

Colorado State University System
Financial Statements and Independent Auditor's Reports
Financial Audit
Years Ended June 30, 2016 and 2015
Compliance Audit
Year Ended June 30, 2016

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COLORADO STATE UNIVERSITY SYSTEM
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Independent Auditor's Report

Members of the Legislative Audit Committee:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component units of Colorado State University System (a higher education institution of the State of Colorado) (the System), as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the System's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the 2016 financial statements of the Colorado State University Foundation (the CSU Foundation) or the financial statements of the Colorado State University – Pueblo Foundation (CSU-Pueblo Foundation), which are the discretely presented component units of the System. The CSU Foundation and CSU-Pueblo Foundation statements were audited by other auditors whose reports thereon has been furnished to us, and our opinions, insofar as it relates to the amounts included for the CSU Foundation and CSU-Pueblo Foundation, is based solely on the reports of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 2016 reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component units of the System as of June 30, 2016 and 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1, the financial statements of the System, an institution of higher education in the State of Colorado, are intended to present the financial position, the changes in financial position and, where applicable, cash flows of the business-type activities and the discretely presented component units of the State of Colorado that are attributable to the transactions of the System. They do not purport to, and do not, present fairly the financial position of the State of Colorado as of June 30, 2016 and 2015, and the changes in its financial position, or where applicable, its cash flows for the years then ended in conformity with the accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the System's basic financial statements. The Other Post Employment Benefit Trust Statements, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance.

BKD, LLP

Denver, Colorado
December 9, 2016

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COLORADO STATE UNIVERSITY SYSTEM

Management's Discussion and Analysis

Years Ended June 30, 2016 and 2015

(Unaudited)

Management's Discussion and Analysis

We are pleased to present this financial discussion and analysis of the Colorado State University System (the System). It is intended to make the System's financial statements easier to understand and communicate our financial situation in an open and accountable manner. This section of the financial report provides an objective discussion and analysis of the financial performance of the System for the fiscal years ended June 30, 2016 and 2015. This discussion provides an analysis of the System's financial activities based on currently known facts, decisions, or existing conditions. University management is responsible for the completeness and fairness of this discussion and analysis, the financial statements, and related footnote disclosures.

The System includes Colorado State University (CSU), Colorado State University Pueblo (CSU-Pueblo), and Colorado State University Global Campus (CSU-Global). CSU-Global issued separate audited financial statements for the year ended June 30, 2016.

Understanding The Financial Statements

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

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

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

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

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

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

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(Unaudited)

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

Financial Highlights

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

Selected financial highlights for fiscal year ended June 30, 2016 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 2016 and 2015, appropriated expenses in the System were within the authorized spending authority. For fiscal years ended 2016 and 2015, the System had a total appropriation of \$134.6 million and \$121.9 million, respectively. For fiscal years ended 2016 and 2015, the System's appropriated funds consisted of \$42.9 and \$43.0 million, respectively, received from students that qualified for stipends from the College Opportunity Fund and \$91.7 million and \$78.9 million, respectively, as state 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.

The assets and deferred outflows of the System exceeded its liabilities and deferred inflows at June 30, 2016 by \$496.0 million (net position). Of this amount, \$624.7 million is related to the net investment in capital assets and \$135.4 million is restricted for purposes which the donor or grantor or other external party intended. The remaining (\$264.1) million is unrestricted. Although unrestricted net position is not externally restricted, it may be internally designated by the System's administration for various purposes. Unrestricted net position was negatively impacted by the implementation of GASB 68 – Accounting and Financial Reporting for Pensions in fiscal year 2015.

CSU-Global continued to see strong enrollment growth in fiscal year 2016 as newly accredited degree programs and new courses were introduced.

Financial Analysis

The Summary of Net Position presents the assets, deferred outflows, liabilities, deferred inflows, and net position of the Colorado State University System as of the end of the fiscal year. The System's assets and deferred outflows exceeded liabilities and deferred inflows resulting in a net position at June 30, 2016 and 2015 of \$496.0 million, and \$445.3 million, respectively. In fiscal years 2016 and 2015, the deferred outflows of resources and deferred inflows of resources include items related to the PERA pension whose liability was recorded due to the implementation of Statement No. 68. The University's proportionate share of the net pension liability at the years ended 2016 and 2015, was \$578.7 million and \$524.7 million, respectively. The net investment in capital assets (e.g., land, buildings and equipment) is used to provide services to students, faculty and administration. Consequently, these assets are not available to fund future spending.

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(Unaudited)

The implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment to GASB Statement No. 27* (GASB Statement No. 68) in fiscal year 2015 and applied moving forward results in the presentation of 2014 not being comparable to the 2015 and 2016 financial information.

Summary of Net Position

(Amounts expressed in thousands)

	Year Ended June 30		
	2016	2015	2014
Current assets	\$ 565,534	455,830	416,447
Noncurrent assets, including net capital assets of \$1,531,228, \$1,308,364, and \$1,233,641, respectively	1,905,177	1,758,815	1,504,261
Deferred outflows	111,971	71,904	43,034
Total assets and deferred outflows	2,582,682	2,286,549	1,963,742
Current liabilities	229,649	193,266	179,069
Noncurrent liabilities	1,842,966	1,645,275	885,062
Deferred inflows	14,091	2,755	-
Total liabilities and deferred inflows	2,086,706	1,841,296	1,064,131
Net position:			
Net investment in capital assets	624,707	638,613	623,886
Restricted	135,434	117,133	105,976
Unrestricted	(264,165)	(310,493)	169,749
Total net position	\$ 495,976	445,253	899,611

The \$256.1 million increase in System assets in 2016 over that of 2015 is related to increases in the current assets and nondepreciable capital asset sections. The \$109.7 million increase in current assets was primarily due to: a \$101.0 million increase in cash and cash equivalents, a \$10.7 million increase in receivables, offset by a \$2.0 million decrease in inventories and prepaid expenses. The increase in cash and cash equivalents and receivables is partially related to a 5.7% growth in enrollment as well as increases in cash for capital projects. Noncurrent assets increased primarily due to increases in construction in process, \$230.8 million, offset by a \$76.0 million decrease in restricted cash and cash equivalents. This increase in construction in process and decrease in restricted cash is due to the progress made on large bonded projects.

The \$40.1 million increase in deferred outflows is mainly due to the System's proportionate share of the earnings on PERA's pension plan investments and experience.

In fiscal year 2016, total liabilities increased \$234.1 million. Current liabilities increased \$36.4 million due primarily to a \$36.0 million increase in accounts payable. The increase in accounts payable was mainly due to large capital project payables at yearend. Noncurrent liabilities increased \$197.7 million. This increase is primarily due to the \$146.6 million increase in bonds payable and a \$54.1 million increase in the net pension liability. The increase in bonds payable is due to the issuance of Bond Series 2015 E and F.

The \$11.3 million increase in deferred inflows was mainly due to the change in the System's proportionate share of PERA and the change in PERA assumptions.

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

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Management's Discussion and Analysis

Years Ended June 30, 2016 and 2015

(Unaudited)

end of the fiscal year. Operating revenues are received for providing goods and services to the various customers and constituencies of the University. Operating expenses are paid to acquire or produce goods and services provided in return for operating revenues and to carry out the mission of the University. Nonoperating revenues/expenses include items determined to not fall in the operating category.

Summary of Revenues, Expenses and Changes in Net Position

(Amounts expressed in thousands)

	Year Ended June 30		
	2016	2015	2014
Total operating revenues	\$ 1,095,275	1,011,314	938,313
Total operating expenses	1,161,648	1,104,674	1,024,914
Operating loss	(66,373)	(93,360)	(86,601)
Net nonoperating revenues	79,207	75,594	71,767
Gain (loss) before other revenues (expenses)	12,834	(17,766)	(14,834)
Total other revenues	37,889	51,182	31,423
Special items: Transfer to OPEB Trust	-	-	(22,185)
Increase (decrease) in net position	50,723	33,416	(5,596)
Net position, beginning of year	445,253	899,611	905,207
Change in accounting principle	-	(487,774)	-
Net position, beginning of year as adjusted	445,253	411,837	905,207
Net position, end of year	\$ 495,976	445,253	899,611

The System experienced a \$66.4 million, \$93.4 million, and \$86.6 million loss from operations in fiscal years ended 2016, 2015, and 2014, respectively. The operating loss in 2016 was offset by net nonoperating and other revenues of \$117.1 million.

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Management's Discussion and Analysis

Years Ended June 30, 2016 and 2015

(Unaudited)

Operating and Nonoperating Revenues (Excluding Capital)

(Amounts expressed in thousands)

	Year Ended June 30		
	2016	2015	2014
Operating revenues:			
Tuition and fees, net	\$ 500,084	460,304	409,617
State fee for service revenue	91,723	78,931	72,025
Grants and contracts	291,131	274,318	269,965
Sales and services of educational activities	37,876	33,763	34,178
Auxiliary enterprises	163,533	153,865	144,400
Other	10,928	10,133	8,128
Total operating revenues	1,095,275	1,011,314	938,313
Nonoperating revenues:			
State appropriations	2,144	2,355	2,472
Gifts	48,507	44,405	42,805
Investment income	7,109	3,901	5,272
Federal nonoperating grants and contracts	41,176	41,116	40,020
Other nonoperating revenues, net	5,805	10,788	5,246
Net nonoperating revenues	104,741	102,565	95,815
Total noncapital revenue	\$ 1,200,016	1,113,879	1,034,128

Fiscal year 2016 System operating revenues increased \$84.0 million. This is attributable to increases in all operating revenue sources: tuition and fees increased \$39.8 million due to increases in both attendance and tuition and fee rates, grants and contracts increased \$16.8 million due to increases in federal grants, state fee for service increased \$12.8 million as determined by the State of Colorado, auxiliary enterprise revenue increased \$9.7 million mainly due to the increase in census, and sales and services of educational activities and other operating revenue increased a combined \$4.9 million. In fiscal year 2015 System operating revenues increased \$73.0 million. This was primarily attributable to a \$50.7 million increase in tuition and fee revenue, a \$6.9 million increase in state fee for service, a \$9.5 million increase in revenues from auxiliary enterprise activities, a \$4.4 million increase in grants and contracts, and a \$2.0 million increase in the other operating revenues.

System nonoperating revenues increased \$2.2 million and \$6.8 million in fiscal years 2016 and 2015 respectively. The fiscal year 2016 increase is mainly related to a \$4.1 million increase in gifts, a \$3.2 million increase in investment income, offset by a \$5.0 million decrease in other nonoperating revenues. Federal nonoperating grants and contracts remained constant. The University received \$2.1 million, \$2.4 million, and \$2.5 million in fiscal years 2016, 2015, and 2014 respectively in State appropriations related to severance tax money received for Healthy Forests & Vibrant Communities and the Forest Restoration Project.

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(Unaudited)

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

Capital Revenue
(Amounts expressed in thousands)

	Year Ended June 30		
	2016	2015	2014
State capital contributions	\$ 19,831	17,153	3,620
Capital grants	8,117	12,591	4,514
Capital gifts	10,451	21,055	21,193
Total capital revenues	\$ 38,399	50,799	29,327

System other revenues decreased \$13.3 million in fiscal year 2016 and increased \$19.8 million in fiscal year 2015. The \$13.3 million decrease is mainly attributed to a \$10.6 million decrease in capital gifts. In fiscal year 2015 the Powerhouse Energy Innovation Center received \$5.9 million in gift revenue in support of that capital project and \$4.7 million in gift revenue in support of the Avenir Museum Renovation & Expansion project.

Operating Expenses by Functional Category
(Amounts expressed in thousands)

	Year Ended June 30		
	2016	2015	2014
Instruction	\$ 307,078	293,171	272,049
Research	195,138	187,160	182,094
Public service	101,731	90,677	83,703
Academic support	84,590	79,861	78,804
Student services	58,969	51,875	46,913
Institutional support	66,189	63,831	56,194
Operation and maintenance of plant	74,161	73,590	65,493
Scholarships and fellowships	30,185	30,661	24,557
Auxiliary enterprise	148,649	144,310	137,459
Depreciation	94,958	89,538	77,648
Total operating expenses	\$ 1,161,648	1,104,674	1,024,914

Fiscal year 2016 System operating expenses increased \$57.0 million. This is due to increases in the following areas: \$13.9 million in instruction, \$8.0 million in research, \$11.1 million in public service, \$4.7 million in academic support, \$7.1 million in student services, \$2.4 million in institutional support, \$571 thousand in operation and maintenance of plant, \$4.3 million in auxiliary enterprise, and \$5.4 million in depreciation. These increases are offset by a \$476 thousand decrease in scholarships and fellowships. Half of the increase is related to cost of living increases across all functional lines.

Fiscal year 2015 System operating expenses increased \$79.8 million. This is due to increases in expenditures in all the functional areas: \$21.1 million in instruction, \$5.1 million in research, \$7.0 million in public service, \$1.0 million in academic support, \$5.0 million in student services, \$7.6 million in institutional support, \$8.1 million in operation and maintenance of plant, \$6.1 million in scholarships and fellowships, \$6.9 million in auxiliary enterprises, and \$11.9 million in depreciation.

