

Colorado State University System
Financial Statements and Independent Auditors' Reports
Financial Audit
Years Ended June 30, 2020 and 2019
Compliance Audit
Year Ended June 30, 2020

LEGISLATIVE AUDIT COMMITTEE

Representative Dafna Michaelson Jenet
Chair

Senator Jim Smallwood
Vice-Chair

Representative Rod Bockenfeld
Senator Julie Gonzales
Representative Colin Larson

Representative Dylan Roberts
Senator Robert Rodriguez
Senator Rob Woodward

OFFICE OF THE STATE AUDITOR STAFF

Dianne E. Ray

State Auditor

Kerri Hunter

Deputy State Auditor

Marisa Edwards

Contract Monitor

CliftonLarsonAllen, LLP

Contractor

AN ELECTRONIC VERSION OF THIS REPORT IS AVAILABLE AT
WWW.COLORADO.GOV/AUDITOR

A BOUND REPORT MAY BE OBTAINED BY CALLING THE
OFFICE OF THE STATE AUDITOR
303.869.2800

PLEASE REFER TO REPORT NUMBER 2016F-A WHEN REQUESTING THIS REPORT



CliftonLarsonAllen LLP
CLAconnect.com

Members of the Legislative Audit Committee:

We have completed the financial statement audit and compliance audit of the Colorado State University System as of and for the years ended June 30, 2020 and 2019. Our audit was conducted 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.

We were engaged to conduct our audit pursuant to Section 2-3-103, C.R.S., which authorizes the State Auditor to conduct or cause to be conducted audits of all departments, institutions, and agencies of state government. The reports which we have issued as a result of this engagement are set forth in the table of contents which follows.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Greenwood Village, Colorado

**COLORADO STATE UNIVERSITY SYSTEM
TABLE OF CONTENTS
YEARS ENDED JUNE 30, 2020 AND 2019**

FINANCIAL AND COMPLIANCE AUDIT REPORT SECTION

Independent Auditors' Report	1
Management's Discussion and Analysis (Unaudited)	3
Financial Statements	
Statements of Net Position	18
Statements of Fiduciary Net Position – OPEB	20
Statements of Revenues, Expenses, and Changes in Net Position	21
Statements of Changes in Fiduciary Net Position – OPEB	23
Statements of Cash Flows	24
Notes to Basic Financial Statements	27
Required Supplemental Information	
Schedule of Proportionate Share of the Net Pension Liability	109
Schedule of Pension Contributions	111
Schedule of Proportionate Share of the Net OPEB Liability and Schedule of OPEB Contributions	112
Schedule of Changes in Net OPEB Liability (Asset) and Related Ratios – Retiree Medical Subsidy for DCP Participants	113
Schedule of Changes in Net OPEB Liability (Asset) and Related Ratios – Retiree Medical Subsidy for PERA Participants	114
Schedule of Changes in Net OPEB Liability (Asset) and Related Ratios – Retiree Umbrella Prescription Plan PERA Participants	115
Schedule of Changes in Net OPEB Liability (Asset) and Related Ratios – Long-Term Disability Income Replacement Plan	116
Schedule of OPEB Contributions Retiree Medical Subsidy for DCP Participants	117
Schedule of OPEB Contributions Retiree Medical Subsidy for PERA Participants	118
Schedule of OPEB Contributions Retiree Umbrella Prescription Plan PERA Participants	119

**COLORADO STATE UNIVERSITY SYSTEM
TABLE OF CONTENTS
YEARS ENDED JUNE 30, 2020 AND 2019**

Schedule of OPEB Contributions Long-Term Disability Income Replacement Plan	120
Schedule of Changes in the Net OPEB Liability (Asset) and Related Ratios Retiree Medical Subsidy for DCP Participants	121
Schedule of Changes in the Net OPEB Liability (Asset) and Related Ratios Retiree Medical Subsidy for PERA Participants	122
Schedule of Changes in the Net OPEB Liability (Asset) and Related Ratios Umbrella Prescription Plan PERA Participants	123
Schedule of Changes in the Net OPEB Liability (Asset) and Related Ratios Long-Term Disability Income Replacement Plan	124
Schedule of Investment Returns	125
REVENUE BONDS' EARNINGS REQUIREMENTS SECTION	
Independent Auditors' Report on Bond Compliance	126
Revenue Bonds' Earnings Requirements Schedules	127
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	128
Required Communications to the Legislative Audit Committee	130
STATE-FUNDED STUDENT FINANCIAL ASSISTANCE PROGRAMS	
Introduction	134
Report Summary	135
Independent Auditors' Report on the Statement of Appropriations, Expenditures, and Reversions of the State of Colorado State-Funded Student Assistance Programs	136
Statement of Appropriations, Expenditures, and Reversions	139
Notes to Statement of Appropriations, Expenditures, and Reversions	140
Schedule of Appropriations, Expenditures, and Reversions by Campus	141
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Statement of Appropriations, Expenditures, and Reversions of the State of Colorado State-Funded Student Assistance Programs Performed in Accordance with Government Auditing Standards	143

**COLORADO STATE UNIVERSITY SYSTEM
REPORT SUMMARY
YEARS ENDED JUNE 30, 2020 AND 2019**

Purposes and Scope of Audit

The Office of the State Auditor engaged CliftonLarsonAllen LLP (CLA) to conduct a financial and compliance audit of the Colorado State University System (the System) for the years ended June 30, 2020 and 2019. CLA performed the 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. The audits of the Colorado State University Foundation and the Colorado State University – Pueblo Foundation, discretely presented component units of the System, were not performed in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*.

The purposes and scope of the audit were to:

- Express opinions on the financial statements of the System as of and for the years ended June 30, 2020 and 2019, including consideration of internal control over financial reporting as required by auditing standards generally accepted in the United States of America and *Government Auditing Standards* for the year ended June 30, 2020.
- Evaluate compliance with certain provisions of laws, regulations, contracts, and grants governing the expenditure of federal and state funds for the year ended June 30, 2020.
- Issue a report on the System’s internal control over financial reporting and on compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters based on our audits of the financial statements performed in accordance with *Government Auditing Standards* for the year ended June 30, 2020.
- Report on the System’s compliance with applicable bond covenants.

The System’s schedule of expenditures of federal awards and applicable opinions thereon, issued by the Office of the State Auditor, are included in the Statewide Single Audit Report issued under separate cover.

Audit Opinions and Reports

The independent auditors’ reports included herein expressed unmodified opinions on the System’s financial statements as of and for the years ended June 30, 2020 and 2019.

**COLORADO STATE UNIVERSITY SYSTEM
REPORT SUMMARY
YEARS ENDED JUNE 30, 2020 AND 2019**

No material weaknesses in internal control over financial reporting were identified. We did identify a deficiency in internal control described within the Colorado State University – Global's financial statements that we consider to be not material to the Colorado State University – System financial statements.

No instances of noncompliance considered material to the financial statements were disclosed by the audit.

There are no findings and recommendations reported for the year ended June 30, 2020.

**COLORADO STATE UNIVERSITY SYSTEM
RECOMMENDATION LOCATOR
YEARS ENDED JUNE 30, 2020 AND 2019**

Significant Audit Adjustments

No matters are reportable.

Summary of Progress in Implementing Prior Audit Recommendations

There were no recommendations related to Fiscal Year 2019.

**COLORADO STATE UNIVERSITY SYSTEM
DESCRIPTION OF THE COLORADO STATE UNIVERSITY SYSTEM
YEARS ENDED JUNE 30, 2020 AND 2019**

Organization and Administration

The institutions that compose the Colorado State University System (the System) are established in Title 23, C.R.S. The Board of Governors (the Board) has control and supervision of three distinct institutions: Colorado State University (a land-grant university), Colorado State University – Pueblo (a regional, comprehensive university) and Colorado State University – Global Campus (an on-line university).

The 15-member Board consists of:

- Nine voting members appointed by the Governor and confirmed by the Senate for four-year terms
- Six advisory members representing the student bodies and the faculty councils for each of the three institutions, elected for one-year terms

The Board administers the board of governors of the Colorado State University System Fund located in the State Treasury. The Board is authorized to set tuition, pay expenses, and hire officials. The chief academic and administrative officers are the Chancellor of the Colorado State University System and the President of each institution.

Colorado State University

In 1870, the Territorial Council and House of Representatives of the Territory of Colorado created the Agricultural College of Colorado (the College). When the Territory became a state in 1876, the College was placed under the governance of the State Board of Agriculture.

The College began admitting its first students in 1879. It was also designated that year as Colorado's land-grant college and recipient of federal endowment support under the Morrill Act of 1862. Subsequent federal legislation led to the establishment of the Agricultural Experiment Station and the Extension Service of the College.

State legislation also made the College responsible for the Colorado State Forest Service. Following several name changes, the College became Colorado State University in 1957. In this report, the terms Colorado State University and CSU refer to Colorado State University – Fort Collins.

Resident Instruction

The following eight colleges offer more than 76 undergraduate degrees, 110 Academic Graduate Degrees and 30 Professional Graduate Degrees including Doctor of Veterinary Medicine:

- College of Agricultural Sciences
- College of Health and Human Sciences
- College of Liberal Arts
- College of Business
- Walter Scott, Jr. College of Engineering
- Warner College of Natural Resources
- College of Natural Sciences
- College of Veterinary Medicine and Biomedical Sciences

**COLORADO STATE UNIVERSITY SYSTEM
DESCRIPTION OF THE COLORADO STATE UNIVERSITY SYSTEM
YEARS ENDED JUNE 30, 2020 AND 2019**

Agricultural Experiment Station

The Agricultural Experiment Station provides a basis for agricultural research and study programs on the Fort Collins campus and at nine research centers located throughout the State. The mission of the Agricultural Experiment Station is to conduct research that addresses the economic viability, environmental sustainability, and social acceptability of activities impacting agriculture, natural resources, and consumers in Colorado. It is a public service organization that disseminates the results of its research to the public through CSU Extension and various publications and conferences.

CSU Extension

The mission of CSU Extension is to provide information and education and encourage the application of research-based knowledge in response to local, state, and national issues affecting individuals, youth, families, agricultural enterprises, and communities of Colorado. CSU Extension disseminates among the people of Colorado useful and practical information on subjects related to (a) agricultural production, marketing, and natural resources; (b) family living; (c) 4-H and other youth activities; and (d) rural and community development. The location of professional staff throughout the State permits CSU Extension to respond to the needs of local communities.

Colorado State Forest Service

The Colorado State Forest Service provides management, protection, and utilization of Colorado State Forest lands.

Colorado State University - Pueblo

Colorado State University – Pueblo was incorporated in 1935 as Southern Colorado Junior College. One year later, local citizens decided to support the institution with county taxes. They organized the Pueblo Junior College District and the school was renamed Pueblo Junior College. In 1951, Pueblo Junior College became the first accredited junior college in Colorado.

In 1963, Colorado’s General Assembly enacted legislation changing Pueblo Junior College to a four-year institution—Southern Colorado State College—to be governed by the board of trustees of state colleges. By then, four new buildings had been erected on the new campus north of Pueblo’s Belmont residential district. On July 1, 1975, the State Legislature granted the institution university status. Three years later, the Colorado State Board of Agriculture assumed governance of the University of Southern Colorado. In July 2003, the University was renamed Colorado State University – Pueblo.

Colorado State University – Pueblo (CSU-P) is accredited at the bachelor’s and master’s levels. CSU-P is a regional, comprehensive university, with moderately selective admissions standards displaying excellence in teaching and learning. CSU-P emphasizes professional, career-oriented, and applied programs at the undergraduate and graduate levels while maintaining strong programs in the liberal arts and sciences. CSU-P has received the federal government’s designation as a Hispanic Serving Institution granted to universities with at least 25% of the student population of Hispanic descent.

Colorado State University - Global Campus

Colorado State University – Global Campus (CSU-Global) was incorporated in 2008. CSU-Global is a baccalaureate and graduate online university with the mission in Colorado of offering baccalaureate degree programs for nontraditional students in partnership with the Colorado community college system and selected master-level graduate programs. The mission of CSU-Global is to offer on-line programs that are career-relevant and tailored to existing and emerging industry and occupational trends within Colorado. CSU-Global will cater to working adults and other nontraditional students who already have college credit or a two-year degree and want to complete their bachelor’s and/or master’s degrees. CSU-Global admitted its first students during the fall 2008 semester.

**COLORADO STATE UNIVERSITY SYSTEM
DESCRIPTION OF THE COLORADO STATE UNIVERSITY SYSTEM
YEARS ENDED JUNE 30, 2020 AND 2019**

Enrollment and Faculty

Enrollment and faculty and staff information is presented below and was obtained from institutional analysis and the System's Factbooks.

CSU reports full-time equivalent (FTE) student, faculty, and staff for three continuous fiscal years as follows:

**Colorado State University
Full-Time Equivalent (FTE) Student Enrollment**

Fiscal year	Resident	Nonresident	Total
2019-2020	17,702	8,691	26,393
2018-2019	18,001	8,464	26,465
2017-2018	18,208	7,971	26,179

**Colorado State University
Full-Time Equivalent (FTE) Faculty and Staff**

Fiscal year	Faculty	Staff	Total
2019-2020	1,771	5,650	7,421
2018-2019	1,738	5,565	7,303
2017-2018	1,711	5,453	7,164

CSU-Pueblo reports full-time equivalent (FTE) student, faculty, and staff for three continuous fiscal years as follows:

**Colorado State University - Pueblo
Full-Time Equivalent (FTE) Student Enrollment**

Fiscal year	Resident	Nonresident	Total
2019-2020	2,695	433	3,128
2018-2019	2,871	488	3,359
2017-2018	3,150	524	3,674

**Colorado State University - Pueblo
Full-Time Equivalent (FTE) Faculty and Staff**

Fiscal year	Faculty	Staff	Total
2019-2020	209	372	581
2018-2019	217	343	560
2017-2018	226	350	576

**COLORADO STATE UNIVERSITY SYSTEM
DESCRIPTION OF THE COLORADO STATE UNIVERSITY SYSTEM
YEARS ENDED JUNE 30, 2020 AND 2019**

CSU-Global reports full-time equivalent (FTE) student, faculty, and staff for three continuous fiscal years as follows

**Colorado State University – Global Campus
Full-Time Equivalent (FTE) Student Enrollment**

Fiscal year	Resident	Nonresident	Total
2019-2020	2,993	5,597	8,590
2018-2019	3,186	5,363	8,549
2017-2018	3,191	5,313	8,504

**Colorado State University – Global Campus
Full-Time Equivalent (FTE) Faculty and Staff**

Fiscal year	Faculty	Staff	Total
2019-2020	308	212	520
2018-2019	339	183	522
2017-2018	313	195	508

Colorado State University Foundation

Colorado State University-Pueblo Foundation

Colorado State University-System Foundation

The System's reporting entities include Colorado State University Foundation (CSUF), Colorado State University-Pueblo Foundation (CSU-P Foundation), and Colorado State University System Foundation (CSUS Foundation) as discretely presented reporting units. These Foundations are legally separate, tax-exempt entities that were established to receive, manage, and invest philanthropic gifts on behalf of CSU and CSU-P. The CSUS Foundation was created to accept transfers of intellectual property of the System and distribute money or issue grants to fund innovation and System initiatives, investment in new technology for the benefit of the System, and improve access and affordability for students of the System. Colorado State University Foundation is governed by its board of directors, which includes five voting members and three ex-officio nonvoting members. Twenty-seven trustees of the CSU-Pueblo Foundation are elected by members of the CSU-Pueblo Foundation. No person who is an employee of the University is eligible to serve as an officer of the Foundation or as a voting board member. The officers of the CSUS Foundation are appointed by the board of directors which consists of three CSU directors and four independent directors.

**COLORADO STATE UNIVERSITY SYSTEM
AUDITORS' FINDINGS AND RECOMMENDATIONS
YEARS ENDED JUNE 30, 2020 AND 2019**

There are no findings and recommendations for the year ended June 30, 2020

**COLORADO STATE UNIVERSITY SYSTEM
DISPOSITION OF PRIOR AUDIT RECOMMENDATIONS
YEARS ENDED JUNE 30, 2020 AND 2019**

Summary of Progress in Implementing Prior Audit Recommendations

There were no findings and recommendations reported for the year ended June 30, 2019.



INDEPENDENT AUDITORS' REPORT

Legislative Audit Committee & Board of Governors

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, the aggregate discretely presented component units, and the fiduciary fund information of the Colorado State University System (the System), as of and for the years ended June 30, 2020 and 2019, 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 99.67 percent, 99.67 percent, and 95.16 percent, respectively, of the assets, net position, and revenues of the component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the CSU Foundation 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 reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component units, and the fiduciary fund information of the System as of June 30, 2020 and 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

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

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2021, on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Greenwood Village, Colorado
February 12, 2021

COLORADO STATE UNIVERSITY SYSTEM

Management's Discussion and Analysis

Years Ended June 30, 2020 and 2019

(Unaudited)

Management's Discussion and Analysis

We are pleased to present this financial discussion and analysis of the Colorado State University System (the System). It is intended to make the System's financial statements easier to understand and communicate our financial situation in an open and accountable manner. This section of the financial report provides an objective discussion and analysis of the financial performance of the System for the fiscal years ended June 30, 2020 and 2019, respectively, with comparative information for fiscal year 2018. 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, 2020 and June 30, 2019.

Understanding the Financial Statements

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

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

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

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

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

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

COLORADO STATE UNIVERSITY SYSTEM

Management's Discussion and Analysis

Years Ended June 30, 2020 and 2019

(Unaudited)

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

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

Financial Highlights

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

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

For the fiscal years ended June 30, 2020 and 2019, appropriated expenses in the System were within the authorized spending authority. For the fiscal years ended June 30, 2020 and 2019, the System had a total state appropriation of \$669.9 million and \$639.0 million, respectively. For the fiscal years ended 2020 and 2019, the System's appropriation from re-appropriated funds consisted of \$50.4 million and \$46.5 million, respectively, received for students that qualified for stipends from the College Opportunity Fund, and \$122.0 million and \$108.4 million, respectively, as state fee for service contract revenue. Starting in fiscal year 2017, the students' share of tuition became appropriated from cash funds rather than informational only, totaling \$497.4 million in fiscal year 2020 and \$484.0 million in fiscal year 2019. The appropriated portion of WICHE funds was \$145 thousand in fiscal years ended 2020 and 2019. Mandatory fees and the student fee portion of WICHE funds, are shown in the long bill for informational purposes only. All other revenues and expenses reported by the System represent non-appropriated funds and are excluded from the annual appropriations bill. Non-appropriated funds include fees, grants and contracts, gifts, indirect cost recoveries, auxiliary revenues, and other revenue sources.

The assets and deferred outflows of the System exceeded its liabilities and deferred inflows as of June 30, 2020 by \$724.3 million (net position). Of this amount, \$850.2 million is related to the net investment in capital assets and \$79.7 million is restricted for purposes which the donor or grantor or other external party intended. Certain balances as of June 30, 2019 have been reclassified to conform to the presentation of fiscal year 2020 related to restricted net position. OPEB net assets were not restricted in fiscal year 2019, however, were restricted in fiscal year 2020. As a result, \$15.3 million has been reclassified to restricted for expendable purposes - other for fiscal year 2019. The remaining negative \$205.6 million in fiscal year 2020 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 \$708.1 million and \$849.1 million for fiscal years ended June 30, 2020 and 2019, respectively. The impact on net position is shown in the following table.

COLORADO STATE UNIVERSITY SYSTEM

Management's Discussion and Analysis

Years Ended June 30, 2020 and 2019

(Unaudited)

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

(Amounts expressed in thousands)

	Year Ended June 30		
	2020	2019*	2018
Net investment in capital assets	\$ 850,176	756,092	744,575
Restricted for nonexpendable purposes	28,680	27,849	27,296
Restricted for expendable purposes	51,032	48,297	29,879
Unrestricted	(205,557)	(346,387)	(497,245)
Total net position	724,331	485,851	304,505
Pension (GASB 68) impact	692,521	835,520	906,404
OPEB (GASB 75) impact	15,578	13,566	39,905
Net position excluding pension and OPEB	<u>\$ 1,432,430</u>	<u>1,334,937</u>	<u>1,250,814</u>

*Reclassified

The table below demonstrates the changes made due to GASB Statement No. 68 and GASB Statement No. 75 to the System's financial statements for the fiscal years ended June 30, 2020, 2019 and 2018, respectively. Pension expense decreased \$70.9 million in fiscal year ended June 30, 2020, which was a result of a \$1.7 billion decrease in the collective net pension liability for the State Division Trust Fund at PERA. A rate of 7.25 percent was used as the discount rate to value the collective total pension liability. The primary factors that contributed to the decreased liability were the increases to future contributions from members and employers, the State of Colorado's direct distribution payment to PERA, and changes to benefit provisions which are required by Senate Bill 18-200. In fiscal year ended June 30, 2019, pension expense decreased \$278.7 million, and in fiscal year ended June 30, 2018, pension expense increased \$46.9 million. The required cash contributions in the fiscal years ended June 30, 2020, 2019, and 2018 of \$37.3 million, \$36.0 million, and \$30.9 million. OPEB expense recorded as of fiscal year 2020 and 2019 was \$5.6 million and negative \$23.0 million, respectively, with \$4.8 million and \$3.9 million in required contributions.

OPEB Expense Compared to Required Contributions

(Amounts expressed in thousands)

	Year Ended June 30		
	2020	2019	2018
OPEB Expense	\$ 5,638	(22,930)	6,052
Expense increase (decrease) from prior year	28,568	(28,982)	(3,266)
Required contributions	4,847	3,886	6,561

PERA Pension Expense Compared to Required Contributions

(Amounts expressed in thousands)

	Year Ended June 30		
	2020	2019	2018
Pension Expense	\$ (105,760)	(34,901)	243,783
Expense increase (decrease) from prior year	(70,859)	(278,684)	46,866
Required contributions	37,251	35,957	30,949

COLORADO STATE UNIVERSITY SYSTEM

Management's Discussion and Analysis

Years Ended June 30, 2020 and 2019

(Unaudited)

Financial Analysis

The Summary of Net Position presents the assets, deferred outflows, liabilities, deferred inflows, and net position of the Colorado State University System for the fiscal years ended June 30, 2020, 2019, and 2018. In fiscal years 2020 and 2019, deferred outflows of resources and deferred inflows of resources included amounts related to the PERA pension, whose liability was recorded due to GASB Statement No. 68. The System's proportionate share of the net pension liability as of fiscal years ended June 30, 2020 and 2019, was \$517.2 million and \$611.6 million, respectively. The net OPEB liability as of fiscal years ended June 30, 2020 and 2019, was \$25.1 million and \$27.5 million, respectively.

Summary of Net Position

(Amounts expressed in thousands)

	Year Ended June 30		
	2020	2019*	2018
Current assets	\$ 547,099	522,393	673,787
Noncurrent assets, including net capital assets of \$2,000,395, \$1,934,622, and \$1,907,410, respectively	2,476,103	2,295,289	2,010,590
Deferred outflows	132,010	174,954	293,874
Total assets and deferred outflows	3,155,212	2,992,636	2,978,251
Current liabilities	338,911	239,766	203,939
Noncurrent liabilities	1,866,924	1,936,719	2,423,552
Deferred inflows	225,046	330,300	46,255
Total liabilities and deferred inflows	2,430,881	2,506,785	2,673,746
Net investment in capital assets	850,176	756,092	744,575
Restricted	79,712	76,146	57,175
Unrestricted	(205,557)	(346,387)	(497,245)
Total net position	\$ 724,331	485,851	304,505

*Reclassified

In fiscal year 2020, total assets increased by \$205.5 million. Current assets accounted for \$24.7 million worth of that increase, which included increases of \$9.9 million in cash and cash equivalents, \$844 thousand in investments, \$15.0 million in accounts and loan receivables, \$793 thousand in inventories, with a decrease of \$1.8 million in other assets.

Cash and cash equivalents increased by \$9.9 million to \$282.5 million in 2020 due to an increase in cash on deposit with the Colorado State Treasurer. In 2008, House Bill 08-1002 authorized the System to begin operating its own treasury. In fiscal year 2019, the System began investing a portion of its cash through the Colorado State University System Treasury, rather than operating solely out of the State's treasury pool. The investment in the System's own treasury pool caused a decrease in cash and cash equivalents of \$239.4 million in 2019. This cash investment has resulted in short-term investments of \$61.7 million in fiscal year 2020, which was an increase of \$844 thousand from the prior year.

Accounts and loan receivables increased \$15.0 million in fiscal year 2020 to \$179.0 million from \$164.0 million in 2019. An increase in accounts receivable was due in part to financial issues students experienced from the COVID-19 pandemic, which created an increase in student A/R that was greater in fiscal year 2020 than it has been in prior years. Grant and other accounts receivable contributed slightly to the overall increase, due mainly to increased receivables from CSU Foundation and CSU-Pueblo Foundation. Hughes Stadium is currently

COLORADO STATE UNIVERSITY SYSTEM

Management's Discussion and Analysis

Years Ended June 30, 2020 and 2019

(Unaudited)

under contract for sale. The land and construction in progress related to Hughes Stadium of \$4.3 million were reclassified to assets held for resale as of June 30, 2019.

Noncurrent assets increased \$180.8 million to \$2.5 billion in fiscal year 2020. Operations of the System treasury resulted in an increase in long-term investments of \$103.3 million to \$386.9 million for fiscal year 2020 over \$283.6 million for fiscal year 2019. The increase in long-term investments for 2020 was \$103.3 million, as the System treasury had gains of \$13.5 million, and additional funds were added to the System treasury from cash and short-term investments. Restricted investments decreased in fiscal year 2020 by \$10.2 million primarily due to the Center for Vector-borne Infectious Diseases Series 2018 A bond cash held and invested by a trustee being spent down on construction related expenses.

Other contributors to the noncurrent assets increase include \$15.9 million increase in restricted cash and cash equivalents, a \$65.8 million increase in capital assets, net, and a \$385 thousand increase in net OPEB assets. These increases were offset by a \$4.6 million decrease in student loans receivable, net. The increase in restricted cash and cash equivalents includes the 2019 AB bond proceeds that were issued in fiscal year 2020 and are being held with restriction until liquidation from project related expenses.

The increase in capital assets comprised of an increase in total non-depreciable capital assets of \$92.9 million, primarily related to construction in progress, and an increase in total depreciable capital assets of \$60.8 million, primarily related to an increase in building and improvements. The changes in construction in progress and buildings and improvements were due to ongoing construction projects, as well as the completion and capitalization of several large projects.

Deferred outflows decreased in fiscal year 2020 from the prior fiscal year by \$42.9 million. Deferred outflows related to pension accounted for the majority of the decrease, as it declined by \$60.5 million in fiscal year 2020 to a total of \$37.1 million. Other deferred outflows increased by \$17.5 million offsetting the decrease in deferred outflows from pension. Other deferred outflows include amounts for asset retirement obligations related to GASB Statement No. 83, related to assets which have not been fully depreciated that may incur future remediation costs, as well as the swap valuation. In fiscal year 2020, the System entered into a floating to fixed interest rate swap agreement, the 2015 A Swap Agreement. Other deferred outflows increased to \$22.6 million in fiscal year 2020 from \$5.1 million in fiscal year 2019. The swap valuation makes up the majority of this balance and increase.

Total liabilities increased \$29.4 million in fiscal year 2020, compared to a decrease of \$451.0 million in fiscal year 2019. Current liabilities increased by \$99.2 million, which was offset by a decrease in noncurrent liabilities of \$69.8 million.

The increase in current liabilities was due to an increase in unearned revenue of \$86.5 million. Unearned revenue increased in fiscal year 2020 due to the System receiving \$90.4 million in funding from executive order D-2020-070 from the State of Colorado to higher education institutions that was passed through from the Coronavirus Aid, Relief, and Economic Security Act of 2020 (CARES Act). The System spent \$13.4 million of these funds in fiscal year 2020, while the remaining \$77.0 million is planned to be utilized in fiscal year 2021. The CARES Act funding is used to assist governments with the impact of the COVID-19 pandemic. Accounts payable and accrued liabilities also increased by \$11.9 million and 11.3 million, respectively. The current liability increase was offset by a \$16.7 million dollar decrease in commercial paper to \$32.5 million from \$49.2 million in fiscal year 2019. Principal payments of \$16.7 million are related to \$2.5 million for Richardson Design Center, \$9.2 million for Semester at Sea Building, and \$5.0 million for WCRC Orchard Mesa.

COLORADO STATE UNIVERSITY SYSTEM

Management's Discussion and Analysis

Years Ended June 30, 2020 and 2019

(Unaudited)

Noncurrent liabilities were \$1.9 billion at the end of fiscal year 2020 and \$1.9 billion at the end of fiscal year 2019. Noncurrent liabilities decreased \$69.8 million, which was driven by the decrease in pension liability of \$94.3 million and a decrease in net OPEB liabilities of \$2.3 million, which are due to GASB Statement No. 68 and GASB Statement No. 75. Other liabilities decreased by \$8.1 million to \$13.6 million in fiscal year 2020. The Perkins loan revolving fund was the primary reason for the decrease due to a lesser amount owed to the Department of Education for the Federal share of Perkins loans funds. An increase in the interest rate swap agreement of \$17.5 million offset the overall decrease in noncurrent liabilities.

