

NEW ISSUE

BOOK-ENTRY ONLY

STATE INTERCEPT RATINGS†: Moody's: "Aa2"

S&P: "AA-"

UNDERLYING RATINGS†: Moody's: "Aa3"

S&P: "A+"

See "RATINGS" herein.

In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Series 2015E-1 Bonds, the Series 2015E-2 Bonds and the Series 2015F Bonds is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel is also of the opinion that interest on the Series 2015E-1 Bonds, the Series 2015E-2 Bonds and the Series 2015F Bonds is exempt from taxation for state, county, school district, special district, municipal, or other purposes in the State of Colorado. For a more complete description, see "TAX MATTERS" herein.



\$96,490,000
Board of Governors of
the Colorado State University System
System Enterprise Revenue Bonds
Series 2015E-1

\$42,125,000
Board of Governors of
the Colorado State University System
System Enterprise Revenue Bonds
Series 2015E-2 (Green Bonds)

\$17,670,000
Board of Governors of
the Colorado State University System
System Enterprise Revenue Bonds
Series 2015F

Dated: Date of Delivery

Due: March 1, as shown on inside front cover

The Board of Governors of the Colorado State University System (the "Board") will issue the above-captioned bonds (collectively, the "Series 2015 Bonds"). The Series 2015 Bonds are being issued as fully registered bonds in denominations of \$5,000 and integral multiples thereof. When issued, the Series 2015 Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC initially will act as securities depository for the Series 2015 Bonds. Individual purchases will be made in book-entry form only, and purchasers of the Series 2015 Bonds will not receive physical delivery of bond certificates, all as more fully described herein. The principal of and premium, if any, and interest on the Series 2015 Bonds is payable by Wells Fargo Bank, National Association, Denver, Colorado, as paying agent, to DTC. Interest on the Series 2015 Bonds is payable on March 1 and September 1, commencing March 1, 2016. DTC is required to remit such principal, premium and interest to its Participants, for subsequent disbursement to the Beneficial Owners of the Series 2015 Bonds, as more fully described herein. See "THE SERIES 2015 BONDS—Book-Entry System" herein.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS, PRICES AND CUSIPS SHOWN ON INSIDE FRONT COVER.

The Series 2015 Bonds are being issued by the Board to: (a) finance certain improvements as determined by the Board, including but not limited to the construction, acquisition, improvement and equipping of (i) an approximately 152,000 gross square foot ("gsf") biology building for research and teaching on the Main Campus in Fort Collins, Colorado, (ii) an approximately 105,000 gsf medical center building (the "Green Project") to be located at the corner of Prospect Road and College Avenue in Fort Collins, Colorado, (iii) an approximately 30,000 gsf plant environmental research center to be used for teaching, research and outreach, (iv) a new 4-story parking structure at the corner of Pitkin and Mason Streets, (v) a new surface parking lot on South Campus in Fort Collins, Colorado, and (vi) approximately 85,000 gsf of academic space to be located on the east side of the new Stadium in Fort Collins, Colorado; (b) finance such other capital projects as may be designated by the Board; (c) pay capitalized interest on the Series 2015E Bonds; and (d) pay the costs of issuing the Series 2015 Bonds. See "PLAN OF FINANCING" herein.

The Series 2015 Bonds are subject to redemption prior to maturity as described herein. See "THE SERIES 2015 BONDS—Redemption" herein.

THE SERIES 2015 BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE BOARD, PAYABLE SOLELY FROM NET REVENUES, AS DEFINED HEREIN, DERIVED FROM OR IN RESPECT OF THE OPERATION OF THE SYSTEM. NET REVENUES ARE CALCULATED BY SUBTRACTING FROM THE GROSS REVENUES, AS DEFINED HEREIN, OPERATION AND MAINTENANCE EXPENSES. OUTSTANDING PARITY BONDS SECURED WITH A LIEN ON NET REVENUES ON A PARITY WITH THE LIEN OF THE SERIES 2015 BONDS ARE CURRENTLY OUTSTANDING IN THE AGGREGATE PRINCIPAL AMOUNT OF \$958,325,000, AND INCLUDING THE SERIES 2015 BONDS WILL BE \$1,114,610,000. THE PAYMENT OF THE SERIES 2015 BONDS WILL NOT BE SECURED BY AN ENCUMBRANCE, MORTGAGE, OR OTHER PLEDGE OF ANY PROPERTY EXCEPT NET REVENUES. THE SERIES 2015 BONDS WILL NOT CONSTITUTE OR BECOME A DEBT OR INDEBTEDNESS OF THE STATE, THE BOARD, THE SYSTEM OR THE UNIVERSITIES WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR LIMITATION, AND THE SERIES 2015 BONDS WILL NOT BE CONSIDERED OR HELD TO BE GENERAL OBLIGATIONS OF THE BOARD OR AN OBLIGATION OF THE STATE (OTHER THAN AS DESCRIBED UNDER "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS—STATE INTERCEPT PROGRAM FOR THE SERIES 2015E BONDS").

The Board has the right, subject to certain conditions described herein, to issue additional obligations secured by a lien on the Net Revenues which is on a parity with or subordinate to the lien thereon securing the Series 2015 Bonds.

The Series 2015E-1 Bonds and the Series 2015E-2 Bonds (collectively, the "Series 2015E Bonds") qualify for the State Intercept Program, which provides for the payment by the State Treasurer of principal of and interest due with respect to the Series 2015E Bonds if the Board does not make such payment by the date on which it is due. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS—State Intercept Program for the Series 2015E Bonds" herein. The Series 2015F Bonds will not be covered by the State Intercept Program.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement, particularly the section titled "INVESTMENT CONSIDERATIONS," to obtain information essential to the making of an informed investment decision.

The Series 2015 Bonds are offered when, as and if issued, subject to the approving opinion of Kutak Rock LLP, as Bond Counsel, and certain other conditions. Kutak Rock LLP has also acted as counsel to the Board in connection with the preparation of this Official Statement. The Underwriters are being represented by their counsel, Hogan Lovells US LLP, Denver, Colorado. North Slope Capital Advisors, Denver, Colorado, has served as Municipal Advisor to the Board in connection with the issuance of the Series 2015 Bonds. It is expected that the Series 2015 Bonds will be issued and available for delivery through DTC in New York, New York on or about September 16, 2015, against payment therefor.

Morgan Stanley

RBC Capital Markets

US Bancorp

FirstSouthwest

The date of this Official Statement is August 7, 2015.

† The Series 2015E Bonds will be secured by the State Intercept Program. The Series 2015F Bonds will not be secured by the State Intercept Program.

SERIES 2015E-1 MATURITY SCHEDULE

Maturity Date (March 1)	Principal Amount	Interest Rate	Yield	CUSIP®²
2033	\$3,040,000	5.000%	3.290% ¹	196707 TA1
2034	5,500,000	5.000	3.330 ¹	196707 TB9
2035	5,780,000	5.000	3.370 ¹	196707 TC7

\$32,240,000 5.000% Term Bond due March 1, 2040 Priced to Yield: 3.510%¹ CUSIP®²: 196707 TE3

\$49,930,000 5.000% Term Bond due March 1, 2047 Priced to Yield: 3.680%¹ CUSIP®²: 196707 TD5

SERIES 2015E-2 MATURITY SCHEDULE

Maturity Date (March 1)	Principal Amount	Interest Rate	Yield	CUSIP®²
2023	\$2,665,000	5.000%	2.230%	196707 TF0
2024	3,380,000	5.000	2.410	196707 TG8
2025	3,540,000	5.000	2.560	196707 TH6
2026	3,725,000	5.000	2.720 ¹	196707 TJ2
2027	3,910,000	5.000	2.860 ¹	196707 TK9
2028	4,100,000	5.000	2.950 ¹	196707 TL7
2029	4,315,000	5.000	3.040 ¹	196707 TM5
2030	4,530,000	5.000	3.110 ¹	196707 TN3
2031	4,760,000	5.000	3.190 ¹	196707 TP8
2032	4,995,000	5.000	3.240 ¹	196707 TQ6
2033	2,205,000	5.000	3.290 ¹	196707 TR4

SERIES 2015F MATURITY SCHEDULE

Maturity Date (March 1)	Principal Amount	Interest Rate	Yield	CUSIP®²
2016	\$695,000	2.000%	0.280%	196707 TS2
2017	1,550,000	3.000	0.700	196707 TT0
2018	2,745,000	4.000	1.030	196707 TU7
2019	2,855,000	4.000	1.310	196707 TV5
2020	2,965,000	5.000	1.590	196707 TW3
2021	3,120,000	1.750	1.900	196707 TX1
2022	3,175,000	2.000	2.180	196707 TY9
2023	565,000	3.000	2.370	196707 TZ6

¹ Priced to the first optional par call date of March 1, 2025.

² Copyright 2013, American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association. The CUSIP data herein is provided by the CUSIP Service Bureau, managed on behalf of the American Bankers Association by Standard & Poor's. The CUSIP numbers are not intended to create a database and do not serve in any way as a substitute for the CUSIP service. CUSIP numbers have been assigned by an independent company not affiliated with the Board and are provided solely for convenience and reference. None of the Board, the System or the Underwriters take responsibility for the accuracy of the CUSIP numbers.

USE OF INFORMATION IN THIS OFFICIAL STATEMENT

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any of the Series 2015 Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation, or sale. No dealer, salesman, or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement in connection with the offering of the Series 2015 Bonds, and if given or made, such information must not be relied upon as having been authorized by the Board, the System, the Universities or the Underwriters (both as defined herein).

The information set forth in this Official Statement has been furnished by the Board, the System or the Universities and obtained from other sources believed to be reliable. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions, or that they will be realized. The information in this Official Statement is subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Board, the System, the Universities, or others since the date hereof.

The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under federal securities laws as applied to the facts and circumstances of the transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

THE PRICES AT WHICH THE SERIES 2015 BONDS ARE OFFERED TO THE PUBLIC BY THE UNDERWRITERS (AND THE YIELDS RESULTING THEREFROM) MAY VARY FROM THE INITIAL PUBLIC OFFERING PRICES OR YIELDS APPEARING ON THE INSIDE COVER PAGE HEREOF. IN ADDITION, THE UNDERWRITERS MAY ALLOW CONCESSIONS OR DISCOUNTS FROM SUCH INITIAL PUBLIC OFFERING PRICES TO DEALERS AND OTHERS. IN ORDER TO FACILITATE DISTRIBUTION OF THE SERIES 2015 BONDS, THE UNDERWRITERS MAY ENGAGE IN TRANSACTIONS INTENDED TO STABILIZE THE PRICE OF THE SERIES 2015 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

IN MAKING ANY INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE BOARD, THE SYSTEM AND THE UNIVERSITIES, THE NET REVENUES AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE UNIVERSITIES AND THE SYSTEM MAINTAIN INTERNET AND SOCIAL MEDIA WEBSITES; HOWEVER, THE INFORMATION PRESENTED THERE IS NOT PART OF THIS OFFICIAL STATEMENT AND SHOULD NOT BE RELIED UPON IN MAKING AN INVESTMENT DECISION WITH RESPECT TO THE SERIES 2015 BONDS.

THIS OFFICIAL STATEMENT IS BEING PROVIDED TO PROSPECTIVE PURCHASERS EITHER IN BOUND PRINTED FORM ("ORIGINAL BOUND FORMAT") OR IN ELECTRONIC FORMAT ON THE FOLLOWING WEBSITE: WWW.MUNIOS.COM. THIS OFFICIAL STATEMENT MAY BE RELIED UPON ONLY IF IT IS IN ITS ORIGINAL BOUND FORMAT OR IT IS PRINTED IN FULL DIRECTLY FROM SUCH WEBSITE.

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OFFICIAL STATEMENT

\$96,490,000
Board of Governors of
the Colorado State University System
System Enterprise Revenue Bonds
Series 2015E-1

\$42,125,000
Board of Governors of
the Colorado State University System
System Enterprise Revenue Bonds
Series 2015E-2 (Green Bonds)

\$17,670,000
Board of Governors of
the Colorado State University System
System Enterprise Revenue Bonds
Series 2015F

INTRODUCTION

General

This Official Statement, including its cover page, inside cover page, and appendices, provides information in connection with the issuance and sale of the Board of Governors of the Colorado State University System, System Enterprise Revenue Bonds, Series 2015E-1 (the “Series 2015E-1 Bonds”), System Enterprise Revenue Bonds, Series 2015E-2 (Green Bonds) (the “Series 2015E-2 Bonds” and, together with the Series 2015 E-1 Bonds, the “Series 2015E Bonds”) and System Enterprise Revenue Bonds, Series 2015F (the “Series 2015F Bonds” and, together with the Series 2015E Bonds, the “Series 2015 Bonds”) issued by the Board of Governors of the Colorado State University System (the “Board”) of the State of Colorado (the “State”) in the aggregate principal amount shown above pursuant to the Master System Enterprise Bond Resolution, adopted by the Board on June 20, 2007, as heretofore amended and supplemented and as further amended and supplemented by the Tenth Supplemental Resolution, adopted by the Board on May 7, 2015 (collectively, the “Bond Resolution”). Capitalized terms used herein and not otherwise defined have the meanings given thereto in the Bond Resolution. See “SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION” included as Appendix B hereto.

This introduction is not a summary of this Official Statement. It is only a description of and guide to, and is qualified by, more complete information contained in the entire Official Statement, including the cover page, inside cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of Series 2015 Bonds to potential investors is made only by means of the entire Official Statement.

The Board and Colorado State University System

The Board, a body corporate comprised of 15 persons (nine voting and six nonvoting), is one of the governing boards of institutions of higher education in the State and governs the Colorado State University System (the “System”), which is comprised of Colorado State University (“CSU”) in Fort Collins, Colorado, Colorado State University-Pueblo (“CSU-Pueblo”) in Pueblo, Colorado and Colorado State University-Global Campus (“CSU-Global”) in Greenwood Village, Colorado, a baccalaureate and graduate online university (collectively, the “Universities”). Campus maps of the CSU campus and the CSU-Pueblo campus are attached hereto as Appendix E. Revenues of CSU-Global do not constitute

Gross Revenues and thus are not pledged to the payment of the Series 2015 Bonds. See “THE BOARD AND COLORADO STATE UNIVERSITY SYSTEM—Generally—The System.” See “THE BOARD AND COLORADO STATE UNIVERSITY SYSTEM” and “CERTAIN FINANCIAL INFORMATION.”

CSU is internationally known for its green initiatives and clean-energy research including alternative fuels, clean engines, photovoltaics, smart-grid technology, water resources, and satellite-based atmospheric monitoring and tracking systems. CSU is also renowned for its sustainability efforts on campus, having recently been named the “Greenest University” in America among 240 universities by BestColleges.com and having recently become the first university in the world to reach a ranking of “Platinum” by the Sustainability Tracking, Assessment & Rating System (“STARS”). CSU’s many Green Initiatives are detailed at <http://www.green.colostate.edu/>. This internet address is provided as a matter of convenience for the purchasers of the Series 2015 Bonds. The Board does not incorporate herein any information provided at such internet address or any other internet addresses that may be contained therein or herein, and the information at such internet address or internet addresses is not to be construed or incorporated as part of this Official Statement.

Purpose of the Series 2015 Bonds

The proceeds from the sale of the Series 2015 Bonds will be used to (a) finance certain improvements as determined by the Board, including but not limited to the construction, acquisition, improvement and equipping of (i) an approximately 152,000 gross square foot (“gsf”) biology building for research and teaching on the Main Campus in Fort Collins, Colorado, (ii) an approximately 105,000 gsf medical center building (the “Green Project”) to be located at the corner of Prospect Road and College Avenue in Fort Collins, Colorado, (iii) an approximately 30,000 gsf plant environmental research center to be used for teaching, research and outreach, (iv) a new 4-story parking structure at the corner of Pitkin and Mason Streets, (v) a new surface parking lot on South Campus in Fort Collins, Colorado, and (vi) approximately 85,000 gsf of academic space to be located on the east side of the new Stadium (as defined herein) in Fort Collins, Colorado; (b) finance such other capital projects as may be designated by the Board; (c) pay capitalized interest on the Series 2015E Bonds; and (d) pay the costs of issuing the Series 2015 Bonds. See “PLAN OF FINANCING.”

Sources of Payment for the Series 2015 Bonds

The Series 2015 Bonds are special, limited obligations of the Board, payable solely from Net Revenues, as defined in the Bond Resolution. Net Revenues are calculated by determining the Gross Revenues, as described herein, less Operation and Maintenance Expenses, as described herein. For a further description of the Net Revenues, see “THE NET REVENUES” and “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS—Special Limited Obligations.” The payment of the Series 2015 Bonds will not be secured by an encumbrance, mortgage, or other pledge of any property except Net Revenues. The Series 2015 Bonds will not constitute or become a debt or indebtedness of the State, the Board, the System or the Universities within the meaning of any constitutional or statutory provision or limitation, and the Series 2015 Bonds will not be considered or held to be general obligations of the Board or an obligation of the State (other than as provided under “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS—State Intercept Program for the Series 2015E Bonds”). The Bond Resolution prohibits the Board from issuing any additional bonds or other obligations with a lien on Net Revenues which is superior to the lien thereon of the Series 2015 Bonds.

No reserve fund has been established with respect to the Series 2015 Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS—No Reserve Fund Requirement.”

Pursuant to the Bond Resolution, the Board has the right, subject to certain stated conditions, to issue additional Bonds and Parity Obligations payable from and secured by the Net Revenues (for purposes of this Official Statement, such Bonds and Parity Obligations are referred to herein as “Enterprise Obligations”), as provided in “THE SERIES 2015 BONDS—Additional Enterprise Obligations.” The Series 2015 Bonds, together with any additional Enterprise Obligations payable from the Net Revenues, including the Board’s remaining outstanding System Enterprise Revenue Bonds listed in the table entitled “Outstanding Parity Bonds” under the caption “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS—Additional Enterprise Obligations” (collectively, the “Outstanding Parity Bonds”), and secured with a lien thereon on a parity with the lien of the Series 2015 Bonds are referred to herein as the “Bonds” or “Parity Bonds.” Outstanding Parity Bonds secured with a lien on Net Revenues on parity with the lien on the Series 2015 Bonds are currently outstanding in the aggregate principal amount of \$958,325,000, and including the Series 2015 Bonds will be \$1,114,610,000. See “PLAN OF FINANCING” and “UNDERWRITING.”

State Intercept Program. On June 4, 2008, the State enacted the Higher Education Revenue Bond Intercept Program (the “State Intercept Program”), established pursuant to S.B. 08-245, Section 23-5-139, Colorado Revised Statutes, as amended, which provides that, under certain circumstances where the Board has not paid the principal and/or interest on the Series 2015E Bonds, the State Treasurer (the “Treasurer”) is required to forward to the Series 2015 Paying Agent the amount necessary to make the payment of principal and interest on the Series 2015E Bonds. The Series 2015E Bonds qualify for the State Intercept Program. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS—State Intercept Program for the Series 2015E Bonds.” Upon the issuance of the Series 2015E Bonds, the Series 2007A Bonds, Series 2007B Bonds, Series 2008A Bonds, Series 2009A Bonds, Series 2013C Bonds, Series 2013D Bonds, Series 2015A Bonds, Series 2015B Bonds, Series 2015D Bonds and Series 2015F Bonds will not be covered by the State Intercept Program. The Series 2010A Bonds, Series 2010B Bonds, Series 2010C Bonds, Series 2012A Bonds, Series 2012B Bonds, Series 2012C Bonds, Series 2013A Bonds, Series 2013B Bonds, Series 2013E Bonds, Series 2015C Bonds, Series 2015D Bonds and Series 2015E Bonds will be covered by the State Intercept Program.

Terms of the Series 2015 Bonds

Payments. The Series 2015 Bonds will be dated as of their date of delivery and bear interest from such date to maturity, payable semiannually on March 1 and September 1 of each year, commencing March 1, 2016. Principal on the Series 2015 Bonds is payable on March 1 in the years shown on the inside cover page of this Official Statement. Interest on the Series 2015 Bonds will be computed on the basis of a 360-day year of twelve 30-day months.

Denominations. The Series 2015 Bonds are issuable in the Authorized Denomination of \$5,000 and integral multiples thereof.

Redemption. The Series 2015 Bonds are subject to redemption prior to maturity as described herein. See “THE SERIES 2015 BONDS—Redemption.”

Book-Entry System

The Depository Trust Company, New York, New York (“DTC”) is acting as securities depository for the Series 2015 Bonds through its nominee, Cede & Co., to which principal and interest payments on the Series 2015 Bonds are to be made. One or more fully registered bonds in denominations in the aggregate equal to the principal amount per maturity of the applicable series of the Series 2015 Bonds will be registered in the name of Cede & Co. Individual purchases will be made in book-entry form only and purchasers of the Series 2015 Bonds will not receive physical delivery of bond certificates, all as

more fully described herein. Upon receipt of payments of principal and interest, DTC is to remit such payments to the DTC participants for subsequent disbursement to the beneficial owners of the Series 2015 Bonds. For a more complete description of the book-entry system, see “THE SERIES 2015 BONDS—Book-Entry System.”

For a more complete description of the Series 2015 Bonds and the Bond Resolution and other documents pursuant to which such Series 2015 Bonds are being issued, see “THE SERIES 2015 BONDS” and “SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION” in Appendix B hereto.

Tax Matters

In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Series 2015 Bonds is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel is also of the opinion that interest on the Series 2015 Bonds is exempt from taxation for state, county, school district, special district, municipal, or other purposes in the State of Colorado. See “TAX MATTERS” and Appendix C hereto.

Authority for Issuance

The System Enterprise is defined by the Bond Resolution to mean the group of institutions consisting of CSU and CSU-Pueblo designated as a single enterprise by the Board under the provisions of Sections 23-5-101.7, 23-5-102, 23-5-103, 23-5-104 and 23-5-105, Colorado Revised Statutes, as amended (collectively, the “Institutional Enterprise Act”). The Series 2015 Bonds are being issued pursuant to the Bond Resolution and under authority granted by the Institutional Enterprise Act, Sections 23-5-101.5, 23-5-102, 23-5-103, 23-5-104 and 23-5-105, Colorado Revised Statutes, as amended (collectively, the “Auxiliary Facilities Enterprise Act”), Sections 23-31-111 through 23-31-117, inclusive, Colorado Revised Statutes, as amended (the “Research Building Fund Act”), Article 5, Title 23, Colorado Revised Statutes, as amended (the “Bond Act”), and Part 2, Article 57, Title 11, Colorado Revised Statutes, as amended (the “Supplemental Public Securities Act”).

Offering and Delivery of the Series 2015 Bonds

The Series 2015 Bonds are offered when, as and if issued, subject to approval as to their legality by Bond Counsel to the Board and the satisfaction of certain other conditions. It is anticipated that the Series 2015 Bonds will be issued and available for delivery through DTC in New York, New York on or about September 16, 2015.

Professionals Involved in the Offering

Wells Fargo Bank, National Association, in Denver, Colorado, will act as paying agent and registrar (the “Series 2015 Paying Agent” and the “Series 2015 Registrar”) under the Bond Resolution. At the time of issuance and sale of the Series 2015 Bonds, Kutak Rock LLP, as Bond Counsel, will deliver the opinion discussed under “TAX MATTERS.” See also “LEGAL MATTERS.” Kutak Rock LLP has also acted as counsel to the Board in connection with the preparation of this Official Statement. The Underwriters are being represented by their counsel, Hogan Lovells US LLP, Denver, Colorado. North Slope Capital Advisors has served as Municipal Advisor to the Board in connection with the issuance of the Series 2015 Bonds.

Availability of Continuing Disclosure

Upon issuance of the Series 2015 Bonds, the Board will deliver a Continuing Disclosure Undertaking pursuant to Rule 15c2-12 promulgated under the Securities Exchange Act of 1932, as amended (the “Rule”) in which it will agree, for the benefit of the owners of the Series 2015 Bonds, to file or cause to be filed with the Municipal Securities Rulemaking Board (“MSRB”) in an electronic format such ongoing information regarding the System, the Universities and the Net Revenues as described in “CONTINUING DISCLOSURE UNDERTAKING” and in Appendix D hereto. The Board failed to provide its 2010 and 2012 Annual Financial Information and Audited Financial Statements (each a “Report”) in a timely manner to MSRB’s Electronic Municipal Market Access (“EMMA”) as required by Rule 15c2-12(b)(5) (the “Rule”) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended. The Board’s Reports are due on February 25th of each year (240 days after the completion of its Fiscal Year). The 2010 Report was filed on February 28, 2011 and the 2012 Report was filed on February 28, 2013. Such late filings were due to either delays in compiling the information necessary to accurately complete each Report, or wrongly interpreting when such Reports were due. The Board has taken remedial action to bring the Board into compliance with its continuing disclosure obligations, including hiring an outside specialty disclosure firm to help ensure all future reports are filed when due. The Board entered into an engagement letter with Digital Assurance Certification, L.L.C. (“DAC”), pursuant to which the Board has engaged DAC to file and disseminate information provided by the Board in connection with the Board’s continuing disclosure obligations under Rule 15c2-12. The Board’s management believes that it has appropriate staffing levels, training programs and adequate policies and associated procedures to assure post issuance compliance with future continuing disclosure filings under the Rule. Failure of the Board to provide such information may materially and adversely affect any secondary market trading in the Series 2015 Bonds, but such failure will not cause a default under the Bond Resolution.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

The quotations from, and summaries and explanations of, the statutes, regulations and documents contained herein do not purport to be complete and reference is made to said laws, regulations and documents for full and complete statements of their provisions. Copies, in reasonable quantity, of such laws, regulations and documents may be obtained during the offering period, upon request to the Board and upon payment to the Board of a charge for copying, mailing and handling, at Suite 2440, 410 Seventeenth Street, Denver, Colorado 80202, Attention: Richard Schweigert, Chief Financial Officer.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Board and the purchasers or holders of any of the Series 2015 Bonds.

FORWARD LOOKING STATEMENTS

This Official Statement contains statements, including those concerning expectations and assumptions as to the future financial performance of Net Revenues and the System, relating to future results that are “forward looking statements” as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words “estimate,” “forecast,” “intend,” “expect,” “project,” “budget,” “plan,” and similar expressions identify forward looking statements.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD LOOKING STATEMENTS. THE BOARD DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

THE SERIES 2015 BONDS

General information describing the Series 2015 Bonds appears elsewhere in this Official Statement. That information should be read in conjunction with this summary, which is qualified in its entirety by reference to the Bond Resolution and the forms of Series 2015 Bonds included therein. See “SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION” in Appendix B hereto.

Generally

The Series 2015 Bonds are being issued pursuant to the Bond Resolution, which constitutes an irrevocable contract between the Board and the owners of the Series 2015 Bonds. The Bond Resolution provides that the Board will not take any action by which the rights and privileges of any owner of any Series 2015 Bond might be impaired or diminished. The Series 2015 Bonds are being issued under the authority of and pursuant to the Institutional Enterprise Act, the Auxiliary Facilities Enterprise Act, the Research Building Fund Act, the Bond Act and the Supplemental Public Securities Act. The Series 2015 Bonds are dated as of their date of issuance and bear interest from such date to maturity, payable semiannually on March 1 and September 1 of each year, commencing March 1, 2016. Principal on the Series 2015 Bonds is payable on March 1 in the years and in the amounts shown on the inside cover page of this Official Statement.

See “APPENDIX B—SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION” for a summary of certain provisions of the Bond Resolution, including, without limitation, certain covenants of the Board, the rights and duties of the Series 2015 Paying Agent, the rights and remedies of the Series 2015 Paying Agent, provisions relating to amendments of the Bond Resolution and procedures for defeasance of the Series 2015 Bonds.

Book-Entry System

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Series 2015 Bonds. The Series 2015 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2015 Bond certificate will be issued for each maturity and interest rate of the Series 2015 Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money

market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. This internet address is provided as a matter of convenience for the purchasers of the Series 2015 Bonds. The Board does not incorporate herein any information provided at such internet address or any other internet addresses that may be contained therein or herein, and the information at such internet address or internet addresses is not to be construed or incorporated as part of this Official Statement.

Purchases of Series 2015 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2015 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2015 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2015 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2015 Bonds, except in the event that use of the book-entry system for the Series 2015 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2015 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2015 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2015 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2015 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Series 2015 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2015 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures.

Under its usual procedures, DTC mails an Omnibus Proxy to the Board as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2015 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2015 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Board or Series 2015 Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Paying Agent, or the Board, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Board or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2015 Bonds at any time by giving reasonable notice to the Board or the Series 2015 Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Series 2015 Bond certificates are required to be printed and delivered.

The Board may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2015 Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources the Board believes to be reliable, but the Board takes no responsibility for the accuracy thereof. Accordingly, no representations can be made concerning these matters and neither the Direct Participants, the Indirect Participants, nor the Beneficial Owners should rely on the foregoing information with respect to such matters but should instead confirm the same with DTC or the Direct Participants, as the case may be.

Redemption

Optional Redemption of Series 2015 Bonds. The Series 2015E-1 Bonds and the Series 2015E-2 Bonds maturing on and after March 1, 2026 shall be callable for redemption at the option of the Board, in whole or in part, and if in part in such order of maturities as the Board shall determine and by lot within a maturity on March 1, 2025 and on any date thereafter, at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date.

Mandatory Sinking Fund Redemption of Series 2015 Bonds. The Series 2015E-1 Bonds maturing on March 1, 2040, are subject to mandatory sinking fund redemption by lot in such manner as the Series 2015 Registrar may determine (giving proportionate weight to such Series 2015E-1 Bonds in denominations larger than \$5,000), on March 1 in the designated years and designated amounts of principal as if such installments of principal then matured, at a price equal to the principal amount of each such Series 2015E-1 Bond or portion thereof so redeemed and accrued interest to the redemption date, as follows:

Redemption Date (March 1)	Principal To Be Redeemed
2036	\$ 6,070,000
2037	6,375,000
2038	6,280,000
2039	6,595,000
2040 ¹	6,920,000

¹ Final Maturity.

Source: The Underwriters

The principal amount of Series 2015E-1 Bonds maturing on March 1, 2040, required to be redeemed on any particular date shall be reduced in regular chronological order by an amount equal to the par value of any such Series 2015E-1 Bonds maturing on March 1, 2040, that are redeemed at the Board's option not less than 45 days prior to the redemption date fixed for such mandatory sinking fund redemption. The remaining principal amount of Series 2015E-1 Bonds maturing on March 1, 2040, shall be paid upon presentation and surrender at or after their maturity on March 1, 2040, unless otherwise sooner redeemed as provided in the Bond Resolution.

The Series 2015E-1 Bonds maturing on March 1, 2047, are subject to mandatory sinking fund redemption by lot in such manner as the Series 2015 Registrar may determine (giving proportionate weight to such Series 2015E-1 Bonds in denominations larger than \$5,000), on March 1 in the designated years and designated amounts of principal as if such installments of principal then matured, at a price equal to the principal amount of each such Series 2015E-1 Bond or portion thereof so redeemed and accrued interest to the redemption date, as follows:

Redemption Date (March 1)	Principal To Be Redeemed
2041	\$ 7,265,000
2042	7,630,000
2043	8,010,000
2044	8,415,000
2045	8,835,000
2046	4,770,000
2047 ¹	5,005,000

¹ Final Maturity.

Source: The Underwriters

The principal amount of Series 2015E-1 Bonds maturing on March 1, 2047, required to be redeemed on any particular date shall be reduced in regular chronological order by an amount equal to the par value of any such Series 2015E-1 Bonds maturing on March 1, 2047, that are redeemed at the Board's option not less than 45 days prior to the redemption date fixed for such mandatory sinking fund redemption. The remaining principal amount of Series 2015E-1 Bonds maturing on March 1, 2047, shall be paid upon presentation and surrender at or after their maturity on March 1, 2047, unless otherwise sooner redeemed as provided in the Bond Resolution.

Selection of the Series 2015 Bonds for Redemption. If less than all of any Series 2015 Bonds are called for prior redemption hereunder, the Series 2015 Bonds or portions to be redeemed shall be redeemed in such order of maturities as shall be specified by the Board. If less than all of any Series 2015 Bonds or portions thereof of a single maturity and rate are to be redeemed, they shall be selected by lot in such manner as the Paying Agent may determine. In the case of a Series 2015 Bond of a denomination larger than an Authorized Denomination, such Series 2015 Bond may be redeemed only in principal amounts equal to any integral multiple of the minimum Authorized Denomination. In the event a portion of any Series 2015 Bonds is so redeemed, the Series 2015 Registrar shall, without charge to the owner of such Series 2015 Bond, authenticate a replacement Series 2015 Bond for the unredeemed portion thereof.

Notice and Effect of Redemption. Notice of redemption is to be given in all cases by the Series 2015 Registrar, in the name and on behalf of the Board, by sending a copy of such notice by first-class, postage prepaid mail, not less than 30 days but not more than 60 days prior to the redemption date, to each owner of any Series 2015 Bond, all or a portion of which is called for prior redemption, at such owner's address as it last appears on the registration books kept by the Series 2015 Registrar. After such notice and upon presentation, the Series 2015 Bonds called for redemption are to be paid. Failure to give such notice to the owner of any Series 2015 Bond, or any defect therein, will not affect the validity of the proceedings for the redemption of any other Series 2015 Bonds with respect to which due notice has been given. Such notice will identify the Series 2015 Bonds or portions thereof to be redeemed (if less than all are to be redeemed) and the date fixed for redemption, describe any conditions with respect to such redemption, and will further state that on such redemption date the principal amount thereof and premium thereon, if any, will become due and payable at the Series 2015 Paying Agent, and that from and after such date interest will cease to accrue.

Additional Enterprise Obligations

Parity Obligations. The Bond Resolution reserves to the Board the right, subject to stated conditions, to issue, from time to time, additional Enterprise Obligations payable from Net Revenues and secured with a lien thereon on a parity with the lien of the Series 2015 Bonds ("Parity Obligations"). Additional Enterprise Obligations may be issued only if the following conditions are met:

(a) the Board must not have defaulted in making any payments to the various funds created in connection with the issuance of the Enterprise Obligations during the 12 calendar months immediately preceding the issuance of such Enterprise Obligations or, if none of the Enterprise Obligations have been Outstanding for a period of at least 12 calendar months, for the longest period any of the Enterprise Obligations have been Outstanding;

(b) the Net Revenues for the Fiscal Year immediately preceding the date of adoption of the resolution or other instrument authorizing the issuance of such additional Enterprise Obligations, adjusted as described in clause (c) below, would have been sufficient to pay an amount of not less than the Average Annual Debt Service Requirements with respect to all Bonds that will remain Outstanding following the issuance of such Enterprise Obligations, including the Enterprise Obligations to be issued; and

(c) in determining whether or not Enterprise Obligations may be issued as aforesaid, there shall be added to the amount determined to be the Net Revenues for the preceding Fiscal Year referred to in clause (b) above, the amount, if any, estimated by the Board Representative to equal the additional amount the Board expects to derive as a part of the Net Revenues during the first full Fiscal Year following (i) the completion of the additions to, any improvements to, betterments of, enlargements of, and extensions of the Facilities and Research Facilities (or any combination thereof), to be acquired with the proceeds of such additional Enterprise Obligations;

(ii) the approval and imposition of any new fee or the increase of any existing fee relating to the Facilities or the Research Facilities (or any combination thereof) or the System which fee is pledged to secure the Enterprise Obligations; or (iii) the inclusion of any additional revenues of the System, including any additional tuition amounts, which will be pledged in connection with the issuance of the additional Enterprise Obligations; provided that such anticipated amount is to be limited to the revenues estimated to be derived from estimated charges for the use of such additional Facilities or Research Facilities, the estimated revenues of the new or additional fee or the estimated additional revenues to be pledged. The Net Revenues shall also be increased, if any schedule of fee or rate increases shall have been adopted by resolution of the Board during the 12-month period immediately preceding the date of the adoption of the resolution authorizing such additional Enterprise Obligations, by an amount estimated to equal the difference between the Net Revenues actually received by the Board and the Net Revenues which the Board would have received during said 12-month period if the last of any such schedule of fee or rate increases had been in effect during said entire preceding 12-month period. The adjustments described in this clause (c) shall be made by the Board Representative and her/his figures as to the adjustments, if any, in Net Revenues shall be conclusively presumed to be accurate.

The Board is permitted to issue additional Enterprise Obligations for the purpose of refunding any Outstanding Bonds or any other obligations if the lien on Net Revenues of the Outstanding obligations so refunded is on a parity with or superior to the lien thereon of the refunding Bonds or the requirements set forth above are satisfied with respect to such refunding Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS—Additional Enterprise Obligations.”

Subordinate Lien Obligations and Special Obligations. The Board also may, without compliance with the requirements described under “—Additional Enterprise Obligations,” issue (a) additional obligations payable from Net Revenues and secured by a lien thereon which is subordinate to the lien of the Series 2015 Bonds; and/or (b) subject to certain limitations set forth in the Bond Resolution, special obligation bonds for the payment of which there are pledged (as a separate and independent pledge) revenues derived solely from the particular project acquired with the proceeds of such obligations.

No Prior Lien Obligations. Pursuant to the Bond Resolution, the Board is not permitted to issue obligations payable from Net Revenues and having a lien thereon prior and superior to the Series 2015 Bonds.

INVESTMENT CONSIDERATIONS

General

There are a number of factors affecting institutions of higher education in general, including the Universities and the Board as a whole, that could have an adverse effect on the Board’s financial position and its ability to make the payments required under the Bond Resolution. These factors include, but are not limited to, the continuing rising costs of providing higher education services; competition for students from other institutions of higher education; the failure to maintain or increase in the future the funds obtained by the Board from other sources, including gifts and contributions from donors, grants, or appropriations from governmental bodies and income from investment of endowment funds and operating funds; adverse results from the investment of endowment funds and operating funds; decreases in federal funding levels; increasing costs of compliance with federal or State laws or regulations, including, without limitation, laws or regulations concerning environmental quality, work safety and accommodating the disabled; changes in federal governmental policy relating to the reimbursement of overhead costs of government contracts; changes to the federal student loan program; increased student

loan interest rates; the financial ability of students to afford college attendance; any unionization of the Universities' work force with consequent impact on wage scales and operating costs of the Universities; and legislation or regulations which may affect student aid and other program funding. The Board cannot assess or predict the ultimate effect of these factors on its operations or financial results.

Research

Federal, state and local government units have adopted regulations and restrictions that govern funded research, both by formal regulation and by contract. They may adopt additional regulations or restrictions in the future. From time to time, such government units audit university and other research programs. Although the Universities employ reasonable efforts to operate their programs consistently with the funded research requirements, an audit could discover areas in which a government unit disagrees with the Universities' actions. In the case of a serious audit disagreement, the Universities could be required to repay amounts previously paid to them, and could be barred from future research grants. Such an action could lead to the reduction or elimination of research funding by such government unit and by other sources of research funding.

Special, Limited Obligations

The Series 2015 Bonds are special, limited obligations of the Board payable and collectible solely out of the Net Revenues, which are pledged for that purpose to the extent provided in the Bond Resolution. The registered owners of the Series 2015 Bonds may not look to any general or other fund for the payment of the principal of, premium, if any, or interest on the Series 2015 Bonds, except the Net Revenues. The payment of the Series 2015 Bonds will not be secured by an encumbrance, mortgage or other pledge of any property, except the Net Revenues. The Series 2015 Bonds will not constitute or become a debt or indebtedness of the State (except, in the case of the Series 2015E Bonds, to the extent provided for in the State Intercept Program), the Board, the System or the Universities within the meaning of any constitutional or statutory provision or limitation, and the Series 2015 Bonds will not be considered or held to be general obligations of the Board or an obligation of the State. The Series 2015 Bonds and Outstanding Parity Obligations have a first claim and lien on the Net Revenues, which lien is not necessarily exclusive. The Board has the right, subject to specified conditions, to issue additional Parity Obligations on a parity with the Series 2015 Bonds and the Outstanding Parity Obligations. The Board also has the right, subject to specified conditions, to issue bonds or other obligations for any legal purpose, including purposes of similar character to those authorized by the Bond Resolution, and to pledge to the payment thereof (as a separate and independent pledge) such revenues as will be derived solely from the particular project financed. See generally "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS."

In the event the Net Revenues pledged to secure the Series 2015 Bonds are insufficient to pay the principal of, premium, if any, or interest on Series 2015 Bonds, neither the State, the Board nor the Universities will have any obligation to make such payments, other than pursuant to the State Intercept Program for the Series 2015E Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS—State Intercept Program for the Series 2015E Bonds."

Net Revenues

Net Revenues are defined by the Bond Resolution and include certain revenues and fees pledged by the Board as described in "THE NET REVENUES—Generally." All Net Revenues are to be credited to the Revenue Fund, as described in "SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION—Establishment of Revenue Fund, Debt Service Fund, Reserve Fund, Additional Payment Fund and Rebate Fund" in Appendix B hereto. There can be no assurance that the Net Revenues

generated by the System Enterprise in the future will be similar to historical results. For information about Net Revenues generated by the System Enterprise, see “THE NET REVENUES—Historical Net Revenues.”

No Reserve Fund Requirement

Pursuant to the Bond Resolution, the Board may, but is not required to, establish a reserve requirement with respect to any series of Bonds. See “SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION—Establishment of Revenue Fund, Debt Service Fund, Reserve Fund, Additional Payment Fund and Rebate Fund” in Appendix B hereto. However, no reserve requirement will be established for the Series 2015 Bonds.

Risks to Generation of Net Revenues from CSU Stadium

On April 28, 2015 the Board issued Parity Obligations to construct a 643,000 gsf multi-purpose stadium in Fort Collins, Colorado (the “Stadium”). As with any entertainment and sports venue, there are a variety of factors that could materially adversely affect the Net Revenues projected to be derived from operations at the Stadium. If sales of naming rights, sponsorships or premium seating, such as luxury suites, loge boxes and club seats, are less than anticipated, revenues derived from the Stadium operations will be reduced. Similarly, if the CSU intercollegiate football program were suspended, discontinued or curtailed for any reason, including without limitation internal compliance actions by CSU administration or sanctions by the NCAA, or if competitiveness or popularity of the CSU football team materially declined, the Net Revenues from operations at the Stadium could be materially reduced.

In addition, a number of factors, many of which may be beyond the control of the Board, could have an adverse impact on Net Revenues from the Stadium, including a general decline in the popularity of football as a spectator sport, adverse changes in the economy affecting public expenditures for athletic events, entertainment or tourism, terrorist attacks, adverse weather, environmental and other disasters, litigation or other adversarial proceedings, and laws or regulations governing the health, safety, environmental and other matters.

Delays in Stadium Completion, Stadium Cost Overruns and Disputes

Project cost overruns and disputes with contractors, architects, engineers or others involved with the construction, design or other aspects of the Stadium could result in additional liability for the Board and a material adverse change in the Net Revenues from the Stadium that are available to the Board. It is possible that construction delays could cause reduced seating capacity or the postponement, cancellation or relocation of scheduled football games, including the availability of the Stadium for the 2017 football season.

Future Facilities Utilization

The amount of Net Revenues available for the payment of debt service on the Series 2015 Bonds will be affected by the future levels of enrollment and utilization of the Facilities (as hereinafter defined) and the rates and charges that the Board can reasonably impose in connection with the use of such Facilities. The availability of alternative facilities at competitive rates may have an adverse impact on the level of utilization of the Facilities and on the ability of the Board to adjust fees and rates in the future.