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Management's Discussion and Analysis

Years Ended June 30, 2016 and 2015

(Unaudited)

Capital Assets and Debt Administration

At June 30, 2016 the System had approximately \$1.5 billion invested in capital assets, net of accumulated depreciation of \$951.1 million. At June 30, 2015, the System had approximately \$1.3 billion invested in capital assets, net of accumulated depreciation of \$865.9 million. At June 30, 2014, the System had approximately \$1.2 billion invested in capital assets.

Depreciation charges were \$95.0 million, \$89.5 million, and \$77.6 million for the fiscal years ended June 30, 2016, 2015, and 2014 respectively.

During fiscal year 2016, the System received \$19.8 million of state capital contributions for capital construction projects. Of this amount, \$16.2 million is related to the CSU campus and \$3.6 million is related to the CSU-Pueblo campus. At CSU, \$13.2 million is related to the Chemistry building with the remaining \$3.0 million related to fire alarm and fire sprinkler projects, natural gas line and water line projects and an elevator upgrade. At CSU-Pueblo, \$1.3 million is related to the General Classroom Building, \$866 thousand for Security System – Phase II, \$696 thousand for a roof replacement with the remaining amount related to smaller campus projects.

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

Capital Assets, Net of Accumulated Depreciation

(Amounts expressed in thousands)

	June 30		
	2016	2015	2014
Land	\$ 37,492	32,144	27,074
Land improvements	35,209	34,359	33,557
Buildings and improvements	1,026,612	1,028,515	888,201
Leasehold improvements	987	2,286	3,735
Equipment	88,163	99,784	104,831
Collections	5,149	3,808	2,878
Library materials	7,697	8,357	9,216
Construction in progress	329,919	99,111	164,149
Total capital assets, net	\$1,531,228	1,308,364	1,233,641

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

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

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In 2014 capital assets, net increased \$89.3 million. This increase was 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 was largely attributed to: \$40.5 million – Student Center project, \$31.2 million – Academic Village North project, and \$10.2 million – 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 the 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.

The System had capital construction commitments of approximately \$131.8 million at June 30, 2016 including approximately \$37.5 million for the Biology Building, \$31.3 million for the CSU Health and Medical Center, \$21.0 million for the Multi-Purpose Stadium, \$19.2 million for the Chemistry Building, \$11.1 million for the Aggie Village North Redevelopment, \$2.6 million for the South College Parking Garage, and \$2.3 million for the Prospect Road Underpass. The remaining commitments are for other small projects at the University. CSU-Pueblo had capital commitments of \$427 thousand which is related to \$16 thousand for the General Classroom Building, \$400 thousand for the Modular Data Center, and \$11 thousand to Extend Bartley Boulevard.

The System had \$1.2 billion, \$1.1 billion, and \$828.2 million of debt outstanding at June 30, 2016, 2015, and 2014 respectively.

Summary of Debt

(Amounts expressed in thousands)

	June 30		
	2016	2015	2014
Debt outstanding:			
Revenue bonds, certificates of participation	\$ 1,193,743	1,043,146	818,860
Capital lease obligations	20,228	21,950	9,358
Total Long-term Debt	\$ 1,213,971	1,065,096	828,218

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

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

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of the cost of financing certain 2015 improvement projects. The 2015 D Bond has a variable interest with a final maturity falling in 2047.

In fiscal year 2014, the System issued \$138.7 million in System Enterprise Revenue Bonds, Series 2013 E. The proceeds from the sale of the Series 2013 E was 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 (\$5.0 million). The 2013 E Bonds bear interest rates from 3.0 to 5.0 percent with final maturity falling in 2045. In addition, 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 was 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.

Net proceeds of the above mentioned Series 2015 C and previous Series 2013 A, B; and Series 2012 B, C were placed in an escrow account to purchase U.S. Treasury Securities. The principal and interest from the U.S. Treasury Securities is being used to repay the refunded bonds which are considered to be defeased. The Escrow Agent will pay the debt service requirements on each of the remaining refunded bonds. Details of each of the outstanding bonds that were partially or fully refunded by these refunding bonds is listed below.

Outstanding Refunded Bonds by Series
(Amounts expressed in thousands)

Refunding Bond	Refunded Bond	Defeased Obligation	Call Date	Call Par Amount	Call Price (% of Par)
Series 2012 B, 2013 A, 2013 B	Series 2007 A	\$ 141,480	3/1/2017	\$ 141,480	100
Series 2015 C	Series 2007 B	2,480	3/1/2017	2,480	100
Series 2013 B	Series 2007 C	12,400	N/A	N/A	N/A
Series 2015 C	Series 2008 A	64,745	3/1/2018	64,745	100
Series 2013 A, 2015 C	Series 2009 A	53,210	3/1/2019	50,975	100

Economic Outlook/Future of the Colorado State University System

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

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

The Colorado State University System is authorized to receive \$91.5 million in fee for service contract revenue and \$43.0 million in student stipends in fiscal year 2017. The \$134.5 million of anticipated fiscal year 2017 state support represents a \$110 thousand increase in student stipends, a \$252 thousand decrease in fee for service for a net \$142 thousand decrease in state support.

The State General Fund revenue is projected on a quarterly basis by the Governor's Office of State Planning and Budgeting. The most recent projection (September 2016) estimates that the fiscal year 2016-17 State General Fund revenue will be \$226.5 million short of the amount needed to fully fund the budget and required reserve. Under this forecast and current law, General Fund appropriations subject to the limit in fiscal year 2017-18 can increase 1.2 percent over the previous fiscal year. The State's overall budgetary situation remains

COLORADO STATE UNIVERSITY SYSTEM

Management's Discussion and Analysis

Years Ended June 30, 2016 and 2015

(Unaudited)

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

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

Total enrollment at the System for fiscal year ended 2016 was 52,090. This includes 32,236 at CSU, 4,244 at CSU-Pueblo, and 15,610 enrolled at CSU-Global. Compared to fiscal year ended 2015, CSU saw slight growth in resident instruction and nonresident instruction enrollment of 1.8 percent and .7 percent, respectively. CSU-Pueblo experienced a decrease in resident instruction and nonresident instruction enrollment of 7.0 percent and 3.0 percent, respectively. CSU-Global saw total enrollment grow 18.8 percent from fiscal year ended 2015. Total enrollment at the System is anticipated to increase 6.7 percent in fiscal year 2017. This includes a 3.2 percent increase at CSU, a 4.7 percent decrease at CSU-Pueblo, and a 16.1 percent increase at CSU-Global.

Requests for Information

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

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COLORADO STATE UNIVERSITY SYSTEM

Statements of Net Position

June 30, 2016 and 2015

(Amounts expressed in thousands)

	<u>2016</u>	<u>2015</u>
Assets and Deferred Outflows of Resources		
Current assets:		
Cash and cash equivalents	\$ 453,556	352,583
Student accounts receivable, net	32,063	31,165
Grant and other accounts receivable, net	59,718	50,191
Student loans receivable, net	3,191	2,911
Inventories	9,404	11,088
Prepaid expenses	<u>7,602</u>	<u>7,892</u>
Total current assets	<u>565,534</u>	<u>455,830</u>
Noncurrent assets:		
Restricted cash and cash equivalents	317,394	393,443
Restricted investments	25,248	25,470
Student loans receivable, net	20,286	20,383
Other noncurrent assets	<u>11,021</u>	<u>11,155</u>
Total noncurrent assets	<u>373,949</u>	<u>450,451</u>
Nondepreciable capital assets:		
Land and land improvements	37,492	32,144
Construction in progress	329,919	99,111
Collections	<u>5,149</u>	<u>3,808</u>
Total nondepreciable capital assets	<u>372,560</u>	<u>135,063</u>
Depreciable capital assets, net:		
Land improvements	35,209	34,359
Buildings and improvements	1,026,612	1,028,515
Leasehold improvements	987	2,286
Equipment	88,163	99,784
Library materials	<u>7,697</u>	<u>8,357</u>
Total depreciable capital assets (net of accumulated depreciation)	<u>1,158,668</u>	<u>1,173,301</u>
Total noncurrent assets	<u>1,905,177</u>	<u>1,758,815</u>
Deferred outflows of resources:		
Loss on bond refundings	45,275	47,916
Deferred outflows-pensions	<u>66,696</u>	<u>23,988</u>
Total deferred outflows of resources	<u>111,971</u>	<u>71,904</u>
Total assets and deferred outflows of resources	<u>\$ 2,582,682</u>	<u>2,286,549</u>

(continued)

COLORADO STATE UNIVERSITY SYSTEM

Statements of Net Position

June 30, 2016 and 2015

(Amounts expressed in thousands)

	<u>2016</u>	<u>2015</u>
Liabilities and Deferred Inflows of Resources		
Current liabilities:		
Accounts payable	\$ 78,470	42,482
Accrued liabilities	76,975	82,445
Unearned revenue	35,009	34,190
Deposits held for others, current	6,712	6,266
Bonds payable and certificates of participation, current	23,249	19,298
Capital leases payable, current	3,884	3,496
Other noncurrent liabilities, current	2,411	2,388
Compensated absences liabilities, current	<u>2,939</u>	<u>2,701</u>
Total current liabilities	<u>229,649</u>	<u>193,266</u>
Noncurrent liabilities:		
Bonds payable and certificates of participation	1,170,494	1,023,848
Capital leases payable	16,344	18,454
Deposits held for others	19,140	23,039
Other noncurrent liabilities	5,774	5,946
Compensated absences liabilities	52,496	49,325
Net pension liability	<u>578,718</u>	<u>524,663</u>
Total noncurrent liabilities	<u>1,842,966</u>	<u>1,645,275</u>
Deferred Inflows of resources:		
Deferred inflows-other	595	309
Deferred inflows-pensions	<u>13,496</u>	<u>2,446</u>
Total deferred inflows of resources	<u>14,091</u>	<u>2,755</u>
Total liabilities and deferred Inflows of resources	<u>\$ 2,086,706</u>	<u>1,841,296</u>
Net position		
Net investment in capital assets	\$ 624,707	638,613
Restricted for nonexpendable purposes	25,421	26,151
Restricted for expendable purposes - other	110,013	90,982
Unrestricted	<u>(264,165)</u>	<u>(310,493)</u>
Total net position	<u>\$ 495,976</u>	<u>445,253</u>

See accompanying notes to basic financial statements.

COLORADO STATE UNIVERSITY SYSTEM
Colorado State University Foundation
(A Component Unit of the Colorado State University System)
Statements of Financial Position-Discretely Presented Component Unit
June 30, 2016 and 2015
(Amounts expressed in thousands)

Assets	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2016	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2015
Cash and cash equivalents	\$ 260	668	95	1,023	471	555	21	1,047
Investments	21,351	217,777	186,035	425,163	33,164	188,951	176,612	398,727
Pledges receivable, net	-	38,611	6,015	44,626	-	23,179	1,065	24,244
Property and equipment, net of accumulated depreciation	21	-	-	21	14	-	-	14
Cash surrender value of life insurance policies	-	16	629	645	-	3	601	604
Prepays and other assets	223	113	29	365	185	29	32	246
Total assets	<u>21,855</u>	<u>257,185</u>	<u>192,803</u>	<u>471,843</u>	<u>33,834</u>	<u>212,717</u>	<u>178,331</u>	<u>424,882</u>
Liabilities and Net Assets								
Liabilities								
Accounts payable (primarily to CSU)	247	1,013	-	1,260	218	690	-	908
Other accrued liabilities	176	-	-	176	159	-	-	159
Life income agreements	430	111	266	807	450	116	231	797
Deposit held in custody for CSU	-	1,667	11,342	13,009	-	1,904	12,337	14,241
Total liabilities	<u>853</u>	<u>2,791</u>	<u>11,608</u>	<u>15,252</u>	<u>827</u>	<u>2,710</u>	<u>12,568</u>	<u>16,105</u>
Net assets								
Unrestricted								
Undesignated	5,454	-	-	5,454	6,439	-	-	6,439
Board-designated	21,354	-	-	21,354	27,871	-	-	27,871
Endowment investment losses in excess of gift value	(5,806)	-	-	(5,806)	(1,303)	-	-	(1,303)
Total unrestricted net assets	<u>21,002</u>	<u>-</u>	<u>-</u>	<u>21,002</u>	<u>33,007</u>	<u>-</u>	<u>-</u>	<u>33,007</u>
Temporarily restricted	-	254,394	-	254,394	-	210,007	-	210,007
Permanently restricted	-	-	181,195	181,195	-	-	165,763	165,763
Total net assets	<u>21,002</u>	<u>254,394</u>	<u>181,195</u>	<u>456,591</u>	<u>33,007</u>	<u>210,007</u>	<u>165,763</u>	<u>408,777</u>
Total liabilities and net assets	<u>\$ 21,855</u>	<u>257,185</u>	<u>192,803</u>	<u>471,843</u>	<u>33,834</u>	<u>212,717</u>	<u>178,331</u>	<u>424,882</u>

See accompanying notes to basic financial statements.