Deferred inflows decreased \$105.3 million in fiscal year 2020 to \$225.0 million, after increasing in fiscal year 2019 from 2018 by \$284.0 million. Both the decrease and increases in the past three fiscal years were mainly due to the impact of GASB Statement No. 68 and GASB Statement No. 75. Deferred inflows related to pensions decreased \$109.2 million, contributing to the majority of the total decrease in fiscal year 2020.

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

Summary of Revenues, Expenses and Changes in Net Position

(Amounts expressed in thousands)

	2020	2019	2018
Operating revenues	\$ 1,310,348	1,311,277	1,247,581
Operating expenses	1,297,131	1,280,312	1,526,179
Operating income (loss)	13,217	30,965	(278,598)
Nonoperating revenues (expenses)	149,725	90,607	80,862
Income (loss) before other revenues (expenses)	162,942	121,572	(197,736)
Other revenues	75,538	59,774	136,112
Increase (decrease) in net position	238,480	181,346	(61,624)
Net position, beginning of year	485,851	304,505	415,209
Change in accounting principle	-	-	(49,080)
Net position, beginning of year as adjusted	485,851	304,505	366,129
Net position, end of year	\$ 724,331	485,851	304,505

The System had \$13.2 million and \$31.0 million in net operating income in fiscal year 2020 and 2019, respectively, with a loss of \$278.6 million in fiscal year 2018. Nonoperating revenues and other revenues of \$149.7 million and \$75.5 million, contributed to a total increase in net position for fiscal year 2020 of \$238.4 million.

COLORADO STATE UNIVERSITY SYSTEM

Management's Discussion and Analysis

Years Ended June 30, 2020 and 2019

(Unaudited)

Operating and Nonoperating Revenues (Excluding Capital)

(Amounts expressed in thousands)

	Year Ended June 30		
	2020	2019	2018
Operating revenues:			
Student tuition and fees, net	\$ 603,946	592,885	571,011
State fee for service revenue	121,961	108,350	95,718
Grants and contracts	366,017	351,096	332,802
Sales and services of educational activities	40,659	43,296	42,923
Auxiliary enterprises	166,354	203,677	193,005
Other	11,411	11,973	12,122
Total operating revenues	1,310,348	1,311,277	1,247,581
Nonoperating revenues:			
State appropriations	5,155	1,800	4,568
Gifts	57,804	51,684	82,624
Investment income	28,383	28,920	3,792
Federal nonoperating grants and contracts	76,420	46,389	45,646
State support for PERA pension	4,109	4,218	-
Other, net	23,350	4,066	(14,181)
Net nonoperating revenues	195,221	137,077	122,449
Total noncapital revenue	\$ 1,505,569	1,448,354	1,370,030

Fiscal year 2020 System operating revenues decreased \$929 thousand over fiscal year 2019. The main reason for the decrease in operating revenues is due to the decreases in auxiliary enterprise revenue of \$37.3 million, sales and services of educational activities of \$2.6 million, and other operating revenues of \$562 thousand. Auxiliary enterprises decreased due to declines in housing rental revenue and other sales and services revenue in the last quarter of fiscal year 2020. The University closed in March 2020 to in-person instruction as a result of the COVID-19 pandemic, at which time most students left campus. These decreases were offset by increases in student tuition and fees of \$11.1 million, state fee for service revenue of \$13.6 million, and grants and contracts of \$14.9 million. The grants and contracts revenue increase was a result of increased federal grant funding, as well as increases in private grant funding and private federal flow thru funding.

System nonoperating revenues increased \$58.1 million and \$14.6 million in fiscal years 2020 and 2019, respectively, over prior years. The fiscal year 2020 increase is due primarily to an increase in federal nonoperating grants and contracts of \$30.0 million to \$76.4 million as of June 30, 2020. Federal nonoperating grants and contracts increased due to the System receiving direct funding from the Cares Act, \$8.0 million of which was for emergency financial aid grants to students at both CSU and CSU Pueblo, as well as \$8.8 million for institutional support for CSU, which was used to offset housing refunds to students. Federal nonoperating grants and contracts also increased due to the System receiving \$13.4 million from executive order D-2020-070 from the State of Colorado to higher education institutions that was passed through from the CARES Act. Other, net nonoperating revenues increased \$19.3 million in fiscal year 2020, which was a result of CSU gaining ownership of the Natural Resources Research Center – Building A building and land. Gift revenue increased by \$6.1 million to \$57.8 million. State appropriations were \$5.2 million as of June 30, 2020, a \$3.4 million increase over the prior year. State appropriations received in fiscal year 2020 included \$1.8 million for Institute of Cannabis Research, \$1.3 million for Healthy Forests and Vibrant Communities, \$1.1 million for Forest Restoration, and \$1.0 million for the Forest Restoration Wildfire Risk Mitigation Program. Investment income remained relatively stable at \$28.4 million in fiscal year 2020, after a large increase in fiscal year 2019, which

COLORADO STATE UNIVERSITY SYSTEM

Management's Discussion and Analysis

Years Ended June 30, 2020 and 2019

(Unaudited)

was a result of dividend revenue and gain on investments from the System starting its own treasury. In fiscal year 2020, the System recorded \$4.1 million from a direct distribution of PERA contributions made on the System's behalf by the State due to Senate Bill 18-200.

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

Capital Revenue

(Amounts expressed in thousands)

	Year Ended June 30		
	2020	2019	2018
Student facility fees	\$ 13,812	13,787	14,027
State capital contributions	34,903	17,072	61,287
Capital grants	3,658	5,014	4,662
Capital gifts	21,910	20,991	53,045
Total capital revenues	\$ 74,283	56,864	133,021

System capital revenue increased by \$17.4 million in fiscal year 2020 compared to fiscal year 2019. The increase in capital revenue was due primarily to a \$17.8 million increase in state capital contributions received by the System.

The student facility fees have remained relatively stable over the past three years, with only a slight increase to \$13.8 million in fiscal year 2020. The student facility fee is used to fund new facilities or improve current facilities that directly benefit the students.

The state capital contributions in fiscal year 2020 were due primarily to a reimbursement of expenses of \$13.6 million for the Psychology Building Renovation and Addition, \$7.3 million for the Shepardson Building Renovation and Addition, \$5.0 million for the National Western Center Water Resources Center, and \$2.1 million for the Pickett Equine Center Repair. The state capital contributions in fiscal year 2019 were due primarily to a reimbursement of expenses of \$6.6 million for the Anatomy/Zoology Health Education Outreach Center Addition, \$2.1 million for the National Western Water Resource Center, \$1.6 million for the Bioenvironmental Hazards Research Building Mechanical Retrofit, and \$1.3 million for the Chemistry Building.

Capital grants decreased by \$1.4 million in fiscal year 2020. Capital grants include a variety of capital related items from grant funded accounts. Capital gifts increased by \$919 thousand in fiscal year 2020. Capital gifts received in fiscal year 2020 included \$7.6 million for the Helen and Arthur E. Johnson Family Equine Hospital and \$3.1 million for Rawlings Field at CSU-Pueblo. Capital gifts received in fiscal year 2019 included \$5.4 million for the Richardson Design Center and \$5.2 million for the C. Wayne Translational Institute.

COLORADO STATE UNIVERSITY SYSTEM

Management's Discussion and Analysis

Years Ended June 30, 2020 and 2019

(Unaudited)

Operating Expenses by Functional Category

(Amounts expressed in thousands)

	Year Ended June 30		
	2020	2019	2018
Instruction	\$ 346,538	349,738	428,023
Research	210,859	221,194	250,498
Public service	143,739	137,212	144,128
Academic support	102,069	96,053	116,202
Student services	62,418	62,561	74,664
Institutional support	71,060	64,479	96,562
Operation and maintenance of plant	66,250	62,137	101,249
Scholarships and fellowships	45,226	36,907	31,439
Auxiliary enterprises	143,333	148,167	192,588
Depreciation	105,639	101,864	90,826
Total operating expenses	\$ 1,297,131	1,280,312	1,526,179

Fiscal year 2020 System operating expenses increased \$16.8 million from fiscal year 2019. This is due to increases of \$6.5 million in public service, \$6.0 million in academic support, \$6.6 million in institutional support, \$4.1 million in operation and maintenance of plant, \$8.3 million in scholarships and fellowships, and \$3.8 million in depreciation, offset by decreases in the following areas: \$3.2 million in instruction, \$10.3 million in research, \$143 thousand in student services, and \$4.8 million in auxiliary enterprises. GASB Statement No. 68 caused a \$70.9 million decrease in total operating expenses in fiscal year 2020 from the recording of pension expense, while OPEB expense from GASB Statement No. 75 caused an increase of \$28.6 million.

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

Capital Assets and Debt Administration

As of June 30, 2020, the System had approximately \$2.0 billion of capital assets, net of accumulated depreciation of \$1.2 billion. As of June 30, 2019, the System had approximately \$1.9 billion invested in capital assets, net of accumulated depreciation of \$1.2 billion. As of June 30, 2018, the System had approximately \$1.9 billion invested in capital assets, net of accumulated depreciation of \$1.1 billion.

Depreciation charges were \$105.6 million, \$101.9 million, and \$90.8 million for the fiscal years ended June 30, 2020, 2019, and 2018, respectively.

During fiscal year 2020, the System received \$34.9 million of state capital contributions for capital construction projects. Of this amount, \$20.1 million was for the CSU campus and \$14.8 million was for the CSU-Pueblo campus. At CSU, \$7.3 million is related to the Shepardson Building Renovation and Addition, \$5.0 million is related to the National Western Center Water Resource Center, \$2.1 million is related to the Pickett Equine

COLORADO STATE UNIVERSITY SYSTEM

Management's Discussion and Analysis

Years Ended June 30, 2020 and 2019

(Unaudited)

Center Repair, with the remaining amount related to smaller campus projects. At CSU-Pueblo, \$13.6 million is related to the Psychology Building Renovation and Addition and \$430 thousand is related to technology infrastructure upgrades, 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		
	2020	2019	2018
Land	\$ 51,473	46,957	43,848
Land improvements	52,497	53,197	50,001
Buildings and improvements	1,622,216	1,652,817	1,539,372
Leasehold improvements	1,743	536	214
Equipment and software	81,833	78,242	78,248
Collections	8,152	7,854	6,000
Library materials	6,132	6,746	6,794
Construction in progress	176,349	88,273	182,933
Total capital assets, net	\$ 2,000,395	1,934,622	1,907,410

In fiscal year 2020, capital assets, net increased \$65.8 million due to the construction and acquisition of capital assets, less increases in accumulated depreciation and the disposal of assets. The majority of the increase in construction in progress is attributable to additional expenses related to ongoing construction projects that are not yet finished and capitalized.

The major projects capitalized in fiscal year 2020 were \$15.5 million – National Resources Research Center – Building A, \$10.7 million – Western Colorado Research Center Orchard Mesa Consolidation, \$8.4 million – CSU-CU School of Medicine Branch Campus, \$2.4 million – Lory Student Center West Lagoon Regional Stormwater Detention, \$2.3 million – Bio-Hazard Research Building Mechanical Retrofit, \$2.3 million – Picket Equine Center Repair, and \$2.2 million – Eastern Colorado Research Center CSU High Plains Campus. The major capitalized projects at CSU-Pueblo included \$1.2 million - technology infrastructure upgrades and \$997 thousand - Thunderbowl track replacement. There were many other smaller projects capitalized at both CSU and CSU-Pueblo.

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

The System had capital construction commitments of \$127.6 million as of June 30, 2020. CSU commitments included \$34.7 million for the National Western Center Animal Health Building, \$31.2 million for the Equine Veterinary Teaching Hospital, \$22.2 million for the Shepardson Building Renovation and Addition, \$8.7

COLORADO STATE UNIVERSITY SYSTEM

Management's Discussion and Analysis

Years Ended June 30, 2020 and 2019

(Unaudited)

million for the Geo Exchange System, \$5.8 million for Center for Vector-Borne Infectious Disease, \$4 million for the Temple Grandin Equine Center, \$3.5 million for the Wastewater Treatment Plant-Mountain Campus, \$3.5 million for the National Western Center Water Resources Center, and \$2.0 million for the CSU Center at the National Western Center. CSU-Pueblo capital construction commitments included \$4.2 million for the Psychology Building Renovation & Addition. The remaining commitments are for smaller projects at the System.

The System had \$1.3 billion of debt outstanding as of fiscal years ended June 30, 2020 and 2019, and \$1.2 billion of debt outstanding as of fiscal years ended June 30, 2018.

Summary of Debt

(Amounts expressed in thousands)

	June 30		
	2020	2019	2018
Debt outstanding:			
Commercial paper	\$ 32,500	49,200	10,000
Revenue bonds, certificates of participation, notes from direct placements	1,223,525	1,208,502	1,211,120
Capital lease obligations	16,877	18,260	19,526
Total Debt	\$ 1,272,902	1,275,962	1,240,646

In fiscal year 2020, the System issued \$112.2 million in System Enterprise Revenue and Refunding Bonds, Series 2019 A and System Enterprise Revenue Refunding Bonds Taxable Series 2019 B. The proceeds were used to finance and refinance multiple construction projects as well as refund certain Commercial Paper Notes. These projects include the third floor of the Richardson Design Center, two new facilities on the Western Campus, a new facility on the High Plains Campus, acquisition and improvement of a new building in Fort Collins, construction of infrastructure for the veterinary medicine campus at CSU, the addition and renovation of the Shepardson Building, and construction of a new Animal Research Facility. Series 2019 A bears a 4.0-5.0 percent interest rate and matures in March 2039. The proceeds were also used to do an advance refunding of a portion of the Series 2012 A Bonds, Series 2015 C Bonds, Series 2015 E-1 Bonds, Series 2015 E-2 Bonds, and Series 2017 C Bonds. Series 2019 B bears a 1.6-2.6 percent interest rate and matures March 2034.

In fiscal year 2020, on February 18, 2020, the System entered into a floating to fixed interest rate swap agreement (2015 A Swap Agreement) in connection with the Series 2015 A System Enterprise Revenue Bonds. The Swap Agreement 2015 A was entered into with the objective of protecting against the potential rising of interest rates. The Swap Agreement 2015 A has a notional value of \$108.7 million. In accordance with accounting standards, the System is required to separately disclose the change in the fair value of the interest rate swap in the Statements of Net Position, as appropriate. As of June 30, 2020, the outstanding swap had a fair value of negative \$7.7 million. The Swap Agreement 2015 A has an effective date of March 1, 2025 and a termination date of March 1, 2055.

On January 16, 2018, the System entered into a floating to fixed interest rate swap agreement (2015 D Swap Agreement) in connection with the Series 2015 D System Enterprise Revenue Bonds (Notes from Direct Placements). The Swap Agreement 2015 D was entered into with the objective of protecting against the potential rising of interest rates. The Swap Agreement 2015 D has a notional value of \$66.7 million. In accordance with accounting standards, the System is required to separately disclose the change in the fair value of the interest rate swap in the Statements of Net Position, as appropriate. As of June 30, 2020, the outstanding

COLORADO STATE UNIVERSITY SYSTEM
Management's Discussion and Analysis
Years Ended June 30, 2020 and 2019
(Unaudited)

swap had a fair value of negative \$14.9 million. The fair value as of June 28, 2019 was negative \$5.0 million. The Swap Agreement 2015 D has an effective date of July 1, 2019 and a termination date of March 1, 2047.

As of June 20, 2020, the commercial paper issued was \$32.5 million, down from \$49.2 million as of June 20, 2019. The \$16.7 million reduction was due to payment of \$9.2 million on the Semester at Sea Building, \$5.0 million on the WCRC Orchard Mesa, and \$2.5 million on the Richardson Design Center. In fiscal year 2019, the Board of Governors authorized an increase in the aggregate principal amount to be issued of Commercial Paper Notes to \$75.0 million from \$50.0 million authorized the prior fiscal year, related to the Series A (tax-exempt) and Series B (taxable) issuance. The authorized increase to \$75.0 million is effective for fiscal year 2020. The proceeds of Series A, B are used to finance certain projects, as determined by the Board, including but not limited to: the construction, acquisition, renovation, improvement and equipping of the Michael Smith Natural Resources Building in Fort Collins; the Richardson Design Center in Fort Collins; the Institute for Biological and Translational Therapies in Fort Collins; the JBS Global Food Innovation Center in Honor of Gary and Kay Smith in Fort Collins; the Residence and Dining Corbett remodel project; and the Western Slope CVMBS/Extension Project; any other improvements to any of the campuses for which the Board has spending authority; and such other capital projects as may be designated by the Board. Series A and Series B bear an interest rate based on a 365/366-day year and actual number of days elapsed and shall mature on a business day within a period not exceeding two hundred seventy days from its respective date of issue, but in no event later than March 1, 2037.

Prior to fiscal year 2020, in fiscal year 2019, the System issued \$30.4 million in taxable System Enterprise Revenue Bonds, Series 2018 A. The proceeds were used to finance the construction of the Center for Vector-borne Infectious Diseases on the Foothills Campus. The facility will include faculty and research infrastructure, functional research laboratories, insectary and office space. The proceeds were also used to finance a portion of the JBS Global Food Innovation Center addition for Animal Sciences. Series 2018 A bears a 2.6-4.2 percent interest rate and matures in March 2033.

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 2.0-5.0 percent interest rate and matures in March 2044, Series 2017 B bears a 2.0-5.0 percent interest rate and matures in March 2044.

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

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

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

COLORADO STATE UNIVERSITY SYSTEM

Management's Discussion and Analysis

Years Ended June 30, 2020 and 2019

(Unaudited)

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 2017 A, 2019 B	Series 2012 A	108,625	3/1/2022	108,625	100
Series 2017 B, 2017 D	Series 2013 C	18,610	3/1/2023	18,610	100
Series 2017 C	Series 2013 E	117,870	3/1/2025	117,870	100
Series 2017 D, 2017 F	Series 2015 A	26,675	3/1/2025	26,675	100
Series 2019 B	Series 2015 C	7,110	3/1/2025	7,110	100
Series 2017 C, 2017 E, 2019 B	Series 2015 E-1	96,490	3/1/2025	96,490	100
Series 2017 C, 2019 B	Series 2015 E-2	32,540	3/1/2025	32,540	100
Series 2019 B	Series 2017 C	13,965	3/1/2028	13,965	100

Economic Outlook/Future of the Colorado State University System

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

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

The Colorado State University System is authorized to receive \$50.7 million in fee for service contract revenue and \$21.9 million in student stipends in fiscal year 2021. The \$72.6 million of anticipated fiscal year 2021 state support represents a \$31.3 million decrease in student stipends and an \$68.5 million decrease in fee for service, for a total \$99.8 million decrease in state support related to fee for service and College Opportunity Fund stipends. This significant decrease is a result of the state lowering fee for service and College Opportunity funding for higher education due to COVID-19 pandemic related budgetary issues.

The System also anticipates additional funding related to the COVID-19 pandemic and has received \$77.0 million in CARES funding that will be used in fiscal year 2021. The CARES funding will be used for allowable expenditures related to the COVID-19 pandemic. The System will continue monitoring all impacts of the COVID-19 pandemic and make adjustments as needed.

The State General Fund revenue is projected on a quarterly basis by the Governor's Office of State Planning and Budgeting. The most recent projection (September 2020) shows that revenue is expected to exceed the amount required to maintain the same level of appropriations in fiscal year 2020-2021. General fund revenue is expected to contract 11.6 percent, but budgeted General Fund expenses were reduced to offset the projected decline in revenue. Per the September projection from the Governor's Office of State Planning and Budgeting, the State General Fund is currently estimated to end fiscal year 2019-2020 with \$1.6 billion in a general fund reserve, or 13.8 percent of appropriations. The State's overall budgetary situation remains governed by the three constitutional budgetary provisions: The Taxpayer Bill of Rights (TABOR) 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

COLORADO STATE UNIVERSITY SYSTEM

Management's Discussion and Analysis

Years Ended June 30, 2020 and 2019

(Unaudited)

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 2020 was 38,111. This includes 26,393 at CSU, 3,128 at CSU-Pueblo, and 8,590 enrolled at CSU-Global. Compared to fiscal year 2019, CSU enrollment dropped slightly at .3 percent. CSU-Pueblo enrollment dropped by 6.9 percent, and CSU-Global saw total enrollment grow .5 percent. Total enrollment at the System is anticipated to decrease 2.0 percent in fiscal year 2021. This includes a 4.6 percent decrease at CSU, a 4.6 percent decrease at CSU-Pueblo, and a 7.0 percent increase at CSU-Global.

Requests for Information

The financial report is designed to provide a general overview of the Colorado State University System's finances for all those with an interest in the System's finances and to demonstrate the System's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the attention of the Chief Financial Officer, Colorado State University System, 475 Seventeenth Street, Suite 1550, Denver, CO 80202.

THIS PAGE LEFT BLANK INTENTIONALLY

COLORADO STATE UNIVERSITY SYSTEM

Statements of Net Position

June 30, 2020 and 2019 (in thousands)

	2020		2019 *	
	University	Component Units	University	Component Units
Assets and Deferred Outflows of Resources				
Current Assets				
Cash and cash equivalents (Note 4)	\$ 282,457	3,257	272,562	3,043
Investments (Note 5)	61,678	-	60,834	-
Accounts and loans receivable, net (Note 6)	179,036	61,709	163,995	64,223
Inventories	9,785	-	8,993	-
Assets held for resale (Note 7)	4,307	-	4,307	-
Other assets	9,836	135	11,702	474
Total Current Assets	547,099	65,101	522,393	67,740
Noncurrent Assets				
Restricted cash and cash equivalents (Note 4)	59,950	-	44,034	-
Investments, restricted and unrestricted (Note 5)	386,912	553,017	283,609	545,343
Student loans receivable, net (Note 6)	13,192	-	17,755	-
Other assets	2	3,656	2	3,449
Capital asset, net (Note 7)	2,000,395	562	1,934,622	300
Net other post employment benefit assets (Note 20)	15,652	-	15,267	-
Total Noncurrent Assets	2,476,103	557,235	2,295,289	549,092
Total Assets	\$ 3,023,202	622,336	2,817,682	616,832
Deferred Outflows of Resources:				
Debt refundings (Note 12)	\$ 65,763	-	64,929	-
Pensions (Note 18)	37,084	-	97,569	-
Other post employment benefits (Note 20)	6,580	-	7,393	-
Other	22,583	-	5,063	-
Total Deferred Outflows of Resources	132,010	-	174,954	-
Total Assets and Deferred Outflows of Resources	\$ 3,155,212	622,336	2,992,636	616,832
Liabilities and Deferred Inflows of Resources				
Current Liabilities				
Accounts payable	\$ 69,843	17,016	57,945	6,470
Accrued liabilities (Note 8)	50,266	291	39,004	213
Unearned revenue	137,518	-	50,996	-
Deposits held for others (Note 10)	7,138	-	7,337	-

COLORADO STATE UNIVERSITY SYSTEM

Statements of Net Position

June 30, 2020 and 2019 (in thousands)

	2020		2019 *	
	University	Component Units	University	Component Units
Liabilities and Deferred Inflows of Resources				
Current Liabilities				
Commercial paper (Note 9)	32,500	-	49,200	-
Bonds, certificates of participation, and capital leases payable (Note 11, 14)	33,424	-	29,961	-
Compensated absences (Note 8)	3,770	-	3,365	-
Other liabilities (Note 10)	4,452	81	1,958	53
Total Current Liabilities	338,911	17,388	239,766	6,736
Noncurrent Liabilities				
Bonds, certificates of participation, and capital leases payable (Note 11, 14)	\$ 1,206,978	-	1,196,801	-
Deposits held for others (Note 10)	24,573	13,844	22,712	13,500
Interest rate swap agreement (Note 11)	22,569	-	5,029	-
Compensated absences (Note 8)	56,827	-	51,429	-
Net pension liabilities (Note 18)	517,249	-	611,552	-
Net other post employment benefit liabilities (Note 20)	25,123	-	27,464	-
Other liabilities (Note 10)	13,605	2,889	21,732	1,957
Total Noncurrent Liabilities	1,866,924	16,733	1,936,719	15,457
Total Liabilities	\$ 2,205,835	34,121	2,176,485	22,193
Deferred Inflows of Resources				
Pensions (Note 18)	\$ 212,357	-	321,537	-
Other post employment benefits (Note 20)	12,687	-	8,763	-
Other	2	-	-	-
Total Deferred Inflows of Resources	225,046	-	330,300	-
Total Liabilities and Deferred Inflows of Resources	\$ 2,430,881	34,121	2,506,785	22,193
Net position				
Net investment in capital assets	\$ 850,176	-	756,092	-
Restricted for nonexpendable purposes (Note 16)	28,680	-	27,849	-
Restricted for expendable purposes (Note 16)	51,032	-	48,297	-
With donor restrictions	-	558,939	-	545,514
Unrestricted	(205,557)	29,276	(346,387)	49,125
Total Net Position	\$ 724,331	588,215	485,851	594,639

*Reclassified

See accompanying notes to basic financial statements.