Potential Implications of Federal Sequestration and Budget Constraints

The Federal Budget Control Act of 2011 (the “Budget Control Act”) passed by the U.S. Congress required the enactment of a plan to reduce the federal deficit by \$1.2 trillion over a ten-year period and automatic budget cuts referred to as “sequestration” to go into effect on January 2, 2013 if such enactment did not take place. On January 2, 2013, while such a plan was not enacted, Congress passed the American Taxpayer Relief Act of 2012 (the “Relief Act”) which addressed some revenue and spending issues and delayed the sequestration until March 1, 2013. The sequestration provisions contained in the Relief Act have been imposed. As further described herein under “THE NET REVENUES—Tuition Revenues” and “—Revenues of the Research Facilities—Impact of Federal Funding,” the Board receives significant federal revenues through research funding and student aid. As further described herein under “DEBT SERVICE REQUIREMENTS—Outstanding Series 2010B Bonds and Series 2010C Bonds,” the Board also receives interest subsidy payments from the United States Treasury in connection with the Series 2010B Bonds and Series 2010C Bonds which payments have been impacted by sequestration. The subsidy shortfall to date for the sequestration is equal to \$259,959. The Board is unable to predict whether sequestration will continue or if further cuts in federal funding support will occur.

Enforceability of Remedies

The remedies available upon an event of default under the Bond Resolution are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay. Under existing law and judicial decisions the remedies provided for under the Bond Resolution may not be readily available or may be limited. The Series 2015 Bonds may be subject to general principles of equity which may permit the exercise of judicial discretion; are subject to the reasonable exercise in the future by the State and its governmental bodies of the police power inherent in the sovereignty of the State; are subject, in part, to the provisions of the United States Bankruptcy Code and other applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors’ rights generally, now or hereafter in effect; and are subject to the exercise by the United States of the powers delegated to it by the federal Constitution. The various legal opinions to be delivered concurrently with the delivery of the Series 2015 Bonds will be qualified to the extent that the enforceability of certain legal rights related to the Series 2015E Bonds is subject to limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by equitable remedies and proceedings generally.

TABOR Amendment

At the general election held November 3, 1992, the voters of the State approved an amendment to the Colorado Constitution known as the Taxpayers’ Bill of Rights or “TABOR,” which limits the ability of the State and local governments such as the Board to increase revenues, debt and spending and restricting property taxes, income taxes and other taxes. TABOR excepts from its restrictions the borrowings and fiscal operations of “enterprises,” which term is defined to include government-owned businesses authorized to issue their own revenue bonds and receiving under 10% of their revenues in grants from all State and local governments of the State combined. The Board has designated the Universities as a single “enterprise” within the meaning of TABOR. See “TABOR.” If during any subsequent fiscal year, the Universities together receive more than 10% of their revenues in grants from all State and local governments of the State combined, they collectively will no longer qualify as an “enterprise.” Net Revenues remain pledged as security at all times to the repayment of the Series 2015 Bonds even if the Universities do not collectively qualify as a single institutional enterprise under the provisions of the Institutional Enterprise Act in any given Fiscal Year.

Secondary Market

There is no guarantee that a secondary market will develop for the Series 2015 Bonds. Consequently, prospective purchasers of the Series 2015 Bonds should be prepared to hold their Series 2015 Bonds to maturity or prior redemption. Subject to applicable securities laws and prevailing market conditions, the Underwriters intend but are not obligated to make a market in the Series 2015 Bonds. Failure to comply with the undertaking to provide ongoing disclosure may adversely affect the transferability and liquidity of the Series 2015 Bonds and their market price. See “CONTINUING DISCLOSURE UNDERTAKING.”

Future Changes in Laws

Various State laws and constitutional provisions, including the Act, apply to the operation of the Facilities, the imposition and collection of student fees and the financing of the Board’s operations in general. Other State and federal laws, constitutional provisions and regulations apply to the obligations created by the issuance of the Series 2015 Bonds. There is no assurance that there will not be any change in, interpretation of or addition to applicable laws, provisions and regulations which would have a material effect, directly or indirectly, on the Board. For an explanation of legislative changes in the State funding system for Colorado institutions of higher education, see “CERTAIN FINANCIAL INFORMATION—Other Legislation Affecting Funding of State Institutions of Higher Education.”

Limitations on State Intercept Program

The State Intercept Program is a program created by statute to provide assistance to State supported institutions of higher education in accordance with the provisions of the State Intercept Act. Pursuant to the State Intercept Act, the State covenants to owners of bonds issued by institutions (including the Series 2015E Bonds) that it will not repeal, revoke or rescind the provisions of the State Intercept Act or modify or amend it so as to limit the rights granted by the State Intercept Act, except that nothing in the State Intercept Act shall be deemed or construed to require the State to continue the payment of State assistance to any institution or to limit or prohibit the State from repealing, amending, or modifying any law relating to the amount of State assistance to institutions or the manner of payment or the timing thereof. The State has not obligated itself to guarantee that in any year there are sufficient legally available moneys to fund the State Intercept Program.

Damage or Destruction of Facilities

The Board insures the Facilities against certain risks. See “CERTAIN FINANCIAL INFORMATION—Insurance.” There can be no assurance that the amount of insurance required to be obtained with respect to the Facilities will be adequate or that the cause of any damage or destruction to the Facilities will be as a result of a risk which is insured. Further, there can be no assurance of the ongoing creditworthiness of the insurance companies with which the Board obtains insurance policies. Damage or destruction of the Facilities may impair the Board’s ability to generate sufficient Net Revenues.

Environmental Regulation

The Facilities are subject to various federal, state and local laws and regulations governing health and the environment. In general, these laws and regulations could result in liability to the Board as the owner of the Facilities for remediating adverse environmental conditions on or relating to the Facilities, whether arising from pre-existing conditions or conditions arising as a result of the activities conducted in connection with the ownership and operation of the Facilities. Costs incurred by the Board with respect

to environmental remediation or liability could adversely impact its financial condition and its ability to own and operate the Facilities and its ability to produce Net Revenues.

Broker-Dealer Risks

Persons who purchase the Series 2015 Bonds through broker dealers become creditors of the respective broker dealer with respect to the Series 2015 Bonds. Records of the investor's holding are maintained only by the broker dealer and the investor. In the event of the insolvency of the broker dealer, the investor would be required to look to the broker dealer's estate, and to any insurance maintained by the broker dealer, to protect their investments.

PLAN OF FINANCING

Sources and Uses of Funds

The sources and uses of proceeds of the Series 2015 Bonds are set forth in the following table.

	Series 2015E-1	Series 2015E-2	Series 2015F	Total
Sources of Funds				
Series 2015 Bond Proceeds	\$ 96,490,000.00	\$ 42,125,000.00	\$ 17,670,000.00	\$ 156,285,000.00
Net Original Premium ¹	<u>10,977,374.30</u>	<u>7,076,010.20</u>	<u>912,453.70</u>	<u>18,965,838.20</u>
Total Sources of Funds	<u>\$ 107,467,374.30</u>	<u>\$ 49,201,010.20</u>	<u>\$ 18,582,453.70</u>	<u>\$ 175,250,838.20</u>
Uses of Funds				
Series 2015 Improvement Projects ²	\$ 104,400,000.00	\$ 0.00	\$ 18,500,000.00	\$ 122,900,000.00
The Green Project	0.00	49,000,000.00	0.00	49,000,000.00
Capitalized Interest ³	2,609,968.75	0.00	0.00	2,609,968.75
Costs of Issuance (including Underwriters' Discount) ⁴	<u>457,405.55</u>	<u>201,010.20</u>	<u>82,453.70</u>	<u>740,869.45</u>
Total Uses of Funds	<u>\$ 107,467,374.30</u>	<u>\$ 49,201,010.20</u>	<u>\$ 18,582,453.70</u>	<u>\$ 175,250,838.20</u>

¹ Amount shown represents net original issue premium on the Series 2015 Bonds. See "TAX MATTERS."

² The list of projects includes the Green Project, as further described below.

³ This amount shall be used to pay a portion of the interest on the Series 2015E-1 Bonds from their date of delivery.

⁴ Costs of Issuance include legal fees, rating fees paid to the rating agencies, Underwriters' discount and other costs. For information regarding the Underwriters' discount, see "UNDERWRITING."

Source: The Underwriters

The 2015 Improvement Projects

Generally. The proceeds from the sale of the Series 2015 Bonds will be used to (a) finance certain improvements as determined by the Board, including but not limited to the construction, acquisition, improvement and equipping of (i) an approximately 152,000 gross square foot ("gsf") biology building for research and teaching on the Main Campus in Fort Collins, Colorado, (ii) an approximately 105,000 gsf medical center building (the "Green Project") to be located at the corner of Prospect Road and College Avenue in Fort Collins, Colorado, (iii) an approximately 30,000 gsf plant environmental research center to be used for teaching, research and outreach, (iv) a new 4-story parking structure at the corner of Pitkin and Mason Streets, (v) a new surface parking lot on South Campus in Fort Collins, Colorado, and (vi) approximately 85,000 gsf of academic space to be located on the east side of the Stadium and (b) finance such other capital projects as may be designated by the Board.

The proceeds of the Series 2015 Bonds deposited to the 2015 Improvement Projects Fund are expected to be allocated as follows:

Description	Estimated Costs
Biology Building	\$ 70,000,000
Medical Center Building ¹	49,000,000
Plant Environmental	
Research Center	7,500,000
University Square Parking	
Structure	21,500,000
South Campus Parking Lot	5,400,000
Academic Space	
Expansion	<u>18,500,000</u>
Total	\$ 171,900,000

¹ For further details on the project, see “—The Green Project” under this section.

Biology Building.¹ This project will construct a new five-story, 152,000 gsf research and teaching building on CSU’s Main Campus. The building will provide teaching and research labs, faculty/staff offices, a large auditorium and classrooms, computer labs, student study spaces and an academic advising center.

Plant Environmental Research Center Relocation Project (“PERC”).¹ This program is currently spread over six structures on 2.8 acres consisting of two Quonsets constructed in 1954 and a headhouse/greenhouse remodeled in 1980 and three other greenhouses. All buildings are outdated with inefficient use of space. A new 30,000 gsf facility will locate all the functions into one efficient building, allowing the staff to improve their teaching, research and outreach capacity. The site at Centre Avenue and Bay Drive will locate this facility east of the USDA’s Crops Research Laboratory and north of the City of Fort Collins Gardens on Spring Creek. This location will provide an opportunity for more collaboration between CSU, USDA and Fort Collins.

University Square Parking Structure.¹ This project will construct a four-story parking structure on an existing parking lot at the corner of Pitkin Street and Mason Street. The project will accommodate approximately 640 parking spaces.

South Campus Parking Lot.¹ This project will construct a surface parking lot near the tennis complex on the south campus. The project will accommodate approximately 900 parking spaces and will be linked to CSU’s Main Campus via transit service.

Expansion of Academic Space.² This project will construct 85,000 gsf of academic space to be located below the east concourse of the Stadium. The project will house a new alumni center, the Center for Advising and Student Achievement (CASA), study areas and approximately eight general assignment classrooms.

¹ Series 2015E-1 Bond proceeds will be used to construct the project.

² Series 2015F Bond proceeds will be used to construct the project.

The Green Project

Medical Center Building. The proceeds of the Series 2015E-2 Bonds deposited to the Series 2015E-2 Account, a separate account within the 2015 Improvement Projects Fund, are expected to be allocated to the construction of a four-story, 105,000 gsf medical center building at the corner of Prospect Road and College Avenue (the “Green Project”). As an extension to its leadership in promoting sustainability on campus, CSU has designated the Series 2015E-2 Bonds as “Green Bonds” in order to allow investors to invest directly in projects which the System has identified as promoting environmental sustainability on the System’s campuses.

The Green Project will house the CSU Health Network, the Columbine Center for Healthy Aging and a University of Colorado Health primary care clinic. CSU intends to pursue LEED® (Leadership in Energy & Environmental Design) certification for the Green Project. LEED is a building certification program offered by the U.S. Green Building Council (“USGBC”). Projects submitted for LEED certification are reviewed by the Green Building Certification Institute, a third-party organization, and assigned points based on the project’s implementations of strategies and solutions aimed at achieving high performance in: sustainable site development, water efficiency, energy efficiency, materials selection and indoor environmental quality, among other sustainable qualities. CSU intends to achieve a minimum certification level of LEED Silver® for the Green Project, based on the following qualities:

- “Sustainable Sites” strategies, including site selection to provide easy pedestrian and bike access, with storm water quality features and landscaping to reduce the heat island effect.
- “Water Efficiency” strategies, including water efficient landscaping and low flow restroom fixtures to reduce water use.
- “Energy and Atmosphere” strategies, including management and performance of energy-efficient mechanical systems, use of renewable energy technologies, high-efficiency glass windows and energy efficient lighting with timer and motion sensor functionality.
- “Indoor & Environmental Quality” strategies, including the use of low VOC emitting materials for construction, monitoring of outdoor air delivery, and daylight to interior spaces to reduce the need for artificial lighting.
- “Innovation in Design Process” strategies, including the involvement of LEED accredited professionals in the design process and the implementation of a waste management program.

Colorado Revised Statutes Section 24-30-1304 directs state institutions of higher education to analyze the life-cycle cost of all state real property constructed or renovated, over its economic life, in addition to the initial construction or renovation cost. To comply with this statute, the Office of the State Architect has established that USGBC LEED-NC is the required guideline to be applied to new building construction and substantial renovations. LEED Gold is the targeted level, but higher or lower certifications are also acceptable based on the type of project and overall square footage. CSU has received LEED-NC certification on 15 projects to date, ranging from Certified to Platinum, with the majority at LEED Gold.

Holders of the Series 2015E-2 Bonds do not assume any specific project risk related to the Green Project. The proceeds of the Series 2015E-2 Bonds will be tracked by CSU and deposited into a segregated account within the 2015 Improvement Projects Fund. CSU plans to post annual updates related to the expenditure of proceeds, construction of the Green Project and LEED certification of the

Green Project on EMMA until all proceeds of the Series 2015E-2 Bonds have been spent. Once all proceeds of the Series 2015E-2 Bonds have been spent, no further updates will be provided.

Projects Anticipated in the next 12 to 24 Months

Other projects are in the planning stages with expected funding sources primarily coming from philanthropy, federal and state resources. To the extent federal, state and donor funds fall short, other funding sources including bond financing may be required. The projects include a Chemistry Building, an Anatomy Zoology Building, a Natural Resources Building, an Equine Teaching Hospital, the Institute for Biological and Translational Therapies, and the Veterinary Teaching Hospital Revitalization. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS—Additional Enterprise Obligations.”

DEBT SERVICE REQUIREMENTS

Debt Service for Series 2015 Bonds

The following schedule shows, for each 12-month period commencing on July 1 of any calendar year and ending on June 30 of the next succeeding calendar year (the “Fiscal Year”), the total debt service (excluding any optional prior redemptions) payable for the Series 2015 Bonds.

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Fiscal Year (ending June 30)	Debt Service on Series 2015E-1 Bonds		Debt Service on Series 2015E-2 Bonds		Debt Service on Series 2015F Bonds		Total Debt Service Requirements ³
	Principal ¹	Interest ²	Principal ¹	Interest ²	Principal ¹	Interest ²	
2016		\$2,211,229		\$ 965,364	\$ 695,000	\$260,195	\$ 4,131,789
2017		4,824,500		2,106,250	1,550,000	553,800	9,034,550
2018		4,824,500		2,106,250	2,745,000	507,300	10,183,050
2019		4,824,500		2,106,250	2,855,000	397,500	10,183,250
2020		4,824,500		2,106,250	2,965,000	283,300	10,179,050
2021		4,824,500		2,106,250	3,120,000	135,050	10,185,800
2022		4,824,500		2,106,250	3,175,000	80,450	10,186,200
2023		4,824,500	\$2,665,000	2,106,250	565,000	16,950	10,177,700
2024		4,824,500	3,380,000	1,973,000			10,177,500
2025		4,824,500	3,540,000	1,804,000			10,168,500
2026		4,824,500	3,725,000	1,627,000			10,176,500
2027		4,824,500	3,910,000	1,440,750			10,175,250
2028		4,824,500	4,100,000	1,245,250			10,169,750
2029		4,824,500	4,315,000	1,040,250			10,179,750
2030		4,824,500	4,530,000	824,500			10,179,000
2031		4,824,500	4,760,000	598,000			10,182,500
2032		4,824,500	4,995,000	360,000			10,179,500
2033	\$3,040,000	4,824,500	2,205,000	110,250			10,179,750
2034	5,500,000	4,672,500					10,172,500
2035	5,780,000	4,397,500					10,177,500
2036	6,070,000	4,108,500					10,178,500
2037	6,375,000	3,805,000					10,180,000
2038	6,280,000	3,486,250					9,766,250
2039	6,595,000	3,172,250					9,767,250
2040	6,920,000	2,842,500					9,762,500
2041	7,265,000	2,496,500					9,761,500
2042	7,630,000	2,133,250					9,763,250
2043	8,010,000	1,751,750					9,761,750
2044	8,415,000	1,351,250					9,766,250
2045	8,835,000	930,500					9,765,500
2046	4,770,000	488,750					5,258,750
2047	<u>5,005,000</u>	<u>250,250</u>					<u>5,255,250</u>
TOTALS	<u>\$96,490,000</u>	<u>\$120,114,479</u>	<u>\$42,125,000</u>	<u>\$26,732,115</u>	<u>\$17,670,000</u>	<u>\$2,234,546</u>	<u>\$305,366,139</u>

¹ Payable March 1.

² Payable March 1 and September 1, commencing March 1, 2016.

³ Totals may not add up due to rounding.

Combined Debt Service

The following schedule shows the Board's total combined debt service requirements the Outstanding Parity Bonds and the Series 2015 Bonds to be paid from the Net Revenues, all in accordance with the Bond Resolution, through their respective maturity dates.

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**Combined Debt Service for Outstanding Parity Bonds,
and Series 2015 Bonds**

Fiscal Year (Ending June 30)	Total Debt Service Outstanding Parity Bonds ^{1,2}	Total Debt Service Series 2015E-1 Bonds ³	Total Debt Service Series 2015E-2 Bonds ³	Total Debt Service Series 2015F Bonds ³	Combined Debt Service Requirements ⁴
2016	\$ 60,479,042	\$ 2,211,229	\$ 965,364	\$ 955,195	\$ 64,610,832
2017	63,890,632	4,824,500	2,106,250	2,103,800	72,925,182
2018	62,756,755	4,824,500	2,106,250	3,252,300	72,939,805
2019	62,920,826	4,824,500	2,106,250	3,252,500	73,104,076
2020	62,883,951	4,824,500	2,106,250	3,248,300	73,063,001
2021	63,807,827	4,824,500	2,106,250	3,255,050	73,993,627
2022	62,785,067	4,824,500	2,106,250	3,255,450	72,971,267
2023	62,909,163	4,824,500	4,771,250	581,950	73,086,863
2024	62,860,165	4,824,500	5,353,000		73,037,665
2025	62,817,800	4,824,500	5,344,000		72,986,300
2026	61,998,498	4,824,500	5,352,000		72,174,998
2027	61,942,750	4,824,500	5,350,750		72,118,000
2028	61,269,626	4,824,500	5,345,250		71,439,376
2029	60,777,225	4,824,500	5,355,250		70,956,975
2030	60,699,495	4,824,500	5,354,500		70,878,495
2031	60,631,678	4,824,500	5,358,000		70,814,178
2032	60,573,373	4,824,500	5,355,000		70,752,873
2033	60,494,218	7,864,500	2,315,250		70,673,968
2034	60,382,357	10,172,500			70,554,857
2035	60,294,905	10,177,500			70,472,405
2036	56,270,076	10,178,500			66,448,576
2037	56,142,512	10,180,000			66,322,512
2038	45,748,300	9,766,250			55,514,550
2039	40,476,485	9,767,250			50,243,735
2040	40,280,800	9,762,500			50,043,300
2041	34,918,641	9,761,500			44,680,141
2042	34,910,486	9,763,250			44,673,736
2043	30,437,839	9,761,750			40,199,589
2044	25,644,106	9,766,250			35,410,356
2045	19,975,474	9,765,500			29,740,974
2046	12,174,941	5,258,750			17,433,691
2047	12,174,659	5,255,250			17,429,909
2048	12,178,269				12,178,269
2049	12,174,869				12,174,869
2050	12,177,469				12,177,469
2051	12,178,325				12,178,325
2052	12,177,888				12,177,888
2053	12,175,538				12,175,538
2054	12,175,656				12,175,656
2055	12,177,419				12,177,419
Total	\$ <u>1,743,745,102</u>	\$ <u>216,604,479</u>	\$ <u>68,857,114</u>	\$ <u>19,904,545</u>	\$ <u>2,049,111,242</u>

¹ The remaining Series 2007A Bonds, the Series 2007B Bonds, the Series 2008A Bonds, the Series 2009A Bonds, the Series 2010A-C Bonds, the Series 2012A-C Bonds, the Series 2013A Bonds, the Series 2013B Bonds, the Series 2013C Bonds, the Series 2013D Bonds, the Series 2013E Bonds, the Series 2015A Bonds, the Series 2015B Bonds, the Series 2015C Bonds and the Series 2015D Bonds are the Outstanding obligations of the Board with a lien on Net Revenues on parity with the lien of the Series 2015 Bonds. See “PLAN OF FINANCING” and the table entitled “Outstanding Parity Bonds” under the caption “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS—Additional Enterprise Obligations.”

² Includes cash subsidy payments expected to be received from the United States Treasury (“Federal Direct Payments”) equal to a portion of the interest payable on the Series 2010B Bonds and Series 2010C Bonds. See “DEBT SERVICE REQUIREMENTS—Outstanding Series 2010B Bonds and Series 2010C Bonds” under this section.

³ See “—Debt Service for Series 2015 Bonds” under this section.

⁴ Totals may not add due to rounding.

Outstanding Series 2010B Bonds and Series 2010C Bonds

The Board has previously issued and has Outstanding its Series 2010B Bonds which are “Build America Bonds” for purposes of the American Recovery and Reinvestment Act of 2009 (the “Federal Recovery Act”) and its Series 2010C Bonds which are “Recovery Zone Economic Development Bonds” for purposes of the Federal Recovery Act. Pursuant to the Federal Recovery Act and the Code, the Board expects to receive cash subsidy payments from the United States Department of the Treasury (the “United States Treasury”) (referred to herein as the “Federal Direct Payments”) with respect to the Series 2010B Bonds and Series 2010C Bonds. Those Federal Direct Payments were expected to equal 35% of the interest payable on the Series 2010B Bonds on or about each interest payment date and 45% of the interest payable on the Series 2010C Bonds on or about each interest payment date and were expected by the Board to total a combined maximum of \$1,710,257 on an annual basis for the Series 2010B Bonds and Series 2010C Bonds. The subsidy payment does not constitute a full faith and credit guarantee of the United States government, but is required to be paid by the United States Treasury under the Federal Recovery Act.

As a result of the Relief Act and sequestration, the Board has currently received \$259,959 less from the Federal government in interest subsidy payments on the Series 2010B Bonds and the Series 2010C Bonds than was anticipated. The Board does not express any opinions or views as to future Federal Direct Payment amounts.

The Federal Direct Payments received in connection with the Series 2010B Bonds and Series 2010C Bonds, if any, constitute Gross Revenues and thus are pledged to the payment of all of the debt service for the Parity Obligations and any additional Bonds outstanding under the Bond Resolution. The Board is permitted pursuant to Article 59.7, Title 11, Colorado Revised Statutes, as amended (the “Colorado Recovery Act”) to net the anticipated amount of Federal Direct Payments against the amount of Gross Revenues otherwise required to be deposited into the Debt Service Fund, as more particularly described in “Appendix B—Summary of Certain Provisions of the Bond Resolution—Establishment of Revenue Fund, Debt Service Fund, Reserve Fund, Additional Payment Fund and Rebate Fund—Debt Service Fund.” See also “INVESTMENT CONSIDERATIONS—Potential Implications of Federal Sequestration.”

Pro Forma Debt Service Coverage

The Board has covenanted in the Bond Resolution that, among other matters, while any Bonds are Outstanding, and subject to applicable law, it will continue to impose such fees and charges as are included within the Gross Revenues (including student fees relating to the Facilities) and will continue the present operation and use of the System Enterprise and associated Facilities and Research Facilities and will cause to be established and maintained such reasonable fees, rental rates and other charges for the use of all Facilities and Research Facilities and for services rendered by the System as will return Gross Revenues annually sufficient (a) to pay any Operation and Maintenance Expenses; (b) to pay the annual Debt Service Requirements on the Series 2015 Bonds and any Parity Obligations payable from the Net Revenues; (c) to make deposits, if any, required in a Reserve Fund; and (d) to pay the annual Debt Service Requirements of any other obligations payable from the Net Revenues, in addition to the Series 2015 Bonds and any Parity Obligations, including without limitation any reserves required to be accumulated therefor or any reimbursement pursuant to a reserve fund insurance policy, surety bond, financial guaranty agreement and qualified exchange agreement relating thereto, as provided in the Bond Resolution. See “SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION—Rates, Fees and Charges” in Appendix B hereto.

Net Revenues are defined by the Bond Resolution to be Gross Revenues less any Operation and Maintenance Expenses. Gross Revenues of the System Enterprise for the Fiscal Year ended June 30, 2014 were \$230,290,647. Such amount of Gross Revenues includes \$36,385,415 in Tuition Revenues¹ (i.e., 10% of Tuition Revenues) and \$12,343,664 in Facilities Construction Fees, as described herein, collected by the Board for the Fiscal Year ended June 30, 2014. See “THE NET REVENUES—Historical Net Revenues.” Operation and Maintenance Expenses for the Fiscal Year ended June 30, 2014, were \$116,473,831. Therefore, in the Fiscal Year ended June 30, 2014, there was \$113,816,814 in Net Revenues available for payment of the Bonds.

Assuming that, while the Bonds are Outstanding, the Net Revenues (as so calculated) available for the payment of the Bonds remain constant at the level calculated for the Fiscal Year ended June 30, 2014 on a pro forma basis, the debt service coverage ratio that would be achieved based on such pro forma Fiscal Year 2014 Net Revenues of \$113,816,814 plus projected annual net revenues from the Stadium financed from the proceeds of the Series 2015A-D Bonds of \$6,347,000 and projected annual net revenues from the Series 2015 Improvement Projects financed with the Series 2015 Bonds of \$10,403,000 (for a total of \$130,566,814), and the maximum annual gross debt service requirements for the Outstanding Parity Bonds and the Series 2015 Bonds of \$73,993,627 (occurring in Fiscal Year 2021) would be 1.76x. See “FORWARD LOOKING STATEMENTS,” “THE NET REVENUES—Historical Net Revenues” and “THE NET REVENUES—Facilities Construction Fees—CSU University Facility Fee.” See also “INVESTMENT CONSIDERATIONS—Risks to Generation of Net Revenues from Stadium.” See “DEBT SERVICE REQUIREMENTS—Combined Debt Service.”

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS

Special, Limited Obligations

The Series 2015 Bonds are special, limited obligations of the Board, payable solely out of the Net Revenues described in “Net Revenues” under this section. See also “THE NET REVENUES—Revenues of the Facilities.” In the Bond Resolution, the Board is covenanting to maintain and impose student fees, other fees, rental rates and other charges at the levels described in SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION—Rates, Fees and Charges” in Appendix B hereto. The payment of the Series 2015 Bonds will not be secured by any encumbrance, mortgage or other pledge of any property, except upon the Net Revenues and any other moneys now or hereafter pledged for payment of the Series 2015 Bonds. The Series 2015 Bonds will be secured by an irrevocable lien on the Net Revenues, which lien will be on a parity with the Outstanding Parity Obligations. The Series 2015 Bonds are not secured by a reserve fund. The Series 2015 Bonds will not constitute or become a debt or indebtedness of the State, the Board, the System or the Universities within the meaning of any constitutional or statutory provision or limitation, and the Series 2015 Bonds will not be considered or held to be general obligations of the Board or an obligation of the State (other than, in the case of the Series 2015E Bonds, as described under “—State Intercept Program” under this section). The Board has the right, subject to specified conditions, to issue additional Bonds and incur other Parity Obligations with a lien on Net Revenues on a parity with the lien thereon of the Series 2015 Bonds. See “—Additional Enterprise Obligations” under this section. The Bond Resolution prohibits the Board from issuing any

¹ Such Tuition Revenues do not include tuition revenue of CSU-Global (as defined herein). Revenues of CSU-Global are not included in Gross Revenues. The presentation of student tuition figures in the System’s audited financial statements for the Fiscal Year ended June 30, 2014, included as Appendix A hereto, do, however, include tuition revenue of CSU-Global, and thus do not match the Tuition Revenues figure provided above. See “THE NET REVENUES—Tuition Revenues” and “THE BOARD AND COLORADO STATE UNIVERSITY SYSTEM—Generally—CSU-Global Campus.”

additional obligations with a lien on Net Revenues which is superior to the lien thereon of the Series 2015 Bonds.

Net Revenues

Net Revenues are defined by the Bond Resolution to be Gross Revenues less Operation and Maintenance Expenses. Gross Revenues include certain revenues, fees and charges pledged by the Board as described in “THE NET REVENUES—Generally.” All Gross Revenues are to be credited to the Revenue Fund, as described in SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION—Establishment of Revenue Fund, Debt Service Fund, Reserve Fund, Additional Payment Fund and Rebate Fund” in Appendix B hereto.

For information about the Net Revenues historically generated by the System, see “THE NET REVENUES—Historical Net Revenues.”

State Intercept Program for the Series 2015E Bonds

Under the Higher Education Revenue Bond Intercept Program, codified at Section 23-5-139, Colorado Revised Statutes, as amended (the “State Intercept Act”), if the paying agent with respect to bonds issued by a state supported institution of higher education on or after June 4, 2008 (“Higher Education Bonds”), including the Series 2015E Bonds, has not received a payment on the Higher Education Bonds on the business day immediately prior to the date on which such payment is due, the paying agent is required to notify the State Treasurer and the institution that has issued the Higher Education Bonds. The State Treasurer is then required to contact the institution to determine whether the institution will make the payment by the date on which it is due. If the institution indicates to the State Treasurer that it will not make the payment on the Higher Education Bonds by the date on which it is due, or if the State Treasurer cannot contact the institution, the State Treasurer is required to forward to the paying agent, in immediately available funds of the State, the amount necessary to make the payment of the principal of and interest on the Higher Education Bonds.

If the State Treasurer makes a payment on Higher Education Bonds under the State Intercept Act, he or she is to recover the amount forwarded by withholding amounts from the institution’s payments of the State’s fee for service contract with the institution from any other state support for the institution and from any unpledged tuition moneys collected by the institution. The total amount withheld in a month from the State’s fee for service contract with the institution for each occasion on which the State Treasurer forwards an amount pursuant to the State Intercept Act shall not exceed one-twelfth of the amount forwarded. The State Treasurer cannot withhold for more than 12 consecutive months for each occasion on which the State Treasurer forwards amounts pursuant to the State Intercept Act. While the withholding of fee for service payments is limited to 12 consecutive months, the State Intercept Act does not correspondingly limit the State’s contingent obligation to pay the Higher Education Bonds. The institution has the option of making early repayment of all or any portion of an amount forwarded by the State Treasurer for payment on Higher Education Bonds.

The State Treasurer is required to notify the State’s Department of Higher Education (the “Department”) and General Assembly of amounts withheld and payments made pursuant to the State Intercept Act. The Department is required to initiate an audit of the institution to determine the reason for the nonpayment of the Higher Education Bonds and to assist the institution, if necessary, in developing and implementing measures to ensure that future payments will be made when due.

The State has covenanted that it will not repeal, revoke or rescind the provisions of the State Intercept Act or modify or amend the State Intercept Act so as to limit or impair the rights and remedies

granted under the State Intercept Act to purchasers of Higher Education Bonds (including the Series 2015E Bonds). The State Intercept Act provides, however, that it will not be deemed or construed to require the State to continue the payment of State assistance to any institution or to limit or prohibit the State from repealing, amending or modifying any law relating to the amount of State assistance to institutions or the manner of payment or the timing thereof. The State Intercept Act further provides that it will not be deemed or construed to create a debt of the State with respect to any Higher Education Bonds within the meaning of any State constitutional provision or to create any liability except to the extent provided in the State Intercept Act.

An institution may adopt a resolution stating that it will not accept on behalf of the institution payment of principal and interest as provided in the State Intercept Act. If an institution adopts such a resolution, it must be adopted prior to issuance or incurrence of the bonds to which it applies. Following adoption of such a resolution, the institution is to provide written notice to the State Treasurer of its refusal to accept payment. An institution may rescind its refusal to accept payment by written notice of such rescission to the State Treasurer.

The Series 2015E Bonds qualify under the State Intercept Program and the Board has not adopted a resolution stating that it will not accept payment from the State Treasurer under the State Intercept Program with respect to the Series 2015E Bonds; consequently, the State Intercept Program applies to the payment of the Series 2015E Bonds and the State Treasurer is expected to make payment of the principal of and interest on the Series 2015E Bonds, if necessary, as described above. Upon the issuance of the Series 2015E Bonds, the Series 2007A Bonds, Series 2007B Bonds, Series 2008A Bonds, Series 2009A Bonds, Series 2013C Bonds, Series 2013D Bonds, Series 2015A Bonds, Series 2015B Bonds and Series 2015F Bonds will not be covered by the State Intercept Program. The Series 2010A Bonds, Series 2010B Bonds, Series 2010C Bonds, Series 2012A Bonds, Series 2012B Bonds, Series 2012C Bonds, Series 2013A Bonds, Series 2013B Bonds, Series 2013E Bonds, Series 2015C Bonds, Series 2015D Bonds and the Series 2015E Bonds will be covered by the State Intercept Program.

No Reserve Fund Requirement

Pursuant to the Bond Resolution, the Board may, but is not required to, establish a reserve requirement with respect to any series of Bonds. See “SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION—Establishment of Revenue Fund, Debt Service Fund, Reserve Fund, Additional Payment Fund and Rebate Fund” in Appendix B hereto. No reserve requirement will be established for the Series 2015 Bonds. The Board has not previously established a reserve requirement for any of the Outstanding Parity Bonds.

No Outstanding Prior Bond Obligations

All Prior Bonds previously issued by the Board have been fully defeased and there are no outstanding Prior Bond Obligations payable as a first charge on Gross Revenues.

Additional Enterprise Obligations

Additional Enterprise Obligations, including Parity Obligations secured with a lien on Net Revenues on a parity with the lien thereon in favor of the Series 2015 Bonds, may be issued by the Board, subject to certain stated conditions, as provided in “THE SERIES 2015 BONDS—Additional Enterprise Obligations.” The Board anticipates issuing Additional Enterprise Obligations, including Parity Obligations, in the future, although the amount of such additional Parity Obligations has not been determined at this time. See “PLAN OF FINANCING—Projects Anticipated in the Next 12 to 24 Months.” The Parity Obligations listed in the table below are the only series of Bonds issued by the

Board and Outstanding as of the date of the issuance of the Series 2015 Bonds which will have a lien on the Net Revenues on parity with the Series 2015 Bonds.

Outstanding Parity Bonds

Name of Bonds	Original Principal Amount	Outstanding Principal Amount
Board of Governors of the Colorado State University System, System Enterprise Revenue Bonds, Series 2007A	\$ 160,665,000	\$ 19,185,000
Board of Governors of the Colorado State University System, System Enterprise Revenue Bonds, Series 2007B	34,260,000	7,275,000
Board of Governors of the Colorado State University System, System Enterprise Revenue Bonds, Series 2008A	83,285,000	10,400,000
Board of Governors of the Colorado State University System, System Enterprise Revenue Bonds, Series 2009A	56,090,000	870,000
Board of Governors of the Colorado State University System, System Enterprise Revenue Bonds, Series 2010A	25,330,000	16,950,000
Board of Governors of the Colorado State University System, Taxable System Enterprise Revenue Bonds (Build America Bonds-Direct Payment to the Board), Series 2010B	40,335,000	40,335,000
Board of Governors of the Colorado State University System, Taxable System Enterprise Revenue Bonds (Recovery Zone Economic Development Bonds-Direct Payment to the Board), Series 2010C	33,250,000	33,250,000
Board of Governors of the Colorado State University System, System Enterprise Revenue Bonds, Series 2012A	126,245,000	124,970,000
Board of Governors of the Colorado State University System, System Enterprise Revenue Refunding Bonds, Series 2012B	54,115,000	52,580,000
Board of Governors of the Colorado State University System, Taxable System Enterprise Revenue Refunding Bonds, Series 2012C	5,340,000	2,170,000
Board of Governors of the Colorado State University System, System Enterprise Revenue and Refunding Bonds, Series 2013A	181,970,000	175,445,000
Board of Governors of the Colorado State University System, Taxable System Enterprise Revenue Refunding Bonds, Series 2013B	16,690,000	8,780,000
Board of Governors of the Colorado State University System, System Enterprise Revenue Bonds, Series 2013C	18,610,000	18,610,000
Board of Governors of the Colorado State University System, Taxable System Enterprise Revenue Bonds, Series 2013D	7,855,000	7,400,000
Board of Governors of the Colorado State University System, System Enterprise Revenue Bonds, Series 2013E	138,740,000	138,230,000
Board of Governors of the Colorado State University System, System Enterprise Revenue Bonds, Series 2015A	134,730,000	134,730,000
Board of Governors of the Colorado State University System, Taxable System Enterprise Revenue Bonds, Series 2015B	32,815,000	32,815,000
Board of Governors of the Colorado State University System, System Enterprise Revenue Bonds, Series 2015C	67,675,000	67,675,000
Board of Governors of the Colorado State University System, Taxable System Enterprise Revenue Bonds, Series 2015D	66,655,000	66,655,000
Board of Governors of the Colorado State University System, System Enterprise Revenue Bonds, Series 2015E-1	96,490,000	96,490,000
Board of Governors of the Colorado State University System, System Enterprise Revenue Bonds, Series 2015E-2 (Green Bonds)	42,125,000	42,125,000
Board of Governors of the Colorado State University System, System Enterprise Revenue Bonds, Series 2015F	17,670,000	17,670,000
TOTAL:	<u>\$1,440,940,000</u>	<u>\$1,114,610,000</u>

THE NET REVENUES

Generally

The obligation of the Board to pay the principal of and interest on the Series 2015 Bonds is limited to the Net Revenues received by the Board annually. As a result, the ultimate ability of the Board to make payments on the Series 2015 Bonds depends on the operations of the System Enterprise from or in connection with which the Net Revenues are derived. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS.” This section includes certain information regarding the related operations of the System Enterprise which produce the Gross Revenues, as well as historical information about Operation and Maintenance Expenses which will be deducted as a first charge against Gross Revenues.

Gross Revenues. The following income, revenues and fees have been included in Gross Revenues:

- (a) the income and revenues derived by the System from the Facilities;
- (b) all revenues derived from the Student Fees;
- (c) all revenues constituting rents or charges for the use of System buildings and facilities for research, including:
 - (i) all revenues constituting rents or charges for the use of the Research Facilities; and
 - (ii) all revenues accruing to CSU from “overhead” charges (also referred to as “indirect cost recoveries”) on research contracts performed within CSU facilities;
- (d) 10% of Tuition Revenues;
- (e) Federal Direct Payments; and
- (f) all revenues derived by the System from the Facilities Construction Fees.

Gross Revenues also include investment earnings on money in the Research Revolving Fund (“Revolving Fund”) and money attributable to the Facilities, and such other additional income, fees and revenues as the Board hereafter determines to include in Gross Revenues. The term Gross Revenues does not include any Released Revenues, any general fund moneys appropriated by the State General Assembly, any moneys derived from any general (ad valorem) tax levied against property by the State or any instrumentality thereof. Released Revenues under the Resolution means revenues attributable to any Facilities or Research Facilities which would otherwise be included in Gross Revenues but which are not included in Gross Revenues pursuant to the filing of certain documents as described under the caption “—Released Revenues.” Further information about each of these categories of revenues is provided below.

Operation and Maintenance Expenses. Operation and Maintenance Expenses are defined by the Resolution generally to be (a) all reasonable and necessary current expenses of the System, paid or accrued, for operating, maintaining and repairing the Facilities and the Research Facilities, and shall include, without limiting the generality of the foregoing, legal and incidental expenses of the various System departments within the System (including CSU and CSU-Pueblo) directly related and reasonably allocable to the administration of the Facilities and the Research Facilities; (b) insurance premiums;

(c) the reasonable charges of any paying agent or depository bank; (d) contractual services; (e) professional services required by the Bond Resolution and the related Supplemental Resolutions; and (f) salaries and administrative expenses, labor, and all costs incurred by the Board in the collection of Gross Revenues, but excluding: (i) any allowance for depreciation and other noncash, nonaccrual accounting adjustments; (ii) any costs of reconstruction, improvements, extensions or betterments; (iii) any accumulation of reserves for capital replacements; (iv) any reserves for operation, maintenance or repair; (v) any allowance for the redemption of any bond or security evidencing a loan or payment of any interest thereon; and (vi) any legal liability not based on contract.

Released Revenues. The following documents may be filed with the Secretary of the Board in order to release certain revenues from Gross Revenues in accordance with the Bond Resolution:

(a) a duly adopted Supplemental Resolution describing the revenues, and any related Facilities or Research Facilities, to be excluded from the computation of Gross Revenues (a “Release Supplemental Resolution”) and authorizing the exclusion of such revenues, and any related Facilities or Research Facilities, from such computation;

(b) a written certification by the Board Representative to the effect that Net Revenues in the two most recent completed Fiscal Years, after the revenues, and any related Facilities or Research Facilities, covered by the Release Supplemental Resolution described in clause (a) above are excluded, were at least equal to the Average Annual Debt Service Requirements with respect to all Bonds that will remain Outstanding after the exclusion of such revenues, and any related Facilities or Research Facilities;

(c) an opinion of Bond Counsel to the effect that the exclusion of such revenues, and any Related Facilities or Research Facilities, from the computation of Gross Revenues and from the pledge and lien of the Resolution will not, in and of itself, cause the interest on any Outstanding Bonds to be included in gross income for purposes of federal income tax; and

(d) written confirmation from each of the rating agencies then rating the Bonds to the effect that the exclusion of such revenues, and any related Facilities or Research Facilities, from the pledge and lien of the Resolution will not, in and of itself, cause a withdrawal or reduction in any unenhanced rating then assigned to the Bonds.

Upon filing of such documents, the revenues, and any related Facilities or Research Facilities, described in any Release Supplemental Resolution shall no longer be included in the computation of Gross Revenues and shall be excluded from the pledge and lien of the Bond Resolution.

The Board has not filed any such documents requesting Released Revenues to date.

Revenues of the Facilities

The income and revenues derived by the System from the “Facilities” are included in the Gross Revenues. “Facilities” is defined by the Bond Resolution to include:

(a) the housing, dining, student and faculty recreation, parking, college store and student center facilities of the System;

(b) the CSU student health facilities;

(c) all revenue producing facilities related to the operation of the System and associated with the System (other than the Research Building Revolving Fund Enterprise), the income of which the Board hereafter determines, by resolution and without further consideration from the owners of the Bonds, to pledge to the payment of Bonds, pursuant to law then in effect and not in conflict with the provisions and limitations of the Bond Resolution, rather than with a separate and independent pledge of revenues; but

(d) such term does not include, unless hereinafter determined by the Board by resolution and pursuant to law then in effect, (i) any facilities that were or will be built with moneys appropriated to the System or to the Board by the State, or (ii) any Special Project.