COLORADO STATE UNIVERSITY SYSTEM
Colorado State University - Pueblo Foundation
(A Component Unit of the Colorado State University System)
Statements of Financial Position-Discretely Presented Component Unit
June 30, 2016 and 2015
(Amounts expressed in thousands)

	Total 2016	Total 2015
Assets		
Cash and cash equivalents	\$ 1,174	3,528
Accounts receivable	30	33
Prepaid income taxes	-	3
Unconditional promises to give, net	243	1,049
Marketable securities	32,988	30,435
Miscellaneous assets	1	1
Beneficial interest in remainder trusts	232	1,622
Investment in real estate	205	165
Investment in limited partnership	297	297
Leasehold improvements and office equipment	102	106
Less accumulated depreciation	(76)	(72)
Total assets	\$ 35,196	37,167
Liabilities and net assets		
Liabilities		
Accounts payable	\$ 512	2,165
Other liabilities	38	26
Total liabilities	550	2,191
Net assets		
Unrestricted	1,604	4,650
Temporarily restricted	15,412	14,523
Permanently restricted	17,630	15,803
Total net assets	34,646	34,976
Total liabilities and net assets	\$ 35,196	37,167

See accompanying notes to basic financial statements.

COLORADO STATE UNIVERSITY SYSTEM
Colorado State University System Foundation
(A Component Unit of the Colorado State University System)
Statements of Financial Position-Discretely Presented Component Unit
June 30, 2016
(Amounts expressed in thousands)

Assets	2016
Cash and cash equivalents	\$ <u>392</u>
Accounts receivable, net	69
Prepaid expenses	12
Prepaid income taxes	16
Property and equipment, net of accumulated depreciation	53
Deposits	<u>6</u>
Total assets	<u><u>548</u></u>
Liabilities and Net Assets	
Liabilities	
Accounts payable	3
Accrued and other expenses	3
Deferred revenue	7
Deferred rent	14
Deferred tax liability	<u>18</u>
Total liabilities	<u>45</u>
Net assets	
Total net assets, unrestricted	<u>503</u>
Total liabilities and net assets	<u><u>\$ 548</u></u>

See accompanying notes to basic financial statements.

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COLORADO STATE UNIVERSITY SYSTEM
 Statements of Revenues, Expenses, and Changes in Net Position
 Years ended June 30, 2016 and 2015
 (Amounts expressed in thousands)

	2016	2015
Operating revenues:		
Student tuition and fees (including \$85,117, and \$77,153 of revenues pledged for bonds in 2016 and 2015, respectively, and net of scholarship allowances of \$124,141 and \$114,432 for 2016 and 2015, respectively)	\$ 500,084	460,304
State fee for service revenue	91,723	78,931
Grants and contracts (including \$47,618 and \$45,586 of revenues pledged for bonds in 2016 and 2015, respectively)	291,131	274,318
Sales and services of educational activities	37,876	33,763
Auxiliary enterprises (including \$125,070 and \$117,629 of revenues pledged for bonds in 2016 and 2015, respectively, and net of scholarship allowances of \$4,341 and \$4,714 for 2016 and 2015, respectively)	163,533	153,865
Other operating revenue	10,928	10,133
Total operating revenues	1,095,275	1,011,314
Operating expenses:		
Instruction	307,078	293,171
Research	195,138	187,160
Public service	101,731	90,677
Academic support	84,590	79,861
Student services	58,969	51,875
Institutional support	66,189	63,831
Operation and maintenance of plant	74,161	73,590
Scholarships and fellowships	30,185	30,661
Auxiliary enterprises	148,649	144,310
Depreciation	94,958	89,538
Total operating expenses	1,161,648	1,104,674
Operating loss	\$ (66,373)	(93,360)

COLORADO STATE UNIVERSITY SYSTEM
Statements of Revenues, Expenses, and Changes in Net Position
Years ended June 30, 2016 and 2015
(Amounts expressed in thousands)

	<u>2016</u>	<u>2015</u>
Nonoperating revenues (expenses):		
State appropriations	\$ 2,144	2,355
Gifts	48,507	44,405
Investment income (including \$1,100 and \$728 of revenues pledged for bonds in 2016 and 2015, respectively)	7,109	3,901
Interest expense on capital debt	(25,534)	(26,971)
Federal nonoperating grants and contracts	41,176	41,116
Other nonoperating revenues	5,805	10,788
Net nonoperating revenues	<u>79,207</u>	<u>75,594</u>
Gain (loss) before other revenues	<u>12,834</u>	<u>(17,766)</u>
Other revenues:		
State capital contributions	19,831	17,153
Capital grants	8,117	12,591
Capital gifts	10,451	21,055
Payments from governing boards or other institutions	220	629
Reductions to permanent endowments	(730)	(246)
Total other revenues	<u>37,889</u>	<u>51,182</u>
Increase in net position	50,723	33,416
Net position, beginning of year	445,253	411,837
Net position, end of year	<u>\$ 495,976</u>	<u>445,253</u>

See accompanying notes to basic financial statements.

COLORADO STATE UNIVERSITY SYSTEM
Colorado State University Foundation
(A Component Unit of the Colorado State University System)
Statements of Activities - Discretely Presented Component Unit
Years ended June 30, 2016 and 2015
(Amounts expressed in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2016	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2015
Support and revenue								
Contributions	\$ 274	81,300	15,906	97,480	797	61,999	8,009	70,805
Net investment income (loss)	(1,121)	(8,374)	86	(9,409)	6,620	392	71	7,083
Actuarial change in value of life income agreements	(21)	(19)	(44)	(84)	(29)	(18)	(41)	(88)
Other revenue	-	12,501	20	12,521	-	257	36	293
Net assets released from restrictions								
Satisfaction of program restrictions	40,473	(40,473)	-	-	44,910	(44,908)	(2)	-
Total support and revenue	<u>39,605</u>	<u>44,935</u>	<u>15,968</u>	<u>100,508</u>	<u>52,298</u>	<u>17,722</u>	<u>8,073</u>	<u>78,093</u>
Expenses								
Program services								
CSU College of								
Agricultural Sciences	3,981	-	-	3,981	6,147	-	-	6,147
Health & Human Sciences	3,717	-	-	3,717	7,118	-	-	7,118
Business	1,622	-	-	1,622	2,304	-	-	2,304
Engineering	3,838	-	-	3,838	5,706	-	-	5,706
Liberal Arts	1,937	-	-	1,937	1,272	-	-	1,272
Natural Resources - Wamer	2,514	-	-	2,514	2,326	-	-	2,326
Natural Sciences	2,069	-	-	2,069	1,441	-	-	1,441
Veterinary Medicine and Biomedical Sciences	10,009	-	-	10,009	8,015	-	-	8,015
Athletics	2,940	-	-	2,940	3,183	-	-	3,183
Central Development	7,480	-	-	7,480	7,270	-	-	7,270
Other CSU programs	7,488	-	-	7,488	7,033	-	-	7,033
Total program services	<u>47,595</u>	<u>-</u>	<u>-</u>	<u>47,595</u>	<u>51,815</u>	<u>-</u>	<u>-</u>	<u>51,815</u>
Support services								
Management and general	3,172	-	-	3,172	2,797	-	-	2,797
Total expenses	<u>50,767</u>	<u>-</u>	<u>-</u>	<u>50,767</u>	<u>54,612</u>	<u>-</u>	<u>-</u>	<u>54,612</u>
Change in allowance for uncollectible pledges	-	1,398	529	1,927	-	393	(8)	385
Change in net assets	(11,162)	43,537	15,439	47,814	(2,314)	17,329	8,081	23,096
Interfund transfers	(843)	850	(7)	-	(1,196)	1,337	(141)	-
Net assets, beginning of year	<u>33,007</u>	<u>210,007</u>	<u>165,763</u>	<u>408,777</u>	<u>36,517</u>	<u>191,341</u>	<u>157,823</u>	<u>385,681</u>
Net assets, end of year	<u>\$ 21,002</u>	<u>254,394</u>	<u>181,195</u>	<u>456,591</u>	<u>33,007</u>	<u>210,007</u>	<u>165,763</u>	<u>408,777</u>

See accompanying notes to basic financial statements

COLORADO STATE UNIVERSITY SYSTEM
Colorado State University - Pueblo Foundation
(A Component Unit of the Colorado State University System)
Statements of Activities - Discretely Presented Component Unit
Years ended June 30, 2016 and 2015
(Amounts expressed in thousands)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2016</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2015</u>
Support and revenue								
Contributions	\$ 54	3,516	2,535	6,105	63	1,912	3,026	5,001
In-kind contributions	26	361	-	387	19	67	-	86
Fundraising revenue	10	261	-	271	6	223	-	229
Dividends	375	1,276	-	1,651	330	1,789	-	2,119
Interest	-	2	-	2	-	3	-	3
Realized loss on sale of marketable securities	(11)	(38)	-	(49)	(44)	(239)	-	(283)
Unrealized loss on marketable securities	(331)	(1,125)	-	(1,456)	(109)	(592)	-	(701)
Net rental income	33	-	-	33	-	-	-	-
Miscellaneous revenue	(1)	38	-	37	(2)	13	-	11
Changes in the value of split-interest agreements	-	(13)	-	(13)	-	(9)	(18)	(27)
Reclassification of net assets	(3,164)	3,872	(708)	-	(82)	87	(5)	-
Net assets released from restrictions	<u>7,261</u>	<u>(7,261)</u>	<u>-</u>	<u>-</u>	<u>3,854</u>	<u>(3,854)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>4,252</u>	<u>889</u>	<u>1,827</u>	<u>6,968</u>	<u>4,035</u>	<u>(600)</u>	<u>3,003</u>	<u>6,438</u>
Expenses								
Program expenses	6,341	-	-	6,341	3,319	-	-	3,319
Management and general	463	-	-	463	422	-	-	422
Fundraising	494	-	-	494	439	-	-	439
Total expenses	<u>7,298</u>	<u>-</u>	<u>-</u>	<u>7,298</u>	<u>4,180</u>	<u>-</u>	<u>-</u>	<u>4,180</u>
Change in net assets	(3,046)	889	1,827	(330)	(145)	(600)	3,003	2,258
Net assets, beginning of year	<u>4,650</u>	<u>14,523</u>	<u>15,803</u>	<u>34,976</u>	<u>4,795</u>	<u>15,123</u>	<u>12,800</u>	<u>32,718</u>
Net assets, end of year	<u>\$ 1,604</u>	<u>15,412</u>	<u>17,630</u>	<u>34,646</u>	<u>4,650</u>	<u>14,523</u>	<u>15,803</u>	<u>34,976</u>

See accompanying notes to basic financial statements

COLORADO STATE UNIVERSITY SYSTEM
Colorado State University System Foundation
(A Component Unit of the Colorado State University System)
Statements of Activities -Discretely Presented Component Unit
Year ended June 30, 2016
(Amounts expressed in thousands)

	2016
Revenues	\$ 1,826
Operating expenses	
Advertising and promotion	2
Contract labor	473
Depreciation	5
Employee benefits	3
Insurance	10
Office expenses	13
Payroll	366
Payroll taxes	33
Professional fees	52
Rent	56
Telephone and internet services	14
Use tax	1
Utilities	1
Total operating expenses	1,029
Income taxes	
Federal	243
State	33
Deferred	18
Total income taxes	294
Total expenses	1,323
Change in net assets	503
Net assets, unrestricted, beginning of year	-
Net assets, unrestricted, end of year	\$ 503

See accompanying notes to basic financial statements

COLORADO STATE UNIVERSITY SYSTEM

Statements of Cash Flows

Years ended June 30, 2016 and 2015

(Amounts expressed in thousands)

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Cash received:		
Tuition and fees	\$ 496,120	457,631
Student loans collected	5,162	5,208
Sales of products	24,229	24,886
Sales of services	170,646	160,878
State fee for service revenue	91,723	78,931
Grants and contracts	292,435	275,583
Other operating receipts	10,986	10,910
Cash payments:		
Scholarships disbursed	(22,648)	(21,951)
Student loans disbursed	(4,522)	(4,179)
Payments to employees	(766,145)	(717,617)
Payments to suppliers	(253,416)	(249,260)
Net cash provided by operating activities	<u>44,570</u>	<u>21,020</u>
Cash flows from noncapital financing activities:		
State appropriations - noncapital	2,144	2,355
Gifts and grants for other than capital purposes	47,043	41,486
Agency (direct lending inflows)	260,039	239,260
Agency (direct lending outflows)	(259,896)	(239,399)
Other agency inflows	64,931	61,608
Other agency (outflows)	(68,553)	(65,371)
Payments (to) from governing boards or other institutions	(550)	603
Other nonoperating revenues	47,960	53,459
Net cash provided by noncapital financing activities	<u>93,118</u>	<u>94,001</u>
Cash flows from capital and related financing activities:		
Proceeds from capital debt	174,824	238,409
State appropriations - capital	19,831	17,424
Capital grants, contracts, and gifts	14,464	24,249
Acquisition and construction of capital assets	(256,855)	(133,657)
Principal paid on capital debt	(24,517)	(21,020)
Interest on capital debt	(45,241)	(36,738)
Net cash provided by (used in) capital and related financing activities	<u>(117,494)</u>	<u>88,667</u>

COLORADO STATE UNIVERSITY SYSTEM

Statements of Cash Flows

Years ended June 30, 2016 and 2015

(Amounts expressed in thousands)