COLORADO STATE UNIVERSITY OTHER POSTEMPLOYMENT BENEFITS TRUST

Statement of Fiduciary Net Position

As of June 30, 2020 and 2019 (expressed in thousands)

	2020	2019
Assets		
Cash and deposits	\$ -	517
Receivables:		
Contributions	161	1,787
Investment income	-	-
Total receivables	161	1,787
Investments:		
Money Markets	157	-
Domestic equities	10,955	12,092
International equities	10,455	10,274
Fixed income	33,785	34,185
Private equity	4,340	3,244
Alternative investments	20,290	21,056
Real estate	4,481	4,329
Total investments	84,463	85,180
Total Assets	\$ 84,624	87,484
Liabilities		
Payables:		
Bank trustee and administration fees	-	149
Benefits payable to members	97	3,381
Total Liabilities	\$ 97	3,530
Net Position Restricted for Postemployment		
Benefits Other Than Pensions	\$ 84,527	83,954

COLORADO STATE UNIVERSITY SYSTEM
 Statements of Revenues, Expenses, and Changes in Net Position
 Years ended June 30, 2020 and 2019 (in thousands)

	2020		2019	
	<i>University</i>	<i>Component Units</i>	<i>University</i>	<i>Component Units</i>
Operating Revenues				
Student tuition and fees, (including \$89,390 and \$86,544 of revenues pledged for bonds in 2020 and 2019, respectively, and net of scholarship allowances of \$146,249 and \$131,127 for 2020 and 2019, respectively) (Note 13, 22)	\$ 603,946	-	592,885	-
State fee for service revenue (Note 24)	121,961	-	108,350	-
Grants and contracts (including \$59,471 and \$58,054 of revenues pledged for bonds in 2020 and 2019, respectively) (Note 13)	366,017	-	351,096	-
Sales and services of educational activities	40,659	-	43,296	-
Auxiliary enterprises, (including \$141,932 and \$169,378 of revenues pledged for bonds in 2020 and 2019, respectively, and net of scholarship allowances of \$6,027 and \$4,695 for 2020 and 2019, respectively) (Note 13, 22)	166,354	-	203,677	-
Contributions	-	60,919	-	62,897
Other revenues	11,411	7,281	11,973	4,453
Total Operating Revenues	1,310,348	68,200	1,311,277	67,350
Operating Expenses				
Instruction	346,538	-	349,738	-
Research	210,859	-	221,194	-
Public service	143,739	-	137,212	-
Academic support	102,069	-	96,053	-
Student services	62,418	-	62,561	-
Institutional support	71,060	83,707	64,479	79,154
Operation and maintenance of plant	66,250	-	62,137	-
Scholarships and fellowships	45,226	-	36,907	-
Auxiliary enterprises	143,333	-	148,167	-
Depreciation (Note 7)	105,639	21	101,864	23
Total Operating Expenses	1,297,131	83,728	1,280,312	79,177
Operating Income (Loss)	\$ 13,217	(15,528)	30,965	(11,827)

COLORADO STATE UNIVERSITY SYSTEM
Statements of Revenues, Expenses, and Changes in Net Position
Years ended June 30, 2020 and 2019 (in thousands)

	2020		2019	
	<i>University</i>	<i>Component Units</i>	<i>University</i>	<i>Component Units</i>
Nonoperating Revenues (Expenses)				
State appropriations	\$ 5,155	-	1,800	-
Gifts	57,804	-	51,684	-
Investment income (including \$1,669 and \$1,885 revenues pledged for bonds in 2020 and 2019, respectively) (Note 13)	28,383	9,374	28,920	31,579
Interest expense on capital debt	(45,496)	-	(46,470)	-
Federal nonoperating grants and contracts (including \$1,609 and \$1,604 revenues pledged for bonds in 2020 and 2019, respectively) (Note 13)	76,420	-	46,389	-
State support for PERA pension	4,109	-	4,218	-
Other revenues (expenses)	23,350	(270)	4,066	(94)
Total Nonoperating Revenues	149,725	9,104	90,607	31,485
Income (Loss) before Other Revenues	162,942	(6,424)	121,572	19,658
Other Revenues				
Student facility fees, (including \$16,718 and \$16,170 of revenues pledged for bonds in 2020 and 2019, respectively, and net of scholarship allowances of \$4,590 and \$4,459 for 2020 and 2019, respectively) (Note 13, 23)	13,812	-	13,787	-
State capital contributions	34,903	-	17,072	-
Capital grants	3,658	-	5,014	-
Capital gifts	21,910	-	20,991	-
Payments from governing boards or other institutions	424	-	2,357	-
Additions to permanent endowments	831	-	553	-
Total Other Revenues	75,538	-	59,774	-
Change in net position	238,480	(6,424)	181,346	19,658
Net position, beginning of year	485,851	594,639	304,505	574,981
Adjustment for change in accounting principle (Note 20)				
Net position, beginning of year	485,851	594,639	304,505	574,981
Net Position, End of Year	\$ 724,331	588,215	485,851	594,639

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, 2020 and 2019 (in thousands)

	2020	2019
Additions		
Employer contributions	\$ 137	151
Employee/Member contributions	1,811	1,636
Total contributions	<u>1,948</u>	<u>1,787</u>
Investment income:		
Net increase in fair value of investments	1,047	2,722
Interest and dividends	1,183	1,844
Less investment expense	<u>(121)</u>	<u>(216)</u>
Net investment income	2,109	4,350
Total Additions	\$ 4,057	6,137
Deductions		
Benefit payments	3,250	3,305
Administrative expense	234	149
Total Deductions	3,484	3,454
Net Increase in Net Position	\$ 573	2,683

Net Position Restricted for Postemployment

Benefits Other Than Pensions

Beginning of year	83,954	81,271
End of Year	\$ 84,527	83,954

COLORADO STATE UNIVERSITY SYSTEM
 Statements of Cash Flows
 Years ended June 30, 2020 and 2019 (in thousands)

	<u>2020</u>	<u>2019 *</u>
	<i>University</i>	
Cash Flows from Operating Activities		
Cash received:		
Tuition and fees	\$ 591,919	589,785
Student loans collected	5,833	5,498
State fee for service revenue	121,961	108,350
Grants and contracts	380,313	331,031
Sales and services of educational activities	39,720	39,970
Auxiliary enterprises	166,932	205,620
Other operating receipts	11,069	13,760
Cash payments:		
Scholarships disbursed	(35,055)	(32,980)
Student loans disbursed	(409)	(702)
Payments to employees	(945,786)	(905,920)
Payments to suppliers	(323,751)	(323,205)
Net Cash Provided by Operating Activities	12,746	31,207
Cash Flows from Noncapital Financing Activities		
State appropriations - noncapital	5,155	1,800
Gifts and grants for other than capital purposes	153,363	49,234
Federal Pell Grants	44,558	44,786
Agency (direct lending inflows)	268,601	293,399
Agency (direct lending outflows)	(268,178)	(293,876)
Other agency inflows	82,677	77,258
Other agency (outflows)	(81,836)	(74,316)
Payments from governing boards or other institutions	424	2,357
Other nonoperating revenues	24,159	7,259
Net Cash Provided by Noncapital Financing Activities	228,923	107,901
Cash Flows from Capital and Related Financing Activities		
Proceeds from capital debt	45,130	74,335
State appropriations - capital	34,903	17,071
Capital grants, contracts, and gifts	20,253	22,491
Proceeds from sale of capital assets	214	-
Acquisition and construction of capital assets	(158,868)	(134,064)
Student Facility Fee	13,812	13,787
Principal paid on capital debt	(46,640)	(34,816)
Interest on capital debt	(49,850)	(50,160)
Net Cash Used in Capital and Related Financing Activities	\$ (141,046)	(91,356)

COLORADO STATE UNIVERSITY SYSTEM
 Statements of Cash Flows
 Years ended June 30, 2020 and 2019 (in thousands)

	<u>2020</u>	<u>2019 *</u>
	<i>University</i>	
Cash flows from Investing Activities		
Proceeds from sale and maturities of investments	\$ 41,962	13,763
Purchase of investments	(158,821)	(317,954)
Investment earnings	42,047	16,304
Net Cash Used in Investing Activities	(74,812)	(287,887)
Net Increase (Decrease) in Cash and Cash Equivalents	25,811	(240,135)
Cash and cash equivalents	272,562	511,993
Restricted cash and cash equivalents	44,034	44,738
Cash and Cash Equivalents, Beginning of the Year	316,596	556,731
Cash and cash equivalents	282,457	272,562
Restricted cash and cash equivalents	59,950	44,034
Cash and Cash Equivalents, End of the Year	\$ 342,407	316,596
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities		
Operating income	\$ 13,217	30,965
Adjustments:		
Depreciation expense	105,639	101,864
Noncash operating transactions	1,144	3,587
State support for PERA pensions	4,109	4,218
Decrease (increase) in assets:		
Receivables, net	878	(28,007)
Inventories and prepaids	1,075	(1,834)
Net OPEB assets	(386)	(5,803)
Deferred outflows pensions	60,485	124,409
Deferred outflows OPEB	814	(4,206)
Increase (decrease) in liabilities:		
Accounts payable	6,646	6,836
Accrued liabilities	10,290	3,346
Unearned revenue	9,542	3,768
Deposits held for others	361	872
Compensated absences liabilities	5,805	1,850
Net pension liabilities	(94,303)	(473,195)
Net OPEB liabilities	(2,341)	(23,146)
Deferred inflows pensions	(109,180)	277,901
Deferred inflows OPEB	3,924	6,818
Other liabilities	(4,973)	964
Net Cash Provided by Operating Activities	\$ 12,746	31,207

COLORADO STATE UNIVERSITY SYSTEM
 Statements of Cash Flows
 Years ended June 30, 2020 and 2019 (in thousands)

	<u>2020</u>	<u>2019 *</u>
	<i>University</i>	
Noncash Transactions		
Noncash gifts	\$ 6,390	4,805
Noncash capital leases	1,167	1,389
Noncash additions to investments held by Foundation	344	(97)
Unrealized gains on investments	15,200	14,625
Capitalized interest	1,847	1,618
Capital debt refinanced, gain/loss	4,662	-
Noncash bond issuance costs	433	96
Amortization of bond premium	5,879	5,876
Retainage payable	(3,489)	(1,562)
Amortization of bond refunding	(3,828)	(3,780)
State support for PERA pensions	4,109	4,218

*Reclassified

See accompanying notes to basic financial statements.

COLORADO STATE UNIVERSITY SYSTEM
Notes to Basic Financial Statements
Years Ended June 30, 2020 and 2019
(Amounts expressed in thousands)

(1) Governance and Reporting Entity

(a) Governance

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

(b) Reporting Entity

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

Colorado State University – (CSU)

Colorado State University – Pueblo (CSU-Pueblo)

Colorado State University – Global Campus (CSU-Global)

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

As a higher education institution of the State of Colorado, the income of the System is generally exempt from income taxes as a governmental unit. 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, 2020 and 2019.

(c) Discretely Presented Component Units

The System follows Governmental Accounting Standards Board (GASB) Statement No. 39, as amended by GASB 61, The Financial Reporting Entity: Omnibus. This statement provides guidance to determine whether certain organizations for which the System is not financially accountable should be reported as component units based on the nature and significance of their relationship with the System. The Colorado State University System Foundation (the CSUS Foundation), the Colorado State University Foundation (the CSU Foundation), and the Colorado State University – Pueblo Foundation (the CSU-Pueblo Foundation) have been determined to be component units of the System and have therefore been included as discretely presented component units in the System financial reporting entity. The Colorado State University Research Foundation does not meet the criteria to be reported as a component unit.

The CSUS Foundation

The CSUS Foundation, established in 2015, began operations in fiscal year 2016 as a Colorado nonprofit entity to support the System in accordance with Colorado law as authorized by the Board. The CSUS Foundation was created to accept transfers of intellectual property of the System, which in turn is then licensed to a wholly owned private corporate subsidiary, Beyond Campus Innovations (the Corporation), of the CSUS Foundation in exchange for ownership of the Corporation and a share of the revenues of the Corporation. The CSUS Foundation will distribute monies or make grants to the System in accordance with the rules and regulations of the internal revenue code. Uses of these distributions include funding innovation

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2020 and 2019

(Amounts expressed in thousands)

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, 2020 and 2019, net income was \$502 thousand and \$205 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 are classified and reported based on the existence or absence of donor-imposed restrictions.

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

The CSU Foundation's major sources of revenue are contributions and net investment income. The CSU Foundation had \$57.0 million and \$59.8 million in contributions and \$7.7 million and \$28.7 million in net investment income for the fiscal years ended June 30, 2020 and 2019, respectively. The total support and revenue as of June 30, 2020 and 2019 was \$67.8 million and \$88.9 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 \$69.3 million and \$67.3 million was transferred to CSU for the fiscal years ended June 30, 2020 and 2019, 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. These funds amounted to \$13.8 million and \$13.5 million as of June 30, 2020 and 2019,

COLORADO STATE UNIVERSITY SYSTEM
Notes to Basic Financial Statements
Years Ended June 30, 2020 and 2019
(Amounts expressed in thousands)

respectively, and are reported as deposits held in custody for CSU in the financial statements of the CSU Foundation.

Separately issued financial statements for the CSU Foundation are available at 300 University Services Center, Fort Collins, CO 80523.

The CSU-Pueblo Foundation

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

The CSU-Pueblo Foundation's major sources of revenue are contributions and fundraising revenues and net investment returns. The CSU-Pueblo Foundation had \$8.6 million and \$7.5 million in related revenue as of June 30, 2020 and 2019, respectively. The total revenue and support as of June 30, 2020 and 2019 was \$8.6 million and \$7.6 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 \$7.3 million and \$4.3 million in transfers of gifts and other assets to CSU-Pueblo during fiscal years ended June 30, 2020 and 2019, respectively, in pursuit of the above stated objectives.

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

(d) *Other Postemployment Benefits Trust*

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

The Colorado State University OPEB Trust Administration Committee (Administration Committee) serves as the Trust Administrator, and a Trustee, Bank New York Mellon, 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 University's Executive Director of Human Resources, and any at-large members that may be appointed by the Administration Committee.

COLORADO STATE UNIVERSITY SYSTEM
Notes to Basic Financial Statements
Years Ended June 30, 2020 and 2019
(Amounts expressed in thousands)

(2) Basis of Presentation

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

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

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

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

(a) Cash and Cash Equivalents

Cash and cash equivalents are defined as cash-on-hand, demand deposits, certificates of deposit with financial institutions, pooled cash with the State Treasurer, and all highly liquid investments with an original maturity when purchased of three months or less. Investments in mutual funds and money market funds and securities are presented as investments.

(b) Investments

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

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

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

(c) Inventories

Inventories, consisting of livestock; facilities and housing maintenance supplies; medical, pharmaceutical, and laboratory supplies; food supplies; books; and soft-goods are stated at the lower of cost or market. Cost is determined either on the first-in/first-out, average-cost, weighted average-cost, specific-identification, or

COLORADO STATE UNIVERSITY SYSTEM
Notes to Basic Financial Statements
Years Ended June 30, 2020 and 2019
(Amounts expressed in thousands)

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 self-insurance funds, unexpended bond proceeds, and endowment funds.

(e) *Capital Assets*

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

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

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

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

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

Assets under capital leases are recorded at the present value of the future minimum lease payments and are amortized using the straight-line with the half-year convention 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 year ended June 30, 2020. Hughes Stadium land held a book value of \$6 thousand and the demolition of Hughes

COLORADO STATE UNIVERSITY SYSTEM
Notes to Basic Financial Statements
Years Ended June 30, 2020 and 2019
(Amounts expressed in thousands)

Stadium held a construction in progress balance of \$4.3 million that were moved to assets held for resale for fiscal year ended June 30, 2019.

(f) *Deferred Outflows and Inflows of Resources*

With the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the System now carries a deferred outflow of resources related to the loss on bond refundings as well as the mark to market valuation of the System's Swap Agreement. For refundings resulting in defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is reported on the Statements of Net Position and amortized as a component of interest expense over the lesser of the remaining life of the old debt or the life of the new debt. With the implementation of GASB Statement No. 83, *Certain Asset Retirement Obligations*, the System now carries a deferred outflow of resources related to assets which have not been fully depreciated that may incur future remediation costs. With the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment to GASB Statement No. 27*, the System now carries a deferred outflow of resources and deferred inflow of resources related to pensions. With the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the System now carries a deferred outflow of resources and deferred inflow of resources related to OPEB. As applicable, the difference between expected and actual experiences, the difference between projected and actual earnings on pension or OPEB plan investments, the impact on the net pension liability, net OPEB liability, or net OPEB asset resulting from changes in plan related assumptions, the changes in the System's proportionate share of the net pension or OPEB liability, the difference between the proportionate share of the collective contributions and the actual contributions, and contributions paid to PERA and the Trust subsequent to the plan's measurement date are all reported on the Statements of Net Position in relation to a net pension liability, net OPEB liability, or net OPEB asset. All the above-mentioned deferrals are amortized as a component of pension and OPEB expense over varying amounts of time with the exception of contributions paid to PERA and the Trust subsequent to the plan's measurement date which are a component of pension and OPEB expense in the current year.

(g) *Compensated Absences Liabilities*

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

(h) *Net Position*

Net position of the System is classified as follows:

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

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2020 and 2019

(Amounts expressed in thousands)

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:

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

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

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

(i) ***Classification of Revenues***

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

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

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

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements
Years Ended June 30, 2020 and 2019
(Amounts expressed in thousands)

Nonoperating revenues are those not included as operating revenues or other revenues. Nonoperating revenues consist primarily of gifts from grantors and donors, and investment income that are relied upon and budgeted for support of operating expenses. Also included in nonoperating revenues are State appropriations and Federal grants including Pell and bond subsidies. Nonoperating expenses are those not included as operating expenses or other expenses. Nonoperating expenses include interest expense on capital debt.

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

(j) *Summer Session Revenue and Related Expenses*

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

(k) *Application of Restricted and Unrestricted Resources*

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

(l) *Use of Estimates*

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

(m) *Reclassifications*

Certain balances as of June 30, 2019 have been reclassified to conform to the presentation of fiscal year 2020. OPEB net assets were not restricted in fiscal year 2019, however, were restricted in fiscal year 2020. As a result, \$15.3 million has been reclassified to restricted for expendable purposes - other in the Statements of Net Position. Sales of products and sales of services have been redefined as sales and services of educational activities and auxiliary enterprises in the Statements of Cash Flows in order to present information in line with the Statements of Revenues, Expenses, and Changes in Net Position. As a result, \$16.4 million has been reclassified between these two lines. Also, federal Pell grants and student facility fees are now discretely presented in the Statements of Cash Flows as material and distinct activities. As a result, \$44.8 million and \$13.8 million have been reclassified from other nonoperating revenues and acquisition and construction of capital assets, respectively.

(4) *Cash and Cash Equivalents*

The System deposits a portion of its cash and cash equivalents with the Colorado State Treasurer. The State Treasurer pools these deposits and invests them in securities authorized by CRS 24-75-601.1. The State Treasury acts as a bank for all state agencies and institutions of higher education, with the exception of the University of Colorado. Monies deposited in the Treasury are invested until the cash is needed.

As of June 30, 2020, the System had cash on deposit with the State Treasurer of \$298.7 million which represented approximately 3.1 percent of the total \$9.6 billion fair value of deposits in the State Treasurer's

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2020 and 2019

(Amounts expressed in thousands)

Pool (Pool). As of June 30, 2019, the System had cash on deposit with the State Treasurer of \$276.2 million which represented approximately 3.0 percent of the total \$9.1 billion fair value of deposits in the Pool. As of June 30, 2020, the Pool's resources included \$16.0 million of cash on hand and \$9.6 billion of investments.

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

The difference between the System's cash carrying value, deposits with the State Treasurer and balances at other banks is due to outstanding checks and deposits in transit. Interest earned on deposits with the State Treasurer for the fiscal years ended June 30, 2020 and 2019 was approximately \$5.6 million and \$7.8 million, respectively. These amounts reflect increases in cash and cash equivalents and increases in investment income. The System also records unrealized gains or losses on deposits with the State Treasurer. The System reflected an unrealized gain on cash and cash equivalents on deposit with the State Treasurer for the fiscal years ended June 30, 2020 and 2019 of \$8.8 million and \$1.3 million, respectively. The unrealized gain on investment income for the fiscal year ended June 30, 2020 was \$7.5 million and the unrealized gain on investment income for the fiscal year ended June 30, 2019 was \$7.4 million.

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

As of June 30, 2020 and 2019, the System's book value of cash not on deposit with the State Treasurer was \$43.7 million and \$40.4 million, respectively. Cash not on deposit included petty cash/change funds and bank account balances of \$108 thousand and \$43.6 million as of June 30, 2020 and \$110 thousand and \$40.3 million as of June 30, 2019, respectively. Bank account balances per the bank as of June 30, 2020 and 2019 were \$51.0 million and \$44.4 million, respectively. Of the June 30, 2020 deposits, \$775 thousand were covered by depository insurance and were not exposed to custodial credit risk, and the remaining \$50.3 million were collateralized with securities held by the pledging institution's trust department or agent in the System's name. Of the June 30, 2019 deposits, \$779 thousand were covered by depository insurance and were not exposed to custodial credit risk, and the remaining \$43.6 million were collateralized with securities held by the pledging institution's trust department or agent in the System's name.

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

In June 2008, House Bill 08-1002 authorized the System to establish its own Treasury function, withdrawing funds from the State Treasurer's Pool to invest its operating portfolio internally. In February 2015, the Board approved the formation of the Colorado State University System Treasury. The Board authorized

COLORADO STATE UNIVERSITY SYSTEM
Notes to Basic Financial Statements
Years Ended June 30, 2020 and 2019
(Amounts expressed in thousands)

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, 2020, the System has withdrawn \$380.0 million from the Pool. As of June 30, 2019, the System had withdrawn \$280.0 million from the Pool.

Additional information on investments of the State Treasurer's Pool may be obtained in the State's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2020.

Other Postemployment Benefits Trust – There was no cash and deposits for the Trust as of June 30, 2020. Cash and deposits for the Trust as of June 30, 2019 was \$517 thousand.

(5) Investments

As of June 30, 2020, and 2019, the System's investments had a fair value of \$448.6 million and \$344.4 million, respectively. Of the \$448.6 million and \$344.4 million, \$41.3 million and \$51.5 million were restricted and \$407.3 million and \$292.9 million were unrestricted, respectively. Restricted investments consist of treasury bills, a guaranteed investment contract, and investments held with the CSU Foundation. Unrestricted investments consist of investments held by the CSU System. Investment earnings consist of land fund interest and unrealized gains/losses, income/loss from investments held by the CSU Foundation, and dividends and gains/losses on investments held by the CSU System, net of expenses. For the fiscal years ended June 30, 2020 and 2019 there was a net investment gain of \$14.9 million and \$13.4 million, respectively.

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

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

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

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

The following details the hierarchy of each major category of the System's investments at fair value as of June 30, 2020 and 2019:

COLORADO STATE UNIVERSITY SYSTEM
Notes to Basic Financial Statements
Years Ended June 30, 2020 and 2019
(Amounts expressed in thousands)

Table 5.1.1 Investment Fair Value

	June 30, 2020			Total
	Level 1	Level 2	Level 3	
U.S. Treasury bills	\$ 14,196	-	-	14,196
Guaranteed investment contracts	13,251	-	-	13,251
Investments held by the CSU System:				
Money markets	61,901	-	-	61,901
Equity mutual funds	167,741	-	-	167,741
Bond mutual funds	120,305	-	-	120,305
Corporate bonds		22,164	-	22,164
Asset backed bonds	-	20,167	-	20,167
Mortgage backed bonds	-	3,040	-	3,040
Municipal bonds	-	518	-	518
U.S. Treasuries	11,463	-	-	11,463
	361,410	45,889	-	407,299
Interest in investments held by CSU Foundation:				
Alternative investments	-	-	13,844	13,844
Total	\$ 388,857	45,889	13,844	448,590

Table 5.1.2 Investment Fair Value

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

COLORADO STATE UNIVERSITY SYSTEM
Notes to Basic Financial Statements
Years Ended June 30, 2020 and 2019
(Amounts expressed in thousands)

The following details the quality ratings of the fixed income assets as of June 30, 2020 and 2019:

Table 5.2.1 Fixed Income Quality Ratings

June 30, 2020					
Investment Type	Moody's Rating	Fair Value	Standard & Poor's Rating	Fair Value	Unrated Fair Value
Corporate bonds		\$ -	AA	4,007	-
		-	A	7,893	-
		-	BBB	8,501	-
		-	B	262	-
		-		-	1,501
Municipal bonds	Aa	154		-	-
	A	364		-	-
Money market mutual funds		-	AAA	61,901	-
Bond mutual funds	Aa	120,305		-	-
Asset backed securities		-	AAA	7,443	-
		-	A	4,047	-
		-	BBB	160	-
		-		-	-
Mortgage backed securities	Aaa	1,638		-	8,517
		-		-	1,402
Guaranteed investment contracts		-		-	13,251
Total		\$ 122,461	-	94,214	24,671

Table 5.2.2 Fixed Income Quality Ratings

June 30, 2019					
Investment Type	Moody's Rating	Fair Value	Standard & Poor's Rating	Fair Value	Unrated Fair Value
Bond mutual funds	Aa	\$ 92,495		-	-
Guaranteed investment contracts		-		-	24,191
Total		\$ 92,495	-	-	24,191

COLORADO STATE UNIVERSITY SYSTEM
Notes to Basic Financial Statements
Years Ended June 30, 2020 and 2019
(Amounts expressed in thousands)

As of June 30, 2020, the following System investments were subject to interest rate risk:

Table 5.3.1 Interest Rate Risk

Type of Investment	Fair Value	Weighted Average Maturity (in years)
	\$	
U.S. Treasury bills	14,196	0.32
Guaranteed investment contracts	13,251	0.50
Investments held by CSU System:		
U.S. Treasury notes/bonds	11,463	0.67
Corporate bonds	22,164	1.22
Municipal bonds	518	0.05
Money market mutual funds	61,901	0.11
Bond mutual funds	120,305	8.40
Asset backed securities	20,167	4.05
Mortgage backed securities	3,040	0.48
Total	\$ 267,005	

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

Table 5.3.2 Interest Rate Risk

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

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, 2020, investments consisted of various securities carried at fair value as determined by quoted market prices on national exchanges. Some categories, including alternative investments, are valued at the net asset value (NAV) provided by the investment

COLORADO STATE UNIVERSITY SYSTEM
Notes to Basic Financial Statements
Years Ended June 30, 2020 and 2019
(Amounts expressed in thousands)

manager. This NAV is computed based on dealer quotations on the fair value of underlying securities, the vast majority of which are traded on national exchanges.

The following details each major category of the CSU Foundation's investments at fair value as of June 30, 2020 and 2019:

Table 5.4.1 Investment Fair Value

	June 30 2020				DHIC (Deposits Held in Custody)
	Market	Student Funds	Adjusted Market	Adjusted Market Percent	
Public equities					
U.S. equities	\$ 94,054	-	94,054	18.43%	2,551
International equities	38,880	-	38,880	7.62%	1,054
Emerging market equities	37,750	-	37,750	7.40%	1,024
Global equities	96,397	-	96,397	18.88%	2,614
Fixed income	50,863	-	50,863	9.96%	1,379
Other/Global asset allocation	1,868	-	1,868	0.37%	51
Alternatives					
Hedge funds	41,864	-	41,864	8.20%	1,135
Private markets	118,207	-	118,207	23.14%	3,205
Opportunistic investments	9,647	-	9,647	1.89%	262
Short duration	7,401	-	7,401	1.45%	201
Student-managed investments	1,266	(1,266)	-	0.00%	-
Cash	13,587	-	13,587	2.66%	368

COLORADO STATE UNIVERSITY SYSTEM
Notes to Basic Financial Statements
Years Ended June 30, 2020 and 2019
(Amounts expressed in thousands)

Table 5.4.2 Investment Fair Value

	June 30 2019				
	Market	Student Funds	Adjusted Market	Adjusted Market Percent	DHIC (Deposits Held in Custody)
Public equities					
U.S. equities	\$ 88,199	-	88,199	17.45%	2,356
International equities	57,597	-	57,597	11.39%	1,538
Emerging market equities	28,050	-	28,050	5.55%	749
Global equities	84,032	-	84,032	16.62%	2,244
Fixed income	63,489	-	63,489	12.56%	1,695
Other/Global asset allocation	10,452	-	10,452	2.07%	279
Alternatives					
Hedge funds	44,664	-	44,664	8.83%	1,192
Private markets	107,461	-	107,461	21.25%	2,869
Opportunistic investments	10,674	-	10,674	2.11%	285
Short duration	8,279	-	8,279	1.64%	221
Student-managed investments	1,173	(1,173)	-	0.00%	-
Cash	2,678	-	2,678	0.53%	72
Total	\$ 506,748	(1,173)	505,575	100.00%	13,500

COLORADO STATE UNIVERSITY SYSTEM
Notes to Basic Financial Statements
Years Ended June 30, 2020 and 2019
(Amounts expressed in thousands)

The following details the hierarchy of each major category of the CSU Foundation's investments at fair value as of June 30, 2020 and 2019:

Table 5.5.1 Investment Fair Value

	June 30, 2020			Net Asset Value	Total
	Level 1	Level 2	Level 3		
Cash and cash equivalents subject to investment management direction	\$ 13,587	-	-	-	13,587
Public equities:					
United States	94,054	-	-	-	94,054
International	-	-	-	38,880	38,880
Emerging markets	22,654	-	-	15,096	37,750
Global	67,656	-	-	28,741	96,397
Fixed income	33,356	-	-	17,507	50,863
Other/global asset allocation	1,868	-	-	-	1,868
Alternative investments:					
Hedge funds	-	-	-	41,864	41,864
Private markets	-	-	-	118,207	118,207
Short duration	7,401	-	-	-	7,401
Opportunistic investments	-	-	-	9,647	9,647
Student-managed investments	1,266	-	-	-	1,266
Total	\$ 241,842	-	-	269,942	511,784

COLORADO STATE UNIVERSITY SYSTEM
Notes to Basic Financial Statements
Years Ended June 30, 2020 and 2019
 (Amounts expressed in thousands)

Table 5.5.2 Investment Fair Value

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

COLORADO STATE UNIVERSITY SYSTEM
Notes to Basic Financial Statements
Years Ended June 30, 2020 and 2019
(Amounts expressed in thousands)

CSU Foundation investments in certain entities that calculate net asset value per share consisted of the following for the fiscal years ended June 30, 2020 and 2019:

Table 5.6 Net Asset Value Investments

Fund Description	June 30, 2020 Fair Value	June 30, 2019 Fair Value	June 30, 2020 Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Public equities	\$ 82,717	122,855	-	Daily, monthly, quarterly	2-30 days
Fixed income	17,507	29,489	-	Daily	1-2 days
Hedge funds (multi-strategy)	28,550	30,198	-	N/A, quarterly	N/A, 45-90 days
Hedge funds (long/short)	13,314	14,466	-	N/A, quarterly	N/A, 45-60 days
Private equity	57,721	53,789	59,892	N/A	N/A
Private debt	48,925	43,541	19,633	N/A, quarterly	N/A, 90 days*
Venture capital	11,561	10,131	4,456	N/A	N/A
Opportunistic investments	9,647	10,674	-	Monthly	30 days
Total	\$ 269,942	315,143	83,981		

*after three year lock-up

Net investment earnings of the CSU Foundation consisted of the following for the fiscal years ended June 30, 2020 and 2019:

Table 5.7 Net Investment Earnings

	June 30 2020	June 30 2019
Interest, dividends, and other income	\$ 6,473	7,069
Net unrealized and realized gain on investments	6,277	28,308
Less investment management fees	(4,496)	(6,106)
	8,254	29,271
Less net investment income on deposits held in custody for CSU	(528)	(565)
Total	\$ 7,726	28,706

COLORADO STATE UNIVERSITY SYSTEM
Notes to Basic Financial Statements
Years Ended June 30, 2020 and 2019
(Amounts expressed in thousands)

The following details the hierarchy of each major category of the CSU-Pueblo Foundation's investments at fair value as of June 30, 2020 and 2019:

Table 5.8.1 Investment Fair Value

	June 30, 2020			Total
	Level 1	Level 2	Level 3	
Marketable equity securities:				
Domestic emphasis	\$ 16,232	-	-	16,232
International emphasis	5,047	-	-	5,047
Marketable debt securities:				
Domestic emphasis	10,616	-	-	10,616
International emphasis	-	-	-	-
Real estate investment trust	9,113	-	-	9,113
Master limited partnership	-	-	-	-
Beneficial interest in charitable trusts held by others	-	-	225	225
Total	\$ 41,008	-	225	41,233

Table 5.8.2 Investment Fair Value

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

COLORADO STATE UNIVERSITY SYSTEM
Notes to Basic Financial Statements
Years Ended June 30, 2020 and 2019
(Amounts expressed in thousands)

Net investment return of the CSU-Pueblo Foundation consisted of the following for the fiscal years ended June 30, 2020 and 2019:

Table 5.9.1 Net Investment Return

	June 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Dividend income	\$ 287	1,523	1,810
Interest income	-	2	2
Realized gains - securities	(103)	(549)	(652)
Realized gains (loss) - real estate	-	-	-
Unrealized gains	92	489	581
SEC settlement fee	-	-	-
Investment expenses	(15)	(78)	(93)
Total	\$ 261	1,387	1,648

Table 5.9.2 Net Investment Return

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

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.