Student Facilities

The Student Recreation Center (CSU). The Student Recreation Center (CSU) is a 165,000 gsf facility that can accommodate a student population of 30,000 students. Major features of the facility include a gymnasium with four basketball/volleyball/badminton courts, a 16,700 square foot weight/cardio area, three-lane elevated walking/jogging track, a 25-meter swimming pool and dedicated rooms for spinning, fitball, stretching, yoga and aerobics. Revenues received by the Student Recreation Center (CSU) are derived from a mandatory student fee imposed on each CSU student registered for six or more credits in the fall and spring semesters, and a mandatory student fee imposed on each CSU summer school student. For information on the procedure for approving student fees and historical student fee revenues allocated to the Student Recreation Center (CSU), see “—The Student Fees” under this section.

Student Recreation Center (CSU-Pueblo). Construction of the Student Recreation Center at CSU-Pueblo was completed in August 2008 and funded exclusively through student, faculty and staff fees. Students with six or more credit hours may use the Student Recreation Center (CSU-Pueblo) without paying additional fees (paid with student fees). Students with five or less credit hours must pay a user fee of \$75/semester. The fee for faculty or staff membership is \$27/month. There are additional membership rates for alumni (\$40/month) and community (\$50/month). (These fees support operations and maintenance expense, capital renewal and a renewal and replacement fund.

The Occhiato University Center (CSU-Pueblo). The University Center was built in 1973 and provides cultural, social and recreational opportunities and other services to the CSU-Pueblo campus and surrounding Pueblo communities. The University Center has approximately 86,000 square feet of floor space, including dining service areas, bookstore, computer lab, games room, University Health Services, Student Life and Development, meeting and ballroom facilities, and administrative and student organization offices. In 2013 the Board issued project bonds to renovate, update, and add on 60,000 gsf to the University Center. The additional costs are financed with an increase in the student facility fee adopted by the Board in 2010. The largest sources of gross income for the University Center are the campus bookstore and food services.

The Lory Student Center (CSU). The purpose of the Lory Student Center is to serve as the community center for CSU. Revenues from the Lory Center Student Fee (which includes the Lory Student Center Operations fee and the Lory Student Center Facilities Construction/Renovations fee), bookstore sales and dining services equaled \$27,842,689 in Fiscal Year 2014. For further information on historical student fee revenues allocated to the Lory Student Center, see “—The Student Fees” under this section.

The CSU Health Network Hartshorn Health Service (CSU). The Hartshorn Health Service is staffed and equipped to provide primary patient care, supported by x-ray, laboratory, pharmacy,

physiotherapy services, and other outpatient services to students and student families. Revenues are derived from the charges for ancillary services and the sale of medical supplies and specialty care. Additional revenue is derived from a portion of CSU student fees which is allocated to the Hartshorn Health Service. For information on historical student fee revenues allocated to the Hartshorn Health Service, see “—The Student Fees” under this section.

Housing Facilities

The Student Housing System (CSU). CSU operates residence halls and apartments for CSU students with a total budgeted capacity for approximately 6,700 students. In addition, CSU currently operates, as part of the Student Housing System, six dining centers and two express operations which provide meal service to students and produce revenues attributable to the Student Housing System. Additional revenues are derived from vendors’ contracts and certain other operations. CSU’s residence halls and apartments are under the supervision of the Executive Director of Housing and Dining Services of CSU who is directly responsible to the Vice President for Student Affairs, who in turn is appointed by the Board through the President of the CSU. See “THE BOARD AND COLORADO STATE UNIVERSITY SYSTEM—Generally.”

CSU requires that all newly admitted first-year students without previous college experience, who are single, under 21 years of age, and not living with their parents in the Fort Collins area (30-mile radius), live in the University residence halls for the first two consecutive terms of their attendance. Credits taken concurrent with high school and/or credits attained through advanced placement (AP) do not apply towards living experience. First-year students wishing to reside off-campus in the Fort Collins area with their parents or for reasons other than those listed above may request a special exemption in accordance with strict University guidelines. Students in residence halls are required to sign housing agreements for the full academic year.

The residence halls offer a large variety of programs, facilities, services and living arrangements. Some of the residence halls give preference to upper class students, and some have academic programs designed for particular studies. Three distinct apartment communities offer apartment choices for CSU students with families, undergraduate and graduate students, faculty and staff. The apartment complexes range from one to three stories, including an aggregate of 42 one bedroom units, 575 two bedroom units and 74 three bedroom units. The residence halls and apartments are operated and maintained solely by CSU.

The Board has the authority to set room and board rates for CSU’s residence halls, apartments and dining facilities. Rental rates are generally increased on an annual basis. The annual increase in recent years has ranged from 1% to 10% since Fiscal Year 2004. The following table sets forth the overall capacity and occupancy rates for CSU’s housing facilities during the fall semester for the past five years.

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CSU Capacity and Occupancy Rates

Year (Fall Semester)	Program Capacity ¹			Occupancy Rates ³	
	Single Undergraduate Housing	Single and Family Apartment Housing ²	Graduate Housing ²	Single Undergraduate Housing	Family and Graduate Housing
2010	5,355	834	300	99.8%	98.6%
2011	5,184	849	300	99.8	98.5
2012	5,325	882	193	100.1	98.7
2013	5,611	890	193	96.6	99.0
2014	5,789	682	193	99.0	98.4

¹ Because more than the program capacity may be rented, occupancy rates may be in excess of 100%. Program capacity indicates the number of beds expected to be rented for that Fiscal Year. Halls are designed to house more students than program capacity, however, due to programmatic decisions (i.e., Resident Assistants housed in double rather than single rooms), this represents occupancy based on expected Fiscal Year revenue.

² Indicated in numbers of bed spaces for students. In Fiscal Year 2007, CSU began renting two-bedroom apartments as shared apartments for students.

³ Based on residency occupancy as of opening day and apartment occupancy as of September in each year.
Source: CSU, Office of Housing and Dining Services

The Student Housing System (CSU-Pueblo). CSU-Pueblo operates four traditional residence halls with a maximum capacity of 867 beds currently configured to accommodate 867. The University also owns and operates the University Village at Walking Stick apartment complex (the “Walking Stick Complex”). The Walking Stick Complex has a total of 148 beds in 37 units located in six townhouse-style buildings. The complex is located on campus in close proximity to all of the existing campus residence halls and offers the amenities and conveniences of “off campus living” with the benefits of living in the heart of the campus for those students who are exempt from the on-campus living requirement.

CSU-Pueblo also operates dining facilities within the Occhiato University Center and Culebra Residence Hall which house a retail snack and light meal venue. Resident students are required to purchase a meal plan for such service and there are multiple meal plans available to residents and the campus community. Dining services at CSU-Pueblo are contracted out and are currently provided by Chartwells.

The following two tables set forth the program capacity, numbers of occupants, rooms available, rooms occupied and percentage of total rooms occupied in CSU-Pueblo’s residence halls and the Walking Stick Complex during the fall semester of the past five years:

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**CSU-Pueblo Residence Life & Housing
Capacity and Occupancy**

Fall	Residence Hall Program Capacity ¹	Occupants	Number of Available Rooms	Number of Occupied Rooms	Room Occupancy % ²
2010	980	917	556	545	98.0
2011	1,041	958	605	591	97.7
2012	1,129	896	613	542	88.4
2013	1,005	779	576	477	82.8
2014	867	804	490	468	92.7

¹ Program capacity indicates the number of beds expected to be rented for that Fiscal Year.

² Based on occupancy of rooms under room configurations.

**CSU-Pueblo Walking Stick Apartment Complex
Capacity and Occupancy**

Fall	Walking Stick Complex Capacity ¹	Occupants	Number of Available Rooms	Number of Occupied Rooms	Room Occupancy % ²
2010	N/A	N/A	N/A	N/A	N/A
2011	151	143	151	145	96.0%
2012	151	140	151	140	92.7
2013	151	127	151	127	84.1
2014	148	113	148	113	76.0

¹ CSU-Pueblo did not own or operate the Walking Stick Complex before Fall 2011.

² Based on occupancy of rooms under room configurations.

Source: CSU-Pueblo Office of the Vice President for Finance and Administration

Parking Operations

CSU has 125 parking lots at its Fort Collins campus. There are currently approximately 12,500 parking spaces. CSU-Pueblo has 40 parking lots at its CSU-Pueblo campus. There are currently a total of 4,468 parking spaces. For Fiscal Year 2014, the annual revenues for the CSU campus and the CSU-Pueblo campus from parking permits, fines, and other revenues, including, but not limited to, parking meter revenues and damage awards was \$5,282,522 and \$477,457 respectively.

The Student Fees

The Gross Revenues include all revenues derived by the System Enterprise from the Student Fees under the Bond Resolution. Certain fees at CSU and CSU-Pueblo are included as the Student Fees, as more particularly described below:

CSU. Except as noted, student fees allocated to the Student Recreation Center, the Lory Student Operations fee, the Lory Student Center Facilities Construction/Renovations fee, the Hartshorn Health Service, and the Athletics Facilities at CSU, as described under this section, are the only CSU student fees pledged as part of the Net Revenues. Such student fees are imposed and allocated at the discretion of the

Board, but only after such proposed fees or allocations have been reviewed by the Student Fee Review Board, which provides its recommendations on the same to the President of CSU who presents final fee allocations as part of CSU's annual budget for approval by the Board.

CSU-Pueblo. At CSU-Pueblo, the General Bonded Indebtedness Fee and the Student Facility Fee are the only student fees pledged as part of the Net Revenues. These student fees are imposed at the discretion of the Board, but only after such proposed fees have been reviewed and approved by the Student Fee Governing Board and the Associated Student Government who provide their recommendations on the same to the Vice President for Finance and Administration and the President of CSU-Pueblo. The final fee allocation, as determined by the Vice President for Finance and Administration and the President of CSU-Pueblo, is presented as a part of the annual budget for approval by the Board.

The following table provides historical information about such annual student fees which are pledged for CSU and CSU-Pueblo, respectively:

	2010	2011	2012	2013	2014
CSU Pledged Student Fees	\$15,633,751	\$17,927,888	\$18,090,261	\$18,867,539	\$19,522,866
CSU-Pueblo Pledged Student Fees	<u>2,119,548</u>	<u>2,379,795</u>	<u>2,181,095</u>	<u>2,052,988</u>	<u>2,736,594</u>
Total Pledged Student Fees	<u>\$17,753,299</u>	<u>\$20,307,683</u>	<u>\$20,271,356</u>	<u>\$20,920,527</u>	<u>\$22,259,460</u>

Summer Fees. In addition, CSU summer students have been assessed a mandatory fee for the Student Recreation Center (CSU), the Lory Student Operations fee, and the Hartshorn Health Service fee, calculated at 65% of the fall and spring semester fees. Fees assessed to students for the summer semester at CSU-Pueblo are the same as those assessed for the fall and spring semesters. For information on historical enrollment levels at CSU and CSU-Pueblo, see "THE BOARD AND COLORADO STATE UNIVERSITY SYSTEM—Student Body and Enrollment."

Revenues of the Research Facilities

This section provides information regarding the System's indirect cost recovery revenues, a description of the existing Research Facility, described below, and certain other information relevant to the Research Facility revenues which are included in the Gross Revenues. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS." See also "SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION" in Appendix B hereto.

Generally. The Research Building Revolving Fund (referred to herein as the "Research Revolving Fund") was established by the Research Building Fund Act, which authorizes the Board to establish and impose fees, rents, and other charges for the use of CSU buildings and facilities that are used for research. Under the Research Building Fund Act, the Board is authorized to issue bonds for the purpose of obtaining funds for the planning, construction and equipping of research buildings and facilities at CSU, subject to certain limitations. The Research Building Fund Act provides that any such bonds are exempt from taxation for state, county, school district, special district, municipal, or other purposes in the State.

The Research Revolving Fund is primarily funded from amounts received as Facilities and Administrative costs, otherwise referred to as "overhead" charges or indirect cost recoveries in connection with research at CSU, from rental income received for the use of the Research Facilities and from specific appropriations, gifts and grants. A prescribed percentage of the annual revenues received as "overhead" charges or indirect cost recoveries from externally-funded research at CSU are to be deposited in the Revenue Fund and constitute Gross Revenues. See "—Overhead Charges or ICR" under this section.

Rental revenues for deposit in the Revenue Fund are primarily derived from a few small laboratory leases for space located on the CSU campus. Such building is currently leased to the Centers for Disease Control and Prevention. The rental revenues received under such lease are available to pay debt service, operating costs and to provide for renewals and replacements of the building.

The Research Building Revolving Fund Enterprise is a self-supporting activity. None of the general revenues of the State have been expended for the Research Building Revolving Fund Enterprise.

Impact of Federal Funding. Most of the parties to contracts and grants relating to the use of CSU research facilities receive substantial funding from agencies of the federal government. Sequestration has had only a limited effect on current research and development funding. The future federal budget could reduce funding of agency programs including the programs being conducted at CSU. The availability of Federal Recovery Act funding has ceased and spending against those funds is declining as we approach the current federal fiscal year end spending deadlines. CSU received only a relatively small amount of Recovery Act funding so the impact on CSU's research funding is minimal. A number of CSU areas of research expertise and strategic research initiatives, most notably those involving public/private sector funding and collaboration, are expected by the Board to broaden CSU's research funding profile and counteract potential reductions in federal funding. One example of such initiatives is the CSU Energy Institute. The Energy Institute's mission is to create energy solutions through a cross-disciplinary, entrepreneurial approach. The Institute seeks to engage the core of energy faculty across CSU to develop large collaborative proposals for industry-funded research opportunities. Another example is the Colorado Energy Research Collaboratory, a research collaboration between the U.S. Department of Energy's National Renewable Energy Laboratory, based in Golden, Colorado, the Colorado School of Mines, Colorado State University, and the University of Colorado at Boulder, that undertakes research projects with large and small businesses. Working closely with the private sector, the Collaboratory's central purpose is to develop renewable energy technologies for rapid commercialization.

Overhead Charges or ICR. A significant source of revenues expected to accrue to the Revenue Fund is indirect cost recoveries, as described herein. The Bond Resolution includes as Gross Revenues such indirect cost recoveries ("overhead") payable pursuant to research contracts and grants which are performed under the auspices of CSU within the Research Facilities and indirect cost recoveries (also considered "overhead") payable pursuant to research contracts and grants which are performed under the auspices of CSU within all CSU facilities. As part of Gross Revenues, such "overhead" charges or indirect cost recoveries are to be deposited by the Board into the Revenue Fund.

Such indirect cost recoveries accrue as a result of research grants and contracts performed under the auspices of CSU. For information concerning historical grants received by CSU, see "CERTAIN FINANCIAL INFORMATION—Grants and Contracts." Examples of such indirect cost recoveries are:

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General and Administrative Expenses—President’s Office, Vice President for University Operations, Business and Financial Services, Human Resource Services, Procurement, statewide indirect cost plan, and other such expenses;

Departmental Administration—Deans, Directors, Department Heads, departmental support personnel, departmental support costs, and the faculty administrative allowance;

Sponsored Programs Administration and support;

Interest Expense—interest on debt;

Building Depreciation—buildings in which research is conducted;

Equipment Depreciation—equipment used in research buildings;

Operations & Maintenance of Physical Plant—maintenance and utilities; and

Library.

Source: CSU, Business and Financial Services

These elements are currently deemed allowable costs and are used to compute an indirect cost rate to be applied to each grant or contract. All costs, including indirect costs, incurred under federally funded grants and contracts are subject to the cost principles outlined in Office of Management and Budget (“OMB”) Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards and are subject to negotiation with an agency of the federal government (currently the U.S. Department of Health and Human Services).

CSU negotiates its indirect cost rates with the U.S. Department of Health and Human Services and recently completed negotiations for FY15 through FY19. The indirect cost rate for on-campus research for FY15 is 50%, increasing to 51% in FY16 and 52% in FY17 through FY19. Indirect cost rates for nonfederal funding sources are generally the same, although there is no requirement that those rates be accepted by the funding entities and they may be negotiated on an individual basis. The allowable rate is usually included as a percentage of the modified total direct costs of the grant. CSU is not always fully reimbursed for indirect costs and CSU, at its discretion, sometimes contracts for reimbursement at less than the full rate or waives the reimbursement.

There is no assurance that the System’s negotiated rates will remain the same or increase in the future.

Tuition Revenues

Tuition Revenues are defined by the Resolution to be charges to students for the provision of general instruction by the System, whether collected or accrued, as shown as tuition and fees on the System’s audited financial statements. Gross Revenues include 10% of such Tuition Revenues received by the System. Student tuition included in Gross Revenues was \$36,385,415 for Fiscal Year ended June 30, 2014. See “—Historical Net Revenues” under this section. Tuition revenue of CSU Global (as defined herein) is not included in Tuition Revenues received by the System and thus is not included in Gross Revenues. The student tuition figures presented in the System’s audited financial statements for the Fiscal Year ended June 30, 2014, included as Appendix A hereto, do, however, include tuition

revenue of CSU-Global, and thus do not match the Tuition Revenues figure provided above. See “THE BOARD AND COLORADO STATE UNIVERSITY SYSTEM—Generally—CSU Global Campus” and “CERTAIN FINANCIAL INFORMATION—Funding of State Institutions of Higher Education—Recent State Budget Cuts Affecting Higher Education and the System.”

Facilities Construction Fees

Gross Revenues also include all revenues derived by CSU and CSU-Pueblo from the Facilities Construction Fees. “Facilities Construction Fees” are defined by the Bond Resolution to mean (a) 80% of the University Facility Fee approved by the Board on June 15, 2005, relating to instructional facilities to be located on the CSU campus; (b) 100% of the incremental increase to the University Facility Fee approved by the Board on June 23, 2010, relating to instructional facilities to be located on the CSU campus; (c) all of the Student Facility Fee approved by the Board on June 15, 2005, relating to capital projects located on the CSU-Pueblo campus; and (d) all such other similar campus building fees or charges as may be authorized by the Board from time to time and included in Gross Revenues, as provided by a Supplemental Resolution. Colorado Revised Statutes Section 23-5-103(1) provides that the imposition of a facilities construction fee must include a process to consider student input regarding the amount assessed in fees and the purposes for which such fees may be used. CSU and CSU-Pueblo have each implemented a mechanism to solicit and consider student input, as set forth below.

CSU University Facility Fee. The University Facility Fee is a mandatory student fee of \$15 per credit hour per semester for the purpose of constructing and/or refurbishing academic/instruction facilities on the CSU campus. Upon approval in 2005, 80% of the University Facility Fee (which was then \$10.00 per credit hour per semester) was available to be pledged as security for bond financing of facilities. This expectation has been placed into practice and has been followed since inception. On April 27, 2010, the Associated Students of Colorado State University (“ASCSU”) approved an additional fee of \$5 per credit hour per semester which was implemented in the fall 2010 semester. The Bylaws for the University Facilities Fee Advisory Board (“UFFAB”) have been amended to allow for 100% of such \$5.00 portion of the total \$15.00 fee to also be utilized to support bond funded projects.

CSU-Pueblo Student Facility Fee. In 2005, CSU-Pueblo implemented a \$10.00 per credit hour mandatory Student Facility Fee. In anticipation of the OUC remodel, CSU-Pueblo students endorsed facility fee increases of \$4.80 in 2010, \$4.00 in 2011, and \$4.20 in 2012. The current mandatory Student Facility Fee is \$23.00 per credit hour. 100% of such fee may be utilized to support bond funded projects.

Investment Income

Gross Revenues also include investment earnings on moneys in the Research Revolving Fund and on moneys attributable to the Facilities. See Note 4 to the audited financial statements of the “—System for the Fiscal Year ended June 30, 2014” attached hereto as Appendix A.

Historical Net Revenues

The Series 2015 Bonds are payable solely from Net Revenues. The following table sets forth certain financial information regarding the Net Revenues of the System for the past five Fiscal Years. This information has been compiled by the System from past financial statements of the System, and should be read together with the financial statements of the System attached as Appendix A hereto.

**Colorado State University System Historical Net Revenues
For the Fiscal Year Ended June 30**

	2010	2011	2012	2013	2014
Gross Revenues					
Facilities	\$ 95,865,817	\$102,103,608	\$104,755,611	\$108,442,849	\$110,533,429
Student Fees	17,753,299	20,307,683	20,271,356	20,920,527	21,497,787
Research Facilities	3,213,336	3,512,975	3,148,220	3,194,391	4,094,581
Indirect Cost Recoveries	39,370,000	42,159,624	46,123,720	43,675,928	44,516,591
Student Tuition ¹	24,348,946	27,923,988	31,836,585	33,797,997	36,385,415
Facilities Construction Fees	6,873,249	11,204,070	11,868,877	12,174,190	12,343,664
Investment Income	<u>1,469,941</u>	<u>1,944,102</u>	<u>1,399,946</u>	<u>797,496</u>	<u>919,180</u>
Total Gross Revenues	<u>\$188,894,588</u>	<u>\$209,156,050</u>	<u>\$219,404,315</u>	<u>\$223,003,378</u>	<u>\$230,290,647</u>
Operation and Maintenance Expenses					
Facilities	94,407,160	100,374,506	102,011,782	109,709,217	116,507,923
Research Facilities	2,603,232	3,326,968	2,565,676	2,619,658	3,687,196
Adjustments ²	<u>(1,081,136)</u>	<u>(2,012,503)</u>	<u>(717,855)</u>	<u>(3,455,711)</u>	<u>(3,721,286)</u>
Total Operation and Maintenance Expenses	<u>95,929,256</u>	<u>101,688,971</u>	<u>103,859,603</u>	<u>108,873,165</u>	<u>116,473,833</u>
Prior Bond Obligation Principal and Interest	<u>5,761,453</u>	<u>5,736,778</u>	<u>5,897,046</u>	<u>2,368,094</u>	<u>0</u>
Net Revenues	<u>\$87,203,879</u>	<u>\$101,730,301</u>	<u>\$109,647,666</u>	<u>\$111,762,119</u>	<u>\$113,816,814</u>

¹ Represents 10% of Tuition Revenues. Such figure does not include tuition revenues of CSU-Global (as defined herein). Tuition revenues of CSU-Global are not included in Gross Revenues. The presentation of student tuition figures in the System's audited financial statements for the Fiscal Year ended June 30, 2014, included as Appendix A hereto, do, however, include tuition revenue of CSU-Global, and thus do not match the Tuition Revenues figure provided herein. See "THE NET REVENUES—Tuition Revenues" and "THE BOARD AND COLORADO STATE UNIVERSITY SYSTEM—Generally—CSU-Global Campus."

² Includes adjustments relating to equipment expenditures and compensated absences.

Source: Colorado State University System, Treasurer's Office; derived from CSU System Financial Statements

THE BOARD AND COLORADO STATE UNIVERSITY SYSTEM

The Board of Governors of the Colorado State University System

The governance of the Colorado State University, the Colorado State University—Pueblo and the Colorado State University-Global Campus is vested in the Board of Governors of the Colorado State University System, a body corporate composed of nine voting members appointed by the Governor and confirmed by the Colorado Senate for four year terms. In addition to the nine voting board members, there are six persons, including the president of the student government and an elected representative of the faculty government from each of CSU, CSU-Pueblo and CSU Global Campus, who serve as nonvoting members. Both voting and nonvoting members serve without compensation, although they may be reimbursed for expenses incurred in carrying out their duties.

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Current members of the Board, their principal occupations or affiliations and terms are as follows:

Board of Governors of the Colorado State University System

Voting Members	Principal Occupation	End of Term (December 31)
William E. Mosher, Chair	Trammell Crow Company	2015
Demitri E. Munn, Vice Chair	Aurora Public Schools – Superintendent	2015
Scott C. Johnson, Secretary	Owner, Flying Diamond Ranch	2017
Nancy R. Tuor, Treasurer	CH2MHILL- Retired	2017
Joseph C. Zimlich	CEO, Bohemian Companies	2016
Mark Allan Gustafson	JBS USA, LLC	2018
Jane Robbe Rhodes	National Collegiate Tailgating Championship	2017
Dennis E. Flores	Insurance Executive – Retired	2018
Dorothy A. Horrell	President & CEO, Bonfils Stanton Foundation - Retired	2016
NonVoting Members	Affiliations	End of Term
Paul Doherty	CSU-Fort Collins Faculty Representative	June 2016
Michael A. Mincic	CSU-Pueblo Faculty Representative	May 2016
Robert Deemer	CSU-Global Campus Faculty Representative	May 2016
Jason Sydoriak	CSU-Fort Collins Student Representative	May 2016
Sarah Zarr	CSU-Pueblo Student Representative	May 2016
Megan Schulze	CSU-Global Campus Student Representative	May 2016

The Board is one of the boards of institutions of higher education in the State. The officers of the Board are elected by the Board and consist of a Chair, Vice Chair, Treasurer, and Secretary each of whom is elected from the Board's voting membership. Dorothy A. Horrell currently serves as Chair of the Board, William E. Mosher currently serves as Vice Chair of the Board, Joseph Zimlich currently serves as Treasurer to the Board, and Scott Johnson currently serves as Secretary of the Board.

As the governing body over CSU, CSU-Pueblo and CSU Global Campus, the Board is responsible for establishing the philosophy, operating policies, academic programs, awarding of degrees, and control of all funds for the entities under its control. It is also responsible for the selection, appointment and oversight of the Chancellor, who serves as the Chief Executive Officer of the System, other System staff reporting directly to the Board, and the presidents of the campuses. In its general policy making capacity and in coordination with the Chancellor, the Board approves such items as senior management salaries, tuition, general fees, special fees, calendars, student and faculty handbooks, academic programs, and awards all degrees. The Board may, by statute, delegate to the Chancellor the power to choose such personnel as may be needed as System staff and may delegate authority over personnel matters to the chief executive officers of the three campuses. Following appropriation of the budget in the Long Bill by the State legislature, it is the responsibility of the Board to allocate the moneys to only CSU and CSU-Pueblo. CSU Global Campus does not receive any state support. See "CERTAIN FINANCIAL INFORMATION—Certain Legislation Affecting Funding of State Institutions of Higher Education."

Generally

The System. The System is comprised of the CSU System office which houses the Chancellor, Chief Financial Officer, Board Secretary, General Counsel, and Internal Auditor, which are under the

governance and supervision of the Board. The System office was established by the Board to serve various functions, including carrying out the administrative responsibilities of the Board, general governance over the campuses, coordinating the budget, audit and financial activities of the System, Government relations and promoting collaborative academic programs and related activities between and among the three campuses. Revenues of CSU-Global, a baccalaureate and graduate online university, do not constitute Gross Revenues and thus are not pledged to the payment of the Series 2015 Bonds. See “—CSU—Global Campus” under this section. The principal officers within the System are:

Dr. Anthony Frank, Chancellor. Effective March 1, 2015, former Chancellor, Michael V. Martin transitioned to Chancellor Emeritus and Senior Fellow status. Dr. Anthony Frank was appointed Chancellor on June 1, 2015, and also continues to serve as President of CSU. Dr. Frank’s background and qualifications are set out below. This dual appointment has historical precedent, for at least two prior Presidents of CSU have also served in the capacity as both President of CSU and Chancellor of the System. In the position of Chancellor, Dr. Frank serves as the Chief Executive Officer of the System. In this capacity he reports directly to the Board of Governors and is responsible for supervision of the System office and staff. Further, he is responsible for assisting the Board of Governors to lead the System’s operations, set legislative strategies, and serves as the primary spokesperson for the System in all its affairs.

Richard Schweigert, Chief Financial Officer, Government Relations, Treasurer, System. Mr. Schweigert serves as Chief Financial Officer of the System. In his position, he reports directly to the Chancellor, and contributes to a wide range of System initiatives. Mr. Schweigert provides overall leadership and management on all financial matters for the System and its component institutions. He serves as a member of the Chancellor’s senior staff, and oversees the System’s revenues, costs, capital expenditures, investments, debt and monitors various business ventures. With the collaboration of the Vice Presidents at each System campus, Mr. Schweigert is responsible for oversight of the System’s budget and financial issues, and the processes associated with the development and monitoring of the annual state budget. He works closely with the Executive and legislative branches of government on funding and other issues of importance to the CSU System. He provides oversight and management of the Director of Finance and Treasurer’s Office. Financial duties include planning and preparation of system office operating budgets, development and implementation of budget funding plans, staffing Board committees, assisting member institutions in developing operating and capital budgets and strategies, and reviewing and reporting financial status of the System and institutions. He was the first appointed Chief Executive Officer to run the new CSU Global Campus on-line university and successfully brought it up and made it operational. Mr. Schweigert previously served as the Vice President of Finance and Administration of Colorado Mesa University with human resources, procurement, auxiliary businesses and numerous other entities reporting directly to him. Prior to this, Mr. Schweigert held Chief Financial Officer positions for the Department of Higher Education and the Colorado Department of Corrections. He holds a B.A. in Political Science from Colorado State University. Mr. Schweigert has been extensively engaged in various committees and operational development groups throughout his career working on financial, human resource, state-wide policies and other issues of importance.

Michael D. Nosler, General Counsel, Assistant Attorney General, System. Mr. Nosler was appointed General Counsel for the System on December 1, 2008, after serving as Interim General Counsel from June 17, 2008. In this capacity, he reports directly to the Board of Governors. Mr. Nosler graduated from Colorado State University in 1969. He then served as a First Lieutenant in the United States Army from 1969 to 1972. He completed his Juris Doctor in 1975 at Drake University. After graduation from Drake Law School, he served as Division Staff Attorney, Labor Relations at the Mountain States Employer Council from 1975 to 1978. He then

joined the Denver law firm of Rothgerber Johnson & Lyons, LLP (RJ&L) in 1978, where he remained as partner and chair of the Labor and Employment Practice Group. In 1996, he was elected Managing Partner of the firm, a position he held for 10 years. Mr. Nosler has over 35 years of experience in commercial and employment litigation. His awards and accomplishments include selection as a “Super Lawyer” in the Labor and Employment Field of Practice for the years 2006, 2007 and 2008. He is active in the Colorado State University Diversity in Law Program and his firm RJ&L honored him by creating the Michael D. Nosler Diversity in Law Scholarship for deserving University of Colorado or University of Denver law students. Mr. Nosler is the recipient of the Colorado State University 2006-07 College Honor Alumna—Liberal Arts Award and was named in the 2009 edition as one of “The Best Lawyers in America” for labor and employment law. In 2012, Mr. Nosler assumed the duties and title of Executive Secretary to the Board of Governors.

Allison Horn, Director of Internal Auditing, System. Ms. Horn was appointed Director of Internal Auditing in December 2007. She joined the CSU System as an Internal Auditor in 1993, after working in a similar capacity for seven years at the Smithsonian Institution in Washington, DC, and a private lumber company in Boulder, Colorado. She also worked for several years as an Accounting Manager and in a private law practice. She holds a bachelor’s degree in Business, an MBA and a Juris Doctor, all from the University of Wyoming. The Director of Internal Auditing is appointed by the Board and reports to the Board’s Audit Committee. The annual audit plan is approved by the Board and is based on a comprehensive risk assessment of all three institutions within the System. In addition to the annual audit plan, Internal Auditing responds to special requests or reports of potential problems from management or the Board or reports received through a campus reporting hotline.

CSU – General Description and History. Colorado State University is the second largest of 14 public colleges and universities offering four-year accredited programs within the State. CSU in Fall 2014 enrolled a total of 27,086 resident and nonresident Resident Instruction students. CSU is located in Fort Collins, Colorado, a community with a population of approximately 151,330 (2013) residents, 65 miles north of Denver, and 45 miles south of Cheyenne, Wyoming, on Interstate 25.

Colorado Agricultural College was organized in 1870 as the State’s land grant college under the Morrill Act of 1862, six years before the Colorado Territory gained statehood. The Morrill Act provided federal endowment support for state institutions. The Colorado Territory became a state in 1876, and in 1877, the institution was placed under the governance of the State Board of Agriculture. The institution admitted its first students in 1879. Subsequent federal legislation led to the establishment of an Agricultural Experiment Station through the Hatch Act of 1887 and Extension Service through the Smith-Lever Act of 1914, while State legislation added responsibility for the Colorado State Forest Service to CSU’s duties. Following several name changes, the institution became “Colorado State University” in 1957, and the State Board of Agriculture became the Board of Governors of the Colorado State University System in 2002 (H.B. 02-1260).

CSU is one of 108 institutions classified as a Carnegie Research University (Very High Research Activity). The Universities are regionally accredited by the Higher Learning Commission and are members of the North Central Association. Specialized (programmatic) accreditation is maintained by 34 CSU programs through 18 accrediting agencies. Among many national recognitions, CSU is ranked in the prestigious “Top Tier” (rank of 121) among public and private national universities and 58th among public universities in U.S. News and World Report’s rankings of “America’s Best Colleges and Universities.” The Professional Veterinary Medicine program is tied for third in the nation by the U.S. News and World Report and is ranked third in the country in federal research dollars among colleges of veterinary medicine.

CSU's Main Campus is a 451-acre facility, including nearly 100 academic and administrative buildings that house most of CSU's classrooms and office space, including approximately 101 acres for the Veterinary Teaching Hospital ("Main Campus"). Housing space is available for approximately 6,700 students in residence halls and apartments operated by CSU. There are 18 sororities and 24 fraternities that house over 2,122 members. CSU's South Campus is a 132-acre facility that includes the Veterinary Teaching Hospital, Flint Animal Cancer Center, Diagnostic Medicine Center and the Gail Holmes Orthopaedic Research Center, as well as related animal holding and research buildings ("South Campus"). South Campus is also home to the Natural Resources Research Center (NRRC), consisting of six buildings leased to the federal government. The Foothills campus is a 1,438 acre area located two miles west of the Main Campus and is devoted primarily to research laboratories and facilities. In addition, CSU has agricultural campuses of 1,575 acres which support instructional and research programs in agronomy and animal sciences. The CSU Mountain Campus, which is located 55 miles west of the Main Campus in the Rocky Mountains, is used primarily for summer conferences. Finally, CSU includes 4,043 acres of land for research centers and Colorado State Forest Service stations outside of Larimer County, Colorado.

In addition to the buildings located on the Main Campus, there is a 32,500 seat athletic stadium and an 8,745 seat athletic arena at CSU. The Board officially approved the construction of a new stadium on the Main Campus at the December, 2014 board meeting.

Dr. Anthony Frank is the current President of CSU. His biographical information follows.

President, CSU – Dr. Anthony Frank. Dr. Frank, Ph.D., D.V.M., was named President of CSU in June 2009, after serving as Interim President of CSU since November 2008. He also serves as Chancellor of the System. He served on the faculty at Oregon State University before joining CSU in 1993, as the Chairman of the Department of Pathology and Associate Dean for Research in the College of Veterinary Medicine and Biomedical Sciences. He was appointed Vice President for Research and Information Technology at CSU in 2000. In 2004, he was appointed Senior Vice President, and he assumed the duties of Interim Provost in March 2005. Dr. Frank was appointed to the position of Provost/Senior Vice President in August 2005 and was named Senior Executive Vice President and Provost in 2008. Dr. Frank earned his Bachelor's degree in Biology from Wartburg College and his Doctor of Veterinary Medicine from the University of Illinois. He completed a Ph.D. and residencies in pathology and toxicology at Purdue University. He served on the faculty at Oregon State University before joining CSU in 1993. He has been active in service and professional organizations throughout his career. He has served on several federal panels, including appointment by the United States Department of Commerce to the Deemed Export Advisory Council. Dr. Frank also served on the editorial board of Toxicology and Pathology and as a member of the Colorado Climate Action Panel. He was awarded the Carl J. Norden Distinguished Teaching Award at both CSU and Oregon State University. Dr. Frank's research interests have included toxicology and infectious disease pathology, and he has authored and coauthored numerous scientific publications.

CSU-Pueblo – General Description and History. The University of Southern Colorado was founded in 1933 as a district junior college, became a state supported four year institution in 1963, and was designated a university in 1975 by the State legislature. On July 1, 2003, the University of Southern Colorado changed its name to Colorado State University-Pueblo.

CSU-Pueblo's campus encompasses more than 275 acres in northern Pueblo, Colorado and is comprised of 21 academic and administrative buildings, not including acquired housing apartments. Pueblo is a historically and culturally rich city of more than 100,000 located in the Pikes Peak region of southern Colorado. Pueblo is situated on the Front Range, within driving distance of both Denver and

Colorado Springs. CSU-Pueblo offers 28 undergraduate degree programs and 10 graduate degree programs in the College of Science and Mathematics, the Hasan School of Business, the College of Humanities and Social Sciences, and the College of Education, Engineering and Professional Studies.

Dr. Lesley Di Mare is the current President of CSU-Pueblo. Her biographical information follows.

President, CSU-Pueblo - Dr. Lesley Di Mare. Dr. Lesley Di Mare, Ph.D. was selected as the President of CSU-Pueblo on October 5, 2011. She became the first permanent female President in CSU-Pueblo's history effective December 2, 2011. Prior to this appointment, Dr. Di Mare was most recently the Interim President and Chief Executive Officer at Nevada State College in Henderson, Nevada. She joined Nevada State College in 2007 as Provost and Executive Vice President of Academic Affairs. Previously, she served as Associate Vice Provost for Undergraduate Initiatives and Academic Programs at Arizona State University's West Campus. She also has served as a faculty member in the Speech Communications Department at the University of California, Los Angeles. Dr. Di Mare has a Bachelor's degree in Theatre Arts from California State University, Chico, a Master's degree in Speech Communications from California State University, Hayward, and a Ph.D. in Speech Communications from Indiana University.

CSU-Global Campus – General Description and History. Colorado State University-Global Campus (as previously defined, "CSU-Global") was incorporated in 2008. CSU-Global is the nation's first fully online accredited stand alone public university with the goal in Colorado of offering Bachelor's degree completion and Master's degree programs. The mission of CSU-Global is to offer 100% online programs for nontraditional students that are career-relevant and tailored to existing and emerging industry and occupational trends within Colorado and beyond. CSU-Global serves working adults and other nontraditional students who already have some college credits or an associate's degree and who want to complete their Bachelor's or Master's degrees. CSU-Global admitted its first students during the fall 2008 semester. Revenues of CSU-Global do not constitute Gross Revenues and thus are not pledged to the payment of the Series 2015 Bonds.

Dr. Becky Takeda-Tinker is the current President of CSU-Global. Her biographical information follows.

President CSU Global Campus – Dr. Becky Takeda-Tinker. Dr. Becky Takeda-Tinker, M.B.A., Ph.D., was named president of CSU-Global in May 2010. Dr. Takeda-Tinker joined CSU-Global in 2008 where she served as a faculty member for Master's and Bachelor's degrees in organizational development and leadership. She has also done work in course development and instruction with other regionally accredited universities. She has led publicly-held and private technology and service companies, and has served as a private equity partner and financial services business owner. She holds a Ph.D. in Organization and Management with a specialization in Leadership, a Master of Business Administration in Finance with a post-graduate certificate in Marketing Management, and a Bachelor of Arts in Economics. Dr. Takeda-Tinker currently serves on the board of directors of the Global Leadership Foundation for the International Women's Forum. She has also served on the boards of the Foundation for an Independent Tomorrow, University of Nevada Las Vegas Foundation – Black Mountain Institute Founder's Circle, Southern Nevada's Make-A-Wish Foundation and the National Association of Women Business Owners of Southern Nevada.

Employees and Employee Benefits

The following tables set forth certain information as to employees of CSU and CSU-Pueblo:

CSU Employee Data

Year	Faculty	Administrative Professional	Other Employees
2010	1,335	1,362	3,261
2011	1,331	1,417	3,226
2012	1,334	1,491	3,148
2013	1,409	1,641	3,172
2014	1,470	1,944	3,047

Excludes Temporary Faculty

Source: CSU, Office of Institutional Research Annual Fact Book

CSU-Pueblo Employee Data

Year	Faculty	Administrative Professional	Other Employees
2010	420	204	153
2011	391	207	157
2012	381	189	152
2013	426	179	136
2014	408	190	133

Excludes graduate assistants

Source: CSU-Pueblo, Office of Institutional Research – CSU-Pueblo Annual Fact Book

Employees may accrue annual and sick leave based on the length of service and subject to certain limitations regarding the amount which will be paid upon their termination. The estimated costs of compensated absences for which employees of the System were vested for Fiscal Years ended June 30, 2014 and June 30, 2013, were \$48,923,000 and \$44,581,000, respectively. See “CERTAIN FINANCIAL INFORMATION—Employee Retirement Plans.”

None of CSU’s or CSU-Pueblo’s employees are represented by labor organizations. State law does not require the System to bargain collectively with its employees, although it may do so voluntarily.

Academic Programs

CSU. CSU’s land grant, balanced program concept of teaching, research, extension and public service provides the foundation for its teaching and research programs, Agriculture Experiment Station, Cooperative Extension Service and Colorado State Forest Service.

CSU’s academic programs are organized into eight colleges: Agricultural Sciences, Health and Human Sciences, Business, Engineering, Liberal Arts, Warner College of Natural Resources, Natural Sciences and Veterinary Medicine and Biomedical Sciences. Bachelor’s degrees are offered in 72 fields, Master’s degrees in 77 fields, Doctoral degrees in 44 fields plus the Doctor of Veterinary Medicine degree. Approximately 49% of those enrolled for advanced degrees are involved in doctoral studies.

CSU-Pueblo. CSU-Pueblo's role and mission calls for strong professional and career oriented programs with a firm grounding in the liberal arts. This is realized at the undergraduate level through programs such as teacher education, nursing, social work, engineering, technology, sciences and mathematics, liberal and fine arts and business. Graduate degrees (M.A., M.S., M.Ed., M.B.A.) are offered in 10 programs: biochemistry, biology, business administration, chemistry, education, engineering, English, history, industrial & systems engineering, and nursing. The System, through CSU-Pueblo, is the major educational and cultural resource for southeastern Colorado and serves an integral role in the economic development of the region.

The System, through CSU-Pueblo, makes available a broad array of credit and noncredit courses, seminars and workshops through the Division of Continuing Education. Some programs are offered on campus and others at off campus sites and the military bases in nearby Colorado Springs. CSU-Pueblo's External Degree Completion Program provides off campus transfer students, through primarily print based correspondence courses, the entire curriculum to receive a degree in Social Science, Sociology and Sociology/Criminology, in addition to a variety of other upper division and lower division general education courses. At off campus sites in Colorado Springs, degrees are offered in Business, Social Work, Social Sciences, Sociology and Sociology/Criminology in accelerated classroom based courses designed for working adults. In service training to teachers, dual secondary/college credit courses to advanced high schools students, and a vast array of noncredit professional development and personal enrichment classes are also offered to the general public.

Enrollment Policy and Admissions Standards

Enrollment Policy CSU. Prior to fall 1986, CSU admitted qualified students who met internally defined selective admission criteria. In 1986, CSU changed to the highly selective admissions standard described below.

Enrollment Policy CSU-Pueblo. CSU-Pueblo admits students who meet State defined moderately selective admissions criteria. This standard was adopted pursuant to the State legislation and Colorado Department of Higher Education ("CDHE") policies described below. To be accepted for admission at CSU-Pueblo, a potential student must achieve a CDHE admission index score of 86 or higher and meet the curriculum-based Higher Education Admissions Requirements discussed below. The index score can be achieved by various combinations of high school grade point average or class rank and ACT composite or SAT combined score.