	<u>2016</u>	<u>2015</u>
Cash flows from investing activities:		
Proceeds from sale and maturities of investments	\$ 11,256	10,701
Purchase of investments	(12,192)	(11,229)
Investment earnings	<u>5,666</u>	<u>3,735</u>
Net cash provided by investing activities	<u>4,730</u>	<u>3,207</u>
Net increase in cash and cash equivalents	<u>24,924</u>	<u>206,895</u>
Cash and cash equivalents	352,583	320,677
Restricted cash and cash equivalents	<u>393,443</u>	<u>218,454</u>
Cash and cash equivalents, beginning of the year	<u>746,026</u>	<u>539,131</u>
Cash and cash equivalents	453,556	352,583
Restricted cash and cash equivalents	<u>317,394</u>	<u>393,443</u>
Cash and cash equivalents, end of the year	\$ <u><u>770,950</u></u>	<u><u>746,026</u></u>
Reconciliation of operating loss to net cash provided by (used in) operating activities:		
Operating loss	\$ (66,373)	(93,360)
Adjustments:		
Depreciation expense	94,958	89,538
Noncash operating transactions	5,678	4,918
Decrease (increase) in assets:		
Receivables, net	(15,160)	(4,336)
Inventories and prepaids	2,105	(10,420)
Increase (decrease) in liabilities:		
Accounts payable	5,263	7,779
Accrued liabilities	(9,443)	7,948
Unearned revenue	835	(660)
Deposits held for others	775	36
Compensated absences liabilities	3,409	3,103
Other liabilities	<u>22,523</u>	<u>16,474</u>
Net cash provided by (used in) operating activities	\$ <u><u>44,570</u></u>	<u><u>21,020</u></u>

COLORADO STATE UNIVERSITY SYSTEM

Statements of Cash Flows

Years ended June 30, 2016 and 2015

(Amounts expressed in thousands)

		<u>2016</u>	<u>2015</u>
Noncash activities:			
Noncash gifts	\$	7,008	11,600
Noncash capital leases		2,802	15,529
Noncash additions to investments held by Foundation		(1,232)	(735)
Unrealized gains on investments		2,540	56
Capitalized interest		18,512	7,540
Capital debt refinanced, gain/loss		-	7,488
Noncash bond issuance costs		428	929
Amortization of bond premium		4,661	3,774
Amortization of bond issuance costs		10	35
Retainage payable		7,321	738
Amortization of bond refunding		(2,641)	(2,606)

See accompanying notes to basic financial statements.

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COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2016 and 2015

(Amounts expressed in thousands)

(1) Governance and Reporting Entity

(a) Governance

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

(b) Reporting Entity

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

Colorado State University – (CSU)

Colorado State University – Pueblo (CSU-Pueblo)

Colorado State University – Global Campus (CSU-Global)

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

As a higher education institution of the State of Colorado, the income of the System is generally exempt from income taxes under Section 115 of the Internal Revenue Code (IRC). However, income unrelated to the exempt purpose of the System would be subject to tax under IRC Section 511(a)(2)(B). The System had no material unrelated business income for the fiscal years ended June 30, 2016 and 2015.

(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 System Foundation (the CSUS Foundation), the Colorado State University Foundation (the CSU Foundation), and the Colorado State University – Pueblo Foundation (the CSU-Pueblo Foundation) have been determined to be component units of the System and have therefore been included as discretely presented component units in the System financial reporting entity. The Colorado State University Research Foundation does not meet the criteria to be reported as a component unit.

The CSUS Foundation

The CSUS Foundation, established in 2015, began operations in fiscal year 2016 as a Colorado not for profit entity to support the System in accordance with Colorado law as authorized by the Board. The CSUS Foundation was created to accept transfers of intellectual property of the System, which in turn is then licensed to a wholly owned private corporate subsidiary, Beyond Campus Innovations (the Corporation), of the CSUS Foundation in exchange for ownership of the Corporation and a share of the revenues of the Corporation. The CSUS Foundation will distribute monies or make grants to the System in accordance with the rules and regulations of the internal revenue code. Uses of these distributions include funding innovation and System initiatives, investment in new technology for the

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2016 and 2015

(Amounts expressed in thousands)

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

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

The source of the CSUS Foundation's revenue is distributions from the Corporation. The major source for the Corporation's revenue is management fees for SEU and applicant advising. For the fiscal year ended June 30, 2016, fees were \$1.8 million. The total revenue at June 30, 2016 was \$1.8 million.

The CSU Foundation

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

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

The major source for the CSU Foundation's revenue is contributions. For the fiscal years ended June 30, 2016 and 2015, respectively, gifts were \$97.5 million and \$70.8 million. Included in Total Support and Revenue is net investment income. The CSU Foundation had net investment loss and net investment income for the fiscal years ended June 30, 2016 and 2015 of \$9.4 million and \$7.1 million, respectively. The Total Support and Revenue at June 30, 2016 and 2015 was \$100.5 million and \$78.1 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 \$47.6 million and \$51.8 million was transferred to CSU for the fiscal years ended June 30, 2016 and 2015, respectively, in pursuit of the above stated objectives.

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2016 and 2015

(Amounts expressed in thousands)

Endowments and the related expendable accounts of CSU are held by the CSU Foundation for investment safekeeping. These funds amounted to \$13.0 million and \$14.2 million as of June 30, 2016 and 2015, respectively, and are reported as deposits held in custody for CSU in the financial statements of the CSU Foundation.

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

The CSU-Pueblo Foundation

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

The CSU-Pueblo Foundation's major sources of revenue are contributions and fundraising revenues, dividends and interest, and gains/losses on marketable securities for the fiscal year ending June 30, 2016. The CSU-Pueblo Foundation had \$6.9 million in related revenue as of June 30, 2016. The CSU-Pueblo Foundation's major sources of revenue are contributions and fundraising revenues, dividends and interest, and gains/losses on marketable securities for the fiscal year ending June 30, 2015. The CSU-Pueblo Foundation had \$6.4 million in related revenue as of June 30, 2015. The Total Revenue and Support at June 30, 2016 and 2015 was \$7.0 million and \$6.4 million, respectively.

The CSU-Pueblo Foundation was formed to advance and assist in the development, growth, and operation of CSU-Pueblo. The CSU-Pueblo Foundation recorded \$6.3 million and \$3.3 million in transfers of gifts and other assets to CSU-Pueblo during fiscal years ended June 30, 2016 and 2015, respectively, in pursuit of the above stated objectives.

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

(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

As a special-purpose government engaged only in business-type activities, the basic financial statements of the System have been presented using the economic resources measurement focus and the accrual basis of accounting. Presentation is also in accordance with the State of Colorado Higher Education Accounting

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2016 and 2015

(Amounts expressed in thousands)

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

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

Discretely presented component units – CSU Foundation and CSU-Pueblo Foundation investments are accounted for at fair value, which is determined by one of the following: quoted prices in active markets for identical assets (level 1), inputs other than quoted prices that are observable directly or indirectly (level 2), or significant unobservable inputs where level 1 and 2 inputs are unavailable (level 3).

(c) Inventories

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

(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, 6 to 21 years for land improvements, 10 to 15 years for library books, 2 to 12 years for equipment and software, and 3 to 25 years for leasehold improvements. Depreciation expense was not allocated among functional categories.

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2016 and 2015

(Amounts expressed in thousands)

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

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

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

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

The System evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Capital assets are generally considered impaired if a decline in service utility occurs, the impairment is material, and the event or change in circumstance is outside the normal life cycle of the capital asset. Impaired capital assets that will no longer be used by the System are reported at the lower of carrying value or fair value. Impairment losses on capital assets that will continue to be used by the System are measured using the method that best reflects the diminished service utility of the capital asset. If evidence is available to demonstrate that impairment will be temporary, the capital asset is not written down. There were no material impairments of capital assets for fiscal years ended June 30, 2016 and 2015.

(f) *Deferred Outflows of Resources*

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

(g) *Compensated Absences Liabilities*

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

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2016 and 2015

(Amounts expressed in thousands)

(h) *Deferred Inflows of Resources*

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

(i) *Net Position*

Net position of the System is classified as follows:

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

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

Restricted net position – expendable – Restricted expendable net position includes resources in which the System is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties 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 CSUS Foundation, the CSU Foundation, and the CSU-Pueblo Foundation and the changes therein is classified and reported as follows:

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

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

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

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2016 and 2015

(Amounts expressed in thousands)

(j) Classification of Revenues

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

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

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

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

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

(k) Summer Session Revenue and Related Expenses

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

(l) Application of Restricted and Unrestricted Resources

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

(m) Use of Estimates

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

(4) Cash and Cash Equivalents

The System deposits its cash and cash equivalents with the Colorado State Treasurer as required by Colorado Revised Statutes (CRS). The State Treasurer pools these deposits and invests them in securities authorized by CRS 24-75-601.1. The State Treasury acts as a bank for all state agencies and institutions of higher education, with the exception of the University of Colorado. Monies deposited in the Treasury are invested until the cash is needed. As of June 30, 2016, the System had cash on deposit with the State

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2016 and 2015

(Amounts expressed in thousands)

Treasurer of \$745.4 million which represented approximately 10.1 percent of the total \$7.4 billion fair value of deposits in the State Treasurer's Pool (Pool). As of June 30, 2015, the System had cash on deposit with the State Treasurer of \$717.8 million which represented approximately 9.4 percent of the total \$7.7 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 prices in active markets for identical assets (\$230.0 million) and significant other observable inputs (\$7.2 billion) at the fiscal year ended June 30, 2016. 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, 2016 and 2015 was approximately \$7.5 million and \$5.2 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 on cash and cash equivalents on deposit with the State Treasurer for the fiscal years ended June 30, 2016 and 2015 of \$4.9 million and \$2.3 million, respectively. The unrealized gain on investment income for the fiscal year ended June 30, 2016 was \$2.5 million and the unrealized gain on investment income for the fiscal year ended June 30, 2015 was \$56 thousand.

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, 2016, 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, 2016 and 2015, the System's book value of cash not on deposit with the State Treasurer was \$25.5 million and \$28.2 million, respectively. Cash included petty cash/change funds and bank account balances of \$124 thousand and \$25.4 million as of June 30, 2016 and \$122 thousand and \$28.1 million as of June 30, 2015, respectively. Bank account balances per the bank at June 30, 2016 and 2015 were \$32.7 million and \$30.2 million, respectively. Of the June 30, 2016 deposits, \$770 thousand were covered by depository insurance and were not exposed to custodial credit risk, and the remaining \$31.9 million were collateralized with securities held by the pledging institution's trust department or agent in the System's name. Of the June 30, 2015 deposits, \$765 thousand were covered by depository insurance and were not exposed to custodial credit risk, and the remaining \$29.4 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

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2016 and 2015

(Amounts expressed in thousands)

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, 2016, approximately 83.8 percent of investments of the Treasurer's Pool are subject to credit quality risk reporting. Except for \$77.8 million of corporate bonds rated lower medium, these investments are rated from upper medium to the highest quality, which indicates that the issuer has a strong capacity to pay principal and interest when due. As of June 30, 2015, approximately 88.0 percent of investments of the Pool are subject to credit quality risk reporting. Except for \$87.4 million of corporate bonds rated lower medium and \$25.0 million of corporate bonds rated very speculative, 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, 2016, the weighted average maturity and the fair value of investments in the Treasurer's Pool are as follows:

Investment Type	Weighted Average Maturity	Weighted Maturity Amount	Weighted Average Percent of Pool	Fair Value of Investments Amount	Fair Value of Investments Percent of Pool
Asset Backed Securities	2.585	\$ 1,026,821	14.0%	1,025,405	13.9%
Corporate Bonds	1.985	1,645,938	22.4%	1,668,442	22.5%
U.S. Government Securities	1.343	3,608,040	49.0%	3,633,085	49.0%
Commercial Paper	0.094	847,000	11.5%	846,606	11.4%
Money Market Mutual Funds	0.000	230,000	3.1%	230,000	3.1%
Mortgages		-	0.0%	4,919	0.1%
Total		\$ <u>7,357,799</u>	<u>100.0%</u>	<u>7,408,457</u>	<u>100.0%</u>

As of June 30, 2015, the weighted average maturity of investments in the Treasurer's Pool is as follows:

Investment Type	Weighted Average Maturity	Maturity Amount	Percent of Pool
Asset Backed Securities	2.528	\$ 1,414,688	18.5%
Corporate Bonds	2.196	1,743,777	22.9%
U.S. Government Securities	1.339	3,629,340	47.5%
Commercial Paper	0.063	485,000	6.3%
Money Market Mutual Funds	0.010	370,000	4.8%
Total		\$ <u>7,642,805</u>	<u>100.0%</u>

The Treasurer's Pool was not subject to foreign currency risk or concentration of credit risk in fiscal years ended June 30, 2016 or 2015.

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2016 and 2015

(Amounts expressed in thousands)

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, 2016.

(5) Restricted Investments

As of June 30, 2016 and 2015, the System’s restricted investments had a fair value of \$25.2 million and \$25.5 million, respectively. Investment earnings/losses consist of land fund interest and income/loss from investments held by the CSU Foundation. For fiscal years ending June 30, 2016 and 2015 there was an investment loss of \$604 thousand and \$723 thousand, respectively.

No investment types were purchased and sold during the years that were not owned as of June 30, 2016 and 2015. 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.

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

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

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

Level 3 – unobservable inputs. In these situations, the organization develops inputs using the best information available in the circumstances. The System’s interest in investments held at the CSU Foundation fair value is determined by the Foundation as a proportionate share of total investments at June 30, 2016.