COLORADO STATE UNIVERSITY SYSTEM
Notes to Basic Financial Statements
Years Ended June 30, 2020 and 2019
(Amounts expressed in thousands)

The following details the hierarchy of each major category of the Trust's investments at fair value as of June 30, 2020 and 2019:

Table 5.10.1 Investment Fair Value

	June 30, 2020			Total
	Level 1	Level 2	Level 3	
U.S. government securities	\$ 3,947	-	-	3,947
Corporate bonds	-	10,820	-	10,820
Municipal bonds	-	2,103	-	2,103
Asset backed securities	-	1,013	-	1,013
Mortgage backed securities	-	6,270	-	6,270
Bond mutual funds	9,244	-	-	9,244
Money market mutual funds	545	-	-	545
Equity mutual funds	25,050	-	-	25,050
Private equities	-	-	4,340	4,340
Hedge funds	-	-	8,801	8,801
Alternative investments	-	-	12,330	12,330
Total	\$ 38,786	20,206	25,471	84,463

Table 5.10.2 Investment Fair Value

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

COLORADO STATE UNIVERSITY SYSTEM
Notes to Basic Financial Statements
Years Ended June 30, 2020 and 2019
(Amounts expressed in thousands)

The following details the quality ratings of the fixed income assets of the Trust as of June 30, 2020 and 2019:

Table 5.11.1 Fixed Income Quality Ratings

June 30, 2020					
Investment Type	Moody's Rating	Fair Value	Standard & Poor's Rating	Fair Value	Unrated Fair Value
Corporate bonds	Aaa	\$ 343		-	-
	Aa	869		-	-
	A	5,883		-	-
	Baa	3,725		-	-
Municipal bonds	Aaa	570		-	-
	Aa	1,257		-	-
	A	276		-	-
Money market mutual funds	Aaa	545		-	-
Bond mutual funds	-	-		-	9,244
Asset backed securities	-	-	AAA	468	-
	-	-	AA	227	-
	-	-	A	129	-
	-	-		-	189
Mortgage backed securities	Aaa	6,270		-	-
Total		\$ 19,738		824	9,433

Table 5.11.2 Fixed Income Quality Ratings

June 30, 2019					
Investment Type	Moody's Rating	Fair Value	Standard & Poor's Rating	Fair Value	Unrated Fair Value
U.S. government agencies-mortgages			AA	199	8,300
Corporate bonds	AA	\$ 1,043		-	-
	A	4,551		-	-
	Baa	3,623		-	-
Municipal bonds	Aaa	316		-	-
	Aa	875		-	-
	A	276		-	-
Asset backed securities	Aaa	374		-	514
Bond mutual funds	Aa	5,109		-	-
	A	5,200		-	-
Total		\$ 21,367		199	8,814

COLORADO STATE UNIVERSITY SYSTEM
Notes to Basic Financial Statements
Years Ended June 30, 2020 and 2019
(Amounts expressed in thousands)

The following details the effective weighted average maturity of fixed income investments of the Trust as of June 30, 2020 and 2019:

Table 5.12.1 Investment Weighted Average Maturity

	June 30, 2020		
	Fair Value Amount	Weighted Average Maturity (in years)	Percent of Fixed Income Assets
U.S. government securities	\$ 3,947	1.6	11.6%
Corporate bonds	10,820	2.9	31.9%
Municipal bonds	2,103	0.5	6.2%
Money market mutual funds	545	0	1.6%
Asset backed securities	1,013	0.1	3.0%
Bond mutual funds	9,244	4.3	27.2%
Mortgage backed securities	6,270	0.8	18.5%
Total	\$ 33,942		100.0%

Table 5.12.2 Investment Weighted Average Maturity

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

COLORADO STATE UNIVERSITY SYSTEM
Notes to Basic Financial Statements
Years Ended June 30, 2020 and 2019
(Amounts expressed in thousands)

(6) Accounts Receivable

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

Table 6.1.1 Accounts Receivable

	June 30	
	2020	2019
Student accounts receivable:	\$ 74,683	64,097
Less allowance for doubtful accounts	(19,339)	(19,437)
Student accounts receivable, net	\$ 55,344	44,660
Student loans receivable:	\$ 19,396	24,550
Less allowance for doubtful accounts	(2,419)	(3,204)
Student loans receivable, net	16,977	21,346
Less current portion	(3,785)	(3,591)
Noncurrent student loans receivable, net	\$ 13,192	17,755
Grant and other accounts receivable:		
Sponsored programs	\$ 83,108	89,820
Commercial receivables	6,318	6,049
Conferences and summer programs	116	180
Insurance trust fund	97	3,530
Receivables from Foundation	16,714	5,913
Athletics	1,442	219
Capital construction - due from state	1,340	1,047
Self-funded operations	1,900	2,059
Other	17,642	14,487
Total grant and other accounts receivable	128,677	123,304
Less allowance for doubtful accounts	(8,770)	(7,560)
Grant and other accounts receivable, net	\$ 119,907	115,744

Discretely presented component unit – As of June 30, 2020 and 2019, 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, 2020 and 2019, accounts receivable was \$152 thousand and \$27 thousand, respectively.

Discretely presented component unit – As of June 30, 2020 and 2019, the CSU Foundation’s pledges receivable consisted of the following:

COLORADO STATE UNIVERSITY SYSTEM
Notes to Basic Financial Statements
Years Ended June 30, 2020 and 2019
(Amounts expressed in thousands)

Table 6.1.2 CSU Foundation Pledges Receivable

	June 30	
	2020	2019
Receivables due in less than one year	\$ 11,282	14,616
Receivables due in one to five years	43,361	44,042
Receivables due in more than five years	9,047	9,451
	<u>63,690</u>	<u>68,109</u>
Less allowance for uncollectible pledges	(1,592)	(1,703)
Less present value discounting	(2,489)	(3,453)
Total	\$ 59,609	62,953

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 of the fiscal year in which the commitment is made.

Pledges receivable from two donors as of June 30, 2020 represented approximately 66 percent of net pledges receivable. Pledges receivable from two donors as of June 30, 2019 represented approximately 53 percent of net pledges receivable.

Discretely presented component unit – As of June 30, 2020 and 2019, the CSU-Pueblo Foundation’s unconditional promises to give consisted of the following:

Table 6.1.3 CSU-Pueblo Foundation Pledges Receivable

	June 30	
	2020	2019
Restricted for scholarships or other particular purposes	\$ 2,065	1,325
Less allowance for uncollectible unconditional promises to give	(54)	(47)
Gross unconditional promises to give	<u>2,011</u>	<u>1,278</u>
Less unamortized discount	(63)	(35)
Total	\$ 1,948	1,243
Amounts due in:		
Less than one year	\$ 746	523
One to five years	1,202	720
Total	\$ 1,948	1,243

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.

COLORADO STATE UNIVERSITY SYSTEM
Notes to Basic Financial Statements
Years Ended June 30, 2020 and 2019
(Amounts expressed in thousands)

Other Postemployment Benefits Trust – Total receivables for the Trust as of June 30, 2020 and 2019 were \$161 thousand and \$1.8 million, respectively.

(7) Capital Assets

Following are the changes in capital assets for the fiscal year ended June 30, 2020:

Table 7.1.1 Capital Assets

	Balance June 30, 2019	Additions	Transfers	Deletions	Balance June 30, 2020
Nondepreciable capital assets:					
Land	\$ 44,636	2,564	1,952	-	49,152
Land improvements	2,321	-	-	-	2,321
Construction in progress	88,273	134,231	(46,155)	-	176,349
Collections	7,854	298	-	-	8,152
Total nondepreciable capital assets	<u>143,084</u>	<u>137,093</u>	<u>(44,203)</u>	<u>0</u>	<u>235,974</u>
Depreciable capital assets:					
Land and leasehold improvements	118,975	-	5,252	(924)	123,303
Buildings and improvements	2,356,591	12,964	33,574	(6,074)	2,397,055
Software	63,705	464	2,284	(4,306)	62,147
Equipment	321,401	21,883	3,093	(7,498)	338,879
Library materials	91,247	561	-	(482)	91,326
Total depreciable capital assets	<u>2,951,919</u>	<u>35,872</u>	<u>44,203</u>	<u>(19,284)</u>	<u>3,012,710</u>
Less accumulated depreciation:					
Land and leasehold improvements	65,242	4,744	-	(923)	69,063
Buildings and improvements	703,774	75,954	-	(4,889)	774,839
Software	60,697	1,301	-	(4,290)	57,708
Equipment	246,167	22,465	-	(7,147)	261,485
Library materials	84,501	1,175	-	(482)	85,194
Total accumulated depreciation	<u>1,160,381</u>	<u>105,639</u>	<u>-</u>	<u>(17,731)</u>	<u>1,248,289</u>
Net depreciable capital assets	1,791,538	(69,767)	44,203	(1,553)	1,764,421
Total	\$ 1,934,622	67,326	-	(1,553)	2,000,395

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

Hughes Stadium is currently under contract for sale, therefore, land and construction in progress of \$4.3 million were reclassified to assets held for resale as of June 30, 2019.

COLORADO STATE UNIVERSITY SYSTEM
Notes to Basic Financial Statements
Years Ended June 30, 2020 and 2019
(Amounts expressed in thousands)

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

Table 7.1.2 Capital Assets

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

Land includes the following conservation easements:

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

Interest expense capitalized, net of related interest income for the System, was \$1.8 million and \$1.6 million for the fiscal years ended June 30, 2020 and 2019, respectively.

COLORADO STATE UNIVERSITY SYSTEM
Notes to Basic Financial Statements
Years Ended June 30, 2020 and 2019
(Amounts expressed in thousands)

(8) Accrued Liabilities

The current accrued liabilities balance as of June 30, 2020 and 2019 were comprised of:

Table 8.1 Accrued Liabilities

		June 30	
		2020	2019
Accrued payroll and benefits	\$	31,058	20,407
Accrued interest payable		15,625	15,938
Other liabilities		3,583	2,659
Total	\$	50,266	39,004

The changes in compensated absences as of June 30, 2020 and 2019 were comprised of:

Table 8.2 Compensated Absences

		June 30	
		2020	2019*
Beginning of year	\$	54,794	52,943
Additions		30,646	29,193
Reductions		(24,843)	(27,342)
End of year	\$	60,597	54,794
Current compensated absences		3,770	3,365

* Reclassified

(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, for any of the campuses for which the Board has spending authority. Projects financed by the Notes are detailed below.

In May 2019, the Board of Governors of the Colorado State University System approved the first amendment to the twelfth supplemental resolution, increasing the aggregate principal amount authorized to be issued from \$50.0 million to \$75.0 million. This increase became effective beginning fiscal year 2020. As of June 30, 2020, no action has been taken on the authorized increase of \$25.0 million.

COLORADO STATE UNIVERSITY SYSTEM
Notes to Basic Financial Statements
Years Ended June 30, 2020 and 2019
(Amounts expressed in thousands)

Short-term obligation activity for the year ended June 30, 2020 was as follows:

Table 9.1 Short Term Obligations

	Balance June 30, 2019	Additions	Reductions	Balance June 30, 2020
Commercial paper by project:				
JBS Global Food Innovation Center	\$ 11,000	-	-	11,000
Alumni Furniture	700	-	-	700
Richardson Design Center	2,500	-	(2,500)	-
Semester at Sea Building	9,200	-	(9,200)	-
Institute for Biological Translational Therapies	20,800	-	-	20,800
WCRC Orchard Mesa	5,000	-	(5,000)	-
Total	\$ 49,200	-	(16,700)	32,500

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

Table 9.2 Short Term Obligations

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

(10) Other Liabilities

Other liability activity for the fiscal year ended June 30, 2020 was as follows:

Table 10.1 Other Liabilities

	Balance June 30, 2019	Additions	Reductions	Balance June 30, 2020	Amounts Due Within One Year
Deposits held for others	30,049	206,940	(205,278)	31,711	7,138
Other	23,690	4,987	(10,620)	18,057	4,452
Total	\$ 53,739	211,927	(215,898)	49,768	11,590

COLORADO STATE UNIVERSITY SYSTEM
Notes to Basic Financial Statements
Years Ended June 30, 2020 and 2019
(Amounts expressed in thousands)

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

Table 10.2 Other Liabilities

	Balance			Balance June 30, 2019	Amounts
	June 30, 2018	Additions	Reductions		Due Within One Year
Deposits held for others	26,509	225,292	(221,752)	30,049	7,337
Other	22,709	21,721	(20,740)	23,690	1,958
Total	\$ 49,218	247,013	(242,492)	53,739	9,295

Deposits held for others are funds held by the System on behalf of third parties for which the System has not yet provided goods or services. These monies are not the property of the System and therefore are recorded as liabilities on the Statements of Net Position. As of June 30, 2020 and 2019, deposits held for others were comprised of funds related to self-insurance plans, housing, student accounts, health services, agency deposits, and other campus deposits.

Other noncurrent liabilities are comprised of unspent debt cost of issuance dollars, workers' compensation and insurance claims discussed in Note 19, and the major activities described below.

With the expiration of the authority of institutions to disburse Perkins loans, the System is required to return the Federal share of funds to the Department of Education. The Perkins Loan Revolving Fund will be liquidated as funds are collected from the loan recipients. For award year 2019-20, the System returned \$4.9 million in Federal funds. For award year 2018-19, the Department of Education did not require the liquidation and return of funds. In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, the System carries a liability on the Statements of Net Position. As of June 30, 2020, and 2019, the System's liabilities were \$12.5 million and \$17.5 million, respectively.

With the implementation of GASB Statement No. 83, *Certain Asset Retirement Obligations*, the System carries a liability related to the obligations that will be incurred during the retirement of assets with complex environmental impacts. The System has three types of obligations which include radiation detection, radiation sources and laboratory equipment utilized with radiation. These items are regulated by the State of Colorado Department of Public Health and Environment, as well as the Federal Nuclear Regulatory Commission that covers all radioactive materials. The System is in compliance with State regulations and has estimated decommissioning costs in its last financial assurance. The methods and assumptions for estimating the liability are based on calculations for closing laboratories, decontaminating laboratories, and decommissioning equipment. All assets related to the liability are fully depreciated, except for two assets that have remaining useful lives of up to 18 months and are recorded as deferred outflows of resources on the Statements of Net Position. As of June 30, 2020, and 2019, the System's liabilities were \$1.5 million for both years.

(11) Revenue Bonds, Certificates of Participation (COPs), SWAP Agreement

The revenue bonds and notes from direct placements consist of multiple issues to finance the acquisition, construction, repair, and equipping of various academic, auxiliary, and research facilities of the System. Debt service payments on the revenue bonds and notes from direct placements are payable semiannually and monthly, have serial maturities, may contain sinking fund requirements, and certain bonds contain optional redemption provisions. The optional redemption provisions allow the System to redeem at various dates, portions of the outstanding revenue bonds at 100 percent of the principal amount of the revenue bonds redeemed. Payment of the principal and interest on certain bonds and notes from direct placements is either

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2020 and 2019

(Amounts expressed in thousands)

insured by various financial guarantee insurance policies or qualifies for payment under the State Intercept Program, which provides payment by the State Treasurer if payment is not made by the due date.

On November 7, 2019, the System issued \$112.2 million in System Enterprise Revenue and Refunding Bonds Series 2019 A and System Enterprise Revenue Refunding Bonds Taxable Series 2019 B to finance and refinance (through refunding certain Commercial Paper Notes) certain improvements as determined by the Board, including, but not limited to completion of interior construction of the third floor of the Richardson Design Center, construction of two new facilities (12,800 gsf and 5,500 gsf) on the Western Campus, Orchard Mesa, Colorado, construction of a new facility (6,733 gsf) on the High Plains Campus, Rocky Ford, Colorado, acquire and improve a three-story building (33,000 gsf) at 2243 Centre Avenue, Fort Collins, Colorado, construction of infrastructure (utilities, roads, buildings, animal waste management facilities, etc.) in support of the veterinary medicine campus on the South Campus, Fort Collins, Colorado, and provide a portion of the funds to construct an addition to and renovation of the Shepardson Building on the Main Campus, Fort Collins, Colorado; advance refund a portion of the Board's Series 2012 A Bonds, Series 2015 C Bonds, Series 2015 E-1 Bonds, Series 2015 E-2 Bonds, and Series 2017 C Bonds; construct a new Animal Research Facility (10,000-12,000 gsf) on the South Campus, Fort Collins, Colorado; and to pay certain costs relating to the issuance of the Series 2019 A, B Bonds.

On November 29, 2018, the System issued \$30.4 million in Taxable System Enterprise Revenue Bonds, Series 2018 A to finance the construction of an approximately 38,000 gsf Center for Vector-borne Infectious Diseases (CVID) facility on the Foothills Campus to house faculty and research infrastructure, functional research laboratories, insectary and office space; finance a portion of the JBS Global Food Innovation Center addition to Animal Sciences; and pay certain costs relating to the issuance of the Series 2018 A Bonds.

Bonds, COPs, and notes payable activity for the fiscal year ended June 30, 2020 was as follows:

Table 11.1 Bonds, COPs, and notes payable

	Balance June 30, 2019	Additions	Reductions	Balance June 30, 2020	Amounts Due Within One Year
Revenue bonds and COPs payable	\$ 1,141,847	118,817	(103,794)	1,156,870	31,282
Notes from direct placements	66,655	-	-	66,655	-
Total	1,208,502	118,817	(103,794)	1,223,525	31,282

Bonds, COPs, and notes payable activity for the fiscal year ended June 30, 2019 was as follows:

Table 11.2 Bonds, COPs, and notes payable

	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019	Amounts Due Within One Year
Revenue bonds and COPs payable	\$ 1,144,465	30,420	(33,038)	1,141,847	27,619
Notes from direct placements	66,655	-	-	66,655	-
Total	1,211,120	30,420	(33,038)	1,208,502	27,619

COLORADO STATE UNIVERSITY SYSTEM
Notes to Basic Financial Statements
Years Ended June 30, 2020 and 2019
(Amounts expressed in thousands)

Detailed below is a general description of each revenue bond, COP, and note from direct placement issue, original issuance amount, and interest range. The amounts outstanding as of June 30, 2020 and 2019 were as follows:

Table 11.3 Revenue Bond and COP Detail

	Interest Range	June 30	
		2020	2019
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 on 2013 A and \$300 thousand advance refunded on 2015 C.	3.000% -5.000%	\$ -	760
Colorado State University System Enterprise Revenue Bonds of 2010 A, issued in the original amount of \$25.3 million and mature in varying annual amounts to March 2020.	4.000% -5.000%	-	3,720
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 and \$6.5 million advance refunded on 2019 B.	2.000% -5.000%	5,815	15,060
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%	45,140	47,025
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%	148,995	154,940

COLORADO STATE UNIVERSITY SYSTEM
Notes to Basic Financial Statements
Years Ended June 30, 2020 and 2019
(Amounts expressed in thousands)

Table 11.3 Revenue Bond and COP Detail

	Interest Range	June 30	
		2020	2019
Colorado State University System Enterprise Revenue Refunding Bonds of 2013 B, issued in the original amount of \$16.7 million and mature in varying annual amounts to March 2020.	0.450% -2.073%	-	1,810
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%	4,985	5,495
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%	9,315	12,135
Colorado State University System Enterprise Revenue Bonds of 2015 A, issued in the original amount of \$134.7 million and mature in varying annual amounts to March 2055. \$9.4 million advance refunded on 2017 D and \$17.3 million advance refunded on 2017 F.	4.000% -5.000%	108,055	108,055
Colorado State University System Enterprise Revenue Bonds of 2015 B, issued in the original amount of \$32.8 million and mature in varying annual amounts to March 2030.	2.688% -4.081%	32,815	32,815
Colorado State University System Enterprise Revenue Refunding Bonds of 2015 C, issued in the original amount of \$67.7 million and mature in varying annual amounts to March 2038. \$7.1 million advance refunded on 2019 B.	2.000% -5.000%	57,850	65,765
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, \$31.8 million advance refunded on 2017 E, and \$31.4 million advance refunded on 2019 B.	5.000%	-	31,360

COLORADO STATE UNIVERSITY SYSTEM
Notes to Basic Financial Statements
Years Ended June 30, 2020 and 2019
(Amounts expressed in thousands)

Table 11.3 Revenue Bond and COP Detail

	Interest Range	June 30	
		2020	2019
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 and \$2.2 million advance refunded on 2019 B.	5.000%	9,585	11,790
Colorado State University System Enterprise Revenue Bonds of 2015 F, issued in the original amount of \$17.7 million and mature in varying annual amounts to March 2023.	1.750%-5.000%	6,860	9,825
Colorado State University System Enterprise Revenue Bonds of 2016 A, issued in the original amount of \$5.2 million and mature in varying annual amounts to March 2025.	1.500%-3.400%	3,095	3,775
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%	58,505	61,005
Colorado State University System Enterprise Revenue Refunding Bonds of 2017 A, issued in the original amount of \$103.8 million and mature in varying annual amounts to March 2044.	2.000%-5.000%	102,990	103,150
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%	13,545	13,630
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. \$14.0 million advance refunded on 2019 B.	2.500%-5.000%	168,525	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%	18,970	19,085

COLORADO STATE UNIVERSITY SYSTEM
Notes to Basic Financial Statements
Years Ended June 30, 2020 and 2019
(Amounts expressed in thousands)

Table 11.3 Revenue Bond and COP Detail

	Interest Range	June 30	
		2020	2019
Colorado State University System Enterprise Revenue Refunding Bonds of 2017 E, issued in the original amount of \$35.8 million and mature in varying annual amounts to March 2043.	2.000%-5.000%	35,070	35,165
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%	19,310	19,360
Colorado State University System Enterprise Revenue Bonds of 2018 A, issued in the original amount of \$30.4 million and mature in varying annual amounts to March 2033.	2.610%-4.232%	28,615	29,170
Colorado State University System Enterprise Revenue and Refunding Bonds of 2019 A, issued in the original amount of \$33.1 million and mature in varying annual amounts to March 2039.	4.000%-5.000%	32,905	-
Colorado State University System Enterprise Revenue Refunding Bonds of 2019 B, issued in the original amount of \$79.1 million and mature in varying annual amounts to March 2034.	1.636%-2.644%	78,270	-
Unamortized bond premium/discount		92,603	99,266
Total Bonds		1,222,058	1,206,891
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%	1,467	1,611
Total		\$ 1,223,525	1,208,502

COLORADO STATE UNIVERSITY SYSTEM
Notes to Basic Financial Statements
Years Ended June 30, 2020 and 2019
(Amounts expressed in thousands)

The scheduled maturities of the revenue bonds, COPs and notes from direct placements as of June 30, 2020 are as follows:

Figure 11.4 Scheduled Maturities

	Bonds and COPs		Notes from		Total Principal	Total Interest
	Principal	Interest	Direct Placements			
			Principal	Interest		
2021	\$ 31,282	46,907	-	1,609	31,282	48,516
2022	31,545	45,725	-	1,609	31,545	47,334
2023	33,008	44,399	-	1,609	33,008	46,008
2024	33,588	42,963	1,005	1,603	34,593	44,566
2025	35,152	41,393	1,005	1,579	36,157	42,972
2026-2030	187,632	171,338	9,040	7,350	196,672	178,688
2031-2035	220,875	124,134	20,385	5,432	241,260	129,566
2036-2040	214,340	73,864	13,105	3,559	227,445	77,423
2041-2045	160,290	33,952	15,300	1,861	175,590	35,813
2046-2050	62,535	10,749	6,815	200	69,350	10,949
2051-2055	54,020	3,481	-	-	54,020	3,481
Total debt service maturities	1,064,267	638,905	66,655	26,411	1,130,922	665,316
Unamortized bond premium/discount	92,603	-	-	-	92,603	-
Total	\$ 1,156,870	638,905	66,655	26,411	1,223,525	665,316

The System Enterprise Revenue Bonds and Notes from Direct Placements are secured by a pledge of 10 percent of all net tuition revenues derived at the System from charges to students for the provision of general instruction by the System, CSU facilities fees (80 percent of first \$10 credit hour fee, 100 percent of next \$5 credit hour fee, and 100 percent of the next \$5.75 credit hour fee), CSU-Pueblo facilities fees (100 percent of first \$10 credit hour fee, 100 percent of the next \$4.80 credit hour fee, 100 percent of the next \$4 credit hour fee, and 100 percent of the next \$4.20 credit hour fee), 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 and federal bond subsidies are also included. See Note 13 for more information regarding these pledged revenues. The Revenue Bonds and Notes from Direct Placements are special limited obligations of the Board of Governors and do not constitute a general obligation of the Board or the System.

There were no material events regarding rating changes to report for the fiscal years ended June 30, 2020 and 2019.

State of Colorado Certificates of Participation

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

COLORADO STATE UNIVERSITY SYSTEM
Notes to Basic Financial Statements
Years Ended June 30, 2020 and 2019
(Amounts expressed in thousands)

million for renovations to the library building in Pueblo, and \$554 thousand for security upgrades in Pueblo. The State of Colorado is responsible for making the principal and interest payments on the COPs.

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

The certificates are secured by the buildings or equipment acquired with the lease proceeds and any unexpended lease proceeds. The proceeds will be used to fund various projects at the National Western Center in Denver, Colorado (CSU Water Resource Center), and affiliated facilities for the System at the Fort Collins campus (Equine Veterinary Teaching Hospital and Institute for Biological and Translational Therapies). The underlying capitalized assets will be contributed to the System from the State. The System has started construction of the buildings and has completed and capitalized \$29.7 million and has \$35.5 million capitalized as work in progress.

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

Interest Rate Swap Agreement

On January 16, 2018, the System entered into a floating to fixed interest rate swap agreement (2015 D Swap Agreement) in connection with the Series 2015 D System Enterprise Revenue Bonds (Notes from Direct Placements). The 2015 D Swap Agreement was entered into with the objective of protecting against the potential rising of interest rates. The 2015 D Swap Agreement had a notional value of \$66.7 million and a negative fair value of \$14.9 million as of June 30, 2020. The fair value of the 2015 D Swap Agreement was recorded as a noncurrent liability and a deferred outflow of resources as of fiscal year ended June 30, 2020. The 2015 D Swap Agreement had a notional value of \$66.7 million and a negative fair value of \$5.0 million as of June 28, 2019. The fair value of the 2015 D Swap Agreement was recorded as a noncurrent liability and a deferred outflow of resources as of fiscal year ended June 30, 2019. The 2015 D Swap Agreement has an effective date of July 1, 2019 and a termination date of March 1, 2047.

The 2015 D Swap Agreement provides for certain payments by The Royal Bank of Canada (RBC) equal to the difference between the fixed rate of 1.91390 percent payable by the System and 70 percent of one-month UDS-LIBOR-BBA, payable by RBC. RBC, counterparty to the 2015 D Swap Agreement, determined the fair value as of June 30, 2020 using a discounted forecasted cash flow.

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements
Years Ended June 30, 2020 and 2019
(Amounts expressed in thousands)

On February 18, 2020, the System entered into a floating to fixed interest rate swap agreement (2015 A Swap Agreement) in connection with the Series 2015 A System Enterprise Revenue Bonds. The 2015 A Swap Agreement was entered into with the objective of protecting against the potential rising of interest rates. The 2015 A Swap Agreement had a notional value of \$108.7 million and a negative fair value of \$7.7 million as of June 30, 2020. The fair value of the 2015 A Swap Agreement was recorded as a noncurrent liability and a deferred outflow of resources as of fiscal year ended June 30, 2020. The 2015 A Swap Agreement has an effective date of March 1, 2025 and a termination date of March 1, 2055.

The 2015 A Swap Agreement provides for certain payments by The Royal Bank of Canada (RBC) equal to the difference between the fixed rate of 1.74250 percent payable by the System and 70 percent of one-month UDS-LIBOR-BBA, payable by RBC. RBC, counterparty to the 2015 A Swap Agreement, determined the fair value as of June 30, 2020 using a discounted forecasted cash flow.

Interest rate swap agreement activity for the fiscal year ended June 30, 2020 was as follows:

Table 11.5.1 Interest rate swap agreement

	Balance June 30, 2019	Additions	Reductions	Balance June 30, 2020	Amounts Due Within One Year
Interest rate swap agreement \$	5,029	17,540	-	22,569	-

Interest rate swap agreement activity for the fiscal year ended June 30, 2019 was as follows:

Table 11.5.2 Interest rate swap agreement

	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019	Amounts Due Within One Year
Interest rate swap agreement \$	-	5,029	-	5,029	-

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

Termination Risk

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

Credit Risk

Credit Risk is the risk that the counterparty will not fulfill its obligations. The System considers the Swap Agreement counterparty's (RBC) credit quality rating and whether the counterparty can withstand continuing credit market turmoil. As of June 30, 2020, RBC's credit rating is rated Aa2 by Moody's, AA- by S&P, and AA+ by Fitch.