Admissions Standards. Admission to CSU and CSU-Pueblo is open to residents and non-residents of the State on a competitive basis and in accordance with the admissions standards described below. Priority for admission is given to applicants who satisfy certain criteria relating to grade point average, class rank, standardized tests and high school curriculum. With regard to first time freshmen students, the CDHE standards require students to meet two scales for admission. The first scale incorporates measures of standardized test scores, high school class rank and high school grade point average. The second scale is the curriculum-based Higher Education Admissions Requirements adopted in 2003 and implemented in two phases in 2008 and 2010. Under the CDHE policy, however, individual institutions may make admission decisions based on other criteria as well, including high school curriculum, special talents and experiences. The CDHE standards require that a percentage of first time freshmen students admitted to CSU and CSU-Pueblo must meet the CDHE admissions index. However, first time freshmen student applicants who meet the CDHE admissions index are not guaranteed admission to CSU or CSU-Pueblo. The CDHE policy provides that CSU and CSU-Pueblo may admit first time freshmen students who do not meet the CDHE admissions index and the Higher Education Admission Requirements, but who meet other criteria, up to a percentage defined for each institution of the admitted pool of students.

The average academic qualifications of first time enrollees at CSU and CSU-Pueblo for the fall semester of the past five years were as follows:

**Historical Average Academic Qualifications
CSU**

Year (Fall Semester)	% Rank High School Class	Combined SAT Scores	ACT Comprehension Scores	Grade Point Average
2010	73	1,134	24.5	3.56
2011	74	1,142	24.7	3.59
2012	73	1,143	24.8	3.57
2013	73	1,140	24.7	3.61
2014	72	1,143	24.9	3.61

Source: CSU, Office of Institutional Research

**Historical Average Academic Qualifications
CSU-Pueblo**

Year (Fall Semester)	% Rank High School Class	Combined SAT Scores	ACT Comprehension Scores	Grade Point Average
2010	57	958	20.4	3.10
2011	59	976	20.6	3.10
2012	60	961	20.5	3.10
2013	61	976	20.7	3.20
2014	60	981	20.9	3.20

Source: CSU-Pueblo, Office of the Vice President for Finance and Administration

Student Body and Enrollment

In 2014, approximately 80.5% and 93% of CSU and CSU-Pueblo first year freshmen student applicants, respectively, were accepted for admission, and 32.5% and 23% of accepted applicants actually enrolled at CSU and CSU-Pueblo, respectively. The following tables show the number of applications, acceptances, new students registered and total enrollment at CSU and CSU-Pueblo during the fall semester of each of the last five years:

**Historical Enrollment Data
CSU
(Fall Semester)**

Year	Applications ¹	Acceptances ¹	New Registrations ¹	Total Enrollment (Headcount) ²
2010	17,157	13,846	5,892	26,356
2011	20,006	14,842	6,077	26,735
2012	21,233	15,432	5,973	26,769
2013	21,366	16,083	5,890	27,034
2014	19,895	15,537	5,779	27,086

¹ First time freshmen students and transfers.

² Undergraduate, graduate and professional veterinary medical students.

Source: CSU, Office of Institutional Research

**Historical Enrollment Data
CSU-Pueblo
(Fall Semester)**

Year	Applications ¹	Acceptances ¹	New Registrations ¹	Total Enrollment (Headcount) ²
2010	3,264	3,046	945	5,152
2011	3,377	3,167	1,001	5,230
2012	3,147	2,969	883	4,868
2013	3,038	2,897	735	4,669
2014	4,236	3,930	897	4,535

¹ First time freshmen students.

² Undergraduate and graduate students.

Source: CSU-Pueblo, Office of the Vice President for Finance and Administration

The decline in enrollment at CSU-Pueblo from 2012 to 2013 related primarily to renewed enforcement of timely payment of tuition and mandatory fees, resulting in the attrition of certain delinquent students. Overall, the projected aggregate enrollment increase for the System in the next three years is expected to be in the 1% to 2% range.

The following tables show the total FTE number of resident and nonresident students enrolled at CSU and CSU-Pueblo, respectively, during the last five full years. (The amount of course work taken by a typical full time student during an academic year is defined as one FTE student, or 30 semester hours credit per academic year.)

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**Historical Student Data
CSU ¹**

Full Year ¹	FTE Colorado Residents	Percentage of Total FTE	FTE Non-Colorado Residents	Percentage of Total FTE	Total FTE Students
2010-11	18,886	80.1	4,679	19.9	23,565
2011-12	18,583	79.2	4,965	20.8	23,818
2012-13	18,640	77.9	5,294	22.1	23,934
2013-14	18,305	76.3	5,694	23.7	23,999
2014-15 ²	18,309	75.8	5,835	24.2	24,144

¹ Includes students in the professional veterinary medicine program. Includes summer, fall and spring terms.

² Projected.

Source: CSU, Office of Institutional Research

**Historical Student Data
CSU-Pueblo ¹**

Full Year ¹	FTE Colorado Residents	Percentage of Total FTE	FTE Non-Colorado Residents	Percentage of Total FTE	Total FTE Students
2010-11	3,900	88.0	531	12.0	4,431
2011-12	3,886	87.6	551	12.4	4,437
2012-13	3,598	87.0	539	13.0	4,137
2013-14	3,475	87.4	499	12.6	3,974
2014-15 ²	3,297	85.9	540	14.1	3,837

¹ Includes fall, spring and summer semesters.

² Projected.

Source: Colorado Department of Higher Education Annual Enrollment Report

Tuition and Fees

Tuition at CSU and CSU-Pueblo is divided into two basic categories, depending upon residency in the State. Annual tuition rates are subject to approval by CCHE. The tables below provide information regarding the annual tuition and fees for undergraduate and graduate students at CSU and CSU-Pueblo during the last five academic years. See “—Student Body and Enrollment” under this section. Similar to other public institutions of higher education, tuition increases at CSU and CSU-Pueblo are reviewed annually. The System anticipates that tuition at CSU and CSU-Pueblo will increase each year at least to reflect increases in the consumer price index.

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**Historical Tuition and Fees Per Semester
CSU¹**

Academic Year	Colorado Resident		Non-Colorado Resident		Total Fees
	Undergraduate	Graduate	Undergraduate	Graduate	
2009-10	\$2,411	\$3,232	\$10,372	\$ 9,058	\$ 728
2010-11	2,628	3,717	10,683	9,511	865
2011-12	3,154	3,996	11,004	9,796	868
2013-14	3,747	4,406	11,674	10,800	910
2014-15	3,934	4,538	12,024	11,124	1,014

¹ Full time student tuition and fees per semester. Does not include tuition and fees for students in the veterinary medicine program or in other special programs for which tuition and fees are established on a different basis.

Sources: CSU, Office of Institutional Research

**Historical Tuition and Fees Per Semester
CSU-Pueblo¹**

Academic Year	Colorado Resident		Non-Colorado Resident		Total Mandatory Fees²
	Undergraduate	Graduate	Undergraduate	Graduate	
2009-10	\$1,780	\$2,092	\$6,771	\$6,771	\$591
2010-11	1,940	2,280	6,780	6,780	619
2011-12	2,191	2,575	7,140	7,656	671
2013-14	2,447	2,820	7,356	8,383	733
2014-15	2,594	2,989	7,797	8,886	804

¹ Full time student tuition and fees per semester.

² Mandatory fees per semester for full time students enrolled for 12 credit hours or more.

Sources: CSU-Pueblo, Office of the Vice President for Finance and Administration

Student Financial Assistance

Financial assistance at CSU and CSU-Pueblo is awarded generally in the form of a “package” consisting of scholarships, loans and campus and off campus employment. The following tables set forth the total number of students receiving financial assistance and the amount of federal and state assistance received by students at CSU and CSU-Pueblo in the Fiscal Year ended June 30, 2014. No assurance, however, can be given that the level of assistance available in the past will continue.

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**Student Financial Assistance
Fiscal Year 2014
CSU**

Total Students on Financial Assistance ¹	20,413
Number of Students in Each Category of Financial Assistance:	
Private Scholarships and Other	4,443
Institutional Assistance ²	11,687
Federal Assistance	14,930
Amount of Federal Assistance (in thousands)	\$183,893
Amount of State Assistance (in thousands)	\$8,521

¹ It is not uncommon for the same student to receive assistance from more than one source.

² Includes hourly and student employment.

Source: CSU, Office of Financial Aid

**Student Financial Assistance
Fiscal Year 2014
CSU-Pueblo**

Total Students on Financial Assistance ¹	4,185
Number of Students in Each Category of Financial Assistance:	
Private Scholarships and Other	399
Institutional Assistance ²	1,636
Federal Assistance	3,655
Amount of Federal Assistance (in thousands)	\$32,085
Amount of State Assistance (in thousands)	\$3,024

¹ It is not uncommon for the same student to receive assistance from more than one source.

² Includes hourly and student employment.

Source: CSU-Pueblo, Office of the Vice President for Finance and Administration

CERTAIN FINANCIAL INFORMATION

The operating revenues for the System are derived from appropriations made to the Board by the State, which are allocated to the System, CSU and CSU-Pueblo by the Board, as well as revenues received from the federal government, sales and services of auxiliary operations, tuition and fees, self-funded activities, government grants and contracts, and private gifts, grants and contracts.

Budget Process

The System operates on an annual budget with a Fiscal Year beginning on July 1 of each year. However, the budget and resource allocation process is a continuous, multi-year activity which assures that funding from all sources is consistent with long range policies, programmatic goals and strategic plans of the System. The budget process is based on criteria established by the Board in coordination with the System and the Universities. This provides for consistency in policy, planning and economic assumptions and permits comprehensive analysis and review of specific concerns within a System wide context.

In general, the Universities prepare three types of budgets: operating budgets for current unrestricted funds, operating budgets for auxiliary and self-funded activities and restricted funds, and capital budgets, which include both State appropriated capital construction and cash funded construction and controlled maintenance projects. Current unrestricted funds include tuition and fees, fee for service

revenues, indirect cost recoveries, interest income and other fees. Auxiliary and self-funded activities include athletics and auxiliary enterprises including housing and food services, bookstores, recreation centers, athletics, continuing education, sponsored programs paid for by federal and private contracts and grants, student financial assistance, and various enterprise activities.

Accounting Policies

The System and the Universities account for financial resources in accordance with generally accepted accounting principles. Under these principles, the System's resources are recorded and maintained through the use of separate accounts to assure observance of any restrictions imposed upon the use of these resources. The System and the Universities use the following fund groups to account for its financial resources.

Current Funds. These funds represent those resources of the System that are expendable for current operating purposes. These funds are divided into two subgroups—unrestricted and restricted. While unrestricted current funds can be expended for any System purpose, the expenditure of restricted current funds is limited by the donor or grantor to specific purposes, programs, departments or colleges.

Student Loan Funds. These funds are loaned to qualified students who need additional funds to pay for their educational expenses. Payments of principal and interest on these loans are subsequently re-loaned as new loans.

Endowment and Similar Funds. These funds are funds received from donors or from the occurrence of unusual events that produce one-time revenue such as the sale of an asset. True endowment funds are funds received from a donor with the restriction that the principal is not expendable. Term endowment funds are funds for which the donor stipulates that the principal may be expended after a stated period of time or upon the occurrence of a certain event. Funds functioning as endowments are funds that have been established by the governing board to function like an endowment fund but that may be expended at any time at the discretion of the Board.

Plant Funds. These funds account for capital assets and related debt, capital projects, capital reserves and the processing of payments related to bond indebtedness.

Financial Reporting

The Board of Governors of the Colorado State University System is a statutorily established corporate body of the State. The consolidated financial statements of the Colorado State University System are required to be audited each year by an independent firm of Certified Public Accountants and acting on behalf of the Colorado State Auditor's Office.

Beginning with the Fiscal Year ended June 30, 2002, the Colorado State University System has issued financial statements in accordance with the Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. The financial statement presentation required by GASB Statements No. 34 and No. 35 provides a comprehensive, entity wide perspective of the Colorado State University System's assets, liabilities, net assets, revenues, expenses, changes in net assets and cash flows.

Financial Statements

The financial statements of the System for the Fiscal Years ended June 30, 2014 and 2013 are included as Appendix A hereto. The 2014 and 2013 financial statements have been audited by BKD, LLP, independent auditors, as stated in their report herein. BKD, LLP has not undertaken to update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by BKD, LLP with respect to any event subsequent to the date of its report. BKD, LLP also has not performed any procedures relating to this Official Statement. Prior year's audited financial statements of the System together with additional management recommendations made by the State Auditor are available for inspection at the Colorado office of the State Auditor and can be found at <http://www.leg.state.co.us/OSA/coauditor1.nsf/ReportPublic>. This internet address is provided as a matter of convenience for the purchasers of the Series 2015 Bonds. The Board does not incorporate herein any information provided at such internet address or any other internet addresses that may be contained therein or herein, and the information at such internet address or internet addresses is not to be construed or incorporated as part of this Official Statement.

Selected Financial Information

Set forth below is a five year comparative summary of the revenues and expenses and changes in net position of the System for the Fiscal Years ended 2010 through 2014. These summaries include revenues received from the Facilities. The following financial statements of the System were prepared in accordance with the requirements of GASB Statements Nos. 34 and 35.

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**Consolidated Statement of Revenues, Expenses
and Changes in Net Position of the System
(000's Omitted)**

	Fiscal Year Ended June 30				
	2010	2011	2012 ^{3,4}	2013 ⁴	2014
Operating Revenues					
Tuition and Fees, net ¹	\$253,822	\$296,884	\$339,178	\$371,323	\$409,617
State Fee for Service	38,798	87,610	67,932	68,030	72,025
Grants and Contracts	265,990	293,484	329,162	269,247	269,965
Auxiliary Enterprises	125,249	134,883	139,094	137,822	144,400
Other	28,978	28,815	31,463	38,053	42,306
Total Operating Revenues	<u>712,837</u>	<u>841,676</u>	<u>906,829</u>	<u>884,475</u>	<u>938,313</u>
Operating Expenses					
Instruction	226,367	222,891	232,346	248,234	272,049
Research	175,960	182,451	186,611	189,785	182,094
Public Service	81,757	97,868	133,549	70,352	83,703
Academic Support	54,625	58,373	62,629	69,756	78,804
Student Services	29,387	33,109	36,241	39,713	46,913
Institutional Support	45,126	41,915	46,964	51,411	56,194
Operation and Maintenance of Plant	54,403	52,837	59,576	58,835	65,493
Scholarships and Fellowships	16,491	16,608	16,114	22,755	24,557
Auxiliary Enterprises	111,248	119,083	125,430	131,683	137,459
Depreciation	47,593	54,290	66,414	72,890	77,648
Total Operating Expenses	<u>842,957</u>	<u>879,425</u>	<u>965,874</u>	<u>955,414</u>	<u>1,024,914</u>
Operating Loss	<u>(130,120)</u>	<u>(37,749)</u>	<u>(59,045)</u>	<u>(70,939)</u>	<u>(86,601)</u>
Nonoperating Revenues					
State Appropriations	6,300	5,700	2,450	1,754	2,472
Other Net Nonoperating Revenues ²	135,971	60,760	59,502	58,873	69,295
Total Nonoperating Revenues	<u>142,271</u>	<u>66,460</u>	<u>61,502</u>	<u>60,627</u>	<u>71,767</u>
Income (Loss) Before Other Revenues, Expenses, Gains or Losses	<u>12,151</u>	<u>28,711</u>	<u>2,457</u>	<u>(10,312)</u>	<u>(14,834)</u>
State Capital Contributions	13,832	14,049	1,644	1,880	3,620
Capital Grants	12,110	7,942	10,194	10,460	4,514
Capital Gifts	5,813	4,931	51,532	22,411	21,193
Payments to Governing Boards/Other Institutions	(181)	213	(220)	237	258
Additions to Permanent Endowments	1,170	2,301	2,324	1,434	1,838
Special Items	—	—	—	(6,536)	(22,185)
Extraordinary Items	—	—	1,153	2,192	0
Increase (Decrease) in Net Position	<u>44,895</u>	<u>58,147</u>	<u>69,084</u>	<u>21,766</u>	<u>(5,596)</u>
Net Position					
Net Position, Beginning of Year, as previously reported	711,315	756,210	814,357	883,441	905,207
Change in Entity	—	—	—	—	0
Term Disability Self-Funded Income Retirement Plan	—	—	—	—	0
Net Position, Beginning of Year, as adjusted	<u>711,315</u>	<u>756,210</u>	<u>814,357</u>	<u>883,441</u>	<u>905,207</u>
Net Position, End of Year	<u>\$756,210</u>	<u>\$814,357</u>	<u>\$883,441</u>	<u>\$905,207</u>	<u>\$889,611</u>

¹ Such tuition figure, as is presented in the System's audited financial statements for the Fiscal Year ended June 30, 2014, included as Appendix A hereto, includes as a component tuition revenues of CSU-Global. However, tuition revenues of CSU-Global are not included in Tuition Revenues (i.e., 10% of Tuition Revenues) and thus are not included in Gross Revenues. Accordingly, this number will not match the figures provided for Tuition Revenues provided elsewhere in this Official Statement. See "THE NET REVENUES—Tuition Revenues."

² In 2010, \$27,496 was reclassified from Grants and Contracts under Operating Revenues to Other Net Nonoperating Revenues under Nonoperating Revenues. Prior year data does not reflect such reclassification of these revenues.

³ Certain reclassifications have been made to the 2012 financial statements to be consistent with the 2013 financial statement presentation. These reclassifications had no effect on the change in net position.

⁴ Certain reclassifications and restatements have been made to the 2013 and 2012 financial statements to comply with GASB Statement No. 65, *Items Previously Reported As Assets and Liabilities*, in order to present comparable financial statements to that of 2014. The reclassification and restatement resulted in a decrease to beginning net position of \$2.8 million for fiscal year 2013. This implementation also caused a decrease to the change in net position of \$796 thousand, creating an ending net position adjustment of \$3.6 million for the year ended June 30, 2013.

Source: Colorado State University System Audited Financial Statements for Fiscal Years ended June 30, 2010 through 2014

Funding of State Institutions of Higher Education

College Opportunity Fund and Fee for Service Contract Payments. In 2005, the College Opportunity Fund Act eliminated direct appropriations of State General Fund moneys to the governing boards of institutions of higher education in favor of a per student stipend system for undergraduate education (“Student Stipends”) and appropriation of funds to the Department of Higher Education (the “Department”) that are to be expended under contracts with institutions of higher education to obtain certain educational services (“Fee for Service Contracts”). In addition, institutions of higher education which have less than 10% of their funding coming from a State appropriation may be designated as an enterprise.

Under the College Opportunity Fund Act, state appropriations for undergraduate education are made to the College Opportunity Fund (the “Fund”), established within the Department. The Fund is administered by the Colorado Department of Higher Education and is a trust fund consisting of a stipend for each eligible undergraduate student. An eligible student is defined as either (a) an undergraduate student who is enrolled at a State institution of higher education and who is classified as an in-state student for tuition purposes; or (b) an undergraduate student enrolled in a participating private institution and (i) is classified as in-state for tuition purposes; (ii) is a graduate of a Colorado high school; (iii) demonstrates financial need; and (iv) meets other eligibility requirements established by the Department. “Stipend” is defined as the amount of money per credit hour held in trust for and paid on behalf of an eligible undergraduate student. The stipend is a fixed rate per credit hour set annually by the General Assembly. Undergraduate students may receive the stipend for a lifetime maximum of 145 credit hours, but may apply for a waiver of this limitation.

In addition, the Department entered into Fee for Service Contracts to obtain graduate and other education services. The Department makes a recommendation to the State General Assembly and Governor annually as to the amount of funding necessary to provide these services. The General Assembly makes an annual appropriation of State General Fund moneys to the Department for the costs funded under the Fee for Service Contracts. The Board and the Department have entered into a Fee for Service Contract with respect to the University and the Fee for Service Contract payments for the past five Fiscal Years are listed in the table below. The System is authorized to receive \$72.0 million in Fee for Service Contract revenue and \$37.8 million in student stipends in Fiscal Year 2014. The \$122.0 million of anticipated Fiscal Year 2015 Fee for Service Contract revenue and student stipends represents a \$12.2 million increase in State support and State Fee for Service Contract funding as compared to funding provided in Fiscal Year 2014.

Beginning in 2016, the State will fund higher education through a new performance based funding system which will include stipends as mentioned above and funding for role and mission and performance parameters coming from the old Fee-for-Service funds. This system is currently in place and overall is setting a new tone for the funding of institutions in higher education. Model updates are planned for FY 2017 but have yet to be determined

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Funding from the State has represented the following percentages of the total System operating revenues for the last five Fiscal Years:

**State Funding
Amounts and Percentage of Total Operating Revenues
(000s Omitted)**

Fiscal Year (ended June 30)	Fee for Service Contract Payments	College Opportunity Fund Payments	Amount of Federal Stimulus	Subtotal	Percentage of Total Operating Revenues¹
2010	\$38,798	\$26,890	\$81,195	\$146,883	20.6%
2011	87,610	38,420	6,030	132,060	15.7
2012	67,932	38,545	0	106,477	11.7
2013	68,030	37,164	0	105,194	11.9
2014	72,025	37,822	0	109,847	11.7

¹In prior years' operating and non-operating revenues were included in the calculation of state funding as a percentage of total revenues. Non-operating revenues are not included in the calculation of state funding as a percentage of total operating revenues.
Sources: Colorado State University System Financial Statements for Fiscal Years ended June 30, 2010-2014

Management Discussion Regarding Recent State Budget Funding Issues. In Fiscal Year 2009, operating appropriations for public higher education in Colorado reached a peak. Then the effects of the recession took hold and from 2010 to 2014, including ARRA stabilization funds, state funding decreased from \$706 million to \$543 million, or over a 29% reduction in funding. Similar to higher education in general, appropriations, including ARRA back-fill, for the System have decreased by over 29%, from \$147 million in Fiscal Year 2010 to \$109.8 million in Fiscal Year 2014. However, for Fiscal Year 2015, operating appropriations for higher education increased by \$60 million and \$40 million in financial aid for a total of \$100 million. The System's share of this increase was \$12,106,921. In the Fiscal Year 2016, state appropriations again increased to higher education by \$66.675 million with CSU receiving \$12.7M, a 10.4% increase, resulting in total State funding of \$134.6M for the System.

The Board of Governors and the Universities' senior leadership teams have been aggressively managing expenditures and continue to identify new revenue opportunities for the System. The prior years' reductions will have a minimal impact on the overall financial strength of the System. The System is being proactive and controlling expenses across the System in case the budget situation worsens in the future. The System has made budget reductions of \$16,500,000 and implemented cost avoidance strategies that have saved an additional \$38,500,000. With this \$55,000,000 in cost savings, the System efficiency strategies are outpacing funding reductions from the State. In addition, the System has completed internal contingency plans to raise additional revenues and make deeper cuts should the State's revenue projections continue to decline. Current plans in all likelihood will allow the System to proactively respond to any declines in the coming three fiscal years.

**Other Legislation Affecting Funding
of State Institutions of Higher Education**

SB08-245 State Intercept Program. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS—State Intercept Program."

Senate Bill 10-003 Tuition Flexibility. Senate Bill 10-003 ("S.B. 10-003") makes changes to several State statutes in order to provide flexibility to the State's colleges and universities in raising tuition rates and other matters. The bill allows institutions of higher education in the State to increase

tuition rates for undergraduate students with “in-state classification” (i.e., residents) each year up to 9% over the prior year. The tuition flexibility section of the bill will expire on July 1, 2016. Such institutions are permitted to increase undergraduate in-state tuition more than 9% upon submission to, and approval by, CCHE of a five-year financial and accountability plan. The System developed a Financial Accountability Plan (“FAP”) and received approval in November, 2011. As part of this FAP, the System developed a five-year budget plan that incorporates tuition increases of no more than 12% annually for both the CSU and CSU-Pueblo campuses coupled with ongoing expenditure reductions.

HB14-1319 Concerning the Creation of an Outcomes Based Funding Model for Higher Education. House Bill 14-1319 makes changes to current law by restructuring how institutions receive state funding support. Under current law, institutions of higher education are funded using stipends and fee-for-service contracts as discussed in this document. Beginning in 2016 institutions will continue to receive stipend funding, but fee-for service funding will be provided for meeting certain metrics related to role and mission of the institution and performance. Under this new model almost 25% of state funding will be performance based. See “CERTAIN FINANCIAL INFORMATION—Funding of State Institutions of Higher Education.”

Grants and Contracts

The following table sets forth the amounts and sources of grants and contracts received by CSU for sponsored research over the past five fiscal years:

CSU Grants and Contracts for Sponsored Research Amounts and Sources ¹					
Fiscal Year Ended June 30 (figures in millions)					
Sources	2010	2011	2012	2013	2014
NonFederal					
Commercial and Other	\$ 34.5	\$ 27.6	\$ 29.6	\$ 81.1	\$ 82.1
State of Colorado	14.6	18.4	46.1	12.3	13.8
Total NonFederal	49.1	46.0	75.7	93.4	95.9
Federal	<u>211.7</u> ²	<u>236.6</u> ²	<u>252.3</u>	<u>219.8</u>	<u>212.1</u>
TOTAL	<u>\$260.8</u>	<u>\$282.6</u>	<u>\$328.0</u>	<u>\$313.2</u>	<u>\$308.0</u>

¹ The decline in federal funding FY 2010 and the increase in federal funding in FY 2011 are primarily due to activities related to the Colorado State Forest Service.

² The change in funding for FY 2013 compared to FY 2012 is due to the transfer of a major segment of the Colorado State Forest Service to the State of Colorado effective July 1, 2012. This is evidence in both the Federal and State Funding Sources.

Source: CSU, Office of the Vice President for Research

Employee Retirement Plans

All nonstudent employees of CSU and CSU-Pueblo are enrolled in either a System sponsored “defined contribution” retirement plan or a statutory Statewide “defined benefit” retirement plan with Public Employees’ Retirement Association Defined Benefit Plan (“PERA”). For Fiscal Year 2014, the System’s contribution to the PERA defined benefit retirement plan was \$25,300,000. For Fiscal Year 2013, the System’s contribution to the PERA defined benefit retirement plan was \$23,200,000. This represented 16.55% of covered payroll during the period July 1, 2013 through December 31, 2013 and 17.45% of covered payroll during the period January 1, 2014 through June 30, 2014. The GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, revised and established new

reporting requirements for most governments that provide their employees with pension benefits. GASB Statement No. 68 requires cost-sharing employers participating in the PERA program, such as the System, to record their proportionate share, as defined in GASB Statement No. 68, of PERA's unfunded pension liability. The System's contribution on behalf of participants in the defined contribution retirement plan was approximately \$29,800,000 at 8.9% of covered payroll for the Fiscal Year 2014 and \$26,600,000 for the Fiscal Year 2013. Student employees not qualified as exempt based on a course load and level of employment are enrolled in a separate mandatory student employee defined contribution plan. The System does not match any contributions in that plan. CSU also offers Other Post-Employment Benefits ("OPEB"), including single-employer defined benefit healthcare plans that provide premium support or medical benefits to eligible retired CSU faculty and nonclassified employees and a self-insured Long-Term Disability Plan ("LTD"). System employees may accrue annual and sick leave based on the length of service, subject to certain limitations regarding the amount that will be paid upon termination. The estimated liability of compensated absences for which employees are vested as of June 30, 2014 and 2013 was \$48,900,000 million and \$44,600,000 million, respectively. Further details may be found in Footnotes 17, 19, 20 and 26 of the System's audited financial statements for the Fiscal Year ended June 30, 2014, included as Appendix A hereto.

Insurance

CSU. In 2004 the Colorado legislature adopted HB04-1009, permitting institutions of higher education to opt out of the state's fleet management and risk management programs (C.R.S. 24-30-1502(5)(b) and 24-30-1503.5). CSU opted out in 2004 and 2005, allowing CSU to achieve substantial savings on its management of its self-insured programs and insurance costs while improving its claims handling and loss control programs. CSU is self-insured for in-state Workers Compensation, and Liability programs. CSU carries a self-insured retention of \$500,000 per occurrence. CSU purchases all risk property insurance with a \$100,000 retention and limits of \$1 billion.

In March 2013, after a review of CSU's liability insurance limits, its liability limits were increased from \$15 million to \$25 million per occurrence. CSU's self-insurance programs and the purchase of insurance where prudent is managed by the CSU Office of Risk Management and Insurance (RMI). RMI appoints an actuarial company to perform an annual actuarial study of CSU's workers compensation and liability exposures to determine future current and non-current liabilities and to determine the adequacy of reserves. Since 2004, CSU's insurance programs have also expanded to meet CSU's growing national and international operations. RMI purchases insurance where it is prudent and cost effective to buy insurance, rather than to maintain additional reserves. RMI purchases surety bonds as required by the USDOL (for Defense Base Act) and the Colorado Division of Labor (for CSU's in-state self-insured workers compensation program). See "APPENDIX A—AUDITED FINANCIALS STATEMENTS OF THE COLORADO STATE UNIVERSITY SYSTEM AS OF AND FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013 – Footnote 18."

CSU-Pueblo. CSU-Pueblo's insurance is managed by RMI, which is responsible for administering the State's liability, workers' compensation and property programs of which CSU-Pueblo is a participant. CSU-Pueblo is self-insured for both liability and workers compensation programs. Commercial insurance is purchased to insure losses to state real property, buildings and their contents. RMI reports losses to the state's insurance broker, IMA Corp, where further handling of the claim is determined. Pursuant to statute, state agencies pay a maintenance deductible of \$5,000 per claim.

LITIGATION AND SOVEREIGN IMMUNITY

No litigation challenging the validity or the issuance of the Series 2015 Bonds is pending or threatened. Upon the issuance of the Series 2015 Bonds, the Underwriters will receive a certificate,

executed by representatives of the Board, to the effect that no such litigation is pending or, to their knowledge, threatened.

The Colorado Governmental Immunity Act, Article 10 of Title 24, Colorado Revised Statutes, as amended (the “Act”), provides, in part, that public entities shall be immune from liability, based on the principle of sovereign immunity, in all claims for injury which lie in tort or could lie in tort (regardless of the type of action or the form of relief chosen by the claimant), except for certain claims specifically excluded by the Act. The Act, which was amended by SB 13-023, also limits the maximum amount that may be recovered in any single occurrence whether from one or more public entities or public employees to \$350,000 for injury to one person, and \$990,000 for an injury to two or more persons. These limitations were previously \$150,000 and \$600,000, respectively, which amounts continue to apply to injuries that occurred prior to July 1, 2013. The Act also specifies the sources from which judgments against public entities may be collected and provides that public entities are not liable either directly or by indemnification for punitive or exemplary damages or for damages for outrageous conduct, except as may be otherwise determined by a public entity pursuant to the Act. The Act may be changed through amendment by the State legislature at any time.

CSU. On July 26, 2011, there was a fire in an equine reproduction laboratory on the CSU campus which destroyed, among other things, horse semen samples being held for third-party clients. Forty notices of claim were submitted in connection with lost samples claiming approximately \$42,000,000 in losses. Six lawsuits were filed on behalf of eleven plaintiffs. As a result of a decision by the Colorado Court of Appeals in the lead case of *Foster v. CSU*, the court ruled that the Plaintiff’s oral breach of contract claim for bailment was barred by the Act. The Colorado Supreme Court denied a request for certiorari by Foster on January 20, 2015. All lawsuits have now been dismissed with no liability to CSU and no materially adverse effect with regard to the financial resources of the System, the Board or the Universities, or the continuous operation thereof or the security for the Series 2015 Bonds.

CSU Pueblo. On January 14, 2015 an employee of CSU-Pueblo, Professor McGettigan, filed a lawsuit in the U.S. District Court of Colorado (Civ. Action No. 15-CV-97) against Ms. Lesley Di Mare, President of CSU-Pueblo in her individual and official capacities; the Board of Governors of the Colorado State University System; and CSU-Pueblo. He alleges that suspension of his e-mail access and application of the CSU-Pueblo Computer Resource Access Policy violated his constitutional rights under the First and Fourteenth Amendments. He further alleges President Di Mare defamed him in a press release. In his prayer for relief he claims compensatory and punitive damages, attorney’s fees, interest, declaratory and injunctive relief. He does not specify a damage number. The office of the Attorney General for Colorado is representing the CSU defendants and President Di Mare. The parties agreed to drop the Board of Governors as Defendants and therefore the remaining Defendant in the action is Dr. Di Mare in her individual capacity. A Motion to Dismiss the claims has been filed and a stay on discovery was issued until the Motion to Dismiss is ruled upon. This case is in the early stages of litigation. Consequently, the CSU System is unable to determine at this time the extent, if any, of any liability on financial impact this litigation may have with regard to the CSU-System. However, if there is a liability determination, some or all of any proven damages may be covered by the Colorado State Risk Management Insurance System.

TABOR

At the general election held November 3, 1992, the voters of the State approved an amendment to the Colorado Constitution known as the Taxpayers’ Bill of Rights or “TABOR,” limiting the ability of the State and local governments such as the Board to increase revenues, debt and spending and restricting property taxes, income taxes and other taxes. TABOR excepts from its restrictions the borrowings and fiscal operations of “enterprises,” which term is defined to include government owned businesses authorized to issue their own revenue bonds and receiving under 10% of their revenues in grants from all

State and local governments of the State combined. TABOR contemplates that qualification as an “enterprise” will be determined annually and that “enterprises” may be disqualified as such by receiving 10% or more of their revenues for any year in the form of State or local government grants. TABOR also contemplates that a disqualified “enterprise” may be requalified in the next or any future year. The Board has designated the System as an “enterprise” within the meaning of TABOR pursuant to the Institutional Enterprise Act.

LEGAL MATTERS

Legal matters relating to the authorization and issuance of the Series 2015 Bonds are subject to the approving opinion of Kutak Rock LLP, as Bond Counsel, which will be delivered with the Series 2015 Bonds.

Kutak Rock LLP will also pass upon certain legal matters relating to the Series 2015 Bonds as Counsel to the Board. The Underwriters are being represented by their counsel, Hogan Lovells US LLP, Denver, Colorado with respect to the Series 2015 Bonds. Neither Kutak Rock LLP nor Hogan Lovells US LLP has participated in any independent verification of the information concerning the financial condition or capabilities of the Board, System or Universities contained in this Official Statement.

UNDERWRITING

The Series 2015 Bonds will be sold to Morgan Stanley & Co. LLC, as representative, on behalf of itself and the underwriters listed on the cover page of this Official Statement (collectively the “Underwriters”) on August 7, 2015 pursuant to the Bond Purchase Agreement, by and between the Board and the Underwriters (the “Series 2015 Bond Purchase Agreement”). The Underwriters have agreed, subject to certain conditions, to purchase all but not less than all of the Series 2015 Bonds at a price of \$174,823,291.12 (being an amount equal to 100% of the aggregate principal amount of the Series 2015 Bonds, plus a net original issue premium of \$18,965,838.20, and less an Underwriters’ discount of \$427,547.08 paid in connection with the underwriting of the Series 2015 Bonds). The initial public offering price of the Series 2015 Bonds may be changed from time to time by the Underwriters. The Series 2015 Bond Purchase Agreement provides that the obligations of the Underwriters to purchase the Series 2015 Bonds are subject to certain conditions.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC, an underwriter of the Series 2015 Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2015 Bonds.

RBC Capital Markets, LLC (“RBC”) has provided the following information for inclusion in this Official Statement: RBC and its respective affiliates are full-service financial institutions engaged in various activities, that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, RBC and its respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). RBC and its respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offerings of the System. RBC and its respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other

offerings of the System. RBC and its respective affiliates may make a market in credit default swaps with respect to municipal securities in the future.

“US Bancorp” is the marketing name of U.S. Bancorp and its subsidiaries, including U.S. Bancorp Investments, Inc. (“USBII”), which is serving as an underwriter of the Series 2015 Bonds.

RATINGS

As set forth on the cover page of this Official Statement, Moody’s Investors Service, Inc. (“Moody’s”) and Standard and Poor’s Rating Services, a Division of The McGraw Hill Companies, Inc. (“S&P”) have assigned the Series 2015E Bonds a municipal bond ratings of “Aa2” and “AA-,” respectively, based on the State Intercept Program. Moody’s and S&P have also assigned the Series 2015 Bonds underlying ratings of “Aa3” and “A+,” respectively, reflecting the Board’s, the System’s and the Universities’ underlying credit strength without giving effect to the State Intercept Program. The Series 2015E Bonds qualify for the State Intercept Program. The Series 2015F Bonds are not eligible for the State Intercept Program. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS—State Intercept Program for the Series 2015E Bonds.”

A rating reflects only the views of the rating agency assigning such rating, and an explanation of the significance of such rating may be obtained from such rating agency. There is no assurance that the rating will continue for any given period of time or that the rating will not be revised downward or withdrawn entirely by the rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Series 2015 Bonds. The Board, the System and the Universities have undertaken no responsibility to oppose any such revision or withdrawal.

MUNICIPAL ADVISOR

The Board has retained North Slope Capital Advisors, Denver, Colorado, as municipal advisor (the “Municipal Advisor”) in connection with the Series 2015 Bonds and with respect to the authorization and issuance of the Series 2015 Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. The Municipal Advisor will act as an independent advisory firm and will not be engaged in underwriting or distributing the Series 2015 Bonds.

INDEPENDENT AUDITORS

The audited financial statements of the System for Fiscal Years 2014 and 2013, included in this Official Statement as Appendix A, have been audited by BKD, LLP, independent auditors, as stated in their report attached hereto. BKD, LLP has not undertaken to update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by BKD, LLP with respect to any event subsequent to the date of its report. BKD, LLP also has not performed any procedures relating to this Official Statement.

TAX MATTERS

Series 2015 Bonds—Tax-Exempt Bonds

In General. In the opinion of Kutak Rock LLP, Bond Counsel, to be delivered at the time of original issuance of the Series 2015 Bonds, under existing laws, regulations, rulings and judicial decisions, interest on the Series 2015 Bonds is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. The opinions described in the preceding sentence assume the accuracy of certain representations and continuing compliance by the Board and others with covenants designed to satisfy the requirements of the Code that must be met subsequent to the issuance of the Series 2015 Bonds. Failure to comply with such requirements could cause interest on the Series 2015 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2015 Bonds. Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Series 2015 Bonds.

Notwithstanding Bond Counsel's opinion that interest on the Series 2015 Bonds is not a specific preference item for purposes of the federal alternative minimum tax, such interest will be included in adjusted current earnings of certain corporations, and such corporations are required to include in the calculation of alternative minimum taxable income 75% of the excess of such corporations' adjusted current earnings over their alternative minimum taxable income (determined without regard to such adjustment and prior to reduction for certain net operating losses).

The accrual or receipt of interest on the Series 2015 Bonds may otherwise affect the federal income tax liability of the owners of the Series 2015 Bonds. The extent of these other tax consequences will depend upon such owner's particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Series 2015 Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers otherwise entitled to claim the earned income credit, taxpayers entitled to claim the refundable credit in Section 36B of the Code for coverage under a qualified health plan, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Series 2015 Bonds.

Tax Treatment of Original Issue Discount. The Series 2015 Bonds that have an original yield above their respective interest rates, as shown on the inside front cover of this Official Statement (collectively, the "Discount Bonds") are being sold at an original issue discount. The difference between the initial public offering prices of such Discount Bonds and their stated amounts to be paid at maturity constitutes original issue discount treated in the same manner for federal income tax purposes as interest, as described above. The amount of original issue discount which is treated as having accrued with respect to such Discount Bond is added to the cost basis of the owner in determining, for federal income tax purposes, gain or loss upon disposition of such Discount Bond (including its sale, redemption or payment at maturity). Amounts received upon disposition of such Discount Bond which are attributable to accrued original issue discount will be treated as tax-exempt interest, rather than as taxable gain, for federal income tax purposes. Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discount Bond, on days which are determined by reference to the maturity date of such Discount Bond. The amount treated as original issue discount on such Discount Bond for a particular semiannual accrual period is equal to (a) the product of (i) the yield to maturity for such Discount Bond (determined by compounding at the close of each accrual period); and (ii) the amount which would have been the tax basis of such Discount Bond at the beginning

of the particular accrual period if held by the original purchaser; (b) less the amount of any interest payable for such Discount Bond during the accrual period. The tax basis is determined by adding to the initial public offering price on such Discount Bond the sum of the amounts which have been treated as original issue discount for such purposes during all prior periods. If such Discount Bond is sold between semiannual compounding dates, original issue discount which would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period. Owners of Discount Bonds should consult their tax advisors with respect to the determination and treatment of original issue discount accrued as of any date and with respect to the state and local tax consequences of owning a Discount Bond.

Tax Treatment of Original Issue Premium. The Series 2015 Bonds that have an original yield below their respective interest rates, as shown on the inside front cover of this Official Statement (collectively, the “Premium Bonds”) are being sold at a premium. An amount equal to the excess of the issue price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. An initial purchaser of a Premium Bond must amortize any premium over such Premium Bond’s term using constant yield principles, based on the purchaser’s yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, by amortizing the premium to the call date, based on the purchaser’s yield to the call date and giving effect to any call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period and the purchaser’s basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser’s basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Bonds should consult with their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.

Backup Withholding. As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Series 2015 Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments made to any bondholder who fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. The reporting requirement do not in and of itself affect or alter the excludability of interest on the Series 2015 Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

Exemption Under State Tax Law

In Bond Counsel’s further opinion, interest on the Series 2015 Bonds is exempt from taxation for any state, county, school district, special district, municipal or other purpose in the State of Colorado.

Changes in Federal and State Tax Law

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to above or adversely affect the market value of the Series 2015 Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Series 2015 Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series 2015 Bonds or the market value thereof would be impacted thereby. Purchasers of the Series 2015 Bonds

should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series 2015 Bonds and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

CONTINUING DISCLOSURE UNDERTAKING

In connection with its issuance of the Series 2015 Bonds, the Board will execute a Continuing Disclosure Undertaking, a form of which is attached hereto as Appendix D, wherein it will agree for the benefit of the Bondowners to file with the Municipal Securities Rulemaking Board in an electronic format certain financial information and other operating data relating to the System, the Universities and the Net Revenues by not later than 240 days after the end of each Fiscal Year, commencing with the Fiscal Year ended June 30, 2015 and to provide notices of occurrence of material events set forth in Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended (the “Rule”). The Board failed to provide its 2010 and 2012 Annual Financial Information and Audited Financial Statements (each a “Report”) in a timely manner to MSRB’s Electronic Municipal Market Access (“EMMA”) as required by Rule 15c2-12(b)(5) (the “Rule”) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended. The Board’s Reports are due on February 25 of each year (240 days after the completion of its Fiscal Year). The 2010 Report was filed on February 28, 2011 and the 2012 Report was filed on February 28, 2013. Such late filings were due to either delays in compiling the information necessary to accurately complete each Report, or wrongly interpreting when such Reports were due. The Board has taken remedial action to bring the Board into compliance with its continuing disclosure obligations, including hiring an outside specialty disclosure firm to help ensure all future reports are filed when due. The Board entered into an engagement letter with Digital Assurance Certification, L.L.C. (“DAC”), pursuant to which the Board has engaged DAC to file and disseminate information provided by the Board in connection with the Board’s continuing disclosure obligations under Rule 15c2-12. The Board’s management believes that it has appropriate staffing levels, training programs and adequate policies and associated procedures to assure post issuance compliance with future continuing disclosure filings under the Rule. Failure of the Board to provide such information may materially and adversely affect any secondary market trading in the Series 2015 Bonds, but such failure will not cause a default under the Bond Resolution.

