

# **Colorado State University System**

(A Component Unit of the State of Colorado)

## **Financial Statements**

**June 30, 2008 and 2007**

## **Compliance Audit**

**June 30, 2008**

**LEGISLATIVE AUDIT COMMITTEE  
2008 MEMBERS**

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*Chair*

**Representative Dianne Primavera**  
*Vice-Chair*

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*State Auditor*

**Dianne Ray**  
*Deputy State Auditor*

**Jason Grothaus**  
*Legislative Auditor*

**BKD, LLP**  
*Contract Auditor*

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 (A Component Unit of the State of Colorado)  
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# Colorado State University System

(A Component Unit of the State of Colorado)

## Report Summary

Year Ended June 30, 2008

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### 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, 2008. 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 and U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. BKD was not engaged to audit the System's discretely presented component unit, the Colorado State University Foundation (the Foundation). The Foundation was audited by other auditors as disclosed in the Independent Accountants' Report on Financial Statements, and the audit was 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 year ended June 30, 2008, 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*.
- Evaluate compliance with certain provisions of laws, regulations, contracts and grants governing the expenditure of federal and state funds for the year ended June 30, 2008.
- Issue a report on the System's compliance with certain provisions of laws, regulations, contracts and grants and on internal control over financial reporting based on our audit of the financial statements performed in accordance with *Government Auditing Standards*.
- Report on the System's compliance with applicable bond covenants.
- Express an opinion on the Statement of Appropriations, Expenditures, Transfers, and Reversions of the State-Funded Student Financial Assistance Programs of the System for the year ended June 30, 2008.
- Evaluate progress in implementing prior year audit recommendations.

# Colorado State University System

(A Component Unit of the State of Colorado)

## Report Summary

Year Ended June 30, 2008

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### Summary of Progress in Implementing Prior Audit Recommendations

The financial statements of the System for the year ended June 30, 2007 were audited by other accountants whose report dated November 14, 2007, included five recommendations. The disposition of these audit recommendations as of June 30, 2008 was as follows:

Implemented	2
Partially implemented	3
Not implemented	-
	<hr/>
	5
	<hr/> <hr/>

### Audit Opinions and Reports

The independent accountants' reports included herein expressed unqualified opinions on the System's financial statements as of and for the year ended June 30, 2008, and the Statement of Appropriations, Expenditures, Transfers, and Reversions of the State-Funded Student Financial Assistance Programs for the year ended June 30, 2008.

No material weaknesses in internal controls over financial reporting were identified.

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

We did note certain areas in which the System could improve its internal controls and other procedures. These areas are discussed in the Auditors' Findings and Recommendations section of this report.

### Significant Audit Adjustments

Areas in which uncorrected misstatements were aggregated during the current engagement and pertaining to the latest period presented, were determined by management to be immaterial, both individually and in the aggregate, to the financial statements as a whole. These areas included:

Colorado State University

- Reclassify credit balances in student accounts receivable
- Effect of recording liability for stale dated checks on beginning net assets
- Remove estimates for accruals relating to long-term construction projects

# Colorado State University System

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## Report Summary

Year Ended June 30, 2008

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### Colorado State University – Pueblo

- Negative net book value of capital assets

The effect of the uncorrected misstatements, had they been recorded, would have been to increase the change in net assets by \$932,131 for the year ended June 30, 2008, increase current assets by \$280,603, increase noncurrent assets by \$20,980, increase current liabilities by \$124,394, and decrease beginning net assets by \$754,942 as of June 30, 2008.

# Colorado State University System

(A Component Unit of the State of Colorado)

## Recommendation Locator

Year Ended June 30, 2008

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<b>Recommendation Number</b>	<b>Page Number</b>	<b>Recommendation Summary</b>	<b>Response</b>	<b>Implementation Date</b>
1	13	Colorado State University should ensure that construction in progress is recorded accurately and completely at year-end by improving the estimation process and excluding costs for work not yet performed.	Agree	April 2009
2	14	Colorado State University - Pueblo should ensure construction expenditures are properly recorded by identifying differences through reconciliations, investigating the cause of the differences and recording appropriate adjustments.	Agree	April 2009
3	15	Colorado State University - Pueblo should implement procedures to ensure that there is documented proof that the notifications to students and parents regarding disbursement of federal financial aid required by federal regulations is maintained.	Agree	Implemented
4	16	Colorado State University - Pueblo should improve controls over cash held at financial institutions by creating separate general ledger accounts for each bank account and ensuring that a monthly reconciliation is performed for every bank account where the ending balance per the bank is reconciled to the balance on the general ledger.	Partially Agree	March 2009
5	17	Colorado State University - Pueblo should implement a review process to ensure that the spreadsheets used to track capital assets do not contain formula and clerical errors and that the cost basis of assets is accurately stated. Errors should be corrected as identified.	Agree	June 2009

# Colorado State University System

(A Component Unit of the State of Colorado)

Recommendation Locator

Year Ended June 30, 2008

Recommendation Number	Page Number	Recommendation Summary	Response	Implementation Date
6	18	Colorado State University - Pueblo should implement procedures to annually evaluate accounts receivable and request appropriate write-offs to ensure that it is in compliance with the State's accounts receivable write-off policy.	Agree	June 2009
7	20	In addition to reviewing the IDS logs, Colorado State University's management should implement procedures to ensure that the process for logging and monitoring of security and/or audit logs for FRS/IDMS, Banner, SAGE and Oracle HRMS as well as AIX-UNIX, Oracle and Top Secret, is formally documented and included in the CSU Information Security Policy and data security requirements.	Agree	June 2009
		Colorado State University - Pueblo should review the current number of individuals granted administrative access within the AIS system and determine whether such access should be segregated or limited to certain individuals within the Information Support Services Team. In addition, management should implement a formal documented process to periodically review Oracle, UNIX and AIS user accounts to ensure appropriateness of the level of access.	Agree	April 2009
8	22	Colorado State University and Colorado State University - Pueblo should draft and implement a formal documented Business Continuity and Disaster Recovery Plan.	Agree	CSU - Dependent on Funding CSU-P - June 2009
		Colorado State University - Pueblo should ensure that off-site storage facilities used to store backup media are located far enough away from the original site to reduce the likelihood that both sites would be affected by the same event ( <i>e.g.</i> ; tornado, flood, fire, etc.).	Agree	September 2009 Dependent on Funding

# Colorado State University System

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Recommendation Locator

Year Ended June 30, 2008

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<b>Recommendation Number</b>	<b>Page Number</b>	<b>Recommendation Summary</b>	<b>Response</b>	<b>Implementation Date</b>
9	23	Colorado State University - Pueblo should perform a periodic risk assessment as part of an overall IT risk management process. Results of this risk assessment process should be used to prioritize future IT audit activities and IT expenditures.	Agree	January 2011

# **Colorado State University System**

(A Component Unit of the State of Colorado)

## **Description of the Colorado State University System**

Year Ended June 30, 2008

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### **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 educational program).

The 13-member Board consists of:

- Nine voting members appointed by the Governor and confirmed by the Senate for four-year terms
- Four advisory members representing the student bodies and the faculty councils for each of the two 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.

**Colorado State University System**  
(A Component Unit of the State of Colorado)  
Description of the Colorado State University System  
Year Ended June 30, 2008

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***Resident Instruction***

The following eight colleges offer more than 75 fields of study at the undergraduate level and 92 fields of study at the graduate level, as well as nine professional degrees:

- 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 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 System**

(A Component Unit of the State of Colorado)

### Description of the Colorado State University System

Year Ended June 30, 2008

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#### **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 to 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. 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 will begin admitting its first students for the fall 2008 semester.

**Colorado State University System**  
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 Description of the Colorado State University System  
 Year Ended June 30, 2008

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**Enrollment and Faculty**

Enrollment and faculty and staff information is presented below and was obtained from institutional analysis and the CSU and CSU-P 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**

	<u>Resident</u>	<u>Nonresident</u>	<u>Total</u>
Fiscal year:			
2007-2008	17,691	4,489	22,180
2006-2007	17,752	4,375	22,127
2005-2006	17,972	4,466	22,438

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

	<u>Faculty</u>	<u>Staff</u>	<u>Total</u>
Fiscal year:			
2007-2008	1,549	4,135	5,684
2006-2007	1,535	4,241	5,776
2005-2006	1,503	4,091	5,594

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

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

	<u>Resident</u>	<u>Nonresident</u>	<u>Total</u>
Fiscal year:			
2007-2008	3,080	328	3,408
2006-2007	3,003	384	3,387
2005-2006	3,162	356	3,518

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

	<u>Faculty</u>	<u>Staff</u>	<u>Total</u>
Fiscal year:			
2007-2008	203	288	491
2006-2007	206	280	486
2005-2006	194	254	448

**Colorado State University System**  
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Description of the Colorado State University System  
Year Ended June 30, 2008

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**Colorado State University Foundation (the Foundation)**

The System's reporting entity includes the Foundation as a discretely presented reporting unit. The Foundation is a legally separate, tax-exempt entity that was established to receive, manage, and invest philanthropic gifts on behalf of CSU. The Foundation is governed by its board of directors, which includes five voting members and three ex-officio nonvoting members. 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.

**Colorado State University System**  
(A Component Unit of the State of Colorado)  
Auditors' Findings and Recommendations  
Year Ended June 30, 2008

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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, 2008 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 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. As such, our consideration of internal control would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A control 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 misstatements of the System's financial statements on a timely basis. A control 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 is not always met. A control 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 qualifications to perform the control effectively.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the System's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the System's financial statements that is more than inconsequential will not be prevented or detected by the System's internal controls.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the System's financial statements will not be prevented or detected by the System's internal controls.

We observed the following matters that we consider to be control deficiencies, significant deficiencies or material weaknesses.

**Material Weaknesses**

No matters are reportable.