The Swap Agreement contract contains a credit support annex that allows for collateral to be posted if the market value threshold exceeds \$25.0 million at both parties' current credit rating or \$10.0 million if the parties credit rating falls to A3/A -.

COLORADO STATE UNIVERSITY SYSTEM
Notes to Basic Financial Statements
Years Ended June 30, 2020 and 2019
(Amounts expressed in thousands)

Basis Index Risk

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

As of June 30, 2020, the aggregate revenue bonds and notes from direct placements payments and net swap cash payments, assuming current interest rates remain the same, for their term are reflected below:

Table 11.7 Future revenue bonds and net swap minimum payments

Year Ending June 30	Principal	Interest	Support Fee	Total Debt Service
2021	\$ -	5,786	333	6,119
2022	-	5,786	333	6,119
2023	-	5,786	333	6,119
2024	1,005	5,782	332	7,119
2025	1,005	5,763	327	7,095
2026-2030	10,990	18,475	1,523	30,988
2031-2035	28,140	16,651	1,126	45,917
2036-2040	21,980	14,253	737	36,970
2041-2045	19,715	11,647	386	31,748
2046-2050	43,725	8,758	41	52,524
2051-2055	48,835	3,481	-	52,316
Total	\$ 175,395	102,168	5,471	283,034

(12) Defeased Obligations

On November 7, 2019, the System issued \$73.8 million in System Enterprise Revenue Refunding Bonds Taxable Series 2019 B, with an average interest rate of 2.9 percent. The Bonds partially refunded \$6.5 million of the System Enterprise Revenue Bonds, Series 2012 A; partially refunded \$7.1 million of the System Enterprise Revenue Bonds, Series 2015 C; partially refunded \$31.4 million of the System Enterprise Revenue Bonds, Series 2015 E-1; partially refunded \$2.2 million of the System Enterprise Revenue Bonds, Series 2015 E-2; and partially refunded \$14.0 million of the System Enterprise Revenue Bonds, Series 2017 C, with an average interest rate of 4.9 percent. Net proceeds of \$73.3 million were deposited with an escrow agent. The System completed the Series 2019 B refunding to reduce its total debt service payments over the next 23 years by \$5.5 million and obtain an economic gain (difference between the present value of the debt service payments on the old debt and new debt) of \$4.2 million. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$4.7 million. This difference is reported in the accompanying financial statements as a deferred outflow and is being amortized through fiscal year 2047.

Prior to fiscal year 2020, the System issued System Enterprise Revenue Refunding Bonds, Series 2017 A, B, C, D, E, and F in fiscal year 2018; System Enterprise Revenue and Refunding Bonds, Series 2016 B in fiscal year 2017; System Enterprise Revenue Refunding Bonds, Series 2015 C in fiscal year 2015; System Enterprise Revenue Refunding Bonds, Series 2013 A and B in fiscal year 2013; System Enterprise Revenue Refunding Bonds, Series 2012 B and C in fiscal year 2012; and System Enterprise Refunding Revenue Bonds, Series 2007 B in fiscal year 2008. The escrow deposits from Series 2019 B, Series 2017 A, B, C, D, E, and F, and Series 2013 B are being used to purchase certain U.S. governmental obligations. The

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2020 and 2019

(Amounts expressed in thousands)

principal and interest from the U.S. governmental obligations will be sufficient to enable the escrow agent to make all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability for those bonds is no longer reflected in the Statements of Net Position.

The following bonds and certificates of participation (COPs) were included in the refundings and have since been redeemed: Auxiliary Facilities Enterprise Refunding and Improvement Revenue Bonds, Series 1996; Auxiliary Facilities Enterprise Refunding and Improvement Revenue Bonds, Series 1997; Certificates of Participation, Series 1997; Student Sports Recreational Facilities Revenue Bonds, Series 1998; Research Building Revolving Fund Enterprise Revenue Bonds, Series 2001; Enterprise System Refunding and Improvement Revenue Bonds, Series 2003 A (partially refunded on 2007 B and fully refunded on 2012 C); Enterprise System Revenue Bonds, Series 2003 B (fully refunded on 2012 B); Enterprise System Revenue Bonds, Series 2005 B (partially refunded on 2012 B and fully refunded on 2013 A); Research Building Revolving Fund Enterprise Revenue Bonds, Series 2005 A (fully refunded on 2007 B); System Enterprise Revenue Bonds, Series 2007 A (partially refunded on 2012 B, partially refunded on 2013 A and B, and fully refunded on 2016 B); System Enterprise Revenue Bonds, Series 2007 B (partially refunded on 2015 C and partially refunded on 2016 B); System Enterprise Revenue Bonds, Series 2007 C (partially refunded on 2013 B); System Enterprise Revenue Bonds, Series 2008 A (partially refunded on 2015 C and partially refunded on 2016 B) and System Enterprise Revenue Bonds, Series 2009 A (partially refunded on 2013 A and partially refunded on 2015 C).

System Enterprise Revenue Bonds, Series 2012 A (partially refunded on Series 2017 A and partially refunded on Series 2019 B); System Enterprise Revenue Bonds, Series 2013 C (partially refunded on Series 2017 B and fully refunded on Series 2017 D); System Enterprise Revenue Bonds, Series 2013 E (partially refunded on Series 2017 C); System Enterprise Revenue Bonds, Series 2015 A (partially refunded on Series 2017 D and partially refunded on Series 2017 F); System Enterprise Revenue Refunding Bonds, Series 2015 C (partially refunded on Series 2019 B); System Enterprise Revenue Bonds, Series 2015 E-1 (partially refunded on Series 2017 C, partially refunded on Series 2017 E, and partially refunded on Series 2019 B); System Enterprise Revenue Bonds, Series 2015 E-2 (partially refunded on Series 2017 C and partially refunded on Series 2019 B); and System Enterprise Revenue Refunding Bonds, Series 2017 C (partially refunded on Series 2019 B) were also refunded and have remaining defeased obligations as of June 30, 2020 as follows:

Table 12.1 Defeased Obligations

	Original Amount Refunded	Balance June 30, 2020
CSU System Enterprise Revenue Bonds, Series 2012 A	108,625	108,625
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 Refunding Bonds, Series 2015 C	7,110	7,110
CSU System Enterprise Revenue Bonds, Series 2015 E-1	96,490	96,490
CSU System Enterprise Revenue Bonds, Series 2015 E-2	32,540	32,540
CSU System Enterprise Revenue Refunding Bonds, Series 2017 C	13,965	13,965
Total	\$ 421,885	421,885

COLORADO STATE UNIVERSITY SYSTEM
Notes to Basic Financial Statements
Years Ended June 30, 2020 and 2019
(Amounts expressed in thousands)

(13) Pledged Revenues and Related Expenses

CSU and CSU-Pueblo are required to pledge certain revenues and report related expenses in accordance with the various bond resolutions. The System Enterprise Revenue Bonds, Revenue Refunding Bonds, Notes from Direct Placements, and Commercial Paper are pledged by ten percent of System tuition revenues, CSU facilities fees (80 percent of first \$10 credit hour fee, 100 percent of next \$5 credit hour fee, and 100 percent of the next \$5.75 credit hour fee), CSU-Pueblo facilities fees (100 percent of first \$10 credit hour fee, 100 percent of the next \$4.80 credit hour fee, 100 percent of the next \$4 credit hour fee, and 100 percent of the next \$4.20 credit hour fee), CSU Research Building Revolving Fund revenues, revenues derived from auxiliaries as defined by bond resolutions, including Canvas Stadium, and federal bond subsidies. The pledged revenues and related expenses were as follows:

Table 13.1 Pledged Revenues and Related Expenses

	June 30	
	2020	2019
Gross auxiliary facility and student fee revenue	\$ 189,948	215,757
Less auxiliary facility and student fee operating expenses	<u>141,318</u>	<u>140,963</u>
Net auxiliary facility and student fee revenue	48,630	74,794
Other pledged revenue:		
10% of tuition	\$ 54,709	52,742
Indirect cost recoveries	59,471	58,054
Research facilities	3,383	3,593
Investment income	1,669	1,885
Bond subsidies	<u>1,609</u>	<u>1,604</u>
Net other pledged revenue	120,841	117,878
Total	\$ 169,471	192,672

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

(14) Capital Lease Obligations

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

COLORADO STATE UNIVERSITY SYSTEM
Notes to Basic Financial Statements
Years Ended June 30, 2020 and 2019
(Amounts expressed in thousands)

Table 14.1 Capital Lease Obligations

Fiscal year ending June 30:	Total
2021	\$ 2,594
2022	2,260
2023	2,019
2024	1,691
2025	8,612
2026-2030	1,559
2031-2035	—
Minimum future lease payments	18,735
Less amount representing interest	1,858
Total	\$ 16,877

Table 14.2 Capital Leases Payable

	Balance June 30, 2019	Additions	Reductions	Balance June 30, 2020	Amount Due Within One Year
Capital leases payable	\$ 18,260	1,174	(2,557)	16,877	2,142

Table 14.3 Capital Leases Payable

	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019	Amount Due Within One Year
Capital leases payable	\$ 19,526	1,790	(3,056)	18,260	2,342

Capital lease agreements have been utilized to provide for the use of property and equipment. As of June 30, 2020 and 2019, respectively, the System had capital lease obligations in effect with capitalized asset costs of \$22.1 million and \$23.8 million; accumulated depreciation of \$8.9 million and \$7.1 million; and related outstanding liabilities of \$16.9 million and \$18.3 million.

(15) Operating Leases

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

COLORADO STATE UNIVERSITY SYSTEM
Notes to Basic Financial Statements
Years Ended June 30, 2020 and 2019
(Amounts expressed in thousands)

Table 15.1 Operating Leases

Fiscal year ending June 30:	Total
2021	\$ 3,063
2022	3,179
2023	2,582
2024	2,323
2025	2,236
2026-2030	9,372
2031-2035	490
Total	\$ 23,245

Rent expense was \$3.9 million for the fiscal year ended June 30, 2020 and \$3.5 million for the fiscal year ended June 30, 2019.

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 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

COLORADO STATE UNIVERSITY SYSTEM
Notes to Basic Financial Statements
Years Ended June 30, 2020 and 2019
(Amounts expressed in thousands)

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.

OPEB net assets recorded under GASB Statement No. 75 are related specifically to Other Postemployment Benefit activities and the funding of benefit plans. These amounts are reported as restricted for expendable purposes on the basic financial statements.

Total restricted net position was as follows:

Table 16.1 Restricted Net Position

	June 30	
	2020	2019 *
Restricted for nonexpendable purposes:		
Scholarships, research and other	\$ 13,622	13,426
Endowment/Land grant	15,058	14,423
Total	\$ 28,680	27,849
Restricted for expendable purposes:		
Endowment/Land grant	\$ 2,121	1,443
Student loans	14,295	11,900
Colorado Water Institute	317	314
Sponsored programs	230	28
Gifts	1,585	1,475
Plant fund transfers not capitalized	4,523	5,510
PVM federal and state restrictions	998	822
Colorado State Forest Service legislative funds	10,554	9,931
Workstudy	-	228
Reserves required by third party	556	1,232
OPEB net assets	15,653	15,267
Other	200	147
Total	\$ 51,032	48,297

*Reclassified

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

Discretely presented component unit – In regard to the net position of the CSUS Foundation, all net position is classified as unrestricted. As of June 30, 2020 and 2019, the CSUS Foundation has unrestricted net position of \$1.9 million and \$1.4 million, respectively.

Discretely presented component unit – The CSU Foundation's net assets without donor restriction consist of undesignated and board designated funds. The board designated net assets are comprised of a securities reserve, charitable gift annuity reserve and quasi-endowments. The CSU Foundations net assets with donor restrictions are restricted for use by CSU colleges and programs and for a permanent source of income. As

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2020 and 2019

(Amounts expressed in thousands)

of June 30, 2020 and 2019, the CSU Foundation's Board has designated \$16.0 million and \$36.5 million, respectively, of the net assets without donor restrictions to be used for board designated endowments.

Discretely presented component unit – The CSU-Pueblo Foundation's net assets without donor restriction consist of undesignated and board-designated funds. As of June 30, 2020 and 2019, CSU-Pueblo Foundation's Board has designated \$2.1 million and \$1.9 million, respectively, of these funds to be used for an operating reserve for subsequent years' expense, designated operating reserve, special project awards, and University personnel discretionary funds. The CSU-Pueblo Foundation's net assets with donor restrictions consist of funds subject to expenditure for a specified purpose or time, namely related to academic support and scholarships, and endowments subject to the CSU-Pueblo Foundation endowment spending policy and appropriation.

Other Postemployment Benefits Trust – In regard to the net position of the Trust, all net position is classified as restricted for postemployment benefits other than pensions. As of June 30, 2020, and 2019, the Trust has net position restricted for postemployment benefits other than pensions of \$84.5 million and \$84.0 million, respectively.

(17) Commitments

Outstanding purchase order commitments against future funds not reflected in the financial statements as of June 30, 2020 were \$208.5 million. These outstanding purchase order commitments included \$127.6 million of CSU capital construction commitments. These outstanding purchase order commitments included approximately \$34.7 million for the National Western Center Animal Health Building, \$31.2 million for the Equine Veterinary Teaching Hospital, \$22.2 million for the Shepardson Building Renovation and Addition, \$8.7 million for the Geo Exchange System, \$5.8 million for Center for Vector-Borne Infectious Disease, \$4.0 million for the Temple Grandin Equine Center, \$3.5 million for the Wastewater Treatment Plant - Mountain Campus, \$3.5 million for the National Western Center Water Resources Center, and \$2.0 million for the CSU Center at the National Western Center. CSU-Pueblo capital construction commitments included \$4.2 million for the Psychology Building Renovation & Addition. The remaining capital construction commitments were for other small projects at CSU and CSU-Pueblo. Of the remaining noncapital purchase order commitments, approximately \$42.5 million were related to CSU sponsored contracts and grants.

In addition to purchase order commitments, CSU has contracted obligations of \$46.1 million at June 30, 2020 related to employment hiring incentives and shared costs on long-term federal contracts. The hiring incentives arise in recruiting faculty and research scientists whereby the University commits to pay for various laboratory remodeling, equipment, and other costs that are important to the person in accepting the position. This obligation is binding on the University upon acceptance of the employment offer. The shared cost obligations arise in connection with federal contracts and grants in which the University agrees to pay for certain costs beyond what would otherwise be reimbursed by the sponsor under the contract or grant. Although the University can exercise cancellation clauses to avoid these shared cost obligations, the University has not used that option to avoid such obligations, and such obligation are considered highly probable. In both cases, settlement of the obligation involves payments to third parties, generally within three years.

COLORADO STATE UNIVERSITY SYSTEM
Notes to Basic Financial Statements
Years Ended June 30, 2020 and 2019
(Amounts expressed in thousands)

Table 17.1 Outstanding Commitments

	June 30, 2020
Purchase order commitments	\$ 208,471
Shared cost obligations on long-term revenue contracts	12,233
Obligations under accepted employment offers	33,828
Total	\$ 254,532

(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, 2020 and 2019 was approximately \$737.9 million and \$697.1 million, respectively. Payroll for employees covered by the SDTF plan, the DCP plan, and the SERP plan was approximately \$167.6 million, \$473.3 million, and \$17.5 million, respectively, for the fiscal year ended June 30, 2020 and \$162.6 million, \$445.6 million, and \$14.7 million, respectively, for the fiscal year ended June 30, 2019. 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 plan administered by PERA. The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the SDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications to the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to certain benefit provisions. Some, but not all, of these changes were in effect as of fiscal year end 2020.

Plan Description

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

COLORADO STATE UNIVERSITY SYSTEM
Notes to Basic Financial Statements
Years Ended June 30, 2020 and 2019
(Amounts expressed in thousands)

comprehensive annual financial report (CAFR) that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits Provided

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

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

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit.
- The value of the retiring employee's member contribution account plus a 100.0 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

In all cases the service retirement benefit is limited to 100.0 percent of highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50.0 percent or 100.0 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether five years of service credit has been obtained and the benefit structure under which contributions were made.

As of December 31, 2019, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments in certain years, referred to as annual increases in the C.R.S. once certain criteria are met. Pursuant to SB 18-200, the annual increase for 2019 is 0.00 percent for all benefit recipients. Thereafter, benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007, will receive an annual increase of 1.25 percent unless adjusted by the automatic adjustment provision (AAP) pursuant C.R.S. § 24-51-413. Benefit recipients under the PERA benefit structure who began eligible employment on or after January 1, 2007, will receive the lesser of an annual increase of 1.25 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed 10.0 percent of PERA's Annual Increase Reserve (AIR) for the SDTF. The AAP may raise or lower the aforementioned annual increase by up to 0.25 percent based on the parameters specified in C.R.S. § 24-51-413.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability.

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

Contributions

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

COLORADO STATE UNIVERSITY SYSTEM
Notes to Basic Financial Statements
Years Ended June 30, 2020 and 2019
(Amounts expressed in thousands)

Table 18.1 Employee Contribution Rates

	January, 1 2019 through June 30, 2019	July 1, 2019 through June 30, 2020
Employee contribution	8.00%	8.75%

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

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

Table 18.2 Employer Contribution Requirements

	Fiscal Year 2019		Fiscal Year 2020	
	CY18	CY19	CY20	CY20
	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%	10.40%	10.40%
Apportioned to the Health Care Trust Fund ¹	-1.02%	-1.02%	-1.02%	-1.02%
Apportioned to the SDTF	9.13%	9.13%	9.38%	9.38%
Amortization Equalization Disbursement (AED) ²	5.00%	5.00%	5.00%	5.00%
Supplemental Amortization				
Equalization Disbursement (SAED) ²	5.00%	5.00%	5.00%	5.00%
Total employer contribution rate to the SDTF	19.13%	19.13%	19.38%	19.38%

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

²As specified in C.R.S. § 24-51-411.

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

As specified in C.R.S. § 24-51-414, the State is required to contribute \$225.0 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SDTF based on the proportionate amount of annual payroll of the SDTF to the total annual payroll of the SDTF, School Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools (DPS) Division Trust Fund. A portion of the direct distribution allocated to the SDTF is considered a nonemployer contribution for financial reporting purposes.

Subsequent to the SDTF's December 31, 2019, measurement date, HB 20-1379 *Suspend Direct Distribution to PERA Public Employees Retirement Association for 2020-21 Fiscal Year*, was passed into law during the 2020 legislative session and signed by Governor Polis on June 29, 2020. This bill suspends the July 1, 2020, \$225.0 million direct distribution allocated to the State, School, Judicial, and DPS Divisions, as required under Senate Bill 18-200.

Employer contributions are recognized by the SDTF in the period in which the compensation becomes payable to the member and the System is statutorily committed to pay the contributions to the SDTF. Employer contributions recognized by the SDTF from the System were \$37.3 million and \$35.9 million for the fiscal years ended June 30, 2020 and 2019, respectively.

COLORADO STATE UNIVERSITY SYSTEM
Notes to Basic Financial Statements
Years Ended June 30, 2020 and 2019
(Amounts expressed in thousands)

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

The net pension liability for the SDTF was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll-forward the total pension liability to December 31, 2019. The System proportion of the net pension liability was based on System contributions to the SDTF for the calendar year 2019 relative to the total contributions of participating employers and the State as a nonemployer contributing entity for participating employers of the SDTF that are outside of the State's financial reporting entity.

As of fiscal years ended June 30, 2020 and 2019, the System reported a liability of \$517.3 million and \$611.6 million, respectively, for its proportionate share of the net pension liability.

At December 31, 2019, the System proportion was 5.33 percent, which was a decrease of 0.04 percent from its proportion measured as of December 31, 2018.

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, 2020 and 2019, the System recognized pension expense of negative \$105.8 million and negative \$34.9 million, respectively. This included \$4.1 million and \$4.2 million in State support for PERA pension as of fiscal years ended June 30, 2020 and 2019, respectively.

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

Table 18.3 Deferred Outflows of Resources Related to Pensions

	June 30	
	2020	2019
Difference between expected and actual experience	\$ 19,325	17,488
Changes of assumptions or other inputs	-	32,201
Net difference between projected and actual earnings on pension plan investments	-	30,890
Changes in proportion and differences between contributions recognized and proportionate share of contributions	1,363	1,234
Contributions subsequent to the measurement date	16,396	15,756
Total	\$ 37,084	97,569

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

COLORADO STATE UNIVERSITY SYSTEM
Notes to Basic Financial Statements
Years Ended June 30, 2020 and 2019
(Amounts expressed in thousands)

Table 18.4 Deferred Inflows of Resources Related to Pensions

	June 30	
	2020	2019
Changes of assumptions or other inputs	\$ 148,358	315,796
Net difference between projected and actual earnings on pension plan investments	55,728	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	8,271	5,741
Total	\$ 212,357	321,537

\$16.4 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Table 18.5 Future Amortization of Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Fiscal year ending June 30	Total
2021	\$ (157,060)
2022	(13,457)
2023	(2,187)
2024	(18,965)
Total	\$ (191,669)

Actuarial Assumptions

The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Table 18.6 Actuarial Assumptions - December 31, 2018

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	7.25%
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 (automatic) ¹	1.25% compounded annually
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic) ¹	Financed by the Annual Increase Reserve

¹For 2019, the annual increase was 0.00%.

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements
Years Ended June 30, 2020 and 2019
(Amounts expressed in thousands)

Healthy mortality assumptions for active members reflect the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70.0 percent factor applied to male rates and a 55.0 percent factor applied to female rates.

Post-retirement non-disabled mortality assumptions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73.0 percent factor applied to rates for ages less than 80, a 108.0 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78.0 percent factor applied to rates for ages less than 80, a 109.0 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

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

The actuarial assumptions used in the December 31, 2018, valuation were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting.

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

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

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:

COLORADO STATE UNIVERSITY SYSTEM
Notes to Basic Financial Statements
Years Ended June 30, 2020 and 2019
(Amounts expressed in thousands)

Table 18.7 Target Allocation and Expected Real Rate of Return

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

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

Discount Rate

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.5 percent.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including scheduled increases in SB 18-200 and the additional 0.5 percent resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200 and the additional 0.5 percent, resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020. Employer contributions also include current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103.0 percent, at which point, the AED and SAED will each drop 0.5 percent every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements
 Years Ended June 30, 2020 and 2019
 (Amounts expressed in thousands)

- As specified in law, the State will provide an annual direct distribution of \$225.0 million, which commenced July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- The projected benefit payments reflect the lowered AI cap, from 1.5 percent to 1.25 percent resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the projection test indicates the SDTF’s fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent. There was no change in the discount rate from the prior measurement date.

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

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

Table 18.8 Sensitivity of the System's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	\$ 665,425	517,249	391,856

Pension Plan Fiduciary Net Position

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

COLORADO STATE UNIVERSITY SYSTEM
Notes to Basic Financial Statements
Years Ended June 30, 2020 and 2019
(Amounts expressed in thousands)

Payables to the Pension Plan

The System reported a payable of \$2.7 million and \$2.5 million for the outstanding amount of contributions to the PERA SDTF required for the fiscal year ended June 30, 2020 and 2019, respectively.

(b) Other Retirement Plans

Voluntary Investment Program (PERAPlus 401(K) Plan)

Plan Description

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

Funding Policy

The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions and investment earnings. For the fiscal years ended June 30, 2020 and 2019, program members contributed \$1.6 million in both years for the Voluntary Investment Program.

Defined Contribution Retirement Plan (PERA DC Plan)

Plan Description

Employees of the State of Colorado that were hired on or after January 1, 2006, and employees of certain community colleges that were hired on or after January 1, 2008, which were eligible to participate in the SDTF, a cost-sharing multiple-employer defined benefit pension plan, have the option to participate in the SDTF or the Defined Contribution Retirement Plan (PERA DC Plan). Pursuant to C.R.S. § 24-51-1501(4), the PERA DC Plan eligibility was extended to certain new classified employees at State Colleges and Universities beginning on January 1, 2019. The PERA DC Plan is an Internal Revenue Code Section 401(a) governmental profit-sharing defined contribution plan. Title 24, Article 51, Part 15 of the C.R.S., as amended, assigns the authority to establish Plan provisions to the PERA Board of Trustees. The DC Plan is also included in PERA's CAFR as referred to above.

Funding Policy

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

COLORADO STATE UNIVERSITY SYSTEM
Notes to Basic Financial Statements
Years Ended June 30, 2020 and 2019
(Amounts expressed in thousands)

Table 18.9 Employee and Employer Contribution Rates

	January 1, 2019 Through June 30, 2019	July 1, 2019 Through June 30, 2020
Employee Contribution Rates:		
Employee Contribution	8.00%	8.75%
Employer Contribution Rates:		
On behalf of all employees	10.15%	10.40%

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

Table 18.10 Additional Employer Contribution Requirements

	As of the fiscal year ended June 30, 2020
Amortization Equalization Disbursement (AED) ¹	5.00%
Supplemental Amortization Equalization Disbursement (SAED) ¹	5.00%
Total employer contribution rate to the SDTF²	10.00%

¹As specified in C.R.S. § 24-51-411.

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

Contribution requirements are established under Title 24, Article 51, Section 1505 of the C.R.S., as amended. Participating employees of the PERA DC Plan are immediately vested in their own contributions and investment earnings and are immediately 50.0 percent vested in the amount of employer contributions made on their behalf. For each full year of participation, vesting of employer contributions increases by 10.0 percent. Forfeitures are used to pay expenses of the PERA DC Plan in accordance with PERA Rule 16.80 as adopted by the PERA Board of Trustees in accordance with Title 24, Article 51, Section 204 of the C.R.S. As a result, forfeitures do not reduce pension expense. Participating employees in the PERA DC Plan contributed \$29 thousand and the System recognized contributions of \$33 thousand, respectively, for the PERA DC Plan. For the calendar year ended December 31, 2019, participating employees in the PERA DC Plan contributed \$4 thousand and the System recognized contributions of \$5 thousand, respectively, for the PERA DC Plan.

457 Deferred Compensation Plan

The PERA Deferred Compensation Plan (457 Plan) was established July 1, 2009 as a continuation of the State's deferred compensation plan, which was established for state and local government employees in 1981. At July 1, 2009, the State's administrative functions for the 457 Plan were transferred to PERA, where all costs of administration and funding are borne by the plan participants. In calendar year 2019, participants were allowed to make contributions of up to 100.0 percent of their annual gross salary (reduced by the percentage of their PERA contribution) to a maximum of \$19,000. Participants who are age 50 and older, and contributing the maximum amount allowable were allowed to make an additional \$6,000 contribution in 2019. Special 457(B) catch-up contributions allow a participant for three years prior to the normal retirement age to contribute the lesser of (1) twice the annual limit (\$37,000 in 2018, and \$38,000 in 2019), or (2) the basic annual limit plus the amount of the basic limit not used in prior years (only allowed if not

COLORADO STATE UNIVERSITY SYSTEM
Notes to Basic Financial Statements
Years Ended June 30, 2020 and 2019
(Amounts expressed in thousands)

using age 50 or over catch-up contributions). Contributions and earnings are tax deferred. At December 31, 2019, the Plan had 280 participants and 273 participants at December 31, 2018.

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

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

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

The defined contribution retirement plans are established pursuant to state statute (C.R.S. § 24-54.5-101 to 24-54.5-107). The CSU plan was adopted by the Board of Governors in December 1992 and the CSU-Pueblo plan was adopted in April 1993. The Defined Contribution Retirement Plan is a qualified plan under Section 401(a) of the IRC. CSU and CSU-Pueblo are the Plan Sponsors. All participants contribute the required 8.0 percent of eligible salary. As required, CSU provides a matching contribution of 12.0 percent of eligible salary for all “permanent” appointees (those with regular, special and senior teaching appointments at half time or greater) and for temporary appointees with appointments of half time or greater for the second and subsequent consecutive year(s). CSU-Pueblo provides a matching contribution of 10.8 percent, as required, of eligible salary for all nonstudent employees, including those employees at less than half time and nonstudent temporary, hourly employees. Both employee and employer contributions are vested immediately. Investments are participant directed within the funds available through the authorized investment companies. The System’s aggregate contribution to the above three vendors was equal to 11.5 percent of covered payroll or approximately \$54.4 million for the fiscal year ended June 30, 2020 and 11.5 percent of covered payroll or approximately \$51.1 million for the fiscal year ended June 30, 2019. The employee aggregate contribution to the above three vendors was equal to 8.0 percent of covered payroll or approximately \$37.9 million for the fiscal year ended June 30, 2020 and \$35.6 million for the fiscal year ended June 30, 2019.

The Federal retirement system covers a very limited number of employees at CSU Extension. The System’s contribution to this plan was approximately \$50 thousand for the fiscal year ended June 30, 2020 and \$51 thousand for the fiscal year ended June 30, 2019.

(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 (C.R.S. § 24-54.6-101 through 24-54.6-106) 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, 2020 and 2019 was approximately \$1.3 million and \$1.1 million, respectively.

