Colorado State University System

Financial Statements and Independent Auditor's Reports

Financial Audit

Years Ended June 30, 2018 and 2017

Compliance Audit

Year Ended June 30, 2018

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FINANCIAL AND COMPLIANCE AUDIT REPORT SECTION

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INDEPENDENT AUDITORS' REPORT

Legislative Audit Committee & Board of Governors

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Colorado State University Foundation (the CSU Foundation) or the financial statements of the Colorado State University Pueblo Foundation (CSU-Pueblo Foundation), which represent 99.78 percent, 99.79 percent, and 97.09 percent, respectively, of the assets, net position, and revenues of the component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the CSU Foundation and the CSU-Pueblo Foundation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the CSU Foundation and the CSU-Pueblo Foundation were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component units, and the fiduciary fund information of the System as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 1, the financial statements of the System, an institution of higher education of the State of Colorado, are intended to present the financial position, the changes in financial position and cash flows of the business-type activities of only the System. Financial results for the State of Colorado are presented in separate state-wide financial statements prepared by the Office of the State Controller and audited by the Office of the State Auditor. Complete financial information for the State of Colorado is available in these state-wide financial statements. Our opinion is not modified with respect to this matter.

Implementation of GASB Statement No. 75

During fiscal year ended June 30, 2018, the System adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* As a result of the implementation of these standards, the System reported a restatement for the change in accounting principle (see Note 20). As of July 1, 2017, the System's net position was restated to reflect the impact of this adoption. Fiscal year 2017 was not restated for this change in accounting principle due to the fact that information was not available to the System to restate net position as of July 1, 2016. Our auditors' opinion was not modified with respect to the restatement.

Other Matters

Predecessor Auditor

The 2017 financial statements of the System were audited by other auditors whose report dated December 1, 2017, expressed an unmodified opinion on those statements.

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2018, on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Greenwood Village, Colorado
December 12, 2018

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, 2018 and 2017. This discussion provides an analysis of the System's financial activities based on currently known facts, decisions, or existing conditions. University management is responsible for the completeness and fairness of this discussion and analysis, the financial statements, and related footnote disclosures.

The System includes Colorado State University (CSU), Colorado State University Pueblo (CSU-Pueblo), and Colorado State University Global Campus (CSU-Global). CSU-Global issued separate audited financial statements for the years ended June 30, 2018 and June 30, 2017.

Understanding the Financial Statements

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

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

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

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

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

Required Supplementary Information (RSI) presents additional information that differs from the basic financial statements in that the auditor applies certain limited procedures in reviewing the information. In this report, RSI includes schedules of the System's proportionate share of the Public Employee's Retirement Association (PERA) net pension liability and contributions to the PERA pension as well as PERA's net Other Postemployment Benefits (OPEB) liability and contributions to PERA Health Care Trust Fund. In addition, the schedules for OPEB include the schedule of changes in the net OPEB liability (asset) with related ratios, employer contributions, and investment returns are provided.

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

Financial Highlights

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

The Colorado State Legislature established spending authority to the System in its annual Long Appropriations Bill (Long Bill). The Long Bill appropriated funds include an amount from the State of Colorado's College Opportunity Fund, and amounts for Student, Mandatory Fees, Western Interstate Commission for Higher Education (WICHE), and Service Fees.

For the fiscal years ended 2018 and 2017, appropriated expenses in the System were within the authorized spending authority. For the fiscal years ended 2018 and 2017, the System had a total appropriation of $599.4 million and $570.6 million, respectively. For the fiscal years ended 2018 and 2017, the System's appropriation from appropriated funds consisted of $43.6 million and $43.3 million, respectively, received from students that qualified for stipends from the College Opportunity Fund, and $95.7 million and $91.2 million, respectively, as state fee for service contract revenue. Starting in fiscal year 2017, the students' share of tuition, became appropriated from cash funds, totaling $460.1 million in fiscal year 2018, and $436.0 million in fiscal year 2017. All other revenues and expenses reported by the System represent non-appropriated funds and are excluded from the annual appropriations bill. Non-appropriated funds include fees, grants and contracts, gifts, indirect cost recoveries, auxiliary revenues and other revenue sources.

The assets and deferred outflows of the System exceeded its liabilities and deferred inflows at June 30, 2018 by $304.5 million (net position). Of this amount, $744.6 million is related to the net investment in capital assets and $57.2 million is restricted for purposes which the donor or grantor or other external party intended. The remaining ($497.3) million is unrestricted. Although unrestricted net position is not externally restricted, it may be internally designated by the System's administration for various purposes. Unrestricted net position continues to be negatively impacted by the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68 – *Accounting and Financial Reporting for Pensions* and GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the amount of $946.3 million and $693.6 million for fiscal years ended June 30, 2018 and 2017, respectively.

The table below demonstrates the changes made due to GASB Statement No. 68 and GASB Statement No. 75 to the System's financial statements for fiscal years ended, June 30, 2018, 2017 and 2016, respectively. Pension expense increased $9.0 million in fiscal year ended June 30, 2016 due to the changes made by PERA to its actuarial assumptions. In fiscal year ended June 30, 2017, pension expense increased $147.2 million, and in fiscal year ended June 30, 2018, pension expense increased $46.9 million. These increases result in a corresponding increase in the net pension liability, and should be compared to the required cash contributions in the fiscal years ended June 30, 2016, 2017, and 2018 of $27.3 million, $28.8 million, and $30.9 million. Other Post Employment Benefit expense recorded in fiscal year ended June 30, 2018 was $6.1 million, with $6.6 million in required contributions.

OPEB Expense Compared to Required Contributions
(Amounts expressed in thousands)

	Year Ended June 30	
	2018	**2017**
OPEB Expense	$ 6,052	9,318
Expense increase from prior year	(3,266)	N/A
Required contributions	6,561	6,439

PERA Pension Expense Compared to Required Contributions
(Amounts expressed in thousands)

	Year Ended June 30		
	2018	**2017**	**2016**
Pension Expense	$ 243,783	196,917	49,709
Expense increase from prior year	46,866	147,208	9,020
Required contributions	30,949	28,826	27,295

Financial Analysis

The Summary of Net Position presents the assets, deferred outflows, liabilities, deferred inflows, and net position of the Colorado State University System for the fiscal years ended June 30, 2018, 2017, and 2016. The System's assets and deferred outflows exceeded liabilities and deferred inflows resulting in a net position at June 30, 2018 and 2017 of $304.5 million, and $415.2 million, respectively. In the fiscal years 2018 and 2017, the deferred outflows of resources and deferred inflows of resources include items related to the PERA pension, whose liability was recorded due to the implementation of GASB Statement No. 68. The University's proportionate share of the net pension liability at the years ended 2018 and 2017, was $1,084.7 million and $992.3 million, respectively. In fiscal year 2018, the System recognized a net OPEB liability of $50.6 million due to the implementation of GASB Statement No. 75. 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.

Summary of Net Position

(Amounts expressed in thousands)

	Year Ended June 30		
	2018	**2017**	**2016 ***
Current assets	$ 673,787	642,754	565,534
Noncurrent assets, including net capital assets of $1,907,410, $1,779,353, and $1,531,228, respectively	2,010,590	1,941,011	1,905,177
Deferred outflows	293,874	353,558	111,971
Total assets and deferred outflows	**2,978,251**	**2,937,323**	**2,582,682**
Current liabilities	203,939	232,453	229,649
Noncurrent liabilities	2,423,552	2,277,525	1,842,966
Deferred inflows	46,255	12,136	14,091
Total liabilities and deferred inflows	**2,673,746**	**2,522,114**	**2,086,706**
Net position:			
Net investment in capital assets	744,575	655,232	624,707
Restricted	57,175	71,097	68,483
Unrestricted	(497,245)	(311,120)	(197,214)
Total net position	**$ 304,505**	**415,209**	**495,976**

* Reclassified

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

The $59.7 million decrease in deferred outflows is mainly due to PERA Pension Changes in assumption.

In fiscal year 2018, total liabilities increased $117.5 million. Current liabilities decreased $28.5 million primarily due to a decrease of $46.6 million in accrued liabilities related to June salaries being paid in June, rather than on the first day of July, as they had been in the past. The System has been following the one day pay date shift implemented by the state, however, the Office of the State Controller informed the University that this no longer applies to the institutions of higher education as of July 1, 2017. This was offset by $10.0 million issuance of commercial paper. Noncurrent liabilities increased $146.0 million. This increase is primarily due to the $143.0 million increase in net pension and net OPEB liabilities due to GASB 68 and GASB 75.

The $34.1 million increase in deferred inflows was mainly due to GASB 68 and 75.

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

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

Summary of Revenues, Expenses and Changes in Net Position

(Amounts expressed in thousands)

		2018	2017*	2016*
Operating revenues	$	1,247,581	1,168,545	1,114,235
Operating expenses		1,526,179	1,375,408	1,180,608
Operating loss		**(278,598)**	**(206,863)**	**(66,373)**
Nonoperating revenues (expenses)		80,862	65,344	79,207
Income (loss) before other revenues (expenses)		**(197,736)**	**(141,519)**	**12,834**
Other revenues		136,112	60,752	37,889
Increase (decrease) in net position		**(61,624)**	**(80,767)**	**50,723**
Net position, beginning of year		415,209	495,976	445,253
Change in accounting principle		(49,080)	-	-
Net position, beginning of year as adjusted		366,129	495,976	445,253
Net position, end of year	**$**	**304,505**	**415,209**	**495,976**

* Reclassified

The System experienced a $278.6 million, $206.9 million, and $66.4 million loss from operations in the fiscal years ended 2018, 2017, and 2016, respectively. The operating loss in 2018 was reduced by net nonoperating and other revenues of $80.9 million.

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

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

	Year Ended June 30		
	2018	**2017***	**2016 ***
Operating revenues:			
Student tuition and fees, net	$ 571,011	545,432	505,158
State fee for service revenue	95,718	91,242	91,723
Grants and contracts	332,802	305,307	291,131
Sales and services of educational activities	42,923	41,497	37,876
Auxiliary enterprises	193,005	175,045	163,533
Other	12,122	10,022	10,928
Total operating revenues	**1,247,581**	**1,168,545**	**1,100,349**
Nonoperating revenues:			
State appropriations	4,568	899	2,144
Gifts	82,624	48,859	48,507
Investment income	3,792	1,072	7,109
Federal nonoperating grants and contracts	45,646	41,736	41,176
Other, net	(14,181)	4,255	5,805
Net nonoperating revenues	**122,449**	**96,821**	**104,741**
Total noncapital revenue	**$ 1,370,030**	**1,265,366**	**1,205,090**

*Reclassified

Fiscal year 2018 System operating revenues increased $79.0 million. This is attributable to increases in several operating revenue sources: tuition and fees increased $25.6 million due to increases in both attendance and tuition and fee rates, grants and contracts increased by $27.5 million due to increases in federal grants, and auxiliary enterprise revenue increased $18.0 million due to increase in auxiliary food sales, rentals, and merchandise. State fee for service, sales and services of educational activities and other operating revenue had a combined increase of $8.0 million. In fiscal year 2017 System operating revenues increased $68.2 million. This is attributable to increases in several operating revenue sources: tuition and fees increased $40.3 million due to increases in both attendance and tuition and fee rates, grants and contracts increased $14.2 million due to increases in federal grants, auxiliary enterprise revenue increased $11.5 million mainly due to rental increases created by increased census, and sales and services of educational activities increased $3.6 million. State fee for service revenue and other operating revenue both reflected slight decreases.

System nonoperating revenues increased $25.6 million and decreased $7.7 million in the fiscal years 2018 and 2017 respectively. The fiscal year 2018 increase is due primarily to a $21.1 million gift in kind of software. The fiscal year 2017 decrease is partially due to the Forest Service State appropriations ending in fiscal year 2016. This reduction was offset by $899 thousand received by CSU-Pueblo for Cannabis research. This research was funded by the Marijuana Tax. The remaining decrease is related to the reduction in investment income due to the large unrealized losses recorded in fiscal year 2017. Federal nonoperating grants and contracts increased $3.9 million in the fiscal year 2018.

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

Capital Revenue
(Amounts expressed in thousands)

	Year Ended June 30		
	2018	**2017 ***	**2016 ***
State capital contributions	$ 61,287	30,183	19,831
Capital grants	4,662	7,181	8,117
Capital gifts	53,045	7,756	10,451
Student facility fees	14,027	14,116	13,886
Total capital revenues	**$ 133,021**	**59,236**	**52,285**

* Reclassified

System other revenues increased $73.8 million and $7.0 million in fiscal year 2018 and 2017, respectively from capital revenue. The $73.8 million increase is related to an increase in state capital contributions and capital gifts. The fiscal year 2018 state capital contributions included $28.3 million reimbursement of expenses for the National Western Center, $15.6 million for the A/Z Health Education Outreach Center, and $7.4 million for the Institute for Biological Translational Therapies and Horse Barn. The capital gifts increase is due to the following gifts: $30.2 million for the C. Wayne Translational Institute, $8.4 million Michael Smith Natural Resources Building, and $5.2 million CSU Medical Center gifts. The $7.0 million increase from fiscal year 2016 to 2017 is related to a $10.4 million increase in state capital contributions offset by decreases in capital grants and capital gifts of $936 thousand and $2.7 million, respectively. The Chemistry Building at CSU received an additional $14.0 million in funding through state capital contributions in fiscal year 2017. In fiscal year 2018 the Student Facility Fee was reclassified to nonoperating revenue from operating revenue. Student Facility Fee was reclassified in fiscal year 2017 and 2016 to be comparable.

Operating Expenses by Functional Category
(Amounts expressed in thousands)

	Year Ended June 30		
	2018	**2017**	**2016 ***
Instruction	$ 428,023	382,657	317,284
Research	250,498	233,438	201,908
Public service	144,128	119,404	102,055
Academic suppport	116,202	105,464	85,541
Student services	74,664	72,518	59,142
Institutional support	96,562	87,361	66,215
Operation and maintenance of plant	101,249	86,429	74,161
Scholarships and fellowships	31,439	30,820	30,188
Auxiliary enterprises	192,588	167,710	149,156
Depreciation	90,826	89,607	94,958
Total operating expenses	**$ 1,526,179**	**1,375,408**	**1,180,608**

* Reclassified

Fiscal year 2018 System operating expenses increased $150.8 million. This is due to increases in the following areas: $45.4 million in instruction, $17.1 million in research, $24.7 million in public service, $10.7 million in academic support, $2.1 million in student services, $9.2 million in institutional support, $14.8 million in operation and maintenance of plant, $619 thousand in scholarships and fellowships, $24.9 million in auxiliary enterprises, and $1.2 million in depreciation. GASB 68 created a $46.9 million increase in pension expense. The System recorded a $6.1 million OPEB expense due to the implementation of GASB 75. The remainder of the increase is mainly related to cost of living increases. These increases are reflected across all functional lines.

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

Capital Assets and Debt Administration

At June 30, 2018 the System had approximately $1.9 billion invested in capital assets, net of accumulated depreciation of $1.0 billion. At June 30, 2017 the System had approximately $1.8 billion invested in capital assets, net of accumulated depreciation of $1.0 billion. At June 30, 2016, the System had approximately $1.5 billion invested in capital assets, net of accumulated depreciation of $951.1 million.

Depreciation charges were $90.8 million, $89.6 million, and $95.0 million for the fiscal years ended June 30, 2018, 2017, and 2016 respectively.

During fiscal year 2018, the System received $61.3 million of state capital contributions for capital construction projects. Of this amount, $59.4 million was for the CSU campus and $1.9 million was for the CSU-Pueblo campus. At CSU, $28.3 million is related to the National Western Center, $15.6 million is related to the A/Z Health Education Outreach Center, $7.4 million is related to the Institute for Biologic Translation Therapies and Horse Barn, and $7.7 million is related to the Chemistry building with the remaining amount related to smaller campus projects. At CSU-Pueblo, $818 thousand is related to the Bartley Boulevard expansion, $514 thousand is related to the modular data center, with the remaining amount related to smaller campus projects.

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

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

	June 30		
	2018	**2017**	**2016**
Land	$ 43,848	37,492	37,492
Land improvements	50,001	41,928	35,209
Buildings and improvements	1,539,372	1,187,177	1,026,612
Leasehold improvements	214	313	987
Equipment and software	78,248	78,213	88,163
Collections	6,000	5,831	5,149
Library materials	6,794	7,177	7,697
Construction in progress	182,933	421,222	329,919
Total capital assets, net	**$ 1,907,410**	**1,779,353**	**1,531,228**

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

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

In fiscal year 2016 capital assets, net increased $222.9 million with the increase attributable to construction in progress. The major construction in progress projects are $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.

The System had capital construction commitments of $80.4 million at June 30, 2018 including $33.0 million for the Translational Therapies & Research Barn, $9.3 million for the Richardson Design Center, $9.0 million for the A/Z Health Education Center Renovation, $8.8 million for the Animal Science JBS Innovation Center, and $4.6 million for the Corbett-Parmalee Dining Center Renovation. The remaining commitments are for smaller projects at the University.

The System had $1.2 billion of debt outstanding for fiscal years ended 2018, 2017 and 2016.

Summary of Debt
(Amounts expressed in thousands)

	June 30		
	2018	**2017**	**2016**
Debt outstanding:			
Commercial paper	$ 10,000	-	-
Revenue bonds, certificates of participation	1,211,120	1,214,755	1,193,743
Capital lease obligations	19,526	17,898	20,228
Total Debt	**$ 1,240,646**	**1,232,653**	**1,213,971**

On January 16, 2018, the University entered into a floating to fixed interest rate Swap Agreement (Swap Agreement) in connection with the 2015D System Enterprise Revenue Bonds. The Swap Agreement was entered into with the objective of protecting against the potential of rising interest rates. The Swap Agreement has a notional value of $66.7 million and a fair value of $654 thousand at June 29, 2018. The change in fair value of the Swap Agreement of $654 thousand is recorded as long-term asset and deferred inflow. The Swap Agreement has an effective date of July 1, 2019 and a termination date of March 1, 2047.