MISCELLANEOUS

This Official Statement and its distribution and use has been duly authorized and approved by the Board. This Official Statement has been executed and delivered by the Chair of the Board on behalf of the Board.

So far as any statements made in this Official Statement involve matters of opinion, forecasts or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact.

Appendices A, B, C, D and E are an integral part of this Official Statement and must be read together with all other parts of this Official Statement.

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OFFICIAL STATEMENT CERTIFICATION

The undersigned official of the Board hereby confirms and certifies that the execution and delivery of this Official Statement and its use in connection with the offering and sale of the Series 2015 Bonds have been duly authorized by the Board.

BOARD OF GOVERNORS OF THE COLORADO
STATE UNIVERSITY SYSTEM

By /s/ William E. Mosher
Chair of the Board

APPENDIX A

**AUDITED FINANCIAL STATEMENTS OF
THE COLORADO STATE UNIVERSITY SYSTEM
AS OF AND FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013**

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Colorado State University System
Financial Statements and Independent Auditor's Reports
Financial Audit
Years Ended June 30, 2014 and 2013
Compliance Audit
Year Ended June 30, 2014

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LEGISLATIVE AUDIT COMMITTEE

Senator Lucia Guzman - Chair

Senator David Balmer
Senator Kevin Grantham
Representative Dan Nordberg
Representative Dianne Primavera

Representative Su Ryden
Representative Jerry Sonnenberg
Senator Lois Tochtrop

OFFICE OF THE STATE AUDITOR STAFF

Dianne E. Ray

State Auditor

Kerri Hunter

Deputy State Auditor

Cynthia Hochmiller

Contract Monitor

BKD, LLP

Contractor

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A BOUND REPORT MAY BE OBTAINED BY CALLING THE
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303.869.2800

PLEASE REFER TO REPORT NUMBER 1416F-B WHEN REQUESTING THIS REPORT

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November 26, 2014

Members of the Legislative Audit Committee:

We have completed the financial statement audit of the Colorado State University System as of and for the year ended June 30, 2014. 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.

BKD, LLP

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Colorado State University System

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Colorado State University System

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Colorado State University System

Report Summary

Year Ended June 30, 2014

Purposes and Scope of Audit

The Office of the State Auditor engaged BKD, LLP (BKD) to conduct a financial and compliance audit of the Colorado State University System (the System) for the year ended June 30, 2014. BKD performed the audit in accordance with auditing standards generally accepted in the United States of America, 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, the 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, 2014 and 2013, 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, 2014.
- Evaluate compliance with certain provisions of laws, regulations, contracts and grants governing the expenditure of federal funds for the year ended June 30, 2014.
- 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 audit of the financial statements performed in accordance with *Government Auditing Standards* for the year ended June 30, 2014.
- Report on the System's compliance with applicable bond covenants.
- Express an opinion on the Statement of Allocations, Expenditures, Transfer, and Reversions of the State-Funded Student Financial Assistance Programs of the System for the year ended June 30, 2014.
- Issue a report on compliance and internal control over compliance, with requirements applicable to each state-funded student financial assistance program for the year ended June 30, 2014.
- Evaluate progress in implementing prior year audit recommendations.

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.

Colorado State University System
Report Summary
Year Ended June 30, 2014

Audit Opinions and Reports

The independent auditor's reports included herein expressed unmodified opinions on the System's financial statements as of and for the years ended June 30, 2014 and 2013.

One material weakness in internal control over compliance was identified.

One material weakness in internal control over financial reporting was identified.

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

We noted one area in which the System could improve its compliance procedures. This area is discussed in the Auditor's Findings and Recommendations section of this report.

Significant Audit Adjustment

There were multiple proposed audit adjustments identified during the audit related to the CSU – Pueblo. These audit adjustments are detailed in the separately issued CSU-Pueblo report.

Summary of Audit Recommendations

Controls Over Financial Reporting

There was one finding related to our testing of internal controls over financial reporting. The finding is related to CSU-Pueblo. The finding is addressed in the separately issued CSU – Pueblo report. (See Recommendation No. 1 in the CSU-Pueblo separately issued report.)

Expenditures of Federal Awards

There were two findings related to our testing of Federal expenditures under OMB *Circular A-133, Audits of States, Local Governments and Non-Profit Organizations* (Single Audit) relating to the Research and Development Cluster and the Student Financial Aid Cluster. The findings related to (a) CSU creating a secondary or final review process for review of all Federal Funding Accountability and Transparency Act (FFATA) reports submitted (see Recommendation No. 3 within this report); and (b) CSU – Pueblo submitting students' status changes to NSLDS after the 60-day notice requirement. This finding is addressed in the separately issued CSU-Pueblo report (see Recommendation No. 2 in the CSU-Pueblo separately issued report).

Summary of Progress in Implementing Prior Audit Recommendations

For the Fiscal Year 2014 audit, we performed test work to determine the disposition of the prior year recommendations relating to Fiscal Years ended 2009, 2012, and 2013. We found that one out of three recommendations for the fiscal year ended June 30, 2013, was not implemented. The outstanding recommendation relates to internal controls, including documentation of supervisory review of the reconciliations over cash and other significant accounts. Another outstanding recommendation at CSU-Global relating to internal controls over the return of Title IV funds for the year ended June 30, 2012 was implemented. We also performed test work for an outstanding recommendation for the fiscal year ended June 30, 2009. We found that CSU had implemented a recommendation relating to formal documentation of periodically reviewing information system user accounts and access, password policies and implementation of a User Management policy; however, CSU-Pueblo was still implementing the recommendation; therefore, the final disposition of this recommendation is partially implemented.

Colorado State University System

Recommendation Locator

Year Ended June 30, 2014

Recommendation Number	Page Number	Recommendation Summary	Response	Implementation Date
1	N/A	See page 7, Auditor's Findings and Recommendations of CSU Pueblo report issued under a separate cover.	Agree	1. January 2015 2. April 2014 3. June 2015
2	N/A	See page 7, Auditor's Findings and Recommendations of CSU Pueblo report issued under a separate cover.	Agree	May 2015
3	11	Colorado State University should comply with the Federal Funding Accountability and Transparency Act (FFATA) by creating a secondary or final review process for review of all FFATA reports submitted. This final review should compare reported information to the information contained in the subaward file, including Subaward Obligation/Action Date and should be performed by a secondary employee who does not perform the initial entry into FSRS on the OMB website.	Agree	November 2014

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Colorado State University System

Description of the Colorado State University System

Year Ended June 30, 2014

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 State Board of Agriculture 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 65 fields of study at the undergraduate level, 55 fields of study at the Master's level, 40 fields of study at the Doctoral level and Doctor of Veterinary Medicine:

- College of Agricultural Sciences
- College of Applied Human Sciences
- College of Liberal Arts
- College of Business
- College of Engineering
- Warner College of Natural Resources
- College of Natural Sciences
- College of Veterinary Medicine and Biomedical Sciences

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

Colorado State University System
Description of the Colorado State University System
Year Ended June 30, 2014

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 upper division baccalaureate degree completion 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
Year Ended June 30, 2014

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			
	Resident	Nonresident	Total
Fiscal year:			
2013-2014	18,305	5,694	23,999
2012-2013	18,640	5,294	23,934
2011-2012	18,853	4,965	23,818

Colorado State University Full-Time Equivalent (FTE) Faculty and Staff			
	Faculty	Staff	Total
Fiscal year:			
2013-2014	1,773	4,840	6,613
2012-2013	1,695	4,966	6,661
2011-2012	1,642	4,785	6,427

CSU-P 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			
	Resident	Nonresident	Total
Fiscal year:			
2013-2014	3,475	499	3,974
2012-2013	3,598	539	4,137
2011-2012	3,886	551	4,437

Colorado State University - Pueblo Full-Time Equivalent (FTE) Faculty and Staff			
	Faculty	Staff	Total
Fiscal year:			
2013-2014	222	315	537
2012-2013	222	375	597
2011-2012	233	366	599

Colorado State University System
Description of the Colorado State University System
Year Ended June 30, 2014

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

	Resident	Nonresident	Total
Fiscal year:			
2013-2014	2,502	2,460	4,962
2012-2013	2,300	1,407	3,707
2011-2012	2,046	544	2,590

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

	Faculty	Staff	Total
Fiscal year:			
2013-2014	299	134	433
2012-2013	160	94	254
2011-2012	144	71	215

Colorado State University Foundation
CSU-Pueblo Foundation

The System's reporting entities include Colorado State University Foundation and CSU-Pueblo Foundation as discretely presented reporting units. Both Foundations are legally separate, tax-exempt entities that were established to receive, manage, and invest philanthropic gifts on behalf of CSU and CSU-P. 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.

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Colorado State University System
Auditor's Findings and Recommendations
Year Ended June 30, 2014

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements of the Colorado State University System (the System) as of and for the year ended June 30, 2014 in accordance with auditing standards generally accepted in the United States of America, we considered the System's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing an opinion 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified.

A deficiency 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 of the System's financial statements on a timely basis. A deficiency in design exists when a control necessary to meet a control objective is missing or an existing control is not properly designed so that, even if the control operates as designed, a control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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 System's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or 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.

We observed the following matter that we consider to be a material weakness.

Material Weakness-Internal Control Over Financial Reporting

Financial Statement Preparation and Review of Financial Records: Colorado State University – Pueblo (CSU-P)

See page 7 of CSU-Pueblo report issued under a separate cover.

Colorado State University System
Auditor's Findings and Recommendations
Year Ended June 30, 2014

INTERNAL CONTROL OVER COMPLIANCE

In planning and performing our audit of compliance, we considered the System's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures and to test internal control over compliance in accordance with OMB Circular A-133.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis.

A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

We observed the following matters that we consider to be a material weakness and a significant deficiency, respectively.

Enrollment Reporting (Student Financial Aid Cluster): Colorado State University System – Pueblo Campus

See page 7 of CSU Pueblo report issued under a separate cover.

Compliance with the Federal Funding Accountability and Transparency Act

Recipients (i.e. direct recipient), such as Colorado State University System (the System), of grants or cooperative agreements who make first-tier subawards to other entities are subject to subaward reporting requirements under the Federal Funding Accountability and Transparency Act (Transparency Act). In this case, first-tier subawards would be those awards made directly from the System (direct recipient) to other organizations (first-tier sub-recipients). During Fiscal Year 2014, the System passed-through to subrecipients approximately \$15 million of Research and Development Cluster Grants funding. The Transparency Act required the OMB to maintain a single, searchable website that contains specific information on all federal spending awards, including required data fields. OMB collects this information from recipients through an electronic reporting system.

What was the purpose of the audit work?

The purpose of the audit work was to test the System's compliance with federal Transparency Act grant requirements.

Colorado State University System
Auditor's Findings and Recommendations
Year Ended June 30, 2014

What audit work was performed and how were results measured?

- Per 2 CFR Part 170.320, each grant, cooperative agreement, loan, or loan guarantee made by a non-federal entity is subject to the Federal Financial Assistance Transparency Act (Transparency Act). The Transparency Act requires any newly-awarded subawards, or subaward amendments of \$25,000 or more, to be reported. Recipients are required to register in the Federal Subaward Reporting System (FSRS) and report subaward data through FSRS. Required reports are to be submitted by the end of the month following the award date. There are six required data fields of the report. The six required fields are:
 - Subaward Date - Represents the time period (by month and year) for subawards made against the Federal Award Identification Number
 - Data Universal Numbering System (DUNS) number -The subawardee organization's 9-digit DUNS number
 - Amount of Subaward - The net dollar amount of Federal funds awarded to the subawardee including modifications
 - Subaward Obligation/Action Date - Date the subaward agreement was signed
 - Date of Report Submission - Date the recipient or contractor entered the action/obligation into FSRS
 - Subaward Number - Subaward number or other identifying number assigned by the prime awardee organization to facilitate the tracking of its subawards

We reviewed twenty-nine of the System's subawards made during Fiscal Year 2014 to determine whether the subawards were appropriately reported through FSRS. The System has numerous controls in the initial submission of information to FSRS to help ensure that newly awarded subaward or subaward amendments are reviewed to determine if they should be reported through FSRS. Some of these controls consist of the following:

- A system-generated report showing all new subawards is generated each month; the report is reviewed on a monthly basis by the Director of Sponsored Programs.
- New subaward files are manually reviewed by the Subaward Administrator to determine if a grant is subject to Transparency Act regulations.

What problem did the audit work identify?

During our testwork we found that the System did not report the required subrecipient information under the Transparency Act for the Research and Development Cluster grants program for four of the 29 subawards reviewed (14 percent). We specifically noted the following:

- One subaward report that was due one month prior to our review had not been submitted as of the time of our audit. System staff reported the subaward after we identified the omission.
- One subaward report was submitted ten months after the required deadline.
- Two subaward reports were submitted with incorrect dates in the Subaward Obligation/Action Date fields of the report.

Why did the problem occur?

The System currently lacks a review process to ensure that the Transparency Act reporting for applicable subawards was successfully completed and that reported information was accurate and agreed to the subaward files.

Colorado State University System
Auditor's Findings and Recommendations
Year Ended June 30, 2014

Why does this problem matter?

By not meeting the reporting requirements under the Transparency Act, the System is in violation of federal requirements. This problem also creates gaps in the information reported on the OMB website.

(R&D Cluster. Classification of Finding: Significant Deficiency Over Compliance; Total known questioned costs of \$0)

Recommendation No. 3

The Colorado State University System should comply with the Federal Funding Accountability and Transparency Act (Transparency Act) by creating a review process over all Transparency Act reports prior to submission. This final review should compare reported information to the information contained in the subaward file, including Subaward Obligation/ Action Date, and should be performed by a secondary employee who does not perform the initial entry into FSRS on the OMB website.

Colorado State University Response:

Agree. Implementation Date: November 2014.

The University will institute a secondary review of the Federal Subaward Reporting System (FSRS) report. The review will be conducted by the Subcontract Administrator who is not responsible for entering the information into FSRS and the Administrator will verify that the FSRS report properly reflects the information in the sub-award file.

Colorado State University System
Disposition of Prior Audit Recommendations
Year Ended June 30, 2014

Summary of Progress in Implementing Prior Audit Recommendations

Following are the audit recommendations for the year ended June 30, 2013. The disposition of these audit recommendations as of June 30, 2014 was as follows:

No.	Recommendation	Disposition
1	CSU - Pueblo should ensure, through training and oversight that existing policies and procedures related to the review of account reconciliations are performed timely and maintained. This will help ensure that reconciliations are performed on a timely basis throughout the year.	Not implemented. See current year recommendation No. 1 in the CSU-Pueblo report issued under a separate cover.
2	CSU - Global Campus should implement an internal control procedure which ensures that Title IV funds are returned or distributed timely.	Implemented in fiscal year 2014.
3	CSU should implement an internal control procedure which tracks and ensures that all payroll certifications required under the federal Davis-Bacon Act and funded through the Research and Development cluster are obtained from CSU's contractors and subcontractors for each week in which work is performed.	Implemented in fiscal year 2014.

The audit for the year ended June 30, 2013 also noted one recommendation for the year ended June 30, 2012 that had not been implemented as of June 30, 2013. The disposition of this audit recommendation as of June 30, 2014 was as follows:

No.	Recommendation	Disposition
42	CSU-Global should implement an internal control procedure that assures that a supervisory review of the Title IV return of funds calculations is conducted by someone other than the preparer of such calculations. CSU-Global should also implement adequate oversight processes to ensure that all applicable funds are returned to the Federal Department of Education within the required time frames.	Implemented in fiscal year 2014.

Colorado State University System
Disposition of Prior Audit Recommendations
Year Ended June 30, 2014

The audit for the year ended June 30, 2013 also noted one recommendation for the year ended June 30, 2009 that had been partially implemented as of June 30, 2013. The disposition of this audit recommendation as of June 30, 2014 was as follows:

No.	Recommendation	Disposition
8	CSU and CSU-P should improve information system security as follows:	Partially implemented
	a) Implement a formal documented process to periodically review (at least annually) user accounts and access rights. The review should assure that all user accounts are valid and that access is appropriate for each individual's role within the organization. This review should also include the Information Technology departments' review of default accounts to assure they are appropriately secured to prevent unauthorized use.	a) CSU: Implemented in fiscal year 2010. CSU-P: Implemented in fiscal year 2012.
	b) Assure that accounts that do not meet policy guidelines for password rules (expirations-reset, etc.) are locked or disable and that default passwords have been changed to avoid potential security risk.	b) CSU: Implemented in fiscal year 2010. CSU-P: Implemented in fiscal year 2011.
	c) Develop and implement a User Management policy.	c) CSU: Ft. Collins implemented in fiscal year 2011. CSU-Pueblo partially implemented. The Account Policy is made available through the website at the following link: http://www.colostate-pueblo.edu/its/policies/Pages/default.aspx . In order to implement this policy the University must obtain the approval of the newly hired Chief Information Officer and Provost. Implementation will begin after final approval by these individuals.
		Implementation date: October 2014.

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Independent Auditor's Report

Members of the Legislative Audit Committee:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the 2013 financial statements of the Colorado State University Foundation (the CSU Foundation) or the 2013 financial statements of the Colorado State University – Pueblo Foundation (CSU-Pueblo Foundation), the discretely presented component units of the System. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the 2013 amounts included for the CSU Foundation and CSU-Pueblo Foundation, is based solely on the reports of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 Colorado State University Foundation and the Colorado State University –Pueblo Foundation, the discretely presented component units of the System, were not audited in accordance with *Government Auditing Standards*.

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

Members of the Legislative Audit Committee:

accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audits and the 2013 reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component units of the System as of June 30, 2014 and 2013, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

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

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

Other Matters

Required Supplementary Information

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

Members of the Legislative Audit Committee:

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2014, on our consideration of the System's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

BKD, LLP

Denver, Colorado
November 26, 2014

Colorado State University System
Management's Discussion and Analysis
Years Ended June 30, 2014 and 2013
(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, 2014 and 2013. This discussion provides an analysis of the System's financial activities based on currently known facts, decisions, or existing conditions. University management is responsible for the completeness and fairness of this discussion and analysis, the financial statements, and related footnote disclosures.

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

The Basic Financial Statements

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

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

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

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

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

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

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

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

Colorado State University System
Management's Discussion and Analysis
Years Ended June 30, 2014 and 2013
(Unaudited)

Financial Highlights

Selected financial highlights for fiscal year ended 2014 include:

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

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

- In fiscal year ended 2014, the System realized a \$2 million increase in its restricted investments. The majority of these investments are held for the benefit of CSU by the Colorado State University Foundation.
- The assets and deferred outflows of the System exceeded its liabilities at June 30, 2014 by \$899.6 million (net position). Of this amount, \$106.0 million is restricted for purposes which the donor or grantor or other external party intended and \$623.9 million is related to the net investment in capital assets. The remaining \$169.7 million is unrestricted and may be used to meet the System's ongoing obligations. Although unrestricted net position is not externally restricted, it may be internally designated by the System's administration for various purposes.
- The System's net position decreased \$5.6 million during fiscal year 2014. \$1.4 and \$1.5 million relates to an increase in the net investment in capital assets and donor/grantor restricted net position, respectively. \$8.5 million relates to a decrease in unrestricted net position.
- In fiscal year 2014, the system implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This implementation resulted in the creation of deferred outflows where refunded debt is now recorded. Since this implementation is a change in accounting principal, the prior years' financial statements were restated which reduced the 2013 beginning net position \$2.8 million.
- On September 24, 2013, the System issued Series 2013 C System Enterprise Revenue Bonds for \$18.6 million that will mature in varying annual amounts to March 2044 with interest rates varying from 5.0 to 5.3 percent and issued Series 2013 D Taxable System Enterprise Revenue Bonds for \$7.9 million that will mature in varying annual amounts to March 2028 with interest rates varying from 1.0 to 5.3 percent.
- On December 31, 2013, the System issued Series 2013 E System Enterprise Revenue Bonds for \$138.7 million that will mature in varying annual amounts to March 2045 with interest rates varying from 3.0 to 5.0 percent.
- On June 27, 2014, CSU transferred all assets held in internal services funds at the University for the Other Post-Employment Benefits to an irrevocable trust. Total assets transferred were \$61.9 million. As a result

Colorado State University System
Management's Discussion and Analysis
Years Ended June 30, 2014 and 2013
(Unaudited)

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

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

Financial Analysis

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

Summary of Net Position
(Amounts expressed in thousands)

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

*Restated

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

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

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

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

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

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

*Restated

- The System experienced an \$86.6 million, \$70.9 million, and \$59.0 million loss from operations in fiscal years ended 2014, 2013, and 2012, respectively. The operating loss in 2014 was offset by net nonoperating and other revenues of \$103.2 million which primarily included \$2.5 million in state appropriations, \$64.0 million in gifts and capital gifts, \$8.1 million in state capital contributions and capital grants, \$40.0 million in federal nonoperating grants and contracts, \$1.8 million in permanent endowments, \$5.3 million in

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

- Fiscal year 2014 System operating revenues increased \$53.8 million. This is primarily attributable to a \$38.3 million increase in tuition and fee revenue, a \$4.0 million increase in state fee for service, a \$6.6 million increase in revenues from auxiliary enterprise activities and a \$4.9 million increase in the other operating revenues. Fiscal year 2014 System operating expenses increased \$69.5 million. This is primarily due to a \$23.8 million increase in expenditures for instruction, a \$13.3 million increase in public service expenditures, \$9.0 million in academic support, \$7.2 million in student services, \$4.8 million in institutional support, \$6.7 million in operation and maintenance of plant, \$1.8 million in scholarships and fellowships, \$5.8 million in auxiliary enterprises, and \$4.8 million in depreciation. This was offset by a decrease of \$7.7 million in expenditures in research.
- Fiscal year 2014 System net nonoperating revenues increased \$11.1 million. State appropriations increased \$718 thousand due to the full funding for forest restoration and Healthy Forests – Vibrant Communities. The increases in gifts, investment income, and federal nonoperating grants and contracts are offset by an increase in interest expense on capital debt and decrease in other nonoperating revenues.
- The \$5.0 million decrease in other revenues is mainly attributed to a reduction in capital grants in 2014.
- A \$22.2 million special item was recognized in fiscal year 2014 related to the transfer of the assets of the Other Post-Employment Benefits to an external irrevocable trust. The special item was due to a change in the amortization factor on the DCP Plan from 30 years to one year as a result of the plan being fully funded.

Capital Assets and Debt Administration

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

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

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

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

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

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

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

In 2013 capital assets, net increased \$78.5 million. This increase is primarily attributable to a \$102.6 million increase in buildings and improvements, \$4.8 million increase in equipment, and a \$1.1 million increase in land improvements, offset by a \$28.1 million decrease in construction in progress and \$2.0 million decrease in library materials. The increase in equipment and software is largely attributed to an in-kind gift of software to be used by the CSU Design and Merchandising department, valued at \$9.5 million. These costs are offset by depreciation

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

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

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

Summary of Debt
(Amounts expressed in thousands)

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

*Restated

On December 31, 2013, the System issued \$138.7 million in System Enterprise Revenue Bonds, Series 2013 E. The proceeds from the sale of the Series 2013 E will be used at CSU for the Aggie Village North Redevelopment (\$112.3 million), for the Animal Sciences Building Renovation (\$3.9 million), to add an entrance to the William O. Eddy Hall (Eddy Building) (\$4.8 million), the Walter and Suzanne Scott, Jr. Bioengineering Building remodel (\$8.5 million), and the Lory Student Center Seismic Upgrades (\$5 million). The 2013 E Bonds bear interest rates from 3.0 to 5.0 percent with final maturity falling in 2045.

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

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

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

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

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

Economic Outlook/Future of the Colorado State University System

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

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

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

The State General Fund revenue is projected on a quarterly basis by the Legislative Council and the Office of State Planning and Budgeting. The most recent projection by Legislative Council (September 2014) estimates that the State General Fund revenue will increase in fiscal year 2015 by 1.3 percent from the previous fiscal year. The Legislative Council projects that the General Assembly will have \$915.5 million, or 9.8 percent, more to spend in FY 2015-16. Money will need to be set aside in fiscal years 2015-16 and 2016-17 to fund \$125.1 million and \$392.6 million in anticipated TABOR refunds. The State's overall budgetary situation remains governed by the three constitutional budgetary provisions: The Taxpayer Bill of Rights (TABOR), the Gallagher Amendment on property taxes, and Amendment 23 requiring specified amounts in state support for K-12 Education. The budgetary situation for higher education has changed with the implementation of the College Opportunity Fund in fiscal year 2006. As a result of legislation adopted in the 2004 session (S.B. 04-189), the State no longer provides direct State General Fund appropriation to the governing boards. Instead, the State provides stipends to qualified, resident undergraduate students, and institutions receive fee for service contracts from the Colorado Commission on Higher Education for the provision of other educational services. Finally, S.B. 04-189 also allows institutions of higher education to become TABOR enterprises through this new funding mechanism. Enterprise status eliminates institutional cash funds, such as tuition, from counting against the state's TABOR limitation.

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

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

Requests for Information

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

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Colorado State University System

Statements of Net Position

June 30, 2014 and 2013

(Amounts expressed in thousands)

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

*Restated

Colorado State University System

Statements of Net Position

June 30, 2014 and 2013

(Amounts expressed in thousands)

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

*Restated

See accompanying notes to basic financial statements.

Colorado State University System
Colorado State University Foundation
Statements of Financial Position – Discretely Presented Component Unit
June 30, 2014 and 2013
(Amounts expressed in thousands)

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

See accompanying notes to basic financial statements.

Colorado State University System
(A Component Unit of the State of Colorado)
Colorado State University - Pueblo Foundation
Statements of Financial Position - Discretely Presented Component Unit
June 30, 2014 and 2013
(Amounts expressed in thousands)

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

See accompanying notes to basic financial statements.

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Colorado State University System

Statements of Revenues, Expenses and Changes in Net Position

Years Ended June 30, 2014 and 2013

(Amounts expressed in thousands)

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

*Restated

Colorado State University System

Statements of Revenues, Expenses and Changes in Net Position

Years Ended June 30, 2014 and 2013

(Amounts expressed in thousands)

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

*Restated

See accompanying notes to basic financial statements.

Colorado State University System
Colorado State University Foundation
Statements of Activities - Discretely Presented Component Unit
Years Ended June 30, 2014 and 2013
(Amounts expressed in thousands)

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

See accompanying notes to basic financial statements.

Colorado State University System
(A Component Unit of the State of Colorado)
Colorado State University - Pueblo Foundation
Statements of Activities - Discretely Presented Component Unit
Years ended June 30, 2014 and 2013
(Amounts expressed in thousands)

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

See accompanying notes to basic financial statements.

Colorado State University System

Statements of Cash Flows

Years Ended June 30, 2014 and 2013

(Amounts expressed in thousands)

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

*Restated

Colorado State University System

Statements of Cash Flows

Years Ended June 30, 2014 and 2013

(Amounts expressed in thousands)

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

*Restated

Colorado State University System

Statements of Cash Flows

Years Ended June 30, 2014 and 2013

(Amounts expressed in thousands)

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

*Restated

See accompanying notes to basic financial statements.

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COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2014 and 2013

(1) Governance and Reporting Entity

(a) Governance

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

(b) Reporting Entity

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

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

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

As a higher education institution of the State of Colorado, the income of the System is generally exempt from income taxes under Section 115 of the Internal Revenue Code (IRC). However, income unrelated to the exempt purpose of the System would be subject to tax under IRC Section 511(a)(2)(B). The System had no material unrelated business income for the fiscal years ended June 30, 2014 and 2013.

(c) Discretely Presented Component Units

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

The CSU Foundation is a legally separate, tax-exempt entity that was established to receive, manage and invest philanthropic gifts on behalf of CSU. The majority of resources or income thereon that the Foundation holds and invests is restricted for use by, or for the benefit of CSU by the donors. The Foundation is a private nonprofit organization that reports under Financial Accounting Standards Board (FASB) standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation requirements are different from GASB revenue recognition criteria and presentation requirements. No modifications have been made to the CSU Foundation's financial information in the System's financial reporting entity for these differences, as permitted by GASB Statement No. 39. In fiscal year 2009, the CSU Foundation implemented Financial Accounting Standards Board Staff Position No. FAS 117-1, *Endowments of*

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2014 and 2013

Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds. The CSU Foundation fully discloses the nature of its endowment funds, both donor restricted endowment funds and board-designated endowment funds.

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

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

The support provided by the CSU Foundation to CSU is intended to assist in the promotion, development, and enhancement of the facilities, and educational programs and opportunities of the faculty, students, and alumni of CSU. Additionally, the Foundation provides receipts to contributors and invests philanthropic gifts. Approximately \$50.1 million and \$45.6 million was transferred to CSU for the fiscal years ended June 30, 2014 and 2013, respectively, in pursuit of the above stated objectives.

Endowments and the related expendable accounts of CSU are held by the Colorado State University Foundation for investment safekeeping. These funds amounted to \$15.0 million and \$14.0 million as of June 30, 2014 and 2013, respectively, and are reported as deposits held in custody for CSU in the financial statements of the Colorado State University Foundation.

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

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

CSU-Pueblo Foundation's sources of revenue are interest earned on bank accounts and investments, donations, rental property, fundraising activities, and sales on investments. CSU-Pueblo Foundation had \$6.9 million and \$3.2 million in related revenue as of June 30, 2014 and 2013, respectively. The Total Revenue and Support at June 30, 2014 and 2013 was \$11.1 million and \$5.6 million, respectively.

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

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2014 and 2013

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

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

(2) Basis of Presentation

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

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

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

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

(a) Cash and Cash Equivalents

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

(b) Investments

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

(c) Inventories

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

(d) Restricted Cash and Cash Equivalents and Restricted Investments

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

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2014 and 2013

(e) Capital Assets

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

Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets or intangible assets, generally 10 to 70 years for buildings, 10 to 21 years for land improvements, 10 to 15 years for library books, 3 to 12 years for equipment and software, and 3 to 40 years for leasehold improvements. Depreciation expense was not allocated among functional categories.

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

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

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

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

The System evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Capital assets are generally considered impaired if a decline in service utility occurs, the impairment is material, and the event or change in circumstance is outside the normal life cycle of the capital asset. Impaired capital assets that will no longer be used by the System are reported at the lower of carrying value or fair value. Impairment losses on capital assets that will continue to be used by the System are measured using the method that best reflects the diminished service utility of the capital asset. If evidence is available to demonstrate that impairment will be temporary, the capital asset is not written down. In 2014, there were no material impairments of capital assets. In 2013, per HB12-1283, forestry functions of the Board were transferred to the Department of Public Safety including \$781 thousand in moveable equipment.

(f) Deferred Outflows of Resources

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

(g) Compensated Absences Liabilities

The amount of compensated absence liabilities that are recorded as a current liability on the Statements of Net Position are the higher of the historical annual amount of separation payouts or the known

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2014 and 2013

amount of separation payouts. The remaining balance of the compensated absence liabilities is recorded as a noncurrent liability on the Statements of Net Position.

(h) Net Position

Net position of the System is classified as follows:

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

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

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

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

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

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

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

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

(i) Classification of Revenues

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

Operating revenues consist of services and sales related to teaching, research, and public service, along with auxiliary activities of student, faculty, and staff support. These revenues include: 1) tuition and fees from students (after reduction for scholarship allowances provided with institutional funds); 2) grants and contracts from federal, state, and local governments, and private sources including businesses, individuals, and foundations; 3) state fee for service revenues; 4) sales and services of the Veterinary Teaching Hospital and Diagnostic Laboratory; and 5) fees for goods and services of

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auxiliary operations such as student housing and dining, student center retail stores, health services, and athletics. Revenues from exchange transactions are recognized when they are earned and measurable.

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

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

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

(j) Summer Session Revenue and Related Expenses

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

(k) Application of Restricted and Unrestricted Resources

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

(l) Use of Estimates

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

(m) Reclassifications and Restatements

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

(4) Cash and Cash Equivalents

The System deposits cash and cash equivalents with the Colorado State Treasurer as required by Colorado Revised Statutes (CRS). The State Treasurer pools these deposits and invests them in securities authorized

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by CRS 24-75-601.1. The State Treasury acts as a bank for all state agencies and institutions of higher education, with the exception of the University of Colorado. Monies deposited in the Treasury are invested until the cash is needed. As of June 30, 2014, the System had cash on deposit with the State Treasurer of \$522.2 million which represented approximately 7.0 percent of the total \$7.5 billion fair value of deposits in the State Treasurer's Pool (Pool). As of June 30, 2013, the System had cash on deposit with the State Treasurer of \$479.4 million which represented approximately 6.6 percent of the total \$7.3 billion fair value of deposits in the Pool.

For financial reporting purposes all of the Treasurer's investments are reported at fair value, which is determined based on quoted market prices at fiscal year end. On the basis of the System's participation in the Pool, the System reports as an increase or decrease in cash and cash equivalents its share of the Treasurer's unrealized gains and losses on the Pool's underlying investments. The State Treasurer does not invest any of the Pool's resources in any external investment pool, and there is no assignment of income related to participation in the Pool. The unrealized gains or losses included in income reflect only the change in fair value for the fiscal year.

The difference between the System's cash carrying value, deposits with the State Treasurer and balances at other banks is due to outstanding checks and deposits in transit. Interest earned on deposits with the State for the fiscal years ended June 30, 2014 and 2013 was approximately \$5.0 million and \$5.3 million, respectively. These amounts reflect increases in cash and cash equivalents and increases or decreases in investment income as a result of recording unrealized gains or losses on deposits with the State Treasurer. The System reflected an unrealized gain of \$2.3 million and \$789 thousand on cash and cash equivalents on deposit with the State Treasurer for fiscal years ended June 30, 2014 and 2013, respectively. The unrealized gain on investment income for the fiscal year ended June 30, 2014 was \$1.5 million and the unrealized loss on investment income for the fiscal year ended June 30, 2013 was \$6.9 million. Detailed information on the State Treasurer's pooled cash and cash equivalents and investments is available from the State Treasurer's office.

Investments in the Treasurer's Pool are exposed to custodial credit risk if the securities are uninsured, are not registered in the state's name, and are held by either the counterparty to the investment purchase or the counterparty's trust department or agent but not in the state's name. As of June 30, 2014, none of the investments in the State Treasurer's Pool are subject to custodial credit risk.

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

At June 30, 2014 and 2013, the System's book value of cash not on deposit with the State Treasurer was \$17.0 million and \$20.0 million, respectively. Cash included petty cash/change funds and bank account balances of \$175 thousand and \$16.8 million as of June 30, 2014 and \$177 thousand and \$19.9 million as of June 30, 2013, respectively. Bank account balances per the bank at June 30, 2014 and 2013 were \$24.4 million and \$24.0 million, respectively. Of the June 30, 2014 deposits, \$776 thousand were covered by depository insurance and were not exposed to custodial credit risk, and the remaining \$23.7 million were collateralized with securities held by the pledging institution's trust department or agent in the System's name. Of the June 30, 2013 deposits, \$774 thousand were covered by depository insurance and were not

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exposed to custodial credit risk, and the remaining \$23.2 million were collateralized with securities held by the pledging institution's trust department or agent in the System's name.

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

Interest rate risk is the risk that changes in the market rate of interest will adversely affect the value of an investment. In addition to statutory limitations on these types of investments, the State Treasurer's investment policy mitigates interest rate risk through the use of maturity limits set to meet the needs of the individual fund if the Treasurer is investing for a specific fund rather than the Pool. The Treasurer actively manages the time to maturity in reacting to changes in the yield curve, economic forecasts, and liquidity needs of the participating funds. The Treasurer further limits investment risk by setting a minimum/maximum range for the percentage of investments subject to interest rate risk and by laddering maturities and credit ratings. As of June 30, 2014, the weighted average maturity of investments in the Treasurer's Pool was 0.043 years for Commercial Paper (1.0 percent of the Pool), 1.424 years for U.S. Government Securities (55.8 percent of the Pool), 3.033 years for Asset Backed Securities (19.9 percent of the Pool), and 2.766 years for Corporate Bonds (23.3 percent of the Pool). As of June 30, 2013, the weighted average maturity of investments in the Pool was 0.037 years for Commercial Paper (1.0 percent of the Pool), 1.321 years for U.S. Government Securities (63.9 percent of the Pool), 3.371 years for Asset Backed Securities (16.0 percent of the Pool), and 3.100 years for Corporate Bonds (19.1 percent of the Pool).

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

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

(5) Restricted Investments

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

No investment types were purchased and sold during the years that were not owned as of June 30, 2014 and 2013. The System only invests in U.S. Treasury securities, which are federally guaranteed investments, as required by state law. The System's restricted investments include investments held by the CSU Foundation that are invested in the CSU Foundation's long-term endowment pool, which are not evidenced by securities that exist in physical or book form.

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

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

(a) Credit Quality Risk

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

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

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

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(b) Interest Rate Risk

At June 30, 2014, the following System investments were subject to interest rate risk:

Type of Investment	Fair Value	Weighted Average Maturity (in years)	Duration (in years)
U.S. Treasury obligations	\$ 10,689,000	0.64	-
Investments held by the CSU Foundation in long-term endowment pool:			
Bond mutual funds:			
PIMCO - Low Duration Fund	<u>991,000</u>	3.50	2.80
Total investments subject to interest rate risk	<u><u>\$ 11,680,000</u></u>		

At June 30, 2013, the following System investments were subject to interest rate risk:

Type of Investment	Fair Value	Weighted Average Maturity (in years)	Duration (in years)
U.S. Treasury obligations	\$ 9,724,000	0.64	-
Investments held by the CSU Foundation in long-term endowment pool:			
Bond mutual funds:			
PIMCO - Low Duration Fund	<u>706,000</u>	3.50	3.50
Total investments subject to interest rate risk	<u><u>\$ 10,430,000</u></u>		

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

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

Discretely presented component units – As of June 30, 2014, the Foundations' investments consisted of various securities carried at fair market value as determined by quoted market prices on national exchanges. Alternative investments are valued at the position value (NAV) provided by the investment manager. This NAV is computed based on dealer quotations on the fair market value of the underlying securities, the majority of which are traded on national exchanges. Alternative investments are comprised of two investment types: absolute return and long/short investments. The goal of absolute return investments is to earn a stable return uncorrelated with equity markets. The goal of long/short investments is to outperform the S&P 500 Index over the long-term with less volatility.

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

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

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Years Ended June 30, 2014 and 2013

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

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

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

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

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

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

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

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Notes to Basic Financial Statements

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(6) Accounts Receivable

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

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

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

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

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

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

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

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

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

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

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(7) Capital Assets

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

	Balance June 30, 2013	Additions	Transfers	Deletions	Balance June 30, 2014
Nondepreciable capital assets:					
Land	\$ 22,405,000	-	2,348,000	-	24,753,000
Land improvements	2,019,000	302,000	-	-	2,321,000
Construction in progress	87,558,000	147,630,000	(61,744,000)	(9,295,000)	164,149,000
Collections	2,666,000	212,000	-	-	2,878,000
Total nondepreciable capital assets	<u>114,648,000</u>	<u>148,144,000</u>	<u>(59,396,000)</u>	<u>(9,295,000)</u>	<u>194,101,000</u>
Depreciable capital assets:					
Land and leasehold improvements	78,329,000	194,000	5,125,000	(301,000)	83,347,000
Buildings and improvements	1,272,318,000	8,000	54,142,000	(76,000)	1,326,392,000
Software	65,003,000	8,505,000	-	(390,000)	73,118,000
Equipment	242,309,000	24,847,000	129,000	(14,900,000)	252,385,000
Library materials	88,844,000	1,027,000	-	(2,177,000)	87,694,000
Total depreciable capital assets	<u>1,746,803,000</u>	<u>34,581,000</u>	<u>59,396,000</u>	<u>(17,844,000)</u>	<u>1,822,936,000</u>
Less accumulated depreciation:					
Land and leasehold improvements	41,856,000	4,199,000	-	-	46,055,000
Buildings and improvements	398,332,000	39,859,000	-	-	438,191,000
Software	19,866,000	13,489,000	-	(7,000)	33,348,000
Equipment	178,886,000	19,635,000	-	(11,197,000)	187,324,000
Library materials	78,137,000	466,000	-	(125,000)	78,478,000
Total accumulated depreciation	<u>717,077,000</u>	<u>77,648,000</u>	<u>-</u>	<u>(11,329,000)</u>	<u>783,396,000</u>
Net depreciable capital assets	<u>1,029,726,000</u>	<u>(43,067,000)</u>	<u>59,396,000</u>	<u>(6,515,000)</u>	<u>1,039,540,000</u>
Total capital assets, net	<u>\$ 1,144,374,000</u>	<u>105,077,000</u>	<u>-</u>	<u>(15,810,000)</u>	<u>1,233,641,000</u>
Land includes the following conservation easements:					
Catspaw Conservation Easement		\$ 3,155,000			
Snow Mountain Conservation Easement		5,000,000			
Elmgreen Conservation Easement		500,000			
Ben Delatour Forest Legacy Conservation Easement		4,000,000			
Total		<u>\$ 12,655,000</u>			

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

	Balance June 30, 2012	Additions	Transfers	Deletions	Balance June 30, 2013
Nondepreciable capital assets:					
Land	\$ 22,429,000	-	-	(24,000)	22,405,000
Land improvements	2,019,000	-	-	-	2,019,000
Construction in progress	115,658,000	115,811,000	(143,911,000)	-	87,558,000
Collections	2,617,000	49,000	-	-	2,666,000
Total nondepreciable capital assets	<u>142,723,000</u>	<u>115,860,000</u>	<u>(143,911,000)</u>	<u>(24,000)</u>	<u>114,648,000</u>
Depreciable capital assets:					
Land and leasehold improvements	73,802,000	139,000	4,388,000	-	78,329,000
Buildings and improvements	1,133,285,000	-	139,239,000	(206,000)	1,272,318,000
Software	55,142,000	9,942,000	249,000	(330,000)	65,003,000
Equipment	229,053,000	28,049,000	35,000	(14,828,000)	242,309,000
Library materials	88,393,000	1,180,000	-	(729,000)	88,844,000
Total depreciable capital assets	<u>1,579,675,000</u>	<u>39,310,000</u>	<u>143,911,000</u>	<u>(16,093,000)</u>	<u>1,746,803,000</u>
Less accumulated depreciation:					
Land and leasehold improvements	38,483,000	3,373,000	-	-	41,856,000
Buildings and improvements	361,890,000	37,017,000	-	(575,000)	398,332,000
Software	8,384,000	11,764,000	-	(282,000)	19,866,000
Equipment	172,052,000	17,550,000	-	(10,716,000)	178,886,000
Library materials	75,680,000	3,186,000	-	(729,000)	78,137,000
Total accumulated depreciation	<u>656,489,000</u>	<u>72,890,000</u>	<u>-</u>	<u>(12,302,000)</u>	<u>717,077,000</u>
Net depreciable capital assets	<u>923,186,000</u>	<u>(33,580,000)</u>	<u>143,911,000</u>	<u>(3,791,000)</u>	<u>1,029,726,000</u>
Total capital assets, net	<u>\$ 1,065,909,000</u>	<u>82,280,000</u>	<u>-</u>	<u>(3,815,000)</u>	<u>1,144,374,000</u>
Land includes the following conservation easements:					
Catspaw Conservation Easement	\$ 3,155,000				
Snow Mountain Conservation Easement	5,000,000				
Elmgreen Conservation Easement	500,000				
Ben Delatour Forest Legacy Conservation Easement	4,000,000				
Total		<u>\$ 12,655,000</u>			

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

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2014 and 2013

(8) Accrued Liabilities

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

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

(9) Noncurrent Liabilities

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

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

*as restated per GASB 65

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2014 and 2013

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

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

*as restated per GASB 65

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

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

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

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

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

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

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2014 and 2013

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

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

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2014 and 2013

		June 30	
	Interest Range	2014	2013*
Colorado State University System Enterprise Revenue Refunding Bonds of 2012 B, issued in the original amount of \$54.1 million and mature in varying annual amounts to March 2035.	2.000%-5.000%	52,995,000	53,395,000
Colorado State University System Enterprise Revenue Bonds of 2012 C, issued in the original amount of \$5.3 million and mature in varying annual amounts to March 2017.	0.728%-1.864%	3,230,000	4,285,000
Colorado 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%	180,305,000	181,970,000
Colorado State University System Enterprise Revenue Refunding Bonds of 2013 B, issued in the original amount of \$16.7 million and mature in varying annual amounts to March 2020.	0.427%-2.073%	10,830,000	16,690,000
Colorado State University System Enterprise Revenue Bonds of 2013 C, issued in the original amount of \$18.6 million and mature in varying annual amounts to March 2044.	5.000%-5.250%	18,610,000	-
Colorado State University System Enterprise Revenue Bonds of 2013 D, issued in the original amount of \$7.9 million and mature in varying annual amounts to March 2028.	0.963%-5.251%	7,855,000	-
Colorado State University System Enterprise Revenue Bonds of 2013 E, issued in the original amount of \$138.7 million and mature in varying annual amounts to March 2045.	3.000%-5.000%	138,740,000	-
Unamortized bond premium/discount		74,729,000	69,093,000
Total System Bonds		<u>816,629,000</u>	<u>661,823,000</u>
Colorado State University - Pueblo: Portion of the State of Colorado Certificate of Participation to remodel the Academic Resource Center (Library). Payable annually with a final maturity in 2029.	5.100%	2,231,000	2,339,000
Total System Bonds and Certificates of Participation		<u>\$ 818,860,000</u>	<u>\$ 664,162,000</u>

* as restated per GASB 65

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2014 and 2013

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

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

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

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

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

(11) Defeased Obligations

On March 28, 2013, the System issued \$192.7 million in System Enterprise Revenue Refunding Bonds; Series 2013 A, B with an average interest rate of 4.90 percent to advance refund \$211.9 million of outstanding bonds with an average interest rate of 4.96 percent. Refunded bonds included the Enterprise System Revenue Bonds, Series 2005 B (\$28.5 million), System Enterprise Revenue Bonds, Series 2007 A (\$114.5 million), System Enterprise Revenue Bonds, Series 2007 C (\$14.5 million), and System Enterprise Revenue Bonds, Series 2009 A (\$54.4 million). Net proceeds of \$250.0 million were deposited with an escrow agent. The System completed the 2013 A, B refunding to reduce its total debt service payments

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2014 and 2013

over the next 30 years by \$54.6 million and obtain an economic gain (difference between the present value of the debt service payments on the old debt and new debt) of \$24.6 million. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$38.7 million. This difference is reported in the accompanying financial statements as a deferred outflow and is being amortized through fiscal year 2039.