The following details each major category of the System’s investments at fair value as of June 30, 2016 and 2015:

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

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(Amounts expressed in thousands)

	June 30, 2015			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. Treasury obligations	\$ 11,229	-	-	11,229
Interest in investments held by CSU Foundation	-	-	14,241	14,241
Total investments	<u>\$ 11,229</u>	<u>-</u>	<u>14,241</u>	<u>25,470</u>

(a) Interest Rate Risk

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

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

At June 30, 2015, the following System investments were subject to interest rate risk:

<u>Type of Investment</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (in years)</u>	<u>Duration (in years)</u>
U.S. Treasury obligations	\$ 11,229	0.63	-
Investments subject to interest rate risk	<u>\$ 11,229</u>		

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

Discretely presented component units – As of June 30, 2016, 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

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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, 2016 and 2015:

		June 30, 2016			
		Level 1	Level 2	Level 3	Total
Cash and cash equivalents subject to investment management direction	\$	7,578	—	—	7,578
Equities:					
Large-cap		69,416	—	—	69,416
International		18,763	39,721	—	58,484
Global		—	37,702	—	37,702
Micro-cap		—	16,089	—	16,089
Small/mid-cap		20,127	—	—	20,127
Fixed income		31,870	—	—	31,870
Alternative investments		—	85,551	57,797	143,348
Short duration		39,694	—	—	39,694
Student-managed investments		855	—	—	855
Total	\$	188,303	179,063	57,797	425,163

		June 30, 2015			
		Level 1	Level 2	Level 3	Total
Cash and cash equivalents subject to investment management direction	\$	1,700	—	—	1,700
Equities:					
Large-cap		70,362	—	—	70,362
International		20,557	41,418	—	61,975
Global		—	35,755	—	35,755
Micro-cap		—	17,073	—	17,073
Small/mid-cap		12,042	—	—	12,042
Fixed income		17,243	—	—	17,243
Alternative investments		—	96,303	65,491	161,794
Short duration		19,870	—	—	19,870
Student-managed investments		913	—	—	913
Total	\$	142,687	190,549	65,491	398,727

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(Amounts expressed in thousands)

Net investment income of the CSU Foundation consisted of the following for the fiscal years ended June 30, 2016 and 2015:

	June 30	
	2016	2015
Interest, dividends, and other income	\$ 7,273	5,534
Net unrealized and realized gain (loss) on investments	(13,729)	4,881
Less investment management fees	(3,590)	(3,361)
	<u>(10,046)</u>	<u>7,054</u>
Less net investment loss on deposits held in custody for CSU	637	29
Total	<u>\$ (9,409)</u>	<u>7,083</u>

The following details each major category of the CSU-Pueblo Foundation's investments at fair market value for the fiscal years ended June 30, 2016 and 2015:

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

	June 30, 2015			
	Level 1	Level 2	Level 3	Total
Marketable equity securities				
Domestic	\$ 15,313	-	-	15,313
International	4,011	-	-	4,011
Marketable debt securities				
Domestic	8,676	-	-	8,676
International	1,225	-	-	1,225
Real estate investment trust	636	-	-	636
Master limited partnership	574	-	-	574
Beneficial interest in remainder trusts	-	-	1,622	1,622
Total	<u>\$ 30,435</u>	<u>-</u>	<u>1,622</u>	<u>32,057</u>

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(Amounts expressed in thousands)

Net investment income of the CSU-Pueblo Foundation consisted of the following for the fiscal years ended June 30, 2016 and 2015:

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

	2015		
	Unrestricted	Temporarily Restricted	Total
Dividend income	\$ 330	1,789	2,119
Interest income	-	3	3
Realized loss - securities	(44)	(239)	(283)
Unrealized loss	(109)	(592)	(701)
Total investment income	<u>\$ 177</u>	<u>961</u>	<u>1,138</u>

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(Amounts expressed in thousands)

(6) Accounts Receivable

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

	June 30	
	2016	2015
Student accounts receivable:	\$ 44,955	42,153
Less allowance for doubtful accounts	(12,892)	(10,988)
Student accounts receivable, net	<u>\$ 32,063</u>	<u>31,165</u>
Student loans receivable:	\$ 31,038	31,401
Less allowance for doubtful accounts	(7,561)	(8,107)
Student loans receivable, net	<u>23,477</u>	<u>23,294</u>
Less current portion	(3,191)	(2,911)
Noncurrent student loans receivable, net	<u>\$ 20,286</u>	<u>20,383</u>
Grant and other accounts receivable:		
Sponsored programs	\$ 39,587	39,625
Commercial receivables	9,104	5,860
Conferences and summer programs	436	594
Insurance trust fund	1,502	1,628
Receivables from Foundation	1,512	2,951
Athletics	1,286	608
Self-funded operations	596	540
Other	<u>13,204</u>	<u>4,189</u>
Total grant and other accounts receivable	67,227	55,995
Less allowance for doubtful accounts	(7,509)	(5,804)
Grant and other accounts receivable, net	<u>\$ 59,718</u>	<u>50,191</u>

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(Amounts expressed in thousands)

Discretely presented component unit – As of June 30, 2016 and 2015, the CSU Foundation’s pledges receivable consisted of the following:

	June 30	
	2016	2015
Receivables due in less than one year	\$ 14,016	9,246
Receivables due in one to five years	28,832	16,275
Receivables due in more than five years	4,498	305
	47,346	25,826
Less allowance for uncollectible pledges	(1,184)	(645)
Less present value discounting	(1,536)	(937)
	\$ 44,626	24,244

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

Pledges receivable from two donors at June 30, 2016 represented approximately 36 percent of net pledges receivable. Pledges receivable from two donors at June 30, 2015 represented approximately 41 percent of net pledges receivable.

Discretely presented component unit – As of June 30, 2016 and 2015, CSU-Pueblo Foundation’s unconditional promises to give consisted of the following:

	June 30	
	2016	2015
Restricted for scholarships of other particular purposes	\$ 351	1,162
Less: Allowances for uncollectible unconditional promises to give	(106)	(106)
Gross unconditional promises to give	245	1,056
Less: unamortized discount	(2)	(7)
Net unconditional promises to give	\$ 243	1,049
Amounts due in:		
Less than one year	207	892
One to five years	36	157
Total	\$ 243	1,049

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.

Discretely presented component unit – As of June 30, 2016, CSU-System Foundation’s receivables are recorded at cost and provisions for doubtful accounts have not been established as all receivables are deemed collectible.

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Notes to Basic Financial Statements

Years Ended June 30, 2016 and 2015

(Amounts expressed in thousands)

(7) Capital Assets

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

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

Land includes the following conservation easements:

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

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Years Ended June 30, 2016 and 2015

(Amounts expressed in thousands)

Following are the changes in capital assets for the fiscal year ended June 30, 2015:

	Balance				Balance
	June 30, 2014	Additions	Transfers	Deletions	June 30, 2015
Nondepreciable capital assets:					
Land	\$ 24,753	-	5,070	-	29,823
Land improvements	2,321	-	-	-	2,321
Construction in progress	164,149	128,716	(189,313)	(4,441)	99,111
Collections	2,878	935	-	(5)	3,808
Total nondepreciable capital assets	<u>194,101</u>	<u>129,651</u>	<u>(184,243)</u>	<u>(4,446)</u>	<u>135,063</u>
Depreciable capital assets:					
Land and leasehold improvements	83,347	-	5,076	-	88,423
Buildings and improvements	1,326,392	16,682	171,149	(30)	1,514,193
Software	73,118	2,517	767	-	76,402
Equipment	252,385	20,439	7,251	(7,127)	272,948
Library materials	87,694	1,258	-	(1,671)	87,281
Total depreciable capital assets	<u>1,822,936</u>	<u>40,896</u>	<u>184,243</u>	<u>(8,828)</u>	<u>2,039,247</u>
Less accumulated depreciation:					
Land and leasehold improvements	46,055	5,723	-	-	51,778
Buildings and improvements	438,191	47,506	-	(19)	485,678
Software	33,348	14,612	-	-	47,960
Equipment	187,324	19,580	-	(5,298)	201,606
Library materials	78,478	2,117	-	(1,671)	78,924
Total accumulated depreciation	<u>783,396</u>	<u>89,538</u>	<u>-</u>	<u>(6,988)</u>	<u>865,946</u>
Net depreciable capital assets	<u>1,039,540</u>	<u>(48,642)</u>	<u>184,243</u>	<u>(1,840)</u>	<u>1,173,301</u>
Total capital assets, net	<u>\$ 1,233,641</u>	<u>81,009</u>	<u>-</u>	<u>(6,286)</u>	<u>1,308,364</u>
Land includes the following conservation easements:					
Catspaw Conservation Easement		\$ 3,155			
Snow Mountain Conservation Easement		5,000			
Elmgreen Conservation Easement		515			
Ben Delatour Forest Legacy Conservation Easement		4,000			
S. Boulder/Toll Family Conservation Easement		5,070			
Total		<u>\$ 17,740</u>			

Interest expense capitalized, net of related interest income for the System, was \$18.5 million and \$7.5 million for the fiscal years ended June 30, 2016 and 2015, respectively.

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(Amounts expressed in thousands)

(8) Accrued Liabilities

The current accrued liabilities balances as of June 30, 2016 and 2015 were comprised of:

		June 30	
		2016	2015
Accrued payroll and benefits	\$	58,759	68,562
Accrued interest payable		16,396	12,469
Other liabilities		1,820	1,414
Total	\$	76,975	82,445

(9) Noncurrent Liabilities

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

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

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(Amounts expressed in thousands)

Noncurrent liability activity for the fiscal year ended June 30, 2015 was as follows:

	Balance			Balance	Amounts
	June 30, 2014	Additions	Reductions	June 30, 2015	Due Within
					One Year
Bonds and capital lease obligations:					
Revenue bonds and COPs					
payable	\$ 818,860	314,617	(90,331)	1,043,146	19,298
Capital leases payable	9,358	15,529	(2,937)	21,950	3,496
Total bonds and capital leases	828,218	330,146	(93,268)	1,065,096	22,794
Other liabilities:					
Deposits held for others	32,228	2,112	(5,035)	29,305	6,266
Other	7,288	2,170	(1,124)	8,334	2,388
Accrued compensated absences	48,923	3,103	-	52,026	2,701
Net pension liability	500,621	52,568	(28,526)	524,663	-
Total noncurrent liabilities	\$ 1,417,278	390,099	(127,953)	1,679,424	34,149

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

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

On September 16, 2015, the System issued \$156.3 million at a premium, in System Enterprise Revenue Bonds, Series 2015 E, F. The proceeds of Series 2015 E, F, which totaled \$175.3 million after consideration of the premium, will be used to construct a 152,000 gross square foot ("gsf") biology building, a 105,000 gsf medical center building, a 30,000 gsf plant environmental research center, a new 4-story parking structure, a new surface parking lot and 85,000 gsf of academic space to be located on the east side of the new Stadium. In addition, the proceeds will pay capitalized interest and pay the costs of issuing the Series 2015 E-1, 2015 E-2 and 2015 F Bonds.

On April 28, 2015, the System issued \$235.2 million in System Enterprise Revenue Bonds, Series 2015 A, B, C. The proceeds from the sale of Series 2015 A, B, C are currently being used to construct a 643,000 gsf multipurpose stadium to be located between Lake Street and Pitkin Street in Fort Collins, Colorado, to advance refund a portion of the outstanding Series 2007 B Bonds, Series 2008 A Bonds and Series 2009 A Bonds, pay capitalized interest on the 2015 A, B Bonds and pay the costs of issuing the Series 2015 A, B, C Bonds.

On April 28, 2015, the System issued \$66.7 million in System Enterprise Revenue Bonds, Series 2015 D. The proceeds of Series 2015 D are currently being used to defray a portion of the cost of financing certain

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(Amounts expressed in thousands)

2015 Improvement Projects, pay capitalized interest and pay the costs of issuing the Series 2015 D Bonds.

A general description of each bond issue, original issuance amount, and the amount outstanding as of June 30, 2016 and 2015 is detailed below.