In accordance with accounting standards, the System is required to separately disclose the change in the fair market value of the interest rate swap in the Statement of Net Position in the section labeled Deferred Outflows or Deferred Inflows, depending on the change in the fair market value. As of June 30, 2018, the outstanding swap had a fair market value of $654 thousand.

In fiscal year 2018, the System issued $117.6 million in System Enterprise Revenue Refunding Bonds, Series 2017 A, B. The proceeds of Series 2017 A were used to advance refund a portion of the Board's System Enterprise Revenue Bonds, Series 2012 A and pay costs of issuing the Series 2017 A Bonds. The proceeds of Series 2017 B were used to advance refund a portion of the Board's System Enterprise Revenue Bonds, Series 2013 C and pay the costs of issuing the Series 2017 B Bonds. Series 2017 A bears a 2-5 percent interest rate and matures in March 2044, Series 2017 B bears a 2-5 percent interest rate and matures in March 2044.

In fiscal year 2018, the System issued $204.7 million in System Enterprise Revenue Refunding Bonds, Series 2017 C, D. The proceeds of series 2017 C, D were used for the purposes of financing the payment and discharge of all or a portion of certain bonds outstanding under the Master Resolution; and paying certain costs relating to the issuance of the Series 2017 C, D Bonds. Series 2017 C bears a 2.5-5 percent interest rate and matures in March 2047, Series 2017 D bears a 2-5 percent interest rate and matures in March 2039.

In fiscal year 2018, the System issued $55.5 million in System Enterprise Revenue Refunding Bonds, Series 2017 E, F. The proceeds of series 2017 E, F were used for the purposes of financing the payment and discharge of a portion of certain bonds outstanding under the Master Resolution; and paying certain costs relating to the issuance of the Series 2017 E, F Bonds. Series 2017 E bears a 2-5 percent interest rate and matures in March 2043, Series 2017 F bears a 2-5 percent interest rate and matures in March 2045.

In fiscal year 2018, the System was authorized to issue a maximum aggregate of $50.0 million in Commercial Paper Notes, Series A (tax-exempt), B (taxable). Of the $50.0 million authorized, the System issued $10.0 million in Commercial Paper Notes, Series A. The proceeds of series A (tax-exempt), B (taxable) were used to finance certain projects, as determined by the Board, including but not limited to: the construction, acquisition, renovation, improvement and equipping of the Michael Smith Natural Resources Building in Fort Collins; the Richardson Design Center in Fort Collins; the Institute for Biological and Translational Therapies in Fort

Collins; the JBS Global Food Innovation Center in Honor of Gary and Kay Smith in Fort Collins; the Residence and Dining Corbett remodel project; and the Western Slope CVMBS/Extension Project; any other improvements to any of the campuses for which the Board has spending authority; and such other capital projects as may be designated by the Board. Series A (tax-exempt) and Series B (taxable) bear an interest rate based on a 365/366-day year and actual number of days elapsed and shall mature on a business day within a period not exceeding 270 days from its respective date of issue, but in no event later than March 1, 2037.

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

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

Net proceeds of the above mentioned Series 2017 A, B, Series 2017 C, D, and Series 2017 E, F and previous Series 2016 B, Series 2015 C and Series 2013 A, B were placed in an escrow account to purchase U.S. Treasury Securities. The principal and interest from the U.S. Treasury Securities is being used to repay the refunded bonds which are considered to be defeased. The Escrow Agent will pay the debt service requirements on each of the remaining refunded bonds. Details of each of the outstanding bonds that were partially or fully refunded by these refunding bonds is listed below.

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 2013B	Series 2007 C	$ 7,985	N/A	N/A	N/A
Series 2013A, 2015C	Series 2009 A	51,855	3/1/2019	54,615	100
Series 2017A	Series 2012A	102,125	3/1/2022	102,125	100
Series 2017B, 2017D	Series 2013C	18,610	3/1/2023	18,610	100
Series 2017C	Series 2013E	117,870	3/1/2025	117,870	100
Series 2017D, 2017F	Series 2015A	26,675	3/1/2025	26,675	100
Series 2017C, 2017E	Series 2015E-1	65,130	3/1/2025	65,130	100
Series 2017C	Series 2015E-2	30,335	3/1/2025	30,335	100

Economic Outlook/Future of the Colorado State University System

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

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

The Colorado State University System is authorized to receive $103.7 million in fee for service contract revenue and $47.9 million in student stipends in fiscal year 2019. The $151.6 million of anticipated fiscal year 2019 state support represents a $4.3 million increase in student stipends and an $8.0 million increase in fee for service, for a net $12.3 million increase in state support.

The State General Fund revenue is projected on a quarterly basis by the Governor's Office of State Planning and Budgeting. The most recent projection (June 2018) estimates that revenue will exceed the amount required to maintain the same level of appropriations in fiscal year 2018-2019 as is currently budgeted for fiscal year 2017-2018 by $1.2 billion, or 11.7 percent. The State's overall budgetary situation remains governed by the three constitutional budgetary provisions: The Taxpayer Bill of Rights (TABOR), the Gallagher Amendment on property taxes, and Amendment 23 requiring specified amounts in state support for K12 Education. The budgetary situation for higher education has changed with the implementation of the College Opportunity Fund in fiscal year 2006. As a result of legislation adopted in the 2004 session (S.B. 04-189), the State no longer provides direct State General Fund appropriation to the governing boards. Instead, the State provides stipends to qualified, resident undergraduate students, and institutions receive fee for service contracts from the Colorado Commission on Higher Education for the provision of other educational services. Finally, S.B. 04-189 also allows institutions of higher education to become TABOR enterprises through this new funding mechanism. Enterprise status eliminates institutional cash funds, such as tuition, from counting against the state's TABOR limitation. As a result of S.B. 04-189, the Colorado State University System became a qualified Tabor enterprise.

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

Total full time equivalent enrollment at the System for fiscal year ended 2018 was 38,357. This includes 26,179 at CSU, 3,674 at CSU-Pueblo, and 8,504 enrolled at CSU-Global. Compared to fiscal year ended 2017, CSU enrollment remained steady. CSU-Pueblo enrollment dropped by 5.4 percent, and CSU-Global saw total enrollment grow 1.7 percent from fiscal year ended 2017. Total enrollment at the System is anticipated to increase 8.6 percent in fiscal year 2019. This includes a 1.4 percent increase at CSU, a 5.8 percent decrease at CSU-Pueblo, and a 13 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, 2018 and 2017 (in thousands)

	2018		2017*	
	University	*Component Units*	*University*	*Component Units*
Assets and Deferred Outflows of Resources				
Current Assets				
Cash and cash equivalents (Note 4)	$ 511,993	3,385	516,194	6,025
Student accounts receivable, net (Note 6)	40,004	-	37,103	-
Grant and other accounts receivable, net (Note 6)	99,490	62,836	68,728	81,235
Student loans receivable, net (Note 6)	3,439	-	3,304	-
Inventories	9,580	-	9,235	-
Other assets	9,281	417	8,190	1,332
Total Current Assets	**673,787**	**66,638**	**642,754**	**88,592**
Noncurrent Assets				
Restricted cash and cash equivalents (Note 4)	44,738	-	99,871	-
Investments, restricted and unrestricted (Note 5)	27,763	527,202	26,435	532,407
Student loans receivable, net (Note 6)	20,562	-	21,675	-
Other assets	654	3,302	13,677	697
Capital assets, net (Note 7)	1,907,410	172	1,779,353	160
Net OPEB assets (Note 20)	9,463	-	-	-
Total Noncurrent Assets	**2,010,590**	**530,676**	**1,941,011**	**533,264**
Total Assets	**$ 2,684,377**	**597,314**	**2,583,765**	**621,856**
Deferred Outflows of Resources:				
Deferred outflows-debt refundings	$ 68,709	-	43,123	-
Deferred outflows-pensions (Note 18)	221,978	-	310,435	-
Deferred outflows-OPEBs (Note 20)	3,187	-	-	-
Total Deferred Outflows of Resources	**293,874**	**-**	**353,558**	**-**
Total Assets and Deferred Outflows of Resources	**$ 2,978,251**	**597,314**	**2,937,323**	**621,856**
Liabilities and Deferred Inflows of Resources				
Current Liabilities				
Accounts payable	$ 66,414	5,215	74,683	6,027
Accrued liabilities (Note 8)	35,686	189	78,841	178
Unearned revenue	47,228	-	40,031	-
Deposits held for others	7,127	-	6,914	-
Commercial paper (Note 9)	10,000	-	-	-
Bonds, certificates of participation, and capital leases payable (Note 11, 14)	28,600	-	27,471	-
Other liabilities	5,600	48	1,526	100
Compensated absences liabilities (Note 21)	3,284	-	2,987	-
Total Current Liabilities	**$ 203,939**	**5,452**	**232,453**	**6,305**

*Reclassified

COLORADO STATE UNIVERSITY SYSTEM

Statements of Net Position

June 30, 2018 and 2017 (in thousands)

	2018		2017*	
	University	*Component Units*	*University*	*Component Units*
Noncurrent Liabilities				
Bonds, certificates of participation, and capital leases payable (Note 11, 14)	$ 1,202,046	-	1,205,182	-
Deposits held for others	19,382	13,596	19,382	13,572
Other liabilities	17,109	3,285	5,636	977
Compensated absences liabilities (Note 21)	49,659	-	54,989	-
Net pension liabilities (Note 18)	1,084,746	-	992,336	-
Net OPEB liabilities (Note 20)	50,610	-	-	-
Total Noncurrent Liabilities	**2,423,552**	**16,881**	**2,277,525**	**14,549**
Total Liabilities	**$ 2,627,491**	**22,333**	**2,509,978**	**20,854**
Deferred Inflows of Resources				
Deferred inflows-other	$ 674	-	442	-
Deferred inflows-pensions (Note 18)	43,636	-	11,694	-
Deferred inflows-OPEBs (Note 20)	1,945	-	-	-
Total Deferred Inflows of Resources	**46,255**		**12,136**	
Total Liabilities and Deferred Inflows of Resources	**$ 2,673,746**	**22,333**	**2,522,114**	**20,854**
Net Position				
Net investment in capital assets	$ 744,575	-	655,232	-
Restricted for nonexpendable purposes (Note 16)	27,296	245,843	26,709	228,753
Restricted for expendable purposes (Note 16)	29,879	286,176	44,388	334,193
Unrestricted	(497,245)	42,962	(311,120)	38,056
Total Net Position	**$ 304,505**	**574,981**	**415,209**	**601,002**

*Reclassified

See accompanying notes to basic financial statements.

COLORADO STATE UNIVERSITY OTHER POSTEMPLOYMENT BENEFITS TRUST

Statement of Fiduciary Net Position

As of June 30, 2018 and 2017

(Amounts expressed in thousands)

		2018	2017
Assets			
Cash and deposits	$	11,257	1,534
Receivables:			
Contributions		-	2
Investment income		3	12
Total receivables		3	14
Investments:			
Domestic equities		11,139	10,976
International equities		9,543	9,055
Fixed income		21,677	34,016
Private equity		2,051	-
Alternative investments		21,608	19,126
Real estate		4,076	3,800
Total investments		70,094	76,973
Total Assets	**$**	**81,354**	**78,521**
Liabilities			
Payables:			
Bank trustee and administration fees		7	9
Benefits payable to members		76	144
Total Liabilities	**$**	**83**	**153**
Net Position Restricted for Postemployment Benefits Other Than Pensions	**$**	**81,271**	**78,368**

COLORADO STATE UNIVERSITY SYSTEM

Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2018 and 2017 (in thousands)

	2018		2017*	
	University	*Component Units*	*University*	*Component Units*
Operating Revenues				
Student tuition and fees (including $79,043 and $74,949 of revenues pledged for bonds in 2018 and 2017, respectively, and net of scholarship allowances of $124,683 and $117,566 for 2018 and 2017, respectively) (Note 13, 23)	$ 571,011	-	545,432	-
State fee for service revenue (Note 25)	95,718	-	91,242	-
Grants and contracts (including $55,292 and $49,256 of revenues pledged for bonds in 2018 and 2017, respectively) (Note 13)	332,802	-	305,307	-
Sales and services of educational activities	42,923	-	41,497	-
Auxiliary enterprises (including $150,476 and $141,667 of revenues pledged for bonds in 2018 and 2017, respectively, and net of scholarship allowances of of $4,306 and $4,427 for 2018 and 2017, respectively) (Note 13, 23)	193,005	-	175,045	-
Contributions		58,636		111,011
Other revenues (expenses)	12,122	3,192	10,022	2,174
Total Operating Revenues	**1,247,581**	**61,828**	**1,168,545**	**113,185**
Operating Expenses				
Instruction	428,023	-	382,657	-
Research	250,498	-	233,438	-
Public service	144,128	-	119,404	-
Academic support	116,202	-	105,464	-
Student services	74,664	-	72,518	-
Institutional support	96,562	122,608	87,361	58,695
Operation and maintenance of plant	101,249	-	86,429	-
Scholarships and fellowships	31,439	-	30,820	-
Auxiliary enterprises	192,588	-	167,710	-
Depreciation (Note 7)	90,826	17	89,607	19
Total Operating Expenses	**1,526,179**	**122,625**	**1,375,408**	**58,714**
Operating Income (Loss)	**$ (278,598)**	**(60,797)**	**(206,863)**	**54,471**

*Reclassified

COLORADO STATE UNIVERSITY SYSTEM

Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2018 and 2017 (in thousands)

		2018		2017*	
		University	*Component Units*	*University*	*Component Units*
Nonoperating Revenues (Expenses)					
State appropriations	$	4,568	-	899	-
Gifts		82,624	-	48,859	-
Investment income (including $1,830 and $1,284 revenues				-	-
pledged for bonds in 2018 and 2017, respectively) (Note 13)		3,792	34,778	1,072	55,140
Interest expense on capital debt		(41,587)	-	(31,477)	-
Federal nonoperating grants and contracts (including $1,597 and		45,646	-	41,736	-
$1,593 revenues pledged for bonds in 2018 and 2017, respectively) (Note 13)				-	-
Other revenues (expenses)		(14,181)	(2)	4,255	(348)
Total Nonoperating Revenues (Expenses)		**80,862**	**34,776**	**65,344**	**54,792**
Income (Loss) before Other Revenues		**(197,736)**	**(26,021)**	**(141,519)**	**109,263**
Other Revenues					
Student facility fees (including $16,177 and $16,287 of revenues pledged for bonds in 2018 and 2017, respectively, and net of scholarship allowances of $4,220 and $4,234 for 2018 and 2017, respectively) (Note 13, 23)		14,027	-	14,116	-
State capital contributions		61,287	-	30,183	-
Capital grants		4,662	-	7,181	-
Capital gifts		53,045	-	7,756	-
Payments from governing boards or other institutions		2,504	-	228	-
Additions to permanent endowments		587	-	1,288	-
Total Other Revenues		**136,112**		**60,752**	
Change in net position		(61,624)	(26,021)	(80,767)	109,263
Net position, beginning of year		415,209	601,002	495,976	491,739
Adjustment for change in accounting principle (Note 20)		(49,080)			
Net position, beginning of year		366,129	601,002	495,976	491,739
Net Position, End of Year	**$**	**304,505**	**574,981**	**415,209**	**601,002**

*Reclassified

See accompanying notes to basic financial statements.