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

Sources

Principal amount of new debt	\$ 192,705,000
Net original issue premium	38,315,000
Equity contribution	20,098,000
Total sources of funds	<u>\$ 251,118,000</u>

Uses

Refunding escrow deposits	\$ 250,004,000
Issuance costs	1,114,000
Total uses of funds	<u>\$ 251,118,000</u>

Calculation of difference in cash flow requirements and economic gain:

Cash flow difference

Old debt service cash flows	\$ 393,912,000
Less new debt service cash flows	339,327,000
Cash flow difference	<u>\$ 54,585,000</u>

Economic gain

Present value of old debt service cash flows	\$ 215,833,000
Less present value of new debt service cash flows	191,217,000
Economic gain	<u>\$ 24,616,000</u>

Issuance costs were as follows:

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

Calculation of reacquisition price over carrying value of old debt:

Reacquisition price	\$ 250,004,000
Less carrying amount of old debt	211,286,000
Reacquisition price over carrying value of old debt	<u>\$ 38,718,000</u>

Prior to the Series 2013 A, B detailed above, the System issued System Enterprise Revenue Bonds, Series 2012 B, C in fiscal year 2012 and System Enterprise Revenue Bonds Series, 2007 B in fiscal year 2008. The escrow deposits from Series 2013 A, B; Series 2012 B, C; and Series 2007 B are being used to

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

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

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

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

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

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2014 and 2013

(12) Pledged Revenues and Related Expenses

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

CSU Enterprise System Refunding and Improvement Revenue Bonds

Pledged by auxiliary revenues:

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

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

CSU-Pueblo Auxiliary Facilities Enterprise Refunding and Improvement Revenue Bonds

Pledged by auxiliary revenues:

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

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

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

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

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Years Ended June 30, 2014 and 2013

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

The debt covenants for the above bonds require indirect cost recoveries from research-related grants to be pledged. The pledged revenue reported above includes \$3.8 million and \$3.0 million in indirect cost recoveries for the fiscal years ended June 30, 2014 and 2013, respectively, which is the amount of actual indirect cost recoveries used to support the related bond activity. The remaining amount of indirect cost recoveries required to be pledged is \$44.5 million and \$43.7 million for the fiscal years ended June 30, 2014 and 2013, respectively.

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

(13) Capital Lease Obligations

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

	Total
Fiscal year ending June 30:	
2015	\$ 2,545,000
2016	2,701,000
2017	2,416,000
2018	1,354,000
2019	484,000
2020-2024	<u>356,000</u>
Minimum future lease payments	9,856,000
Less amount representing interest	<u>498,000</u>
Present value of minimum lease payments	<u>\$ 9,358,000</u>

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

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2014 and 2013

(14) Operating Leases

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

	Future Minimum Obligations For Operating Leases
Fiscal year ending June 30:	
2015	\$ 2,561,000
2016	1,630,000
2017	1,390,000
2018	987,000
2019	781,000
2020-2024	<u>386,000</u>
Total	<u><u>\$ 7,735,000</u></u>

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

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

(15) Net Position

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

Student loan money is expended according to external restrictions imposed by the program funding sources. The federal programs are administered according to Department of Education Blue Book guidelines. The state match money is restricted by the Colorado Commission on Higher Education policy for student loan programs. The amounts restricted are \$25.6 million and \$26.5 million and are reported as restricted net position - expendable on the financial statements as of June 30, 2014 and 2013, respectively.

The auxiliary facilities included in the CSU Student and Faculty Services have outstanding debt that is supported by pledges of revenue earned by the facilities. Under the bond covenants and statutes in effect at the time of debt issuance, any excess reserves earned by the auxiliary facilities are restricted for use by the auxiliary operations. The amount restricted of \$30.0 million is reported as restricted net position - expendable on the financial statements as of both June 30, 2014 and 2013.

Colorado Revised Statute 23-31-135 requires a support fee to be annually assessed to cooperative state or accountable students in the System's professional veterinary medicine program. The statute specifies that this fee must be credited to a reserve account and used for renovation projects and for the acquisition or

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

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replacement of equipment. As of June 30, 2014 and 2013, this reserve had net position of \$1.1 million and \$783 thousand, respectively. These amounts are reported as restricted net position - expendable on the financial statements.

Total restricted net positions were as follows:

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

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

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

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

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2014 and 2013

expense, soccer/lacrosse complex deficit, special project awards, and University personnel discretionary funds.

(16) Commitments

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

In addition to purchase order commitments, CSU has contracted obligations of \$18.4 million at June 30, 2014 related to employment hiring incentives and shared costs on long-term federal contracts. The hiring incentives arise in recruiting faculty and research scientists whereby the University commits to pay for various laboratory remodeling, equipment and other costs that are important to the person in accepting the position. This obligation is binding on the University upon acceptance of the employment offer. The shared cost obligations arise in connection with federal contracts and grants in which the University agrees to pay for certain costs beyond what would otherwise be reimbursed by the sponsor under the contract or grant. Although the University can exercise cancellation clauses to avoid these shared cost obligations, the University has not used that option to avoid such obligations, and such obligation is considered highly probable. In both cases, settlement of the obligation involves payments to third parties, generally within three years.

Outstanding commitments at June 30, 2014 were:

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

(17) Employment Benefits

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

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

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

(a) *PERA Defined Benefit Pension Plan*

Plan Description

Employees of the System deemed eligible under PERA's membership rules for institutions of higher education may participate in the Defined Benefit Pension Plan. The purpose of the Defined Benefit Pension Plan is to provide income to members and their families at retirement or in the case of death or disability. The plan is a cost sharing multiple-employer plan administered by PERA. PERA was established by state statute in 1931. Responsibility for the organization and administration of the plan is placed with the PERA Board of Trustees. Changes to the plan require an actuarial assessment and legislation by the General Assembly. The State plan and other divisions' plans are included in PERA's financial statements, which may be obtained by writing PERA at P.O. Box 5800, Denver, Colorado 80217, by calling PERA at 1-800-759-PERA (7372), or by visiting <http://www.copera.org>.

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

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

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

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

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

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

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

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

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

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

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

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Funding Policy

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

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

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

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

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

In the 2006 and 2010 legislative sessions, the General Assembly authorized a Supplemental Amortization Equalization Disbursement (SAED) that requires PERA employers to pay an additional one-half percentage point of total salaries, for calendar years 2008 through 2017, to a maximum of 5 percent. The SAED will be deducted from the amount otherwise available to increase State employees' salaries.

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

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

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

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

GASB Statement No. 68 requires cost-sharing employers participating in the PERA program, such as the System, to record their proportionate share, as defined in Statement No. 68, of PERA's unfunded pension liability. The System has no obligation to fund this shortfall nor does it have any ability to

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affect funding, benefit, or annual required contribution decisions made by PERA and the General Assembly. The requirement of Statement No. 68 to record a portion of PERA's unfunded liability may negatively impact the System's future unrestricted net position. Statement No. 68 is effective for fiscal year 2015. At this time, management is unable to estimate the magnitude of this impact. Information regarding PERA's current funding status can be found in their Comprehensive Annual Financial Report.

(b) Voluntary Tax-Deferred Retirement Plans

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

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

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

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

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

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

(d) *Student Employee Retirement Program*

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

(e) *Health Insurance Programs*

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

(18) Risk Financing and Insurance-Related Activities

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

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

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

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

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

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

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

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

(19) Post-Employment Healthcare and Life Insurance Benefits

(a) PERA Post-Employment Healthcare Plan

The PERA Health Care Program began covering benefit recipients and qualified dependents on July 1, 1986. This benefit was developed after legislation in 1985 established the program and the Health Care Fund; the program was converted to a trust fund in 1999. The plan is a cost-sharing multiple-employer plan under which PERA subsidizes a portion of the monthly premium for health care coverage. The benefits and employer contributions are established in statute and may be amended by the General Assembly. PERA includes the Health Care Trust Fund in its Comprehensive Annual Financial Report, which may be obtained by writing PERA at P.O. Box 5800, Denver, Colorado 80217, by calling PERA at 1-800-759-PERA (7372), or by visiting <http://www.copera.org>.

After the PERA subsidy, the benefit recipient pays the remaining balance of the premium through an automatic deduction from the monthly retirement benefit. Monthly premium costs for participants depend on the healthcare plan selected, the PERA subsidy amount, Medicare eligibility, the number of persons covered, and the number of years of service credit. Effective July 1, 2000, the maximum monthly subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare and \$115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The maximum subsidy is based on the recipient

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having 20 years of service credit, and is subject to reduction by 5 percent for each year less than 20 years.

The Health Care Trust Fund is maintained by an employer's contribution of 1.02 percent of gross covered wages. The System paid \$1.5 million into this fund during each of the fiscal years ended June 30, 2014 and 2013. In each year, the amount contributed was 100 percent of the required contribution. PERA contracts with a major medical indemnity carrier to administer claims for self-insured plans, and with health maintenance organizations providing services within Colorado. As of December 31, 2013, there were 53,041 enrollees in the plan. At December 31, 2013, the plan had an unfunded actuarial liability of \$1.3 billion, a funded ratio of 18.8 percent, and a 30 year amortization period.

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

Plan Descriptions

CSU contributes to three single-employer defined benefit healthcare plans: CSU Retiree Medical Premium Refund Plan for DCP Participants (DCP Refund), CSU Retiree Medical Premium Subsidy for PERA Participants (PERA Subsidy), and the CSU Retiree Umbrella Rx Plan for PERA Participants (Rx Subsidy). Each plan provides premium support or medical benefits to eligible retired CSU faculty and nonclassified employees with the Rx Subsidy extending benefit coverage to spouses and dependents that elect to participate. CSU also has a self-insured Long-Term Disability Plan (LTD). This plan provides income replacement after the 91st consecutive calendar day of total disability. Benefit provisions for each of the plans are established and amended through the Board of Governors of the Colorado State University System. CSU does not issue separate financial reports for the plans.

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

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

CSU Retiree Medical Premium Refund Plan for DCP Participants

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

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a one-time, irrevocable election at the time of implementation to terminate participation in PERA and join the DCP. The DCP Refund is administered by HealthSmart.

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

CSU Retiree Medical Premium Subsidy for PERA Participants

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

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

CSU Retiree Umbrella Rx Plan for PERA Participants

The University provides reimbursement for the prescription copayments made by eligible faculty and nonclassified staff who retire from the University under the PERA retirement plan with at least 10 years of service. Retirees have to be age 65 or older or eligible for Medicare and enrolled in the PERA Medicare supplement plan to be eligible for this plan. Future enrollments are further restricted to those academic faculty and administrative professional staff participating in the PERA retirement plan and holding benefit eligible appointments on June 30, 2009. PERA provides a prescription insurance program for retirees enrolled in any medical insurance plan. The PERACare Prescription insurance program covers the cost of prescriptions after the member pays a copay which varies depending on whether the prescription is purchased through a local retail pharmacy or through a mail-order pharmacy, and whether the drug is generic or a brand-name drug. The Umbrella Rx plan reimburses the retiree for the complete cost of the prescription copay less a \$10 copay for retail and a \$20 copay per prescription for mail-order drugs. Spouses and dependents of retirees enrolled in the plan can be

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covered with the payment of \$44 per month for those enrolled in Medicare or \$99 per month for those not enrolled in Medicare. The plan is administered by Employee Benefit Management Services, Inc.

CSU set aside funds in an internal service fund equal to the OPEB cost provided by the actuarial valuation until June 27, 2014, when the balance of the fund was transferred to an irrevocable trust. The plan had an obligation of \$135 thousand and \$505 thousand at fiscal years ended June 30, 2014 and 2013, respectively. The annual OPEB costs for fiscal years ended June 30, 2014 and 2013 were \$195 thousand and \$188 thousand, respectively. These funds, which include those previously set aside, along with the amounts paid in by participants of \$34 thousand in fiscal year 2014 and the related interest income, have resulted in total funds available of \$498 thousand and \$420 thousand as of fiscal years ended June 30, 2014 and 2013, respectively, for this plan. Plan members were reimbursed \$101 thousand and \$94 thousand for prescription claims for the fiscal years ended June 30, 2014 and 2013, respectively.

CSU Long-Term Disability Plan

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

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

Funding Policy, Status, Progress, and Annual OPEB Cost

CSU's annual OPEB cost for each plan is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial accrued liabilities over a period not to exceed 30 years. Fiscal year 2008 was the year of transition, and CSU elected to prospectively implement GASB Statement 45 resulting in the net OPEB obligation at the beginning of the year being set at \$0. For each of the plans, CSU had set aside funds in an internal service fund to cover future benefits in varying amounts. On June 27, the funds held in the internal service fund were transferred to an irrevocable trust. CSU's annual OPEB cost for fiscal year 2014 and the related information for each plan are as follows:

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

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

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

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

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

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2014 and 2013

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

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

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

CSU's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligations for fiscal year 2014 and the preceding years for each of the plans were as follows:

	Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
DCP	6/30/2014	\$ 25,188,000 *	146.9%	\$ (739,000)
Refund	6/30/2013	2,593,000	24.1%	11,064,000
	6/30/2012	2,466,000	23.4%	9,097,000
PERA	6/30/2014	3,813,000	549.8%	(883,000)
Subsidy	6/30/2013	3,837,000	33.8%	16,269,000
	6/30/2012	3,969,000	31.7%	13,727,000
Rx	6/30/2014	195,000	289.7%	135,000
Subsidy	6/30/2013	189,000	49.7%	505,000
	6/30/2012	181,000	61.3%	410,000
LTD Income	6/30/2014	1,345,000	467.8%	(3,950,000)
Replacement	6/30/2013	1,357,000	73.0%	997,000
	6/30/2012	1,135,000	100.2%	631,000

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

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2014 and 2013

compared to past expectations and new estimates are made about the future. OPEB liabilities as of June 30, 2014, are recorded in other noncurrent assets and other noncurrent liabilities.

Actuarial Methods and Assumptions

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

	DCP Refund	PERA Subsidy	Rx Subsidy	LTD Income Replacement
Valuation date	1/1/2014	1/1/2014	1/1/2014	1/1/2014
Actuarial cost method	Entry Age Normal	Projected Unit Credit	Projected Unit Credit	Entry Age Normal
Amortization method	1 Year Open, Level Percent of Pay	30 Years Closed, Level Dollar	30 Years Closed, Level Dollar	30 Years Open, Level Percent of Pay
Remaining amortization period	1 Year	24 Years	24 Years	30 Years
Asset valuation method	Market Value	Market Value	Market Value	Market Value
Actuarial assumptions:				
Investment rate of return	4.00%	4.00%	4.00%	4.00%
Inflation rate	3.00%	3.00%	3.00%	3.00%
Salary increase rate	N/A	N/A	N/A	4.00%
Healthcare cost	N/A	7% initial,	N/A	N/A
Trend rate		5% ultimate		

(c) *Other Post-Employment Benefits (OPEB)*

CSU-Pueblo – Retired faculty and exempt administrative staff are eligible to participate in the Colorado Higher Education Insurance Benefits Alliance Trust (CHEIBA). CHEIBA is a cost-sharing multiple-employer insurance purchasing pool, which allows for post-employment health coverage until the retiree is eligible for Medicare. The retiree is responsible for paying 100 percent of the health insurance cost. As of June 30, 2014, there were 13 participants in the plan, of which one was a CSU-Pueblo retiree.

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

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2014 and 2013

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

(d) Life Insurance Program

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

(20) Compensated Absences Liability

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

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

(21) Direct Student Financial Aid Reporting

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

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

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2014 and 2013

(22) Scholarship Allowance

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

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

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

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

(23) System Foundations and Endowments

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

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2014 and 2013

(a) *Colorado State University Research Foundation*

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

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

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

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

The major sources of CSURF revenues are royalties, rents, management fees, licensing fees, and administration fees. The support provided by CSURF to the universities includes patent and licensing management, equipment leasing, municipal lease administration, debt financing through mortgage debt service, and land acquisition, development, and management. During the fiscal years ended June 30, 2014 and 2013, royalty revenues equaled \$1.3 million and \$1.2 million, respectively, and expenses were \$802 thousand and \$777 thousand, respectively. Also during the fiscal years ended June 30, 2014 and 2013, rental revenues equaled \$5.1 million and \$2.6 million, respectively, and related expenses were \$3.2 million and \$1.9 million, respectively.

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

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

Cash and current assets	\$ 5,417,000
Property and equipment	60,139,000
Other assets	<u>10,129,000</u>
Total assets	<u><u>\$ 75,685,000</u></u>

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

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2014 and 2013

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

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

*Restated

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

(b) CSU-Pueblo Board-Designated Funds

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

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

(c) INTO CSU, LLC

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

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

(d) CSURF de Mexico, Association Civil

During this fiscal year, CSURF formed an entity in Mexico, CSURF de Mexico, Association Civil ("The AC") to assist the university in development of a satellite campus in Todos Santos, Mexico that

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2014 and 2013

will consist of housing, dining and research facilities. The development and ownership of the property is separate from the AC and is equally owned by the AC and a third party. During the fiscal year, the university provided \$450 thousand in funding to help build the facility. The facility is expected to open in Spring 2015.

(24) State Support

In fiscal year 2006 state support for higher education changed with the implementation of the College Opportunity Fund. As a result of this legislation, which was adopted in S.B. 04-189 passed in the 2004 state legislative session, the State no longer provides a direct state general fund appropriation to the System. Instead, state support is provided to the System in the form of fee for service contracts with the State for the delivery of special programs, graduate programs, and high cost/high demand programs. In fiscal years ended June 30, 2014 and 2013 the System received \$72.0 million and \$68.0 million, respectively, in state fee for service contract revenue.

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

(25) Contingencies

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

Equine Reproduction Laboratory

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

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

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2014 and 2013

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

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

Financial Awards from Federal and State Agencies

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

Required Supplemental Information

Colorado State University System

Required Supplemental Information

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

(Unaudited)

June 30, 2014

Schedule of Funding Progress

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

* Value of plan assets as of January 1, 2014

Colorado State University System

Required Supplemental Information

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

(Unaudited)

June 30, 2014

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

Supplemental Information

Colorado State University System

Supplemental Information

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

(Unaudited)

June 30, 2014

Colorado State University Other Post-Employment Benefits Trust

Statement of Plan Net Assets

As of June 30, 2014

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

Colorado State University Other Post-Employment Benefits Trust

Statement of Changes in Plan Net Assets

For the Year Ended June 30, 2014

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

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**Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters Based on an
Audit of the Financial Statements 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 financial statements of the business-type activities and the discretely presented component units of the Colorado State University System (a higher education institution of the State of Colorado) (the System) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated November 26, 2014, which contained a paragraph emphasizing a matter regarding the financial statements. The financial statements of the Colorado State University Foundation and Colorado State University – Pueblo Foundation were not audited in accordance with *Government Auditing Standards*.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Auditor's Findings and Recommendations, we identified a certain deficiency in internal control that we consider to be a material weakness.

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 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. 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 System's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency that we reported in the Auditor's Findings and Recommendations section to be a material weakness. (See Recommendation No. 1.)

Members of the Legislative Audit Committee

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System's financial statements are free of 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*.

System's Response to Finding

The System's response to the finding identified in our audit is described in the accompanying Auditor's Findings and Recommendations. The System's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 result 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.

BKD, LLP

Denver, Colorado
November 26, 2014

Independent Auditor's Audit Committee Communication

Members of the Legislative Audit Committee:

As part of our audits of the financial statements and compliance of the Colorado State University System (the System) as of and for the year ended June 30, 2014, we wish to communicate the following to you.

Auditor's Responsibility Under 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

An audit performed 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 is designed to obtain reasonable, rather than absolute, assurance about the financial statements. In performing auditing procedures, we establish scopes of audit tests in relation to the financial statements taken as a whole. Our engagement does not include a detailed audit of every transaction. Our engagement letter more specifically describes our responsibilities.

These standards require communication of significant matters related to the financial statement and compliance audits that are relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. Such matters are communicated in the remainder of this letter or have previously been communicated during other phases of the audit. The standards do not require the auditor to design procedures for the purpose of identifying other matters to be communicated with those charged with governance.

Audits of the financial statements do not relieve management or those charged with governance of their responsibilities. Our engagement letter more specifically describes our responsibilities.

Qualitative Aspects of Significant Accounting Policies and Practices

Significant Accounting Policies

The System's significant accounting policies are described in Note 3 of the audited financial statements.

Members of the Legislative Audit Committee

Alternative Accounting Treatments

- The CSU Foundation values certain alternative investments as of March 31 for year-end purposes as information is provided only quarterly and not until after year-end close has occurred.

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of financial statement preparation by management, based on its judgments. The following areas involve significant areas of such estimates for which we are prepared to discuss management's estimation process and our procedures for testing the reasonableness of those estimates:

- Allowance for uncollectible student loans
- Allowance for doubtful accounts
- Other postemployment benefit liabilities
- Scholarship allowance
- Compensated absences
- Useful lives of capital assets and related depreciation expense
- Claim liabilities for self-insurance

Financial Statement Disclosures

The following areas involve particularly sensitive financial statement disclosures for which we are prepared to discuss the issues involved and related judgments made in formulating those disclosures:

- Contingencies
- Subsequent events

Audit Adjustments

During the course of any audit, an auditor may propose adjustments to financial statement amounts. Management evaluates our proposals and records those adjustments which, in its judgment, are required to prevent the financial statements from being materially misstated.

Areas in which adjustments were proposed include:

Proposed Audit Adjustments Recorded:

Colorado State University

- No matters are reportable.

Colorado State University-Pueblo

- See the CSU-Pueblo report issued under a separate cover.

Colorado State University-Global

- See the CSU-Global report issued under a separate cover.

Members of the Legislative Audit Committee

CSU Foundation

- No matters are reportable.

CSU-Pueblo Foundation

- No matters are reportable.

Proposed Audit Adjustments Not Recorded:

- No matters are reportable at the System-wide level.
- CSU Foundation: A passed adjustment related to the valuation of alternative investments. This entry would have increased ending investments' net assets by approximately \$117,000.

Auditor's Judgments About the Quality of the System's Accounting Principles

During the course of the audit, we made the following observation regarding the System's application of accounting principles:

- No matters are reportable.

Difficulties Encountered in Performing the Audit

Our audit requires cooperative effort between management and the audit team. During our audit, we found significant difficulties in working effectively on the following matters:

- The CSU Foundation and CSU-Pueblo Foundation (the Foundations) engaged other auditors' to audit those financial statements. It was anticipated our opinions, insofar as they related to the Foundations, would be based on the reports of the other auditors. However, the other firms did not have an active license in the state of Colorado, so we were required to review the workpapers of the other auditors and perform limited additional procedures we believed necessary in order to form our opinions.

Other Material Written Communications

Listed below are other material written communications between management and us related to the audit:

- Management representation letter
- Management letter

* * * * *

This letter is intended solely for the information and use of the Legislative Audit Committee, the Office of the State Auditor, the Colorado State University Board of Governors, the Colorado State University Board of Governors' Audit Committee and 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.

BKD, LLP

November 26, 2014

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Independent Auditor's Report on Bond Compliance

Members of the Legislative Audit Committee:

We have audited the financial statements of the business-type activities and the discretely presented component units of the Colorado State University System, State of Colorado (the System), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise its basic financial statements and have issued our report thereon dated November 26, 2014, which contained a paragraph emphasizing a matter regarding the financial statements. 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. The financial statements of the Colorado State University Foundation and the Colorado State University – Pueblo Foundation, the discretely presented component units, were not audited in accordance with *Government Auditing Standards*.

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 (Schedules) are shown on page 106. 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 Board of Governors' Audit Committee and 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.

BKD, LLP

Denver, Colorado
November 26, 2014

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Colorado State University System
Revenue Bonds' Earnings Requirement Schedules
(Unaudited)
Year Ended June 30, 2014

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 2007 A, B; 2008 A; 2009 A; 2010 A, B, C; 2012 A; 2012 B, C; 2013 A, B; 2013 C, D; and 2013 E. 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 and 100 percent of additional \$5 per credit hour fee), CSU-Pueblo facilities fees (100 percent), CSU Research Building Revolving Fund, and Auxiliary pledged revenues.

For the purposes of determining compliance with the bond resolutions, System Enterprise Revenue earnings for the fiscal year ended June 30, 2014 are computed as follows:

	Tuition and Facilities Fee	Research Building Revolving Fund	Auxiliary	Total
Pledged revenues	\$ 36,385,416	48,337,088	106,627,303	191,349,807
Pledged fee revenues	12,306,980	-	19,736,942	32,043,922
Pledged investment income	36,711	39,430	841,066	917,207
	<u>48,729,107</u>	<u>48,376,518</u>	<u>127,205,311</u>	<u>224,310,936</u>
Operating expenses	<u>67,601</u>	<u>193,207</u>	<u>99,382,084</u>	<u>99,642,892</u>
 Pledged revenue, net of operating expense	 <u><u>\$ 48,661,506</u></u>	 <u><u>48,183,311</u></u>	 <u><u>27,823,227</u></u>	 <u><u>124,668,044</u></u>
 Net income required under the bond resolution:				
Current year principal and interest payments			\$ 45,574,563	
Minimum earnings ratio required by bond resolution				<u>100%</u>
 Net income required under the bond resolution			 <u><u>\$ 45,574,563</u></u>	

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

Unaudited – See accompanying independent auditors' report.

**State-Funded Student Financial Assistance Programs
Financial Audit Report Section**

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Colorado State University System
State-Funded Student Financial Assistance Programs
Year Ended June 30, 2014

Introduction

Colorado State University System (the System) comprises three state-supported institutions of higher education:

- Colorado State University (CSU) located in Fort Collins
- Colorado State University – Pueblo (CSU-P) located in Pueblo
- Colorado State University – Global Campus (CSU-GC)

The financial assistance and compliance audit of the state-funded student financial assistance programs at the System for the fiscal year ended June 30, 2014 was directed toward objectives and criteria set forth in the Colorado State University System's Financial Aid Policy. The state-funded student financial assistance programs were examined simultaneously with the federal aid programs for the year ended June 30, 2014.

State-Funded Student Financial Assistance Programs

The various state funded student assistance programs at the System include the Colorado Student Grant Program (which includes the Colorado Graduate Grant and Colorado Need-based Grant programs), Governor's Opportunity Scholarship Program, and the Colorado Work-Study Program.

Institutional participation in the various state-funded student financial assistance programs is illustrated as follows.

State-Funded Student Assistance Program	CSU	CSU-P	CSU-GC
Colorado Student Grant Program	X	X	
Colorado Work-Study Program	X	X	

The state-funded student financial assistance awards made by the institutions during fiscal year 2014 were as follows:

State Funded Student Financial Assistance Awards:

Colorado State University	\$ 7,911,939
Colorado State University - Pueblo	3,014,655
Colorado State University - Global Campus	-

Colorado State University System
State-Funded Student Financial Assistance Programs
Introduction
Year Ended June 30, 2014

The Director of Financial Aid of 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 institution in federal and state financial aid programs. The responsibilities of each institution's controller for general ledger accounting, payments, and collections are also of assistance to financial aid directors in the financial management of the programs.

During the fiscal year ended June 30, 2014, the System obtained authorizations to award federal student financial aid funds of approximately \$38,234,000 in the Pell Grant Program, \$1,038,000 in the Supplemental Educational Opportunity Grant Program, \$1,414,000 in the College Work-Study Program, and \$4,032,000 in the Perkins Student Loan Program. In addition to these programs, the System also received funding through the Direct Loan Program. Authorizations were not applicable to these programs given Direct Loans are available to any eligible student.

During the fiscal year ended June 30, 2014, the System obtained authorizations to award Colorado student financial aid funds of \$8,674,874 in the Colorado Student Grant Program and \$2,251,720 in the Colorado Work-Study Program.

The related statement of allocations, expenditures and reversions of state-funded student financial assistance programs is presented on page 115 of this report as well as the individual universities' schedules of allocations, expenditures and reversions of state-funded student financial assistance programs on pages 118 and 119.

Independent Auditor's Report on the Statement of Appropriations, Expenditures and Reversions of the State-Funded Student Financial Assistance Programs

Members of the Legislative Audit Committee:

Report on the Financial Statements

We have audited the accompanying statement of appropriations, expenditures, and reversions of the state-funded student financial assistance programs (the Statement) of Colorado State University System, State of Colorado (the System), for the year ended June 30, 2014, and the related notes to the Statement, in accordance with the requirements of *2013-14 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).

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the Statement in accordance with accounting principles generally accepted in the United States of America and requirements of CDHE; 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.

Auditor's 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 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 Statement 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 auditor's 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 allocations, expenditures and reversions of the state-funded student financial assistance programs of the Colorado State University System, State of Colorado for the year ended June 30, 2014, pursuant to the *2013-14 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 provisions of the System's policies.

Emphasis of Matter

As described in the notes to the statement of allocations, expenditures and reversions of the state-funded student financial assistance programs of Colorado State University System, State of Colorado (the Statement), the Statement was prepared in accordance with the format as set forth in the *2013-14 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 conformity with the System's policies for the purpose of complying with the requirements of the state-funded student financial assistance programs. The Statement is a summary of cash activity of the state-funded student financial assistance programs with the exception of the Colorado Work-Study program and does not present certain transactions that would be included in the statement of the state-funded student assistance programs if it was presented on the accrual basis of accounting, as prescribed by accounting principles generally accepted in the United States of America. Accordingly, 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. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2014, on our consideration of the System's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

This report is intended solely for the information and use of the Legislative Audit Committee, the Office of the State Auditor, the Colorado State University Board of Governors, the Colorado State University Board of Governors' Audit Committee, the Colorado State University System's management, and the Department of Higher Education and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

Denver, Colorado
November 26, 2014

Colorado State University System

Statement of Allocations, Expenditures and Reversions of the State-Funded Student Financial Assistance Programs

Year Ended June 30, 2014

	Colorado Student Grant	Colorado Work-Study	Total State- Funded Student Assistance
Allocations			
Original	\$ 8,621,874	2,304,720	10,926,594
Allocation adjustment	<u>53,000</u>	<u>(53,000)</u>	<u>-</u>
Total	8,674,874	2,251,720	10,926,594
Expenditures	<u>8,674,874</u>	<u>2,251,720</u>	<u>10,926,594</u>
Reversions to State General Fund	<u><u>\$ -</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

See accompanying notes to the Statement of Allocations, Expenditures and Reversions

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Colorado State University System

Notes to Statement of Allocations, Expenditures and Reversions of the State-Funded Student Financial Assistance Programs

Year Ended June 30, 2014

Note 1: Summary of Significant Accounting Policies

The Colorado State University System's (the System) accounting system is structured and administered in accordance with the accounting principles promulgated by the Governmental Accounting Standards Board.

The statement of allocations, 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 *2013-14 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 campuses for the fiscal year ended June 30, 2014.

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 assets are not included in the financial statement.

Note 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.

Note 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 University System

Schedule of Allocations, Expenditures and Reversions of the State-Funded Student Financial Assistance Programs

Colorado State University

Year Ended June 30, 2014

	Colorado Student Grant	Colorado Work-Study	Total State- Funded Student Assistance
Allocations			
Original	\$ 6,303,678	1,608,261	7,911,939
Allocation adjustment	<u>53,000</u>	<u>(53,000)</u>	<u>-</u>
Total	6,356,678	1,555,261	7,911,939
Expenditures	<u>6,356,678</u>	<u>1,555,261</u>	<u>7,911,939</u>
Reversions to State General Fund	<u>\$ -</u>	<u>-</u>	<u>-</u>

See accompanying notes to the Statement of Allocations, Expenditures and Reversions

Colorado State University System

Schedule of Allocations, Expenditures and Reversions of the State-Funded Student Financial Assistance Programs

Colorado State University – Pueblo

Year Ended June 30, 2014

	Colorado Student Grant	Colorado Work-Study	Total State- Funded Student Assistance
Allocations			
Original	\$ 2,318,196	696,459	3,014,655
Allocation adjustment	<u>-</u>	<u>-</u>	<u>-</u>
Total	2,318,196	696,459	3,014,655
Expenditures	<u>2,318,196</u>	<u>696,459</u>	<u>3,014,655</u>
Reversions to State General Fund	<u>\$ -</u>	<u>-</u>	<u>-</u>

See accompanying notes to the Statement of Allocations, Expenditures and Reversions

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Independent Auditor's Report on Compliance for Each State-Funded Student Financial Assistance Program and Report on Internal Control Over Compliance

Members of the Legislative Audit Committee:

Report on Compliance for Each State Funded Student Assistance Program

We have audited the compliance of Colorado State University System, State of Colorado's (the System) with the types of compliance requirements described in the *2013-14 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) that could have a direct and material effect on each of the System's state-funded student financial assistance programs for the year ended June 30, 2014. The System's state-funded student financial assistance programs are identified in the accompanying statement of allocations, expenditures and reversions.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, terms of agreements and System policies applicable to each of its state-funded student financial assistance programs.

Auditor's Responsibility

Our responsibility is to express an opinion on the System's compliance for each of the System's state-funded student financial assistance programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2013-14 Audit Guide for State and Private Non-Profit Institutions of Higher Education, Colorado-Funded Student Aid*, issued by the CDHE. Those standards and audit guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a state-funded student financial assistance program occurred. An audit includes examining, on a test basis, evidence about the System's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each state-funded student financial assistance program. However, our audit does not provide a legal determination of the System's compliance.

Opinion on Each State-Funded Student Financial Assistance Program

In our opinion, the Colorado State University System, State of Colorado complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its state-funded student financial assistance programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the System is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above and System policies applicable to state-funded student financial assistance programs. In planning and performing our audit of compliance, we considered the System's internal control over compliance with the types of requirements that could have a direct and material effect on a state-funded student financial assistance program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each state funded student financial assistance program and to test and report on internal control over compliance in accordance with the audit requirements of the CDHE, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the System's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state-funded student financial assistance program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state-funded student financial assistance program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state-funded student financial assistance program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of CDHE. Accordingly, this report is not suitable for any other purpose.

BKD, LLP

Denver, Colorado
November 26, 2014

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APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION

This Appendix includes the defined terms used in summaries of certain provisions of the Master System Enterprise Bond Resolution (the “Master Resolution”) and the Tenth Supplemental Resolution (the “Tenth Supplemental Resolution,” and together with the Master Resolution, the “Resolution”) that are not described elsewhere in this Official Statement. Whenever particular provisions of the Resolution are referred to, such provisions, together with related definitions and provisions, are incorporated by reference as part of the statements made, and the statements made are qualified in their entirety by such reference. Reference is made to the Resolution for a full and complete statement of their provisions.

DEFINITIONS

The following are definitions of certain terms used in the Resolution:

“*Accreted Value*” means the amount defined as such in a Supplemental Resolution for purposes of determining the Redemption Price of, rights of the owner of or other matters with respect to a Capital Appreciation Bond.

“*Accretion Date*” means any date defined as such in a Supplemental Resolution for purposes of determining the Accreted Value or Maturity Value of any Capital Appreciation Bond.

“*Additional Payment Fund*” means the “System Enterprise Additional Payment Fund” created in the Master Resolution, including all accounts created therein, for the deposit of Net Revenues to pay amounts due to a Credit Facility Provider and Exchange Termination Payments or other similar payments which are payable pursuant to “Payment of Interest, Fees, Expenses, Purchase Price and Similar Amounts; Additional Payment Fund” below.

“*Authorized Denomination*” means, with respect to the Series 2015 Bonds, \$5,000 and any integral multiple thereof.

“*Auxiliary Facilities Enterprise Act*” means Sections 23-5-101.5, 23-5-102, 23-5-103, 23-5-104 and 23-5-105, Colorado Revised Statutes, as amended.

“*Average Annual Debt Service Requirement*” means the amount determined by dividing (a) the total Debt Service Requirements on all Outstanding Bonds and any Commercial Paper Term Loan for the period from the date of calculation to the final maturity date of such Bonds and any Commercial Paper Term Loan by (b) the total number of years and fractions thereof from the date of calculation to the final maturity date of such Bonds and any Commercial Paper Term Loan; provided, however, that for the purposes of such calculation the principal amount of such Outstanding Bonds will be reduced in any year by amounts expected to be paid by the application of moneys on deposit in the Reserve Fund.

“*Board*” means the Board of Governors of the Colorado State University System, constituting the governing body of the System and a body corporate.

“*Board Representative*” means the Chief Financial Officer of the System and any other officer of the System subsequently designated by the Board or the Chief Financial Officer to be the Board Representative with respect to all matters affecting the Bonds.

“*Bond*” means any bond or bonds or Commercial Paper Notes, as the case may be, authenticated and delivered under and pursuant to the Master Resolution, but excluding any Special Obligation Bonds.

“*Bond Counsel*” means an attorney or firm of attorneys, selected by the Board, whose experience in matters relating to the issuance of obligations by states and their political subdivisions is nationally recognized.

“*Bondholder*,” “*bondowner*” or “*owner*” means, of Bonds, the registered owner of any Bonds.

“*Business Day*” means, except as otherwise defined in any Supplemental Resolution, a day other than (a) a Saturday or Sunday or legal holiday or a day on which banking institutions in any of the cities in which the principal offices of the Board, the Issuing and Paying Agent for any Commercial Paper Notes, and the dealer for any Commercial Paper Notes and the office of any Credit Facility Provider at which demands for payment under the Credit Facility are to be presented are located are authorized by law or executive order to close; or (b) a day on which the New York Stock Exchange is closed.

“*Capital Appreciation Bond*” means any Bond on which interest is not due prior to maturity.

“*Code*” means the Internal Revenue Code of 1986, as amended, and regulations and rulings promulgated or proposed thereunder or (to the extent the same remain applicable) under any predecessor thereto.

“*Commercial Paper Credit Facility*” means any Credit Facility supporting payment of principal of and interest on any Commercial Paper Notes.

“*Commercial Paper Credit Facility Account*” means an account so designated which is created under a Supplemental Resolution authorizing the issuance of any Commercial Paper Notes, which account will be maintained by the Issuing and Paying Agent as provided in any Supplemental Resolution authorizing any Commercial Paper Notes.

“*Commercial Paper Credit Facility Provider*” means any provider of a Commercial Paper Credit Facility.

“*Commercial Paper Note Proceeds Account*” means an account so designated which is created under a Supplemental Resolution authorizing the issuance of any Commercial Paper Notes, which account will be maintained by the Issuing and Paying Agent as provided in any Supplemental Resolution authorizing any Commercial Paper Notes.

“*Commercial Paper Notes*” means any commercial paper notes authorized under a Supplemental Resolution and issued on a parity with the Outstanding Bonds.

“*Commercial Paper Term Loan*” means any term loan extended to the Board by the Commercial Paper Credit Facility Provider under the terms of a Reimbursement Agreement.

“*Continuing Disclosure Undertaking*” means the Continuing Disclosure Undertaking of the Board with respect to the Series 2015 Bonds authorized in the Tenth Supplemental Resolution.

“*Credit Enhanced Bonds*” means Bonds the payment of which, or other rights in respect of which, are secured in whole or in part by a Credit Facility or by a pledge of revenues other than Net Revenues.

“*Credit Facility*” means any letter of credit, standby bond purchase agreement, line of credit, loan, guaranty, revolving credit agreement, bond insurance policy, or similar agreement provided by a Credit Facility Provider to provide support to pay the principal of, interest on or purchase price of any Bonds.

“*Credit Facility Provider*” means any provider of a Credit Facility.

“*Credit Facility Reimbursement Obligations*” means the obligations of the Board under any Reimbursement Agreement or otherwise pursuant to any Credit Facility to reimburse a Credit Facility Provider for drawings made under any Credit Facility, including principal of and interest on such obligations under any Reimbursement Agreement and payments of principal of and interest on any Commercial Paper Term Loan.

“*Debt Service Fund*” means the “System Enterprise Debt Service Fund,” described below under “Debt Service Fund,” including all accounts created therein.