Revenue bonds and COPs payable consisted of the following at June 30, 2016 and 2015:

	Interest Range	June 30	
		2016	2015
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	19,185
Colorado State University System Enterprise			
Revenue Refunding Bonds of 2007 B, issued in the original amount of \$34.3 million and mature in varying annual amounts to March 2021. \$2.5 million advance refunded with 2015 C.	4.000%-5.000%	4,570	7,275
Colorado State University System Enterprise			
Revenue Bonds of 2008 A, issued in the original amount of \$83.3 million and mature in varying annual amounts to March 2038. \$64.7 million advance refunded with 2015 C.	3.000%-5.000%	8,480	10,400
Colorado State University System Enterprise			
Revenue Bonds of 2009 A, issued in the original amount of \$56.1 million and mature in varying annual amounts to March 2039. \$54.4 million advance refunded with 2013 A and \$0.3 million advance refunded with 2015 C.	3.000%-5.000%	845	870
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%	13,870	16,950

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(Amounts expressed in thousands)

	Interest Range	June 30	
		2016	2015
Colorado State University System Enterprise Revenue Bonds of 2010 B, issued in the original amount of \$40.3 million and mature in varying annual amounts to March 2033.	4.900% -5.957%	\$ 40,335	40,335
Colorado State University System Enterprise Revenue Bonds of 2010 C, issued in the original amount of \$33.3 million and mature in varying annual amounts to March 2040.	6.057%	33,250	33,250
Colorado State University System Enterprise Revenue Bonds of 2012 A, issued in the original amount of \$126.2 million and mature in varying annual amounts to March 2044.	2.000% -5.000%	123,665	124,970
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%	52,150	52,580
Colorado State University System Enterprise Revenue Refunding Bonds of 2012 C, issued in the original amount of \$5.3 million and mature in varying annual amounts to March 2017.	0.728% -1.864%	1,095	2,170
Colorado State University System Enterprise Revenue and Revenue Refunding Bonds of 2013 A, issued in the original amount of \$182.0 million and mature in varying annual amounts to March 2043.	1.000% -5.000%	170,095	175,445
Colorado State University System Enterprise Revenue Refunding Bonds of 2013 B, issued in the original amount of \$16.7 million and mature in varying annual amounts to March 2020.	0.450% -2.073%	7,065	8,780
Colorado State University System Enterprise Revenue Bonds of 2013 C, issued in the original amount of \$18.6 million and mature in varying annual amounts to March 2044.	5.000% -5.250%	18,610	18,610

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(Amounts expressed in thousands)

	Interest Range	June 30	
		2016	2015
Colorado State University System Enterprise Revenue Bonds of 2013 D, issued in the original amount of \$7.9 million and mature in varying annual amounts to March 2028.	0.963%-5.251%	\$ 6,940	7,400
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%	137,700	138,230
Colorado State University System Enterprise Revenue Bonds of 2015 A, issued in the original amount of \$134.7 million and mature in varying annual amounts to March 2055.	4.000%-5.000%	134,730	134,730
Colorado State University System Enterprise Revenue Bonds of 2015 B, issued in the original amount of \$32.8 million and mature in varying annual amounts to March 2030.	2.688%-4.081%	32,815	32,815
Colorado State University System Enterprise Revenue Refunding Bonds of 2015 C, issued in the original amount of \$67.7 million and mature in varying annual amounts to March 2038.	2.000%-5.000%	67,090	67,675
Colorado State University System Enterprise Revenue Bonds of 2015 D, issued in the original amount of \$66.7 million and mature in varying annual amounts to March 2047.	Variable	66,655	66,655
Colorado State University System Enterprise Revenue Bonds of 2015 E-1, issued in the original amount of \$96.5 million and mature in varying annual amounts to March 2047.	5.000%	96,490	-
Colorado State University System Enterprise Revenue Bonds of 2015 E-2, issued in the original amount of \$42.1 million and mature in varying annual amounts to March 2033.	5.000%	42,125	-

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	<u>Interest Range</u>	<u>June 30</u>	
		<u>2016</u>	<u>2015</u>
Colorado State University System Enterprise			
Revenue Bonds of 2015 F, issued in the original amount of \$17.7 million and mature in varying annual amounts to March 2023.	1.750% -5.000%	\$ 16,975	-
Unamortized bond premium/discount		97,007	82,702
Total System Bonds		<u>1,191,742</u>	<u>1,041,027</u>
Colorado State University - Pueblo:			
Portion of the State of Colorado Certificate of Participation to remodel the Academic Resource Center (Library). Payable annually with a final maturity in 2029.	5.100%	2,001	2,119
Total System Bonds and Certificates of Participation		<u>\$ 1,193,743</u>	<u>1,043,146</u>

The scheduled maturities of the revenue bonds and COPs as of June 30, 2016 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
2017	\$ 23,249	49,906	73,155
2018	23,860	49,309	73,169
2019	24,781	48,550	73,331
2020	25,854	47,438	73,292
2021	27,987	46,238	74,225
2022-2026	152,676	212,728	365,404
2027-2031	181,304	175,362	356,666
2032-2036	220,265	128,638	348,903
2037-2041	189,750	77,054	266,804
2042-2046	131,890	35,568	167,458
2047-2051	51,050	15,089	66,139
2052-2055	44,070	4,637	48,707
Total debt service maturities	<u>1,096,736</u>	<u>890,517</u>	<u>1,987,253</u>
Unamortized bond premium/discount	97,007		
Total	<u>\$ 1,193,743</u>		

The System Enterprise Revenue Bonds are secured by a pledge of 10 percent of all net revenues derived at the System from charges to students for the provision of general instruction by the System, CSU facilities fees (80 percent of first \$10 credit hour fee and 100 percent of additional \$5 per credit hour fee), CSU-Pueblo facilities fees (100 percent), net revenues derived from the operation of the auxiliary pledged facilities, and net revenues of the CSU Research Building Revolving Fund (RBRF) enterprise. Revenues from the RBRF enterprise include all revenues derived by CSU from the operation of the pledged facilities including allocated recoveries on research contracts and grants performed under the auspices of CSU. Investment earnings from revenue sources are also included. See Note 12 for more information regarding

COLORADO STATE UNIVERSITY SYSTEM

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these pledged revenues. The Revenue Bonds are special limited obligations of the Board of Governors and do not constitute a general obligation of the Board or the System.

There were no material events regarding rating changes to report for fiscal years ended June 30, 2016 and 2015.

(11) Defeased Obligations

On April 28, 2015, the System issued \$67.7 million in System Enterprise Revenue Refunding Bonds, Series 2015 C with an average interest rate of 4.27 percent to advance refund \$82.4 million of outstanding bonds with an average interest rate of 4.92 percent. Refunded bonds included the Enterprise System Revenue Bonds, Series 2007 B (\$2.5 million); System Enterprise Revenue Bonds, Series 2008 A (\$64.7 million); and System Enterprise Revenue Bonds, Series 2009 A (\$255 thousand). Net proceeds of \$75.3 million were deposited with an escrow agent. The System completed the 2015 C refunding to reduce its total debt service payments over the next 23 years by \$8.3 million and obtain an economic gain (difference between the present value of the debt service payments on the old debt and new debt) of \$5.1 million. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$7.5 million. This difference is reported in the accompanying financial statements as a deferred outflow and is being amortized through fiscal year 2038.

Prior to Series 2015 C, the System issued System Enterprise Revenue Bonds, Series 2013 A, B in fiscal year 2013; System Enterprise Revenue Bonds, Series 2012 B, C in fiscal year 2012; and System Enterprise Revenue Bonds, Series 2007 B in fiscal year 2008. The escrow deposits from Series 2015 C; 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); Enterprise System Revenue Bonds, Series 2003 B (fully refunded on 2012 B); Enterprise System Revenue Bonds, Series 2005 B (partially refunded on 2012 B and fully refunded on 2013 A); and Research Building Revolving Fund Enterprise Revenue Bonds, Series 2005 A (fully refunded on 2007 B).

System Enterprise Revenue Bonds, Series 2007 A (partially refunded on 2012 B and partially refunded on 2013 A, B); System Enterprise Revenue Bonds, Series 2007 C (partially refunded on 2013 B); System Enterprise Revenue Bonds, Series 2007 B (partially refunded on 2015 C); System Enterprise Revenue Bonds, Series 2008 A (partially refunded on 2015 C); and System Enterprise Revenue Bonds, Series 2009 A (partially refunded on 2013 A and 2015 C) were also refunded and have remaining defeased obligations at June 30, 2016 as follows:

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	Original Amount Refunded	Balance June 30, 2016
CSU System Enterprise Revenue Bonds, Series 2007 A	\$ 141,480	141,480
CSU System Enterprise Revenue Bonds, Series 2007 C	14,500	12,400
CSU System Enterprise Revenue Bonds, Series 2007 B	2,480	2,480
CSU System Enterprise Revenue Bonds, Series 2008 A	64,745	64,745
CSU System Enterprise Revenue Bonds, Series 2009 A	54,615	53,210
	<u>\$ 277,820</u>	<u>274,315</u>

(12) Pledged Revenues and Related Expenses

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

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

Pledged by 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	
	2016	2015
Operating revenues	\$ 210,187	194,782
Operating expenses	(112,314)	(107,477)
Pledged revenues over operating expenses	97,873	87,305
Net nonoperating expenses	(53,854)	(32,327)
Other revenues and transfers	66,957	25,403
Net pledged revenues	<u>\$ 110,976</u>	<u>80,381</u>

The debt covenants for the above bonds require indirect cost recoveries from research-related grants to be pledged. The pledged revenue reported above includes \$3.4 million and \$3.0 million in indirect cost recoveries for the fiscal years ended June 30, 2016 and 2015, 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 \$47.6 million and \$45.6 million for the fiscal years ended June 30, 2016 and 2015, 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.

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(13) Capital Lease Obligations

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

	<u>Total</u>
Fiscal year ending June 30:	
2017	\$ 4,059
2018	3,309
2019	2,130
2020	1,536
2021	1,243
2022-2026	<u>10,795</u>
Minimum future lease payments	23,072
Less amount representing interest	<u>2,844</u>
Present value of minimum lease payments	<u><u>\$ 20,228</u></u>

Capital lease agreements have been utilized to provide for the use of property and equipment. As of June 30, 2016 and 2015, respectively, the System had capital lease obligations in effect with capitalized asset costs of \$29.9 million and \$31.8 million; accumulated depreciation of \$7.3 million and \$6.9 million; and related outstanding liabilities of \$20.2 million and \$22.0 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.

	<u>Future Minimum Obligations For Operating Leases</u>
Fiscal year ending June 30:	
2017	\$ 3,310
2018	2,947
2019	2,626
2020	2,166
2021	850
2022-2026	<u>1,944</u>
Total	<u><u>\$ 13,843</u></u>

Rent expense was \$3.1 million for fiscal year ended June 30, 2016 and \$2.7 million for fiscal year ended June 30, 2015.

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

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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 \$26.5 million and \$26.2 million and are reported as restricted net position - expendable on the financial statements as of June 30, 2016 and 2015, 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 \$47.9 million and \$35.1 million is reported as restricted net position - expendable on the financial statements as of June 30, 2016 and 2015, respectively.

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, 2016 and 2015, this reserve had net position of \$343 thousand and \$564 thousand, respectively. These amounts are reported as restricted net position - expendable on the financial statements.

Total restricted net position was as follows:

	June 30	
	2016	2015
Restricted for nonexpendable purposes:		
Scholarships, research and other	\$ 12,864	14,221
Endowment/Land Grant	12,557	11,930
Total	\$ 25,421	26,151
Restricted for expendable purposes:		
Endowment/Land Grant	\$ 1,145	1,207
Student loans	26,471	26,157
Colorado Water Institute	311	333
Gifts	3,943	1,656
Plant fund gifts not capitalized	1,703	3,251
Auxiliary pledged net assets	47,929	35,060
Tuition and fee pledged assets	14,278	9,982
Research Building Revolving Fund	4,744	4,116
Equipment reserve for Vet Med	343	564
Colorado State Forest Service legislative funds	9,047	8,486
Workstudy	99	138
Other	—	32
Total	\$ 110,013	90,982

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

In regard to the net assets of the CSU Foundation, temporarily restricted net assets and the income earned on permanently restricted net assets, consisting of endowment funds to be held in perpetuity, are available to support CSU by providing funds for student scholarships, capital improvements, research, institutional support, and other educational purposes and activities. Also, as of June 30, 2016 and 2015, the CSU Foundation's Board has designated \$21.4 million and \$27.9 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, 2016 and 2015, CSU-Pueblo Foundation's Board has designated \$1.1 million and \$4.7 million, respectively, of the unrestricted net assets to be used for operating reserve for subsequent years' expense, soccer/lacrosse complex deficit, University Center renovation and enhancements, 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, 2016 were \$202.6 million. These outstanding purchase order commitments included \$131.8 million of System capital construction commitments. CSU capital construction commitments included approximately \$37.5 million for the Biology Building, \$31.3 million for the CSU Health & Medical Center, \$21.0 million for the Multi-Purpose Stadium, \$19.2 million for the Chemistry Building, \$11.1 million for the Aggie Village North Redevelopment, \$2.6 million for the South College Parking Garage, and \$2.3 million for the Prospect Road Underpass. The remaining capital construction commitments were for other smaller projects at CSU and CSU-Pueblo. Of the remaining noncapital purchase order commitments, \$31.4 million were related to CSU sponsored contracts and grants.

In addition to purchase order commitments, CSU has contracted obligations of \$30.7 million at June 30, 2016 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, 2016 were:

Purchase order commitments	\$	202,628
Shared cost obligations on long-term revenue contracts		16,599
Obligations under accepted employment offers		14,128
Total	\$	<u>233,355</u>

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(17) Employment Benefits

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

The System's total payroll for the fiscal years ended June 30, 2016 and 2015 was approximately \$609.0 million and \$583.2 million, respectively. Payroll for employees covered by the PERA plan, the optional defined contribution plan, and the student retirement plan was approximately \$151.4 million, \$378.6 million, and \$17.4 million, respectively, for the fiscal year ended June 30, 2016 and \$149.3 million, \$359.5 million, and \$19.0 million, respectively, for the fiscal year ended June 30, 2015. The remaining employees were not eligible for participation in any of the System's plans.

(a) PERA Defined Benefit Pension Plan

Summary of Significant Accounting Policies

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

Plan Description

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

Benefits Provided

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

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

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit.

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

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

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

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs), referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007, receive an annual increase of two percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of two percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007, receive an annual increase of the lesser of two percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SDTF.