COLORADO STATE UNIVERSITY OTHER POSTEMPLOYMENT BENEFITS TRUST

Statement of Changes in Fiduciary Net Position

For the year ended June 30, 2018

(Amounts expressed in thousands)

		2018	2017
Additions			
Employer contributions	$	2,175	6,292
Employee/Member contributions		1,577	1,501
Total contributions		3,752	7,793
Investment income:			
Net increase in fair value of investments		1,204	2,081
Interest and dividends		1,867	576
Less investment expense		(242)	(90)
Net investment income		2,829	2,567
Total Additions	**$**	**6,581**	**10,360**
Deductions			
Benefit payments		3,519	3,231
Administrative expense		159	296
Total Deductions	**$**	**3,678**	**3,527**
Net Increase in Net Position	**$**	**2,903**	**6,833**
Net Position Restricted for Postemployment Benefits Other Than Pensions			
Beginning of year		78,368	71,535
End of Year	**$**	**81,271**	**78,368**

COLORADO STATE UNIVERSITY SYSTEM

Statements of Cash Flows

Years ended June 30, 2018 and 2017

(Amounts expressed in thousands)

		2018	2017*
		University	
Cash Flows from Operating Activities			
Cash received:			
Tuition and fees	$	570,592	547,732
Student loans collected		5,424	5,418
Sales of products		25,029	22,803
Sales of services		212,542	194,184
State fee for service revenue		95,718	91,242
Grants and contracts		310,280	294,804
Other operating receipts		12,204	9,273
Cash payments:			
Scholarships disbursed		(27,883)	(26,920)
Student loans disbursed		(3,528)	(5,833)
Payments to employees		(905,294)	(803,538)
Payments to suppliers		(308,273)	(286,227)
Net Cash Provided by (Used in) Operating Activities		**(13,189)**	**42,938**
Cash Flows from Noncapital Financing Activities			
State appropriations - noncapital		4,568	899
Gifts and grants for other than capital purposes		60,849	41,732
Agency (direct lending inflows)		294,689	284,254
Agency (direct lending outflows)		(294,709)	(284,254)
Other agency inflows		78,577	71,182
Other agency (outflows)		(79,022)	(70,771)
Payments from governing boards or other institutions		2,686	946
Other nonoperating revenues		50,879	49,803
Net Cash Provided by Noncapital Financing Activities		**118,517**	**93,791**
Cash Flows from Capital and Related Financing Activities			
Proceeds from capital debt		10,858	49,059
State appropriations - capital		61,287	30,183
Capital grants, contracts, and gifts		56,663	12,018
Proceeds from sale of capital assets		522	-
Acquisition and construction of capital assets		(218,235)	(303,648)
Principal paid on capital debt		(32,370)	(28,046)
Interest on capital debt		(46,961)	(50,457)
Net Cash Used in Capital and Related Financing Activities	**$**	**(168,236)**	**(290,891)**

*Reclassified

COLORADO STATE UNIVERSITY SYSTEM

Statements of Cash Flows

Years ended June 30, 2018 and 2017

(Amounts expressed in thousands)

		2018	2017*
		University	
Cash flows from Investing Activities			
Proceeds from sale and maturities of investments	$	12,987	21,034
Purchase of investments		(13,459)	(21,603)
Investment earnings		4,046	(154)
Net Cash Provided by (Used in) Investing Activities		**3,574**	**(723)**
Net Decrease in Cash and Cash Equivalents		**(59,334)**	**(154,885)**
Cash and cash equivalents		516,194	453,556
Restricted cash and cash equivalents		99,871	317,394
Cash and Cash Equivalents, Beginning of the Year		**616,065**	**770,950**
Cash and cash equivalents		511,993	516,194
Restricted cash and cash equivalents		44,738	99,871
Cash and Cash Equivalents, End of the Year	**$**	**556,731**	**616,065**
Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities			
Operating loss	$	(278,598)	(206,863)
Adjustments:			
Depreciation expense		90,826	89,607
Noncash operating transactions		5,816	2,339
Decrease (increase) in assets:			
Receivables, net		(24,820)	(11,655)
Inventories and prepaids		12,241	(3,074)
Net OPEB assets		(19,471)	-
Deferred outflows pensions/OPEB		85,588	(244,057)
Increase (decrease) in liabilities:			
Accounts payable		2,354	(4,021)
Accrued liabilities		(42,810)	1,390
Unearned revenue		7,197	5,021
Deposits held for others		985	776
Compensated absences liabilities		(5,033)	2,541
Net pension/OPEB liabilitities		103,504	413,937
Deferred inflows pensions/OPEB		33,887	(1,955)
Other liabilities		15,145	(1,048)
Net Cash Provided by (Used in) Operating Activities	**$**	**(13,189)**	**42,938**

*Reclassified

COLORADO STATE UNIVERSITY SYSTEM

Statements of Cash Flows

Years ended June 30, 2018 and 2017

(Amounts expressed in thousands)

		2018	2017*
		University	
Noncash Transactions			
Noncash gifts	$	23,847	5,773
Noncash capital leases		5,048	1,985
Noncash additions to investments held by Foundation		24	563
Unrealized gains (losses) on investments		(5,798)	(5,130)
Capitalized interest		2,049	15,722
Capital debt refinanced, gain/loss		28,934	547
Noncash bond issuance costs		1,147	158
Amortization of bond premium		4,515	3,925
Amortization of bond issuance costs		51	15
Retainage payable		(6,492)	4,179
Amortization of bond refunding		(3,348)	(2,699)

*Reclassified

See accompanying notes to basic financial statements.

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(1) Governance and Reporting Entity

(a) Governance

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

(b) Reporting Entity

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

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

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, 2018 and 2017.

(c) Discretely Presented Component Units

The System follows Governmental Accounting Standards Board (GASB) Statement No. 39, as amended by GASB 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 nonprofit entity to support the System in accordance with Colorado law as authorized by the Board. The CSUS Foundation was created to accept transfers of intellectual property of the System, which in turn is then licensed to a wholly owned private corporate subsidiary, Beyond Campus Innovations (the Corporation), of the CSUS Foundation in exchange for ownership of the Corporation and a share of the revenues of the Corporation. The CSUS Foundation will distribute monies or make grants to the System in accordance with the rules and regulations of the internal revenue code. Uses of these distributions include funding innovation and System initiatives, investment in new technology for the benefit of the System, improvement of access and affordability for students of the System, and other purposes as determined by the Board.

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

The source of the CSUS Foundation's revenue is distributions from the Corporation. The sources for the Corporation's revenue are management services, applicant advising, and curriculum development. For the fiscal years ended June 30, 2018 and 2017, net income was $368 thousand and $352 thousand, respectively.

The CSU Foundation

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

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

The major source for the CSU Foundation's revenue is contributions. For the fiscal years ended June 30, 2018 and 2017, respectively, gifts were $66.3 million and $108.1 million. Included in Total Support and Revenue is net investment income. The CSU Foundation had net investment income for the fiscal years ended June 30, 2018 and 2017 of $31.3 million and $51.2 million, respectively. The Total Support and Revenue at June 30, 2018 and 2017 was $97.7 million and $159.7 million, respectively.

The support provided by the CSU Foundation to CSU is intended to assist in the promotion, development, and enhancement of the facilities, and educational programs and opportunities of the faculty, students, and alumni of CSU. Additionally, the CSU Foundation provides receipts to contributors and invests philanthropic gifts. Approximately $112.6 million and $49.0 million was transferred to CSU for the fiscal years ended June 30, 2018 and 2017, respectively, in pursuit of the above stated objectives.

Endowments and the related expendable accounts of CSU are held by the CSU Foundation for investment safekeeping. As of June 30, 2018 and 2017, these funds amounted to $13.6 million for both years, and are reported as deposits held in custody for CSU in the financial statements of the CSU Foundation.

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

The CSU-Pueblo Foundation

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

The CSU-Pueblo Foundation's major sources of revenue are contributions and fundraising revenues, dividends and interest, and gains/losses on marketable securities for the fiscal year ending June 30, 2018. The Total Revenue and Support at June 30, 2018 and 2017 was $5.9 million and $8.6 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 $3.9 million and $5.4 million in transfers of gifts and other assets to CSU-Pueblo during fiscal years ended June 30, 2018 and 2017, respectively, in pursuit of the above stated objectives.

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

(d) Other Postemployment Benefits Trust

The Colorado State University Other Postemployment Benefits Trust (Trust) was established June 27, 2014, as a single-employer other postemployment benefits (OPEB) plan, for the purpose of accumulating and investing assets to fund certain post-retirement medical benefits for retirees and disability income replacement for employees of CSU. The Trust, which is an entity separate from the University operations, is for the exclusive purpose of providing funds to pay benefits and for paying expenses of administering the Trust.

The Colorado State University OPEB Trust Administration Committee (Administration Committee) serves as the Trust Administrator, and a Trustee, First National Bank, has the authority over the management, disposition and investment of Trust assets, as defined in the Trust Agreement. Members of the Administration Committee consist of the University's Chief Total Rewards Officer, the University's Chief Financial Officer, the University's Controller, the Colorado State University System's Treasurer, and the Associate Vice President for Human Capital, and any at-large members that may be appointed by the Administration Committee.

(2) Basis of Presentation

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

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

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

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

(a) Cash and Cash Equivalents

Cash and cash equivalents are defined as cash-on-hand, demand deposits, certificates of deposit with financial institutions, pooled cash with the State Treasurer, and all highly liquid investments with an original maturity when purchased of three months or less. The System held no investments with an original maturity when purchased of three months or less for the fiscal years ended June 30, 2018 and 2017, respectively.

(b) Investments

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

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

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

(c) Inventories

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

(d) Restricted Cash and Cash Equivalents and Restricted Investments

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

(e) Capital Assets

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

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

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

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

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

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

The System evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Capital assets are generally considered impaired if a decline in service utility occurs, the impairment is material, and the event or change in circumstance is outside the normal life cycle of the capital asset. Impaired capital assets that will no longer be used by the System are reported at the lower of carrying value or fair value. Impairment losses on capital assets that will continue to be used by the System are measured using the method that best reflects the diminished service utility of the capital asset. If evidence is available to demonstrate that impairment will be temporary, the capital asset is not written down. There were no material impairments of capital assets for fiscal years ended June 30, 2018 and 2017.

(f) Deferred Outflows and Inflows of Resources

With the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the System now carries a deferred outflow of resources related to the loss on bond refundings as well as the fair value of the System's Swap Agreement. For refundings resulting in defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is reported on the Statements of Net Position and amortized as a component of interest expense over the lesser of the remaining life of the old debt or the life of the new debt. With the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment to GASB Statement No. 27,* the System now carries a deferred outflow of resources and deferred inflow of resources related to pensions. With the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* the System now carries a deferred outflow of resources and deferred inflow of resources related to OPEB. As applicable, the difference between expected and actual experiences, the difference between projected and actual earnings on pension or OPEB plan investments, the impact on the net pension liability, net OPEB liability, or net OPEB asset resulting from changes in plan related assumptions, the changes in the University's proportionate share of the net pension or OPEB liability, the difference between the proportionate share of the collective contributions and the actual contributions, and contributions paid to PERA and the Trust subsequent to the plan's measurement date are all reported on the Statements of Net Position in relation to a net pension liability, net OPEB liability, or net OPEB asset. All of the above mentioned deferrals are amortized as a component of pension and OPEB expense over varying amounts of time with the exception of contributions paid to PERA and the Trust subsequent to the plan's measurement date which are a component of pension and OPEB expense in the current year. In addition, with the implementation of GASB Statement No. 65, the System now carries a deferred inflow of resources related to sponsored program nonexchange transactions.

(g) Compensated Absences Liabilities

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

(h) Net Position

Net position of the System is classified as follows:

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

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

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

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

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

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

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

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

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

(i) Classification of Revenues

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

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

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

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

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

(j) Summer Session Revenue and Related Expenses

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

(k) Application of Restricted and Unrestricted Resources

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

(l) Use of Estimates

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

(m) Reclassifications

Certain balances in 2017 have been reclassified to conform to the presentation in 2018. Student facility fees have been reclassified as nonoperating revenue and are reported separately in the Other revenues section of the Statements of Revenues, Expenses, and Changes in Net Position. In total, $14.1 million of Student facility fee, net of scholarship allowances has been reclassified from Student tuition and fees to Other revenues.

(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, 2018, the System had cash on deposit with the State Treasurer of $496.4 million which represented approximately 6.5 percent of the total $7.6 billion fair value of investments in the State Treasurer's Pool (Pool). As of June 30, 2017, the System had cash on deposit with the State Treasurer of $576.7 million which represented approximately 8.5 percent of the total $6.8 billion fair value of deposits in the Pool.

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

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, 2018 and 2017 was approximately $8.3 million and $6.9 million, respectively. These amounts reflect increases in cash and cash equivalents and increases or decreases in investment income as a result of recording unrealized gains or losses on deposits with the State Treasurer. The System reflected an unrealized loss on cash and cash equivalents on deposit with the State Treasurer for the fiscal years ended June 30, 2018 and 2017 of $6.1 million and $253 thousand, respectively. The unrealized loss on investment income for the fiscal year ended June 30, 2018 was $5.8 million and the unrealized loss on investment income for the fiscal year ended June 30, 2017 was $5.1 million.

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

At June 30, 2018 and 2017, the System's book value of cash not on deposit with the State Treasurer was $60.3 million and $39.4 million, respectively. Cash included petty cash/change funds and bank account balances of $115 thousand and $60.2 million as of June 30, 2018 and $117 thousand and $39.3 million as of June 30, 2017, respectively. Bank account balances per the bank at June 30, 2018 and 2017 were $68.5 million and $46.8 million, respectively. Of the June 30, 2018 deposits, $764 thousand were covered by depository insurance and were not exposed to custodial credit risk, and the remaining $67.7 million were collateralized with securities held by the pledging institution's trust department or agent in the System's name. Of the June 30, 2017 deposits, $765 thousand were covered by depository insurance and were not exposed to custodial credit risk, and the remaining $46.0 million were collateralized with securities held by the pledging institution's trust department or agent in the System's name.

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

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

As of June 30, 2018, the System had not yet withdrawn funds from the State Treasurer's investment pool to begin investing in its own treasury investment pool. In July 2018, the System withdrew $115.0 million and withdrew an additional $55.0 million each in August, September, and October 2018 for a total of $280.0 million in fiscal year 2019.

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, 2018.

Other Postemployment Benefits Trust – Cash and deposits for the Trust as of June 30, 2018 and 2017 was $11.3 million and $1.5 million, respectively.

(5) Restricted Investments, Swap Agreement and OPEB

As of June 30, 2018 and 2017, the System's restricted investments had a fair value of $27.1 million and $26.4 million, respectively. As of June 30, 2018, the System had an interest rate Swap Agreement with a fair market value of $654 thousand. Investment earnings/losses consist of land fund interest and income/loss from investments held by the CSU Foundation. For the fiscal years ended June 30, 2018 and 2017 there was an investment gain of $202 thousand and $618 thousand, respectively.

Treasury Bills purchased on April 27, 2017, with a par value of $13.0 million matured and were reinvested on April 26, 2018. 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

(Amounts expressed in thousands)

CSU Foundation. The System participated in a floating to fixed interest rate swap in order to protect against the potential of rising interest rates.

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, 2018.

The following details each major category of the System's investments at fair value as of June 30, 2018 and 2017:

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

	June 30, 2017			
	Level 1	**Level 2**	**Level 3**	**Total**
U.S. Treasury obligations	$ 12,862	-	-	12,862
Interest in investments held by CSU Foundation:				
Alternative investments	-	-	13,573	13,573
Total investments	**$ 12,862**	**-**	**13,573**	**26,435**

(Amounts expressed in thousands)

(a) Interest Rate Risk

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

Type of Investment		Fair Value	Weighted Average Maturity (in years)
U.S. Treasury obligations	$	13,513	0.83
Investments subject to interest rate risk	$	13,513	

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

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

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, 2018, investments consisted of various securities carried at fair market value as determined by quoted market prices on national exchanges. Some categories, including Alternative investments are valued at the net asset value (NAV) provided by the investment manager. This NAV is computed based on dealer quotations on the fair market value of underlying securities, the vast majority of which are traded on national exchanges. The following details each major category of investments and their related fair market value:

(Amounts expressed in thousands)

	Market	Student Funds	Adjusted Market		DHIC
Public equities					
U.S. Equities	$ 92,377		92,377	18.94%	2,576
International equities	41,307		41,307	8.47%	1,152
Emerging market equities	19,504		19,504	4.00%	544
Global equities	100,041		100,041	20.51%	2,789
Fixed income	63,718		63,718	13.07%	1,776
Other/Global asset allocation	20,361		20,361	4.18%	568
Alternatives					
Hedge funds	42,768		42,768	8.77%	1,192
Private markets	75,971		75,971	15.58%	2,118
Opportunistic investments	10,539		10,539	2.16%	294
Short duration	15,293		15,293	3.14%	426
Student-managed investments	1,106	(1,106)	-	0.00%	-
Cash	5,771		5,771	1.18%	161
Total investments	**$ 488,756**	**(1,106)**	**487,650**	**100.00%**	**13,596**

(Amounts expressed in thousands)

Investment in Certain Entities that Calculate Net Asset Value per Share

Fund Description		June 30, 2018 Fair Value	June 30, 2017 Fair Value	June 30, 2018 Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Public equities (a)	$	133,669	107,460	-	Daily, semi-monthly, monthly, quarterly	5-30 days
Fixed income (b)		28,342	28,100	-	Daily	1 day
Hedge funds (multi-strategy) (c)		29,919	34,452	-	N/A, quarterly	45-90 days
Hedge Funds (long/short) (d)		12,849	26,494	-	N/A, quarterly, annually	N/A, 45-60 days*
Private equity (e)		40,692	34,396	43,727	N/A	N/A
Private debt (f)		30,135	18,969	29,275	N/A, quarterly	N/A, 90 days*
Venture capital (g)		5,144	2,375	11,354	N/A	N/A
Opportunistic investments (h)		10,539	-	-	Monthly	30 days
Total	**$**	**291,289**	**252,246**	**84,356**		

*after three year lock-up

(Amounts expressed in thousands)

The following details each major category of the CSU Foundation's investments at fair value as of June 30, 2018 and 2017:

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

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

(Amounts expressed in thousands)

Net investment income of the CSU Foundation consisted of the following for the fiscal years ended June 30, 2018 and 2017:

		June 30	
		2018	**2017**
Interest, dividends, and other income	$	7,201	5,849
Net unrealized and realized gain on investments		29,608	51,429
Less investment management fees		(4,818)	(4,720)
		31,991	52,558
Less net investment income on deposits held in custody for CSU		(679)	(1,354)
Total	**$**	**31,312**	**51,204**

The following details each major category of the CSU-Pueblo Foundation's investments at fair value for the fiscal years ended June 30, 2018 and 2017:

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

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

(Amounts expressed in thousands)

Net investment income of the CSU-Pueblo Foundation consisted of the following for the fiscal years ended June 30, 2018 and 2017:

	June 30, 2018			
		Unrestricted	Temporarily Restricted	Total
Dividend income	$	230	1,702	1,932
Interest income		1	3	4
Realized gain - securities		5	38	43
Unrealized gain		177	1,310	1,487
Total investment income	**$**	**413**	**3,053**	**3,466**

	June 30, 2017			
		Unrestricted	Temporarily Restricted	Total
Dividend income	$	233	980	1,213
Interest income		-	2	2
Realized gain - securities		24	101	125
Unrealized gain		511	2,147	2,658
Total investment income	**$**	**768**	**3,230**	**3,998**

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

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

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

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

(Amounts expressed in thousands)

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

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

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

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

(Amounts expressed in thousands)

The following details the Standard & Poor's quality ratings of the fixed income assets of the Trust as of June 30, 2018 and 2017. Certain fixed income investments of the Trust are invested in a bond mutual fund and therefore not included in the disclosure below.