COLORADO STATE UNIVERSITY SYSTEM
Notes to Basic Financial Statements
Years Ended June 30, 2020 and 2019
(Amounts expressed in thousands)

(e) ***Health Insurance Programs***

The System's contribution to the various third-party health insurance programs was approximately \$24.9 million and \$23.0 million for the fiscal years ended June 30, 2020 and 2019, 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, Cyber Liability, Aviation Liability, Unmanned Aerial Vehicles Liability, TULIP (Tenant User Liability Insurance Program), and self-insures for in-state auto insurance. As of March 1, 2016, CSU purchased liability, professional liability, and pollution liability for The Center for Environmental Management Military Lands (CEMML) operations, including their prescribed burn operations. This insurance included a primary layer of \$2.0 million aggregate, an umbrella layer of \$5.0 million, and an excess layer of \$5.0 million. In October 2017, after Board approval, additional limits were purchased so that CEMML could manage, and otherwise supervise prescribed burn activities. This resulted in insurance placed with total limits of liability equaling \$50.0 million for CEMML.

In addition to the above, CSU is self-insured for various other risks of loss. At CSU, separate accounts currently make up the self-insured program: healthcare, dental, short-term disability, and an unallocated reserve fund. CSU contracts various day-to-day operations of the self-funded benefit plans, including claims processing, to third-party administrators. Program funding is derived from a combination of premiums paid by benefit plan participants and various institutional match amounts. The self-funded benefit plans are fully self-insured except for healthcare coverage, which is reinsured for claims expenses above \$350 thousand per covered employee per year. The Unallocated Reserve Account is a general contingency reserve fund for miscellaneous and unanticipated expenses of the other health related accounts.

The amount of claims and administrative costs for the self-funded plans for the fiscal years ended June 30, 2020 and 2019 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 \$33.6 million and \$30.6 million at June 30, 2020 and 2019, 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 \$3.1 million and \$3.5 million at June 30, 2020 and 2019, respectively. Liability self-insurance had estimated claim liabilities of \$406 thousand and \$895 thousand at June 30, 2020 and 2019, respectively. These estimates are based on

COLORADO STATE UNIVERSITY SYSTEM
Notes to Basic Financial Statements
Years Ended June 30, 2020 and 2019
(Amounts expressed in thousands)

current data and actuarial reports. Property self-insurance had no estimated claim liabilities at June 30, 2020 and 2019.

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

Table 19.1 Claim Liabilities

	2020	2019
Claim liabilities, beginning of year	\$ 34,975	30,548
Incurred claims (including IBNR)	62,264	62,504
Claim payments	(60,165)	(58,077)
Claim liabilities, end of year	\$ 37,074	34,975

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

(20) Postemployment Healthcare and Life Insurance Benefits

(a) PERA Postemployment Healthcare Plan

Summary of Significant Accounting Policies

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

Plan Description

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

Benefits Provided

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

COLORADO STATE UNIVERSITY SYSTEM
Notes to Basic Financial Statements
Years Ended June 30, 2020 and 2019
(Amounts expressed in thousands)

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 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 in the program upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period.

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

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

Contributions

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the System is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the System were \$1.7 million for both fiscal years ended June 30, 2020 and 2019.

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

As of fiscal years ended June 30, 2020 and 2019, the System reported a liability of \$20.6 million and \$25.7 million, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2019. The System's proportion of the

COLORADO STATE UNIVERSITY SYSTEM
Notes to Basic Financial Statements
Years Ended June 30, 2020 and 2019
(Amounts expressed in thousands)

net OPEB liability was based on the System's contributions to the HCTF for the calendar year 2019 relative to the total contributions of participating employers to the HCTF.

At December 31, 2019, the System's proportion was 1.84 percent, which was a decrease of 0.05 percent from its proportion measured as of December 31, 2018.

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.

For the fiscal years ended June 30, 2020 and 2019, the System recognized OPEB expense of \$1.1 million and \$2.0 million, respectively.

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

Table 20.1 Deferred Outflows of Resources Related to OPEB

	June 30	
	2020	2019
Difference between expected and actual experience	\$ 69	93
Changes of assumptions or other inputs	171	180
Net difference between projected and actual earnings on OPEB plan investments	-	148
Changes in proportion and differences between contributions recognized and proportionate share of contributions	84	59
Contributions subsequent to the measurement date	842	823
Total	\$ 1,166	1,303

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

Table 20.2 Deferred Inflows of Resources Related to OPEB

	June 30	
	2020	2019
Difference between expected and actual experience	\$ 3,466	39
Net difference between projected and actual earnings on OPEB plan investments	344	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	993	397
Total	\$ 4,803	436

\$842 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

COLORADO STATE UNIVERSITY SYSTEM
Notes to Basic Financial Statements
Years Ended June 30, 2020 and 2019
(Amounts expressed in thousands)

Table 20.3 Future Amortization of Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

Fiscal year ending June 30	Total
2021	\$ (924)
2022	(923)
2023	(824)
2024	(960)
2025	(800)
Thereafter	(48)
Total	\$ (4,479)

Actuarial Assumptions

The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions, and other inputs:

Table 20.4 Actuarial Assumptions - December 31, 2018

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	5.60% in 2019, gradually decreasing to 4.50% in 2029
Medicare Part A premiums	3.50% for 2019, gradually increasing to 4.50% in 2029

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

The actuarial assumptions used in the December 31, 2018, valuation were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016 Board meeting. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA's actuary, as discussed below.

In determining the additional liability for PERACare enrollees who are age 65 or older and who are not eligible for premium-free Medicare Part A, the following monthly costs/premiums are assumed for 2019 for the PERA Benefit Structure:

COLORADO STATE UNIVERSITY SYSTEM
Notes to Basic Financial Statements
Years Ended June 30, 2020 and 2019
(Amounts expressed in thousands)

Table 20.5 Monthly Costs/Premiums

Medicare Plan	Cost for Members Without Medicare Part A	Premiums for Members Without Medicare Part A
Medicare Advantage/Self-Insured Prescription	\$ 601	240
Kaiser Permanente Medicare Advantage HMO	605	237

The 2019 Medicare Part A premium is \$437 per month.

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

Table 20.6 Medicare Part A Benefits

Medicare Plan	Cost for Members Without Medicare Part A
Medicare Advantage/Self-Insured Prescription	\$ 562
Kaiser Permanente Medicare Advantage HMO	571

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

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

Healthcare cost trend rates for the PERA benefit structure are based on published annual healthcare inflation surveys in conjunction with actual plan experience (if credible), building block models, and industry methods developed by health plan actuaries and administrators. In addition, projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services are referenced in the development of these rates. Effective December 31, 2018, 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:

COLORADO STATE UNIVERSITY SYSTEM
Notes to Basic Financial Statements
Years Ended June 30, 2020 and 2019
(Amounts expressed in thousands)

Table 20.7 PERA Healthcare Cost Trend Rates Measuring Total OPEB Liability

Year	PERACare Medicare Plans	Medicare Part A Premiums
2019	5.60%	3.50%
2020	8.60%	3.50%
2021	7.30%	3.50%
2022	6.00%	3.75%
2023	5.70%	3.75%
2024	5.50%	3.75%
2025	5.30%	4.00%
2026	5.10%	4.00%
2027	4.90%	4.25%
2028	4.70%	4.25%
2029 +	4.50%	4.50%

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

Healthy mortality assumptions for active members were based on the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70.0 percent factor applied to male rates and a 55.0 percent factor applied to female rates.

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

- Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73.0 percent factor applied to rates for ages less than 80, a 108.0 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78.0 percent factor applied to rates for ages less than 80, a 109.0 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

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

- Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93.0 percent factor applied to rates for ages less than 80, a 113.0 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 68.0 percent factor applied to rates for ages less than 80, a 106.0 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

COLORADO STATE UNIVERSITY SYSTEM
Notes to Basic Financial Statements
Years Ended June 30, 2020 and 2019
(Amounts expressed in thousands)

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

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

- Initial per capita healthcare costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2019 plan year.
- The morbidity assumptions were updated to reflect the assumed standard aging factors.
- The healthcare cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

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

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:

COLORADO STATE UNIVERSITY SYSTEM
Notes to Basic Financial Statements
Years Ended June 30, 2020 and 2019
(Amounts expressed in thousands)

Table 20.8 Target Asset Allocation and Expected Real Rate of Return

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:

Table 20.9 Sensitivity of the System's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Initial PERACare Medicare trend rate	4.60%	5.60%	6.60%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	2.50%	3.50%	4.50%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Proportionate share of the net OPEB liability	\$ 20,136	20,626	21,192

COLORADO STATE UNIVERSITY SYSTEM
Notes to Basic Financial Statements
Years Ended June 30, 2020 and 2019
(Amounts expressed in thousands)

Discount Rate

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

- Updated healthcare cost trend rates for Medicare Part A premiums as of the December 31, 2019, 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 3.5 percent.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

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

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

Table 20.10 Sensitivity of the System’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$ 23,322	20,626	18,320

OPEB Plan Fiduciary Net Position

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

COLORADO STATE UNIVERSITY SYSTEM
Notes to Basic Financial Statements
Years Ended June 30, 2020 and 2019
(Amounts expressed in thousands)

Payables to the PERA Health Care Trust Fund

The System reported a payable of \$137 thousand and \$132 thousand for the outstanding amount of contributions to the PERA HCTF required for the fiscal year ended June 30, 2020 and 2019, respectively.

(b) Other Postemployment Benefits (OPEB) – CSU

Summary of Significant Accounting Policies

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

The financial statements for the irrevocable trust, included in the basic financial statements section, have been prepared using the accrual basis of accounting. The irrevocable trust does not issue separate financial statements. Plan members' contributions will be recognized in the period in which the contributions are due. Employee contributions to each plan will be recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. Investments are reported at fair market value and administrative costs are direct expenditures of the plan. The plan's fiscal year end is June 30, 2020.

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.

Membership of each plan consisted of the following as of June 30, 2020:

Table 20.11 Membership of Plans

	DCP Refund	PERA Subsidy	Rx Subsidy	LTD Income Replacement
Active plan members	5,022	128	128	5,723
Former employees receiving replacement	-	-	-	32
Retirees receiving a subsidy	603	469	364	-
Retirees eligible for a subsidy but not yet receiving one	37	143	139	-
Total	5,662	740	631	5,755

COLORADO STATE UNIVERSITY SYSTEM
Notes to Basic Financial Statements
Years Ended June 30, 2020 and 2019
(Amounts expressed in thousands)

CSU Retiree Medical Premium Refund Plan for DCP Participants

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

On an annual basis, funds equal to the actuarially determined contribution (ADC), provided by the actuarial valuation, are transferred to the irrevocable trust. The funds available to cover the plan benefits were \$47.3 million for both fiscal years ended June 30, 2020 and 2019. No funds were provided for the benefit of the program for the fiscal years ended June 30, 2020 and 2019. Total amounts paid to retirees for this healthcare subsidy were \$1.2 million and \$1.1 million for the fiscal years ended June 30, 2020 and 2019, respectively. For the fiscal years ended June 30, 2020 and 2019, the DCP Refund plan had a total OPEB liability of \$39.8 million and \$34.1 million, respectively, a fiduciary net position of \$47.3 million for both years, and a net OPEB asset of \$7.5 million and \$13.2 million, respectively. The fiduciary net position as a percentage of the total OPEB liability was 118.8 percent and 138.7 percent for the fiscal years ended June 30, 2020 and 2019, respectively.

CSU Retiree Medical Premium Subsidy for PERA Participants

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

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 \$24.5 million and \$24.8 million for the fiscal years ended June 30, 2020 and 2019, respectively. No funds were contributed to the plan for the fiscal years ended June 30, 2020 and 2019. The benefits paid by the University were \$900 thousand and \$1.2 million for the fiscal years ended June 30, 2020 and 2019, respectively. For the fiscal years ended June 30, 2020 and 2019, the PERA Subsidy plan had a total OPEB liability of \$19.3 million and \$19.0 million, respectively, a fiduciary net position of \$24.5 million and \$24.8 million, respectively, and a net OPEB asset of \$5.2 million and \$5.8 million, respectively. The fiduciary net position as a percentage of the total OPEB liability was 127.0 percent and 130.9 percent for the fiscal years ended June 30, 2020 and 2019, respectively.

CSU Retiree Umbrella Rx Plan for PERA Participants

The University provides reimbursement for the prescription copayments made by eligible faculty and nonclassified staff who retire from the University under the PERA retirement plan with at least 10 years of service. Retirees have to be age 65 or older or eligible for Medicare and enrolled in the PERA Medicare supplement plan to be eligible for this plan. Future enrollments are further restricted to those academic

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2020 and 2019

(Amounts expressed in thousands)

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, 2020 and 2019 were \$160 thousand and \$177 thousand, respectively. These funds, along with the amounts paid in by participants of \$24 thousand in fiscal year 2020, and the related interest income, have resulted in total funds available of \$1.1 million and \$1.0 million as of fiscal years ended June 30, 2020 and 2019, respectively, for this plan. Plan members were reimbursed \$75 thousand and \$80 thousand for prescription claims for the fiscal years ended June 30, 2020 and 2019, respectively. For the fiscal years ended June 30, 2020 and 2019, the Rx Subsidy plan had a total OPEB liability of \$2.6 million for both years, a fiduciary net position of \$1.1 million and \$1.0 million, respectively, and a net OPEB liability of \$1.5 million and \$1.6 million, respectively. The fiduciary net position as a percentage of the total OPEB liability was 40.8 percent and 38.5 percent for the fiscal years ended June 30, 2020 and 2019, respectively.

CSU Long-Term Disability Plan

The University contributes to the LTD Income Replacement plan. This plan provides a monthly income replacement benefit which begins on the 91st consecutive calendar day of total disability. The LTD coverage provides the eligible PERA or Federal Retirement Plan participants with up to 60.0 percent of pre-disability covered monthly salary, not to exceed \$22,500 per month, or up to 69.0 percent of covered monthly salary, not to exceed \$25,875 per month for DCP participants. The income replacement benefit will increase 3.0 percent annually. The plan is offset by any other benefits or earnings received or eligible to be received from other sources such as PERA, Federal Retirement, Social Security, or Workers' Compensation. The minimum income replacement benefit is \$50 per month. Employees are eligible to receive benefits until one of the following circumstances occur: recovery, death, age 65 if disabled when less than 60, four and three-fourths years if disabled between the ages of 60 and 65, or age 70 if disabled between the ages of 65 and 68 ³/₄. This plan is administered by SunLife Financial.

CSU funds the LTD Income Replacement plan by providing an allowance to each employee and then deducting the cost of the premium. The premiums collected are transferred to the irrevocable trust as an employee contribution. The funds contributed to the plan for the fiscal years ended June 30, 2020 and 2019 were \$1.8 million and \$1.6 million, respectively. These funds, which include those previously set aside and the related interest income, have resulted in total funds available of \$11.7 million and \$10.8 million as of fiscal years ended June 30, 2020 and 2019, respectively. Plan members received \$1.1 million and \$896 thousand in benefits for the fiscal years ended June 30, 2020 and 2019, respectively. For the fiscal years ended June 30, 2020 and 2019, the LTD Income Replacement plan had a total OPEB liability of \$15.3 million and \$10.0 million, respectively, a fiduciary net position of \$11.7 million and \$10.8 million, respectively, and a net OPEB liability of \$3.6 million and a net OPEB asset of \$841 thousand, respectively. The fiduciary net position as a percentage of the total OPEB liability was 76.7 percent and 108.4 percent for the fiscal years ended June 30, 2020 and 2019, respectively.

COLORADO STATE UNIVERSITY SYSTEM
Notes to Basic Financial Statements
Years Ended June 30, 2020 and 2019
(Amounts expressed in thousands)

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, 2020, are as follows:

Table 20.12 Contribution Rates

	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, 2020, and the total OPEB liability used to calculate the net OPEB (asset) liability was determined by an actuarial valuation based on census data as of January 1, 2019, adjusting for benefit payments, expected growth in benefit obligations, changes in key assumptions and plan provisions, and any significant changes in plan demographics that occurred during the year.

Actuarial Methods and Assumptions

The total OPEB (asset) liability in the fiscal year ended June 30, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

COLORADO STATE UNIVERSITY SYSTEM
Notes to Basic Financial Statements
Years Ended June 30, 2020 and 2019
(Amounts expressed in thousands)

Table 20.13 Actuarial Assumptions

	DCP Refund	PERA Subsidy	Rx Subsidy	LTD Income Replacement
Valuation date	1/1/2019	1/1/2019	1/1/2019	1/1/2019
Measurement date	1/1/2020	1/1/2020	1/1/2020	1/1/2020
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	18 Years	18 Years	30 Years
Asset valuation method	Market Value	Market Value	Market Value	Market Value
Actuarial assumptions:				
Investment rate of return	4.47%	4.47%	4.47%	4.47%
Inflation rate	2.50%	2.50%	2.50%	2.50%
Salary increase rate	N/A	N/A	N/A	6.00%
Healthcare cost trend rate	6.25% initial, 5.00% ultimate	6.25% initial, 5.00% ultimate	6.25% initial, 5.00% ultimate	N/A

Participant mortality was determined by separate mortality rates for non-annuitants and annuitants. Non-annuitants' mortality was based on Pri-2012 "Employees" sex-distinct tables and projected generationally using Scale BB, and annuitants mortality was based on Pri-2012 "Non-Disabled Annuitants" sex-distinct tables and projected generationally using Scale BB. For the LTD Income Replacement plan, the long-term disabled participant mortality is based on the 1987 Commissioner's Group Disability Table with a three month elimination period.

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

The CSU OPEB Trust Investment Committee, in conjunction with Innovest Portfolio Solutions, LLC, developed a forward looking, five to 10-year outlook for the overall global economy along with individual asset classes. The process was iterative where preliminary return, risk, and correlation values are chosen for each asset class and entered into an optimization program. The resulting optimal portfolios were subjected to a careful examination and the return, risk, and correlation values were adjusted until portfolios produced were appropriately diversified and reasonable considering the current and expected economic conditions and were consistent with the tenets of modern portfolio 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, 2020:

COLORADO STATE UNIVERSITY SYSTEM
Notes to Basic Financial Statements
Years Ended June 30, 2020 and 2019
(Amounts expressed in thousands)

Table 20.14 Target Allocation and Expected Real Rate of Return

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large cap equity	9.00%	6.00%
Small/mid cap equity	4.00%	6.50%
International equity	9.00%	6.75%
Emerging market equity	3.00%	7.75%
Domestic fixed income	41.00%	2.00%
Floating rate corp loans	9.00%	5.00%
Low correlated hedge	10.00%	4.75%
Private equity	5.00%	8.25%
MLP's	5.00%	7.75%
Real estate	5.00%	5.75%
	100.00%	

The annual money-weighted rate of return net of expenses for the OPEB Trust were 2.5 percent and 7.5 percent for the fiscal years ended June 30, 2020 and 2019, 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, 2020:

Table 20.15 Discount Rate

Plan	Discount Rate
DCP Refund	4.47%
PERA Subsidy	4.47%
Rx Subsidy	4.47%
LTD Income Replacement	4.25%

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

The discount rate is equal to the investment rate of return for the DCP Refund, PERA Subsidy, and Rx Subsidy plans in fiscal years ended June 30, 2020 and 2019. The investment rate of return for the DCP Refund, PERA Subsidy, and Rx Subsidy plans for the fiscal years ended June 30, 2020 and 2019, were 4.47 percent and 5.24 percent, respectively. The LTD Income Replacement plan's discount rate for the fiscal years ended June 30, 2020 and 2019, were 4.25 percent and 5.24 percent, respectively, and the fiscal year ended June 30, 2020, 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, 2020 was 2.74 percent.

COLORADO STATE UNIVERSITY SYSTEM
Notes to Basic Financial Statements
Years Ended June 30, 2020 and 2019
(Amounts expressed in thousands)

Changes in the Net OPEB (Asset) Liability

Changes in the net OPEB asset are a combination of the DCP Refund and PERA Subsidy plans. The total of the two plans as of fiscal year ended June 30, 2020, are as follows:

Table 20.16.1 Changes in Net OPEB Asset

		Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Asset	
	(a)	(b)	(a) - (b)	
Measurement period beginning balance, January 1, 2019	\$ 52,162	67,186	(15,024)	
Changes for the year:				
Service cost	1,227	-	1,227	
Interest	2,745	-	2,745	
Differences between expected and actual experience	(50)	-	(50)	
Change in assumptions	4,090	-	4,090	
Contributions-employer	-	-	-	
Net investment income	-	8,744	(8,744)	
Benefit payments	(2,040)	(2,040)	-	
Administrative expense	-	(104)	104	
Net changes	5,972	6,600	(628)	
Measurement period ending balance, December 31, 2019	\$ 58,134	73,786	(15,652)	

COLORADO STATE UNIVERSITY SYSTEM
Notes to Basic Financial Statements
Years Ended June 30, 2020 and 2019
(Amounts expressed in thousands)

Changes in the net OPEB liability are a combination of the Rx Subsidy and LTD Income Replacement plans. The total of the two plans as of fiscal year ended June 30, 2020, are as follows:

Table 20.16.2 Changes in Net OPEB Liability

	Total OPEB Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Measurement period beginning balance, January 1, 2019	\$ 12,123	10,637	1,486
Changes for the year:			
Service cost	1,307	-	1,307
Interest	678	-	678
Change in plan provisions	3,174	-	3,174
Differences between expected and actual experience	(13)	-	(13)
Change in assumptions	891	-	891
Contributions-employer	-	1,775	(1,775)
Net investment income	-	1,354	(1,354)
Benefit payments	(993)	(993)	-
Administrative expense	-	(103)	103
Net changes	5,044	2,033	3,011
Measurement period ending balance, December 31, 2019	\$ 17,167	12,670	4,497

The net OPEB assets and liabilities as of June 30, 2020, are recorded in net other postemployment benefit assets and net other postemployment benefit liabilities on the Statements of Net Position.

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

The following presents the net OPEB (asset) liability of CSU, as well as what CSU's net OPEB (asset) liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate as of fiscal year ended June 30, 2020:

Table 20.17.1 Sensitivity of the Net OPEB (Asset) Liability to Changes in the Discount Rate

Plan	1% Decrease	
	Discount Rate	Net OPEB (Asset) Liability
DCP Refund	3.47%	(4,128)
PERA Subsidy	3.47%	(3,376)
Rx Subsidy	3.47%	1,876
LTD Income Replacement	3.25%	3,817

COLORADO STATE UNIVERSITY SYSTEM
Notes to Basic Financial Statements
Years Ended June 30, 2020 and 2019
(Amounts expressed in thousands)

Table 20.17.2 Sensitivity of the Net OPEB (Asset) Liability to Changes in the Discount Rate

Plan	Current Rate	
	Discount Rate	Net OPEB (Asset) Liability
DCP Refund	4.47%	(9,642)
PERA Subsidy	4.47%	(6,010)
Rx Subsidy	4.47%	1,574
LTD Income Replacement	4.25%	2,923

Table 20.17.3 Sensitivity of the Net OPEB (Asset) Liability to Changes in the Discount Rate

Plan	1% Increase	
	Discount Rate	Net OPEB (Asset) Liability
DCP Refund	5.47%	(14,187)
PERA Subsidy	5.47%	(8,174)
Rx Subsidy	5.47%	1,323
LTD Income Replacement	5.25%	2,083

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, 2020:

Table 20.18.1 Sensitivity of the Net OPEB (Asset) Liability to Changes in the Healthcare Costs Trend Rates

Plan	1% Decrease	
	Healthcare Cost Trend Rate	Net OPEB (Asset) Liability
DCP Refund	5.25%	(9,663)
PERA Subsidy	5.25%	(8,887)
Rx Subsidy	5.25%	1,301
LTD Income Replacement	N/A	N/A

Table 20.18.2 Sensitivity of the Net OPEB (Asset) Liability to Changes in the Healthcare Costs Trend Rates

Plan	Current Rate	
	Healthcare Cost Trend Rate	Net OPEB (Asset) Liability
DCP Refund	6.25%	(9,642)
PERA Subsidy	6.25%	(6,010)
Rx Subsidy	6.25%	1,574
LTD Income Replacement	N/A	N/A

COLORADO STATE UNIVERSITY SYSTEM
Notes to Basic Financial Statements
Years Ended June 30, 2020 and 2019
(Amounts expressed in thousands)

Table 20.18.3 Sensitivity of the Net OPEB (Asset) Liability to Changes in the Healthcare Costs Trend Rates

Plan	1% Increase	
	Healthcare Cost Trend Rate	Net OPEB (Asset) Liability
DCP Refund	7.25%	(9,627)
PERA Subsidy	7.25%	(2,566)
Rx Subsidy	7.25%	1,901
LTD Income Replacement	N/A	N/A

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

For the fiscal years ended June 30, 2020 and 2019, CSU recognized the following OPEB expenses:

Table 20.19 OPEB Expenses

	June 30	
	2020	2019
DCP Refund	\$ 98	613
PERA Subsidy	103	(26,158)
Rx Subsidy	45	(751)
LTD Income Replacement	4,294	1,331
Total	\$ 4,540	(24,965)

At June 30, 2020, CSU reported deferred outflows of resources related to OPEB from the following sources:

Table 20.20 Deferred Outflows of Resources Related to OPEB

	June 30	
	2020	2019
Differences between expected and actual experience	\$ 345	302
Changes of assumptions or other inputs	4,042	248
Net difference between projected and actual earnings on OPEB plan investments	-	4,661
Contributions subsequent to measurement date	1,027	879
Total	\$ 5,414	6,090

At June 30, 2020, CSU reported deferred inflows of resources related to OPEB from the following sources:

COLORADO STATE UNIVERSITY SYSTEM
Notes to Basic Financial Statements
Years Ended June 30, 2020 and 2019
(Amounts expressed in thousands)

Table 20.21 Deferred Inflows of Resources Related to OPEB

		June 30	
		2020	2019
Differences between expected and actual experience	\$	2,165	2,464
Changes of assumptions or other inputs		4,443	5,863
Net difference between projected and actual earnings on OPEB plan investments		1,276	-
Total	\$	7,884	8,327

\$1.0 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Table 20.22 Future Amortization of Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

Fiscal year ending June 30	Total
2021	\$ (878)
2022	(877)
2023	(587)
2024	(689)
2025	(191)
Thereafter	(275)
Total	\$ (3,497)

Payable to the OPEB Plan

For the fiscal year ended June 30, 2020 and 2019, CSU reported a payable of \$161 thousand and \$1.8 million, respectively, for the outstanding amount of contributions to the Trust.

(c) Life Insurance Program

During fiscal years ended June 30, 2020 and 2019, PERA provided its members with access to a group decreasing term life insurance plan offered by Unum Provident. Active members may join the Unum Provident Plan and continue coverage into retirement. PERA retirees are not eligible to enroll in the insurance program. Premiums are collected by monthly payroll deductions or other means. In addition, PERA maintained coverage for members under closed group plans underwritten by Anthem Life, Prudential, and New York Life.

(21) Direct Student Financial Aid Reporting

During fiscal years ended June 30, 2020 and 2019, CSU, CSU-Global and CSU-Pueblo participated in the federal government's Direct Loan Program. This program provides loans from the federal government to qualifying students and their families for educational purposes. While CSU, CSU-Global and CSU-Pueblo help students obtain these loans, none of the Universities are a party to the loans and are not responsible for collection of monies owed or for defaults by borrowers.

COLORADO STATE UNIVERSITY SYSTEM
Notes to Basic Financial Statements
Years Ended June 30, 2020 and 2019
(Amounts expressed in thousands)

The gross amounts of Direct Loans disbursed during fiscal years ended June 30, 2020 and 2019 were \$268.2 million and \$293.9 million, respectively.

(22) Scholarship Allowance

Tuition, fees, and auxiliary revenues and the related scholarship allowances for the year ended June 30, 2020 were as follows:

Table 22.1 Scholarship Allowance

	June 30, 2020			
	Tuition and Fees	Auxiliary Revenues	Facility Fee Revenues	Total
Gross revenue	\$ 750,195	172,381	18,402	940,978
Scholarship allowances:				
Federal	36,043	1,213	1,177	38,433
State	17,870	929	575	19,374
Private	115	29	5	149
Institutional	92,221	3,856	2,833	98,910
Total allowances	146,249	6,027	4,590	156,866
Net revenue	\$ 603,946	166,354	13,812	784,112

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

Table 22.1 Scholarship Allowance

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

(23) System Foundations and Endowments

(a) Colorado State University Research Foundation (CSURF)

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

Colorado State University Ventures (CSUV) was a wholly owned subsidiary of CSURF. CSUV was used to assist in the promotion, development, improvement, and expansion of the facilities and programs of the System. The sole voting member of the nonprofit corporation was CSURF. Effective June 30, 2019, the

COLORADO STATE UNIVERSITY SYSTEM
Notes to Basic Financial Statements
Years Ended June 30, 2020 and 2019
(Amounts expressed in thousands)

entity CSUV was dissolved and, as a result, CSURF received all assets and liabilities on that date. CSURF will continue operations of these valuable activities as a separate program.

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

As of June 30, 2020 and 2019 the assets of CSURF consisted of the following:

Table 23.1 CSURF Assets

	June 30	
	2020	2019
Cash and current assets	\$ 12,456	10,576
Property and equipment	44,821	41,895
Other assets	22,400	17,235
Total	\$ 79,677	69,706

As of June 30, 2020 and 2019, CSURF's debt to provide buildings for use by the universities was \$44.0 million and \$41.4 million, respectively.