**Colorado State University System**  
(A Component Unit of the State of Colorado)  
Auditors' Findings and Recommendations  
Year Ended June 30, 2008

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**Significant Deficiencies**

No matters are reportable.

**Other Control Deficiencies**

**Construction Projects Accounts Payable: Colorado State University**

At year-end, CSU is responsible for estimating incurred but unrecorded liabilities for long-term construction contracts, if the year-end invoices for these projects are not received until after the cutoff period (approximately two weeks past the fiscal year-end), at the department level. Invoices that are received within the cutoff period are recorded in the accounting period for which goods or services have been provided. During the Fiscal Year ended June 30, 2008, the System recorded additions to construction in progress of \$107,145,000. An accrual of \$890,727 was improperly included in accounts payable as of June 30, 2008 for an encumbrance of construction related costs for work yet to be performed. A separate accrual was under-estimated by \$734,518 for construction related costs performed prior to year-end. As a result, we noted that capital assets and accounts payable were overstated by a net amount of \$156,209.

**Recommendation No. 1**

Colorado State University should ensure that construction in progress is recorded accurately and completely at year-end by improving the estimation process and excluding costs for work not yet performed.

**Colorado State University Response**

Agree. CSU will review our year-end accrual processes, including those associated with additions to buildings and improvements, making changes where necessary, to ensure that we have achieved a proper cutoff at year-end. Implementation date: April 2009.

**Colorado State University System**  
(A Component Unit of the State of Colorado)  
Auditors' Findings and Recommendations  
Year Ended June 30, 2008

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**Accounting for Capital Construction Projects: Colorado State University – Pueblo**

In Colorado, capital construction projects are defined in Section 24-30-1301, C.R.S., as projects that, by statute can be funded wholly or in part from the State Capital Construction Fund. The Capital Construction Fund was statutorily created for the purpose of purchasing and/or maintaining land, buildings, and equipment and for constructing buildings for use by the State. During the Fiscal Year ended June 30, 2008, Colorado State University – Pueblo (CSU-P) completed the construction of the Health, Education and Physical Recreation Center (the project). The project was a capital construction project as defined in Section 24-30-1301, C.R.S. and was funded almost entirely by funds from the State Capital Construction Fund. The total cost of the project was \$13.4 million, of which the CSU-P funded portion of the project was \$1.6 million. The remaining \$11.8 million was funded from the State Capital Construction Fund.

CSU-P maintains a separate agency general ledger on the AIS accounting system and records transactions to the State's accounting system, COFRS. The State's Fiscal Procedures Manual (Manual) outlines accounting procedures for capital construction projects at institutions of higher education. The Manual directs higher education institutions to record the total cost of capital construction projects in Fund 320 (Higher Education Tabor Enterprise Fund) in COFRS. In addition, the State records its appropriations for capital construction projects in COFRS, Fund 461 (Capital Construction Fund). For financial reporting purposes, CSU-P records activity in Fund 320, and the State records activity in Fund 461. During our testing we found that CSU-P incorrectly recorded a portion of the project in Fund 461 on AIS, causing a reconciling item between AIS and COFRS. The reconciling item was \$1.6 million which represents CSU-P's portion of the project.

**Recommendation No. 2**

Colorado State University-Pueblo should ensure construction expenditures are properly recorded by identifying differences through reconciliations, investigating the cause of the differences and recording appropriate adjustments.

**Colorado State University – Pueblo Response**

Agree. The entries were not made properly on AIS and therefore, there is an internal reconciling item. The University will correct procedures for making these entries on AIS and document the changes in methodology and work with the State Controller's Office to insure that errors are not introduced into COFRS. Implementation Date: April 2009.

**Colorado State University System**  
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Auditors' Findings and Recommendations  
Year Ended June 30, 2008

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**Student Financial Aid Cluster-Disbursements To or On Behalf of Students: Colorado State University – Pueblo**

Code of Federal Regulations Title 34 Part 668 Section 15, *Factors of Financial Responsibility* outlines specific instances in which notices should be sent to the student or parent of the student with respect to disbursements of federal financial aid to or on behalf of students. Specifically, if the institution credits a student's account with Federal Perkins Loan (FPL) or Federal Family Educational Loan (FFEL) Program Funds, the institution must notify the student or parent of:

1. Date and amount of the disbursement;
2. Student's or parent's right to cancel all or a portion of the loan or loan disbursement and have the loan proceeds returned; and
3. Procedures and the time by which the student (or parent) must notify the school that he or she wishes to cancel the loan or disbursement.

According to staff, CSU-P's system automatically generates emails to the student for unsubsidized and subsidized loans or sends a letter to the parent for FFEL PLUS loans once the student's account has been credited. Of the 30 student financial aid files sampled, we found no indication in ten of the files (33 percent) that CSU-P had notified students or parents as required. CSU-P does not maintain hard copies of the notifications; rather, the system is to automatically record an electronic flag in the financial aid system to document that the notice was sent by CSU-P. This electronic flag was not present in these ten files.

**Recommendation No. 3**

Colorado State University – Pueblo should implement procedures to ensure that there is documented proof that the notifications to students and parents regarding disbursement of federal financial aid required by federal regulations is maintained.

**Colorado State University – Pueblo Response**

Agree and implemented. The University's automated system appears to have generated the required emails as programmed, but did not properly flag the student files. A check has been added to insure that the notices were sent and that the flags are set.

**Colorado State University System**  
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Auditors' Findings and Recommendations  
Year Ended June 30, 2008

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**Cash Reconciliations: Colorado State University – Pueblo**

Reconciling cash balances is crucial for detecting and preventing misappropriation of funds, misstatements, errors, or fraud on the financial statements.

CSU-P maintains the majority of its cash and investments on deposit with the State Treasurer. As of June 30, 2008, total cash and investment accounts at CSU-P were approximately \$22 million. Of this total, CSU-P had deposits with the State Treasurer of approximately \$21 million (94 percent) with the remaining \$1 million in seven separate accounts at various financial institutions across the state.

As is standard in the State, the Treasury does not send CSU-P statements. Rather, like all state entities, CSU-P can access its cash and investment balances through COFRS. The transactions related to the outside financial institutions are included in separate COFRS accounts on the State's accounting system. CSU-P also maintains a separate agency general ledger on the AIS accounting system. The transactions related to the outside financial institutions are included in the same AIS accounts as the funds held by the Treasury. The reconciliation that is performed by CSU-P for these accounts consists of monthly tests of individual account inflows and outflows. There is no detailed reconciliation performed by CSU-P to agree the ending bank account balance to the balances in COFRS or the AIS system. CSU-P management believes this process to be adequate. However, the reconciliation process only accounts for transactions occurring during the month. Balances carried forward from prior months are not part of the reconciliation process. As a result, the ending bank balance for each individual bank account maintained at outside financial institutions is not reconciled to the AIS system or to COFRS.

For its reconciliation process to be effective, CSU-P needs to establish separate general ledger accounts for each bank account, or at a minimum, separate the financial institution accounts from the Treasury accounts within the AIS system. CSU-P should reconcile the bank statement balance to the amount recorded in these separate accounts the general ledger on a monthly basis.

**Recommendation No. 4**

CSU-P should improve controls over cash held at financial institutions by creating separate general ledger accounts for each bank account and ensuring that a monthly reconciliation is performed for every bank account where the ending balance per the bank is reconciled to the balance on the general ledger.

**Colorado State University – Pueblo Response**

Partially Agree. While the State Controller controls how many COFRS cash account numbers are available to the University for outside bank accounts, the University will add an account on AIS to keep the Imprest account and the treasury funds separate and will create individual AIS object codes for each separate bank account. The University already reconciles outside bank account monthly statements to the balance on AIS and will continue to do so. Implementation Date: March 2009.

**Colorado State University System**  
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Auditors' Findings and Recommendations  
Year Ended June 30, 2008

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**Depreciation Expense: Colorado State University – Pueblo**

The Fiscal Procedures Manual issued by the Office of the State Controller requires all state agencies and institutions to maintain a detail record of all capital assets and, at a minimum, the records should include the cost, acquisition date, disposal date, estimated useful life, calculated depreciation, and accumulated depreciation for each capitalized asset.

CSU-P currently maintains a detailed listing of capital assets on a spreadsheet. CSU-P has approximately \$56 million in capital assets at June 30, 2008. This spreadsheet is also utilized for the calculation of depreciation expense. A review process should be implemented to ensure that the spreadsheets do not contain formula or clerical errors. Upon review of the capital assets spreadsheet, we noted the following:

1. There were 24 instances in which assets were over depreciated resulting in a negative net book value at June 30, 2008 of \$177,189.
2. Adjustments to the cost basis of capital assets are tracked separately from original cost of the capital asset. These adjustments should be incorporated into the original cost basis of the asset to calculate annual depreciation expense. As a result, the cost basis used to calculate annual depreciation expense is overstated by approximately \$300,000.
3. Formula errors in the spreadsheet causing the depreciation expense calculation to be understated by \$65,780.

**Recommendation No. 5**

CSU-P should implement a review process to ensure that the spreadsheets used to track capital assets do not contain formula and clerical errors and that the cost basis of assets is accurately stated. Errors should be corrected as identified.

**Colorado State University – Pueblo Response**

Agree. The Director of Business Financial Services will personally review all capitalization and depreciation schedules and correct formulas and amounts as needed. Implementation Date: June 2009.

**Colorado State University System**  
(A Component Unit of the State of Colorado)  
**Auditors' Findings and Recommendations**  
Year Ended June 30, 2008

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Although not considered material weaknesses, significant deficiencies or other control deficiencies in internal control over financial reporting, we observed the following matters and offer these comments and suggestions with respect to matters that came to our attention during the course of the audit of the financial statements. Our audit procedures are designed primarily to enable us to form opinions on the financial statements and, therefore, may not bring to light all weaknesses in policies and procedures that may exist. However, these matters are offered as constructive suggestions for the consideration of management as part of the ongoing process of modifying and improving accounting controls and the financial and administrative practices and procedures.