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

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

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

		June 30, 2018		
		Fair Value Amount	**Weighted Average Maturity (in years)**	**Percent of Fixed Income Assets**
U.S. government securities	$	2,829	2.6	13.1%
U.S. government agencies		7,326	2.2	33.8%
Corporate bonds		9,744	2.7	44.9%
Municipal bonds		1,001	0.2	4.6%
Asset backed securities		777	0.1	3.6%
Total	**$**	**21,677**		**100.0%**

(Amounts expressed in thousands)

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

	June 30, 2017		
	Fair Value Amount	**Weighted Average Maturity (in years)**	**Percent of Fixed Income Assets**
U.S. government securities	$ 15,688	6.6	46.1%
Corporate bonds	10,918	2.0	32.1%
Asset backed securities	4,968	0.9	14.6%
Bond mutual funds	2,442		7.2%
Total	**$ 34,016**		**100.0%**

(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	
		2018	**2017 ***
Student accounts receivable:	$	56,219	52,236
Less allowance for doubtful accounts		(16,215)	(15,133)
Student accounts receivable, net	**$**	**40,004**	**37,103**
Student loans receivable:	$	28,437	33,046
Less allowance for doubtful accounts		(4,436)	(8,067)
Student loans receivable, net		24,001	24,979
Less current portion		(3,439)	(3,304)
Noncurrent student loans receivable, net	**$**	**20,562**	**21,675**
Grant and other accounts receivable:			
Sponsored programs	$	67,910	46,391
Commercial receivables		8,641	9,730
Conferences and summer programs		203	202
Insurance trust fund		77	62
Receivables from Foundation		4,756	5,785
Athletics		169	905
Capital construction - due from state		6,472	–
Self-funded operations		1,363	1,143
Other		15,844	9,059
Total grant and other accounts receivable		105,435	73,277
Less allowance for doubtful accounts		(5,945)	(4,549)
Grant and other accounts receivable, net	**$**	**99,490**	**68,728**

* Reclassified

Discretely presented component unit – As of June 30, 2018 and 2017, the CSUS Foundation's receivables are recorded at cost and provisions for doubtful accounts have not been established as all receivables are deemed collectible. For the fiscal year ended June 30, 2018 and 2017, accounts receivable was $373 thousand and $544 thousand, respectively.

(Amounts expressed in thousands)

Discretely presented component unit – As of June 30, 2018 and 2017, the CSU Foundation's pledges receivable consisted of the following:

		June 30	
		2018	**2017**
Receivables due in less than one year	$	14,197	16,859
Receivables due in one to five years		42,373	55,508
Receivables due in more than five years		10,942	15,338
		67,512	87,705
Less allowance for uncollectible pledges		(1,688)	(2,193)
Less present value discounting		(3,728)	(4,896)
	$	**62,096**	**80,616**

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

Pledges receivable from two donors at June 30, 2018 represented approximately 61 percent of net pledges receivable. Pledges receivable from two donors at June 30, 2017 represented approximately 50 percent of net pledges receivable.

Discretely presented component unit – As of June 30, 2018 and 2017, the CSU-Pueblo Foundation's unconditional promises to give consisted of the following:

		June 30	
		2018	**2017**
Restricted for scholarships or other particular purposes	$	383	831
Less: Allowances for uncollectible unconditional promises to give		(15)	(30)
Gross unconditional promises to give		368	801
Less: unamortized discount		(1)	(14)
Net unconditional promises to give	**$**	**367**	**787**
Amounts due in:			
Less than one year		338	461
One to five years		29	326
Total	**$**	**367**	**787**

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

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

(Amounts expressed in thousands)

Other Postemployment Benefits Trust – Total receivables for the Trust as of June 30, 2018 and 2017 were $3 thousand and $14 thousand, respectively.

(7) Capital Assets

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

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

Land includes the following conservation easements:

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

(Amounts expressed in thousands)

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

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

Land includes the following conservation easements:		
Catspaw Conservation Easement	$	3,155
Snow Mountain Conservation Easement		5,000
Elmgreen Conservation Easement		515
Ben Delatour Forest Legacy Conservation Easement		4,000
S. Boulder/Toll Family Conservation Easement		5,070
Sawtooth Mountain Conservation Easement		2,995
Total	**$**	**20,735**

Interest expense capitalized, net of related interest income for the System, was $2.0 million and $15.7 million for the fiscal years ended June 30, 2018 and 2017, respectively.

(Amounts expressed in thousands)

(8) Accrued Liabilities

The current accrued liabilities balances as of June 30, 2018 and 2017 were comprised of:

		June 30	
		2018	**2017**
Accrued payroll and benefits	$	16,544	60,738
Accrued interest payable		15,792	16,740
Other liabilities		3,350	1,363
Total	**$**	**35,686**	**78,841**

(9) Short-Term Obligations

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

Short-term obligation activity for the year ended June 30, 2018 were as follows:

		Balance June 30, 2017	**Additions**	**Reductions**	**Balance June 30, 2018**
Commercial paper by project:	$				
JBS Global Food Innovation Center		-	10,000	-	10,000
Total commercial paper	**$**	**-**	**10,000**	**-**	**10,000**

(Amounts expressed in thousands)

(10) Noncurrent Liabilities

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

	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018	Amounts Due Within One Year
Bonds and capital lease obligations:					
Revenue bonds and COPs payable	$ 1,214,755	421,405	(425,040)	1,211,120	25,911
Capital leases payable	17,898	4,797	(3,169)	19,526	2,689
Total bonds and capital leases	1,232,653	426,202	(428,209)	1,230,646	28,600
Other liabilities:					
Deposits held for others	26,296	227,613	(227,400)	26,509	7,127
Other	7,162	22,210	(6,663)	22,709	5,600
Accrued compensated absences	57,976	293	(5,326)	52,943	3,284
Net pension liabilities	992,336	200,699	(108,289)	1,084,746	—
Net OPEB liabilities	—	57,321	(6,711)	50,610	—
Total noncurrent liabilities	**$ 2,316,423**	**934,338**	**(782,598)**	**2,468,163**	**44,611**

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

	Balance June 30, 2016	Additions*	Reductions*	Balance June 30, 2017	Amounts Due Within One Year
Bonds and capital lease obligations:					
Revenue bonds and COPs payable	$ 1,193,743	75,328	(54,316)	1,214,755	24,525
Capital leases payable	20,228	1,985	(4,315)	17,898	2,946
Total bonds and capital leases	1,213,971	77,313	(58,631)	1,232,653	27,471
Other liabilities:					
Deposits held for others	25,852	217,534	(217,090)	26,296	6,914
Other	8,185	73,233	(74,256)	7,162	1,526
Accrued compensated absences	55,435	2,751	(210)	57,976	2,987
Net pension liabilities	578,718	463,591	(49,973)	992,336	—
Total noncurrent liabilities	**$ 1,882,161**	**834,422**	**(400,160)**	**2,316,423**	**38,898**

*Reclassified

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

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

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

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

A general description of each bond issue, original issuance amount, and the amount outstanding as of June 30, 2018 and 2017 is detailed below.

Revenue bonds and COPs payable consisted of the following at June 30, 2018 and 2017

(Amounts expressed in thousands)

	Interest Range	June 30 2018	June 30 2017
Colorado State University System:			
Colorado State University System Enterprise Revenue Bonds of 2008 A, issued in the original amount of $83.3 million and mature in varying annual amounts to March 2038. $64.7 million advance refunded with 2015 C, and $4.4 million advance refunded with 2016 B.	3.000%-5.000%	$ -	2,065
Colorado State University System Enterprise Revenue Bonds of 2009 A, issued in the original amount of $56.1 million and mature in varying annual amounts to March 2039. $54.4 million advance refunded with 2013 A and $300 thousand advance refunded with 2015 C.	3.000%-5.000%	790	820
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%	7,260	10,635
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. $102.1 million advance refunded on 2017 A.	2.000%-5.000%	17,675	122,310
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%	48,815	50,525

(Amounts expressed in thousands)

	Interest Range		June 30 2018	2017
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%	$	160,395	165,445
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%		3,585	5,335
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. $11.8 million advance refunded on 2017 B and $6.8 million fully refunded on 2017 D.	5.000%-5.250%		-	18,610
Colorado State University System Enterprise Revenue Bonds of 2013 D, issued in the original amount of $7.9 million and mature in varying annual amounts to March 2028.	0.963%-5.251%		5,990	6,470
Colorado State University System Enterprise Revenue Bonds of 2013 E, issued in the original amount of $138.7 million and mature in varying annual amounts to March 2045. $117.9 million advance refunded on 2017 C.	3.000%-5.000%		14,820	135,250
Colorado State University System Enterprise Revenue Bonds of 2015 A, issued in the original amount of $134.7 million and mature in varying annual amounts to March 2055. $9.4 million advance refunded on 2017 D and $17.3 million advance refunded on 2017 F.	4.000%-5.000%		108,055	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

(Amounts expressed in thousands)

			June 30	
	Interest Range		**2018**	**2017**
Colorado State University System Enterprise Revenue Refunding Bonds of 2015 C, issued in the original amount of $67.7 million and mature in varying annual amounts to March 2038.	2.000%-5.000%	$	66,835	66,965
Colorado State University System Enterprise Revenue Bonds of 2015 D, issued in the original amount of $66.7 million and mature in varying annual amounts to March 2047.	Variable		66,655	66,655
Colorado State University System Enterprise Revenue Bonds of 2015 E-1, issued in the original amount of $96.5 million and mature in varying annual amounts to March 2047. $33.3 million advance refunded on 2017 C and $31.8 million advance refunded on 2017 E.	5.000%		31,360	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. $30.3 million advance refunded on 2017 C.	5.000%		11,790	42,125
Colorado State University System Enterprise Revenue Bonds of 2015 F, issued in the original amount of $17.7 million and mature in varying annual amounts to March 2023.	1.750%-5.000%		12,680	15,425
Colorado State University System Enterprise Revenue Bonds of 2016 A, issued in the original amount of $5.2 million and mature in varying annual amounts to March 2025.	1.500%-3.400%		4,445	5,105
Colorado State University System Enterprise Revenue and Refunding Bonds of 2016 B, issued in the original amount of $65.0 million and mature in varying annual amounts to March 2046.	3.000%-5.000%		63,300	64,630
Colorado State University System Enterprise Revenue Refunding Bonds of 2017 A, issued in the original amount $103.8 million and mature in varrying annual amounts to March 2044.	2.000%-5.000%		103,310	-

(Amounts expressed in thousands)

	Interest Range		June 30 2018	2017
Colorado State University System Enterprise Revenue Refunding Bonds of 2017 B, issued in the original amount of $13.8 million and mature in varying annual amounts to March 2044.	2.000%-5.000%	$	13,715	-
Colorado State University System Enterprise Revenue Refunding Bonds of 2017 C, issued in the original amount of $185.2 million and mature in varying annual amounts to March 2047.	2.500%-5.000%		182,490	-
Colorado State University System Enterprise Revenue Refunding Bonds of 2017 D, issued in the original amount of $19.5 million and mature in varying annual amounts to March 2039.	2.000%-5.000%		19,200	-
Colorado State University System Enterprise Revenue Refunding Bonds of 2017 E, issued in the orginal amount of $35.8 million and mature in varying annual amounts to March 2043.	2.000%-5.000%		35,255	-
Colorado State University System Enterprise Revenue Refunding Bonds of 2017 F, issued in the original amount of $19.7 million and mature in varying annual amounts to March 2045.	2.000%-5.000%		19,410	-
Unamortized bond premium/discount			105,143	96,888
Total System Bonds			**1,209,373**	**1,212,878**
Colorado State University - Pueblo Portion of the State of Colorado Certificate of Participation to remodel the Academic Resource Center (Library). Payable annually with a final maturity in 2029.	5.100%		1,747	1,877
Total System Bonds and Certificates of Participation		$	**1,211,120**	**1,214,755**

(Amounts expressed in thousands)

The scheduled maturities of the revenue bonds and COPs as of June 30, 2018 are as follows:

		Principal	Interest	Total Payments
2019	$	25,911	48,420	74,331
2020		27,064	47,559	74,623
2021		29,352	46,326	75,678
2022		29,570	45,197	74,767
2023		30,978	43,928	74,906
2024-2028		173,307	196,853	370,160
2029-2033		208,730	152,370	361,100
2034-2038		236,235	101,004	337,239
2039-2043		178,940	54,319	233,259
2044-2048		93,130	23,148	116,278
2049-2053		49,835	11,049	60,884
2054-2055		22,925	1,428	24,353
Total debt service maturities		**1,105,977**	**771,601**	**1,877,578**
Unamortized bond premium/discount		105,143		
Total	**$**	**1,211,120**		

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

There were no material events regarding rating changes to report for the fiscal years ended June 30, 2018 and 2017.

State of Colorado Certificates of Participation

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

On March 22, 2018, the State issued State of Colorado National Western Center Lease Purchase Financing Program Certificates of Participation, Series 2018 A (Tax-Exempt) and Series 2018 B (Taxable) with a par amount of $50.7 million and $81.4 million respectively. The 2018 A certificates have an interest rate of 5.0

percent and mature in September 2033. The 2018 B certificates have an interest rates ranging from 2.332 to 4.047 percent and mature in September 2038. Annual lease payments are made by the State and are subject to annual appropriations by the Legislature. As a result, this liability is recognized by the State and not included in the University's financial statements.

The certificates are secured by the buildings or equipment acquired with the lease proceeds and any unexpended lease proceeds. The proceeds will be used to fund various projects at the National Western Center in Denver, Colorado (CSU Water Resource Center), and affiliated facilities for the System at the Fort Collins campus (Equine Veterinary Teaching Hospital and Institute for Biological and Translational Therapies). The underlying capitalized assets will be contributed to the University from the State. As of June 30, 2018 the university has started construction of the buildings and has capitalized $51.3 million as work in progress.

Interest Rate Swap Agreement

On January 16, 2018, the University entered into a floating to fixed interest rate swap agreement (Swap Agreement) in connection with the 2015D System Enterprise Revenue Bonds. The Swap Agreement was entered into with the objective of protecting against the potential of rising interest rates. The Swap Agreement has a notional amount of $66.7 million and a fair value of $654 thousand at June 29, 2018. The fair value of the Swap Agreement is classified as a noncurrent asset and the change in fair value of the Swap Agreement of $654 thousand is recorded as a long-term asset and a deferred inflow at June 30, 2018. The Swap Agreement has an effective date of July 1, 2019 and a termination date of March 1, 2047.

The Swap Agreement provides for certain payments by The Royal Bank of Canada (RBC) equal to the difference between the fixed rate of 1.91390 percent payable by the University and 70 percent of one month UDS-LIBOR-BBA, payable by RBC. RBC, counterparty to the Swap Agreement, determined the fair value as of June 29, 2018 using a discounted forecasted cash flow.

There can be risks inherent to interest rate swaps that the University addressed and monitors pursuant to entering into interest rate swap agreements:

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

Credit Risk is the risk that the counterparty will not fulfill its obligations. The University considers the Swap Agreement counterparty's (RBC) credit quality rating and whether the counterparty can withstand continuing credit market turmoil. As of June 30, 2018, RBC's credit rating is rated A1 by Moody's and AA- by S&P.

The Swap Agreement contract contains a credit support annex that allows for collateral to be posted if the market value threshold exceeds $20 million at both parties current credit rating or $10 million if the parties credit rating falls to A2/A.

(Amounts expressed in thousands)

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

As of June 30, 2018, the aggregate debt service payments and net swap cash payments, assuming current interest rates remain the same, for their term are reflected below:

Future Revenue Bonds and Net Swap Minimum Payments

Year Ending June 30		Principal	Total Debt Service	Support Fee
2019	$	-	1,006	280
2020		-	1,277	280
2021		-	1,274	280
2022		-	1,276	280
2023		-	1,276	280
2024-2028		7,625	6,129	1,345
2029-2033		18,625	5,013	1,100
2034-2038		12,805	3,295	723
2039-2043		14,375	2,016	442
2044-2047		13,225	558	123
Total debt service	**$**	**66,655**	**23,120**	**5,133**

(12) Defeased Obligations

On October 2, 2017, the System issued $103.8 million in Series 2017 A and $13.8 million in Series 2017 B System Enterprise Revenue Refunding Bonds with an average interest rate of 4.1 percent. The Bonds partially refunded $102.1 million of the System Enterprise Revenue Bonds, Series 2012 A and partially refunded $11.8 million of the System Enterprise Revenue Refunding Bonds Series 2013 C with an average interest rate of 5 percent. Net proceeds of $130.4 million were deposited with an escrow agent. The System completed the Series 2017 A and Series 2017 B refunding to reduce its total debt service payments over the next 26 years by $13.8 million and obtain an economic gain (difference between the present value of the debt service payments on the old debt and new debt) of $9.6 million. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $5.3 million. This difference is reported in the accompanying financial statements as a deferred outflow and is being amortized through fiscal year 2044.