“*Debt Service Requirements*” means, for any period, the sum of: (1) the amount required to pay the interest, or to make reimbursements for payments of interest, becoming due on the applicable Bonds and any Commercial Paper Term Loan during such period; plus (2) the amount required to pay the principal or Accreted Value, or to make reimbursements for the payment of principal or Accreted Value, becoming due on the applicable Bonds and any Commercial Paper Term Loan during that period, whether at maturity, on an Accretion Date, or upon mandatory sinking fund redemption dates; plus (3) any net periodic payments on a notional amount required to be made by the Board pursuant to a Qualified Exchange Agreement; minus (4) any net periodic payments on a notional amount to be received by the Board pursuant to a Qualified Exchange Agreement.

(a) No payments required on Bonds or any Commercial Paper Term Loan which may occur because of the exercise of an option by the Board, or which may otherwise become due by reason of any other circumstance or contingency, including acceleration, which constitute other than regularly scheduled payments of principal, Accreted Value, interest, or other regularly scheduled payments on Bonds or any Commercial Paper Term Loan will be included in any computation of Debt Service Requirements for any computation period prior to the maturity or otherwise certain due dates thereof.

(b) (i) Debt Service Requirements required to be made pursuant to a Qualified Exchange Agreement will be based upon the actual amount required to be paid by the Board, if any, to the Qualified Counterparty. In determining that amount, any payments required to be made by either party to the Qualified Exchange Agreement at a variable interest rate will be computed, in determining the obligation of the Board under the Qualified Exchange Agreement, using the procedures set forth in paragraph (f) of this definition.

(ii) Exchange Termination Payments will be considered as part of Debt Service Requirements on the date of computation only if those Exchange Termination Payments have a lien on Net Revenues on a parity with the lien of the Bonds and have become due and remain unpaid at the time of computation in accordance with the terms of the applicable Qualified Exchange Agreement.

(c) Unless, at the time of computation of Debt Service Requirements, payment of interest and principal on Bonds are owed to, or Bonds are owned or held by, the provider of a Credit Facility pursuant to the provisions of that Credit Facility, the computation of interest for

the purposes of this definition will be made without considering the interest rate payable pursuant to a Credit Facility.

(d) For the purpose of the definition of Debt Service Requirements, the Accreted Value of Capital Appreciation Bonds will be included in the calculation of interest and principal only for the applicable year during which the Accreted Value becomes payable.

(e) In the computation of Debt Service Requirements relating to the issuance of additional Bonds and the rate covenant in the Master Resolution, there will be deducted from that computation amounts and investments which are irrevocably committed to make designated payments on Bonds included as part of the computation during the applicable period, including, without limitation: (i) money on deposit in any debt service account or debt service reserve account; (ii) amounts on deposit in an escrow account; (iii) proceeds of a series of Bonds deposited to the credit of an account for the payment of capitalized interest on Bonds included as part of the computation; and (iv) earnings on such investments which are payable and required to be used, or which are used, for the payment of Debt Service Requirements during the applicable period.

(f) To determine Debt Service Requirements for Bonds with a variable interest rate (including any Commercial Paper Notes) or for any Commercial Paper Term Loan, the Board will use the procedures set forth in the following paragraphs to determine the amount of interest or other payments to be paid by the Board on those Bonds or any Commercial Paper Term Loan and the amount of credit against Debt Service Requirements for payments to be received by the Board based upon variable interest rates to be made by a Qualified Counterparty or otherwise.

(i) During any period for which the actual variable interest rates are determinable, the actual variable interest rates will be used. During any period when the actual variable interest rates are not determinable, the variable interest rates will, for the purpose of determining Debt Service Requirements, be deemed to be the higher of:

(A) the actual variable interest rates, if any, at the time of computation; or

(B) a fixed annual rate equal to the prevailing variable interest rate on the date of computation as certified by the Board's financial advisor, another investment banker designated by the Board from time to time, or a Qualified Counterparty.

(ii) Prospective computations of variable interest rates on Bonds, other than pursuant to a Qualified Exchange Agreement, or on any Commercial Paper Term Loan shall be made on the assumption that the applicable Bonds or any Commercial Paper Term Loan bear interest at a fixed annual rate equal to:

(A) the average of the daily rates of such Bonds during the 365 consecutive days (or any lesser period such Bonds or any Commercial Paper Term Loan have been Outstanding) next preceding a date which is no more than 60 days prior to the date of the issuance of the additional Bonds or any Commercial Paper Term Loan; or

(B) with respect to Bonds or any Commercial Paper Term Loan initially issued or incurred as or being converted to variable interest rate Bonds or

any Commercial Paper Term Loan, the estimated initial rate of interest on such Bonds or any Commercial Paper Term Loan on the date of issuance, exchange or conversion as certified by the Board's financial advisor, an investment banker designated by the Board from time to time or a Qualified Counterparty.

(iii) Prospective computations of variable interest rates for a Qualified Exchange Agreement will be based upon:

(A) the actual interest rate used to compute the net amount most recently paid, as of the date of computation, by the Board to the Qualified Counterparty or (expressed as a negative number) by the Qualified Counterparty to the Board; or

(B) if no such payment has been made under the pertinent Qualified Exchange Agreement, the interest rate used to determine the estimated initial net payment obligation on such Qualified Exchange Agreement on the computation date as certified by the Board's financial advisor, an investment banker designated by the Board from time to time or a Qualified Counterparty.

(iv) Prospective computations of Debt Service Requirements on Commercial Paper Notes for purposes of the Additional Bonds provisions of the Master Resolution will assume that the amount of Commercial Paper Notes Outstanding for any period will be the aggregate principal amount of Commercial Paper Notes Outstanding as of the date of calculation, adjusted to take into account the amount of Commercial Paper Notes that the Chief Financial Officer of the System reasonably expects to be issued and the amount that the Chief Financial Officer of the System reasonably expects to mature without being replaced by new Commercial Paper Notes during each 12-month period beginning on the date of computation, based on the Chief Financial Officer's projections for upcoming financings involving Commercial Paper Notes.

(v) Prospective computations of Debt Service Requirements for purposes of the Additional Bonds provisions of the Master Resolution, for Bonds bearing interest at a variable interest rate (including any Commercial Paper Notes), will be made, with respect to the payment of the then Outstanding principal amount thereof (except as otherwise specifically provided with respect to mandatory sinking fund redemption payments or other fixed amortization for such Bonds), with the assumption that such Bonds would be amortized over a term of not more than the lesser of 40 years or the applicable maximum maturity permitted under State law (or such lesser term ending on the stated final maturity date for such Bonds) and with substantially equal annual payments.

(g) The purchase or tender price of Bonds resulting from the optional or mandatory tender or presentment for purchase of those Bonds will not be included in any computation of Debt Service Requirements.

"Debt Service Reserve Account" means an account created within the Reserve Fund, as provided below under "Reserve Fund," for each separate series of Bonds for which there is a reserve requirement.

"DTC" means The Depository Trust Company, New York, New York, or any successor thereto.

"Enterprise Obligations" means, for purposes of the Official Statement, the Bonds and the Parity Obligations, if any.

“Exchange Termination Payment” means the net amount payable pursuant to a Qualified Exchange Agreement by the Board or a Qualified Counterparty to compensate the other party for any losses and costs that such other party may incur as a result of the early termination of the obligations, in whole or in part, of the parties under that Qualified Exchange Agreement.

“Facilities” means:

(a) the housing, dining, student and faculty recreation, parking, college store and student center facilities of the System;

(b) the CSU student health facilities; and

(c) all revenue-producing facilities related to the operation of the System, CSU or CSU-Pueblo and associated with the System Enterprise (other than the Research Building Revolving Fund Enterprise), the income of which the Board hereafter determines, by resolution and without further consideration from the owners of the Bonds, to pledge to the payment of Bonds, pursuant to law then in effect and not in conflict with the provisions and limitations of the Master Resolution, rather than with a separate and independent pledge of revenues;

but such term does not include, unless hereinafter determined by the Board by resolution and pursuant to law then in effect, (i) any facilities that were or will be built with moneys appropriated to the System or to the Board by the State, or (ii) any Special Project.

“Facilities Construction Fees” means (a) 80% of the University Facility Fee relating to instructional facilities to be located on the CSU campus, as approved by the Board on June 15, 2005; (b) all of the Student Facility Fee relating to capital projects located on the CSU-Pueblo campus, as approved by the Board on June 15, 2005; and (c) such other similar campus building fees or charges as may be authorized by the Board from time to time and included in Gross Revenues, as provided by Supplemental Resolution.

“Financial Consultant” means, with respect to the Series 2015 Bonds, North Slope Capital Advisors, Denver, Colorado, and any successor thereto.

“Fiscal Year” means the 12 months commencing on July 1st of any calendar year and ending on June 30th of the next succeeding year.

“Fitch” means Fitch, Inc., and its successors.

“Gross Revenues” means (a) all income and revenues derived by the System Enterprise from the Facilities, whether resulting from an original Facility or from improvements, extensions, enlargements, repairs or betterments thereto, replacements thereof or otherwise; (b) the Student Fees; (c) all revenues constituting rents or charges for the use of CSU buildings and facilities for research, including (i) all revenues derived by CSU from the operation of the Research Facilities, whether resulting from an original Research Facility or from improvements, extensions, enlargements, repairs or betterments thereto, replacements thereof or otherwise, including insurance proceeds; and (ii) amounts accruing to CSU from “overhead” charges on research contracts performed under the auspices of CSU within the Research Facilities or within all other facilities of the System located at the CSU campus; (d) investment earnings on moneys in the Research Revolving Fund and on moneys attributable to the Facilities; (e) 10% of Tuition Revenues received by the System Enterprise; (f) all revenues derived by the System Enterprise from the Facilities Construction Fees; and (g) such other income, fees and revenues as the Board hereafter determines, by resolution and without further consideration from the owners of the Bonds, to include in

Gross Revenues, pursuant to law then in effect and not in conflict with the provisions and limitations of the Master Resolution or any Supplemental Resolution. The term Gross Revenues does not however, include (A) any Released Revenues in respect of which there have been filed with the Secretary of the Board the documents contemplated in the definition of “Released Revenues”; or (B) any general fund moneys appropriated by the State General Assembly or any moneys derived from any general (ad valorem) tax levied against property by the State or any instrumentality thereof.

“*Improvement Project*” means any project to construct, renovate, remodel, modify or otherwise acquire, equip or operate (or any combination thereof) facilities for the System, as authorized by State law and described by Supplemental Resolution.

“*Independent Accountant*” means any certified public accountant, or any firm of such accountants, licensed to practice under the laws of the State, selected by the Board or the State Auditor, as applicable, who is independent and who may be regularly retained to make annual or similar audits of any books or records of the University.

“*Institutional Enterprise Statute*” means Sections 23-5-101.7, 23-5-102, 23-5-103, 23-5-104 and 23-5-105, Colorado Revised Statutes, as amended.

“*Insured Bank*” means a bank which is a member of the Federal Deposit Insurance Corporation.

“*Interest Payment Date*” means, with respect to the Series 2015 Bonds, (a) each March 1 and September 1, commencing on the date set forth in the Pricing Certificate; and (b) the final maturity date of or any redemption date of each Series 2015 Bond.

“*Issue Date*” means the date on which the Series 2015 Bonds are first delivered to the initial purchasers against payment therefor.

“*Issuing and Paying Agent*” means the Person so designated in a Supplemental Resolution authorizing the issuance of any Commercial Paper Notes.

“*Master Resolution*” means the Master System Enterprise Bond Resolution adopted by the Board on June 20, 2007, as amended and supplemented from time to time.

“*Maturity Value*” means the amount defined as such in a Supplemental Resolution for purposes of determining the amount payable to the owner of a Capital Appreciation Bond at the maturity of such Capital Appreciation Bond.

“*Moody’s*” means Moody’s Investors Service, Inc., and its successors.

“*Net Revenues*” means the Gross Revenues less (a) the Prior Bond Obligations, if any, and (b) any Operation and Maintenance Expenses not paid as provided in clause (a).

“*Tenth Supplemental Resolution*” means the Tenth Supplemental Resolution adopted by the Board on May 7, 2015.

“*Official Statement*” means the final Official Statement relating to the Series 2015 Bonds, including any supplements thereto.

“*Operation and Maintenance Expenses*” means (a) all reasonable and necessary current expenses of the System, paid or accrued, for operating, maintaining and repairing the Facilities and the Research

Facilities, and will include, without limiting the generality of the foregoing, legal and incidental expenses of the various departments within the System directly related and reasonably allocable to the administration of the Facilities and the Research Facilities, insurance premiums, the reasonable charges of any paying agent or depositary bank, contractual services, professional services required by the Master Resolution and the related Supplemental Resolutions, salaries and administrative expenses, labor, and all costs incurred by the Board in the collection of Gross Revenues, but will not include any allowance for depreciation and other noncash, nonaccrual accounting adjustments, any costs of reconstructions, improvements, extensions or betterments, any accumulation of reserves for capital replacements, any reserves for operation, maintenance or repair of any Facilities or Research Facilities, any allowance for the redemption of any bond or other security evidencing a loan or the payment of any interest thereon, and any legal liability not based on contract.

“Other Credit Facility Obligations” means the payment obligations of the Board, other than interest and principal reimbursement obligations, under a Reimbursement Agreement or otherwise pursuant to any Credit Facility, including any interest, fees, costs, reasonable attorneys’ fees incurred in connection with any Credit Facility or Reimbursement Agreement, and any other similar amounts required to be paid by the Board pursuant to any such obligation.

“Outstanding” means, when used with reference to Bonds or Parity Obligations and as of any particular date, all such Bonds or Parity Obligations:

(a) except any Bonds or Parity Obligations canceled or delivered for cancellation by the Board, or on the Board’s behalf, at or before such date;

(b) except any Bonds or Parity Obligations deemed to have been paid, redeemed, purchased or defeased as provided in the Master Resolution, or any Supplemental Resolution or any Parity Obligation Instrument, as applicable, or as provided by law or any similar section of any resolution or other instrument authorizing such Bonds or Parity Obligations; and

(c) except any Bonds or Parity Obligations in lieu of or in substitution for which another Bond or Parity Obligation will have been executed and delivered pursuant to the Master Resolution, any Supplemental Resolution or any Parity Obligation Instrument, as applicable.

“Parity Obligation Instruments” means the resolutions, indentures, contracts, or other instruments pursuant to which Parity Obligations are issued or incurred.

“Parity Obligations” means any debt or financial obligations of the Board (other than the Bonds) that have a lien on the Net Revenues on a parity with the lien of the Bonds under the Master Resolution, as permitted below under “Parity Obligations.”

“Paying Agent” means any bank or trust company or national or state banking association designated to make payment of the principal and Redemption Price of and interest on Bonds, and its successor or successors, hereafter appointed by Supplemental Resolution.

“Permitted Investments” means such investments as at the time are permitted by the laws of the State and the investment policies of the Board for the System.

“Person” means natural persons, firms, associations, partnerships and public bodies.

“Preliminary Official Statement” means the Preliminary Official Statement relating to the Series 2015 Bonds including any supplements thereto.

“Pricing Certificate” means a certificate executed by the Board Representative and evidencing the determinations made pursuant to the Tenth Supplemental Resolution.

“Prior Bond Obligations” means the operation and maintenance expenses, principal and interest payments and reserve fund and rebate fund deposits required to be paid pursuant to the Prior Bond Resolutions.

“Prior Bond Resolutions” means the bond resolutions authorizing the issuance of the CSU Auxiliary Bonds, the CSU-Pueblo Auxiliary Bonds and the CSU Research Bonds, as identified in the recitals to the Master Resolution, to the extent that the CSU Auxiliary Bonds, the CSU-Pueblo Auxiliary Bonds or CSU Research Bonds remain outstanding under the terms of the applicable Prior Bond Resolutions.

“Prior Bonds” means any of the CSU Auxiliary Bonds, CSU-Pueblo Auxiliary Bonds and CSU Research Bonds that remain outstanding under the terms of the applicable Prior Bond Resolutions.

“Purchase Contract” means the Purchase Contract relating to the Series 2015 Bonds among the Board and the Underwriters.

“Qualified Counterparty” means any person entering into a Qualified Exchange Agreement with the Board which, at the time of the execution of the Qualified Exchange Agreement, satisfies any applicable requirements of State law, and its successors and assigns, or any substitute Qualified Counterparty, appointed or consented to from time to time by the Board or its authorized officers.

“Qualified Exchange Agreement” means any financial arrangement between the Board and a Qualified Counterparty relating to an exchange of interest rates, cash flows or payments (a) relating to any Bonds, in accordance with the laws of the State; or (b) as otherwise specifically authorized by the Board, in accordance with the laws of the State.

“Rating Agencies” means any of Moody’s, S&P or Fitch, then maintaining ratings on any of the Bonds at the request of the Board.

“Rebate Fund” means the “System Enterprise Rebate Fund,” described in the Master Resolution, including all accounts created therein.

“Redemption Date” means the date upon which any Bonds are to be redeemed prior to their respective fixed maturities pursuant to the mandatory or optional redemption provisions of any Supplemental Resolution.

“Redemption Price” means, with respect to any Bond, an amount, including any applicable premium, payable upon the mandatory or optional redemption thereof, as provided in any Supplemental Resolution.

“Registrar” means any bank or trust company or national or state banking association, designated to keep a register of the owners of Bonds and its successor or successors, hereafter appointed by Supplemental Resolution.

“Regular Record Date” means the close of business on the fifteenth day (whether or not a Business Day) of the calendar month next preceding each regularly scheduled Interest Payment Date for the Series 2015 Bonds.

“Reimbursement Agreement” means any reimbursement or comparable agreement that may be entered into between the Board and a Credit Facility Provider in connection with any Credit Facility.

“Released Revenues” means revenues otherwise included in Gross Revenues in respect of which the following documents have been filed with the Secretary of the Board:

(a) a duly adopted Supplemental Resolution describing the revenues, and any related Facilities or Research Facilities, to be excluded from the computation of Gross Revenues and authorizing the exclusion of such revenues, and any related Facilities or Research Facilities, from such computation;

(b) a written certification by the Board Representative to the effect that Net Revenues in the two most recent completed Fiscal Years, after the revenues, and any related Facilities or Research Facilities, covered by the Supplemental Resolution described in clause (a) above are excluded, were at least equal to the Average Annual Debt Service Requirements with respect to all Bonds that will remain Outstanding after the exclusion of such revenues, and any related Facilities or Research Facilities;

(c) an opinion of Bond Counsel to the effect that the exclusion of such revenues, and any related Facilities or Research Facilities, from the computation of Gross Revenues and from the pledge and lien of the Master Resolution will not, in and of itself, cause the interest on any Outstanding Bonds to be included in gross income for purposes of federal income tax; and

(d) written confirmation from each of the Rating Agencies to the effect that the exclusion of such revenues, and any related Facilities or Research Facilities, from the pledge and lien of the Master Resolution will not, in and of itself, cause a withdrawal or reduction in any unenhanced rating then assigned to the Bonds.

Upon filing of such documents, the revenues, and any related Facilities or Research Facilities, described in the Supplemental Resolution will no longer be included in the computation of Gross Revenues and will be excluded from the pledge and lien of the Master Resolution.

“Research Building Fund Act” means Article 31, Title 23, Sections 111 through 117, Colorado Revised Statutes, as amended.

“Research Building Revolving Fund Enterprise” means the enterprise so designated by the Board under the Auxiliary Facilities Enterprise Act, including the self-supporting research facilities and operations funded from the Research Revolving Fund and research support operations.

“Research Facilities” means the building known as the Centers for Disease Control and Prevention Building #1301 located on CSU’s Foothills Campus, together with any other buildings that may be specifically designated in the future by the Board as “Research Facilities” for purposes of the Master Resolution in connection with the issuance of any Parity Obligations or otherwise.

“Research Revolving Fund” means the “Colorado State University Research Building Revolving Fund” established pursuant to Section 23-31-112, Colorado Revised Statutes, as amended.

“Reserve Fund” means the “System Enterprise Reserve Fund,” described in the Master Resolution, including all accounts created therein.

“*Resolution*” means the Master Resolution as supplemented by the Tenth Supplemental Resolution.

“*Revenue Fund*” means the “System Enterprise Revenue Fund,” described in the Master Resolution.

“*S&P*” means Standard & Poor’s Ratings Services, a Division of The McGraw-Hill Companies, Inc., and its successors.

“*Securities Depository*” means DTC or any additional or other securities depository designated in a Supplemental Resolution, or (a) if the then Securities Depository resigns from its functions as depository of the Bonds; or (b) if the Board discontinues use of the Securities Depository, then any other securities depository which agrees to follow the procedures required to be followed by a securities depository in connection with the Bonds and which is selected by the Board.

“*Series 2015 Paying Agent*” means Wells Fargo Bank, National Association, Denver, Colorado, acting as agent of the Board for the payment of the principal of, premium, if any, and interest on the Series 2015 Bonds, and any successor thereto.

“*Series 2015 Bonds*” means the Board of Governors of the Colorado State University System, System Enterprise Revenue Bonds, Series 2015, as more particularly set forth in the Pricing Certificate.

“*Special Obligation Bonds*” means the bonds payable from all or a portion of receipts derived from a Special Project as provided in the Master Resolution.

“*Special Project*” means a future undertaking not financed on a common-fund basis, as provided in the Master Resolution.

“*Special Record Date*” means a special date fixed to determine the names and addresses of owners of Bonds for purposes of paying interest on a special interest payment date for the payment of defaulted interest, all as further provided in the Master Resolution.

“*State*” means the State of Colorado.

“*State Intercept Act*” means Section 23-5-139, Colorado Revised Statutes, as amended.

“*State Intercept Program*” means the Higher Education Revenue Bond Intercept Program, established pursuant to the State Intercept Act.

“*Student and Faculty Operations and Activities Enterprise*” means the enterprise so designated by the Board under the Auxiliary Facilities Enterprise Act, including certain housing, dining, student and faculty recreation, parking, college store, student center, student health, child care and student and faculty support facilities and operations of CSU and CSU-Pueblo.

“*Student Fees*” means the following mandatory fees assessed against students of the System, including any increases in such fees as may be implemented from time to time:

- (a) ***Colorado State University.***
 - (i) Student Recreation Center fee;
 - (ii) Lory Student Center Operations fee;

- (iii) Lory Student Center Facilities Construction/Renovations fee;
 - (iv) Hartshorn Health Services fee; and
 - (v) Athletics fee.
- (b) **CSU-Pueblo.**
- (i) Student Facility fee; and
 - (ii) General Bond Facility fee.

“*Subordinate Lien Obligations*” means all bonds or other obligations hereafter issued or incurred payable from the Net Revenues and issued with a lien on the Net Revenues subordinate to the lien of the Bonds on Net Revenues.

“*Supplemental Public Securities Act*” means Part 2, Article 57, Title 11, Colorado Revised Statutes, as amended.

“*Supplemental Resolution*” means any resolution supplemental to or amendatory of the Master Resolution, adopted by the Board in accordance with the Master Resolution.

“*System*” means, collectively, CSU and CSU-Pueblo.

“*System Enterprise*” means the group of institutions consisting of CSU and CSU-Pueblo designated as a single enterprise by the Board under the provisions of the Institutional Enterprise Statute.

“*Taxable Obligation*” means any Series 2015 Bonds the interest on which is not excludable from gross income of the holder thereof for federal income tax purposes, which, with respect to the Series 2015 Bonds, shall be determined by the Board Representative, in accordance with the Article VII hereof titled “FEDERAL TAX LAW MATTERS” and set forth in the Pricing Certificate.

“*Tax Exempt Obligation*” means any Series 2015 Bonds the interest on which is excludable from gross income of the holder thereof for federal income tax purposes, which, with respect to the Series 2015 Bonds, shall be determined by the Board Representative, in accordance with Article VII hereof title “FEDERAL TAX LAW MATTERS” and set forth in the Pricing Certificate.

“*Tuition Revenues*” means charges to students for the provision of general instruction by the System, whether collected or accrued, as shown as student tuition on the System’s audited financial statements.

“*2015 Capitalized Interest Account*” means the account created in the Tenth Supplemental Resolution.

“*2015 Expense Account*” means the account created in the Tenth Supplemental Resolution.

“*2015 Improvement Projects*” means the financing of certain Improvement Projects as determined by the Board, including but not limited to: (a) the construction, acquisition, improvement and equipping of (i) an approximately 152,000 gross square foot (“gsf”) biology building for research and teaching on the Main Campus in Fort Collins, Colorado, (ii) an approximately 105,000 gsf medical office building to be located at the corner of Prospect Road and College Avenue in Fort Collins, Colorado, (iii) an approximately 30,000 gsf plant environmental research center to be used for teaching, research and

outreach, (iv) a new 4-story parking structure at the corner of Pitkin and Mason Streets, (v) a new surface parking lot on South Campus in Fort Collins, Colorado, and (vi) approximately 85,000 gsf of academic space to be located on the east side of the new stadium; (b) any other improvements to any of the campuses for which the Board has spending authority; and (c) such other capital projects as may be designated by the Board.

“2015 Improvement Projects Fund” means the fund created in the Tenth Supplemental Resolution.

“2015 Paying Agency Agreement” means the Paying Agency, Transfer Agency and Bond Registrar Agreement dated as of the Issue Date between the Board and the Series 2015 Paying Agent.

“2015 Paying Agent” means Wells Fargo Bank, National Association, Denver, Colorado, acting as agent of the Board for the payment of the principal of, premium, if any, and interest on the Series 2015 Bonds, and any successor thereto.

“2015 Registrar” means the Series 2015 Paying Agent acting as agent of the Board for the registration of the Series 2015 Bonds, and any successor thereto.

“2015 Tax Certificate” means the Tax Certificate relating to the Series 2015 Bonds, executed by the Board on the date of issuance of the Series 2015 Bonds.

“Underwriters” means, in the determination of the Board, any combination of Morgan Stanley, RBC Capital Markets, LLC, US Bancorp, First Southwest Company, LLC, or any other institution selected by the Board, acting as underwriters or as direct purchasers in connection with the sale of the Series 2015 Bonds.

Resolution Irrepealable

In consideration of the purchase and acceptance of any Bonds by those who will own the same from time to time, the Master Resolution will constitute an irrevocable contract between the Board and owners of any Bonds issued thereunder; and the Master Resolution will be and remain irrepealable until the Bonds will be fully paid, canceled and discharged except as therein otherwise provided.

After any Series 2015 Bonds are issued, the Resolution will constitute an irrevocable contract between the Board and owners of the Series 2015 Bonds; and the Resolution will be and remain irrepealable until the Series 2015 Bonds and the interest thereon will be fully paid, as provided in the Resolution.

Special Obligations

All Debt Service Requirements of the Bonds will be payable and collectible solely out of the Net Revenues, which Net Revenues are so pledged. The owner or owners may not look to any general or other fund for the payment of the principal of, premium, if any, or interest on the Bonds, except the special funds designated in the Master Resolution pledged therefor. The Bonds will not constitute an indebtedness or a debt within the meaning of any constitutional or statutory provision or limitation and the Bonds will not be considered or held to be general obligations of the Board or System, but will constitute the Board’s special obligations. No obligation created under the Master Resolution will ever be or become a charge or debt against the State.

No Pledge of Property

The payment of the Bonds is not secured by an encumbrance, mortgage or other pledge of property of the System or the Board, except for the Net Revenues and any other moneys pledged for the payment of the Bonds.

Optional Redemption

The Series 2015 Bonds will be subject to redemption prior to maturity at the option of the Board, if at all, on the dates and at the Redemption Price set forth in the Pricing Certificate, and as described in “THE SERIES 2015 BONDS—Redemption.”

Mandatory Sinking Fund Redemption

The Series 2015 Bonds will be subject to mandatory sinking fund redemption, if at all, on the dates and in the principal amounts set forth in the Pricing Certificate, and as described in “THE SERIES 2015 BONDS—Redemption.”

Registration, Transfer and Exchange of Bonds

The Registrar for any Bonds will be specified in the related Supplemental Resolution. Records for the registration and transfer of the Bonds will be kept by the Registrar. Upon the surrender for transfer of any Bond at the Registrar, duly endorsed for transfer or accompanied by an assignment in form satisfactory to the Registrar duly executed by the registered owner or his/her attorney duly authorized in writing, the Registrar will authenticate and deliver in the name of the transferee or transferees a new Bond or Bonds of a like aggregate principal amount and of the same series and maturity, bearing a number or numbers not previously assigned. Bonds may be exchanged at the Registrar for an equal aggregate principal amount of Bonds of the same series and maturity of other Authorized Denominations. In the case of such an exchange, the Registrar will authenticate and deliver a Bond or Bonds bearing a number or numbers not previously assigned. The Registrar will require the payment by the owner of any Bond requesting exchange or transfer, of any tax or other governmental charge required to be paid with respect to such exchange or transfer and may charge a sum sufficient to pay the cost of preparing and authenticating each new Bond. No such charge will be levied in the case of an exchange resulting from a redemption.

Disposition of Series 2015 Bond Proceeds

The proceeds of the Series 2015 Bonds, upon the receipt thereof, will be accounted for in the following manner and priority:

FIRST, from the proceeds of the Series 2015 Bonds, there will be deposited into a separate account, which account is hereby created, to be known as “The Board of Governors of the Colorado State University System, System Enterprise Revenue Bonds, Series 2015, Improvement Projects Fund” (the “2015 Improvement Projects Fund”), such amount as the Board Representative shall determine to be necessary and available to defray the costs of the 2015 Improvement Projects, subject to the provisions of the 2015 Tax Certificate. Such account shall be under the control of the Board.

There is hereby created within the 2015 Improvement Projects Fund a separate account under the control of the Board which shall be designated “The Board of Governors of the Colorado State University System, System Enterprise Revenue Bonds, Series 2015, Capitalized

Interest Account” (the “2015 Capitalized Interest Account”). There shall be credited to such 2015 Capitalized Interest Account such amount as the Board Representative shall determine to be necessary and available to pay a portion of the interest on the Series 2015 Bonds through a date specified by the Board Representative in the Pricing Certificate, taking into account any other moneys available to pay interest on the Series 2015 Bonds.

SECOND, there will be deposited to the credit of the 2015 Expense Account all remaining amounts of proceeds of the Series 2015 Bonds. From such 2015 Expense Account, the Board will be authorized to pay all expenses associated with the issuance of the Series 2015 Bonds. Any moneys remaining in the 2015 Expense Account six months after the date of issuance of the Series 2015 Bonds will be transferred as directed by the Board Representative.

**Establishment of Revenue Fund, Debt
Service Fund, Reserve Fund, Additional
Payment Fund and Rebate Fund**

There is created and established by the Board the Revenue Fund, the Debt Service Fund, the Reserve Fund, the Additional Payment Fund, and the Rebate Fund. Separate accounts and subaccounts within each fund may be created by Supplemental Resolution.

Revenue Fund. All Gross Revenues will be collected by the Board and credited daily, as far as practicable, into the Revenue Fund, so long as any Bonds or Parity Obligations will be Outstanding. Amounts in the Revenue Fund will first be used to pay Prior Bond Obligations that are currently due and payable, if any. As the next charge on the Revenue Fund, there will be paid, as they become due and payable, any Operation and Maintenance Expenses that are not paid as provided in this section.

Debt Service Fund. After making the payments required above under “Revenue Fund,” amounts on deposit in the Revenue Fund will be paid or credited to the Debt Service Fund, on a pro rata basis if there is a deficiency in the amount of available Net Revenues, as follows:

(a) ***Interest Account.*** Prior to each Interest Payment Date, the amount necessary, together with any moneys therein and available therefor, to pay the next maturing installment of interest on each series of Outstanding Bonds will be credited to the interest account for that series of Bonds;

(b) ***Principal Account.*** Prior to each principal payment date, the amount necessary, together with any moneys therein and available therefor, to pay the next regularly scheduled installment of principal, whether at maturity or on a mandatory sinking fund redemption date, on each series of Outstanding Bonds will be credited to the principal account for that series of Bonds. Payments to be made from the Revenue Fund to the interest account or principal account for any series of Bonds may be made more or less frequently for any series of Bonds if so provided in the related Supplemental Resolution;

(c) In the event that moneys available in any Commercial Paper Credit Facility Account are insufficient to make any payment of principal of or interest on any Commercial Paper Notes coming due, such deficiency will be paid by transferring the necessary amounts from the Commercial Paper Note Interest Account and/or the Commercial Paper Note Principal Account, as appropriate. After payment of principal of or interest on any Commercial Paper Notes from amounts in any Commercial Paper Credit Facility Account representing drawings on the applicable Commercial Paper Credit Facility, amounts available in the Commercial Paper Note Principal Account and the Commercial Paper Note Interest Account will be transferred to

the applicable Commercial Paper Credit Facility Provider to pay Credit Facility Reimbursement Obligations due as a result of principal drawings and interest drawings, respectively, on the related Commercial Paper Credit Facility, to the extent such Commercial Paper Credit Facility Provider has not already been reimbursed for such amounts from proceeds of Commercial Paper Notes as provided in the related Supplemental Resolution. If at any time the amount available in the Commercial Paper Note Interest Account or the Commercial Paper Note Principal Account exceeds the amounts required to pay interest on or principal of, as the case may be, Commercial Paper Notes coming due within the next 30 days, as determined by the Board Representative, plus the amount of any Credit Facility Reimbursement Obligations then due, such excess amount in the Commercial Paper Note Interest Account or Commercial Paper Note Principal Account will be transferred to the Commercial Paper Note Account of the Additional Payment Fund and applied as provided in the Master Resolution. The money credited to the interest account and the principal account for each series of Bonds will be used by the Board only to pay the Debt Service Requirements of the applicable Bonds as such Debt Service Requirements become due; except as otherwise provided in the Master Resolution with respect to payment of Credit Facility Reimbursement Obligations due to a Credit Facility Provider and amounts payable to any Qualified Counterparty under a Qualified Exchange Agreement. Moneys on deposit in the Debt Service Fund to be used to pay Debt Service Requirements on the Bonds will be transferred from the Debt Service Fund to the applicable Paying Agent on or before the relevant due dates. Additional accounts will be established by the Board as part of the Debt Service Fund for the payment of each series of Bonds; and

(d) *Payments and Reimbursements to Credit Facility Provider and Qualified Counterparty.* The following amounts required to be paid by the Board will be deposited in the applicable Bonds principal account and interest account or other sinking fund which will be a subaccount of the applicable principal account or interest account and paid from the Revenue Fund with the same priority as other payments of Debt Service Requirements on Bonds: (i) amounts to pay or reimburse a Credit Facility Provider for payments of Debt Service Requirements on Bonds made by that Credit Facility Provider, including payments to any bond insurer for such payments on Bonds with proceeds of a municipal bond insurance policy and principal and interest amounts payable to a Credit Facility Provider in accordance with the provisions of the applicable Reimbursement Agreement; and (ii) amounts payable to any Qualified Counterparty under a Qualified Exchange Agreement if such payments are designated in a Supplemental Resolution or other instrument relating to that Qualified Exchange Agreement as having a lien on Net Revenues on a parity with the lien thereon of Bonds; provided that the part of any interest payment to a Credit Facility Provider and to a Qualified Counterparty computed at a rate which exceeds the maximum bond interest rate for the related series of Bonds will not be payable with the priority set forth in this section but will be payable with the priority set forth in the Master Resolution.

Reserve Fund. The reserve requirement, if any, for a series of Bonds may be satisfied by a deposit of moneys or a Credit Facility, and any form of such deposit may be exchanged for any other permitted form of deposit of an equivalent amount; provided, however, (a) that obligations backed by the provider of a Credit Facility is rated at least “A2” by Moody’s and at least “A” by S&P; (b) that prior to expiration of a Credit Facility in any account, another Credit Facility of equivalent credit quality is provided, and, if such replacement Credit Facility is unavailable, the reserve requirement will be funded on a scheduled basis or at one time prior to expiration of the existing Credit Facility; (c) if the terms of a Credit Facility prohibit replenishment after draw down, the Board will provide an additional Credit Facility or sufficient funds to ensure satisfaction of the reserve requirement; and (d) if a Credit Facility permits premature termination without payment, the conditions for such premature termination will be limited to Board bankruptcy or default on any Bonds, or by an accumulation on a scheduled basis of Bond

proceeds, investment earnings, or other deposits from the Revenue Fund after the payments and deposits required by above under “Reserve Fund” and “Debt Service Fund” have been made which will result in an amount equal to the reserve requirement for such series of Bonds being on deposit or available no later than the date of the last scheduled application of capitalized interest for such series of Bonds. The Board may establish, but is not required to establish, a reserve requirement with respect to any series of Bonds. A separate debt service reserve account (“Debt Service Reserve Account”) will be created within the Reserve Fund for each separate series of Bonds for which there is a reserve requirement. The moneys and the proceeds in each Debt Service Reserve Account will be maintained as a continuing reserve to be used only to prevent deficiencies in the payment of the Debt Service Requirements coming due on the Bonds for which such account was created resulting from the failure to timely deposit into the Debt Service Fund sufficient funds to pay such amounts as the same become due. Any moneys at any time in any Debt Service Reserve Account in excess of the applicable reserve fund requirement, including investment earnings derived from amounts on deposit in such Debt Service Reserve Account, may (and as may be necessary to comply with the covenants set forth below under “Tax Covenant” will) be withdrawn therefrom and transferred to the applicable accounts in the Debt Service Fund.

On any required payment date of any Outstanding Bonds, if there will not be on deposit in the applicable Interest Account or Principal Account for such series of Bonds the full amount necessary to pay the Debt Service Requirements on such series of Bonds becoming due on such date, then an amount will be transferred from the applicable Debt Service Reserve Account, if any, on such date into the applicable Principal or Interest Account equal to the difference between the amount on deposit in such Interest Account or Principal Account and the full amount required. All money on deposit in the Debt Service Reserve Account for such series of Bonds will be transferred prior to making a draw on a Credit Facility on deposit in the Debt Service Reserve Account. The amount transferred from any Debt Service Reserve Account or the amount of any deficiency existing in any Debt Service Reserve Account will be reimbursed, replaced or reaccumulated in such Debt Service Reserve Account, no later than the end of the fifth full Fiscal Year following such transfer or the determination of such deficiency, or within such other period of time as set forth in the Master Resolution or other instrument authorizing the issuance of the applicable series of Bonds, from amounts available therefor in the Revenue Fund after making the payments and deposits required above under “—Reserve Fund” and “—Debt Service Fund.”

Rebate Fund. The Rebate Fund will be under the control of the Board and a separate rebate account will be created in the Rebate Fund with respect to each series of Bonds to the extent required by the Supplemental Resolution or other instrument authorizing such series of Bonds. Amounts from available Net Revenues will be deposited in the related rebate account and will be expended in accordance with the provisions of the Master Resolution and the provisions of the related Supplemental Resolution. The System will make or cause to be made all requisite rebate calculations and deposit the resulting rebate amount into the related rebate account. The System will make or cause to be made disbursements from the related rebate account in accordance with the provisions of the related Supplemental Resolution and any tax certificate executed pursuant thereto. The System will invest the amounts on deposit in the related rebate account and will deposit income from said investments immediately upon receipt thereof in the related rebate account, all as set forth in the related Supplemental Resolution. The Board may request a designated agent to make the necessary rebate calculations based upon information furnished by the System and, upon advice as to the rebate amount, cause the System to deposit the same into the related rebate account.

Investment of Moneys

Any moneys in any Fund or account not needed for immediate use, may be invested by the System, or by the State on behalf of the System, in Permitted Investments. Such investments will be deemed to be a part of said Fund or account, and any loss will be charged thereto. Any profit from

investments of moneys in the applicable accounts of the Reserve Fund and the Rebate Fund will be credited thereto as the same is received. Any profits from investments of moneys in any other Funds or accounts will be used for any one or any combination of lawful purposes as the Board may from time to time determine. In computing the amount in any such Fund or account for any purpose under the Master Resolution, except as otherwise expressly provided in the Master Resolution, such obligation will be valued in accordance with then applicable GASB standards. All expenses incidental to any investment or reinvestment of moneys pursuant to the Master Resolution will be accounted for as Operation and Maintenance Expenses. Nothing in the Master Resolution will prevent the commingling of moneys accounted for in any Fund or account created under the Master Resolution or any Supplemental Resolution and any other moneys of the Board, the System or the State for purposes of investment. The Board Representative will present for redemption or sale on the prevailing market at the best price obtainable any investments in any Fund or account whenever it will be necessary to do so in order to provide moneys to meet any withdrawal, payment or transfer from such Fund or account. The Board Representative will not be liable for any loss resulting from any such investment made in accordance with the Master Resolution or any Supplemental Resolution.

Tax Covenant

The Board covenants for the benefit of each owner of Bonds from time to time that it will not (a) make any use of the proceeds of any Bonds, any fund reasonably expected to be used to pay the principal of or interest on any Bonds, or any other funds of the Board; (b) make any use of any Facilities or Research Facilities; or (c) take (or omit to take) any other action with respect to any Bonds, the proceeds thereof, or otherwise, if such use, action or omission would under the Code cause the interest on any Bonds to be included in gross income for federal income tax purposes or be treated as an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals, trusts, estates and corporations (except, with respect to corporations, as such interest is required to be taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on such corporations). The Board covenants for the benefit of each owner of any Bonds from time to time that it will not take (or omit to take) or permit or suffer any action to be taken if the result of the same would cause the Bonds to be (a) “arbitrage bonds” within the meaning of Section 148 of the Code, including for such purposes, to the extent applicable, the rebate requirements of Section 148(f) of the Code; or (b) “private activity bonds” within the meaning of Section 141 of the Code. Such covenants of the Board will survive the payment of the Bonds of a series until all rebate requirements related to the Bonds of such series have been satisfied. The officers of the Board are authorized to execute a tax certificate and any confirming certificates as provided in the Master Resolution in implementation of the foregoing covenants, and the representations, agreements and additional covenants set forth in the Master Resolution will be deemed the representations, agreements and covenants of the Board, as if the same were set forth in the Master Resolution. The covenants set forth in this section shall not apply to any series of Bonds if, at the time of issuance, the Board intends the interest on such series of Bonds to be subject to federal income tax.

Parity Obligations

The Board reserves the right to issue or incur Parity Obligations and to pledge the Net Revenues to the payment of such Parity Obligations on a parity with the pledge of the Net Revenues to payment of any Bonds under the Master Resolution, as described in “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS—Additional Enterprise Obligations.”

Rates, Fees and Charges

While Bonds remain Outstanding, and subject to applicable law, the Board will continue to impose such fees and charges as are included within the Gross Revenues and will continue the present operation and use of the System Enterprise, the Facilities and the Research Facilities, and the Board will cause to be established and maintained such reasonable fees, rental rates, and other charges for the use of all Facilities and Research Facilities and for services rendered by the System Enterprise as will return annually Gross Revenues sufficient (a) to pay all amounts required above under "Revenue Fund" with respect to the Prior Bonds and the Prior Bond Obligations, if any; (b) to pay any Operation and Maintenance Expenses which are not paid as provided above under "Revenue Fund"; (c) to pay the annual Debt Service Requirements of the Bonds and any Parity Obligations payable from the Net Revenues; (d) to make any deposits required to the Reserve Fund; and (e) to pay the annual Debt Service Requirements of any obligations payable from the Net Revenues, in addition to the Bonds and any Parity Obligations, including without limitation any reserves required to be accumulated therefor or any reimbursement pursuant to a reserve fund insurance policy, surety bond, financial guaranty agreement and qualified exchange agreement relating thereto; all as provided in the Master Resolution. Such fees, rates and charges will be reasonable and just, taking into account and consideration the cost and the value of the Facilities, the Research Facilities and the services rendered by the System Enterprise and the Operation and Maintenance Expenses, and the amounts necessary for the retirement of all Bonds and any other obligations payable from revenues derived from their operation, accrued interest thereon, and any reserves therefor.