**Accounts Receivable Write-Off - Colorado State University – Pueblo**

CSU-P has accounts receivable at June 30, 2008 of \$3,878,429. Chapter 8 of the Fiscal Procedures Manual issued by the Office of State Controller requires state agencies, at least annually, review their accounts receivable prior to the end of the fiscal year and request a write-off of accounts deemed uncollectible.

Although CSU-P has been reviewing its accounts and submitting delinquent accounts to a collection agency, CSU-P has not been submitting uncollectible accounts to the State to request a write-off. As a result, delinquent accounts are not submitted to the State of Colorado and written off on a timely basis.

**Recommendation No. 6**

CSU-P should implement procedures to annually evaluate accounts receivable and request appropriate write-offs to ensure that it is in compliance with the State's accounts receivable write-off policy.

**Colorado State University – Pueblo Response**

Agree. The University has developed the appropriate procedures, but staff turnover delayed their implementation. The University is using a knowledgeable former employee to work on this problem while instructing the new accounts receivable technician in State and University policies and procedures. Implementation Date: June 2009.

**Colorado State University System**  
(A Component Unit of the State of Colorado)  
Auditors' Findings and Recommendations  
Year Ended June 30, 2008

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**Information System Security: Colorado State University and Colorado State University – Pueblo**

The information system security process area prevents unauthorized access to critical information system assets by managing security controls. Logical security controls typically support authorization, authentication, nonrepudiation, data classification and security monitoring.

In order for the organization to establish and maintain effective information system security, the entity should have adequate controls in place including:

- Periodic documented reviews of users' access and responsibilities to ensure that individuals' access is appropriate to users' job responsibilities.
- A formal documented policy or procedures for monitoring the operating-level, application-level and database-level security and/or audit logs.

During our review of the Colorado State University System's information security policies and procedures we noted the following:

**Colorado State University**

- The University utilizes an intrusion detection system (IDS) log to monitor the operating system-level, application-level and database-level security and/or audit logs. There is a firewall to protect the University's central systems from unauthorized access and the intrusion detection system logs all activity within the central system. The University maintains and reviews the IDS logs daily in accordance with the University's IT security policy. Although this process is subject to continual review and improvement to enhance IDS functionality, this review (performed by the IT department) only encompasses the activity within the central system and does not include security review at the application-level (*e.g.*, FRS/IDMS, Banner, SAGE and Oracle HRMS as well as AIX-UNIX, Oracle and Top Secret) to ensure activity performed is appropriate and executed by authorized users.

**Colorado State University - Pueblo**

- The members of the Information Support Services Team have full administrative access to data, modules, and screens within AIS and Oracle, per our discussion with the Information Support Services Team Manager. With this access, the team members can grant users the ability to fully administer security within the system and access financial data (*e.g.*, user account creation, modify user access, data entry, etc.).
- There are no formal documented policies or procedures for reviewing the appropriateness of user accounts (Oracle, UNIX and AIS) for the level of access or permission; either at the application, database or operating system levels.

**Colorado State University System**  
(A Component Unit of the State of Colorado)  
Auditors' Findings and Recommendations  
Year Ended June 30, 2008

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**Recommendation No. 7**

**Colorado State University**

- In addition to reviewing the IDS logs, CSU's management should implement procedures to ensure that the process for logging and monitoring of security and/or audit logs for FRS/IDMS, Banner, SAGE and Oracle HRMS as well as AIX-UNIX, Oracle and Top Secret, is formally documented and included in the CSU Information Security Policy and data security requirements.

**Colorado State University – Pueblo**

- Management should review the current number of individuals granted administrative access within the AIS system and determine whether such access should be segregated or limited to certain individuals within the Information Support Services Team.
- Management should implement a formal documented process to periodically review Oracle, UNIX, and AIS user accounts to ensure appropriateness of the level of access.

**Colorado State University Response:**

Agree. In addition to reviewing the IDS logs, CSU's management will implement procedures to review security at the application level. Implementation Date: June 2009

**Colorado State University – Pueblo Response:**

Agree and implemented. The University is reviewing administrative access within the system.

Agree. A procedure to review user access periodically will be developed and presented to appropriate university supervisors to insure that only necessary access privileges are in place. Implementation Date: April 2009.

# Colorado State University System

(A Component Unit of the State of Colorado)

## Auditors' Findings and Recommendations

Year Ended June 30, 2008

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### **Business Continuity and Disaster Recovery Plan: Colorado State University and Colorado State University – Pueblo**

The purpose of a Business Continuity and Disaster Recovery Plan process is to ensure that CSU has implemented a formal documented business continuity plan and established a viable backup and recovery solution that enables the organization to recover, in the event of a disaster, critical information assets, and material information systems that support CSU's business processes. Backup and recovery controls and mechanisms should provide reasonable assurance that data recorded, processed, and reported remain complete, accurate, and valid throughout the update and recovery process.

The System should have adequate controls in place to minimize the probability and impact of a major IT service interruption on key business functions and processes that include:

- A formal documented Business Continuity and Disaster Recovery Plan that includes a documented business impact analysis.
- Off-site storage facilities used to store backup media located far enough away from the original site to reduce the likelihood that both sites would be affected by the same event (*e.g.*; tornado, flood, fire, etc.).

During our review of CSU System's business continuity and disaster recovery procedures we noted the following:

#### **Colorado State University**

- The University currently does not have a formal documented Business Continuity and Disaster Recovery Plan that includes a documented business impact analysis. This plan should include a documented business impact analysis, list of individual roles and responsibilities, communication protocols, list of IT infrastructure (*e.g.*, servers, routers, communication lines, etc.) required to restore business functions, infrastructure replacement and restoration procedures for IT systems supporting CSU's core business processes, etc.

#### **Colorado State University-Pueblo**

- CSU-P does not have a formal documented Business Continuity and Disaster Recovery Plan that includes a documented business impact analysis. This plan should include a documented business impact analysis, list of individual roles and responsibilities, communication protocols, list of IT infrastructure (*e.g.*, servers, routers, communication lines, etc.) required to restore business functions, infrastructure replacement, and restoration procedures for IT systems supporting CSU-P's core business processes, etc.
- Backup media is not stored in a secure offsite storage facility (currently maintained within a separate building on campus). Best practices dictate that a risk assessment be conducted to identify the threats, likelihood, and impact associated with this process. The information generated from the risk assessment could then be used to establish the appropriate distance between production and backup data.

**Colorado State University System**  
(A Component Unit of the State of Colorado)  
Auditors' Findings and Recommendations  
Year Ended June 30, 2008

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**Recommendation No. 8**

**Colorado State University**

- The University should draft and implement a formal documented Business Continuity and Disaster Recovery Plan.

**Colorado State University – Pueblo**

- The University should draft and implement a formal documented Business Continuity and Disaster Recovery Plan.
- CSU-P should ensure that off-site storage facilities used to store backup media are located far enough away from the original site to reduce the likelihood that both sites would be affected by the same event (*e.g.*; tornado, flood, fire, etc).

**Colorado State University Response:**

Agree. The University has a documented Business Continuity and Disaster Recovery in both an IT Security Plan prepared in response to C.R.S. 24-37.5-404, which requires each State-funded institution of higher education to prepare and submit to the Department of Higher Education (DHE), and in the University's Flu Pandemic Planning Response. While the latter was drafted to address a specific event, it illustrates the University has identified essential personnel and has designed and implemented the critical communications infrastructure required to respond to a disaster and maintain business continuity.

While there is general support from the University's administration for a new off-site storage facility located farther from our original site, funding for the proposal has not been provided to date. The University currently has off-site storage near campus and procedures in place to respond to a disaster. The new facility would provide for additional servers, storage, and formal procedures for recovering from catastrophic events while maintaining critical business functions and would be considered an enhancement to our current process. Implementation Date: Dependent on funding.

**Colorado State University – Pueblo Response:**

Agree. A new ITS System Security Administrator position has been established to address problems such a recovery from disasters. The position was filled September 2008, and a preliminary plan will be presented to the university administration this fiscal year. Implementation Date: June 2009.

Agree. A location has been selected; a MOU and equipment proposal is being developed. Full implementation is expected to occur within six months of approval of funding. Implementation Date: September 2009 depending on funding.

**Colorado State University System**  
(A Component Unit of the State of Colorado)  
Auditors' Findings and Recommendations  
Year Ended June 30, 2008

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**IT Risk Management: Colorado State University – Pueblo**

The purpose of an IT risk management process is to establish that the University has implemented an adequate risk management framework and/or risk assessment process to protect the University's mission critical information assets and the University's ability to obtain mission objectives. The IT risk management process should be considered an important component of the University's overall IT security program.

The entity should have adequate controls in place to assess and manage IT risks that include the following components:

- System characterization
- Threat identification
- Vulnerability identification
- Control analysis
- Likelihood determination
- Impact analysis
- Risk determination
- Control recommendations
- Results documentation

During our review of Colorado State University – Pueblo's IT risk management procedures we noted that a current documented IT risk assessment has not been conducted.

**Recommendation No. 9**

CSU-P should perform a periodic risk assessment as part of an overall IT risk management process. Results of this risk assessment process should be used to prioritize future IT audit activities and IT expenditures.

**Colorado State University – Pueblo Response:**

Agree. The position mentioned in #8 above will perform and document periodic internal ITS risk assessments and work with senior management and the campus community to assess, document, and mitigate risk. To be implemented in Phases – Final Phase Implementation Date: January 2011.