On December 20, 2017, the System issued $185.2 million in Series 2017 C and $19.5 million in Series 2017 D System Enterprise Revenue Refunding Bonds with an average interest rate of 4.4 percent. The Bonds fully refunded $6.8 million of the System Enterprise Revenue Bonds, Series 2013 C; partially refunded $117.9 million of the System Enterprise Revenue Bonds, Series 2013 E; partially refunded $9.4 million of the System Enterprise Revenue Bonds, Series 2015 A; partially refunded $33.3 million of the System Enterprise Revenue Bonds, Series 2015 E-1; and partially refunded $30.3 million of the System Enterprise Revenue Bonds, Series 2015 E-2. Net proceeds of $230.9 million were deposited with an escrow agent. The System completed the Series 2017 C and Series 2017 D to reduce its total debt service payments over the next 29 years by $16.5 million and obtain an economic gain (difference between the present value of the debt service payments on the old debt and the new debt) of $11.5 million. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $18.7 million. The difference is reported in the accompanying financial statements as a deferred outflow and is being amortized through fiscal year 2047.

On December 28, 2017, the System issued $35.8 million in Series 2017 E and $19.7 million in Series 2017 F System Enterprise Revenue Refunding Bonds with an average interest rate of 4 percent. The Bonds partially refunded $17.3 million of the System Enterprise Revenue Bonds Series 2015 A and partially refunded $31.8 million of the System Enterprise Revenue Bonds Series 2015 E-1 with an average rate of 5 percent. Net proceeds of $58.2 million were deposited with an escrow agent. The System completed the Series 2017 E and Series 2017 F refunding to reduce its total debt service payments over the next 27 years by $2.9 million and obtain an economic benefit (difference between the present value of the debt service payments on the old debt and the new debt) of $2.1 million. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $4.9 million. The difference is reported in the accompanying financial statements as a deferred outflow and is being amortized through fiscal year 2045.

Prior to the Series 2017 A, B, C, D, E, and F detailed above, the System issued System Enterprise Revenue Bonds 2016 B in fiscal year 2017; System Enterprise Revenue Bonds, Series 2015 C in fiscal year 2015; System Enterprise Revenue Bonds, Series 2013 A and B in fiscal year 2013; System Enterprise Revenue Bonds, Series 2012 B and C in fiscal year 2012; and System Enterprise Revenue Bonds, Series 2007 B in fiscal year 2008. The escrow deposits from Series 2017 A, B, C, D, E, and F, Series 2016 B, Series 2015 C, and Series 2013 A and B are being used to purchase certain U.S. governmental obligations. The principal and interest from the U.S. governmental obligations will be sufficient to enable the escrow agent to make all future debt service payments on the refunded bonds and COPS. As a result, the refunded bonds and COPS are considered to be defeased and the liability for those bonds is no longer reflected in the Statements of Net Position.

The following bonds and certificates of participation were included in the refundings and have since been redeemed: Auxiliary Facilities Enterprise Refunding and Improvement Revenue Bonds, Series 1996; Auxiliary Facilities Enterprise Refunding and Improvement Revenue Bonds, Series 1997; Certificates of Participation, Series 1997; Student Sports Recreational Facilities Revenue Bonds, Series 1998; Research Building Revolving Fund Enterprise Revenue Bonds, Series 2001; Enterprise System Refunding and Improvement Revenue Bonds, Series 2003 A (partially refunded on 2007 B and fully refunded on 2012 C); Enterprise System Revenue Bonds, Series 2003 B (fully refunded on 2012 B); Enterprise System Revenue Bonds, Series 2005 B (partially refunded on 2012 B and fully refunded on 2013 A); Research Building Revolving Fund Enterprise Revenue Bonds, Series 2005 A (fully refunded on 2007 B); System Enterprise Revenue Bonds, Series 2007 A (partially refunded on 2012 B, partially refunded on 2013 A and B, and fully refunded on 2016 B); System Enterprise Revenue Bonds, Series 2007 B (partially refunded on 2015 C and partially refunded on 2016 B); and System Enterprise Revenue Bonds, Series 2008 (partially refunded on 2015 C and partially refunded on 2016 B).

System Enterprise Revenue Bonds, Series 2007 C (partially refunded on 2013 B); System Enterprise Revenue Bonds, Series 2009 A (partially refunded Series 2013 A and 2015 C); System Enterprise Revenue Bonds, Series 2012 A (partially refunded on 2017 A); System Enterprise Revenue Bonds 2013 C (partially refunded on 2017 B and fully refunded on 2017 D); System Enterprise Revenue Bonds 2013 E (partially refunded on 2017 C); System Enterprise Revenue Bonds 2015 A (partially refunded on 2017 D and partially refunded on

(Amounts expressed in thousands)

2017 F); System Enterprise Revenue Bonds 2015 E-1 (partially refunded on 2017 C and partially refunded on 2017 E); and System Enterprise Revenue Bonds, Series 2015 E-2 (partially refunded on 2017 C) were also refunded and have remaining defeased obligations at June 30, 2018 as follows:

		Original Amount Refunded	Balance June 30, 2018
CSU System Enterprise Revenue Bonds, Series 2007 C	$	14,500	7,985
CSU System Enterprise Revenue Bonds, Series 2009 A		54,615	51,855
CSU System Enterprise Revenue Bonds, Series 2012 A		102,125	102,125
CSU System Enterprise Revenue Bonds, Series 2013 C		18,610	18,610
CSU System Enterprise Revenue Bonds, Series 2013 E		117,870	117,870
CSU System Enterprise Revenue Bonds, Series 2015 A		26,675	26,675
CSU System Enterprise Revenue Bonds, Series 2015 E-1		65,130	65,130
CSU System Enterprise Revenue Bonds, Series 2015 E-2		30,335	30,335
Total	**$**	**429,860**	**420,585**

(13) Pledged Revenues and Related Expenses

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

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

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

		June 30	
		2018	**2017***
Gross auxiliary facility and student fee revenue	$	191,686	182,157
Less auxiliary facility and student fee operating expenses		132,502	122,058
Net auxiliary and student fee facility revenue		59,184	60,099
Other pledged tuition and revenue:			
10% of tuition fees	$	50,358	47,932
Indirect cost recoveries		55,292	49,256
Research facilities		3,652	3,084
Investment income		1,830	1,014
Bond subsidy		1,597	1,593
Subtotal other pledged tuition and revenue		112,729	102,879
Total net pledged revenue	**$**	**171,913**	**162,978**

* Reclassified

(Amounts expressed in thousands)

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

(14) Capital Lease Obligations

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

Fiscal year ending June 30:		**Total**
2019	$	3,191
2020		2,661
2021		2,231
2022		1,904
2023		1,551
2024-2028		10,561
Minimum future lease payments		22,099
Less amount representing interest		2,573
Present value of minimum lease payments	**$**	**19,526**

Capital lease agreements have been utilized to provide for the use of property and equipment. As of June 30, 2018 and 2017, respectively, the System had capital lease obligations in effect with capitalized asset costs of $25.3 million and $24.1 million; accumulated depreciation of $7.1 million and $7.0 million; and related outstanding liabilities of $19.5 million and $17.9 million.

(Amounts expressed in thousands)

(15) Operating Leases

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

Fiscal year ending June 30:		Total
2019	$	3,435
2020		2,986
2021		1,780
2022		1,728
2023		1,104
2024-2028		2,120
Total	**$**	**13,153**

Rent expense was $3.4 million for the fiscal year ended June 30, 2018 and $3.2 million for the fiscal year ended June 30, 2017.

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

(16) Net Position

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

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

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

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

Colorado Revised Statute Section 23-31-118 requires a support fee to be annually assessed to cooperative state or accountable students in the System's professional veterinary medicine program. The statute specifies that this fee must be credited to a reserve account and used for renovation projects and for the acquisition or replacement of equipment. Other State legislations restrict the use of certain professional veterinary medicine program funds such as pari-mutuel receipts and expenses related to horse racing. Part

(Amounts expressed in thousands)

10 of Colorado Revised Statute Article 23-31 enacted the Veterinary Education Loan Repayment Program. The program repays educational loans on behalf of select veterinarians practicing in rural areas where veterinary needs are not currently being met. These amounts are reported as restricted for expendable purposes - other on the basic financial statements.

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

Total restricted net position was as follows:

		June 30	
		2018	**2017**
Restricted for nonexpendable purposes:			
Scholarships, research and other	$	13,506	13,549
Endowment/Land grant		13,790	13,160
Total	**$**	**27,296**	**26,709**
Restricted for expendable purposes:			
Endowment/Land grant	$	1,531	1,172
Student loans		11,499	26,375
Colorado Water Institute		284	312
Sponsored programs		—	176
Gifts		2,674	3,917
Plant fund gifts not capitalized		3,313	4,557
PVM federal and state restrictions		724	473
Colorado State Forest Service legislative funds		9,645	7,294
Workstudy		209	112
Total	**$**	**29,879**	**44,388**

With the expiration of the authority of institutions to disburse Perkins loans, the System is required to return the Federal share of funds to the Department of Education. The Perkins Loan Revolving Fund will be liquidated as funds are collected by the loan recipients. In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, the System has recorded Other noncurrent liabilities on the Statements of Net Position and an Other nonoperating expense on the Statements of Revenues, Expenses, and Changes in Net Position in the amount of $16.3 million as of June 30, 2018.

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, 2018 and 2017, the CSU Foundation's Board has designated $33.6 million and $30.7 million, respectively, of the unrestricted net assets to be used for board-designated endowments.

(Amounts expressed in thousands)

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, 2018 and 2017, the CSU-Pueblo Foundation's Board has designated $1.9 million and $1.7 million, respectively, of the unrestricted net assets to be used for operating reserve for subsequent years' expense, special project awards, and the University personnel discretionary funds.

In regard to the net position of the Trust, all net position is classified as restricted for postemployment benefits other than pensions. As of June 30, 2018 and 2017, the Trust has net position restricted for postemployment benefits other than pensions of $81.3 million and $78.4 million, respectively.

(17) Commitments

Outstanding purchase order commitments against future funds not reflected in the financial statements at June 30, 2018 were $147.6 million. These outstanding purchase order commitments included $80.4 million of System capital construction commitments. CSU capital construction commitments included approximately $4.6 million for the Corbett-Parmalee Dining Center Renovation, $8.8 million for the Animal Science JBS Innovation Center, $9 million for the A/Z Health Education Center Renovation, $9.3 million for the Richardson Design Center, and $33 million for the Translational Therapies & Research Horse Barn. The remaining capital construction commitments were for other smaller projects at CSU and CSU-Pueblo. Of the remaining noncapital purchase order commitments, $41.5 million were related to CSU sponsored contracts and grants.

In addition to purchase order commitments, CSU has contracted obligations of $47.5 million at June 30, 2018 related to employment hiring incentives and shared costs on long-term federal contracts. The hiring incentives arise in recruiting faculty and research scientists whereby the University commits to pay for various laboratory remodeling, equipment, and other costs that are important to the person in accepting the position. This obligation is binding on the University upon acceptance of the employment offer. The shared cost obligations arise in connection with federal contracts and grants in which the University agrees to pay for certain costs beyond what would otherwise be reimbursed by the sponsor under the contract or grant. Although the University can exercise cancellation clauses to avoid these shared cost obligations, the University has not used that option to avoid such obligations, and such obligations are considered highly probable. In both cases, settlement of the obligations involves payments to third parties, generally within three years.

Outstanding commitments at June 30, 2018 were:

Purchase order commitments	$	147,566
Shared cost obligations on long-term revenue contracts		12,014
Obligations under accepted employment offers		35,503
Total	$	195,083

(18) Employment Benefits

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

The Defined Contribution Plan for Retirement (DCP), subject to eligibility criteria defined by PERA and the University for each separate governing entity.

The System's total payroll for the fiscal years ended June 30, 2018 and 2017 was approximately $670.6 million and $634.8 million, respectively. Payroll for employees covered by the SDTF plan, the DCP plan, and the SERP plan was approximately $159.0 million, $430.8 million, and $16.7 million, respectively, for the fiscal year ended June 30, 2018 and $152.0 million, $399.9 million, and $16.0 million, respectively, for the fiscal year ended June 30, 2017. 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 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 on the same basis as they are reported by PERA, 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.

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. Governmental accounting standards require the net pension liability and related amounts of the SDTF for financial reporting purposes be measured using the plan provisions in effect as of the SDTF's measurement date of December 31, 2017. As such, the following disclosures do not include the changes to plan provisions required by SB 18-200 with the exception of the section titled *Changes between the Measurement Date of the Net Pension Liability and the System's Year End.*

Plan Description

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

Benefits Provided

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

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

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

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

As of December 31, 2017, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, 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:

(Amounts expressed in thousands)

	Fiscal Year 2017		Fiscal Year 2018	
	CY16	CY17		CY18
	7/1 to 12/31	1/1 to 6/30	7/1 to 12/31	1/1 to 6/30
Employer contribution rate	10.15%	10.15%	10.15%	10.15%
Apportioned to the Health Care Trust Fund[1]	-1.02%	-1.02%	-1.02%	-1.02%
Apportioned to the SDTF	9.13%	9.13%	9.13%	9.13%
Amortization Equalization Disbursement (AED)[2]	4.60%	5.00%	5.00%	5.00%
Supplemental Amortization Equalization Disbursement (SAED)[2]	4.50%	5.00%	5.00%	5.00%
Total employer contribution rate to the SDTF	**18.23%**	**19.13%**	**19.13%**	**19.13%**

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

[2]As 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 for the fiscal years ended June 30, 2018, 2017 and 2016, included the 1.02 percent apportioned to the Health Care Trust Fund of $1.6 million, $1.6 million, and $1.5 million, respectively, and totaled $32.5 million, $30.5 million, and $28.8 million, respectively.

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

As of fiscal years ended June 30, 2018 and 2017, the System reported a liability of $1.1 billion and $992.3 million, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total pension liability to December 31, 2017. The System proportion of the net pension liability was based on System contributions to the SDTF for the calendar year 2017 relative to the total contributions of participating employers to the SDTF.

At December 31, 2017, the System proportion was 5.42 percent, which was an increase of 0.02 percent from its proportion measured as of December 31, 2016.

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

For the fiscal years ended June 30, 2018 and 2017, the System recognized pension expense of $243.8 million and $196.9 million, respectively.

(Amounts expressed in thousands)

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

		June 30	
		2018	**2017**
Difference between expected and actual experience	$	16,914	9,864
Changes of assumptions or other inputs		188,353	252,457
Net difference between projected and actual earnings on pension plan investments		-	32,897
Changes in proportion and differences between contributions recognized and proportionate share of contributions		1,492	514
Contributions subsequent to the measurement date		15,219	14,703
Total	**$**	**221,978**	**310,435**

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

		June 30	
		2018	**2017**
Changes of assumptions or other inputs	$	-	3,055
Net difference between projected and actual earnings on pension plan investments		40,856	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions		2,780	8,639
Total	**$**	**43,636**	**11,694**

$15.2 million reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability during the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal year ending June 30:		**Total**
2019	$	161,298
2020		32,528
2021		(15,177)
2022		(15,526)
Total	**$**	**163,123**

Actuarial Assumptions

The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

(Amounts expressed in thousands)

Actuarial cost method	Entry age
Price inflation	2.40%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50 – 9.17 %
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	5.26%
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 (automatic)	2.00%
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

A discount rate of 4.72 percent was used in the roll-forward calculation of the total pension liability to the measurement date of December 31, 2017.

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

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

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

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

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

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

(Amounts expressed in thousands)

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

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

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. equity - large cap	21.20%	4.30%
U.S. equity - small cap	7.42%	4.80%
Non U.S. equity - developed	18.55%	5.20%
Non U.S. equity - emerging	5.83%	5.40%
Core fixed income	19.32%	1.20%
High yield	1.38%	4.30%
Non U.S. fixed income - developed	1.84%	0.60%
Emerging market debt	0.46%	3.90%
Core real estate	8.50%	4.90%
Opportunity fund	6.00%	3.80%
Private equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	**100.00%**	

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

Discount Rate

The discount rate used to measure the total pension liability was 4.72 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.5 percent.

- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.5 percent every year until they are zero.

(Amounts expressed in thousands)

- Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree healthcare benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, the projection test indicates the SDTF's fiduciary net position was projected to be depleted in 2038 and, as a result, the municipal bond index rate was used in the determination of the discount rate. The long-term expected rate of return of 7.25 percent on pension plan investments was applied to periods through 2038 and the municipal bond index rate, the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Bond Buyer, was applied to periods on and after 2038 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.43 percent, resulting in a discount rate of 4.72 percent.

As of the prior measurement date, the long-term expected rate of return on plan investments of 7.25 percent and the municipal bond index rate of 3.86 percent were used in the discount rate determination resulting in a discount rate of 5.26 percent, 0.54 percent higher compared to the current measurement date.

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

The following presents the proportionate share of the net pension liability calculated using the discount rate of 4.72 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 (3.72 percent) or 1-percentage-point higher (5.72 percent) than the current rate:

	1% Decrease (3.72%)	Current Discount Rate (4.72%)	1% Increase (5.72%)
Proportionate share of the net pension liability	$ 1,349,502	1,084,746	867,398

Pension Plan Fiduciary Net Position

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

Payables to the Pension Plan

The System reported a payable of $2.4 million and $2.2 million for the outstanding amount of contributions to the PERA SDTF required for the fiscal year ended June 30, 2018 and 2017, respectively.

Changes between the Measurement Date of the Net Pension Liability and the System's Year End

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through SB 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to the plans administered by PERA with the goal of eliminating the unfunded actuarial accrued liability of the Division Trust Funds and thereby reach a 100 percent funded ratio for each division within the next 30 years.

A brief description of some of the major changes to plan provisions required by SB 18-200 are listed below. A full copy of the bill can be found online at www.leg.colorado.gov.