Maintenance of Facilities

The Board will at all times maintain the Facilities and the Research Facilities in good repair, working order and condition, will continually administer and operate the Facilities and the Research Facilities as part of the System Enterprise, and from time to time will make all needful and proper repairs, renewals and replacements of the Facilities and the Research Facilities.

Disposal of Property Prohibited

Except for any lease for proper rentals, the Board will not sell, mortgage, pledge, or otherwise encumber, or in any manner dispose of, or otherwise alienate, the Facilities or the Research Facilities or any part thereof, including any and all extensions and additions that may be made thereto, until all Bonds payable out of Net Revenues shall have been paid in full, both as to principal and interest, or unless provision has been made therefor, except as described in the next paragraph.

Disposal of Unnecessary Property

The Board may sell, destroy, abandon, otherwise dispose of, or alter at any time any property constituting a part of the Facilities or the Research Facilities which shall have been replaced by other property of at least equal value, or which shall cease to be necessary for the efficient operation of the Facilities or the Research Facilities as part of the System Enterprise, or which will not decrease Gross Revenues below the requirements of the Resolution. A written determination by the Board Representative that the Gross Revenues will be sufficient to meet such requirements after such sale, destruction, abandonment, other disposition, or alteration, shall be conclusively determined to be accurate, absent a showing of bad faith; provided, however, that in the event of any sale or other compensated disposition as aforesaid, the proceeds received on such disposition shall be credited to the Debt Service Fund or otherwise as designated by the Board.

Fire and Extended Coverage Insurance for the Facilities

From and after the time when the contractors, or any of them, engaged in constructing any Facilities or Research Facilities will cease to be responsible pursuant to the provisions of their respective contracts for loss or damage, the Board will procure and maintain fire and extended coverage insurance on such Facilities or Research Facilities, and the Board will continue to procure and maintain fire and extended coverage insurance on all its Facilities and Research Facilities, all in amounts at least sufficient to provide for not less than full recovery whenever the loss from perils insured against does not exceed 80% of the full insurable value of the buildings. The Board, at its election, may provide for the insurance specified in this section partially or wholly by means of participation, in any self insurance fund currently maintained by the State or a similar self insurance fund as provided by applicable law or Board resolution, in compliance with the requirements of the Master Resolution. Any such self insurance will be deemed to be insurance coverage under the Master Resolution.

Defeasance

When all principal of, premium, if any, and interest on the Bonds, or any portion thereof, have been duly paid, the pledge and lien of all obligations under the Master Resolution will be discharged as to such issue or part of such issue and such issue or part of such issue will no longer be deemed to be Outstanding within the meaning of the Master Resolution. There will be deemed to be such due payment if the Board has placed in escrow or in trust with a trust bank exercising trust powers, an amount sufficient (including the known minimum yield available for such purpose from federal securities in which such amount wholly or in part may be initially invested) to meet all requirements of principal of, premium, if any, and interest on the securities issue, as such requirements become due to their final maturities or upon any designated redemption dates. The federal securities will become due prior to the respective times on which the proceeds thereof will be needed, in accordance with a schedule established and agreed upon between the Board and such trust bank at the time of the creation of the escrow or trust, or the federal securities will be subject to redemption at the option of the holders thereof to assure such availability as so needed to meet such schedule.

Events of Default

Each of the following events is declared an “event of default”:

(a) *Nonpayment of Principal or Redemption Price.* Payment of the principal or Redemption Price of any of the Bonds will not be made when the same will become due and payable either at maturity or by proceedings for prior redemption or otherwise.

(b) *No Payment of Interest.* Payment of any installment of interest will not be made when the same becomes due and payable.

(c) *Incapable To Perform.* The Board will for any reason be rendered incapable of fulfilling its obligations under the Master resolution.

(d) *Appointment of Receiver.* An order or decree will be entered by a court of competent jurisdiction with the consent or acquiescence of the Board appointing a receiver or receivers for the Facilities and Research Facilities or for the rates and charges derived therefrom, or if an order or decree having been entered without the consent or acquiescence of the Board, will not be vacated or discharged or stayed on appeal within 60 days after entry.

(e) *Default of Any Provision.* The Board will make default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds or in the Master Resolution on its part to be performed, and if such default will continue for 60 days after written notice specifying such default and requiring the same to be remedied will have been given to the Board by the purchaser of the Bonds or by the owners of 25% in principal amount of the Bonds then Outstanding.

Remedies on Defaults

Upon the happening and continuance of any of the events of default, as provided above under “Events of Default,” then in every case the owner of not less than 25% in principal amount of the Bonds then Outstanding, including but not limited to a trustee or trustees therefor, may proceed against the System, the Board and the agents, officers and employees of the System or the Board, or of both, to protect and to enforce the rights of any owner of Bonds under the Master Resolution by mandamus or by other suit, action or special proceedings in equity or at law, in any court of competent jurisdiction, either for the appointment of a receiver or for the specific performance of any covenant or agreement contained in the Master Resolution or in an award of execution of any power granted for the enforcement of any proper, legal or equitable remedy as such owner may deem most effectual to protect and to enforce the rights aforesaid, or to enjoin any act or thing which may be unlawful or in violation of any right of any owner of any Bond, or to require the Board to act as if it were the trustee of an expressed trust, or any combination of such remedies. All such proceedings at law or in equity will be instituted, had and maintained for the equal benefit of all owners of the Bonds then Outstanding.

Duties Upon Default

Upon the happening of any of the events of default as provided above under “Events of Default,” the Board, in addition, will do and will perform all proper acts on behalf of and for the owners of Bonds to protect and to preserve the security created for the payment of their Bonds and to insure the payment of the principal of and the interest on such Bonds promptly as the same become due. All Net Revenues, so long as any of such Bonds, either as to principal or as to interest, are Outstanding and unpaid, will be paid into the Debt Service Fund. In the event the Board fails or refuses to proceed as in this section provided, the owners of not less than 25% in principal amount of the Bonds then Outstanding, after demand in writing, may proceed to protect and to enforce the rights of the owners of the Bonds as hereinabove provided; and to that end any such owners of Outstanding Bonds will be subrogated to all rights of the Board under any agreement, lease or contract involving the System entered into prior to the effective date of the Master Resolution or thereafter while any of the Bonds are Outstanding and unpaid.

Limitations Upon Amendments

The Master Resolution may be amended or supplemented by Supplemental Resolutions adopted by the Board in accordance with the laws of the State, without receipt by the Board of any additional consideration, but, except as otherwise provided in the Master Resolution, with the written consent of the owners of a majority in principal amount of Bonds Outstanding at the time of the adoption of such Supplemental Resolution; provided, however, that no such resolution will have the effect of permitting (a) a change in the maturity of any Outstanding Bond; (b) a reduction in the principal amount of any Bond or the rate of interest thereon, without the consent of the owner of the Bond; (c) the creation of a lien upon or a pledge of revenues ranking prior to the lien or to the pledge created by the Master Resolution; (d) a reduction of the principal amount or percentages or otherwise affecting the description of Bonds, the consent of the owners of which is required for any such modification or amendment; (e) the establishment of priorities as between any Bonds issued and Outstanding under the provisions of the Master Resolution; or (f) the modification of or otherwise affecting the rights of the owners of less than all of the Bonds then

Outstanding; provided further, however, the Master Resolution may be amended or supplemented by resolutions adopted by the Board in accordance with the laws of the State, without receipt of any additional consideration and without consent of the Bondholders, as provided in the Master Resolution and otherwise to cure any ambiguity, to correct or supplement any provision in the Master Resolution which may be inconsistent with any other provision in the Master Resolution, or to make any other provision with respect to matters or questions arising under the Master Resolution which would not be inconsistent with the provisions of the Master Resolution, provided such action will not materially adversely affect the interests of the owners of the Bonds then Outstanding.

Supplemental Resolutions Effective Upon Filing With the Trustee

For any one or more of the following purposes and at any time or from time to time, the Board may adopt and execute a Supplemental Resolution, which, upon adoption and execution, will be fully effective in accordance with its terms without the consent of any Bondholders (except as otherwise specifically provided below) (a) to authorize Bonds of a series and, in connection therewith, to specify and determine the matters and things referred to in the Master Resolution and also any other matters and things relative to such Bonds which are not in conflict with the Master Resolution as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first delivery of such Bonds; (b) to conform the Master Resolution to any amendment of any Supplemental Resolution in accordance with its terms; (c) to close the Master Resolution or any Supplemental Resolution against, or provide limitations and restrictions in addition to the limitations and restrictions contained in the Master Resolution or any Supplemental Resolution on, the delivery of Bonds or the issuance of other evidences of indebtedness; (d) to add to the covenants and agreements of the Board in the Master Resolution or any Supplemental Resolution, other covenants and agreements to be observed by the Board which are not in conflict with the Master Resolution or the applicable Supplemental Resolutions as theretofore in effect; (e) to add to the limitations and restrictions in the Master Resolution or any Supplemental Resolution other limitations and restrictions to be observed by the Board which are not in conflict with the Master Resolution or the applicable Supplemental Resolution, as theretofore in effect; (f) to confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, the Master Resolution or any Supplemental Resolution of the Net Revenues, or to provide for the release of revenues from the lien or pledge of the Master Resolution in accordance with the provisions of the Master Resolution; (g) to modify any of the provisions of the Master Resolution or any Supplemental Resolution in any respect whatever; provided that (i) such modification will be, and be expressed to be, effective only after all Outstanding Bonds of any series at the date of the adoption of such Master Resolution or Supplemental Resolution will cease to be Outstanding Bonds; and (ii) such Supplemental Resolution will be specifically referred to in the text of all Bonds of any series delivered after the date of the adoption of such Supplemental Resolution and of Bonds issued in exchange therefor or in place thereof; (h) to modify, amend or supplement the Master Resolution or any Supplemental Resolution in such manner as to permit, if presented, the qualification of the Master Resolution and thereof under the Trust Indenture Act of 1939 or any similar federal statute hereafter in effect or under any state blue sky law; (i) to surrender any right, power or privilege reserved to or conferred upon the Board by the terms of the Master Resolution; provided that the surrender of such right, power or privilege is not in conflict with the covenants and agreements of the Board contained in the Master Resolution; (j) to increase the debt service reserve fund requirement and any capitalized interest requirements; (k) to alter the Master Resolution to comply with the requirements of a nationally recognized rating agency in order to obtain or maintain a rating on any of the Bonds in one of the four highest rating categories of such rating agency; (l) to designate Paying Agents, Registrars, and other fiduciaries for the Bonds of any series; (m) to modify, amend or supplement the Master Resolution or any Supplemental Resolution in order to provide for or eliminate book entry registration of all or any of the Bonds; (n) to amend a prior Supplemental Resolution in accordance with the provisions thereof; (o) for

any other purpose in respect of any Bonds or any series of Bonds which, at the time such amendments are made, are fully secured by a pledge of or lien on direct obligations of or obligations the principal of and interest on which is unconditionally guaranteed by, the United States of America, certified by an independent certified public accountant to be sufficient to provide for the full and timely payment of principal and Redemption Price of, and interest on, the Bonds; (p) if such amendment does not amend this section or reduce the principal amount or Maturity Value, delay principal or Maturity Value payment dates, reduce interest rates, delay Interest Payment Dates or Accretion Dates, or, except to the extent contemplated therein, amend redemption provisions, then applicable to any series of Bonds and then, at least one of the following conditions is met (i) on the effective date of such amendment, all Bonds of such series are secured by a Credit Facility through the later of the next date on which such Bonds are subject to optional or mandatory purchase or their maturity, the consent of the issuer of the Credit Facility is obtained and the Board has been provided with proof satisfactory to it that such amendment will not result in an reduction of any rating of any of the Bonds in effect immediately prior to such amendment; (ii) such amendment is made to facilitate the provision of a Credit Facility for a series of Bonds that is not then secured by a Credit Facility; or (iii) such amendment is made to facilitate (A) the maintenance of any current rating of the Bonds of such series, or (B) the obtaining of any higher rating of the Bonds of such series desired by the Board; and (q) to facilitate the issuance of and provision of security for Parity Obligations in accordance with "Parity Obligations" above.

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APPENDIX C

FORM OF OPINION OF BOND COUNSEL

September __, 2015

Board of Governors of the
Colorado State University System
Suite 2440
410 Seventeenth Street
Denver, CO 80202

RBC Capital Markets, LLC
1801 California Street
Suite 3850
Denver, CO 80202

Morgan Stanley & Co. LLC
1400 16th Street
16 Market Square
Suite 4045
Denver, CO 80202

US Bancorp
One California Street
Suite 350
San Francisco, CA 94111

First Southwest Company, LLC
325 N. St. Paul Street
Suite 800
Dallas, Texas 75201

\$96,490,000
Board of Governors of
the Colorado State University System
System Enterprise Revenue Bonds
Series 2015E-1

\$42,125,000
Board of Governors of
the Colorado State University System
System Enterprise Revenue Bonds
Series 2015E-2 (Green Bonds)

\$17,670,000
Board of Governors of
the Colorado State University System
System Enterprise Revenue Bonds
Series 2015F

Ladies and Gentlemen:

We have acted as bond counsel to the Board of Governors of the Colorado State University System (the “Board”), a body corporate under the Constitution and laws of the State of Colorado (the “State”), in connection with the issuance by the Board of Governors of the Colorado State University System, System Enterprise Revenue Bonds, Series 2015E-1 (the “Series 2015E-1 Bonds”), in the aggregate principal amount of \$96,490,000, System Enterprise Revenue Bonds, Series 2015E-2 (Green Bonds) (the “Series 2015E-2 Bonds” and, together with the Series 2015E-1 Bonds, the “Series 2015E Bonds”), in the aggregate principal amount of \$42,125,000 and the Board of Governors of the Colorado State University System, System Enterprise Revenue Bonds, Series 2015F (the “Series 2015F Bonds” and, together with the Series 2015E Bonds, the “Series 2015 Bonds”), in the aggregate principal amount of \$17,670,000.

Board of Governors of the
Colorado State University System
Morgan Stanley
RBC Capital Markets, LLC
US Bancorp
First Southwest Company, LLC
September 16, 2015
Page 2

The Series 2015 Bonds are being issued by the Board pursuant to Sections 23-5-101.7, 23-5-102, 23-5-103, 23-5-104 and 23-5-105, Colorado Revised Statutes, as amended (collectively, the “Institutional Enterprise Act”), Sections 23-5-101.5, 23-5-102, 23-5-103, 23-5-104 and 23-5-105, Colorado Revised Statutes, as amended (collectively, the “Auxiliary Facilities Enterprise Act”), Sections 23-31-111 through 23-31-117, inclusive, Colorado Revised Statutes, as amended (the “Research Building Fund Act”), Article 5, Title 23, Colorado Revised Statutes, as amended (the “Bond Act”), and Article 57, Title 11, Section 201, et seq., Colorado Revised Statutes, as amended (the “Supplemental Act”), Section 23-5-139, Colorado Revised Statutes, as amended (the “Intercept Act” in the case of the Series 2015E Bonds), a Master System Enterprise Bond Resolution, adopted by the Board on June 20, 2007, and an Tenth Supplemental Resolution, adopted by the Board on May 7, 2015 (collectively, the “Bond Resolution”). Any capitalized term used herein and not defined herein shall have the same meaning ascribed thereto in the Bond Resolution unless the context shall clearly otherwise require.

We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon representations of the Board contained in the Bond Resolution and in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

As to questions of fact, we have relied upon the representations of the Board and other parties contained in such certified proceedings, including the Bond Resolution, and in the aforesaid certificates and other instruments and have assumed the genuineness of all signatures, the legal capacity of all natural persons, the accuracy and completeness of all documents submitted to us, the authenticity of all original documents and the conformity to authentic original documents of all documents submitted to us as copies (including facsimiles). We have also assumed the authenticity, accuracy and completeness of the foregoing certifications (of public officials, governmental agencies and departments and individuals) and statements of fact, on which we are relying, and have made no independent investigation thereof.

Based on, subject to and limited by the foregoing, it is our opinion that, as of the date hereof and under existing law:

1. The Board is duly created and validly existing as a body corporate under the Constitution and laws of the State, with the corporate power to adopt the Bond Resolution, perform the agreements on its part contained therein, and issue the Series 2015 Bonds.
2. The Bond Resolution has been duly adopted by the Board and constitutes a valid and binding obligation of the Board enforceable against the Board.
3. The Series 2015 Bonds have been duly authorized, executed and delivered by the Board and are valid and binding special limited revenue obligations of the Board, payable solely from the sources provided therefor in the Bond Resolution.

4. The Bond Resolution creates a valid lien on the Net Revenues for the benefit of the Series 2015 Bonds, which lien is subject to the lien on the Gross Revenues of the Prior Bond Obligations (if any), as defined in and to the extent provided in the Bond Resolution. All actions have been taken as required by applicable law and the Bond Resolution to insure the validity and enforceability of the lien on the Net Revenues pledged by the Bond Resolution.

5. Under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Series 2015 Bonds is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax contained in the Internal Revenue Code of 1986, as amended (the "Code"). The opinions set forth in the preceding sentence assume the accuracy of certain representations and continuing compliance by the Board and others with certain covenants designed to satisfy the requirements of the Code that must be met subsequent to the issuance of the Series 2015 Bonds. Failure to comply with such requirements could cause such interest on the Series 2015 Bonds to be included in gross income for federal income tax purposes or could otherwise adversely affect such opinions, retroactive to the date of issuance of the Series 2015 Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Series 2015 Bonds, but note that interest on the Series 2015 Bonds is taken into account in determining adjusted current earnings for purposes of the alternative minimum tax imposed on corporations.

6. Interest on the Series 2015 Bonds is exempt from taxation for state, county, school district, special district, municipal, or other purposes in the State.

The opinions expressed herein are based solely on the documents, representations and assumptions set forth above and subject to the limitations and qualifications described herein. We express no opinion regarding other federal tax consequences arising with respect to the Series 2015 Bonds.

It is to be understood that the rights of the owners of the Series 2015 Bonds and the enforceability of the Series 2015 Bonds and the Bond Resolution may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

The scope of our engagement has not extended beyond the examinations and the rendering of the opinions expressed herein. This letter is issued to and for the sole benefit of the above addressees and is issued for the sole purpose of the transaction specifically referred to herein. No person other than the above addressees may rely upon this letter without our express prior written consent. This letter may not be utilized by you for any other purpose whatsoever and may not be quoted by you without our express prior written consent, except that it may be included in the Official Statement for the Series 2015 Bonds.

Board of Governors of the
Colorado State University System
Morgan Stanley
RBC Capital Markets, LLC
US Bancorp
First Southwest Company, LLC
September 16, 2015
Page 4

We have not assumed any responsibility with respect to the creditworthiness of the security for the Series 2015 Bonds, and our engagement as bond counsel with respect to the transaction referred to herein terminates upon the date of this letter. We assume no obligation to review or supplement this letter subsequent to its date, whether by reason of a change in the current laws, by legislative or regulatory action, by judicial decision or for any other reason.

Very truly yours,

KUTAK ROCK LLP

APPENDIX D

FORM OF CONTINUING DISCLOSURE UNDERTAKING

\$96,490,000
Board of Governors of
the Colorado State University System
System Enterprise Revenue Bonds
Series 2015E-1

\$42,125,000
Board of Governors of
the Colorado State University System
System Enterprise Revenue Bonds
Series 2015E-2 (Green Bonds)

\$17,670,000
Board of Governors of
the Colorado State University System
System Enterprise Revenue Bonds
Series 2015F

THIS CONTINUING DISCLOSURE UNDERTAKING (the “Disclosure Undertaking”) is executed and delivered by the **BOARD OF GOVERNORS OF THE COLORADO STATE UNIVERSITY SYSTEM** (the “Board”) in connection with the issuance of the above-captioned bonds (the “Series 2015 Bonds”). The Series 2015 Bonds are being issued pursuant to a Master System Enterprise Bond Resolution adopted by the Board on June 20, 2007, as heretofore amended and supplemented, and as amended and supplemented by a Tenth Supplemental Resolution, adopted by the Board on May 7, 2015 (collectively, the “Bond Resolution”).

In consideration of the issuance of the Series 2015 Bonds by the Board and the purchase of such Series 2015 Bonds by the owners thereof, the Board covenants and agrees as follows:

Section 1. Purpose of the Disclosure Undertaking. This Disclosure Undertaking is executed and delivered by the Board as of the date set forth below, for the benefit of the holders and owners (the “Bondholders”) of the Series 2015 Bonds and in order to assist the Participating Underwriter (as defined below) in complying with the requirements of the Rule (hereinafter defined). The Board represents that it will be the only obligated person (as defined in the Rule) with respect to the Series 2015 Bonds at the time the Series 2015 Bonds are delivered to the Participating Underwriter and that no other person is expected to become an obligated person at any time after the issuance of the Series 2015 Bonds.

Section 2. Definitions. The terms set forth below shall have the following meanings in this Disclosure Undertaking, unless the context clearly otherwise requires.

“*Annual Financial Information*” means the financial information and operating data described in Exhibit I.

“*Annual Financial Information Disclosure*” means the dissemination of disclosure concerning Annual Financial Information and the dissemination of the Audited Financial Statements as set forth in Section 4.

“*Audited Financial Statements*” means the audited consolidated financial statements of the Board, prepared pursuant to the standards and as described in Exhibit I.

“*Commission*” means the Securities and Exchange Commission.

“*Disclosure Undertaking*” means the obligations of the Board pursuant to Sections 4 and 5.

“Dissemination Agent” means any agent designated as such in writing by the Board and which has filed with the Board a written acceptance of such designation, and such agent’s successors and assigns.

“EMMA” means the Electronic Municipal Market Access facility for municipal securities disclosure of the MSRB.

“Exchange Act” means the Securities Exchange Act of 1934, as amended.

“Material Event” means the occurrence of any of the events with respect to the Series 2015 Bonds set forth in Exhibit II.

“Material Events Disclosure” means dissemination of a notice of a Material Event as set forth in Section 5.

“MSRB” means the Municipal Securities Rulemaking Board.

“Participating Underwriter” means each broker, dealer or municipal securities dealer acting as an underwriter in any primary offering of the Series 2015 Bonds.

“Prescribed Form” means, with regard to the filing of Annual Financial Information, Audited Financial Statements and notices of Material Events with the MSRB at www.emma.msrb.org (or such other address or addresses as the MSRB may from time to time specify), such electronic format, accompanied by such identifying information, as shall have been prescribed by the MSRB and which shall be in effect on the date of filing of such information.

“Rule” means Rule 15c2-12 adopted by the Commission under the Exchange Act, as the same may be amended from time to time.

“State” means the State of Colorado.

Section 3. CUSIP Number/Final Official Statement. The base CUSIP Number of the Series 2015 Bonds is 196707. The final Official Statement relating to the Series 2015 Bonds is dated August 7, 2015 (the “Final Official Statement”).

Section 4. Annual Financial Information Disclosure. Subject to Section 9 of this Disclosure Undertaking, the Board hereby covenants that it will disseminate the Annual Financial Information and the Audited Financial Statements (in the form and by the dates set forth below and in Exhibit I) by the Board’s delivery of such Annual Financial Information and Audited Financial Statements to the MSRB within 240 days of the completion of the Board’s fiscal year.

The Board is required to deliver such information in Prescribed Form and by such time so that such entities receive the information by the dates specified.

If any part of the Annual Financial Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, the Board will disseminate a statement to such effect as part of its Annual Financial Information for the year in which such event first occurs.

If any amendment is made to this Disclosure Undertaking, the Annual Financial Information for the year in which such amendment is made (or in any notice or supplement provided to the MSRB) shall

contain a narrative description of the reasons for such amendment and its impact on the type of information being provided.

Section 5. Material Events Disclosure. Subject to Section 9 of this Disclosure Undertaking, the Board hereby covenants that it will disseminate in a timely manner, not in excess of 10 business days after the occurrence of the event, Material Events Disclosure to the MSRB in Prescribed Form. Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Series 2015 Bonds need not be given under this Disclosure Undertaking any earlier than the notice (if any) of such redemption is given to the owners of the Series 2015 Bonds pursuant to the Indenture. From and after the Effective Date, the Board is required to deliver such Material Events Disclosure in the same manner as provided by Section 4 of this Disclosure Undertaking.

Section 6. Duty To Update EMMA/MSRB. The Board shall determine, in the manner it deems appropriate, whether there has occurred a change in the MSRB's e-mail address or filing procedures and requirements under EMMA each time it is required to file information with the MSRB.

Section 7. Consequences of Failure of the Board to Provide Information. The Board shall give notice in a timely manner, not in excess of 10 business days after the occurrence of the event, to the MSRB in Prescribed Form of any failure to provide Annual Financial Information Disclosure when the same is due hereunder.

In the event of a failure of the Board to comply with any provision of this Disclosure Undertaking, the Bondholder of any Bond may seek specific performance by court order to cause the Board to comply with its obligations under this Disclosure Undertaking. A default under this Disclosure Undertaking shall not be deemed an Event of Default under the Bond Resolution or any other Disclosure Undertaking, and the sole remedy under this Disclosure Undertaking in the event of any failure of the Board to comply with this Disclosure Undertaking shall be an action to compel performance.

Section 8. Amendments; Waiver. Notwithstanding any other provision of this Disclosure Undertaking, the Board may amend this Disclosure Undertaking, and any provision of this Disclosure Undertaking may be waived, if:

(i) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Board or type of business conducted;

(ii) This Disclosure Undertaking, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(iii) The amendment or waiver does not materially impair the interests of the Bondholders of the Series 2015 Bonds, as determined either by parties unaffiliated with the Board or by an approving vote of the Bondholders of the Series 2015 Bonds holding a majority of the aggregate principal amount of the Series 2015 Bonds (excluding Series 2015 Bonds held by or on behalf of the Board or its affiliates) pursuant to the terms of the Indenture at the time of the amendment; or

(iv) The amendment or waiver is otherwise permitted by the Rule.

Section 9. Termination of Disclosure Undertaking. The Disclosure Undertaking of the Board shall be terminated hereunder when the Board shall no longer have any legal liability for any obligation on or relating to the repayment of the Series 2015 Bonds. The Board shall give notice to the MSRB in a timely manner and in Prescribed Form if this Section is applicable.

Section 10. Dissemination Agent. The Board may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Undertaking, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Board has entered into an engagement letter with Digital Assurance Certification, L.L.C. (“DAC”), pursuant to which the Board has engaged DAC as its Dissemination Agent to file and disseminate information provided by the Board in connection with the Board’s obligations under this Disclosure Undertaking.

Section 11. Additional Information. Nothing in this Disclosure Undertaking shall be deemed to prevent the Board from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking or any other means of communication, or including any other information in any Annual Financial Information Disclosure or notice of occurrence of a Material Event, in addition to that which is required by this Disclosure Undertaking. If the Board chooses to include any information from any document or notice of occurrence of a Material Event in addition to that which is specifically required by this Disclosure Undertaking, the Board shall not have any obligation under this Disclosure Undertaking to update such information or include it in any future disclosure or notice of the occurrence of a Material Event.

Section 12. Beneficiaries. This Disclosure Undertaking has been executed in order to assist the Participating Underwriter in complying with the Rule; however, this Disclosure Undertaking shall inure solely to the benefit of the Board, the Dissemination Agent, if any, and the Bondholders of the Series 2015 Bonds, and shall create no rights in any other person or entity.

Section 13. Recordkeeping. The Board shall maintain records of all Annual Financial Information Disclosure and Material Events Disclosure, including the content of such disclosure, the names of the entities with whom such disclosure was filed and the date of filing such disclosure.

Section 14. Past Compliance. The Board failed to file its 2010 and 2012 Annual Financial Information Disclosures (each a “Report”) in a timely manner to MSRB’s Electronic Municipal Market Access (“EMMA”) as required by the Rule. The Board’s Annual Financial Information Disclosures are due on February 25th of each year (240 days after the completion of its Fiscal Year). The 2010 Report was filed on February 28, 2011 and the 2012 Report was filed on February 28, 2013. Such late filings were due to either delays in compiling the information necessary to accurately complete each Report, or wrongly interpreting when such Reports were due. The Board has taken remedial action to bring the Board into compliance with its continuing disclosure obligations, including hiring an outside specialty disclosure firm to help ensure all future reports are filed when due. The Board entered into an engagement letter with Digital Assurance Certification, L.L.C. (“DAC”), pursuant to which the Board has engaged DAC to file and disseminate information provided by the Board in connection with the Board’s continuing disclosure obligations under the Rule. The Board believes that it has appropriate staffing levels, training programs and adequate policies and associated procedures to assure post issuance compliance with future continuing disclosure filings under the Rule. Failure of the Board to provide such information may materially and adversely affect any secondary market trading in the Series 2015 Bonds, but such failure will not cause a default under the Bond Resolution.

Section 15. Assignment. The Board shall not transfer its obligations under the Bond Resolution unless the transferee agrees to assume all obligations of the Board under this Disclosure Undertaking or to execute a continuing disclosure undertaking under the Rule.

Section 16. Governing Law. This Disclosure Undertaking shall be governed by the laws of the State.

[Remainder of page intentionally left blank]

Dated as of _____, 2015

BOARD OF GOVERNORS OF THE COLORADO
STATE UNIVERSITY SYSTEM

By _____
Richard Schweigert
Chief Financial Officer

[Signature Page to Continuing Disclosure Undertaking]

EXHIBIT I

ANNUAL FINANCIAL INFORMATION AND TIMING AND AUDITED FINANCIAL STATEMENTS

“Annual Financial Information” means annual financial information and operating data of the type set forth in the Official Statement, including, but not limited to, such financial information and operating data set forth in the table entitled “Historical Net Revenues” under the section “THE NET REVENUES—Historical Net Revenues,” all of the tables set forth under the section “THE BOARD AND COLORADO STATE UNIVERSITY SYSTEM” and all of the tables set forth under the section “CERTAIN FINANCIAL INFORMATION.”

All or a portion of the Annual Financial Information and the Audited Financial Statements as set forth below may be included by reference to other documents which have been submitted to the MSRB or filed with the Commission. The Board shall clearly identify each such item of information included by reference.

Annual Financial Information will be provided to the MSRB within 240 days after the last day of the Board fiscal year. Audited Financial Statements as described below should be filed at the same time as the Annual Financial Information. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included, and Audited Financial Statements will be provided to the MSRB within 10 business days after availability to the Board.

Audited Financial Statements will be prepared in accordance with generally accepted accounting principles in the United States as in effect from time to time.

If any change is made to the Annual Financial Information as permitted by Section 4 of the Disclosure Undertaking, including for this purpose a change made to the fiscal year end of the Board, the Board will disseminate a notice to the MSRB of such change in Prescribed Form as required by such Section 4.

EXHIBIT II

EVENTS WITH RESPECT TO THE SERIES 2015 BONDS FOR WHICH MATERIAL EVENTS DISCLOSURE IS REQUIRED

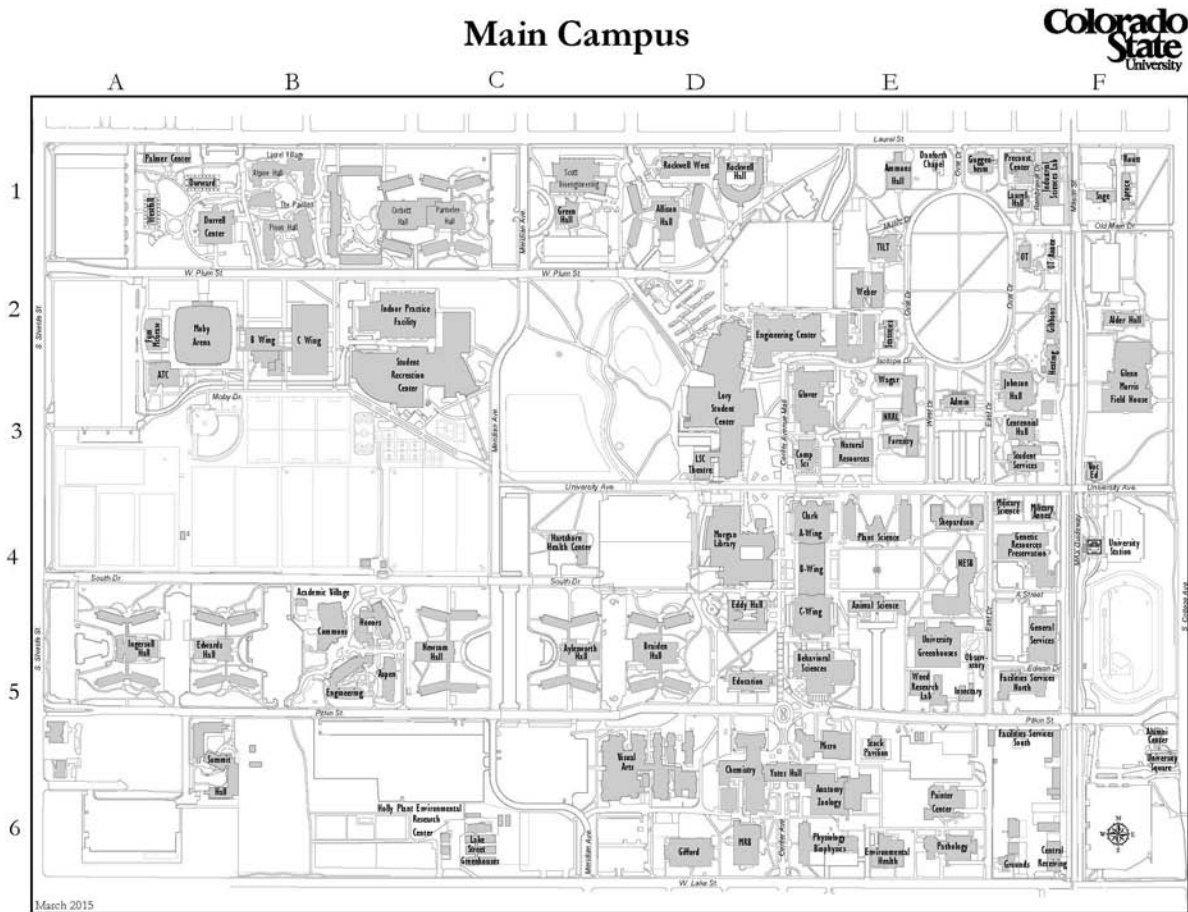
1. Principal and interest payment delinquencies
2. Nonpayment related defaults, if material
3. Unscheduled draws on debt service reserves reflecting financial difficulties
4. Unscheduled draws on credit enhancements reflecting financial difficulties
5. Substitution of credit or liquidity providers, or their failure to perform
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security
7. Modifications to rights of security holders, if material
8. Series 2015 Bond calls, if material, and tender offers
9. Defeasances
10. Release, substitution or sale of property securing repayment of the securities, if material
11. Rating changes
12. Bankruptcy, insolvency, receivership or similar event of the Board*
13. The consummation of a merger, consolidation or acquisition involving the Board or the sale of all or substantially all of the assets of the Board, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material

* This event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Board in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Board, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Board.

APPENDIX E

CAMPUS MAPS

CSU MAIN CAMPUS AND CSU PUEBLO



Index

Bldg#	Building Name	Location	Bldg#	Building Name	Location	Bldg#	Building Name	Location
0049	Academic Training Center	A-2	0081	Forestry	E-3	0011	Parmelee Hall	C-1
0160	Academic Village	B-5	0029	Fum McGraw Athletic Center	A-2	0140	Pathology	E-6
0080	Administration	E-3	0102	GSB	F-4/F-5	0011	Parmelee Hall	C-1
0071	Alder Hall	F-2	0101	Genetic Resources Preservation	F-4	0140	Pathology	E-6
0014	Allison Hall	D-1	0067	Gibbons	F-2	0142	Physiology	E-6
0157	Alpine Hall	B-1	0152	Gifford	D-6	0156	Pinon Hall	B-1
0050	Ammons Hall	E-1	0013	Green Hall	C-1	0092	Plant Sciences	E-4
0143	Anatomy-Zoology	D-6	0088	Glover	D-2	0015	Rockwell Hall	D-1
0110	Animal Sciences	E-4	0055	Guggenheim Hall	E-1	0047	Rockwell West	D-1
0163	Aspen Hall	B-5	0025	Hartshorn Health Center	C-4	0061	Routt Hall	F-1
0021	Aylesworth Hall	C-5/C-4	0048	Indoor Practice Facility	B-2/C2	0063	Sage Hall	F-1
0112	Behavioral Science	D-5/E-5	0058	Industrial Sciences & Lab	F-1	0093	Shepardson	E-4/E-3
0043	Bioengineering	C1	0017	Ingersoll Hall	A-5/A-4	0064	Spruce Hall	F-1
0022	Braiden Hall	D-5/D-4	0105	Insectary	E-5	0044	Statistics Building	E-2
0077	Centennial Hall	E-3/F-3	0079	Johnson Hall	F-2/F-3	0121	Stock Judging Pavilion	E-5
0131	Central Receiving	F-6	0059	Laurel Hall	F-1	0040	Student Center	D-3/D-2
0150	Chemistry	D-5/D-6	0106	Observatory	E-5	0030	Student Recreation Center	B-2/C-3
0091	Clark Building	E-4/D-4	0120	Microbiology	E-5	0076	Student Services	E-3/F-3
0073	Glenn Morris Field House	F-2/F3	0095	Military Annex	F-3/F-4	0035	Summit Hall	A-5/B-6
0086	Computer Science	D-3/E-3	0094	Military Sciences	F-3/F-4	0046	TILT	E-1/E-2
0010	Corbett Hall	B-1	0027	Moby Arena	A-2/B-2	0108	University Greenhouses	C-6
0051	Danforth Chapel	E-1	0155	MRB	D-6	0931	University Square	F-5
0006	Durrell Center	A-1/B-1	0090	Morgan Library	D-4	0930	Visitors Center	F-5
0007	Durward Hall	A-1	0109	NESB	E-4	0151	Visual Arts	C-5/D-6
0113	Eddy Hall	D-4	0082	Natural Resources	E-3	0075	Vocational Education	F-3
0114	Education Building	D-5	0020	Newsom Hall	C-5/C-4	0084	Wagar	E-3
0018	Edwards Hall	A-5/B-4	0066	Occupational Therapy	F-2/F-1	0045	Weber	E-2
0041	Engineering	D-2/E-2	0144	Painter Center	E-6	0107	Weed Research Laboratory	E-5
0141	Environmental Health	E-6	0158	The Pavilion	B-1	0005	Westfall Hall	A-1
0104	Facilities Services North	F-5	0004	Palmer Center	A-1	0145	Yates Hall	D-5/D-6



PARKING SECTORS

NORTH: N-1, N-2, N-3, N-4, N-5, N-6, N-7, N-8

EAST: E-1, E-2, E-3, E-4, E-5, E-6, E-7, E-8 (north & south), E-9, E-10, E-11

SOUTH: S-1, S-2, S-3, S-4

WEST: W-1, W-2, W-3, W-4, W-5, and W-6 (north & south)

*Visitors with permit may park in visitors lot or white lines only

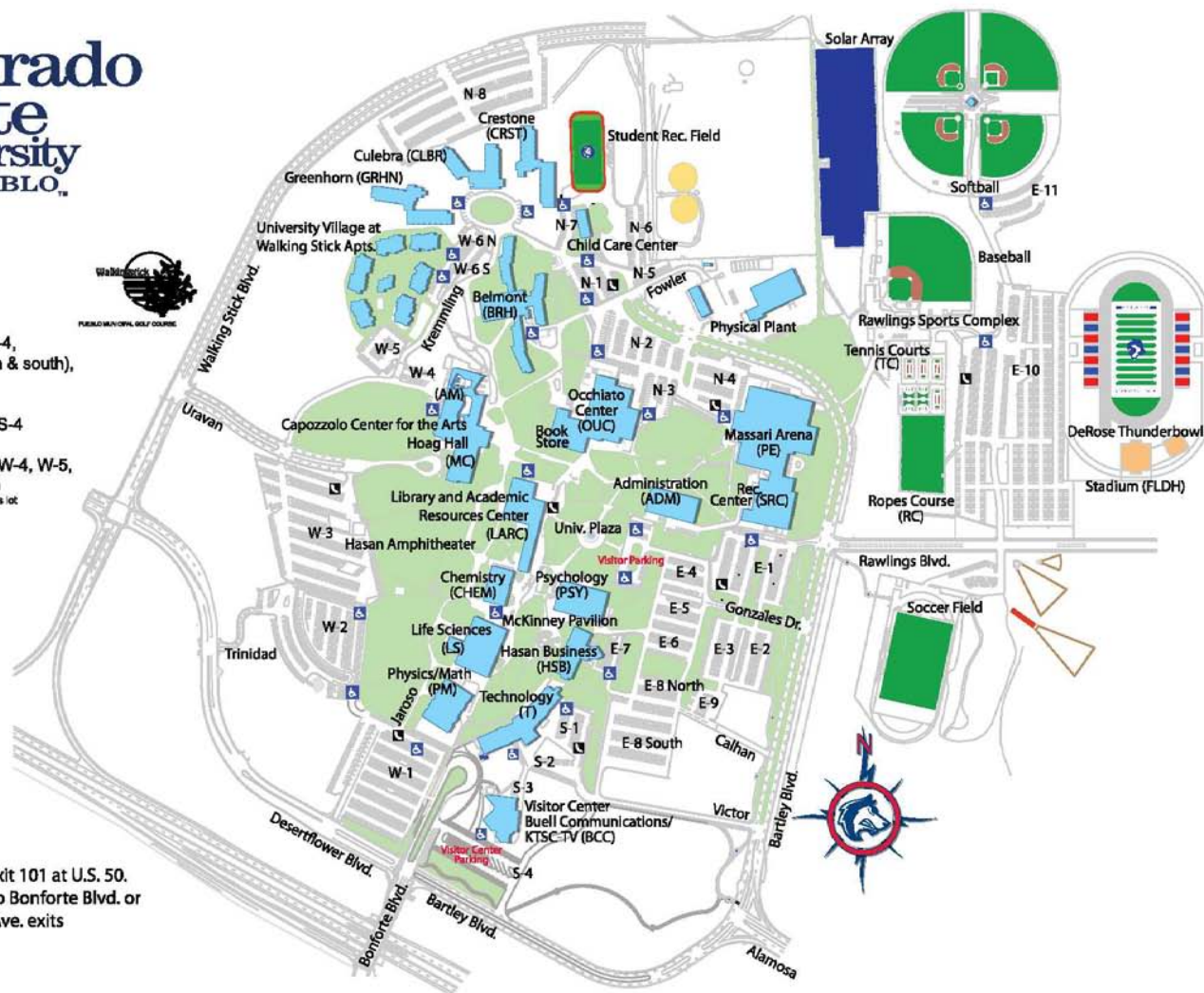


Emergency Phones



Handicapped

I-25 Exit 101 at U.S. 50.
East to Bonforte Blvd. or
Troy Ave. exits



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