%-5.000%	52,995,000	53,395,000
Colorado State University System Enterprise Revenue Bonds of 2012 C, issued in the original amount of $5.3 million and mature in varying annual amounts to March 2017.	0.728%-1.864%	3,230,000	4,285,000
Colorado Statue University System Enterprise Revenue and Revenue Refunding Bonds of 2013 A, issued in the original amount of $182.0 million and mature in varying annual amounts to March 2043.	1.000%-5.000%	180,305,000	181,970,000
Colorado State University System Enterprise Revenue Refunding Bonds of 2013 B, issued in the original amount of $16.7 million and mature in varying annual amounts to March 2020.	0.427%-2.073%	10,830,000	16,690,000
Colorado State University System Enterprise Revenue Bonds of 2013 C, issued in the original amount of $18.6 million and mature in varying annual amounts to March 2044.	5.000%-5.250%	18,610,000	-
Colorado State University System Enterprise Revenue Bonds of 2013 D, issued in the original amount of $7.9 million and mature in varying annual amounts to March 2028.	0.963%-5.251%	7,855,000	-
Colorado State University System Enterprise Revenue Bonds of 2013 E, issued in the original amount of $138.7 million and mature in varying annual amounts to March 2045.	3.000%-5.000%	138,740,000	-
Unamortized bond premium/discount		74,729,000	69,093,000
Total System Bonds		816,629,000	661,823,000
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.	5.100%	2,231,000	2,339,000
Total System Bonds and Certificates of Participation		$ 818,860,000	$ 664,162,000

* as restated per GASB 65

The scheduled maturities of the revenue bonds and COPs as of June 30, 2014 are as follows:

	Principal	Interest	Total Payments
2015	$ 18,083,000	36,397,000	54,480,000
2016	18,713,000	35,791,000	54,504,000
2017	21,574,000	35,136,000	56,710,000
2018	20,985,000	34,339,000	55,324,000
2019	21,856,000	33,444,000	55,300,000
2020-2024	109,276,000	152,055,000	261,331,000
2025-2029	127,079,000	123,578,000	250,657,000
2030-2034	155,090,000	88,619,000	243,709,000
2035-2039	152,925,000	46,564,000	199,489,000
2040-2044	91,125,000	14,182,000	105,307,000
2045	7,425,000	371,000	7,796,000
Total debt service maturities	744,131,000	600,476,000	1,344,607,000
Unamortized bond premium/discount	74,729,000		
Total	$ 818,860,000		

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

There were no material events to report for fiscal years ended June 30, 2014 and 2013.

(11) Defeased Obligations

On March 28, 2013, the System issued $192.7 million in System Enterprise Revenue Refunding Bonds; Series 2013 A, B with an average interest rate of 4.90 percent to advance refund $211.9 million of outstanding bonds with an average interest rate of 4.96 percent. Refunded bonds included the Enterprise System Revenue Bonds, Series 2005 B ($28.5 million), System Enterprise Revenue Bonds, Series 2007 A ($114.5 million), System Enterprise Revenue Bonds, Series 2007 C ($14.5 million), and System Enterprise Revenue Bonds, Series 2009 A ($54.4 million). Net proceeds of $250.0 million were deposited with an escrow agent. The System completed the 2013 A, B refunding to reduce its total debt service payments over the next 30 years by $54.6 million and obtain an economic gain (difference between the present value of the debt service payments on the old debt and new debt) of $24.6 million. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $38.7 million. This difference is reported in the accompanying financial statements as a deferred outflow and is being amortized through fiscal year 2039.

The sources and uses of funds required for the transactions are shown below:

Sources	
Principal amount of new debt	$ 192,705,000
Net original issue premium	38,315,000
Equity contribution	20,098,000
Total sources of funds	$ 251,118,000
Uses	
Refunding escrow deposits	$ 250,004,000
Issuance costs	1,114,000
Total uses of funds	$ 251,118,000

Calculation of difference in cash flow requirements and economic gain:

Cash flow difference	
Old debt service cash flows	$ 393,912,000
Less new debt service cash flows	339,327,000
Cash flow difference	$ 54,585,000
Economic gain	
Present value of old debt service cash flows	$ 215,833,000
Less present value of new debt service cash flows	191,217,000
Economic gain	$ 24,616,000

Issuance costs were as follows:

Cost of issuance	$ 337,000
Underwriter's discount	761,000
Other uses of funds	16,000
Total issuance costs	$ 1,114,000

Calculation of reacquisition price over carrying value of old debt:

Reacquisition price	$ 250,004,000
Less carrying amount of old debt	211,286,000
Reacquisition price over carrying value of old debt	$ 38,718,000

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

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

Research Building Revolving Fund Enterprise Revenue Bonds 2005 A (fully refunded on 2007 B); Enterprise System Revenue Bonds, Series 2005 B (partially refunded on 2012 B and fully refunded on 2013 A); System Enterprise Revenue Bonds, Series 2007 A (partially refunded on 2012 B and partially refunded on 2013 A, B); System Enterprise Revenue Bonds, Series 2007 C (partially refunded on 2013 B); and System Enterprise Revenue Bonds, Series 2009 A (fully refunded on 2013 A) were also refunded and have remaining defeased obligations at June 30, 2014 as follows:

	Original Amount Refunded	**Balance June 30, 2014**
CSU Research Building Revolving Fund Enterprise Revenue Bonds, Series 2005 A	$ 9,535,000	5,395,000
CSU Enterprise System Revenue Bonds, Series 2005 B	40,705,000	39,605,000
CSU System Enterprise Revenue Bonds, Series 2007 A	141,480,000	141,480,000
CSU System Enterprise Revenue Bonds, Series 2007 C	14,500,000	13,835,000
CSU System Enterprise Revenue Bonds Series 2009 A	54,360,000	53,960,000
	$ 260,580,000	254,275,000

(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

Pledged by auxiliary revenues:

	June 30	
	2014	2013
Operating revenues – pledged auxiliary revenues	$ -	110,406,000
Operating expenses	-	(91,175,000)
Pledged revenues over operating expenses	-	19,231,000
Net nonoperating expenses	-	(12,012,000)
Other revenues and transfers	-	247,000
Pledged revenues in excess	$ -	7,466,000

CSU Enterprise debt service was fully refunded during fiscal year 2013. CSU Enterprise annual debt service was disbursed in fiscal year 2013 prior to the refunding and the presentation of the pledged auxiliary revenues remained separate for that year's reporting. Beginning in fiscal year 2014, the auxiliary revenues will now be presented in the System Enterprise pledge below.