- Increases employer contribution rates of 0.25 percent on July 1, 2019.
- Increases employee contribution rates by a total of two percent (to be phased in over a period of three years starting on July 1, 2019).
- Directs the state to allocate $225.0 million each year to PERA starting on July 1, 2018. A portion of the direct distribution will be allocated to the SDTF based on the proportionate amount of annual payroll of the SDTF to the other divisions eligible for the direct distribution.
- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, modifying the highest average salary for employees with less than five years of service credit on December 31, 2019, and raises the retirement age for new employees.
- Member contributions, employer contributions, the direct distribution from the state, and the annual increases will be adjusted based on certain statutory parameters beginning July 1, 2020, and then each year thereafter, to help keep PERA on path to full funding in 30 years.
- Expands eligibility to participate in the PERA Defined Contribution Plan to new members hired on or after January 1, 2019, who are classified college and university employees in the State Division. Beginning January 1, 2021, and every year thereafter, employer contribution rates for the SDTF will be adjusted to include a defined contribution supplement based on the employer contribution amount paid to defined contribution plan participant accounts that would have otherwise gone to the defined benefit trusts to pay down the unfunded liability plus any defined benefit investment earnings thereon.

At June 30, 2018, the System reported a liability of $1.1 billion for its proportionate share of the net pension liability which was measured using the plan provisions in effect as of the pension plan's year end based on a discount rate of 4.72 percent. For comparative purposes, the following schedule presents an estimate of what the System's proportionate share of the net pension liability and associated discount rate would have been had the provisions of SB 18-200, applicable to the SDTF, become law on December 31, 2017. This pro forma information was prepared using the fiduciary net position of the SDTF as of December 31, 2017. Future net pension liabilities reported could be materially different based on changes in investment markets, actuarial assumptions, plan experience and other factors.

(Amounts expressed in thousands)

Estimated Discount Rate Calculated Using Plan Provisions Required by SB 18-200 (pro forma)	Proportionate Share of the Estimated Net Pension Liability Calculated Using Plan Provisions Required by SB 18-200 (pro forma)
7.25%	$ 514,379

Recognizing that the changes in contribution and benefit provisions also affect the determination of the discount rate used to calculate proportionate share of the net pension liability, approximately $570.4 million of the estimated reduction is attributable to the use of a 7.25 percent discount rate.

(b) Voluntary Tax-Deferred Retirement Plans

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

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

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

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

The defined contribution retirement plans are established pursuant to state statute (24-54.5-101 to 24-54.5-107 C.R.S.). The CSU plan was adopted by the Board of Governors in December 1992 and the CSU-Pueblo plan was adopted in April 1993. The Defined Contribution Retirement Plan is a qualified plan under Section 401(a) of the IRC. CSU and CSU-Pueblo are the Plan Sponsors. All participants contribute the required eight percent of eligible salary. As required, CSU provides a matching contribution of 12 percent of eligible salary for all "permanent" appointees (those with regular, special and senior teaching appointments at half-time or greater) and for temporary appointees with appointments of half-time or greater for the second and subsequent consecutive year(s). CSU-Pueblo provides a matching contribution of 10.7 percent, as required, of eligible salary for all nonstudent employees, including those employees at less than half-time and nonstudent temporary, hourly employees. Both employee and employer contributions are vested immediately. Investments are participant-directed within the funds available through the authorized investment companies. The System's aggregate contribution to the above three vendors was equal to 11 percent of covered payroll or approximately $47.4 million for the fiscal year ended June 30, 2018 and 11.1 percent of covered payroll or approximately $44.3 million for the fiscal year ended June 30, 2017. The employee aggregate contribution to the above three vendors was equal to eight percent of covered payroll or approximately $34.5 million for the fiscal year ended June 30, 2018 and $32.0 million for the fiscal year ended June 30, 2017.

The Federal retirement system covers a very limited number of employees at CSU Extension. The System's contribution to this plan was approximately $68 thousand for the fiscal year ended June 30, 2018 and $77 thousand for the fiscal year ended June 30, 2017.

(d) Student Employee Retirement Program

Eligible student employees contribute 7.5 percent of covered payroll to the student employee retirement program (SERP). The SERP is funded entirely through employee contributions with no employer match. The SERP is a mandatory plan for all student employees who are enrolled at CSU but are not classified as a half-time student or greater. The SERP was established pursuant to state statute (24-54.6-101 through 24-54.6-106 C.R.S.) as a mandatory nonqualified plan under 403(b) of the IRC in lieu of mandatory old age, survivors, and disability insurance (OASDI) coverage. The student retirement plan is a defined contribution plan administered by the individual agencies that make up the System, as applicable. All contributions are vested immediately and are participant-directed within the funds available through the sole investment company, TIAA-CREF. The contribution by student employees for the fiscal years ended June 30, 2018 and 2017 was approximately $1.3 million and $1.2 million, respectively.

(e) Health Insurance Programs

The System's contribution to the various third-party health insurance programs was approximately $21.7 million and $19.6 million for the fiscal years ended June 30, 2018 and 2017, respectively.

(19) Risk Financing and Insurance-Related Activities

CSU manages a combination of self-insured and fully-insured property and casualty insurance programs to best protect the University's assets. At CSU, separate accounts currently make up the self-insured program: workers' compensation, liability, auto comprehensive/collision and property. CSU contracts various day-to-day operations of the self-funded benefit plan, including claims processing, to third-party administrators. CSU carries excess insurance for liability and workers' compensation claims over $500 thousand per occurrence, including claims arising from employment practices. CSU's excess liability limits for this insurance are $25.0 million per occurrence. CSU self-insures for property insurance claims less than $100 thousand per occurrence with a $1 thousand deductible per occurrence paid by the university department incurring the loss. CSU purchases property insurance with limits of $1.0 billion. In addition to this, CSU carries auto insurance for out-of-state vehicles and workers' compensation for out-of-state employees, student intern professional liability, professional liability insurance (Architects & Engineers), crime insurance, foreign liability insurance, Canadian Liability, Cyber Liability, Aviation Liability, Unmanned Aerial Vehicles Liability, TULIP (Tenant User Liability Insurance Program), and self-insures for in-state auto insurance. As of March 1, 2016, CSU purchased liability, professional liability, and pollution liability for all Center for Environmental Management Military Lands (CEMML) operations, including their prescribed burn operations. This insurance included a primary layer of $2.0 million aggregate, an umbrella layer of $5.0 million, and an excess layer of $5.0 million. In October 2017, after Board approval, additional limits were purchased so that CEMML could manage, and otherwise supervise prescribed burn activities. This resulted in insurance placed with total limits of liability equaling $50.0 million for CEMML.

(Amounts expressed in thousands)

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

The amount of claims and administrative costs for the self-funded plans for the fiscal years ended June 30, 2018 and 2017 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 $26.6 million and $25.2 million at June 30, 2018 and 2017, respectively, which include incurred but not reported claims (IBNR) along with known claims at year end. These estimates are made through a combination of analyzing payments in early months of the subsequent year, historical trends, industry guidelines, and underwriting advice from our third-party administrator and benefits consultant.

In addition to these claims, workers' compensation had estimated claim liabilities of $3.8 million and $4.5 million at June 30, 2018 and 2017, respectively. Liability self-insurance had estimated claim liabilities of $144 thousand and $157 thousand at June 30, 2018 and 2017, respectively. These estimates are based on current data and actuarial reports. Property self-insurance had no estimated claim liabilities at June 30, 2018 and 2017.

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

		2018	2017
Claim liabilities, beginning of year	$	29,917	26,760
Incurred claims (including IBNR)		57,038	54,124
Claim payments		(56,407)	(50,967)
Claim liabilities, end of year	**$**	**30,548**	**29,917**

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

(20) Postemployment Healthcare and Life Insurance Benefits

(a) PERA Postemployment Healthcare Plan

Summary of Significant Accounting Policies

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

Plan Description

Eligible employees of the System are provided with OPEB through the HCTF—a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits Provided

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

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

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

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

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

Contributions

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

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

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

As of fiscal year ended June 30, 2018, the System reported a liability of $25.0 million for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2017. The System's proportion of the net OPEB liability was based on the System's contributions to the HCTF for the calendar year 2017 relative to the total contributions of participating employers to the HCTF.

At December 31, 2017, the System's proportion was 1.92 percent, which was an increase of 0.003 percent from its proportion measured as of December 31, 2016.

For the fiscal year ended June 30, 2018, the System recognized OPEB expense of $2.0 million. At June 30, 2018, the System reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

(Amounts expressed in thousands)

		Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$	118	-
Net difference between projected and actual earnings on OPEB plan investments		-	418
Changes in proportion and differences between contributions recognized and proportionate share of contributions		45	14
Contributions subsequent to the measurement date		797	-
Total	**$**	**960**	**432**

$797 thousand reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal year ending June 30:		**Total**
2019	$	(75)
2020		(75)
2021		(75)
2022		(75)
2023		29
Thereafter		2
Total	**$**	**(269)**

Actuarial Assumptions

The total OPEB liability in the December 31, 2016 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

(Amounts expressed in thousands)

Actuarial cost method	Entry age
Price inflation	2.40%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50% in aggregate
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Healthcare cost trend rates	
Service-based premium subsidy	0.00%
PERACare Medicare plans	5.00%
Medicare Part A premiums	3.00% for 2017, gradually rising to 4.25% in 2023

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

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

Healthcare cost trend rates for the PERA benefit structure are based on published annual healthcare inflation surveys in conjunction with actual plan experience (if credible), building block models and heuristics developed by health plan actuaries and administrators, and projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services. Effective December 31, 2016, the healthcare cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

(Amounts expressed in thousands)

Year	PERACare Medicare Plans	Medicare Part A Premiums
2017	5.00%	3.00%
2018	5.00%	3.25%
2019	5.00%	3.50%
2020	5.00%	3.75%
2021	5.00%	4.00%
2022	5.00%	4.00%
2023	5.00%	4.25%
2024 +	5.00%	4.25%

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

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

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

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

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

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

- Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93 percent factor applied to rates for ages less than 80, a 113 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 68 percent factor applied to rates for ages less than 80, a 106 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The following economic and demographic assumptions were specifically developed for, and used in, the measurement of the obligations for the HCTF:

- The assumed rates of PERACare participation were revised to reflect more closely actual experience.

- Initial per capita healthcare costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2017 plan year.

- The percentages of PERACare enrollees who will attain age 65 and older ages and are assumed to not qualify for premium-free Medicare Part A coverage were revised to more closely reflect actual experience.

- The percentage of disabled PERACare enrollees who are assumed to not qualify for premium-free Medicare Part A coverage were revised to reflect more closely actual experience.

- Assumed election rates for the PERACare coverage options that would be available to future PERACare enrollees who will qualify for the "No Part A Subsidy" when they retire were revised to more closely reflect actual experience.

- Assumed election rates for the PERACare coverage options that will be available to those current PERACare enrollees, who qualify for the "No Part A Subsidy" but have not reached age 65, were revised to more closely reflect actual experience.

- The healthcare cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

- The rates of PERAcare coverage election for spouses of eligible inactive members and future retirees were revised to more closely reflect actual experience.

- The assumed age differences between future retirees and their participating spouses were revised to reflect more closely actual experience.

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

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

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

(Amounts expressed in thousands)

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

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. equity - large cap	21.20%	4.30%
U.S. equity - small cap	7.42%	4.80%
Non U.S. equity - developed	18.55%	5.20%
Non U.S. equity - emerging	5.83%	5.40%
Core fixed income	19.32%	1.20%
High yield	1.38%	4.30%
Non U.S. fixed income - developed	1.84%	0.60%
Emerging market debt	0.46%	3.90%
Core real estate	8.50%	4.90%
Opportunity fund	6.00%	3.80%
Private equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	**100.00%**	

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

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

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

(Amounts expressed in thousands)

		1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
PERACare Medicare trend rate		4.00%	5.00%	6.00%
Initial Medicate Part A trend rate		2.00%	3.00%	4.00%
Ultimate Medicare Part A trend rate		3.25%	4.25%	5.25%
Proportionate share of the net OPEB liability	**$**	**24,320**	**25,008**	**25,837**

Discount Rate

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

- Updated healthcare cost trend rates for Medicare Part A premiums as of the December 31, 2017, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50 percent.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date. For future plan members, employer contributions were reduced by the estimated amount of total service costs for future plan members.
- 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.
- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

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

(Amounts expressed in thousands)

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

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

		1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	$	28,117	25,008	22,354

OPEB Plan Fiduciary Net Position

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

Payables to the PERA Health Care Trust Fund

The System reported a payable of $127 thousand and $116 thousand for the outstanding amount of contributions to the PERA HCTF required for the fiscal year ended June 30, 2018 and 2017, respectively.

(b) Other Postemployment Benefits (OPEB) – CSU

Summary of Significant Accounting Policies

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

The financial statements for the irrevocable trust, included in the basic financial statements section, have been prepared using the accrual basis of accounting. The irrevocable trust does not issue separate financial statements. Plan members' contributions will be recognized in the period in which the contributions are due. Employee contributions to each plan will be recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. Investments are reported at fair market value and administrative costs are direct expenditures of the plan. The plan year end is June 30, 2018.

Plan Descriptions

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

(Amounts expressed in thousands)

Membership of each plan consisted of the following as of June 30, 2018:

	DCP Refund	PERA Subsidy	Rx Subsidy	LTD Income Replacement
Active plan members	4,696	167	167	5,342
Former employees receiving income replacement	-	-	-	26
Retirees receiving a subsidy	505	497	372	-
Retirees eligible for a subsidy but not yet receiving one	58	167	167	-
Total	**5,259**	**831**	**706**	**5,368**

CSU Retiree Medical Premium Refund Plan for DCP Participants

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

On an annual basis, funds equal to the actuarially determined contribution (ADC), provided by the actuarial valuation, are transferred to the irrevocable trust. The funds available to cover the plan benefits were $46.0 million and $45.4 million for the fiscal years ended June 30, 2018 and 2017, respectively. No funds were provided for the benefit of the program for fiscal year ended June 30, 2018. Funds provided for the benefit of the program were $4.1 million for the fiscal years ended June 30, 2017, plus the corresponding interest income less plan costs. Total amounts paid to retirees for this healthcare subsidy were $966 thousand and $848 thousand for the fiscal years ended June 30, 2018 and 2017, respectively. As of June 30, 2018 the DCP Refund plan had a total OPEB liability of $38 thousand, fiduciary net position of $46 thousand, and a net OPEB asset of $8 thousand. Fiduciary net position as a percentage of total OPEB liability was 120.4%.

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 ADC, provided by the actuarial valuation, are transferred to the irrevocable trust. The funds available to cover the plan benefits were $24.8 million and $23.6 million for the fiscal years ended June 30, 2018 and 2017, respectively. The funds contributed to the plan were $1.9 million and $2.0 million for the fiscal years ended June 30, 2018 and 2017, respectively. The benefits paid by the University were $1.6 million and $1.4 million for the fiscal years ended June 30, 2018 and 2017, respectively. As of June 30, 2018 the PERA Subsidy plan had a total OPEB liability of $46 thousand, fiduciary net position of $25 thousand, and a net OPEB liability of $21 thousand. Fiduciary net position as a percentage of total OPEB liability was 54.0%.

CSU Retiree Umbrella Rx Plan for PERA Participants

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

On an annual basis, funds equal to the ADC, provided by the actuarial valuation, are transferred to the irrevocable trust. The funds contributed to the plan for the fiscal years ended June 30, 2018 and 2017 were $260 thousand and $264 thousand, respectively. These funds, along with the amounts paid in by participants of $28 thousand in fiscal year 2018, and the related interest income, have resulted in total funds available of $899 thousand and $737 thousand as of fiscal years ended June 30, 2018 and 2017, respectively, for this plan. Plan members were reimbursed $83 thousand and $58 thousand for prescription claims for the fiscal years ended June 30, 2018 and 2017, respectively. As of June 30, 2018 the PERA Subsidy plan had a total OPEB liability of $4 thousand, fiduciary net position of $1 thousand, and a net OPEB liability of $3 thousand. Fiduciary net position as a percentage of total OPEB liability was 26.1%.

CSU Long-Term Disability Plan

The University contributes to the LTD Income Replacement plan. This plan provides a monthly income replacement benefit which begins on the 91st consecutive calendar day of total disability. The LTD coverage provides the eligible PERA or Federal Retirement Plan participants with up to 60 percent of pre-disability covered monthly salary, not to exceed $6,000 per month, or up to 69 percent of covered monthly salary, not to exceed $6,900 per month for DCP Refund participants. The income replacement benefit will increase three percent annually. The plan is offset by any other benefits or earnings received or eligible to be received from other sources such as PERA, Federal Retirement, Social Security, or Workers' Compensation. The minimum income replacement benefit is $50 per month. Employees are eligible to receive benefits until one of the following circumstances occur: recovery, death, age 65 if disabled when less than 60, four and three-fourths years if disabled between the ages of 60 and 65, or age 70 if disabled between the ages of 65 and 68 ¾. This plan is administered by Assurant Insurance Company.

(Amounts expressed in thousands)

CSU funds the LTD plan by providing an allowance to each employee and then deducting the cost of the premium. The premiums collected are transferred to the irrevocable trust as an employee contribution. The funds contributed to the plan for the fiscal years ended June 30, 2018 and 2017 were $1.5 million for both years. These funds, which include those previously set aside and the related interest income, have resulted in total funds available of $9.6 million and $8.7 million as of fiscal years ended June 30, 2018 and 2017, respectively. Plan members received $907 thousand and $881 thousand in benefits for the fiscal years ended June 30, 2018 and 2017, respectively. As of June 30, 2018 the LTD Income Replacement plan had a total OPEB liability of $12 thousand, fiduciary net position of $10 thousand, and a net OPEB liability of $2 thousand. Fiduciary net position as a percentage of total OPEB liability was 82.7%.