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

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

Contributions

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

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	Fiscal Year 2015		Fiscal Year 2016	
	CY14	CY15		CY16
	7/1 to 12/31	1/1 to 6/30	7/1 to 12/31	1/1 to 6/30
Employer contribution rate	10.15%	10.15%	10.15%	10.15%
Apportioned to the Health Care Trust Fund ¹	-1.02%	-1.02%	-1.02%	-1.02%
Apportioned to the SDTF	9.13%	9.13%	9.13%	9.13%
Amortization Equalization Disbursement (AED) ²	3.80%	4.20%	4.20%	4.60%
Supplemental Amortization Equalization Disbursement (SAED) ²	3.50%	4.00%	4.00%	4.50%
Total employer contribution rate to the SDTF	16.43%	17.33%	17.33%	18.23%

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

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

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

Employer contributions are recognized by the SDTF in the period in which the compensation becomes payable to the member and the System is statutorily committed to pay the contributions to the SDTF. Employer contributions recognized by the SDTF from the System were \$28.8 million, \$27.0 million, and \$25.2 million for the years ended June 30, 2016, 2015 and 2014, respectively, including the 1.02 percent apportioned to the Health Care Trust Fund.

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

As of fiscal years ended June 30, 2016 and 2015, the System reported a liability of \$578.7 million and \$524.7 million, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. Standard update procedures were used to roll forward the total pension liability to December 31, 2015. The System proportion of the net pension liability was based on System contributions to the SDTF for the calendar year 2015 relative to the total contributions of participating employers to the SDTF.

At December 31, 2015, the System proportion was 5.50 percent, which was a decrease of 0.08 percent from its proportion measured as of December 31, 2014.

For the fiscal years ended June 30, 2016 and 2015, the System recognized pension expense of \$49.7 million and \$40.7 million, respectively. At June 30, 2016, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

At June 30, 2015, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	39
Net difference between projected and actual earnings on pension plan investments	10,698	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	261	2,407
Contributions subsequent to the measurement date	13,029	-
Total	<u>\$ 23,988</u>	<u>2,446</u>

\$13.9 million reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Total
Fiscal year ending June 30:	
2017	\$ 8,733
2018	10,056
2019	11,556
2020	8,925
Total	<u>\$ 39,270</u>

Actuarial Assumptions

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

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

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back one year, and Females set back two years.

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

Changes to assumptions or other inputs since the December 31, 2013, actuarial valuation are as follows:

- The following programming changes were made:
 - Valuation of the full survivor benefit without any reduction for possible remarriage.
 - Reflection of the employer match on separation benefits for all eligible years.
 - Reflection of one year of service eligibility for survivor annuity benefit.
 - Refinement of the 18-month annual increase timing.
 - Refinements to directly value certain and life, modified cash refund and pop-up benefit forms.
- The following methodology changes were made:
 - Recognition of merit salary increases in the first projection year.
 - Elimination of the assumption that 35 percent of future disabled members elect to receive a refund.
 - Removal of the negative value adjustment for liabilities associated with refunds of future terminating members.
 - Adjustments to the timing of the normal cost and unfunded actuarial accrued liability payment calculations to reflect contributions throughout the year.

The SDTF’s long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the November 15, 2013, adoption of the long-term expected rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

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Asset Class	Target Allocation	10 Year Expected Geometric Real Rate of Return
U.S. Equity - Large Cap	26.76%	5.00%
U.S. Equity - Small Cap	4.40%	5.19%
Non U.S. Equity - Developed	22.06%	5.29%
Non U.S. Equity - Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Gov't/Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
Total	<u>100.00%</u>	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.50 percent.

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumption shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.90 percent.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law, including current and future AED and SAED, until the Actuarial Value Funding Ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return

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on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan’s fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan’s fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.

- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above actuarial cost method and assumptions, the SDTF’s fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

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

The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	\$ 731,129	578,718	451,232

Pension Plan Fiduciary Net Position

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

Adoption of New Accounting Standard

Effective July 1, 2014, the System adopted the provisions of Governmental Accounting Standards Board Statement No. 68 *Accounting and Financial Reporting for Pensions - An Amendment to GASB Statement No. 27* (GASB Statement No. 68), which was amended effective July 1, 2015 by Governmental Accounting Standards Board Statement No. 73 *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Statement No. 68 requires the System, as a participant in the multiple-employer cost-sharing PERA defined benefit retirement program to record its proportionate share, as defined in GASB Statement No. 68, of PERA’s unfunded pension liability.

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

(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

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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 10.6 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 10.6 percent of covered payroll or approximately \$40.3 million for the fiscal year ended June 30, 2016 and 9.6 percent of covered payroll or approximately \$34.5 million for the fiscal year ended June 30, 2015. The employee aggregate contribution to the above three vendors was equal to 8.0 percent of covered payroll or approximately \$30.3 million for the fiscal year ended June 30, 2016 and \$28.8 million for the fiscal year ended June 30, 2015.

The Federal retirement system covers a very limited number of employees at CSU Extension. The System's contribution to this plan was approximately \$97 thousand for fiscal year ended June 30, 2016 and \$135 thousand for fiscal year ended June 30, 2015.

(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

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funds available through the sole investment company, TIAA-CREF. The contribution by student employees for the fiscal years ended June 30, 2016 and 2015 was approximately \$1.3 million and \$1.4 million, respectively.

(e) Health Insurance Programs

The System's contribution to the various third-party health insurance programs was approximately \$19.2 million and \$17.7 million for the fiscal years ended June 30, 2016 and 2015, respectively.

(18) Risk Financing and Insurance-Related Activities

CSU manages a combination of self-insured and fully-insured property and casualty insurance programs to best protect the University's assets. At CSU, separate accounts currently make up the self-insured program: workers' compensation, liability, auto comprehensive/collision and property. CSU contracts various day-to-day operations of the self-funded benefit plan, including claims processing, to third-party administrators. CSU carries excess insurance for liability and workers' compensation claims over \$500 thousand per occurrence, including claims arising from employment practices. CSU's excess liability limits for this insurance are \$25.0 million per occurrence. CSU self-insures for property insurance claims less than \$100 thousand per occurrence with a \$1 thousand deductible per occurrence paid by the university department incurring the loss. CSU purchases property insurance with limits of \$1.0 billion. In addition to this, CSU carries auto insurance for out-of-state vehicles and workers' compensation for out-of-state employees, student intern professional liability, professional liability insurance (Architects & Engineers), crime insurance, foreign liability insurance, Canadian Liability, Cyber Liability, Aviation Liability, Unmanned Aerial Vehicles Liability, TULIP (Tenant User Liability Insurance Program), and self-insures for in-state auto insurance. As of March 1, 2016 CSU purchased liability, professional liability and pollution liability for all CEMML operations, including their prescribed burn operations. This insurance included a primary layer of \$2 million aggregate, an umbrella layer of \$5 million, and an excess layer of \$5 million.

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

The amount of claims and administrative costs for the self-funded plans for fiscal years ended June 30, 2016 and 2015 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 \$21.1 million and \$23.0 million at June 30, 2016 and 2015, 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 \$5.3 million and \$5.4 million at June 30, 2016 and 2015, respectively. Liability self-insurance had estimated claim liabilities of \$337 thousand and \$302 thousand at June 30, 2016 and 2015, respectively. These estimates are based on

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current data and actuarial reports. Property self-insurance had no estimated claim liabilities at June 30, 2016 and 2015.

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

	2016	2015
Claim liabilities, beginning of year	\$ 28,660	33,555
Incurred claims (including IBNR)	46,728	40,237
Claim payments	(48,628)	(45,132)
Claim liabilities, end of year	<u>\$ 26,760</u>	<u>28,660</u>

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

(19) Post-Employment Healthcare and Life Insurance Benefits

(a) PERA Post-Employment Healthcare Plan

Plan Description

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

Funding Policy

The System is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the System are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the fiscal years ending June 30, 2016, 2015, and 2014, the System contributions to the HCTF were \$1.5 million for all three years, equal to their required contributions for each year.

(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.

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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 as of June 30, 2016:

	DCP Refund	PERA Subsidy	RX Subsidy	LTD Income Replacement
Active plan members	4,472	193	193	5,064
Former employees receiving income replacement	-	-	-	26
Retirees receiving a subsidy	408	508	353	-
Retirees eligible for a subsidy but not yet receiving one	17	157	157	-
Total	<u>4,897</u>	<u>858</u>	<u>703</u>	<u>5,090</u>

CSU Retiree Medical Premium Refund Plan for DCP Participants

Employees who retire from the University at age 55 with 20 or more years of service or age 60 with 5 or more years of service are eligible for this benefit. For eligible retirees with 20 or more years of service, CSU pays a healthcare premium refund of the lesser of \$200 per month or the actual cost of the retiree's (not including dependents) health insurance. Benefits are prorated for service between 5 and 20 years. DCP 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.

On an annual basis, funds equal to the annual required contribution (ARC), provided by the actuarial valuation, are transferred to the irrevocable trust. The funds available to cover the plan benefits were \$40.8 million and \$37.0 million for fiscal years ended June 30, 2016 and 2015, respectively. Funds provided for the benefit of the program included \$4.5 million and \$1.4 million for fiscal years ended June 30, 2016 and 2015, respectively, plus the corresponding interest income less plan costs. Total amounts paid to retirees for this healthcare subsidy were \$775 thousand and \$708 thousand for fiscal years ended June 30, 2016 and 2015, respectively. As of June 30, 2016 and 2015, 408 and 365 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.

On an annual basis, funds equal to the ARC, provided by the actuarial valuation, are transferred to the irrevocable trust. The funds available to cover the plan benefits were \$22.3 million and \$21.6 million for fiscal years ended June 30, 2016 and 2015, respectively. The funds contributed to the plan for fiscal

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years ended June 30, 2016 and 2015 were \$2.0 million and \$3.0 million, respectively. The average number of beneficiaries of this subsidy was 508 and 505 for fiscal years ended June 30, 2016 and 2015, respectively. The benefits paid by the University were \$1.3 million and \$1.2 million for fiscal years ended June 30, 2016 and 2015, respectively.

CSU Retiree Umbrella Rx Plan for PERA Participants

The University provides reimbursement for the prescription copayments made by eligible faculty and nonclassified staff who retire from the University under the PERA retirement plan with at least 10 years of service. Retirees have to be age 65 or older or eligible for Medicare and enrolled in the PERA Medicare supplement plan to be eligible for this plan. Future enrollments are further restricted to those academic faculty and administrative professional staff participating in the PERA retirement plan and holding benefit eligible appointments on June 30, 2009. PERA provides a prescription insurance program for retirees enrolled in any medical insurance plan. The PERACare Prescription insurance program covers the cost of prescriptions after the member pays a copay which varies depending on whether the prescription is purchased through a local retail pharmacy or through a mail-order pharmacy, and whether the drug is generic or a brand-name drug. The Umbrella Rx plan reimburses the retiree for the complete cost of the prescription copay less a \$10 copay for retail and a \$20 copay for mail-order drugs. Spouses and dependents of retirees enrolled in the plan can be covered with the payment of \$44 per month for those enrolled in Medicare or \$99 per month for those not enrolled in Medicare. The plan is administered by Employee Benefit Management Services, Inc.

On an annual basis, funds equal to the ARC, provided by the actuarial valuation, are transferred to the irrevocable trust. The funds contributed to the plan for fiscal years ended June 30, 2016 and 2015 were \$150 thousand and \$204 thousand, respectively. These funds, along with the amounts paid in by participants of \$30 thousand in fiscal year 2016, and the related interest income, have resulted in total funds available of \$594 thousand and \$581 thousand as of fiscal years ended June 30, 2016 and 2015, respectively, for this plan. Plan members were reimbursed \$68 thousand and \$72 thousand for prescription claims for the fiscal years ended June 30, 2016 and 2015, respectively.

CSU Long-Term Disability Plan

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

CSU funds the LTD plan by providing an allowance to each employee and then deducting the cost of the premium. The premiums collected are transferred to the irrevocable trust as an employee contribution. The funds contributed to the plan for fiscal years ended June 30, 2016 and 2015 were \$1.4 million and \$3.2 million, respectively. The funds contributed to the plan in fiscal year ended June 30, 2015 included a one-time clean up transfer from the fringe pool of \$1.8 million. These funds, which

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include those previously set aside and the related interest income, have resulted in total funds available of \$7.9 million and \$7.4 million as of fiscal years ended June 30, 2016 and 2015, respectively. Plan members received \$922 thousand and \$949 thousand in benefits for fiscal years ended June 30, 2016 and 2015, respectively.