CSU-Pueblo Auxiliary Facilities Enterprise Refunding and Improvement Revenue Bonds

Pledged by auxiliary revenues:

	June 30	
	2014	2013
Operating revenues – pledged auxiliary revenues	$ -	11,842,000
Operating expenses	-	(8,932,000)
Pledged revenue over operating expenses	-	2,910,000
Other revenues and transfers	-	(1,747,000)
Pledge revenue in excess	$ -	1,163,000

The CSU-Pueblo Auxiliary Enterprise debt service has been fully paid off. Beginning in fiscal year 2014, the auxiliary revenues will now be presented in the System Enterprise pledge below.

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

Pledged by 10 percent System tuition revenues, CSU facilities fees (80 percent of first $10 credit hour fee and 100 percent of additional $5 per credit hour fee), CSU-Pueblo facilities fees (100 percent), CSU Research Building Revolving Fund revenues, and remaining auxiliary revenue.

	June 30	
	2014	**2013**
Operating revenues	$ 178,877,000	49,121,000
Operating expenses	(103,035,000)	(212,000)
Pledged revenues over operating expenses	75,842,000	48,909,000
Net nonoperating expenses	(26,489,000)	(10,846,000)
Other revenues and transfers	3,030,000	4,286,000
Net increase	$ 52,383,000	42,349,000

The debt covenants for the above bonds require indirect cost recoveries from research-related grants to be pledged. The pledged revenue reported above includes $3.8 million and $3.0 million in indirect cost recoveries for the fiscal years ended June 30, 2014 and 2013, respectively, which is the amount of actual indirect cost recoveries used to support the related bond activity. The remaining amount of indirect cost recoveries required to be pledged is $44.5 million and $43.7 million for the fiscal years ended June 30, 2014 and 2013, 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 ending June 30:	
2015	$ 2,545,000
2016	2,701,000
2017	2,416,000
2018	1,354,000
2019	484,000
2020-2024	356,000
Minimum future lease payments	9,856,000
Less amount representing interest	498,000
Present value of minimum lease payments	$ 9,358,000

Capital lease agreements have been utilized to provide for the use of property and equipment. As of June 30, 2014 and 2013, respectively, the System had capital lease obligations in effect with capitalized asset costs of $17.7 million and $17.8 million; accumulated depreciation of $4.7 million and $6.3 million; and related outstanding liabilities of $9.4 million and $7.8 million.

(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 ending June 30:	
2015	$ 2,561,000
2016	1,630,000
2017	1,390,000
2018	987,000
2019	781,000
2020-2024	386,000
Total	$ 7,735,000

Rent expense was $2.7 million and $2.2 million for fiscal years ended June 30, 2014 and 2013, respectively.

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

(15) Net Position

The System is subject to multiple constraints, including those imposed by Colorado Constitutional and related legislative actions, State of Colorado statutes, and 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 $25.6 million and $26.5 million and are reported as restricted net position - expendable on the financial statements as of June 30, 2014 and 2013, 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 amount restricted of $30.0 million is reported as restricted net position - expendable on the financial statements as of both June 30, 2014 and 2013.

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, 2014 and 2013, this reserve had net position of $1.1 million and $783 thousand, respectively. These amounts are reported as restricted net position - expendable on the financial statements.

Total restricted net positions were as follows:

	June 30	
	2014	**2013**
Restricted for nonexpendable purposes:		
Scholarships, research and other	$ 15,007,000	14,133,000
Federal Land Grant Act Account - nonexpendable	10,972,000	9,946,000
Total	$ 25,979,000	24,079,000
Restricted for expendable purposes:		
Federal Land Grant Act Income Account - expendable	$ 1,591,000	3,106,000
Student loans	25,614,000	26,494,000
Colorado Water Institute	331,000	356,000
Gifts	1,827,000	1,122,000
Plant fund gifts not capitalized	1,548,000	1,837,000
Auxiliary pledged net assets	30,076,000	29,982,000
Tuition and fee pledged assets	6,717,000	7,325,000
Research Building Revolving Fund	3,701,000	3,566,000
Equipment reserve for Vet Med	1,077,000	783,000
Colorado State Forest Service legislative funds	7,333,000	5,818,000
Other	182,000	37,000
Total	$ 79,997,000	80,426,000

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

In regard to the net assets of the CSU Foundation, temporarily restricted net assets and the income earned on permanently restricted net assets, consisting of endowment funds to be held in perpetuity, are available to support CSU by providing funds for student scholarships, capital improvements, research, and other educational purposes and activities. As of June 30, 2014 and 2013, the CSU Foundation's Board has designated $31.4 million and $28.9 million, respectively, of the unrestricted net assets to be used for board-designated endowments.

In regard to the net assets of the CSU-Pueblo Foundation, temporarily restricted net assets and the income earned on permanently restricted net assets, consisting of endowment funds to be held in perpetuity, are available to support CSU-Pueblo by providing funds for athletics, scholarships, repairs of facilities, etc. Also, as of June 30, 2014 and 2013, CSU-Pueblo Foundation's Board has designated $4.8 million and $1.1 million, respectively, of the unrestricted net assets to be used for operating reserve for subsequent years' expense, soccer/lacrosse complex deficit, special project awards, and University personnel discretionary funds.

(16) Commitments

Outstanding purchase order commitments against future funds not reflected in the financial statements at June 30, 2014 were $90.3 million. These outstanding purchase order commitments included $48.2 million of System capital construction commitments. CSU capital construction commitments included approximately $13 million for the Lory Student Center Revitalization Project, $9.4 million for the Eddy Building Revitalization, $5.9 million for the Aggie Village North Redevelopment, $3 million for the Avenir Gallery Addition, $2.2 million for the Laurel Village, $1.8 million for the Animal Science Building Renovation, $1.7 million for the Stadium Program/Design Project, $1.6 million for the Health & Exercise Science Teaching Facility, and $1.1 million for the Housing & Dining Services North Landscaping Project. The remaining capital construction commitments were for other smaller projects at CSU and CSU-Pueblo. Of the remaining noncapital purchase order commitments, $27.1 million were related to CSU sponsored contracts and grants.

In addition to purchase order commitments, CSU has contracted obligations of $18.4 million at June 30, 2014 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, 2014 were:

Purchase order commitments	$ 90,288,000
Shared cost obligations on long-term revenue contracts	10,303,000
Obligations under accepted employment offers	8,076,000
Total	$ 108,667,000

(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 Employee Retirement Plan (SERP), which is funded solely by student contributions. The SERP is a defined contribution plan administered by a consortium of institutions of higher education in the state. All other eligible employees of the System participate in one of two additional plans, the Public Employees' Retirement Association Defined Benefit Plan (PERA) or an Optional Retirement Plan (ORP), subject to eligibility criteria defined by PERA and the University for each separate governing entity.