Contributions

CSU funds the plans using the ADC amount, an amount actuarially determined in accordance with the parameters of GASB Statement No. 43, which referred to it as annual required contribution. The ADC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial accrued liabilities over a period not to exceed 30 years. CSU's related information for each plan for the fiscal year ended June 30, 2018, are as follows:

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

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the ADC of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

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

Net OPEB (Asset) Liability

The net OPEB (asset) liability was measured as of January 1, 2018, and the total OPEB liability used to calculate the net OPEB (asset) liability was determined by an actuarial valuation based on census data as of January 1, 2017, adjusting for benefit payments, expected growth in benefit obligations, changes in key assumptions and plan provisions, and any significant changes in plan demographics that occurred during the year.

(Amounts expressed in thousands)

Actuarial Methods and Assumptions

The total OPEB (asset) liability in the fiscal year ended June 30, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

	DCP Refund	PERA Subsidy	Rx Subsidy	LTD Income Replacement
Valuation date	1/1/2017	1/1/2017	1/1/2017	1/1/2017
Measurement date	1/1/2018	1/1/2018	1/1/2018	1/1/2018
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization method	30 Years Open, Level Percent of Pay	30 Years Closed, Level Percent of Pay	30 Years Closed, Level Percent of Pay	30 Years Open, Level Percent of Pay
Remaining amortization period	30 Years	20 Years	20 Years	30 Years
Asset valuation method	Market Value	Market Value	Market Value	Market Value
Actuarial assumptions:				
Investment rate of return	5.23%	5.23%	5.23%	5.23%
Inflation rate	3.00%	3.00%	3.00%	3.00%
Salary increase rate	N/A	N/A	N/A	4.00%
Healthcare cost trend rate	7% initial, 5% ultimate	7% initial, 5% ultimate	7% initial, 5% ultimate	N/A

Participant mortality was determined by separate mortality rates for non-annuitants and annuitants. Non-annuitants mortality was based on RP-2017 “Employees” sex-distinct tables and projected generationally using Scale BB, and annuitants mortality was based on RP-2017 “Healthy Annuitants” sex-distinct tables and projected generationally using Scale BB. For the LTD Income Replacement plan, the long-term disabled participant mortality is based on the 1987 Commissioner’s Group Disability Table with a three month elimination period.

The actuarial assumptions used in the January 1, 2017 valuation were based on plan experience that was provided for the 1997 study and reviewed for reasonableness in 2011.

The CSU OPEB Trust Investment Committee, in conjunction with Innovest Portfolio Solutions, LLC, developed a forward looking, five to 10 year outlook for the overall global economy along with individual asset classes. The process was iterative where preliminary return, risk and correlation values are chosen for each asset class and entered into an optimization program. The resulting optimal portfolios were subjected to a careful examination and the return, risk, and correlation values were adjusted until portfolios produced were appropriately diversified and reasonable considering the current and expected economic conditions and were consistent with the tenets of modern portfolio theory. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table for fiscal year ended June 30, 2018:

(Amounts expressed in thousands)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large cap equity	10.0%	6.50%
Small/mid cap equity	4.0%	7.00%
International equity	9.0%	7.00%
Emerging market equity	3.0%	8.00%
Domestic fixed income	38.0%	2.50%
Floating rate corp loans	9.0%	5.25%
Low correlated hedge	10.0%	5.25%
Private equity	5.0%	9.00%
MLP's	7.0%	9.50%
Real estate	5.0%	6.25%
	100.0%	

Money-Weighted Rate of Return

The annual money-weighted rate of return net of expenses for the OPEB Trust were 3.6% and 3.4% for the fiscal years ended June 30, 2018 and 2017, respectively.

Discount Rate

The discount rate used to measure the total OPEB (asset) liability was as follows for each of the plans as of fiscal year ended June 30, 2018:

Plan	Discount Rate
DCP Refund	5.23%
PERA Subsidy	5.23%
Rx Subsidy	5.23%
LTD Income Replacement	4.91%

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

The discount rate is equal to the investment rate of return for the DCP Refund, PERA Subsidy, and Rx Subsidy plans. The investment rate of return for the fiscal years ended June 30, 2018 and 2017, were 5.23 percent and 5.33 percent, respectively. The LTD Income Replacement plan's discount rate for the fiscal years ended June 30, 2018 and 2017, were 4.91 percent and 5.03 percent, respectively, and incorporated a municipal bond rate, which was obtained from the Bond buyer 20-Bond General Obligation Index. The LTD Income Replacement plan's municipal bond rate for the fiscal year ended June 30, 2018 was 3.44 percent.

(Amounts expressed in thousands)

Changes in the Net OPEB (Asset) Liability

Changes in the net OPEB asset for the DCP Refund plan as of fiscal year ended June 30, 2018, are as follows:

		Total OPEB Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net OPEB Asset (a) - (b)
Measurement period beginning balance, January 1, 2017	$	34,491	42,542	(8,051)
Changes for the year:				
Service cost		1,648	-	1,648
Interest		1,815	-	1,815
Differences between expected and actual experience		(243)	-	(243)
Change in assumptions		285	-	285
Contributions-employer		-	1,850	(1,850)
Net investment income		-	3,114	(3,114)
Benefit payments		(903)	(903)	-
Administrative expense		-	(47)	47
Net changes		2,602	4,014	(1,412)
Measurement period ending balance, December 31, 2017	**$**	**37,093**	**46,556**	**(9,463)**

Changes in the net OPEB liability are a combination of the following plans: PERA Subsidy, Rx Subsidy, and LTD Income Replacement. The total of the three plans as of fiscal year ended June 30, 2018, are as follows:

		Total OPEB Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Measurement period beginning balance, January 1, 2017	$	58,325	31,402	26,923
Changes for the year:				
Service cost		1,811	-	1,811
Interest		3,013	-	3,013
Differences between expected and actual experience		(458)	-	(458)
Change in assumptions		192	-	192
Contributions-employer		-	3,760	(3,760)
Net investment income		-	2,267	(2,267)
Benefit payments		(2,489)	(2,489)	-
Administrative expense		-	(148)	148
Net changes		2,069	3,390	(1,321)
Measurement period ending balance, December 31, 2017	**$**	**60,394**	**34,792**	**25,602**

(Amounts expressed in thousands)

The net OPEB assets and liabilities as of June 30, 2018, are recorded in net OPEB assets, noncurrent and net OPEB liabilities, noncurrent on the Statements of Net Position.

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

The following presents the net OPEB (asset) liability of CSU, as well as what CSU's net OPEB (asset) liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate as of fiscal year ended June 30, 2018:

	1% Decrease	
Plan	Discount Rate	Net OPEB (Asset) Liability
DCP Refund	4.23%	(4,294)
PERA Subsidy	4.23%	27,137
Rx Subsidy	4.23%	3,112
LTD Income Replacement	3.91%	2,442

	Current Rate	
Plan	Discount Rate	Net OPEB (Asset) Liability
DCP Refund	5.23%	(9,463)
PERA Subsidy	5.23%	21,071
Rx Subsidy	5.23%	2,692
LTD Income Replacement	4.91%	1,839

	1% Increase	
Plan	Discount Rate	Net OPEB (Asset) Liability
DCP Refund	6.23%	(13,728)
PERA Subsidy	6.23%	16,081
Rx Subsidy	6.23%	2,345
LTD Income Replacement	5.91%	1,273

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

The following presents the net OPEB (asset) liability of CSU, as well as what CSU's net OPEB (asset) liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates as of fiscal year ended June 30, 2018:

(Amounts expressed in thousands)

	1% Decrease	
Plan	**Healthcare Cost Trend Rate**	**Net OPEB (Asset) Liability**
DCP Refund	6.00%	(9,472)
PERA Subsidy	6.00%	14,939
Rx Subsidy	6.00%	2,314
LTD Income Replacement	N/A	N/A

	Current Rate	
Plan	**Healthcare Cost Trend Rate**	**Net OPEB (Asset) Liability**
DCP Refund	7.00%	(9,463)
PERA Subsidy	7.00%	21,071
Rx Subsidy	7.00%	2,692
LTD Income Replacement	N/A	N/A

	1% Increase	
Plan	**Healthcare Cost Trend Rate**	**Net OPEB (Asset) Liability**
DCP Refund	8.00%	(9,456)
PERA Subsidy	8.00%	28,457
Rx Subsidy	8.00%	3,149
LTD Income Replacement	N/A	N/A

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

For the fiscal year ended June 30, 2018, CSU recognized OPEB expense of $4.1 million. At June 30, 2018, CSU reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

		Deferred Outflows of Resources	**Deferred Inflows of Resources**
Differences between expected and actual experience	$	-	408
Changes of assumptions or other inputs		304	-
Net difference between projected and actual earnings on OPEB plan investments		-	1,105
Contributions subsequent to measurement date		1,923	-
Total	**$**	**2,227**	**1,513**

$1.9 million reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB (asset) liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

(Amounts expressed in thousands)

Fiscal year ending June 30:		Total
2019	$	(287)
2020		(285)
2021		(285)
2022		(285)
2023		(9)
Thereafter		(58)
Total	**$**	**(1,209)**

Payable to the OPEB Plan

For the fiscal year ended June 30, 2018 and 2017, CSU reported a payable of zero for the outstanding amount of contributions to the Trust for both years.

(c) Adoption of New Accounting Standard

Effective July 1, 2017, the System adopted the provisions of Governmental Accounting Standards Board Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (GASB Statement No. 75). GASB* Statement No. 75 requires the System, as a participant in the multiple-employer cost-sharing PERA defined benefit OPEB fund to record its proportionate share, as defined in GASB Statement No. 75, of PERA's unfunded OPEB liability. The System has no legal obligation to fund this shortfall, nor does it have any ability to affect funding, benefit, or annual required contribution decisions made by PERA or the General Assembly. GASB Statement No.75 requires CSU, as a participant of three single-employer defined benefit healthcare plans: DCP Refund, PERA Subsidy, and Rx Subsidy, as well as a self-insured LTD plan to record its unfunded OPEB (asset) liability. CSU eliminated the net OPEB (asset) obligation required by GASB Statement No. 45 as part of the implementation of GASB Statement No. 75 and established the unfunded OPEB (asset) liability for GASB Statement No. 75 for the fiscal year ended June 30, 2018.

To the extent practical, changes made to comply with GASB Statement No. 75 should be presented as a restatement of the fiscal year ended June 30, 2017 financial statements. However, PERA did not provide the information required to restate the System's financial statements and CSU did not request actuarial information required to restate the System's financial statements for the fiscal year ended June 30, 2017. Therefore, the impact of eliminating GASB Statement No. 45 and the adoption of GASB Statement No. 75 are shown as a cumulative effect adjustment to net position, beginning of year, in fiscal year 2018, as detailed below:

Net position, beginning of year	$	415,209
Cumulative effect of change in accounting principal for GASB 75		(49,080)
Net position, beginning of year, as restated	**$**	**366,129**

The System's proportionate share of PERA's net OPEB liability, CSU's DCP Refund net OPEB asset, and CSU's PERA Subsidy, Rx Subsidy, and LTD Income Replacement's net OPEB liability, in total, directly reduced the unrestricted net positon. Beginning unrestricted net position of -$311.1 million was reduced by the cumulative effect of adopting GASB Statement No. 75.

Prior to the adoption of GASB Statement No. 75, the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB were followed. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, established new accounting and financial reporting requirements for OPEB plans and was adopted for fiscal year ended June 30, 2017.

(d) Life Insurance Program

During fiscal years ended June 30, 2018 and 2017, PERA provided its members with access to a group decreasing term life insurance plan offered by Unum Provident. Active members may join the Unum Provident Plan and continue coverage into retirement. PERA retirees are not eligible to enroll in the insurance program. Premiums are collected by monthly payroll deductions or other means. In addition, PERA maintained coverage for members under closed group plans underwritten by Anthem Life, Prudential, and New York Life.

(21) 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, 2018 and 2017 was $52.9 million and $58.0 million, respectively.

Overall, expenses decreased for the fiscal year ended June 30, 2018 by $5.1 million and increased for the fiscal year ended June 30, 2017 by $2.6 million, for the estimated compensated absences liabilities.

(22) Direct Student Financial Aid Reporting

During fiscal years ended June 30, 2018 and 2017, CSU, CSU-Global and CSU-Pueblo participated in the federal government's Direct Loan Program. This program provides loans from the federal government to qualifying students and their families for educational purposes. While CSU, CSU-Global and CSU-Pueblo help students obtain these loans, the University is not a party to the loans and is not responsible for collection of monies owed or for defaults by borrowers.

The gross amounts of Direct Loans disbursed during fiscal years ended June 30, 2018 and 2017 were $294.7 million and $284.3 million, respectively.

(Amounts expressed in thousands)

(23) Scholarship Allowance

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

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

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

		June 30, 2017			
		Tuition and Fees	Auxiliary Revenues	Facility Fee Revenues	Total
Gross revenue	$	662,998	179,472	18,350	860,820
Scholarship allowances:					
Federal		27,282	786	1,045	29,113
State		12,474	655	460	13,589
Private		337	183	17	537
Institutional		77,473	2,803	2,712	82,988
Total allowances		117,566	4,427	4,234	126,227
Net revenue	**$**	**545,432**	**175,045**	**14,116**	**734,593**

(24) System Foundations and Endowments

(a) Colorado State University Research Foundation

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

Colorado State University Ventures (CSUV) is a wholly owned subsidiary of CSURF. CSUV is used to assist in the promotion, development, improvement, and expansion of the facilities and programs of the 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.

(Amounts expressed in thousands)

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, 2018 and 2017, royalty revenues equaled $1.8 million and $3.1 million, respectively, and expenses were $1.3 million and $1.9 million, respectively. Also during the fiscal years ended June 30, 2018 and 2017, rental revenues equaled $6.2 million and $6.1 million, respectively, and related expenses were $3.8 million and $3.7 million, respectively.

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

At June 30, 2018, the assets of CSURF consisted of:

Cash and current assets	$	8,020
Property and equipment		51,364
Other assets		16,067
Total assets	**$**	**75,451**

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

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

Cash and current assets	$	8,097
Property and equipment		53,296
Other assets		16,386
Total assets	**$**	**77,779**

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

(b) CSU-Pueblo Board-Designated Funds

CSU-Pueblo manages two board-designated funds. These funds' assets and activity are reported as part of the System. Both funds retain 20 percent of earnings each year to build the corpus of the fund and transfer 80 percent of the annual earnings to CSU-Pueblo as designated by the Board. The first board-designated fund was established in 1994 from the proceeds of land sales in the Walking Stick Development immediately west of the campus. The sale of excess land adjacent to the university campus provides resources that support the academic mission of CSU-Pueblo. To date, CSU-Pueblo has sold 16 parcels of land with the proceeds from the sales being placed in a board-designated fund. The Walking Stick Fund assets consisted of cash and land. The cash held by the Walking Stick Fund was $5.4 million and $5.3 million for fiscal years ended June 30, 2018 and 2017, respectively.

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, 2018 and 2017.

(c) INTO-CSU, LLC

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

As part of the LLC Agreement, CSURF agreed to loan the Joint Venture up to $1.5 million. The promissory note matures February 2027 with monthly interest payments of five percent due beginning March 2017. In connection with the agreement for CSURF to loan funds to INTO-CSU, LLC, the University has agreed to reimburse CSURF for net funds loaned to the Joint Venture. As of June 30, 2018 and 2017, the University has booked a receivable for $1.2 million due from CSURF relating to amounts that have been loaned to the Joint Venture by CSURF. The University has also established a bad debt reserve for $1.2 million. As of June 30, 2018 the University has also booked a receivable for $182 thousand due from CSURF relating to unpaid interest. The University has also established a bad debt reserve for $182 thousand. No payments have been received as of June 30, 2018.

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

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

During 2015, CSURF AC entered into certain promissory notes with a development partner (MIRA) whereby CSURF AC borrowed funds from MIRA for the development of the property. The land for the campus and research farm was to be transferred to the Trust in various phases upon completion and, upon transfer, MIRA was to forgive the debt. During 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.

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

During 2018, MIRA forgave the remaining balance of the promissory notes totaling $1.6 million.

(25) State Support

In fiscal year 2006 state support for higher education changed with the implementation of the College Opportunity Fund. As a result of this legislation, which was adopted in S.B. 04-189 passed in the 2004 state legislative session, the State no longer provides a direct state general fund appropriation to the System. Instead, state support is provided to the System in the form of fee for service contracts with the State for the delivery of special programs, graduate programs, and high cost/high demand programs. In the fiscal years ended June 30, 2018 and 2017, the System received $95.7 million and $91.2 million, respectively, in state fee for service contract revenue.

State support was also provided to the System in the form of student tuition stipends provided to students by the state College Opportunity Fund. In the fiscal years ended June 30, 2018 and 2017, stipends were provided to students attending classes at Colorado State University and Colorado State University-Pueblo in the amount of $43.6 million and $43.3 million, respectively.

(26) 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.

(27) Subsequent Events

On November 29, 2018, Colorado State University System sold $30.4 million taxable Series 2018 A Enterprise Revenue Bonds. The 2018 A Bonds were sold as State-Intercept backed bonds and will be used for the purpose of financing an approximately 38,000 square foot Center for Vector-borne Infectious Diseases, a portion of the JBS Global Food Innovation Center addition to the Animal Science building and paying certain costs relating to the issuance of the Series 2018 A Bonds.