The major sources of CSURF revenues are property rentals, royalties, and administration fees. During the fiscal years ended June 30, 2020 and 2019, revenues from property rentals equaled \$6.4 million and \$6.5 million, respectively, royalties equaled \$2.1 million and \$3.7 million, respectively, and administration fees equaled \$4.5 million and \$3.8 million, respectively. The support provided by CSURF to the universities includes patent and licensing management, equipment leasing, municipal lease administration, debt financing through mortgage debt service, and land acquisition, development, and management. Total operating expenses for the fiscal years ended June 30, 2020 and 2019 were \$14.0 million and \$15.5 million, respectively.

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

(b) CSU-Pueblo Board Designated Funds

CSU-Pueblo manages two board designated funds. Both funds retain 20 percent of earnings each year to build the corpus of the fund and transfer 80 percent of the annual earnings to CSU-Pueblo as designated by the Board. The first fund was established in 1994 with the proceeds from the sale of land in the Walking Stick Development adjacent to the university campus. The sale of excess land provides resources that support the academic mission of CSU-Pueblo. To date, CSU-Pueblo has sold 16 parcels of land. On June 30, 2000, CSU-Pueblo sold the KTSC TV television license and certain related assets, establishing the second fund. The proceeds provide support for the maintenance of the Buell Communication Center building, telecommunications equipment associated with the Mass Communications program of CSU-Pueblo, and scholarships.

In December 2018, the Board of Governors approved the withdrawal and use of the principal of the Walking Stick Quasi-Endowment and the principal of the KTSC Quasi-Endowment to cover operational deficits at CSU-Pueblo. The Walking Stick Fund held no assets as of fiscal years ended June 30, 2020 and 2019. The KTSC Fund held no assets as of fiscal years ended June 30, 2020 and 2019.

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2020 and 2019

(Amounts expressed in thousands)

(c) *INTO-CSU, LLC*

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

As part of the LLC Agreement, CSURF agreed to loan the Joint Venture up to \$1.5 million. The promissory note matures February 2027 with monthly interest payments of five percent due beginning March 2017. In connection with the agreement for CSURF to loan funds to INTO-CSU, LLC, Colorado State University has agreed to reimburse CSURF for net funds loaned to the Joint Venture. As of June 30, 2020 and 2019, 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, 2020 and 2019, the University has also booked a receivable for \$302 thousand and \$243 thousand, respectively, due from CSURF relating to unpaid interest. As of June 30, 2020 and 2019, the University has also established a bad debt reserve of \$302 thousand and \$243 thousand, respectively. The CSURF payment to the University is contingent upon CSURF receiving payments from INTO USA, LLC. No payments have been received as of June 30, 2020.

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

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

During 2015, CSURF AC entered into certain promissory notes with a development partner (MIRA) whereby CSURF AC borrowed funds from MIRA for the development of the property. The land for the campus and research farm was to be transferred to the Trust in various phases upon completion and, upon transfer, MIRA was to forgive the debt. As of March 19, 2019, MIRA transferred the assets to the Trust and forgave the related debt. Upon those actions, the Trust was dissolved and CSURF gained control of the remaining portion of this investment and now own 100% of CSURF AC.

(24) State Support

In fiscal year 2006 state support for higher education changed with the implementation of the College Opportunity Fund. As a result of this legislation, which was adopted in S.B. 04-189 passed in the 2004 state legislative session, the State no longer provides a direct state general fund appropriation to the System. Instead, state support is provided to the System in the form of fee for service contracts with the State for the delivery of special programs, graduate programs, and high cost/high demand programs. In the fiscal years ended June 30, 2020 and 2019, the System received \$122.0 million and \$108.4 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, 2020 and 2019, stipends were provided to students attending classes at Colorado State University and Colorado State University-Pueblo in the amount of \$50.4 million and \$46.5 million, respectively.

COLORADO STATE UNIVERSITY SYSTEM
Notes to Basic Financial Statements
Years Ended June 30, 2020 and 2019
(Amounts expressed in thousands)

(25) Contingencies

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

During the current fiscal year, a student brought a class action suit against CSU on behalf of a class of similarly situated students who paid tuition and fees to CSU during the Spring 2020 semester. The dispute centers around CSU's transition to remote delivery of educational services for the latter portion of the Spring 2020 semester in response to the COVID-19 pandemic. The Plaintiff claims that CSU's actions, including canceling campus events and closing or limiting access to certain buildings, breached its contract with students. CSU denies any wrongdoing and is defending against the lawsuit. CSU has filed a motion to dismiss the class action case and anticipates a favorable disposition; however, even if there were an adverse determination, it would not have a material impact upon its financial condition.

Financial Awards from Federal and State Agencies

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

(26) Subsequent Event Footnote

On July 16, 2020, Colorado State University System issued \$230.0 million in Taxable Series 2020 A System Enterprise Refunding Bonds. The 2020 A bonds will be used to (a) refund a portion of the debt service for the following series: 2010 B, 2012 A, 2012 B, 2013 A, 2013 D, 2013 E, 2015 B, 2015 C, 2015 E-2, 2015 F, 2016 A, 2016 B, 2017 A, 2017 B, 2017 D, 2017 E, 2017 F, 2018 A, 2019 A and 2019 B; and (b) to pay certain costs relating to the issuance of the 2020 A Series Bonds.

REQUIRED SUPPLEMENTAL INFORMATION

COLORADO STATE UNIVERSITY SYSTEM
 Required Supplemental Information
 Schedule of Proportionate Share of the PERA State Division Trust Fund Net Pension Liability
 June 30, 2020
 (Unaudited)
 (Amounts expressed in thousands)

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

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

Calendar Year	Proportion of the Net Pension Liability (A)	Proportionate Share of the Net Pension Liability (B)	Covered Payroll (C)	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (B/C)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
CY2019	5.3%	\$ 517,249	\$ 172,006	300.7%	62.2%
CY2018	5.4%	611,552	165,909	368.6%	55.1%
CY2017	5.4%	1,084,746	161,545	671.5%	43.2%
CY2016	5.4%	992,336	156,234	635.2%	42.6%
CY2015	5.5%	578,718	154,327	375.0%	56.1%
CY2014	5.6%	524,663	152,106	344.9%	59.8%
CY2013	5.6%	500,698	146,046	342.8%	61.1%

COLORADO STATE UNIVERSITY SYSTEM

Required Supplemental Information

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

June 30, 2020

(Unaudited)

(Amounts expressed in thousands)

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

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

Changes in assumptions or other inputs effective for the December 31, 2019 measurement period are as follows:

- The assumption used to value the AI cap benefit provision was changed from 1.50 percent to 1.25 percent.

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

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

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

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

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

- The investment return assumption was lowered from 7.50 percent to 7.25 percent.
- The price inflation assumption was lowered from 2.80 percent to 2.40 percent.
- The real rate of investment return assumption increased from 4.70 percent per year, net of investment expenses, to 4.85 percent per year, net of investment expenses.
- The wage inflation assumption was lowered from 3.90 percent to 3.50 percent.
- The mortality tables were changed from RP-2000 Combined Mortality Table for Males and Females, as appropriate, with adjustments for mortality improvements based on a projection scale of Scale AA to 2020 to RP-2014 White Collar Employee Mortality for active employees, RP2014 Healthy Annuitant Mortality tables projected to 2020 using the MP-2015 projection scale for retirees, or RP-2014 Disabled Retiree Mortality Table for disabled retirees.
- The discount rate was lowered from 7.50 percent to 5.26 percent.

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

There were no changes in terms or assumptions for the December 31, 2014 measurement period for pension compared to the prior year.

Changes in assumptions or other input effective for the December 31, 2013 measurement period are as follows:

- The investment return assumption was lowered from 8.00 percent to 7.50 percent.
- The price inflation assumption was lowered from 3.50 percent to 2.80 percent.
- The wage inflation assumption was lowered from 4.25 percent to 3.90 percent.

COLORADO STATE UNIVERSITY SYSTEM
 Required Supplemental Information
 Schedule of PERA State Division Trust Fund Pension Contributions
 June 30, 2020
 (Unaudited)
 (Amounts expressed in thousands)

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

Schedule of PERA State Division Trust Fund Pension Contributions

Fiscal Year End	Contractually Required Contributions (A)	Contributions in Relation to Contractually Required Contribution (B)	Contribution Deficiency (Excess) (A-B)	Covered Payroll (C)	Contributions as a Percentage of Covered Payroll (B/C)
FY2020	\$ 37,251	\$ 37,251	\$ -	\$ 174,644	21.3%
FY2019	35,957	35,957	-	168,821	21.3%
FY2018	30,949	30,949	-	164,511	18.8%
FY2017	28,826	28,826	-	156,756	18.4%
FY2016	27,295	27,295	-	155,689	17.5%
FY2015	25,498	25,498	-	152,974	16.7%
FY2014	23,760	23,760	-	150,398	15.8%

COLORADO STATE UNIVERSITY SYSTEM
 Required Supplemental Information
 Schedule of Proportionate Share of the PERA Health Care Trust Fund Net OPEB Liability and
 Schedule of PERA Health Care Trust Fund OPEB Contributions
 June 30, 2020
 (Unaudited)
 (Amounts expressed in thousands)

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

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

	CY2019	CY2018	CY2017	CY2016
Proportion of the net OPEB liability	1.8%	1.9%	1.9%	1.9%
Proportionate share of the net OPEB liability	\$ 20,626	25,735	25,008	24,904
Covered payroll	165,000	160,119	156,229	151,664
Proportionate share of the net OPEB liability as a percentage of covered payroll	12.5%	16.1%	16.0%	16.4%
Plan fiduciary net position as a percentage of the total OPEB liability	24.5%	17.0%	17.5%	16.7%

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

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

There were no changes in assumptions or other inputs effective for the December 31, 2019 measurement period for OPEB compared to the prior year.

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

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

Schedule of PERA Health Care Trust Fund OPEB Contributions

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

	FY2020	FY2019	FY2018	FY2017
Contractually required contributions	\$ 1,702	1,659	1,621	1,549
Contributions in relation to the contractually required contribution	(1,702)	(1,659)	(1,621)	(1,549)
Contribution deficiency/(excess)	-	-	-	-
Covered payroll	\$ 167,015	162,682	158,896	151,819
Contributions as a percentage of covered payroll	1.02%	1.02%	1.02%	1.02%

COLORADO STATE UNIVERSITY SYSTEM
Required Supplemental Information
Schedule of Changes in the Net OPEB (Asset) Liability and Related Ratios
Retiree Medical Subsidy for DCP Participants
June 30, 2020
(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.

	CY2019	CY2018	CY2017	CY2016
Total OPEB liability:				
Service cost	\$ 1,148	1,743	1,648	N/A
Interest	1,775	1,913	1,815	N/A
Differences between expected and actual experience	(50)	377	(243)	N/A
Changes of assumptions	3,858	(6,817)	285	N/A
Benefit payments	(1,136)	(1,032)	(903)	N/A
Net change in total OPEB liability	5,595	(3,816)	2,602	N/A
Total OPEB liability - beginning	33,277	37,093	34,491	N/A
Total OPEB liability - ending (a)	\$ 38,872	33,277	37,093	34,491
Plan fiduciary net position:				
Contributions-employer	\$ -	-	1,850	N/A
Net investment income	5,699	(1,486)	3,114	N/A
Benefit payments	(1,136)	(1,032)	(903)	N/A
Administrative expense	(52)	(35)	(47)	N/A
Net change in plan fiduciary net position	4,511	(2,553)	4,014	N/A
Plan fiduciary net position - beginning	44,003	46,556	42,542	N/A
Plan fiduciary net position - ending (b)	\$ 48,514	44,003	46,556	42,542
Net OPEB (asset) liability - ending (a)-(b)	\$ (9,642)	(10,726)	(9,463)	(8,051)
Plan fiduciary net position as a percentage of the total OPEB liability				
	124.8%	132.2%	125.5%	123.3%
Covered-employee payroll				
	\$ 413,252	391,638	370,767	348,547
Net OPEB (asset) liability as a percentage of covered-employee payroll				
	-2.3%	-2.7%	-2.6%	-2.3%

Notes To Required Supplementary Information

Changes of assumptions and methods:

Discount rate/investment rate of return: For the fiscal year ended June 30, 2020, the discount rate/investment rate of return assumption was updated to 4.47 percent. For the fiscal year ended June 30, 2019, the discount rate/investment rate of return assumption was updated to 5.24 percent. For the fiscal year ended June 30, 2018, the discount rate/investment rate of return assumption was updated to 5.23 percent. For the fiscal year ended June 30, 2017, the discount rate/investment rate of return assumption was 5.33 percent.

Mortality assumption: For the fiscal year ended June 30, 2020, the mortality assumption used the Pri-2012 mortality tables with separate rates for males and females and generational projection using improvement scale BB. For the fiscal year ended June 30, 2019, the mortality assumption used the RP-2018 mortality tables with separate rates for males and females and generational projection using improvement scale BB. For the fiscal year ended June 30, 2018, the mortality assumption used the RP-2017 mortality tables with separate rates for males and females and generational projection using improvement scale BB. For the fiscal year ended June 30, 2017, the mortality assumption used the RP-2016 mortality tables with separate rates for males and females, and generational projection using improvement scale BB.

COLORADO STATE UNIVERSITY SYSTEM
Required Supplemental Information
Schedule of Changes in the Net OPEB (Asset) Liability and Related Ratios
Retiree Medical Subsidy for PERA Participants
June 30, 2020
(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.

	CY2019	CY2018	CY2017	CY2016
Total OPEB liability:				
Service cost	\$ 79	320	376	N/A
Interest	970	2,349	2,332	N/A
Differences between expected and actual experience	-	(6,950)	(90)	N/A
Changes of assumptions	232	(20,963)	119	N/A
Benefit payments	(904)	(1,562)	(1,569)	N/A
Net change in total OPEB liability	377	(26,806)	1,168	N/A
Total OPEB liability - beginning	18,885	45,691	44,523	N/A
Total OPEB liability - ending (a)	\$ 19,262	18,885	45,691	44,523
Plan fiduciary net position:				
Contributions-employer	\$ -	952	2,011	N/A
Net investment income	3,045	(802)	1,628	N/A
Benefit payments	(904)	(1,562)	(1,569)	N/A
Administrative expense	(52)	(25)	(34)	N/A
Net change in plan fiduciary net position	2,089	(1,437)	2,036	N/A
Plan fiduciary net position - beginning	23,183	24,620	22,584	N/A
Plan fiduciary net position - ending (b)	\$ 25,272	23,183	24,620	22,584
Net OPEB (asset) liability - ending (a)-(b)	\$ (6,010)	(4,298)	21,071	21,939
Plan fiduciary net position as a percentage of the total OPEB liability	131.2%	122.8%	53.9%	50.7%
Covered-employee payroll	\$ 12,247	13,638	15,721	17,415
Net OPEB (asset) liability as a percentage of covered-employee payroll	-49.1%	-31.5%	134.0%	126.0%

Notes To Required Supplementary Information

Changes of assumptions and methods:

Discount rate/investment rate of return: For the fiscal year ended June 30, 2020, the discount rate/investment rate of return assumption was updated to 4.47 percent. For the fiscal year ended June 30, 2019, the discount rate/investment rate of return assumption was updated to 5.24 percent. For the fiscal year ended June 30, 2018, the discount rate/investment rate of return assumption was updated to 5.23 percent. For the fiscal year ended June 30, 2017, the discount rate/investment rate of return assumption was 5.33 percent.

Mortality assumption: For the fiscal year ended June 30, 2020, the mortality assumption used the Pri-2012 mortality tables with separate rates for males and females and generational projection using improvement scale BB. For the fiscal year ended June 30, 2019, the mortality assumption used the RP-2018 mortality tables with separate rates for males and females and generational projection using improvement scale BB. For the fiscal year ended June 30, 2018, the mortality assumption used the RP-2017 mortality tables with separate rates for males and females and generational projection using improvement scale BB. For the fiscal year ended June 30, 2017, the mortality assumption used the RP-2016 mortality tables with separate rates for males and females with generational projection using improvement scale BB.

COLORADO STATE UNIVERSITY SYSTEM
Required Supplemental Information
Schedule of Changes in the Net OPEB (Asset) Liability and Related Ratios
Retiree Umbrella Prescription Plan PERA Participants
June 30, 2020
(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.

	CY2019	CY2018	CY2017	CY2016
Total OPEB liability:				
Service cost	\$ 13	24	28	N/A
Interest	138	179	182	N/A
Differences between expected and actual experience	(147)	(466)	(147)	N/A
Changes of assumptions	40	(488)	4	N/A
Benefit payments	(47)	(53)	(65)	N/A
Net change in total OPEB liability	(3)	(804)	2	N/A
Total OPEB liability - beginning	2,647	3,451	3,449	N/A
Total OPEB liability - ending (a)	\$ 2,644	2,647	3,451	3,449
Plan fiduciary net position:				
Contributions-employer	\$ 133	274	234	N/A
Net investment income	116	(28)	38	N/A
Benefit payments	(47)	(53)	(65)	N/A
Administrative expense	(50)	(34)	(46)	N/A
Net change in plan fiduciary net position	152	159	161	N/A
Plan fiduciary net position - beginning	918	759	598	N/A
Plan fiduciary net position - ending (b)	\$ 1,070	918	759	598
Net OPEB (asset) liability - ending (a)-(b)	\$ 1,574	1,729	2,692	2,851
Plan fiduciary net position as a percentage of the total OPEB liability	40.5%	34.7%	22.0%	17.3%
Covered-employee payroll	\$ 12,247	13,638	15,721	17,415
Net OPEB (asset) liability as a percentage of covered-employee payroll	12.9%	12.7%	17.1%	16.4%

Notes To Required Supplementary Information

Changes of assumptions and methods:

Discount rate/investment rate of return: For the fiscal year ended June 30, 2020, the discount rate/investment rate of return assumption was updated to 4.47 percent. For the fiscal year ended June 30, 2019, the discount rate/investment rate of return assumption was updated to 5.24 percent. For the fiscal year ended June 30, 2018, the discount rate/investment rate of return assumption was updated to 5.23 percent. For the fiscal year ended June 30, 2017, the discount rate/investment rate of return assumption was 5.33 percent.

Mortality assumption: For the fiscal year ended June 30, 2020, the mortality assumption used the Pri-2012 mortality tables with separate rates for males and females and generational projection using improvement scale BB. For the fiscal year ended June 30, 2019, the mortality assumption used the RP-2018 mortality tables with separate rates for males and females and generational projection using improvement scale BB. For the fiscal year ended June 30, 2018, the mortality assumption used the RP-2017 mortality tables with separate rates for males and females and generational projection using improvement scale BB. For the fiscal year ended June 30, 2017, the mortality assumption used the RP-2016 mortality tables with separate rates for males and females, and generational projection using improvement scale BB.

COLORADO STATE UNIVERSITY SYSTEM
Required Supplemental Information
Schedule of Changes in the Net OPEB (Asset) Liability and Related Ratios
Long-Term Disability Income Replacement Plan
June 30, 2020
(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.

	CY2019	CY2018	CY2017	CY2016
Total OPEB liability:				
Service cost	\$ 1,294	1,476	1,407	N/A
Interest	540	530	499	N/A
Changes of benefit terms	3,174	-	-	N/A
Differences between expected and actual experience	134	(2,400)	(221)	N/A
Changes of assumptions	851	(466)	69	N/A
Benefit payments	(946)	(916)	(855)	N/A
Net change in total OPEB liability	5,047	(1,776)	899	N/A
Total OPEB liability - beginning	9,476	11,252	10,353	N/A
Total OPEB liability - ending (a)	\$ 14,523	9,476	11,252	10,353
Plan fiduciary net position:				
Contributions-employee/member	\$ 1,642	1,580	1,515	N/A
Net investment income	1,238	(312)	601	N/A
Benefit payments	(946)	(916)	(855)	N/A
Administrative expense	(53)	(46)	(68)	N/A
Net change in plan fiduciary net position	1,881	306	1,193	N/A
Plan fiduciary net position - beginning	9,719	9,413	8,220	N/A
Plan fiduciary net position - ending (b)	\$ 11,600	9,719	9,413	8,220
Net OPEB (asset) liability - ending (a)-(b)	\$ 2,923	(243)	1,839	2,133
Plan fiduciary net position as a percentage of the total OPEB liability	79.9%	102.6%	83.7%	79.4%
Covered-employee payroll	\$ 454,311	432,046	411,443	389,965
Net OPEB (asset) liability as a percentage of covered-employee payroll	0.6%	-0.1%	0.4%	0.5%

Notes To Required Supplementary Information

Changes of assumptions and methods:

Discount rate: For the fiscal year ended June 30, 2020, the discount rate was updated to 4.25 percent. For the fiscal year ended June 30, 2019, the discount rate was updated to 5.24 percent. For the fiscal year ended June 30, 2018, the discount rate was updated to 4.91 percent. For the fiscal year ended June 30, 2017, the discount rate assumption was 5.03 percent.

Investment rate of return: For the fiscal year ended June 30, 2020, the investment return assumption was updated to 4.47 percent. For the fiscal year ended June 30, 2019, the investment return assumption was updated to 5.24 percent. For the fiscal year ended June 30, 2018, the investment return assumption was updated to 5.23 percent. For the fiscal year ended June 30, 2017, the investment return assumption was 5.33 percent.

Mortality assumption: For the fiscal year ended June 30, 2020, the mortality assumption used the Pri-2012 mortality tables with separate rates for males and females and generational projection using improvement scale BB. For the fiscal year ended June 30, 2019, the mortality assumption used the RP-2018 mortality tables with separate rates for males and females and generational projection using improvement scale BB. For the fiscal year ended June 30, 2018, the mortality assumption used the RP-2017 mortality tables with separate rates for males and females and generational projection using improvement scale BB. For the fiscal year ended June 30, 2017, the mortality assumption used the RP-2016 mortality tables with separate rates for males and females with generational projection using improvement scale BB.

COLORADO STATE UNIVERSITY SYSTEM
 Required Supplemental Information
 Schedule of OPEB Contributions
 Retiree Medical Subsidy for DCP Participants
 June 30, 2020
 (Unaudited)
 (Amounts expressed in thousands)

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

	FY2020	FY2019	FY2018	FY2017
Actuarially determined contributions	\$ 1,140	790	1,340	1,296
Contributions in relation to the actuarially determined contributions	-	-	-	(4,070)
Contribution deficiency (excess)	\$ 1,140	790	1,340	(2,774)
Covered-employee payroll	\$ 427,749	400,207	381,584	359,213
Contributions as a percentage of covered-employee payroll	0.0%	0.0%	0.0%	1.1%

Notes To Required Supplementary Information

Valuation date	The valuation dates are biennial dates as of January 1. As of fiscal year ended June 30, 2020, the valuation date was January 1, 2019.
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry age normal, level percent of pay
Amortization method	30 years open, level percent of pay
Amortization period	30 years
Asset valuation method	Market value
Inflation	Starting in fiscal year ended June 30, 2019, inflation became 2.50 percent. In prior years, inflation was 3.00 percent.
Investment rate of return	4.47%
Salary increases	N/A
Cost-of-living adjustments	N/A
Healthcare cost trend rates	6.25 percent decreasing by 0.25 percent per year to 5.00 percent in 2025 and later.
Mortality	Separate mortality rates for non-annuitants (based on Pri-2012 "Employees" sex-distinct tables and projected generationally using Scale BB) and annuitants (based on Pri-2012 "Non-Disabled Annuitants" sex-distinct tables and projected generationally using Scale BB). In fiscal year ended June 30, 2019, the mortality assumption used the RP-2018 mortality tables with separate rates for males and females and generational projection using improvement scale BB. In fiscal year ended June 30, 2018, the mortality assumption used the RP-2017 mortality tables with separate rates for males and females and generational projection using improvement scale BB. In fiscal year ended June 30, 2017, the mortality assumption used the RP-2016 mortality tables with separate rates for males and females and generational projection using improvement scale BB.

COLORADO STATE UNIVERSITY SYSTEM
Required Supplemental Information
Schedule of OPEB Contributions
Retiree Medical Subsidy for PERA Participants
June 30, 2020
(Unaudited)
(Amounts expressed in thousands)

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

	FY2020	FY2019	FY2018	FY2017
Actuarially determined contributions	\$ -	-	1,942	1,981
Contributions in relation to the actuarially determined contributions	-	-	(1,942)	(1,981)
Contribution deficiency (excess)	\$ -	-	-	-
Covered-employee payroll	\$ 12,095	12,573	14,903	16,396
Contributions as a percentage of covered-employee payroll	0.0%	0.0%	13.0%	12.1%

Notes To Required Supplementary Information

Valuation date	The valuation dates are biennial dates as of January 1. As of fiscal year ended June 30, 2020, the valuation date was January 1, 2019.
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry age normal, level percent of pay
Amortization method	30 years closed, level percent of pay
Amortization period	18 years
Asset valuation method	Market value
Inflation	Starting in fiscal year ended June 30, 2019, inflation became 2.50 percent. In prior years, inflation was 3.00 percent.
Investment rate of return	4.47%
Salary increases	N/A
Cost-of-living adjustments	N/A
Healthcare cost trend rates	6.25 percent decreasing by 0.25 percent per year to 5.00 percent in 2025 and later.
Mortality	Separate mortality rates for non-annuitants (based on Pri-2012 "Employees" sex-distinct tables and projected generationally using Scale BB) and annuitants (based on RP-2018 "Non-Disabled Annuitants" sex-distinct tables and projected generationally using Scale BB). In fiscal year ended June 30, 2019, the mortality assumption used the RP-2018 mortality tables with separate rates for males and females and generational projection using improvement scale BB. In fiscal year ended June 30, 2018, the mortality assumption used the RP-2017 mortality tables with separate rates for males and females and generational projection using improvement scale BB. In fiscal year ended June 30, 2017, the mortality assumption used the RP-2016 mortality tables with separate rates for males and females and generational projection using improvement scale BB.

COLORADO STATE UNIVERSITY SYSTEM
Required Supplemental Information
Schedule of OPEB Contributions
Retiree Umbrella Prescription Plan PERA Participants
June 30, 2020
(Unaudited)
(Amounts expressed in thousands)

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

	FY2020	FY2019	FY2018	FY2017
Actuarially determined contributions	\$ 136	151	232	240
Contributions in relation to the actuarially determined contributions	(136)	(151)	(232)	(240)
Contribution deficiency (excess)	\$ -	-	-	-
Covered-employee payroll	\$ 12,095	12,573	14,903	16,396
Contributions as a percentage of covered-employee payroll	1.1%	1.2%	1.6%	1.5%

Notes To Required Supplementary Information

Valuation date	The valuation dates are biennial dates as of January 1. As of fiscal year ended June 30, 2020, the valuation date was January 1, 2019.
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry age normal, level percent of pay
Amortization method	30 years closed, level percent of pay
Amortization period	18 years
Asset valuation method	Market value
Inflation	Starting in fiscal year ended June 30, 2019, inflation became 2.50 percent. In prior years, inflation was 3.00 percent.
Investment rate of return	4.47%
Salary increases	N/A
Cost-of-living adjustments	N/A
Healthcare cost trend rates	6.25 percent decreasing by 0.25 percent per year to 5.00 percent in 2025 and later.
Mortality	Separate mortality rates for non-annuitants (based on Pri-2012 "Employees" sex-distinct tables and projected generationally using Scale BB) and annuitants (based on Pri-2012 "Non-Disabled Annuitants" sex-distinct tables and projected generationally using Scale BB). In fiscal year ended June 30, 2019, the mortality assumption used the RP-2018 mortality tables with separate rates for males and females and generational projection using improvement scale BB. In fiscal year ended June 30, 2018, the mortality assumption used the RP-2017 mortality tables with separate rates for males and females and generational projection using improvement scale BB. In fiscal year ended June 30, 2017, the mortality assumption used the RP-2016 mortality tables with separate rates for males and females and generational projection using improvement scale BB.