The System's total payroll for the fiscal years ended June 30, 2014 and 2013 was approximately $550.3 million and $512.7 million, respectively. Payroll for employees covered by the PERA plan, the optional defined contribution plan, and the student retirement plan was approximately $147.5 million, $335.3

million, and $20.3 million, respectively, for the fiscal year ended June 30, 2014 and $143.3 million, $303.2 million, and $14.5 million respectively, for the fiscal year ended June 30, 2013. The remaining employees were not eligible for participation in any of the System's plans.

(a) PERA Defined Benefit Pension Plan

Plan Description

Employees of the System deemed eligible under PERA's membership rules for institutions of higher education may participate in the Defined Benefit Pension Plan. The purpose of the Defined Benefit Pension Plan is to provide income to members and their families at retirement or in the 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 PERA Board of Trustees. Changes to the plan require an actuarial assessment and legislation by the General Assembly. The State plan and other divisions' plans are included in PERA's financial statements, which may be obtained by writing PERA at P.O. Box 5800, Denver, Colorado 80217, by calling PERA at 1-800-759-PERA (7372), or by visiting http://www.copera.org.

Prior to legislation passed in 2006, all classes of employees, except classified staff, may have participated in social security, PERA's Defined Benefit Plan, or the institution's Optional Retirement Plan (ORP) at institutions of higher education (excluding community colleges and School of Mines). Currently, higher education employees, except for classified staff, are required to participate in their institution's ORP, if available, unless they have been an active PERA participant with at least 12 months of service credit, an inactive member with that amount of service credit or a current PERA retiree. In that case, they may elect either PERA or their institution's ORP. However, unless the employee is a PERA retiree, the employee may not elect PERA as their retirement plan if they have previously been employed by a public college or university in Colorado offering an ORP if during that employment the employee made an election to participate in that institution's ORP. Eligible employees are allowed to enroll in PERA if such election is made within 30 days of their beginning date of eligibility. Effective January 1, 2011, present PERA retirees may elect either PERA or the ORP as their retirement plan each time they are reappointed.

Plan members vest after five years of service and are eligible for full retirement based on their original hire date as follows:

- Hired before July 1, 2005 – age 50 with 30 years of service, age 60 with 20 years of service, or age 65 with 5 years of service.
- Hired between July 1, 2005 and December 31, 2006 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 20 years of service, or age 65 with any years of service.
- Hired between January 1, 2007 and December 31, 2010 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 25 years of service, or age 65 with 5 years of service. For members with less than five years of service credit as of January 1, 2011, age and service requirements increase to those required for members hired between January 1, 2007 and December 31, 2010.
- Hired between January 1, 2011 and December 31, 2016 – any age with 35 years of service, age 58 with 30 years of service, age 65 with 5 years of service.
- Hired on or after January 1, 2017 – any age with 35 years of service, age 60 with 30 years of service, or age 65 with 5 years of service.

Members are also eligible for retirement benefits without a reduction for early retirement based on their original hire date as follows:

- Hired before January 1, 2007 – age 55 with a minimum of 5 years of service credit and age plus years of service equals 80 or more.
- Hired between January 1, 2007 and December 31, 2010 – age 55 with a minimum of 5 years of service credit and age plus years of service equals 85 or more. Age plus years of service requirements increase to 85 for members with less than five years of service credit as of January 1, 2011.
- Hired between January 1, 2011 and December 31, 2016 – age 58 and age plus years of service equals 88 or more.
- Hired on or after January 1, 2017 – age 60 and age plus years of service equals 90.

Members automatically receive the higher of the Defined Benefit Retirement Plan or the money purchase benefit at retirement. Defined benefits are calculated as 2.5 percent times the number of years of service times the highest average salary (HAS). For retirements before January 1, 2009, HAS is calculated as one-twelfth of the average of the highest salaries on which contributions were paid, associated with three periods of 12 consecutive months of service credit and limited to a 15 percent increase between periods.

For retirements after January 1, 2009, or persons hired on or after January 1, 2007, more restrictive limits are placed on salary increases between periods used in calculating HAS.

Retiree benefits are increased annually in July after one year of retirement based on the member's original hire date as follows:

- Hired before July 1, 2007 – the lesser of 2 percent or the average of the monthly Consumer Price Index (CPI) increases.
- Hired on or after January 1, 2007 – the lesser of 2 percent or the actual increase in the national Consumer Price Index, limited to a 10 percent reduction in a reserve established for cost of living increases related strictly to those hired on or after January 1, 2007. (The reserve is funded by 1 percentage point of salaries contributed by employers for employees hired on or after January 1, 2007.)

The upper limits on benefits increase by one-quarter percentage point each year when the funded ratio of PERA equals or exceeds 103 percent and declines by one-quarter percentage point when the funded ratio drops below 90 percent after having exceeded 103 percent. The funded ratio increase does not apply for three years when a negative return on investment occurs.

Members who are disabled, who have five or more years of service credit, six months of which have been earned since the most recent period of membership, may receive retirement benefits if determined to be permanently disabled. If a member dies before retirement, their spouse or their eligible children under the age of 18 (23 if a full-time student) may be entitled to a single payment or monthly benefit payments. If there is no eligible child or spouse, then financially dependent parents, beneficiaries, or the member's estate, may be entitled to 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. The annual gross covered wages subject to PERA contribution are gross earnings less any reduction in pay to offset employer contributions to the state sponsored plan established under Section 125 of the Internal Revenue Code.

Employees contribute 8 percent of their salary, as defined in CRS 24-51-101(42), to an individual account in the plan. Effective July 1, 2012, the temporary contribution rate increase of 2.5 percent for members in the State to replace the 2.5 percent reduction in employer contributions effective for fiscal years 2011 and 2012 expired.

From July 1, 2013, to December 31, 2013, the System contributed 16.55 percent of the employee's salary. From January 1, 2014, through June 30, 2014, the System contributed 17.45 percent. During all of fiscal year 2014, 1.02 percent of the employees' total salary was allocated to the Health Care Trust Fund.

Per Colorado Revised Statutes CRS 24-51-211(1), an amortization period of 30 years is deemed actuarially sound. At December 31, 2013, the division of PERA in which the State participates had a funded ratio of 57.5 percent and a 60 year amortization period based on current contribution rates. The funded ratio on the market value of assets was slightly higher at 61.0 percent.

In the 2004 and 2010 legislative sessions, the General Assembly authorized an Amortization Equalization Disbursement (AED) to address a pension-funding shortfall. The AED required PERA employers to pay an additional 0.5 percent of salary for calendar years 2006 and 2007, with subsequent year increases of 0.4 percent of salary through 2017, to a maximum of 5 percent.

In the 2006 and 2010 legislative sessions, 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, for calendar years 2008 through 2017, to a maximum of 5 percent. The SAED will be deducted from the amount otherwise available to increase State employees' salaries.