Funding Policy, Status, and Progress

CSU's annual OPEB cost for each plan was calculated based on the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement 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 sets aside funds in an internal service fund to cover future benefits in varying amounts. On June 27, 2014, the funds held in the internal service fund were transferred to an irrevocable trust, and GASB Statement 43 was implemented, leaving a net OPEB obligation for each plan. CSU funds the plans using the ARC amount, an amount actuarially determined in accordance with the parameters of GASB Statement 43. CSU's current funding status and remaining net OPEB obligation for each plan for fiscal year ended June 30, 2016 are as follows:

		DCP	PERA	Rx	LTD Income
		Refund	Subsidy	Subsidy	Replacement
Actuarial accrued liability (a)	\$	39,843	45,646	2,286	12,071
Actuarial value of plan assets (b)		<u>40,739</u>	<u>22,275</u>	<u>594</u>	<u>7,926</u>
(Overfunded)/unfunded actuarial accrued liability (a) - (b)	\$	<u>(896)</u>	<u>23,371</u>	<u>1,692</u>	<u>4,145</u>
Funded ratio (b)/(a)		102.2%	48.8%	26.0%	65.7%
Covered payroll (c)	\$	325,055	N/A	N/A	N/A
(Overfunded)/unfunded actuarial accrued liability as a percentage of covered payroll [(a) - (b)]/(c)		-0.3%	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
Net OPEB obligation/(asset)	\$	(738)	(884)	135	(3,945)

The financial statements for the irrevocable trust, included in the supplementary information, have been prepared using the accrual basis of accounting. Plan members' contributions will be recognized in the period in which the contributions are due. Employee contributions to each plan will be recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds

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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.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the ARC of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. OPEB assets and liabilities as of June 30, 2016, 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	1/1/2016	1/1/2016	1/1/2016	1/1/2016
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	22 Years	22 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	N/A	7% initial,	N/A	N/A
Trend rate		5% ultimate		

(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

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retiree is eligible for Medicare. The retiree is responsible for paying 100 percent of the health insurance cost. As of June 30, 2016, there were 83 participants in the plan, of which four were CSU-Pueblo retirees.

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

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

(d) Life Insurance Program

During fiscal years ended June 30, 2016 and 2015, 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, 2016 and 2015 was \$55.4 million and \$52.0 million, respectively.

Overall, expenses increased for the fiscal year ended June 30, 2016 by \$3.4 million and increased for the fiscal year ended June 30, 2015 by \$3.1 million, for the estimated compensated absences liabilities.

(21) Direct Student Financial Aid Reporting

During the fiscal years ended June 30, 2016 and 2015, 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, 2016 and 2015 were \$260.1 million and \$239.4 million, respectively.

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(22) Scholarship Allowance

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

	June 30		
	2016		
	Tuition and Fees	Auxiliary Revenues	Total
Gross revenue	\$ 624,225	167,874	792,099
Scholarship allowances:			
Federal	28,440	885	29,325
State	16,285	774	17,059
Private	328	147	475
Institutional	79,088	2,535	81,623
Total allowances	<u>124,141</u>	<u>4,341</u>	<u>128,482</u>
Net revenue	<u>\$ 500,084</u>	<u>163,533</u>	<u>663,617</u>

Tuition, fees, and auxiliary revenues and the related scholarship allowances for the year ended June 30, 2015 were as follows:

	June 30		
	2015		
	Tuition and Fees	Auxiliary Revenues	Total
Gross revenue	\$ 574,736	158,579	733,315
Scholarship allowances:			
Federal	29,908	893	30,801
State	11,308	866	12,174
Private	313	179	492
Institutional	72,903	2,776	75,679
Total allowances	<u>114,432</u>	<u>4,714</u>	<u>119,146</u>
Net revenue	<u>\$ 460,304</u>	<u>153,865</u>	<u>614,169</u>

(23) System Foundations and Endowments

As discussed in Note 1(c), the CSU Foundation, CSU-Pueblo Foundation, and the CSU System 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 SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2016 and 2015

(Amounts expressed in thousands)

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

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

The major sources of CSURF revenues are royalties, rents, management fees, licensing fees, and administration fees. The support provided by CSURF to the universities includes patent and licensing management, equipment leasing, municipal lease administration, debt financing through mortgage debt service, and land acquisition, development, and management. During the fiscal years ended June 30, 2016 and 2015, royalty revenues equaled \$2.4 million and \$4.8 million, respectively, and expenses were \$1.8 million and \$2.7 million, respectively. Also during the fiscal years ended June 30, 2016 and 2015, rental revenues equaled \$6.3 million and \$6.4 million, respectively, and related expenses were \$5.4 million and \$4.6 million, respectively.

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

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

Cash and current assets	\$	7,597
Property and equipment		52,472
Other assets		16,765
Total assets	\$	<u>76,834</u>

At June 30, 2015, CSURF's debt to provide buildings for use by the universities was \$53.5 million.

At June 30, 2015, the assets of CSURF consisted of:

Cash and current assets	\$	5,943	*
Property and equipment		51,957	*
Other assets		20,702	*
Total assets	\$	<u>78,602</u>	*

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

Audited financial statements of CSURF are available at 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

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2016 and 2015

(Amounts expressed in thousands)

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 \$5.3 million for both fiscal years ended June 30, 2016 and 2015.

On June 30, 2000, CSU-Pueblo sold the KTSC-TV television license and certain related assets. The proceeds of the sale have been placed in a board-designated fund to support the maintenance of the Buell Communication Center building, telecommunications equipment associated with the Mass Communications program of CSU-Pueblo, and scholarships. The cash held by the KTSC Fund was \$2.6 million for both fiscal years ended June 30, 2016 and 2015.

(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 booked a receivable for \$953 thousand due from CSURF relating to amounts that have been loaned to the joint venture.

(d) *CSURF de Mexico, Association Civil*

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

CSURF formed a subsidiary in Mexico, CSURF de Mexico, Association Civil (CSURF AC) in which to hold the development of housing, dining and research facilities in Todos Santos, Mexico as a CSU satellite campus. The ownership of the real property in Mexico is separate from CSURF AC and is held by a Mexican Trust. The terms of the Trust agreement, should the Trust be terminated, requires transfer of the property to the development partner or sale of the property and distribution of the proceeds.

CSURF AC entered into certain agreements with a development partner (MIRA) whereby CSURF AC borrowed funds from MIRA under terms of note obligations for the development of the property. As of June 30, 2015, CSURF AC had drawn \$3.0 million under these debt obligations.

The land for the campus and research farm was to be transferred to the Trust by MIRA in various phases upon completion. During the year ended June 30, 2016, development of the campus was substantially complete and upon transfer of the property, MIRA forgave debt totaling \$3.1 million.

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2016 and 2015

(Amounts expressed in thousands)

(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, 2016 and 2015, the System received \$91.7 million and \$78.9 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, 2016 and 2015, stipends were provided to students attending classes at Colorado State University and Colorado State University-Pueblo in the amount of \$42.9 million and \$43.0 million, respectively.

(25) Contingencies

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

Financial Awards from Federal and State Agencies

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

The National Science Foundation (NSF) is currently in the preliminary stages of auditing its funding of various programs at the University. The audit process has just commenced and, therefore, the Board cannot at the current time describe the nature, scope or outcome of such an audit by the NSF.

(26) Subsequent Events

On December 7, 2016, the System sold \$5.2 million Taxable Series 2016 A and \$65.0 million Series 2016 B System Enterprise Revenue and Refunding Bonds. The 2016 A bonds will be used for a portion of the construction costs of a 130,000 square foot building for the Institute for Biological Translational Therapies and a 48 stall research horse barn. The 2016 B System Enterprise Revenue and Refunding Bonds will be used to refund a portion of the 2007 A, 2007 B, and 2008 A Series Revenue Refunding Bonds along with the partial construction of a 37,400 square foot Natural Resource Building to add classrooms and a student success center, a 41,000 square foot design center to add classrooms and a studio center, a 130,000 square foot building for the Institute for Biological Translational Therapies and a 48 stall research horse barn, a 61,000 square foot Chemistry Building to provide laboratory and hood space for intensive synthetic chemistry programs and an underpass at Shields and Elizabeth, all in Fort Collins. The Series B Bonds will also fund various energy performance projects at CSU-Pueblo. The proceeds will also be used to pay the cost of issuing the Bonds.

On November 15, 2016, CSU announced a \$53.3 million gift from alumnus Walter Scott, Jr. In recognition of this gift, the engineering college will be officially named the Walter Scott, Jr. College of Engineering.

REQUIRED SUPPLEMENTAL INFORMATION

COLORADO STATE UNIVERSITY SYSTEM
Required Supplemental Information
June 30, 2016
(Unaudited)
(Amounts expressed in thousands)

Schedule of Proportionate Share of the Net Pension Liability

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Proportion of the net pension liability	5.5%	5.6%	5.6%
Proportionate share of the net pension liability	\$ 578,718	524,663	500,698
Covered-employee payroll	154,327	152,106	146,046
Proportionate share of the net pension liability as a percentage of covered-employee payroll	375.0%	344.9%	342.8%
Plan fiduciary net position as a percentage of the total pension liability	56.1%	59.8%	61.1%

Schedule of Contributions

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

COLORADO STATE UNIVERSITY SYSTEM
Required Supplemental Information
Other Post-Employment Benefits – Funding Progress
June 30, 2016
(Unaudited)
(Amounts expressed in thousands)

Schedules of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial 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						
1/1/2016	\$ 40,739	39,843	(896)	102.2%	\$ 325,055	-0.3%
1/1/2014	35,021	34,014	(1,007)	103.0%	305,603	-0.3%
7/1/2012	-	31,063	31,063	0.0%	259,317	12.0%
PERA Subsidy						
1/1/2016	22,275	45,646	23,371	48.8%	-	0.0%
1/1/2014	18,368	50,077	31,709	36.7%	-	0.0%
7/1/2012	-	45,849	45,849	0.0%	-	0.0%
Rx Subsidy						
1/1/2016	594	2,286	1,692	26.0%	-	0.0%
1/1/2014	452	2,841	2,389	15.9%	-	0.0%
7/1/2012	-	2,556	2,556	0.0%	-	0.0%
LTD Income Replacement						
1/1/2016	7,926	12,071	4,145	65.7%	-	0.0%
1/1/2014	5,279	11,570	6,291	45.6%	-	0.0%
7/1/2012	-	15,466	15,466	0.0%	-	0.0%

COLORADO STATE UNIVERSITY SYSTEM
 Required Supplemental Information
 Other Post-Employment Benefits – Funding Progress
 June 30, 2016
 (Unaudited)
 (Amounts expressed in thousands)

Schedules of Employer Contributions

	Year Ended June 30	Annual Required Contribution	Percentage Contributed
DCP Refund			
	2016	\$ 4,509	100.0%
	2015	1,368	100.0%
	2014	35,809	103.3%
PERA Subsidy			
	2016	1,968	100.0%
	2015	3,040	100.0%
	2014	4,189	500.5%
Rx Subsidy			
	2016	120	100.0%
	2015	177	99.8%
	2014	207	273.1%
LTD Income Replacement			
	2016	1,190	118.4%
	2015	1,209	261.2%
	2014	1,338	470.3%

SUPPLEMENTAL INFORMATION

COLORADO STATE UNIVERSITY OTHER POST-EMPLOYMENT BENEFITS TRUST

Statements of Plan Net Assets

as of June 30, 2016

(Unaudited)

(Amounts expressed in thousands)

Other Post-Employment Benefits

	DCP Refund	PERA Subsidy	RX Subsidy	LTD Income Replacement	2016 Total	2015 Total
Assets						
Cash and short-term investments	\$ 40,728	22,269	594	7,925	71,516	66,509
Receivables:						
Employee	-	-	-	-	-	114
Interest and dividends	11	6	-	2	19	7
Total receivables	<u>11</u>	<u>6</u>	<u>-</u>	<u>2</u>	<u>19</u>	<u>121</u>
Total assets	<u>40,739</u>	<u>22,275</u>	<u>594</u>	<u>7,927</u>	<u>71,535</u>	<u>66,630</u>
Net Assets						
Net assets held in trust for other post-employment benefits	\$ <u>40,739</u>	<u>22,275</u>	<u>594</u>	<u>7,927</u>	<u>71,535</u>	<u>66,630</u>

Colorado State University Other Post-Employment Benefits Trust
 Statements of Changes in Plan Net Assets
 as of June 30, 2016
 (Unaudited)
 (Amounts expressed in thousands)

Other Post-Employment Benefits

	DCP Refund	PERA Subsidy	RX Subsidy	LTD Income Replacement	2016 Total	2015 Total
Additions						
Contributions						
Contributions from employer	\$ 4,508	1,968	121	-	6,597	6,399
Contributions from employees	-	-	30	1,410	1,440	1,374
Total contributions	<u>4,508</u>	<u>1,968</u>	<u>151</u>	<u>1,410</u>	<u>8,037</u>	<u>7,773</u>
Investment income						
Interest	82	48	1	17	148	72
	<u>82</u>	<u>48</u>	<u>1</u>	<u>17</u>	<u>148</u>	<u>72</u>
Less investment expense	4	2	-	1	7	7
Net investment income	<u>78</u>	<u>46</u>	<u>1</u>	<u>16</u>	<u>141</u>	<u>65</u>
Total additions	<u>4,586</u>	<u>2,014</u>	<u>152</u>	<u>1,426</u>	<u>8,178</u>	<u>7,838</u>
Deductions						
Benefit payments	775	1,266	68	922	3,031	2,923
Administrative expenses	61	27	71	83	242	159
Total deductions	<u>836</u>	<u>1,293</u>	<u>139</u>	<u>1,005</u>	<u>3,273</u>	<u>3,082</u>
Changes in net assets	3,750	721	13	421	4,905	4,756
Net assets, beginning of year	<u>36,989</u>	<u>21,554</u>	<u>581</u>	<u>7,506</u>	<u>66,630</u>	<u>61,874</u>
Net assets, end of year	<u>\$ 40,739</u>	<u>22,275</u>	<u>594</u>	<u>7,927</u>	<u>71,535</u>	<u>66,630</u>

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