COLORADO STATE UNIVERSITY SYSTEM
 Required Supplemental Information
 Schedule of OPEB Contributions
 Long-Term Disability Income Replacement Plan
 June 30, 2020
 (Unaudited)
 (Amounts expressed in thousands)

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

	FY2020	FY2019	FY2018	FY2017
Actuarially determined contributions	\$ 1,869	1,286	1,426	1,373
Contributions in relation to the actuarially determined contributions	(1,787)	(1,610)	(1,550)	(1,478)
Contribution deficiency (excess)	\$ 82	(324)	(124)	(105)
Covered-employee payroll	\$ 469,535	440,686	421,858	400,340
Contributions as a percentage of covered-employee payroll	0.4%	0.4%	0.4%	0.4%

Notes To Required Supplementary Information

Valuation date	The valuation dates are biennial dates as of January 1. As of fiscal year ended June 30, 2020, the valuation date was January 1, 2019.
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry age normal, level percent of pay
Amortization method	30 years open, level percent of pay
Amortization period	30 years
Asset valuation method	Market value
Inflation	Starting in fiscal year ended June 30, 2019, inflation became 2.50 percent. In prior years, inflation was 3.00 percent.
Investment rate of return	4.47%
Salary increases	6.00%
Cost-of-living adjustments	3.00%
Healthcare cost trend rates	N/A
Mortality	Separate mortality rates for non-annuitants (based on Pri-2012 "Employees" sex-distinct tables and projected generationally using Scale BB) and annuitants (based on Pri-2012 "Non-Disabled Annuitants" sex-distinct tables and projected generationally using Scale BB). In fiscal year ended June 30, 2019, the mortality assumption used the RP-2018 mortality tables with separate rates for males and females and generational projection using improvement scale BB. In fiscal year ended June 30, 2018, the mortality assumption used the RP-2017 mortality tables with separate rates for males and females and generational projection using improvement scale BB. In fiscal year ended June 30, 2017, the mortality assumption used the RP-2016 mortality tables with separate rates for males and females and generational projection using improvement scale BB.
	Long-term disabled participant mortality is based on the 1987 Commissioner's Group Disability Table with a three month elimination period.

COLORADO STATE UNIVERSITY SYSTEM OTHER POSTEMPLOYMENT BENEFITS

Required Supplemental Information

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

Retiree Medical Subsidy for DCP Participants

June 30, 2020

(Unaudited)

(Amounts expressed in thousands)

The amounts presented are for each fiscal year.

	FY2020	FY2019	FY2018	FY2017
Total OPEB liability:				
Service cost	\$ 1,182	1,689	1,681	N/A
Interest	1,819	2,059	1,873	N/A
Demographics losses (gains)	(116)	357	(284)	N/A
Assumption changes	3,936	(7,105)	290	N/A
Benefit payments	<u>(1,181)</u>	<u>(1,090)</u>	<u>(966)</u>	<u>N/A</u>
Net change in total OPEB liability	5,640	(4,090)	2,594	N/A
Total OPEB liability - beginning	34,127	38,217	35,623	N/A
Total OPEB liability - ending	\$ 39,767	34,127	38,217	35,623
Plan fiduciary net position:				
Net investment income	\$ 1,188	2,455	1,639	N/A
Benefit payments	(1,181)	(1,090)	(966)	N/A
Administrative expense	<u>(72)</u>	<u>(39)</u>	<u>(37)</u>	<u>N/A</u>
Net change in plan fiduciary net position	(65)	1,326	636	N/A
Plan fiduciary net position - beginning	47,325	45,999	45,363	N/A
Plan fiduciary net position - ending	\$ 47,260	47,325	45,999	45,363
Net OPEB (asset) liability - ending	\$ (7,493)	(13,198)	(7,782)	(9,740)

Plan fiduciary net position as a percentage of the total OPEB liability	118.8%	138.7%	120.4%	127.3%
--	--------	--------	--------	--------

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

COLORADO STATE UNIVERSITY SYSTEM OTHER POSTEMPLOYMENT BENEFITS

Required Supplemental Information

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

Retiree Medical Subsidy for PERA Participants

June 30, 2020

(Unaudited)

(Amounts expressed in thousands)

The amounts presented are for each fiscal year.

	FY2020	FY2019	FY2018	FY2017
Total OPEB liability:				
Service cost	\$ 73	285	323	N/A
Interest	974	2,382	2,359	N/A
Demographics losses (gains)	1	(7,123)	(399)	N/A
Assumption changes	175	(21,232)	125	N/A
Benefit payments	<u>(900)</u>	<u>(1,239)</u>	<u>(1,563)</u>	<u>N/A</u>
Net change in total OPEB liability	323	(26,927)	845	N/A
Total OPEB liability - beginning	18,956	45,883	45,038	N/A
Total OPEB liability - ending	\$ 19,279	18,956	45,883	45,038
Plan fiduciary net position:				
Contributions-employer	\$ -	-	1,942	N/A
Net investment income	626	1,322	849	N/A
Benefit payments	(900)	(1,239)	(1,563)	N/A
Administrative expense	<u>(53)</u>	<u>(33)</u>	<u>(24)</u>	<u>N/A</u>
Net change in plan fiduciary net position	(327)	50	1,204	N/A
Plan fiduciary net position - beginning	24,806	24,756	23,552	N/A
Plan fiduciary net position - ending	\$ 24,479	24,806	24,756	23,552
Net OPEB (asset) liability - ending	\$ (5,200)	(5,850)	21,127	21,486
Plan fiduciary net position as a percentage				
of the total OPEB liability	127.0%	130.9%	54.0%	52.3%

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

COLORADO STATE UNIVERSITY SYSTEM OTHER POSTEMPLOYMENT BENEFITS

Required Supplemental Information

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

Retiree Umbrella Prescription Plan PERA Participants

June 30, 2020

(Unaudited)

(Amounts expressed in thousands)

The amounts presented are for each fiscal year.

	FY2020	FY2019	FY2018	FY2017
Total OPEB liability:				
Service cost	\$ 11	21	24	N/A
Interest	137	179	181	N/A
Demographics losses (gains)	(138)	(469)	(159)	N/A
Assumption changes	32	(495)	4	N/A
Benefit payments	(75)	(80)	(83)	N/A
Contributions-employee/member	24	26	28	N/A
Net change in total OPEB liability	(9)	(818)	(5)	N/A
Total OPEB liability - beginning	2,626	3,444	3,449	N/A
Total OPEB liability - ending	\$ 2,617	2,626	3,444	3,449
Plan fiduciary net position:				
Contributions-employer	\$ 136	151	232	N/A
Contributions-employee/member	24	26	28	N/A
Net investment income	22	52	22	N/A
Benefit payments	(75)	(80)	(83)	N/A
Administrative expense	(51)	(37)	(37)	N/A
Net change in plan fiduciary net position	56	112	162	N/A
Plan fiduciary net position - beginning	1,011	899	737	N/A
Plan fiduciary net position - ending	\$ 1,067	1,011	899	737
Net OPEB (asset) liability - ending	\$ 1,550	1,615	2,545	2,712
Plan fiduciary net position as a percentage of the total OPEB liability	40.8%	38.5%	26.1%	21.4%

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

COLORADO STATE UNIVERSITY SYSTEM OTHER POSTEMPLOYMENT BENEFITS

Required Supplemental Information

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

Long-Term Disability Income Replacement Plan

June 30, 2020

(Unaudited)

(Amounts expressed in thousands)

The amounts presented are for each fiscal year.

	FY2020	FY2019	FY2018	FY2017
Total OPEB liability:				
Service cost	\$ 1,332	1,424	1,440	N/A
Interest	564	630	514	N/A
Plan amendments	3,174	-	-	N/A
Demographics losses (gains)	135	(2,405)	(188)	N/A
Assumption changes	1,189	(410)	(13)	N/A
Benefit payments	<u>(1,094)</u>	<u>(896)</u>	<u>(907)</u>	<u>N/A</u>
Net change in total OPEB liability	5,300	(1,657)	846	N/A
Total OPEB liability - beginning	9,972	11,629	10,783	N/A
Total OPEB liability - ending	\$ 15,272	9,972	11,629	10,783
Plan fiduciary net position:				
Contributions-employee/member	\$ 1,787	1,610	1,550	N/A
Net investment income	272	522	318	N/A
Benefit payments	(1,094)	(896)	(907)	N/A
Administrative expense	<u>(57)</u>	<u>(40)</u>	<u>(60)</u>	<u>N/A</u>
Net change in plan fiduciary net position	908	1,196	901	N/A
Plan fiduciary net position - beginning	10,813	9,617	8,716	N/A
Plan fiduciary net position - ending	\$ 11,721	10,813	9,617	8,716
Net OPEB (asset) liability - ending	\$ 3,551	(841)	2,012	2,067
Plan fiduciary net position as a percentage of the total OPEB liability	76.7%	108.4%	82.7%	80.8%

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

COLORADO STATE UNIVERSITY SYSTEM OTHER POSTEMPLOYMENT BENEFITS

Required Supplemental Information

Schedule of Investment Returns

June 30, 2020

(Unaudited)

(Amounts expressed in thousands)

The amounts presented are for each fiscal year.

	FY2020	FY2019	FY2018	FY2017
Annual money-weighted rate of return net of investment expense	2.5%	7.5%	3.6%	3.4%



INDEPENDENT AUDITORS' REPORT ON BOND COMPLIANCE

Members of the Legislative Audit Committee:

We have audited, 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, the financial statements of the business-type activities, aggregate discretely presented component units, and the fiduciary fund information of the Colorado State University System (the System), a higher education institution of the State of Colorado, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated February 12, 2021, which contained paragraphs emphasizing matters regarding the financial statements. Our report includes a reference to other auditors who audited the financial statements of the Colorado State University Foundation and Colorado State University Pueblo Foundation which were not audited in accordance with *Government Auditing Standards*. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on a separately by those auditors.

In connection with our audit, nothing came to our attention that caused us to believe that the System failed to comply with the terms, covenants, provisions, or conditions of the respective Authorizing Bond Resolutions and the Official Statements (collectively, bond resolutions) insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the System's noncompliance with the above-referenced terms, covenants, provision, or conditions of the bond resolutions, insofar as they relate to accounting matters.

In accordance with the respective bond resolutions discussed above, revenue bonds' earnings requirement schedules (the Schedules) are shown on page 127. We have not audited the Schedules and express no opinion on them.

This report is intended solely for the information and use of the Legislative Audit Committee, the Office of the State Auditor, the Colorado University System Board of Governors, the Colorado State University System's management, and is not intended to be and should not be used by anyone other than these specified parties. However, upon release by the Legislative Audit Committee, this report is a public document.

CliftonLarsonAllen LLP

Greenwood Village, Colorado
February 12, 2021

COLORADO STATE UNIVERSITY SYSTEM

Revenue Bonds' Earnings Requirements Schedules

June 30, 2020

Colorado State University (CSU) System Enterprise Revenue and Refunding Bonds

The following information is presented in accordance with the bond resolutions of System Enterprise Revenue and Refunding Bonds: Series 2009 A; 2010 A, B, C; 2012 A; 2012 B; 2013 A, B; 2013 D; 2013 E; 2015 A, B, C, D; 2015 E1, E2, F; 2016 A, B; 2017 A, B, C, D, E, F; 2018 A; 2019 A, B; and Commercial Paper Notes Series A, B. Below is the calculation of the earnings requirement, which includes the earnings of 10 percent tuition, CSU facilities fees (80 percent of first \$10 credit hour fee, 100 percent of next \$5 credit hour fee, and 100 percent of the next \$5.75 credit hour fee), CSU-Pueblo facilities fees (100 percent of first \$10 credit hour fee, 100 percent of the next \$4.80 credit hour fee, 100 percent of the next \$4 credit hour fee, and 100 percent of the next \$4.20 credit hour fee), CSU Research Building Revolving Fund, auxiliary, and bond subsidy pledged revenues.

For the purposes of determining compliance with the bond resolutions, System Enterprise Revenue earnings for the fiscal year ended June 30, 2020 are computed as follows:

	Tuition and Facilities Fee	Research Building Revolving Fund	Auxiliary	Bond Subsidy	Total
Pledged revenues	\$ 54,709	62,854	138,549	1,609	257,721
Pledged fee revenues	16,718	-	34,681	-	51,399
Pledged investment income	232	105	1,332	-	1,669
	<u>71,659</u>	<u>62,959</u>	<u>174,562</u>	<u>1,609</u>	<u>310,789</u>
Operating expenses	<u>12</u>	<u>49</u>	<u>141,257</u>	<u>-</u>	<u>141,318</u>
Pledged revenue, net of operating expenses	<u><u>71,647</u></u>	<u><u>62,910</u></u>	<u><u>33,305</u></u>	<u><u>1,609</u></u>	<u><u>169,471</u></u>

Net income required under the bond resolution:	
Current year principal and interest payments	\$ 94,828
Minimum earnings ratio required by bond resolution	<u>100%</u>
Net income required under the bond resolution	\$ <u><u>94,828</u></u>

The net income to meet the earnings requirement under the bond resolution shown above exceeds the required amount.

See accompanying independent auditors' report on Bond Compliance.

Please Note: This is System level data and as such contains both Fort Collins and Pueblo.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Legislative Audit Committee & Board of Governors
Colorado State University System
Denver, Colorado

We have audited, in accordance with the 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, the 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, 2020, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated . Our report includes a reference to other auditors who audited the financial statements of the Colorado State University Foundation and the Colorado State University Pueblo Foundation which were not audited in accordance with *Government Auditing Standards*, as described in our report on the System's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the System's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Greenwood Village, Colorado



Legislative Audit Committee & Board of Governors
Colorado State University System
Denver, Colorado

We have audited the 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, 2020, and have issued our report thereon dated February 12, 2021. Our report includes a reference to other auditors. Other auditors audited the financial statements of the Colorado State University Foundation (the CSU Foundation), the Colorado State University Pueblo (CSU-Pueblo Foundation) and the Colorado State University System Foundation (CSUS Foundation) which are discretely presented component units and were not audited in accordance with *Government Auditing Standards*. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant audit findings

Qualitative aspects of accounting practices

Accounting policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the System are described in Note 3 to the financial statements.

No new accounting policies were adopted and the application of existing policies was not changed by the System during the fiscal year ended June 30, 2020.

We noted no transactions entered into by the entity during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements was (were):

- Management's estimate of the allowance for doubtful accounts is based on historical collection rates.
- Capital assets are depreciated using the straight-line method over the estimated useful lives of the assets. Estimated useful lives range from 3 to 70 years.

- Management's estimate of other postemployment benefits is based on actuarial assumptions and involves no judgement on management's part. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the net pension liability is based on actuarial assumptions and involves no judgement on management's part. We evaluated the key factors and assumptions used to develop the net pension liability in determining that it is reasonable in relation to the financial statements taken as a whole.
- Summer session tuition unearned revenue is the estimate of the number of days of summer courses that were incurred subsequent to fiscal year-end, but for which tuition was charged and collected prior to fiscal year-end.
- Management's estimate of the claims liability, including incurred but not reported (IBNR), is based on outstanding claims reserves as of year-end and historically claims IBNR data. We evaluated the key factors and assumptions used to develop the claims liability and IBNR in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the compensated absences liability is based on a three or five year rolling average of actual payouts. We evaluated the key factors and assumptions used to develop the compensated absences liability in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the asset retirement obligation liability is based on estimates of costs to retire certain assets in the future. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Financial statement disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties encountered in performing the audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Uncorrected misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management.

Corrected misstatements

Management did not identify and we did not notify them of any financial statement misstatements, other than those that are clearly trivial, detected as a result of audit procedures.

Disagreements with management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

Management representations

We have requested certain representations from management that are included in the management representation letter dated .

Management consultations with other independent accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the entity's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Significant issues discussed with management prior to engagement

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement as the entity's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

Audits of group financial statements

We noted no matters related to the group audit that we consider to be significant to the responsibilities of those charged with governance of the group.

Quality of component auditor's work

There were no instances in which our evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work.

Limitations on the group audit

There were no restrictions on our access to information of components or other limitations on the group audit.

Other information in documents containing audited financial statements

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI.

We compared the RSI for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

Our auditors' opinion, the audited financial statements, and the notes to financial statements should only be used in their entirety. Inclusion of the audited financial statements in a document the System prepares, such as an annual report, should be done only with our prior approval and review of the document.

* * *

This communication is intended solely for the information and use of the Legislative Audit Committee of the State of Colorado, the Board of Governors, the Office of the State Auditor of Colorado, and management of the Colorado State University System and is not intended to be, and should not be, used by anyone other than these specified parties. However, upon release by the Legislative Audit Committee, this report is a public document.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Greenwood Village, Colorado

**COLORADO STATE UNIVERSITY SYSTEM
STATE-FUNDED STUDENT FINANCIAL ASSISTANCE PROGRAMS
INTRODUCTION
Year Ended June 30, 2020**

The Colorado State University System (the System) is governed by the Colorado State University System Board of Governors. The System is a state-supported institution of higher education comprised of the system office and the following three accredited institutions, two of which (Fort Collins and Pueblo) receive state-funded financial aid:

- Colorado State University Fort Collins
- Colorado State University Pueblo
- Colorado State University Global Campus

Our financial and compliance examination of the various state-funded student financial assistance programs at the System for the year ended June 30, 2020 was directed toward the objectives and criteria set forth in the 2019 - 2020 Audit Guide for State and Private Non-Profit Institutions of Higher Education, Colorado Funded Student Aid issued by the Colorado Department of Higher Education (CDHE) and in accordance with the policies and procedures for State-Funded Student Financial Assistance Programs established by the Board of Governors of the System. The State-Funded Student Financial Assistance Programs were examined simultaneously with the federal financial aid programs for the year ended June 30, 2020.

State-Funded Student Financial Assistance Programs

The System’s various state-funded student financial assistance programs include the following:

- Colorado Need-Based Grants
- Colorado Graduate Grant
- Colorado Work-Study
- Colorado Merit Aid

The total state-funded student financial assistance programs expenditures made by the System were approximately \$23.4 million during the year ended June 30, 2020.

The director of financial aid at each institution is responsible for administration of these programs. This responsibility includes application processing, eligibility determination, and financial aid packaging, as well as ensuring compliance with regulations governing the participation of the System in federal and state-funded student financial aid programs. The controller’s office at each institution is responsible for the programs’ financial management, general ledger accounting, payments, and collections.

Authorizations and expenditures for state-funded student financial programs assistance are detailed by program in the accompanying statement of appropriations, expenditures, transfers, and reversions for the year ended June 30, 2020. The System also obtained authorizations for federal student financial aid funds as follows:

Pell Grants	\$ 44,527,258
Direct Lending	268,144,199
Supplemental Educational Opportunity Grant	1,658,677
College Work-Study	1,401,107
Teacher Education Assistance for College and Higher Education Grant	22,259

COLORADO STATE UNIVERSITY SYSTEM
STATE OF COLORADO STATE-FUNDED STUDENT ASSISTANCE PROGRAMS
REPORT SUMMARY
Year Ended June 30, 2020

Report Summary

Purpose and Scope of Audit

Our audit of the state-funded student assistance programs was performed in accordance with the financial compliance elements of *Government Auditing Standards* issued by the Comptroller General of the United States. The purpose of the audit was to formulate an opinion on the statement of student aid program appropriations, expenditures, and reversions for the fiscal year ending June 30, 2020 and to determine if these programs were administered in accordance with applicable laws, regulations, terms of agreements, and Governing Board directives which were set forth in the State-Funded Student Assistance Programs handbook.

Our audit included:

- Expressing an opinion on the statement of student aid program appropriations, expenditures and reversions.
- Evaluation of the policies, procedures, and practices used to administer these programs.
- Determination of compliance with applicable sections of Colorado Revised Statutes 23-3.3 et. seq. and approved Governing Board policies.

Summary of Current Year Comments

The audit report for the year ended June 30, 2020, contained no findings or recommendations related to state-funded assistance programs.

Summary of Progress in Implementing Prior Comments

There were no findings or recommendations to be reported for the fiscal year ended June 30, 2018, the most recent audit of the System's state-funded student assistance programs.



INDEPENDENT AUDITORS' REPORT ON THE STATEMENT OF APPROPRIATIONS, EXPENDITURES, TRANSFERS, AND REVERSIONS OF THE STATE OF COLORADO STATE-FUNDED STUDENT ASSISTANCE PROGRAMS

Members of the Legislative Audit Committee:

Report on the Statement

We have audited the accompanying statement of appropriations, expenditures, transfers, and reversions of the state-funded student financial assistance programs (the Statement) of the Colorado State University System (the System), an institution of higher education of the State of Colorado, for the year ended June 30, 2020, and the related notes to the Statement.

Management's Responsibility for the Statement

Management is responsible for the preparation and fair presentation of the Statement. The Statement was prepared in accordance with the format as set forth in the *2019-2020 Audit Guide for State and Private Non-Profit Institutions of Higher Education, Colorado-Funded Student Aid* issued by the Colorado Department of Higher Education (CDHE) and in accordance with the policies and procedures for State-Funded Student Financial Assistance Programs established by the governing board of the System; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the Statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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 schedule is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the Statement, 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 Statement 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 Statement.

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

Opinion

In our opinion, the Statement referred to above presents fairly, in all material respects, the respective appropriations, expenditures, transfers, and reversions of the state-funded student financial assistance programs of the System for the year ended June 30, 2020, in accordance with the format as set forth in the *2019-2020 Audit Guide for State and Private Non-Profit Institutions of Higher Education, Colorado-Funded Student Aid* issued by the CDHE, and in accordance with the policies and procedures for State-Funded Student Financial Assistance Programs established by the Board of Governors of the System described in Note 1 to the Statement.

Basis of Accounting

As described in Note 2 to the Statement, the Statement prepared by the System was prepared in accordance with the *2019-2020 Audit Guide for State and Private Non-Profit Institutions of Higher Education, Colorado-Funded Student Aid* issued by the Colorado Department of Higher Education, and in conformity with the policies and procedures for State-Funded Student Financial Assistance Programs established by the Board of Governors of the System. As described in Note 2 to the Statement, the Statement is a summary of cash activity of the state-funded student financial assistance programs with the exception of the Colorado Work-Study programs, and does not present certain transactions that would be included in the statement of state-funded student assistance programs if it was presented on the accrual basis of accounting, as prescribed by generally accepted accounting principles. In addition, the accompanying Statement is not intended to, and does not present the financial position, changes in financial position, or cash flows of the System in conformity with accounting principles generally accepted in the United States of America.

Other Information

Our audit was conducted for the purpose of forming an opinion on the Statement in accordance with the format as set forth in the *2019-2020 Audit Guide for State and Private Non-Profit Institutions of Higher Education, Colorado-Funded Student Aid* issued by the Colorado Department of Higher Education (CDHE) and in accordance with the policies and procedures for State-Funded Student Financial Assistance Programs established by the governing board of the University. The accompanying schedules of appropriations, expenditures, transfers, and reversions of the System by campus (the Schedules) are presented for purposes of additional analysis and are not a required part of the Statement.

The Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the Statement. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the Statement or to the Statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedules are fairly stated, in all material respects, in relation to the Statement as a whole.

The introduction and report summary on pages 134 and 135, respectively, have not been subjected to the auditing procedures applied in the audit of the Statement, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2021 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 University's internal control over financial reporting and compliance.

Restriction on Use

This report is intended solely for the information and use of the Legislative Audit Committee, the Board of Governors, the Office of the State Auditor of Colorado, management of the Colorado State University System, the Department of Education and the Colorado Department of Higher Education and is not intended to be, and should not be used by anyone other than these specified parties. However upon release by the Legislative Audit Committee, this report is a public document.

**CliftonLarsonAllen LLP**

Greenwood Village, Colorado
February 12, 2021

COLORADO STATE UNIVERSITY SYSTEM
STATEMENT OF APPROPRIATIONS, EXPENDITURES, AND REVERSIONS OF STATE-FUNDED
STUDENT FINANCIAL ASSISTANCE PROGRAMS
Year Ended June 30, 2020

	<u><i>Total Financial Aid</i></u>	<u><i>Colorado Need-Based Grant</i></u>	<u><i>Colorado Graduate Grant</i></u>	<u><i>Colorado Work- Study</i></u>	<u><i>Colorado Merit Aid</i></u>	<u><i>Loan Match</i></u>
Consolidated						
Appropriations:						
Original Official						
Allocation Notice	\$ 23,191,236	\$ 17,704,975	\$ 1,593,683	\$ 3,183,382	\$ 709,196	\$ -
Additional Funds						
Allocated by CCHE	209,817	360,000	-	(210,000)	-	59,817
Funds Released to CCHE	-	-	-	-	-	-
Total Appropriations	<u>\$ 23,401,053</u>	<u>\$ 18,064,975</u>	<u>\$ 1,593,683</u>	<u>\$ 2,973,382</u>	<u>\$ 709,196</u>	<u>\$ 59,817</u>
Total Expenditures	23,341,236	18,064,975	1,593,683	2,973,382	709,196	-
Reversions	<u>\$ 59,817</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 59,817</u>

COLORADO STATE UNIVERSITY SYSTEM
NOTES TO STATEMENT OF APPROPRIATIONS, EXPENDITURES, AND REVERSIONS OF
STATE-FUNDED STUDENT FINANCIAL ASSISTANCE PROGRAMS
Year Ended June 30, 2020

(1) Summary of Significant Accounting Policies and Basis of Presentation

The Colorado State University System's accounting system is structured and administered in accordance with the accounting principles promulgated by the Governmental Accounting Standards Board.

The statement of appropriations, expenditures and reversions of the state-funded student financial assistance programs (the Statement) has been prepared in accordance with the format as set forth in the *2019-2020 Audit Guide for State and Private Non-Profit Institutions of Higher Education, Colorado Funded Student Aid* issued by the Department of Higher Education and in conformity with the System's policies. The purpose of the Statement is to present, in summary form, the state-funded student financial assistance activities of the System's three institutions for the fiscal year ended June 30, 2020.

All student aid is expended on a cash basis except for the College Work-Study Program (CWS). The CWS is on the accrual basis in that the expense is recognized when the services are performed. This basis differs from accounting principles generally accepted in the United States of America primarily because allocations are presented instead of revenue and because assets, liabilities and net position are not included in the financial statements.

(2) Other – Required Statements, Comments and Recommendations

The System's packaging priority for need-based financial aid applicants is required to give the highest priority to the neediest students. Students with the lowest expected family contribution and the earliest date of filing a completed application are given top priority for available funds. Priority is not given on the basis of new or continuing student status, but on the date the application is completed. The student catalog further outlines additional eligibility requirements set forth for specific federal and state assistance programs including U.S. citizenship, Colorado residency, and meeting satisfactory academic progress guidelines.

The System's policies do not allow the transfer of funds between those programs.

(3) Contingencies

The student financial assistance program is subject to periodic reviews by the Colorado Commission on Higher Education. If disallowances should occur as a result of the program reviews, the System could be required to repay the disallowed amounts.

COLORADO STATE UNIVERISTY SYSTEM
Schedule of Appropriations, Expenditures and Reversions of State-Funded
Student Financial Assistance Programs
Colorado State University System
Year Ended June 30, 2020

	<u>Total Financial Aid</u>	<u>Colorado Need-Based Grant</u>	<u>Colorado Graduate Grant</u>	<u>Colorado Work- Study</u>	<u>Colorado Merit Aid</u>	<u>Loan Match</u>
Fort Collins						
Appropriations:						
Original Official						
Allocation Notice	\$ 17,551,702	\$ 13,125,938	\$ 1,531,028	\$ 2,313,550	\$ 581,186	\$ -
Additional Funds						
Allocated by CCHE	209,817	360,000	-	(210,000)		59,817
Funds Released to CCHE	-	-	-	-	-	-
Total Appropriations	<u>\$ 17,761,519</u>	<u>\$ 13,485,938</u>	<u>\$ 1,531,028</u>	<u>\$ 2,103,550</u>	<u>\$ 581,186</u>	<u>\$ 59,817</u>
Total Expenditures	<u>17,761,519</u>	<u>13,485,938</u>	<u>1,531,028</u>	<u>2,103,550</u>	<u>581,186</u>	<u>-</u>
Reversions	<u>\$ 59,817</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 59,817</u>
Pueblo						
Appropriations:						
Original Official						
Allocation Notice	\$ 5,639,534	\$ 4,579,037	\$ 62,655	\$ 869,832	\$ 128,010	\$ -
Additional Funds						
Allocated by CCHE	-	-	-	-	-	-
Funds Released to CCHE	-	-	-	-	-	-
Total Appropriations	<u>\$ 5,639,534</u>	<u>\$ 4,579,037</u>	<u>\$ 62,655</u>	<u>\$ 869,832</u>	<u>\$ 128,010</u>	<u>\$ -</u>
Total Expenditures	<u>5,639,534</u>	<u>4,579,037</u>	<u>62,655</u>	<u>869,832</u>	<u>128,010</u>	<u>-</u>
Reversions	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Global Campus						
Appropriations:						
Original Official						
Allocation Notice	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Additional Funds						
Allocated by CCHE	-	-	-	-	-	-
Funds Released to CCHE	-	-	-	-	-	-
Total Appropriations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Reversions	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

COLORADO STATE UNIVERISTY SYSTEM
Schedule of Appropriations, Expenditures and Reversions of State-Funded
Student Financial Assistance Programs
Colorado State University System
Year Ended June 30, 2020

There are no audit comments and recommendations related to the state-funded student financial assistance programs.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE
STATEMENT OF APPROPRIATIONS, EXPENDITURES, TRANSFERS, AND REVERSIONS
OF THE STATE OF COLORADO STATE-FUNDED STUDENT ASSISTANCE PROGRAMS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Members of the Legislative Audit Committee:

We have audited, 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, the statement of appropriations, expenditures, transfers, and reversions of the State-Funded Student Assistance Programs (the Statement) of the Colorado State University System (the System), an institution of higher education of the State of Colorado, for the year ended June 30, 2020, and the related notes to the Statement, and have issued our report thereon dated February 12, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the Statement, we considered the System's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Statement, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's Statement will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System's Statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of Statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Greenwood Village, Colorado
February 12, 2021