Both the AED and SAED will be reduced by one-half percentage point when funding levels reach 103 percent, and both will be increased by one-half percent point when the funding level subsequently falls below 90 percent.

Historically members have been allowed to purchase service credit at reduced rates. However, legislation passed in the 2006 session required that future agreements to purchase service credit be sufficient to fund the related actuarial liability.

The System's payroll contributions to PERA for the fiscal years ended June 30, 2014, 2013, and 2012 were approximately $25.3 million, $23.2 million, and $18.5 million, respectively. These contributions met the contribution requirement for each year.

The GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions,* which revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. The System provides certain of its employees with pension benefits through the State's PERA defined benefit retirement program.

GASB Statement No. 68 requires cost-sharing employers participating in the PERA program, such as the System, to record their proportionate share, as defined in Statement No. 68, of PERA's unfunded pension liability. The System has no obligation to fund this shortfall nor does it have any ability to affect funding, benefit, or annual required contribution decisions made by PERA and the General Assembly. The requirement of Statement No. 68 to record a portion of PERA's unfunded liability may negatively impact the System's future unrestricted net position. Statement No. 68 is effective for fiscal year 2015. At this time, management is unable to estimate the magnitude of this impact. Information regarding PERA's current funding status can be found in their Comprehensive Annual Financial Report.

(b) Voluntary Tax-Deferred Retirement Plans

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

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

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

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

The defined contribution retirement plans are established pursuant to state statute (24-54.5-101 to 24-54.5-107 CRS). The CSU plan was adopted by the Board of Governors in December 1992 and the CSU-Pueblo plan was adopted in April 1993. The Defined Contribution Retirement Plan is a qualified plan under Section 401(a) of the IRC. CSU and CSU-Pueblo are the Plan Sponsors. All participants contribute the required 8 percent of eligible salary. As required, CSU provides a matching contribution of 9 percent of eligible salary for all "permanent" appointees (those with regular, special, and senior teaching appointments at half-time or greater) and for temporary appointees with appointments of half-time or greater for the second and subsequent consecutive year(s). CSU-Pueblo provides a matching contribution of 10.7 percent, as required, of eligible salary for all nonstudent employees, including those employees at less than half-time and nonstudent temporary, hourly employees. Both employee and employer contributions are vested immediately. Investments are participant-directed within the funds available through the authorized investment companies. The System's aggregate contribution to the above three vendors was equal to 8.9 percent of covered payroll or approximately $29.8 million for the fiscal year ended June 30, 2014 and 8.8 percent of covered payroll or approximately $26.6 million for the fiscal year ended June 30, 2013. The employee aggregate contribution to the above three vendors was equal to 8.0 percent of covered payroll or approximately $26.8 million for the fiscal year ended June 30, 2014 and $24.3 million for the fiscal year ended June 30, 2013.

The Federal retirement system covers a very limited number of employees at CSU Extension. The System's contribution to this plan was approximately $155 thousand for fiscal year ended June 30, 2014 and $165 thousand for fiscal year ended June 30, 2013.

(d) Student Employee Retirement Program

Eligible student employees contribute 7.5 percent of covered payroll to the student employee retirement program (SERP). The SERP is funded entirely through employee contributions with no employer match. The SERP is a mandatory plan for all student employees who are enrolled at CSU but are not classified as a half-time student or greater. The SERP was established pursuant to state statute (24-54.6-101 through 24-54.6-106 CRS) as a mandatory nonqualified plan under 403(b) of the IRC in lieu of mandatory old age, survivors, and disability insurance (OASDI) coverage. The student retirement plan is a defined contribution plan administered by the individual agencies that make up the System, as applicable. All contributions are vested immediately and are participant-directed within the funds available through the sole investment company, TIAA-CREF. The contribution by student employees for the fiscal years ended June 30, 2014 and 2013 was approximately $1.5 million and $1.1 million, respectively.

(e) Health Insurance Programs

The System's contribution to the various health insurance programs was approximately $17.5 million and $16.7 million, as reclassed, for the fiscal years ended June 30, 2014 and 2013, respectively.

(18) Risk Financing and Insurance-Related Activities

CSU manages a combination of self-insured and fully-insured property and casualty insurance programs to best protect the University's assets. At CSU, separate accounts currently make up the self-insured program: workers' compensation, liability, auto comprehensive/collision and property. CSU contracts various day-to-day operations of the self-funded benefit plan, including claims processing, to third-party administrators. CSU carries excess insurance for liability and workers' compensation claims over $500 thousand per occurrence, including claims arising from employment practices. In March 2013, after a review of CSU's excess liability limits, CSU purchased additional coverage by raising the limits for this insurance from $15.0 million to $25.0 million per occurrence. CSU self-insures for property insurance claims less than $100 thousand per occurrence with a $1 thousand deductible per occurrence paid by the university department incurring the loss. CSU purchases property insurance with limits of $1.0 billion. In addition to this, CSU carries auto insurance for out-of-state vehicles and workers' compensation for out-of-state employees, student intern professional liability, professional liability insurance (Architects & Engineers), crime insurance, foreign liability insurance, Canadian Liability, Cyber Liability, Aviation Liability, Unmanned Aerial Vehicles Liability, TULIP (Tenant User Liability Insurance Program), and self-insures for in-state auto insurance.

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

The amount of claims and administrative costs for the self-funded plans for fiscal years ended June 30, 2014 and 2013 did not exceed plan revenues and reserves. Eligible faculty and nonclassified staff employees may select from various benefit plans and may elect to make premium contributions in the form of a pre-tax salary reduction.

The above health related programs had estimated claim liabilities of $27.2 million and $26.5 million at June 30, 2014 and 2013, respectively, which include incurred but not reported claims (IBNR) along with known claims at year end. These estimates are made through a combination of analyzing payments in early months of the subsequent year, historical trends, industry guidelines, and underwriting advice from our third-party administrator and benefits consultant.

In addition to these claims, workers' compensation had estimated claim liabilities of $6.0 million and $5.8 million at June 30, 2014 and 2013, respectively. Liability self-insurance had estimated claim liabilities of $308 thousand and $314 thousand at June 30, 2014 and 2013, respectively. These estimates are based on current data and actuarial reports. Property self-insurance had no estimated claim liabilities at June 30, 2014 and 2013.

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

	2014	2013
Claim liabilities, beginning of year	$ 32,540,000	28,948,000
Incurred claims (including IBNR)	40,337,000	36,300,000
Claim payments	(39,322,000)	(32,708,000)
Claim liabilities, end of year	$ 33,555,000	32,540,000

Claims liabilities are recorded in accrued liabilities and other noncurrent liabilities on the Statements of Net Position.