**Colorado State University System**  
 (A Component Unit of the State of Colorado)  
 Disposition of Prior Audit Recommendations  
 Year Ended June 30, 2008

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**Summary of Progress in Implementing Prior Audit Recommendations**

The financial statements of the System for the year ended June 30, 2007 were audited by other accountants whose report dated November 14, 2007, included five recommendations. The disposition of these audit recommendations as of June 30, 2008 was as follows:

No.	Recommendation	Disposition
1	Colorado State University and Colorado State University-Pueblo should evaluate the effectiveness of their respective policies surrounding proper recognition of liabilities that have been incurred, but not yet recorded. Each University should ensure that appropriate steps are taken for areas in which there is a higher risk of misstatement to ensure that liabilities are recorded when they are incurred. Colorado State University and Colorado State University -Pueblo should evaluate the effectiveness of enforcing their current policies on departments at each University.	Colorado State University: Partially Implemented. See current year recommendation No. 1.  Colorado State University - Pueblo: Implemented
2	Colorado State University should ensure that appropriate steps are taken for departments in which there is a higher risk of misstatement to ensure revenue is accurate and complete. The risk of misstatement is higher when there are prior instances of improper cutoff procedures, information technology system changes, business process changes, turnover of personnel or unusual, or nonrecurring transactions. This recommendation pertains to errors related to sales and services revenue for the Diagnostics Lab in the Veterinary Sciences Department.	Implemented

**Colorado State University System**  
(A Component Unit of the State of Colorado)  
Disposition of Prior Audit Recommendations  
Year Ended June 30, 2008

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No.	Recommendation	Disposition
3	<p>(a) Colorado State University - Pueblo should implement procedures and related internal controls to ensure that all bank and loan reconciliations are performed, reviewed, and documented in a timely manner at year-end.</p> <p>(b) Colorado State University-Pueblo should also implement procedures to reconcile its general ledger cash account to the state accounting system, which should reflect the amount of cash in the bank, on a monthly basis.</p> <p>(c) In addition, the general ledger and the UNISA student loan reports should be reconciled at least on a quarterly basis, including resolution of any reconciling items.</p>	<p>(a) Implemented</p> <p>(b) Not implemented, see current year recommendation no. 4</p> <p>(c) Implemented</p>
4	<p>Colorado State University should:</p> <p>(a) deploy strong password requirements for application systems and</p> <p>(b) appropriately document the periodic reviews of system users (for both IT super users and functional segregation of duties)</p>	<p>(a) Implemented</p> <p>(b) Partially implemented, see current year recommendation no. 7</p>
5	<p>Colorado State University should document the testing of all significant changes to systems (both normal and emergency). Furthermore, the University should maintain evidence of its recovery testing.</p>	<p>Implemented</p>

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## Independent Accountants' Report on Financial Statements and Supplementary Information

Members of the Legislative Audit Committee:

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the Colorado State University System (the System), a component unit of the State of Colorado, as of and for the year ended June 30, 2008, which collectively comprise the System's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the System's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Colorado State University Foundation, the discretely presented component unit. Those statements were audited by other accountants whose report has been furnished to us and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the report of the other accountants. The financial statements of the System as of and for the year ended June 30, 2007, were audited by other accountants whose report dated November 14, 2007, expressed unqualified opinions on those 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Colorado State University Foundation, the discretely presented component unit, were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other accountants provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other accountants, the 2008 financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Colorado State University System as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 19 (b), in 2008 the System adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

Members of the Legislative Audit Committee

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2008, 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* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis and schedule of funding progress as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

BKD, LLP

December 18, 2008

# Colorado State University System

(A Component Unit of the State of Colorado)

Management's Discussion and Analysis

Years Ended June 30, 2008 and 2007

(Unaudited)

This section of the financial report presents a discussion and analysis of the financial performance of the Colorado State University System (the System) for the fiscal years ended June 30, 2008 and 2007. This discussion and analysis provides an analysis of the System's financial activities based on currently known facts, decisions, or conditions. This analysis should be read in conjunction with the System's financial statements and notes thereto, which are also presented in this document.

## Financial Highlights

- The assets of the System exceeded its liabilities at June 30, 2008 by approximately \$670 million (net assets). Of this amount, \$97.6 million was restricted for purposes which the donor or grantor or other external party intended and \$439.5 million related to investments in capital assets, net of related debt. The remaining \$132.9 million is unrestricted and may be used to meet the System's ongoing obligations. Although unrestricted net assets are not externally restricted, they may be internally designated by the System's administration for various purposes.
- The System's net assets increased \$27.5 million during fiscal year 2008. \$29.6 million of this increase consisted of an increase in capital assets, net of related debt. \$14.0 million of the increase consisted of an increase in restricted net assets. Unrestricted net assets decreased \$16.1 million.
- In fiscal year 2008 the state provided support directly to students in the form of student tuition stipends paid by the state College Opportunity Fund (\$51.1 million). In addition, the System received payment from the state for the delivery of graduate, high cost/demand programs and special programs (\$82.7 million).
- Fiscal year 2008 state capital contributions of \$28.4 million for the System increased \$20.2 million from 2007 state capital contributions of \$8.2 million.
- Two separate System Enterprise Revenue Bond issues totaling \$293.3 million were sold in fiscal 2008. These bonds were issued to construct academic, recreation, research, athletic and education facilities and CSU and CSU-P.
- In 2008, the System created a new enterprise, CSU-Global Campus, to offer on-line programs that are career-relevant and tailored to existing and emerging industry and occupational trends within Colorado. CSU – Global Campus caters 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.

# Colorado State University System

(A Component Unit of the State of Colorado)

Management's Discussion and Analysis

Years Ended June 30, 2008 and 2007

(Unaudited)

## The Basic Financial Statements

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

The statements of net assets present information on all of the System's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets present information showing how the System's net assets changed during the two most recent fiscal years. All changes in net assets 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 only 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 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 financial statements follow the basic financial statements.

The System follows the provisions of Governmental Accounting Standards Board Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and as a result, the financial statements for the Colorado State University Foundation, a legally separate organization whose operations benefit the System, are discretely presented within the System's financial statements.

The Management's Discussion and Analysis focuses on the primary government, which is the Colorado State University System.

During the fiscal year ended June 30, 2008, the System implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes standards for the measurement, recognition and display of other postemployment benefit (OPEB) expense/expenditures and related liabilities (assets), note disclosures, and if applicable, required supplementary information (RSI) in the financial reports of state and local governments. Three CSU postretirement healthcare premium refund plans, the Retiree Medical Premium Refund Plan, the Retiree Medical Subsidy for PERA

## Colorado State University System

(A Component Unit of the State of Colorado)

Management's Discussion and Analysis

Years Ended June 30, 2008 and 2007

(Unaudited)

Participants and the Umbrella Rx Plan fall within the requirements of this Statement and as a result the System has accrued additional liabilities and expenditures in the amount of \$4.3 million.

### Financial Analysis

The statements of net assets present the assets, liabilities, and net assets of the Colorado State University System as of the end of the fiscal year. The System assets exceeded liabilities resulting in net assets at June 30, 2008 and 2007 of \$670.0 million and \$642.4 million, respectively. The majority (66% and 64%, respectively) of the System's net assets are invested in capital assets (*e.g.*, land, buildings and equipment), net of related debt. 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 Assets

(Amounts expressed in thousands)

	June 30		
	2008	2007	2006
Current assets	\$ 339,002	309,855	300,750
Noncurrent assets, including capital assets of \$615,797, \$523,365, and \$470,994 respectively	903,783	607,669	579,490
Total assets	1,242,785	917,524	880,240
Current liabilities	150,857	116,467	108,085
Noncurrent liabilities	421,955	158,608	164,055
Total liabilities	572,812	275,075	272,140
Net assets:			
Invested in capital assets, net of related debt	439,525	409,943	386,933
Restricted	97,526	83,522	74,378
Unrestricted	132,922	148,984	146,789
Total net assets	\$ 669,973	642,449	608,100

## Colorado State University System

(A Component Unit of the State of Colorado)

Management's Discussion and Analysis

Years Ended June 30, 2008 and 2007

(Unaudited)

- The \$325.3 million increase in System assets from fiscal year 2007 to fiscal year 2008 is primarily attributable to a \$296.1 million increase in noncurrent assets. The increase in noncurrent assets is primarily due to a \$200.0 million increase in restricted cash and cash equivalents attributable to remaining cash proceeds from two separate System bond issues discussed above. In addition, depreciable capital assets, net of accumulated depreciation increased by \$112.9 million. These two large increases are offset by a \$20.5 million decrease in nondepreciable capital assets which is attributable to construction in progress. The remaining increase in assets of \$29.2 is primarily attributable to increases in current assets in the areas of cash and cash equivalents of \$26.4 million and student accounts receivable, net, of \$2.7 million. The \$37.3 million increase in System assets from fiscal year 2006 to fiscal year 2007 is attributable to increases in both current and noncurrent assets of \$9.1 million and 28.2 million, respectively.
- Total liabilities of the System increased \$297.7 million from fiscal year 2007 to fiscal year 2008. The majority of this increase, \$258.0 is attributable to bonds payable and certificates of participation, with accounts payable increasing \$17.3 million and accrued liabilities increasing \$12.7 million. Total liabilities increased \$2.9 million in fiscal year 2007 over that of 2006.