On October 16, 2018, Colorado State University System issued $4.8 million in taxable commercial paper, maturing December 11, 2018, used to short-term finance construction costs on the Translational Medicine Institute building.

On October 16, 2018, Colorado State University System issued $14.2 million in tax-exempt commercial paper, maturing January 24, 2019, that will be used to short-term finance construction costs on the Richardson Design Center and WCRC Orchard Mesa Consolidation Center (Western Center for Research, Extension & Engagement).

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REQUIRED SUPPLEMENTAL INFORMATION

COLORADO STATE UNIVERSITY SYSTEM
Required Supplemental Information
Schedule of Proportionate Share of the Net Pension Liability
June 30, 2018
(Unaudited)
(Amounts expressed in thousands)

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

		CY2017	CY2016	CY2015	CY2014	CY2013
Proportion of the net pension liability		5.4%	5.4%	5.5%	5.6%	5.6%
Proportionate share of the net pension liability	$	1,084,746	992,336	578,718	524,663	500,698
Covered payroll		161,545	156,234	154,327	152,106	146,046
Proportionate share of the net pension liability as a percentage of covered payroll		671.5%	635.2%	375.0%	344.9%	342.8%
Plan fiduciary net position as a a percentage of the total pension liability		43.2%	42.6%	56.1%	59.8%	61.1%

Notes to Schedule of Proportionate share of the Net Pension Liability

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

Amounts reported in the Schedule of Proportionate Share of the Net Pension Liability for calendar year ended December 31, 2017 reflected the following changes since December 31, 2016:

- The single equivalent interest rate (SEIR) for the State Division Trust Fund (SDTF) was lowered from 5.26 percent to 4.72 percent to reflect the changes to the projection's valuation basis, a projected year of depletion of the fiduciary net position (FNP), and the resulting application of the municipal bond index rate.
- The municipal bond index rate used in the determination of the SEIR changed from 3.86 percent on the prior measurement date to 3.43 percent on the measurement date.

Amounts reported in the Schedule of Proportionate Share of the Net Pension Liability for calendar year ended December 31, 2016 reflected the following changes since December 31, 2015:

- The investment return assumption was lowered from 7.50 percent to 7.25 percent.
- The price inflation assumption was lowered from 2.80 percent to 2.40 percent.
- The wage inflation assumption was lowered from 3.90 percent to 3.50 percent.
- The post-retirement mortality assumption for healthy lives for the SDTF was changed to the RP-2014 Healthy Annuitant Mortality Table with adjustments for credibility and gender adjustments of a 73 percent factor applied to ages below 80 and a 108 percent factor applied to age 80 and above, projected to 2018, for males, and a 78 percent factor applied to ages below 80 and a 109 percent factor applied to age 80 and above, projected to 2020, for females.
- For disabled retirees, the mortality assumption was changed to reflect 90 percent of RP-2014 Disabled Retiree Mortality Table.
- The mortality assumption for active members was changed to RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.
- The rates of retirement, withdrawal, and disability were revised to reflect more closely actual experience.
- The estimated administrative expense as a percentage of covered payroll was increased from 0.35 percent to 0.40 percent.
- The SEIR for the SDTF was lowered from 7.50 percent to 5.26 percent to reflect the changes to the projection's valuation basis a projected year of depletion of the FNP, and the resulting application of the municipal bond index rate of 3.86 percent on the measurement date.

COLORADO STATE UNIVERSITY SYSTEM

Required Supplemental Information

Schedule of Pension Contributions

June 30, 2018

(Unaudited)

(Amounts expressed in thousands)

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

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

COLORADO STATE UNIVERSITY SYSTEM
Required Supplemental Information
Schedule of Proportionate Share of the Net OPEB Liability and Schedule of OPEB Contributions
June 30, 2018
(Unaudited)
(Amounts expressed in thousands)

Schedule of Proportionate Share of the Net OPEB Liability

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

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

Schedule of OPEB Contributions

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

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

COLORADO STATE UNIVERSITY SYSTEM
Required Supplemental Information
Schedule of Changes in the Net OPEB (Asset) Liability and Related Ratios
Retiree Medical Subsidy for DCP Participants
June 30, 2018
(Unaudited)
(Amounts expressed in thousands)

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

		CY2017	**CY2016**
Total OPEB liability (asset):			
Service cost	$	1,648	N/A
Interest		1,815	N/A
Differences between expected and actual experience		(243)	N/A
Changes of assumptions		285	N/A
Benefit payments		(903)	N/A
Net change in total OPEB liability		2,602	N/A
Total OPEB liability (asset) - beginning		34,491	N/A
Total OPEB liability (asset) - ending (a)	**$**	**37,093**	**34,491**
Plan fiduciary net position:			
Contributions-employer	$	1,850	N/A
Net investment income		3,114	N/A
Benefit payments		(903)	N/A
Administrative expense		(47)	N/A
Net change in plan fiduciary net position		4,014	N/A
Plan fiduciary net position - beginning		42,542	N/A
Plan fiduciary net position - ending (b)	**$**	**46,556**	**42,542**
Net OPEB liability (asset) - ending (a)-(b)	**$**	**(9,463)**	**(8,051)**
Plan fiduciary net position as a percentage of the total OPEB liability		125.5%	123.3%
Covered-employee payroll	$	370,767	348,547
Net OPEB liability (asset) as a percentage of covered-employee payroll		-2.6%	-2.3%

Notes To Required Supplementary Information

Changes of assumptions and methods:

Discount rate/investment rate of return: For the fiscal year ended June 30, 2018, the discount rate/investment rate of return assumption was updated to 5.23 percent. For the fiscal year ended June 30, 2017, the discount rate/investment rate of return assumption was 5.33 percent.
Mortality assumption: For the fiscal year ended June 30, 2018, the mortality assumption used the RP-2017 mortality tables with separate rates for males and females and generational projection using improvement scale BB. For the fiscal year ended June 30, 2017, the mortality assumption used the RP-2016 mortality tables with separate rates for males and females, and generational projection using improvement scale BB.

COLORADO STATE UNIVERSITY SYSTEM
Required Supplemental Information
Schedule of Changes in the Net OPEB (Asset) Liability and Related Ratios
Retiree Medical Subsidy for PERA Participants
June 30, 2018
(Unaudited)
(Amounts expressed in thousands)

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

		CY2017	**CY2016**
Total OPEB liability (asset):			
Service cost	$	376	N/A
Interest		2,332	N/A
Differences between expected and actual experience		(90)	N/A
Changes of assumptions		119	N/A
Benefit payments		(1,569)	N/A
Net change in total OPEB liability		1,168	N/A
Total OPEB liability (asset) - beginning		44,523	N/A
Total OPEB liability (asset) - ending (a)	**$**	**45,691**	**44,523**
Plan fiduciary net position:			
Contributions-employer	$	2,011	N/A
Net investment income		1,628	N/A
Benefit payments		(1,569)	N/A
Administrative expense		(34)	N/A
Net change in plan fiduciary net position		2,036	N/A
Plan fiduciary net position - beginning		22,584	N/A
Plan fiduciary net position - ending (b)	**$**	**24,620**	**22,584**
Net OPEB liability (asset) - ending (a)-(b)	**$**	**21,071**	**21,939**
Plan fiduciary net position as a percentage of the total OPEB liability		53.9%	50.7%
Covered-employee payroll	$	15,721	17,415
Net OPEB liability (asset) as a percentage of covered-employee payroll		134.0%	126.0%

Notes To Required Supplementary Information

Changes of assumptions and methods:

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

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

COLORADO STATE UNIVERSITY SYSTEM
Required Supplemental Information
Schedule of Changes in the Net OPEB (Asset) Liability and Related Ratios
Retiree Umbrella Prescription Plan for PERA Participants
June 30, 2018
(Unaudited)
(Amounts expressed in thousands)

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

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

Notes To Required Supplementary Information

Changes of assumptions and methods:

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

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

COLORADO STATE UNIVERSITY SYSTEM
Required Supplemental Information
Schedule of Changes in the Net OPEB (Asset) Liability and Related Ratios
Long-Term Disability Income Replacement Plan
June 30, 2018
(Unaudited)
(Amounts expressed in thousands)

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

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

Notes To Required Supplementary Information

Changes of assumptions and methods:

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

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

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

COLORADO STATE UNIVERSITY SYSTEM
Required Supplemental Information
Schedule of OPEB Contributions
Retiree Medical Subsidy for DCP Participants
June 30, 2018
(Unaudited)
(Amounts expressed in thousands)

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

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

Notes To Required Supplementary Information

Valuation date	January 1, 2017
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry age normal, level percent of pay
Amortization method	30 years open, level percent of pay
Amortization period	30 years
Asset valuation method	Market value
Inflation	3.00%
Investment rate of return	5.23%
Salary increases	N/A
Cost-of-living adjustments	N/A
Healthcare cost trend rates	7.00% decreasing by 0.25% per year to 5.00% in 2025 and later
Mortality	Separate mortality rates for non-annuitants (based on RP-2017 "Employees" sex-distinct tables and projected generationally using Scale BB) and annuitants (based on RP-2017 "Healthy Annuitants" sex-distinct tables and projected generationally using Scale BB). In fiscal year ended June 30, 2017, the mortality assumption used the RP-2016 mortality tables with separate rates for males and females and generational projection using improvement scale BB.

COLORADO STATE UNIVERSITY SYSTEM

Required Supplemental Information

Schedule of OPEB Contributions

Retiree Medical Subsidy for PERA Participants

June 30, 2018

(Unaudited)

(Amounts expressed in thousands)

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

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

Notes To Required Supplementary Information

Valuation date	January 1, 2017
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry age normal, level percent of pay
Amortization method	30 years closed, level percent of pay
Amortization period	20 years
Asset valuation method	Market value
Inflation	3.00%
Investment rate of return	5.23%
Salary increases	N/A
Cost-of-living adjustments	N/A
Healthcare cost trend rates	7.00% decreasing by 0.25% per year to 5.00% in 2025 and later
Mortality	Separate mortality rates for non-annuitants (based on RP-2017 "Employees" sex-distinct tables and projected generationally using Scale BB) and annuitants (based on RP-2017 "Healthy Annuitants" sex-distinct tables and projected generationally using Scale BB). In fiscal year ended June 30, 2017, the mortality assumption used the RP-2016 mortality tables with separate rates for males and females and generational projection using improvement scale BB.

COLORADO STATE UNIVERSITY SYSTEM
Required Supplemental Information
Schedule of OPEB Contributions
Retiree Umbrella Prescription Plan PERA Participants
June 30, 2018
(Unaudited)
(Amounts expressed in thousands)

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

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

Notes To Required Supplementary Information

Valuation date	January 1, 2017
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry age normal, level percent of pay
Amortization method	30 years closed, level percent of pay
Amortization period	20 years
Asset valuation method	Market value
Inflation	3.00%
Investment rate of return	5.23%
Salary increases	N/A
Cost-of-living adjustments	N/A
Healthcare cost trend rates	7.00% decreasing by 0.25% per year to 5.00% in 2025 and later
Mortality	Separate mortality rates for non-annuitants (based on RP-2017 "Employees" sex-distinct tables and projected generationally using Scale BB) and annuitants (based on RP-2017 "Healthy Annuitants" sex-distinct tables and projected generationally using Scale BB). In fiscal year ended June 30, 2017, the mortality assumption used the RP-2016 mortality tables with separate rates for males and females and generational projection using improvement scale BB.

COLORADO STATE UNIVERSITY SYSTEM

Required Supplemental Information

Schedule of OPEB Contributions

Long-Term Disability Income Replacement Plan

June 30, 2018

(Unaudited)

(Amounts expressed in thousands)

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

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

Notes To Required Supplementary Information

Valuation date	January 1, 2017
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry age normal, level percent of pay
Amortization method	30 years open, level percent of pay
Amortization period	30 years
Asset valuation method	Market value
Inflation	3.00%
Investment rate of return	5.23%
Salary increases	4.00%
Cost-of-living adjustments	3.00%
Healthcare cost trend rates	N/A
Mortality	Separate mortality rates for non-annuitants (based on RP-2017 "Employees" sex-distinct tables and projected generationally using Scale BB) and annuitants (based on RP-2017 "Healthy Annuitants" sex-distinct tables and projected generationally using Scale BB). In fiscal year ended June 30, 2017, the mortality assumption used the RP-2016 mortality tables with separate rates for males and females and generational projection using improvement scale BB. Long-term disabled participant mortality is based on the 1987 Commissioner's Group Disability Table with a three month elimination period.

COLORADO STATE UNIVERSITY SYSTEM OTHER POSTEMPLOYMENT BENEFITS

Required Supplemental Information

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

Retiree Medical Subsidy for DCP Participants

June 30, 2018

(Unaudited)

(Amounts expressed in thousands)

The amount presented are for each fiscal year.

		FY2018	FY2017
Total OPEB liability:			
Service cost	$	1,681	N/A
Interest		1,873	N/A
Demographics losses (gains)		(284)	N/A
Assumption changes		290	N/A
Benefit payments		(966)	N/A
Net change in total OPEB liability		2,594	N/A
Total OPEB liability - beginning		35,623	N/A
Total OPEB liability - ending	**$**	**38,217**	**35,623**
Plan fiduciary net position:			
Net investment income	$	1,639	N/A
Benefit payments		(966)	N/A
Administrative expense		(37)	N/A
Net change in plan fiduciary net position		636	N/A
Plan fiduciary net position - beginning		45,363	N/A
Plan fiduciary net position - ending	**$**	**45,999**	**45,363**
Net OPEB liability (asset) - ending	**$**	**(7,782)**	**(9,740)**
Plan fiduciary net position as a percentage of the total OPEB liability		120.4%	127.3%

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

COLORADO STATE UNIVERSITY SYSTEM OTHER POSTEMPLOYMENT BENEFITS

Required Supplemental Information

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

Retiree Medical Subsidy for PERA Participants

June 30, 2018

(Unaudited)

(Amounts expressed in thousands)

The amounts presented are for each fiscal year.

		FY2018	FY2017
Total OPEB liability:			
Service cost	$	323	N/A
Interest		2,359	N/A
Demographics losses (gains)		(399)	N/A
Assumption changes		125	N/A
Benefit payments		(1,563)	N/A
Net change in total OPEB liability		845	N/A
Total OPEB liability - beginning		45,038	N/A
Total OPEB liability - ending	**$**	**45,883**	**45,038**
Plan fiduciary net position:			
Contributions-employer	$	1,942	N/A
Net investment income		849	N/A
Benefit payments		(1,563)	N/A
Administrative expense		(24)	N/A
Net change in plan fiduciary net position		1,204	N/A
Plan fiduciary net position - beginning		23,552	N/A
Plan fiduciary net position - ending	**$**	**24,756**	**23,552**
Net OPEB liability (asset) - ending	**$**	**21,127**	**21,486**
Plan fiduciary net position as a percentage of the total OPEB liability		54.0%	52.3%

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

COLORADO STATE UNIVERSITY SYSTEM OTHER POSTEMPLOYMENT BENEFITS

Required Supplemental Information

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

Retiree Umbrella Prescription Plan PERA Participants

June 30, 2018

(Unaudited)

(Amounts expressed in thousands)

The amounts presented are for each fiscal year

		FY2018	FY2017
Total OPEB liability:			
Service cost	$	24	N/A
Interest		181	N/A
Demographics losses (gains)		(159)	N/A
Assumption changes		4	N/A
Benefit payments		(83)	N/A
Contributions-employee/member		28	N/A
Net change in total OPEB liability		(5)	N/A
Total OPEB liability - beginning		3,449	N/A
Total OPEB liability - ending	**$**	**3,444**	**3,449**
Plan fiduciary net position:			
Contributions-employer	$	232	N/A
Contributions-employee/member		28	N/A
Net investment income		22	N/A
Benefit payments		(83)	N/A
Administrative expense		(37)	N/A
Net change in plan fiduciary net position		162	N/A
Plan fiduciary net position - beginning		737	N/A
Plan fiduciary net position - ending	**$**	**899**	**737**
Net OPEB liability (asset) - ending	**$**	**2,545**	**2,712**
Plan fiduciary net position as a percentage of the total OPEB liability		26.1%	21.4%

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

COLORADO STATE UNIVERSITY SYSTEM OTHER POSTEMPLOYMENT BENEFITS

Required Supplemental Information

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

Long-Term Disability Income Replacement Plan

June 30, 2018

(Unaudited)

(Amounts expressed in thousands)

The amounts presented are for each fiscal year.

	FY2018	FY2017
Total OPEB liability:		
Service cost	$ 1,440	N/A
Interest	514	N/A
Demographics losses (gains)	(188)	N/A
Assumption changes	(13)	N/A
Benefit payments	(907)	N/A
Net change in total OPEB liability	846	N/A
Total OPEB liability - beginning	10,783	N/A
Total OPEB liability - ending	**$ 11,629**	**10,783**
Plan fiduciary net position:		
Contributions-employee/member	$ 1,550	N/A
Net investment income	318	N/A
Benefit payments	(907)	N/A
Administrative expense	(60)	N/A
Net change in plan fiduciary net position	901	N/A
Plan fiduciary net position - beginning	8,716	N/A
Plan fiduciary net position - ending	**$ 9,617**	**8,716**
Net OPEB liability (asset) - ending	**$ 2,012**	**2,067**
Plan fiduciary net position as a percentage of the total OPEB liability	82.7%	80.8%

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

COLORADO STATE UNIVERSITY SYSTEM OTHER POSTEMPLOYMENT BENEFITS

Required Supplemental Information

Schedule of Investment Returns

June 30, 2018

(Unaudited)

(Amounts expressed in thousands)

The amounts presented are for each fiscal year.

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