(19) Post-Employment 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 plan is a cost-sharing multiple-employer plan under which PERA subsidizes a portion of the monthly premium for health care coverage. 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 P.O. Box 5800, Denver, Colorado 80217, by calling PERA at 1-800-759-PERA (7372), or by visiting http://www.copera.org.

After the PERA subsidy, the benefit recipient pays the remaining balance of the premium through an automatic deduction from the monthly retirement benefit. Monthly premium costs for participants depend on the healthcare plan selected, the PERA subsidy amount, Medicare eligibility, the number of persons covered, and the number of years of service credit. 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 percent for each year less than 20 years.

The Health Care Trust Fund is maintained by an employer's contribution of 1.02 percent of gross covered wages. The System paid $1.5 million into this fund during each of the fiscal years ended June 30, 2014 and 2013. In each year, the amount contributed was 100 percent of the required contribution. 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, 2013, there were 53,041 enrollees in the plan. At December 31, 2013, the plan had an unfunded actuarial liability of $1.3 billion, a funded ratio of 18.8 percent, and a 30 year amortization period.

(b) Other Post-Employment Benefits (OPEB) – CSU

Plan Descriptions

CSU contributes to three single-employer defined benefit healthcare plans: CSU Retiree Medical Premium Refund Plan for DCP Participants (DCP Refund), CSU Retiree Medical Premium Subsidy for PERA Participants (PERA Subsidy), and the CSU Retiree Umbrella Rx Plan for PERA Participants (Rx Subsidy). Each plan provides premium support or medical benefits to eligible retired CSU faculty and nonclassified employees with the Rx Subsidy extending benefit coverage to spouses and dependents that elect to participate. CSU also has a self-insured Long-Term Disability Plan (LTD). 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.

Membership of each plan consisted of the following at January 1, 2014, the date of the latest actuarial valuation:

	DCP Refund	PERA Subsidy	RX Subsidy	LTD Income Replacement
Active plan members	4,687	419	419	4,608
Former employees receiving income replacement	-	-	-	28
Retirees receiving a subsidy	326	506	338	-
Retirees eligible for a subsidy but not yet receiving one	-	185	543	-
Total	5,013	1,110	1,300	4,636

CSU Retiree Medical Premium Refund Plan for DCP Participants

Employees who retire from the University at age 55 with 20 or more years of service or age 60 with 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 no previous participation in PERA or have less than one year of participation in PERA or employees with at least one year of previous participation in PERA who elect to enroll in the DCP 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 DCP Refund is administered by HealthSmart.

The assets of the DCP Refund were held in a revocable trust whereby the plan assets are restricted to expenditures necessary and appropriate to fulfilling the purpose of the plan until June 27, 2014, when the balance was transferred to an irrevocable trust. On an annual basis, CSU provides funding equal to the annual OPEB cost provided by the actuarial valuation. The funds available to cover the plan benefits were $36.4 million and $33.8 million for the fiscal years ended June 30, 2014 and 2013, respectively. Funds provided for the benefit of the program include $3.0 million and $2.6 million for the fiscal years ended June 30, 2014 and 2013, respectively, plus the corresponding interest income less plan costs. Total amounts paid by CSU to retirees for this healthcare refund were $662 thousand and $626 thousand for fiscal years ended June 30, 2014 and 2013, respectively. As of June 30, 2014 and 2013, 334 and 304 former employees, respectively, were qualified to receive such benefits.

CSU Retiree Medical Premium Subsidy for PERA Participants

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

During the current year, funds equal to the annual OPEB costs provided by the actuarial valuation, were set aside, along with the related interest income, in an internal service fund to cover plan benefits until June 27, 2014, when the balance of the fund was transferred to an irrevocable trust. The funds available to cover the plan benefits were $19.7 million and $17.0 million for the fiscal years ended June 30, 2014 and 2013, respectively. The annual OPEB costs for each fiscal year ended June 30, 2014 and 2013 were $3.8 million. The average number of beneficiaries of this subsidy was 505 and 516 for fiscal years ended June 30, 2014 and 2013, respectively. The benefits paid by the University were $1.3 million for each fiscal year ended June 30, 2014 and 2013.

CSU Retiree Umbrella Rx Plan for PERA Participants

The University provides reimbursement for the prescription copayments made by eligible faculty and nonclassified staff who retire from the University under the PERA retirement plan with at least 10 years of service. Retirees have to be age 65 or older or eligible for Medicare and enrolled in the PERA Medicare supplement plan to be eligible for this plan. Future enrollments are further restricted to those academic faculty and administrative professional staff participating in the PERA retirement plan and holding benefit eligible appointments on June 30, 2009. PERA provides a prescription insurance program for retirees enrolled in any medical insurance plan. The PERACare Prescription insurance program covers the cost of prescriptions after the member pays a copay which varies depending on whether the prescription is purchased through a local retail pharmacy or through a mail-order pharmacy, and whether the drug is generic or a brand-name drug. The Umbrella Rx plan reimburses the retiree for the complete cost of the prescription copay less a $10 copay for retail and a $20 copay 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 $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 cost provided by the actuarial valuation until June 27, 2014, when the balance of the fund was transferred to an irrevocable trust. The plan had an obligation of $135 thousand and $505 thousand at fiscal years ended June 30, 2014 and 2013, respectively. The annual OPEB costs for fiscal years ended June 30, 2014 and 2013 were $195 thousand and $188 thousand, respectively. These funds, which include those previously set aside, along with the amounts paid in by participants of $34 thousand in fiscal year 2014 and the related interest income, have resulted in total funds available of $498 thousand and $420 thousand as of fiscal years ended June 30, 2014 and 2013, respectively, for this plan. Plan members were reimbursed $101 thousand and $94 thousand for prescription claims for the fiscal years ended June 30, 2014 and 2013, respectively.

CSU Long-Term Disability Plan

The University contributes to the LTD income replacement plan. This plan provides a monthly income replacement benefit which begins on the 91st consecutive calendar day of total disability. The LTD coverage provides the eligible PERA or Federal Retirement Plan participants with up to 60 percent of pre-disability covered monthly salary, not to exceed six thousand dollars per month, or up to 69 percent 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 be received from other sources such as PERA, Federal Retirement, Social Security, or Workers' Compensation. The minimum income replacement benefit is $50 per month. Employees are eligible to receive benefits until one of the following circumstances occur: recovery, death, age 65 if disabled when less than 60, four and three-fourths years if disabled between the ages of 60 and 65, or age 70 if disabled between the ages of 65 and 68 ¾. This plan is administered by Assurant Insurance Company.