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

# Colorado State University System

(A Component Unit of the State of Colorado)

Management's Discussion and Analysis

Years Ended June 30, 2008 and 2007

(Unaudited)

## Summary of Revenues, Expenses, and Changes in Net Assets

(Amounts expressed in thousands)

	Years ended June 30		
	2008	2007	2006
Operating revenues:			
Tuition and fees, net	\$ 234,380	211,010	203,967
Grants and contracts	281,642	260,602	251,941
State fee for service revenue	82,669	74,182	68,214
Auxiliary enterprises	115,873	107,439	100,033
Other	25,734	24,513	23,046
Total operating revenues	740,298	677,746	647,201
Operating expenses:			
Instruction	203,322	182,871	173,671
Research	168,071	166,479	151,756
Public service	86,891	72,498	70,490
Academic support	50,630	43,802	41,315
Student services	26,264	25,355	25,500
Institutional support	41,046	27,988	24,476
Operation and maintenance of plant	57,605	50,305	47,209
Scholarships and fellowships	8,533	7,719	8,155
Auxiliary enterprises	109,526	97,572	92,512
Depreciation	41,151	37,540	36,690
Total operating expenses	793,039	712,129	671,774
Operating loss	(52,741)	(34,383)	(24,573)
Nonoperating revenues:			
State appropriations	3,250	3,250	-
Other net nonoperating revenues	40,994	32,804	26,380
Net nonoperating revenues	44,244	36,054	26,380
Income (loss) before other revenues, (expenses)	(8,497)	1,671	1,807
State capital contributions	28,418	8,246	1,387
Capital grants	5,482	16,922	5,744
Capital gifts	1,474	4,734	7,971
Payments to governing boards or other institutions	1,193	754	82
Additions (reductions) to permanent endowments	(546)	2,022	705
Increase in net assets	27,524	34,349	17,696
Net assets:			
Net assets, beginning of year	642,449	608,100	590,404
Net assets, end of year	\$ 669,973	642,449	608,100

## Colorado State University System

(A Component Unit of the State of Colorado)

Management's Discussion and Analysis

Years Ended June 30, 2008 and 2007

(Unaudited)

The System experienced a \$52.7 million operating loss in fiscal year 2008 and a \$34.4 million operating loss in fiscal year 2007. In fiscal year 2008, this operating loss was offset by net nonoperating and other revenues of \$80.3 million, including \$3.25 million of state appropriations for wildfire preparedness, \$28.4 million of state capital contributions, \$28.4 million of gifts and capital gifts, \$14.4 million of investment income, and \$5.5 million of capital grants. In fiscal year 2007, this operating loss was offset by net nonoperating and other revenues of \$68.7 million, including \$3.25 million of state appropriations for wildfire preparedness, \$8.2 million of state capital contributions, \$25.6 million of gifts and capital gifts, \$13.5 million of investment income, and \$16.9 million of capital grants.

- Fiscal year 2008 System operating revenues increased \$62.6 million in relation to prior year levels. This is primarily attributable to a \$23.4 million increase in tuition and fee revenue in conjunction with an \$8.5 million increase in state fee for service contract revenue, an \$8.4 million increase in revenue from auxiliary enterprises, and a \$21.0 million increase in grants and contracts revenue. Fiscal year 2007 System operating revenues increased \$30.5 million in relation to prior year levels. This is primarily attributable to a \$7.0 million increase in tuition and fee revenue in conjunction with a \$6.0 million increase in state fee for service contract revenue, a \$7.4 million increase in revenue from auxiliary enterprises, and an \$8.7 million increase in grants and contracts revenue.
- Fiscal year 2008 System operating expenses increased \$80.9 million in relation to prior year levels. This increase is in part attributable to a \$20.5 million increase in instruction expenses which is primarily the result of strategic investments by CSU in this area. In addition, public service expenses at CSU increased \$14.4 million as a result of increased levels of firefighting, wildfire preparedness and wildfire prevention activity by the Colorado State Forest Service. Expenses for academic support also increased by \$6.8 million during the fiscal year. This was partially attributable to a \$2.7 million increase in expenses for library services and materials by CSU. Institutional support expenses for the System increased \$13.1 million which is in part attributable to \$3.4 million of investments in the new Colorado State University Global Campus administrative infrastructure. CSU also increased institutional support expenditures by \$2.2 million in support of advancement fundraising initiatives. Auxiliary enterprises expenses also increased \$12.0 million which was primarily the result of increased auxiliary activity at CSU. Fiscal year 2007 System operating expenses increased \$40.4 million in relation to prior year levels. This increase is in part attributable to a \$9.2 million increase in instruction expense due primarily to salary increases, a \$14.7 million increase in research expense attributable to increased levels of sponsored research activity, and a \$5.1 million auxiliary enterprises expense increase, which is primarily due to increased auxiliary enterprise activity. In addition, institutional support expenses increased \$3.5 million, which was primarily attributable to salary increases.

## Colorado State University System

(A Component Unit of the State of Colorado)

Management's Discussion and Analysis

Years Ended June 30, 2008 and 2007

(Unaudited)

- Fiscal year 2008 System net nonoperating revenues increased \$8.2 million, which was primarily attributable to a \$6.1 million increase in gift revenue and an increase of \$2.8 million in other nonoperating revenue offset by an increase of \$1.6 million in interest expense on capital debt. Fiscal year 2007 System net nonoperating revenues increased \$9.7 million, which was primarily attributable to a \$3.25 million increase in state appropriations to support wildfire preparedness and a \$7.4 million increase in investment income which was due to increased investment returns in conjunction with an increase in unrealized gain on investments on deposits held by the State Treasury. These increases were offset by a \$564,000 decline in gifts and a \$689,000 decline in other nonoperating revenue.
- Other revenues increased \$3.3 million in fiscal year 2008. This increase was primarily due to a \$20.2 million increase in state capital contributions offset by decreases in capital grants of \$11.4 million, capital gifts of \$3.3 million and a reduction to the permanent endowment of \$2.6 million. The increase in state capital contributions is primarily related to the \$13.4 million received for the CSU Diagnostic Medicine Center. Other revenues increased \$16.8 million in fiscal year 2007. This increase was primarily due to a \$6.9 million increase in state capital contributions coupled with an \$11.2 million increase in capital grants, a \$3.2 million decrease in capital gifts, and a \$1.3 million increase in additions to permanent endowments.

### Capital Assets and Debt Administration

At June 30, 2008, the System had approximately \$615.8 million invested in capital assets, net of accumulated depreciation of \$487.5 million. At June 30, 2007, the System had approximately \$523.4 million invested in capital assets, net of accumulated depreciation of \$456.8 million.

Depreciation charges were approximately \$41.2 million and \$37.5 million for the years ended June 30, 2008 and 2007, respectively.

During the fiscal year ended June 30, 2008, the System received \$28.4 million of state capital contributions for capital construction projects. \$13.4 million of these state capital contributions were attributable to the CSU Diagnostic Medicine Center, \$2.6 million relates to the CSU VTH Mechanical and Fire Suppression Project, \$1.0 million for the CSU Regulated Materials Handling Facility and \$8.1 million for the CSU-Pueblo Health, Education and Physical Recreation building.

For the fiscal year ending June 30, 2009, the System will receive state capital appropriation funding of \$24.4 million for capital construction and controlled maintenance projects. This includes \$24.0 million for capital construction projects including \$19.2 million for the CSU Diagnostic Medicine Center and \$2.0 million for the completion of the CSU Clark Building Revitalization and \$2.8 CSU- Pueblo Academic Resource Center Remodel project. The remainder of this funding is for a \$ 0.4 million controlled maintenance project to replace deteriorated fire alarms at CSU.

## Colorado State University System

(A Component Unit of the State of Colorado)

Management's Discussion and Analysis

Years Ended June 30, 2008 and 2007

(Unaudited)

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		
	2008	2007	2006
Land	\$ 10,953	10,898	9,670
Land improvements	30,155	30,709	28,975
Buildings and improvements	434,380	323,241	322,972
Leasehold improvements	325	366	414
Equipment	52,043	47,331	47,613
Collections	1,337	1,318	2,317
Library materials	23,332	25,658	27,947
Construction in progress	63,272	83,844	31,086
Total capital assets, net	\$ 615,797	523,365	470,994

The fiscal year 2008 \$92.4 million increase in net capital assets is primarily attributable to a \$111.1 million net increase in buildings and improvements offset by a \$20.6 million decrease in construction in progress. The decrease in construction in progress is primarily the net of incurring \$107.1 million in additional construction costs on on-going and completed projects and transferring \$122.2 million out into the other asset categories. The \$111.1 million net increase in buildings and improvements is primarily related to the completed projects transferred in from construction in progress. The completed projects primarily relate to CSU-Pueblo's Health, Education and Physical Recreation center at \$13.4 million, CSU's Academic Village at \$44.7 million, University Center for the Arts at 28.8 million, and the Regional Biocontainment Laboratory at \$26.0 million. The \$63.3 million remaining balance in construction in progress at year end primarily relates to CSU-Pueblo's Student Recreation Center at \$7.1 million and CSU's BSL-3 Facility at \$6.5 million, Computer Science building at \$10.3 million, Cooling Plant upgrades at \$5.0 million, the Veterinary Teaching Hospital Diagnostic Laboratory at \$14.9 million and the Research Innovation Center at \$1.9 million. The fiscal year 2007 \$52.4 million increase in net capital assets is primarily attributable to a \$52.8 million increase to construction in progress. \$26.0 million of this construction in progress increase related to the CSU Academic Village project and \$18.0 million related to the CSU Regional Biocontainment Laboratory project. The CSU Bioenvironmental Research Building Discovery Suite, the CSU Infectious Disease Laboratory annex renovation, and the CSU Howes Street Business Center Building were all capitalized during fiscal year 2007.

The System had capital construction commitments outstanding of approximately \$45.3 million at June 30, 2008. Approximately \$6.3 million of these capital commitments related to the Veterinary Teaching Hospital Diagnostic Medical Center, \$6.2 million to the Research Innovation Center, \$5.5 million to the Academic Instruction Building, \$2.6 million to the Atmospheric Science Facility, \$2.5 million to the Computer Science Building, \$2.4 million for the Athletics Indoor Practice Facility, \$2.1 million for the CSU Academic Village, and \$3.3 million to the CSU-Pueblo Student Recreation Center. The remaining commitments were for various small construction projects at CSU and CSU-Pueblo.