CSU set aside funds in an internal service fund equal to the OPEB cost provided by the actuarial valuation until June 27, 2014, when the balance of the fund was transferred to an irrevocable trust. The plan had assets of $4.0 million and obligations of $997 thousand at fiscal years ended June 30, 2014 and 2013, respectively. The annual OPEB costs for fiscal years ended June 30, 2014 and 2013 were $1.3 million and $1.4 million, respectively. These funds, which include those previously set aside and the related interest income, have resulted in total funds available of $5.4 million and $5.1 million as of fiscal years ended June 30, 2014 and 2013, respectively. Plan members received $942 thousand and $991 thousand in benefits for the fiscal years ended June 30, 2014 and 2013, respectively.

Funding Policy, Status, Progress, and Annual OPEB Cost

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 cost each year and to amortize any unfunded actuarial accrued liabilities over a period not to exceed 30 years. Fiscal year 2008 was the year of transition, and CSU elected to prospectively implement GASB Statement 45 resulting in the net OPEB obligation at the beginning of the year being set at $0. For each of the plans, CSU had set aside funds in an internal service fund to cover future benefits in varying amounts. On June 27, the funds held in the internal service fund were transferred to an irrevocable trust. CSU's annual OPEB cost for fiscal year 2014 and the related information for each plan are as follows:

	DCP Refund	PERA Subsidy	Rx Subsidy	LTD Income Replacement
Actuarial accrued liability (a)	$ 34,014,000	50,077,000	2,841,000	11,570,000
Actuarial value of plan assets (b)(1)	35,021,000	18,368,000	452,000	5,279,000
(Overfunded)/unfunded actuarial accrued liability (a) - (b)	$ (1,007,000)	31,709,000	2,389,000	6,291,000
Funded ratio (b)/(a)	103.0%	36.7%	15.9%	45.6%
Covered payroll (c)	$ 285,017,000	N/A	N/A	N/A
(Overfunded)/unfunded actuarial accrued liability as a percentage of covered payroll [(a) - (b)]/(c)	-0.4%	N/A	N/A	N/A
Contribution rates:				
CSU (through June 27, 2014)	Pay-as-you-go	Pay-as-you-go	Pay-as-you-go	Pay-as-you-go
CSU (subsequent to June 27, 2014)	Based on ARC	Based on ARC	Based on ARC	Based on ARC
Participants	N/A	N/A	$0 - $99 / month based on eligibility	N/A
Annual required contributions (ARC)	$ 35,809,000	4,189,000	207,000	1,338,000
Interest on net OPEB obligation	443,000	650,000	20,000	40,000
Adjustment to ARC	(11,064,000)	(1,026,000)	(32,000)	(33,000)
Annual OPEB cost	25,188,000	3,813,000	195,000	1,345,000
Contributions made	(36,991,000)	(20,965,000)	(565,000)	(6,292,000)
Decrease in net OPEB obligation	(11,803,000)	(17,152,000)	(370,000)	(4,947,000)
Net OPEB obligation - beginning of year	11,064,000	16,269,000	505,000	997,000
Net OPEB obligation/(asset) - end of year	$ (739,000)	(883,000)	135,000	(3,950,000)
Percentage of OPEB cost contributed	146.9%	549.8%	289.7%	467.8%

(1) Value of plan assets as of January 1, 2014 as they were being held in the internal service fund.

Total assets transferred on June 27, 2014, to an irrevocable trust for each of the plans:

	DCP Refund	PERA Subsidy	RX Subsidy	LTD Income Replacement	Total
Amounts transferred to irrevocable trust as of 6/27/2014	$ 36,329,000	19,697,000	498,000	5,350,000	61,874,000

Traditionally, the contributions made each year had been deposited into accounts that were internally restricted for the sole benefit of the plan participants. Given the restricted nature of these resources, on

June 27, 2014, management transferred these resources to an irrevocable trust that qualifies as plan assets under GASB Statements No. 43 and 45. Total cash transferred to the trust on this date was $61.9 million. In conjunction with the transfer of the assets to an irrevocable trust, the amortization factor was changed from 30 years to one year for the DCP Refund plan only. The University recognized an adjustment of $22.2 million in relation to the change in the amortization factor on the DCP Refund as a special item.

The financial statements for the irrevocable trust, included in the supplementary information, have been prepared using the accrual basis of accounting. On a going forward basis, plan members' contributions will be recognized in the period in which the contributions are due. Employee contributions to each plan will be recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. Investments are reported at fair market value and administrative costs are direct expenditures of the plan. The trust does not issue separate financial statements other than those included in the supplementary information.

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

CSU's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligations for fiscal year 2014 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	6/30/2014	$ 25,188,000 *	146.9%	$ (739,000)
Refund	6/30/2013	2,593,000	24.1%	11,064,000
	6/30/2012	2,466,000	23.4%	9,097,000
PERA	6/30/2014	3,813,000	549.8%	(883,000)
Subsidy	6/30/2013	3,837,000	33.8%	16,269,000
	6/30/2012	3,969,000	31.7%	13,727,000
Rx	6/30/2014	195,000	289.7%	135,000
Subsidy	6/30/2013	189,000	49.7%	505,000
	6/30/2012	181,000	61.3%	410,000
LTD Income	6/30/2014	1,345,000	467.8%	(3,950,000)
Replacement	6/30/2013	1,357,000	73.0%	997,000
	6/30/2012	1,135,000	100.2%	631,000

*Includes costs of approximately $22,000,000 related to the change in the amortization period.

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 as of June 30, 2014, are recorded in other noncurrent assets and other noncurrent liabilities.

Actuarial Methods and Assumptions

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

	DCP Refund	**PERA Subsidy**	**Rx Subsidy**	**LTD Income Replacement**
Valuation date	1/1/2014	1/1/2014	1/1/2014	1/1/2014
Actuarial cost method	Entry Age Normal	Projected Unit Credit	Projected Unit Credit	Entry Age Normal
Amortization method	1 Year Open, Level Percent of Pay	30 Years Closed, Level Dollar	30 Years Closed, Level Dollar	30 Years Open, Level Percent of Pay
Remaining amortization period	1 Year	24 Years	24 Years	30 Years
Asset valuation method	Market Value	Market Value	Market Value	Market Value
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	N/A	N/A	N/A	4.00%
Healthcare cost Trend rate	N/A	7% initial, 5% ultimate	N/A	N/A

(c) Other Post-Employment 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 percent of the health insurance cost. As of June 30, 2014, there were 13 participants in the plan, of which one was a CSU-Pueblo retiree.

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.

(d) Life Insurance Program

During fiscal years 2014 and 2013, PERA provided its members with access to a group decreasing term life insurance plan offered by Unum Provident. Active members may join the Unum Provident Plan and continue coverage into retirement. PERA retirees are not eligible to enroll in the insurance program. Premiums are collected by monthly payroll deductions or other means. In addition, PERA maintained coverage for members under closed group plans underwritten by Anthem Life, Prudential, and New York Life.