## Colorado State University System

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Management's Discussion and Analysis

Years Ended June 30, 2008 and 2007

(Unaudited)

The System had approximately \$376.3 million and \$118.3 million of debt outstanding at June 30, 2008 and 2007, respectively.

### Summary of Debt

(Amounts expressed in thousands)

	June 30		
	2008	2007	2006
Debt outstanding:			
Revenue bonds and certificates of participation	\$369,103	112,220	118,071
Capital lease obligations	7,183	6,032	7,232
	<u>\$376,286</u>	<u>118,252</u>	<u>125,303</u>

On June 12, 2008, the System issued \$83.3 million in System Enterprise Revenue Bonds, Series 2008A. The proceeds from the sale of the Series 2008A will be used to defray the costs of constructing, acquiring, renovating, expanding, and equipping certain facilities at CSU. The improvement projects include the Academic Village Phase 1B, the Lake Street Parking Garage, the Student Recreation Center and the Academic Computing Center. The bonds bear interest rates from 3 to 5 percent with final maturity in 2028.

On September 6, 2007, the System issued \$210.0 million in System Enterprise Revenue Bonds, Series 2007A-C. The proceeds from the sale of the Series 2007A-C Bonds will be used to defray the costs of constructing, acquiring, renovating, expanding, and equipping buildings and facilities at CSU and CSU-Pueblo in addition to refunding all or a portion of certain outstanding bonds. These improvement projects will include the CSU Academic Instruction Building, Computer Science Building, Research Innovation Center, Athletics Facilities, University Center for the Arts, Rockwell Hall Addition, Research Building Revolving Fund Multi-Scale Modeling of Atmospheric Process (RBRF MMAP) Building, Chiller Plant, Greenhouse and Research Space, Animal Research Infrastructure, Research Campus Renovations, and the Student Recreation Center at CSU-Pueblo. The revenue bonds bear interest rates from 4 to 5.883 percent with final maturity in 2037.

Current refunded bonds include Colorado State University Auxiliary Facilities Enterprise Refunding and Improvement Revenue Bonds, Series 1996 (\$525,000) and Series 1997 (\$11,365,000), Colorado State University Research Building Revolving Fund Enterprise Revenue Bonds, Series 1997 (\$1,045,000) and Series 2001 (\$3,145,000), and Colorado State University Certificates of Participation, Series 1997 (\$3,205,000). The current refunded bonds were redeemed in October 2007.

## **Colorado State University System**

(A Component Unit of the State of Colorado)

Management's Discussion and Analysis

Years Ended June 30, 2008 and 2007

(Unaudited)

Advance refunded bonds include Colorado State University Student Sports Recreational Facilities Revenue Bonds, Series 1998 (\$1,755,000), Colorado State University Enterprise System Refunding and Improvement Revenue Bonds, Series 2003A (partial refund of \$3,610,000), and Colorado State University Research Building Revolving Fund Enterprise Revenue Bonds, Series 2005A (\$9,535,000). A portion of the proceeds of the Series 2007B Bonds will be used to purchase U.S. Treasury Securities and to provide cash which will be placed into an escrow account to refund the Refunded Bonds. The Escrow Agent will pay the debt service requirements of these Refunded Bonds on each of their scheduled payment dates through and including; for the 1998 Bonds, April 1, 2008 and redeemed those maturing on April 1, 2009 and thereafter, at a redemption price equal to 100% of par (\$1,615,000) on April 1, 2008; for the 2003A Bonds, March 1, 2013 and will redeem those maturing on March 1, 2014 and thereafter, at a redemption price equal to 100% of par (\$1,600,000) on March 1, 2013; and for the 2005A Bonds, December 1, 2015 and will redeem those maturing on December 1, 2016 and thereafter, at a redemption price equal to 100% of par (\$4,010,000) on December 1, 2015.

### **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.

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

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 projections (September 2008) from these entities estimate that the State General Fund revenue is projected to increase in Fiscal Year 2009 by 4.7%. For Fiscal Year 2010, the General Fund revenue used for the state's budgeting process is projected to increase 6.0%. 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 increases in state support of 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 2006, Colorado State University and Colorado State University-Pueblo had separate enterprise status designation. 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.

## **Colorado State University System**

(A Component Unit of the State of Colorado)

Management's Discussion and Analysis

Years Ended June 30, 2008 and 2007

(Unaudited)

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.

The Colorado State University System is authorized to receive \$93.0 million in a fee for service contract revenue and \$53.8 million in student stipends in fiscal year 2009. The \$146.8 million of anticipated Fiscal Year 2009 fee for service contract revenue and the student stipends represents a 9.7% increase in state support above that provided in 2008.

The State implemented the TABOR in fiscal year 1994. The state's voters modified TABOR at the November 2005 election. The modification allowed the State to retain all revenues in excess of TABOR spending limitations for fiscal years 2006 through 2010.

Overall enrollment at both System institutions increased 2.5% as measured in the fall 2008 census. CSU-Pueblo experienced an 11.3% increase in student enrollment in Fall 2008. This increase is a result of specific initiatives began in 2007 to support the goal of increased enrollment including an expansion of academic programs, increased marketing and recruitment efforts, and approval of a new masters program in teacher education, a graduate incentive program and construction of a new student recreation facility. Based on early enrollment indicators from the Department of Higher Education, there has been strong enrollment increases at some institutions and it is anticipated that enrollment will increase into fiscal years 2010 and 2011. Overall, the projected enrollment increase for the CSU System in the next three years should be in the 2% - 3% range.

### **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.

# Colorado State University System

(A Component Unit of the State of Colorado)

## Statements of Net Assets

June 30, 2008 and 2007

(Amounts expressed in thousands)

Assets	2008	2007
Current assets:		
Cash and cash equivalents	\$ 249,440	223,066
Student accounts receivable, net	11,494	8,796
Grant and other accounts receivable, net	63,696	63,713
Student loans receivable, net	2,861	3,553
Inventories	8,031	7,087
Prepaid expenses	3,480	3,640
Total current assets	339,002	309,855
Noncurrent assets:		
Restricted cash and cash equivalents	243,730	43,751
Restricted investments	19,114	19,638
Student loans receivable, net	21,842	20,335
Other noncurrent assets	3,300	580
Nondepreciable capital assets:		
Land	10,953	10,898
Construction in process	63,272	83,844
Collections	1,337	1,318
Total nondepreciable capital assets	75,562	96,060
Depreciable capital assets, net:		
Land improvements	30,155	30,709
Building and improvements	434,380	323,241
Leasehold improvements	325	366
Equipment	52,043	47,331
Library materials	23,332	25,658
Total depreciable capital assets, (net of accumulated depreciation)	540,235	427,305
Total noncurrent assets	903,783	607,669
Total assets	\$ 1,242,785	917,524

# Colorado State University System

(A Component Unit of the State of Colorado)

## Statements of Net Assets

June 30, 2008 and 2007

(Amounts expressed in thousands)

	<u>2008</u>	<u>2007</u>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	\$ 45,184	27,866
Accrued liabilities	66,508	53,843
Deferred revenue	20,763	20,181
Deposits held for others	4,653	2,801
Bonds payable, current portion	6,735	5,910
Capital leases payable, current portion	1,251	1,096
Other long-term liabilities, current portion	3,556	2,614
Compensated absence liabilities, current portion	<u>2,207</u>	<u>2,156</u>
Total current liabilities	<u>150,857</u>	<u>116,467</u>
Noncurrent liabilities:		
Bonds payable	362,368	106,310
Capital leases payable	5,932	4,936
Deposits held for others	8,854	7,394
Other long-term liabilities	9,223	7,875
Compensated absence liabilities	<u>35,578</u>	<u>32,093</u>
Total noncurrent liabilities	<u>421,955</u>	<u>158,608</u>
Total liabilities	<u>\$ 572,812</u>	<u>275,075</u>
<b>Net assets</b>		
Net assets:		
Invested in capital assets, net of related debt	\$ 439,525	409,943
Restricted for nonexpendable purposes	19,359	19,904
Restricted for expendable purposes - other	78,167	63,618
Unrestricted	<u>132,922</u>	<u>148,984</u>
Total net assets	<u>\$ 669,973</u>	<u>642,449</u>

See accompanying notes to basic financial statements.

# Colorado State University System

(A Component Unit of the State of Colorado)

Colorado State University Foundation

## Statements of Financial Position – Discretely Presented Component Unit

June 30, 2008 and 2007

(Amounts expressed in thousands)

Assets	2008				2007			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Cash and cash equivalents	\$ 187	784	497	1,468	91	179	1,517	1,787
Investments	25,923	105,167	108,687	239,777	30,047	116,957	94,780	241,784
Receivables:								
Pledges, net of allowance	380	22,221	5,728	28,329	-	18,149	4,886	23,035
Life income trusts	-	-	206	206	-	-	201	201
Property and equipment, net of accumulated depreciation	33	250	-	283	15	250	-	265
Cash surrender value of life insurance policies	46	2	384	432	69	-	279	348
Prepaids and other assets	57	107	68	232	47	120	264	431
Total assets	\$ 26,626	128,531	115,570	270,727	30,269	135,655	101,927	267,851
<b>Liabilities and Net Assets</b>								
Accounts payable (primarily to CSU)	\$ 51	807	-	858	12	600	-	612
Other accrued liabilities	76	-	-	76	71	-	-	71
Life income agreements	575	92	225	892	587	96	283	966
Deposit held in custody for CSU	-	3,591	9,534	13,125	-	3,918	10,554	14,472
Total liabilities	702	4,490	9,759	14,951	670	4,614	10,837	16,121
<b>Net Assets</b>								
Unrestricted:								
Undesignated	4,471	-	-	4,471	3,904	-	-	3,904
Board designated	21,453	-	-	21,453	25,695	-	-	25,695
Total unrestricted	25,924	-	-	25,924	29,599	-	-	29,599
Temporarily restricted	-	124,041	-	124,041	-	131,041	-	131,041
Permanently restricted	-	-	105,811	105,811	-	-	91,090	91,090
Total net assets	25,924	124,041	105,811	255,776	29,599	131,041	91,090	251,730
Total liabilities and net assets	\$ 26,626	128,531	115,570	270,727	30,269	135,655	101,927	267,851

See accompanying notes to basic financial statements.

# Colorado State University System

(A Component Unit of the State of Colorado)

## Statements of Revenues, Expenses and Changes in Net Assets

Years Ended June 30, 2008 and 2007

(Amounts expressed in thousands)

	2008	2007
Operating revenues:		
Student tuition and fees, (including \$46,282 and \$12,575 of revenues pledged for bonds in 2008 and 2007, respectively, and net of scholarship allowances of \$54,647 and \$46,593 for 2008 and 2007, respectively)	\$ 234,380	211,010
State fee for service revenue	82,669	74,182
Grants and contracts (including \$39,706 and \$36,454 of revenues pledged for bonds in 2008 and 2007, respectively)	281,642	260,602
Sales and services of educational activities	19,656	18,952
Auxiliary enterprises, (including \$86,378 and \$82,205 of revenues pledged for bonds in 2008 and 2007, respectively, and net of scholarship allowances of \$2,908 and \$2,158 for 2008 and 2007, respectively)	115,873	107,439
Other operating revenue	6,078	5,561
Total operating revenues	740,298	677,746
Operating expenses:		
Instruction	203,322	182,871
Research	168,071	166,479
Public service	86,891	72,498
Academic support	50,630	43,802
Student services	26,264	25,355
Institutional support	41,046	27,988
Operation and maintenance of plant	57,605	50,305
Scholarships and fellowships	8,533	7,719
Auxiliary enterprises	109,526	97,572
Depreciation	41,151	37,540
Total operating expenses	793,039	712,129
Operating loss	(52,741)	(34,383)
Nonoperating revenues (expenses):		
State appropriations	3,250	3,250
Gifts	26,907	20,824
Investment income (including \$6,491 and \$1,305 of revenues pledged for bonds in 2008 and 2007, respectively)	14,352	13,488
Interest expense on capital debt	(4,717)	(3,130)
Other nonoperating revenues	4,452	1,622
Net nonoperating revenues	44,244	36,054
Income (loss) before other revenues (expenses)	(8,497)	1,671

## Colorado State University System

(A Component Unit of the State of Colorado)

### Statements of Revenues, Expenses and Changes in Net Assets

Years Ended June 30, 2008 and 2007

(Amounts expressed in thousands)

	<u>2008</u>	<u>2007</u>
Other revenues (expenses)		
State capital contributions	28,418	8,246
Capital grants	5,482	16,922
Capital gifts	1,474	4,734
Payments to governing boards or other institutions	1,193	754
Additions (reductions) to permanent endowments	(546)	2,022
Total other revenues, net	<u>36,021</u>	<u>32,678</u>
Increase in net assets	27,524	34,349
Net assets, beginning of year	<u>642,449</u>	<u>608,100</u>
Net assets, end of year	<u>\$ 669,973</u>	<u>642,449</u>

See accompanying notes to basic financial statements.

# Colorado State University System

(A Component Unit of the State of Colorado)

## Colorado State University Foundation

### Statements of Activities-Discretely Presented Component Unit

Years Ended June 30, 2008 and 2007

(Amounts expressed in thousands)

	2008				2007			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Support and revenue:</b>								
Contributions	\$ 698	23,120	15,160	38,978	299	15,831	9,461	25,591
In-kind contributions	-	2,141	-	2,141	-	3,171	-	3,171
Allowance for uncollectible pledges	(11)	(484)	(567)	(1,062)	-	(811)	(457)	(1,268)
Total contributions	687	24,777	14,593	40,057	299	18,191	9,004	27,494
Net investment income	1,286	(10,044)	77	(8,681)	10,513	22,340	69	32,922
Actuarial change in value of life income agreements	(27)	(11)	28	(10)	(28)	9	(15)	(34)
Other changes in net assets	(911)	964	(53)	-	(18)	(2,075)	2,093	-
Other revenue	2	30	76	108	41	(783)	169	(573)
<b>Net assets released from restrictions:</b>								
Satisfaction of program restrictions	22,716	(22,716)	-	-	22,444	(22,444)	-	-
Total support and revenue	23,753	(7,000)	14,721	31,474	33,251	15,238	11,320	59,809
<b>Expenses:</b>								
Program services:								
CSU College of:								
Agricultural Sciences	2,685	-	-	2,685	1,934	-	-	1,934
Applied Human Sciences	1,803	-	-	1,803	2,283	-	-	2,283
Business	1,679	-	-	1,679	1,303	-	-	1,303
Engineering	1,970	-	-	1,970	2,188	-	-	2,188
Liberal Arts	1,240	-	-	1,240	805	-	-	805
Warner College of Natural Resources	1,372	-	-	1,372	895	-	-	895
Natural Sciences	1,610	-	-	1,610	1,615	-	-	1,615
Veterinary Medicine and Biomedical Sciences	4,822	-	-	4,822	5,406	-	-	5,406
Athletics	2,676	-	-	2,676	3,309	-	-	3,309
Central Development	2,711	-	-	2,711	-	-	-	-
Other CSU programs	2,763	-	-	2,763	3,904	-	-	3,904
Total program services	25,331	-	-	25,331	23,642	-	-	23,642
Support services:								
Development	-	-	-	-	-	-	-	-
Management and general	2,097	-	-	2,097	1,836	-	-	1,836
Total support services	2,097	-	-	2,097	1,836	-	-	1,836
Total expenses	27,428	-	-	27,428	25,478	-	-	25,478
Change in net assets	(3,675)	(7,000)	14,721	4,046	7,773	15,238	11,320	34,331
<b>Net assets, beginning of year</b>	29,599	131,041	91,090	251,730	21,826	115,803	79,770	217,399
<b>Net assets, end of year</b>	\$ 25,924	124,041	105,811	255,776	29,599	131,041	91,090	251,730

# Colorado State University System

(A Component Unit of the State of Colorado)

## Statements of Cash Flows

Years Ended June 30, 2008 and 2007

(Amounts expressed in thousands)

	2008	2007
Cash flows from operating activities:		
Cash received:		
Tuition and fees	\$ 232,951	208,947
Student loans collected	3,679	6,221
Sales of products	18,426	16,703
Sales of services	117,426	112,069
Grants and contracts	286,148	247,248
State fee for service contract	82,669	74,182
Other operating receipts	3,656	3,109
Cash payments:		
Scholarships disbursed	(5,638)	(5,209)
Student loans disbursed	(4,317)	(5,995)
Payments to employees	(498,993)	(458,898)
Payments to suppliers	(220,431)	(206,016)
	15,576	(7,639)
Net cash provided by (used in) operating activities		
Cash flows from noncapital financing activities:		
State appropriations - noncapital	3,250	3,250
Gifts and grants for other than capital purposes	24,611	19,147
Agency (direct lending inflows)	95,863	88,592
Agency (direct lending outflows)	(95,863)	(88,592)
Other agency (inflows)	48,126	27,924
Other agency (outflows)	(46,172)	(28,125)
Payments from governing boards or other institutions	3,618	754
Other nonoperating revenues	3,035	2,836
	36,468	25,786
Net cash provided by noncapital financing activities		
Cash flows from capital and related financing activities:		
Proceeds from capital debt	260,327	-
State appropriations - capital	28,417	8,246
Capital grants, contracts and gifts	6,317	19,281
Proceeds from sale of capital assets	3,970	
Acquisition and construction of capital assets	(129,530)	(84,616)
Principal paid on capital debt	(7,027)	(6,957)
Interest on capital debt	(9,127)	(3,273)
	153,347	(67,319)
Net cash provided by (used in) capital and related financing activities		

# Colorado State University System

(A Component Unit of the State of Colorado)

## Statements of Cash Flows

Years Ended June 30, 2008 and 2007

(Amounts expressed in thousands)

	<u>2008</u>	<u>2007</u>
Cash flows from investing activities:		
Proceeds from sale and maturities of investments	\$ 10,551	9,573
Purchase of investments	(11,165)	(9,965)
Investment earnings	<u>21,576</u>	<u>12,293</u>
Net cash provided by investing activities	<u>20,962</u>	<u>11,901</u>
Net increase (decrease) in cash and cash equivalents	<u>226,353</u>	<u>(37,271)</u>
Cash and cash equivalents, beginning of the year	223,066	233,703
Restricted cash, beginning of the year	<u>43,751</u>	<u>70,385</u>
Total cash and cash equivalents, beginning of the year	<u>266,817</u>	<u>304,088</u>
Cash and cash equivalents, end of the year	249,440	223,066
Restricted cash, end of the year	<u>243,730</u>	<u>43,751</u>
Total cash and cash equivalents, end of the year	<u>\$ 493,170</u>	<u>266,817</u>
Reconciliation of operating loss to net cash provided by (used in) operating activities:		
Operating loss	\$ (52,741)	(34,383)
Adjustments:		
Depreciation expense	41,151	37,540
Noncash operating transactions	(109)	1,374
(Increase) decrease in assets:		
Receivables, net	480	(14,382)
Inventories and prepaids	(2,766)	(2,980)
Increase (decrease) in liabilities:		
Accounts payable	12,649	2,702
Accrued liabilities	9,638	(1,600)
Deferred revenue	595	1,278
Deposits held for others	1,763	(6)
Compensated absence liabilities	3,535	2,714
Other liabilities	<u>1,381</u>	<u>104</u>
Net cash provided by (used in) operating activities	<u>\$ 15,576</u>	<u>(7,639)</u>

# Colorado State University System

(A Component Unit of the State of Colorado)

## Statements of Cash Flows

Years Ended June 30, 2008 and 2007

(Amounts expressed in thousands)

	<u>2008</u>	<u>2007</u>
Noncash activities:		
Noncash gifts	\$ 2,683	4,138
Noncash capital leases	2,570	317
Noncash additions (reductions) to investments held by Foundation	(1,347)	1,457
Unrealized gains on investments	3,770	2,441
Capitalized interest	2,430	738
Capital debt refinanced	34,458	-
Noncash bond issuance costs	2,427	-
Amortization of bond premium	451	86
Amortization of bond issuance costs	262	30
Retainage payable	1,443	2,196

See accompanying notes to basic financial statements.