(20) Compensated Absences Liability

System employees may accrue annual and sick leave based on the length of service and subject to certain limitations regarding the amount that will be paid upon termination. The estimated liability of compensated absences for which employees are vested as of June 30, 2014 and 2013 was $48.9 million and $44.6 million, respectively.

Overall, expenses increased for the fiscal year ended June 30, 2014 by $4.3 million and increased for the fiscal year ended June 30, 2013 by $2.2 million, for the estimated compensated absences liabilities.

(21) Direct Student Financial Aid Reporting

During the fiscal years ended June 30, 2014 and 2013, CSU, CSU-Global and CSU-Pueblo participated in the federal government's Direct Loan Program. This program provides loans from the federal government to qualifying students and their families for educational purposes. While CSU, CSU-Global and CSU-Pueblo help students obtain these loans, the University is not a party to the loans and is not responsible for collection of monies owed or for defaults by borrowers.

The gross amounts of Direct Loans disbursed during the fiscal years ended June 30, 2014 and 2013 were $224.7 million and $214.9 million, respectively.

(22) Scholarship Allowance

Tuition, fees, and auxiliary revenues and the related scholarship allowances for the year ended June 30, 2014 were as follows:

	June 30 2014 Tuition and Fees	June 30 2014 Auxiliary Revenues	June 30 2014 Total
Gross revenue	$ 516,908,000	148,867,000	665,775,000
Scholarship allowances:			
Federal	30,422,000	659,000	31,081,000
State	8,869,000	1,315,000	10,184,000
Private	291,000	249,000	540,000
Institutional	67,709,000	2,244,000	69,953,000
Total allowances	107,291,000	4,467,000	111,758,000
Net revenue	$ 409,617,000	144,400,000	554,017,000

Tuition, fees, and auxiliary revenues and the related scholarship allowances for the year ended June 30, 2013 were as follows:

	June 30 2013 Tuition and Fees	June 30 2013 Auxiliary Revenues	June 30 2013 Total
Gross revenue	$ 473,056,000	142,808,000	615,864,000
Scholarship allowances:			
Federal	30,098,000	732,000	30,830,000
State	8,748,000	1,528,000	10,276,000
Private	371,000	384,000	755,000
Institutional	62,516,000	2,342,000	64,858,000
Total allowances	101,733,000	4,986,000	106,719,000
Net revenue	$ 371,323,000	137,822,000	509,145,000

(23) System Foundations and Endowments

As discussed in Note 1(c), the CSU Foundation and CSU-Pueblo Foundation have been incorporated into the System’s financial reporting entity as a result of adopting GASB Statement No. 61. The Colorado State University Research Foundation (CSURF) did not meet the requirements of GASB Statement No. 61 to be incorporated into the System’s financial reporting entity.

(a) Colorado State University Research Foundation

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

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

CSURF is a member in a Joint Venture, INTO-CSU, LLC. The purpose of the Joint Venture is to create an avenue for international students to attend CSU in a number of undergraduate pathways with multiple programs. INTO-CSU, LLC helps students integrate into classes as well as housing on campus. CSURF's primary role is to financially support the joint venture.

In early 2014, CSURF formed an entity in Mexico, CSURF de Mexico, Association Civil (CSURF AC) to assist the University in development of a campus in Todos Santos, Mexico. The CSURF portion of the development is expected to consist of housing, dining facilities and research.

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 fiscal years ended June 30, 2014 and 2013, royalty revenues equaled $1.3 million and $1.2 million, respectively, and expenses were $802 thousand and $777 thousand, respectively. Also during the fiscal years ended June 30, 2014 and 2013, rental revenues equaled $5.1 million and $2.6 million, respectively, and related expenses were $3.2 million and $1.9 million, respectively.

At June 30, 2014, CSURF's debt to provide buildings for use by the universities was $45.9 million.

At June 30, 2014, the assets of CSURF consisted of:

Cash and current assets	$ 5,417,000
Property and equipment	60,139,000
Other assets	10,129,000
Total assets	$ 75,685,000

At June 30, 2013, CSURF's debt to provide buildings for use by the universities was $8.6 million.

At June 30, 2013, the assets of CSURF consisted of:

Cash and current assets	$ 6,562,000	*
Property and equipment	21,711,000	
Other assets	10,258,000	*
Total assets	$ 38,531,000	

*Restated

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

(b) CSU-Pueblo Board-Designated Funds

CSU-Pueblo manages two board-designated funds. These funds' assets and activity are reported as part of the System. Both funds retain 20 percent of earnings each year to build the corpus of the fund and transfer 80 percent of the annual earnings to CSU-Pueblo as designated by the Board. The first board-designated fund was established in 1994 from the proceeds of land sales in the Walking Stick Development immediately west of the campus. The sale of excess land adjacent to the university campus provides resources that support the academic mission of CSU-Pueblo. To date, CSU-Pueblo has sold 16 parcels of land with the proceeds from the sales being placed in a board-designated fund. The Walking Stick Fund assets consisted of cash and land. The cash held by the Walking Stick Fund was $5.4 million and $5.3 million for years ended June 30, 2014 and 2013, respectively.

In June 30, 2000, CSU-Pueblo sold the KTSC-TV television license and certain related assets. The proceeds of the sale have been placed in a board-designated fund to support the maintenance of the Buell Communication Center building, telecommunications equipment associated with the Mass Communications program of CSU-Pueblo, and scholarships. The cash held by the KTSC Fund was $2.6 million for both fiscal years ended June 30, 2014 and 2013.

(c) INTO CSU, LLC

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

As part of the Service Agreement, CSURF agreed to loan the joint venture up to $1.5 million. The promissory note matures February 2027 with monthly interest payments of five percent due beginning March 2017. In connection with the agreement for CSURF to loan funds to INTO CSU, LLC, the University has agreed to reimburse CSURF for net funds loaned to the joint venture. As of the end of the year, the University has a receivable for $253 thousand due from CSURF relating to amounts that have been loaned to the joint venture.

(d) CSURF de Mexico, Association Civil

During this fiscal year, CSURF formed an entity in Mexico, CSURF de Mexico, Association Civil ("The AC") to assist the university in development of a satellite campus in Todos Santos, Mexico that will consist of housing, dining and research facilities. The development and ownership of the property is separate from the AC and is equally owned by the AC and a third party. During the fiscal year, the university provided $450 thousand in funding to help build the facility. The facility is expected to open in Spring 2015.

(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 ended June 30, 2014 and 2013 the System received $72.0 million and $68.0 million, respectively, in state fee for service contract revenue.

State support was also provided to the System in the form of student tuition stipends provided to students by the state College Opportunity Fund. In fiscal years ended June 30, 2014 and 2013, stipends were provided to students attending classes at Colorado State University and Colorado State University-Pueblo in the amount of $37.8 million and $37.1 million, respectively.

(25) Contingencies

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

Equine Reproduction Laboratory

On July 26, 2011, there was a fire of undetermined origin at CSU’s Equine Reproduction Laboratory building located on the foothills campus. The fire destroyed the building and most of its contents, including among other things, horse semen and embryo straws being stored for approximately 175 third-party clients. To date, CSU has received a total of forty (40) notices of claim under the Colorado Governmental Immunity Act (“CGIA”) in connection with the damaged straws. In addition, three lawsuits have been filed and served, and another lawsuit has apparently been filed with the court, but has not been served. In the first case, CSU filed a motion to dismiss, asserting Plaintiff’s claim lies in tort and is barred by the CGIA. The judge denied the motion and held that the storage of Plaintiff’s straws by CSU created a common law bailment that is not barred by the CGIA. CSU has appealed that decision to the Colorado Court of Appeals and the Court of Appeals overruled the trial court’s decision and held the Plaintiffs are barred by the CGIA.

The amount of damages is unclear with some of the claims being duplicative, frivolous and inflated; however, in total they exceed $13.5 million, plus two catch-all claims of $44 million and $35 million. Given the unique circumstances of each case and the various legal issues, the actual potential exposure that could arise from litigation of these claims is uncertain. If there is a determination that CSU is liable for a plaintiff’s damages arising from the fire, some or all of those damages may be covered by insurance. However, in consideration of the statutory limit on damages under the CGIA and the many variables, CSU and the System estimate that such exposure could range from $650 thousand to $30 million. Nevertheless, in light of the possible defenses to liability and CSU’s insurance coverage, we do not believe that any of those claims or lawsuits, or any combination thereof, will result in a materially adverse effect.

It is CSU's position that the Insurance Policy in place at the time of the fire provides coverage to the extent of CSU's legal liability for physical loss or damage, and that if CSU is held to be legally liable for such loss or damage to client's inventory, the insurance carrier is responsible for paying the amount of such judgment. The insurance carrier has asserted that it has the obligation to pay only the value of the clients' interest in the inventory, which may be less than the amount of any such judgment.

CSU has denied any liability and will continue to defend any such claims. CSU's potential liability is difficult to estimate and no liability has been recorded in the financial statements.

Financial Awards from Federal and State Agencies

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

Required Supplemental Information

Colorado State University System

Required Supplemental Information

Colorado State University Retiree Medical Premium Refund Plan for DCP Participants (DCP Refund), CSU Retiree Medical Premium Subsidy for PERA Participants (PERA Subsidy), CSU Retiree Umbrella Rx Plan for PERA Participants (Rx Subsidy), and Long-Term Disability Plan (LTD Income Replacement)

(Unaudited)

June 30, 2014

Schedule of Funding Progress

	Actuarial Valuation Date	Actuarial Value of Assets * (a)	Actuarial Accrued Liability (AAL)- Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
DCP Refund							
	1/1/2014	$ 35,021,000	34,014,000	(1,007,000)	103.0%	$ 285,017,000	-0.4%
	7/1/2012	-	31,063,000	31,063,000	0.0%	259,317,000	12.0%
	1/1/2011	-	28,917,000	28,917,000	0.0%	248,228,000	11.6%
PERA Subsidy							
	1/1/2014	18,368,000	50,077,000	31,709,000	36.7%	-	0.0%
	7/1/2012	-	45,849,000	45,849,000	0.0%	-	0.0%
	1/1/2011	-	53,177,000	53,177,000	0.0%	-	0.0%
Rx Subsidy							
	1/1/2014	452,000	2,841,000	2,389,000	15.9%	-	0.0%
	7/1/2012	-	2,556,000	2,556,000	0.0%	-	0.0%
	1/1/2011	-	2,832,000	2,832,000	0.0%	-	0.0%
LTD Income Replacement	1/1/2014	5,279,000	11,570,000	6,291,000	45.6%	-	0.0%
	7/1/2012	-	15,466,000	15,466,000	0.0%	-	0.0%
	1/1/2011	-	13,017,000	13,017,000	0.0%	-	0.0%

* Value of plan assets as of January 1, 2014

Colorado State University System

Required Supplemental Information

Colorado State University Retiree Medical Premium Refund Plan for DCP Participants (DCP Refund),
CSU Retiree Medical Premium Subsidy for PERA Participants (PERA Subsidy),
CSU Retiree Umbrella Rx Plan for PERA Participants (Rx Subsidy), and Long-Term Disability Plan (LTD Income Replacement)

(Unaudited)

June 30, 2014

SCHEDULES OF EMPLOYER CONTRIBUTIONS

	Year Ended June 30	Annual Required Contributions	Percentage Contributed
DCP Refund	2014	$ 35,809,000	103.3%
PERA Subsidy	2014	4,189,000	500.5%
Rx Subsidy	2014	207,000	273.1%
LTD Income Replacement	2014	1,338,000	470.3%

Supplemental Information

Colorado State University System

Supplemental Information

Colorado State University Retiree Medical Premium Refund Plan for DCP Participants (DCP Refund), CSU Retiree Medical Premium Subsidy for PERA Participants (PERA Subsidy), CSU Retiree Umbrella Rx Plan for PERA Participants (Rx Subsidy), and Long-Term Disability Plan (LTD Income Replacement)

(Unaudited)

June 30, 2014

Colorado State University Other Post-Employment Benefits Trust

Statement of Plan Net Assets

As of June 30, 2014

	Other Post-Employment Benefits				
	DCP Refund	**PERA Subsidy**	**RX Subsidy**	**LTD Income Replacement**	**2014 Total**
Assets					
Cash and short-term investments	$ 36,329,000	19,697,000	498,000	5,350,000	61,874,000
Total assets	36,329,000	19,697,000	498,000	5,350,000	61,874,000
Net Assets					
Net assets held in trust for other post-employment benefits	$ 36,329,000	19,697,000	498,000	5,350,000	61,874,000

Colorado State University Other Post-Employment Benefits Trust

Statement of Changes in Plan Net Assets

For the Year Ended June 30, 2014

	Other Post-Employment Benefits				
	DCP Refund	**PERA Subsidy**	**RX Subsidy**	**LTD Income Replacement**	**2014 Total**
Additions					
Contributions from employer	$ 36,329,000	19,697,000	498,000	5,350,000	61,874,000
Total additions	36,329,000	19,697,000	498,000	5,350,000	61,874,000
Changes in net assets	36,329,000	19,697,000	498,000	5,350,000	61,874,000
Net assets, beginning of year	-	-	-	-	-
Net assets, end of year	$ 36,329,000	19,697,000	498,000	5,350,000	61,874,000