# Colorado State University System

(A Component Unit of the State of Colorado)

Notes to Basic Financial Statements

June 30, 2008 and 2007

## (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 four 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-P)

Colorado State University – Global Campus (CSUGC)

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 years ended June 30, 2008 and 2007.

### (c) Discretely Presented Component Unit

The System follows Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations Are Component Units - an amendment of GASB Statement No. 14*, and GASB Statement No. 14, *The Financial Reporting Entity*. These statements provide 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 Foundation or CSUF) has been determined to be a component unit of the System and has therefore been included as a discretely presented component unit in the System financial reporting entity. The Colorado State University Research Foundation and the Colorado State University – Pueblo Foundation do not meet the criteria to be reported as component units.

## Colorado State University System

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### Notes to Basic Financial Statements

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The 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 are restricted to the activities of the university by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, CSU, the Foundation is considered a component unit of the System and is discretely presented in the System's 2008 and 2007 financial statements.

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 features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the System's financial reporting entity for these differences, as permitted by GASB Statement No. 39.

The Foundation was established in 1970 as an independent 501(c)(3) organization. The primary purpose of the Foundation is to receive, manage, and invest philanthropic gifts to CSU. The officers of the 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 Advancement and Strategic Initiatives, and the CSU Vice President for Finance. 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 Foundation's revenue is gifts. Of the \$31,474,000 in revenue for the 2007 - 2008 fiscal year, gifts accounted for \$41,119,000. Of the \$59,809,000 in revenue for the 2006 - 2007 fiscal year, gifts accounted for \$28,762,000. The change in revenue was primarily due to the change in contributions and the change in net investment income.

The support provided by the 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 \$25,331,000 and \$23,642,000 was transferred to CSU for the years ended June 30, 2008 and 2007, 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 \$13,125,000 and \$14,472,000 as of June 30, 2008 and 2007, respectively, and are reported as deposits held in custody for CSU in the financial statements of the Colorado State University Foundation.

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

# Colorado State University System

(A Component Unit of the State of Colorado)

Notes to Basic Financial Statements

June 30, 2008 and 2007

## (2) Basis of Presentation

The System has implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, with regard to the application of FASB pronouncements applicable to its proprietary operations. In accordance with the provisions of GASB Statement No. 20, the System has applied those FASB statements and interpretations issued on or before November 30, 1989. The System has elected not to apply FASB statements and interpretations issued after November 30, 1989.

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 bases 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 assets.

### (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.

## Colorado State University System

(A Component Unit of the State of Colorado)

Notes to Basic Financial Statements

June 30, 2008 and 2007

**(d) *Restricted Cash and Cash Equivalents and Restricted Investments***

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

**(e) *Capital Assets***

Land, land improvements, buildings and improvements, leasehold improvements, library materials, collections, and equipment are recorded at cost at the date of acquisition or fair market value at the date of donation in the case of gifts. Capitalization limits vary at the three institutions ranging from \$5,000 to \$50,000. At CSU, library materials are valued at average acquisition cost. At CSU-P, library materials are valued at actual cost.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 10 to 70 years for buildings, 10 to 20 years for land improvements, 5 to 10 years for library books, 3 to 12 years for equipment, and 8 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. There were no impairments of capital assets at June 30, 2008 or June 30, 2007.

## Colorado State University System

(A Component Unit of the State of Colorado)

### Notes to Basic Financial Statements

June 30, 2008 and 2007

(f) ***Compensated Absence Liabilities***

The amount of compensated absence liabilities that is recorded as a current liability on the statements of net assets is the higher of the historical annual amount of separation payouts or the known amount of separation payouts. The remaining balance of the compensated absence liabilities is recorded as a long-term liability on the statements of net assets.

(g) ***Net Assets***

Net assets of the System are classified as follows:

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

***Restricted net assets – nonexpendable*** – Nonexpendable restricted net assets consist 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 assets – expendable*** – Restricted expendable net assets include 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 assets*** – Unrestricted net assets represent 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 purposes. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty, and staff. Unrestricted net assets may be designated by actions of the Board.

***Discretely presented component unit*** – Net assets of the Foundation and the changes therein are 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 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 Foundation.

# Colorado State University System

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## Notes to Basic Financial Statements

June 30, 2008 and 2007

### **(h) 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 including Pell Grants and private sources including businesses, individuals, and foundations; 3) state fee for service revenues; 4) sales and services of the Veterinary Teaching Hospital and Diagnostic Laboratory; and 5) fees for goods and services of auxiliary operations such as student housing and dining, student center retail stores, health services, and athletics. Revenues from exchange transactions are recognized when they are earned and measurable.

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

Nonoperating revenues consist primarily of gifts from grantors and donors, and investment income that are relied upon and budgeted for support of operating expenses. 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.

### **(i) 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.

### **(j) 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.

### **(k) 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.

# Colorado State University System

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## Notes to Basic Financial Statements

June 30, 2008 and 2007

### (l) *Changes in Accounting Principles*

As discussed in Note 12, the System adopted GASB 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues* during Fiscal Year ended June 30, 2008. The change had no effect on net assets.

As discussed in Note 17, the System changed its method of disclosures of pension information in 2008 in accordance with GASB 50, *Pension Disclosures—an Amendment of GASB Statements No. 25 and No. 27*.

As discussed in Note 19(b), the System adopted GASB 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Adoption of GASB 45 had no effect on beginning net assets of the System as of July 1, 2007. Adoption of GASB 45 decreased the System's increase in net assets by \$4,318,000 for the year ended June 30, 2008.

### (m) *Reclassifications*

Certain 2007 amounts have been reclassified to conform to the 2008 basic financial statement presentation.

### (4) **Cash and Cash Equivalents**

The System deposits cash and cash equivalents with the State Treasurer as required by Colorado Revised Statutes (CRS). The State Treasurer pools these deposits and invests them in securities approved 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. Moneys deposited in the Treasury are invested until the cash is needed. As of June 30, 2008, the System had cash on deposit with the State Treasurer of \$485,630,000, which represented approximately 7.7% of the total \$6,304,905,000 of deposits in the State Treasurer's Pool (Pool). As of June 30, 2007, the System had cash on deposit with the State Treasurer of \$264,382,000, which represented approximately 4.9% of the value of all 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. The unrealized gains or losses included in income reflect only the change in fair value for the fiscal year.

As of June 30, 2008 and 2007, respectively, the System had \$485,630,000 and \$264,382,000 on deposit with the State Treasurer. The difference between the System's cash carrying value and on deposit with the State Treasurer and balances at other banks was due to outstanding checks and deposits in transit. Interest earned on deposits with the state for the fiscal years ended June 30, 2008 and 2007 was approximately \$16,349,000 and \$11,940,000, 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 \$2,270,000 on cash and cash equivalents on deposits with the State Treasurer

## Colorado State University System

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### Notes to Basic Financial Statements

June 30, 2008 and 2007

for fiscal year ended June 30, 2008 and an unrealized loss of \$1,500,000 for the fiscal year ended June 30, 2007. The unrealized gain on investments for the fiscal years ended June 30, 2008 and 2007, respectively, were \$3,770,000 and \$2,441,000. 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 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, 2008 and 2007, none of the investments in the State Treasurer's Pool are subject to custodial credit risk.

At June 30, 2008 and 2007, the System's cash not on deposit with the State Treasurer was \$7,541,000 and \$2,434,000, respectively. Cash included petty cash/change funds and bank account balances of \$87,000 and \$7,454,000 as of June 30, 2008 and \$86,000 and \$2,348,000 as of June 30, 2007.

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 and are not exposed to custodial credit risk. Deposits held in money market funds are not PDPA eligible deposits and thus are exposed to custodial credit risk.

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, 2008, approximately 91.5% of investments of the Pool are subject to credit quality risk reporting. Except for \$14,782,000 of corporate bonds rated lower medium, these investments are rated from upper medium to the highest quality which indicates that the issuer has strong capability to pay principal and interest when due. As of June 30, 2007, approximately 89.0% of investments of the Pool were subject to credit quality risk reporting. These investments are rated from upper medium to the highest quality, which indicates the issuer has strong capability to pay principal and interest when due.

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 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, 2008, the weighted average maturity of investments in the Pool is 0.10 years for commercial paper (16.6% of the Pool), .01 years for money market funds (6.2% of the Pool), .97 years for U.S. government securities (50.8% of the

# Colorado State University System

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## Notes to Basic Financial Statements

June 30, 2008 and 2007

Pool), 1.90 years for asset backed securities (18.6% of the Pool), and 2.10 years for corporate bonds (7.8% of the Pool). As of June 30, 2007, the weighted average maturity of investments in the Treasurer's Pool was 0.08 years for 25.6% of the Pool, .01 years for 4.9% of the Pool, 1.10 years for 40.4% of the Pool, 2.13 years for 19.3% of the Pool, and 2.68 years for 9.8% of the Pool.

The Pool was not subject to foreign currency risk or concentration of credit risk in fiscal year 2008 or in fiscal year 2007.

Additional information on investments of the Pool may be obtained in the state's Comprehensive Annual Financial Report for the year ended June 30, 2008.

### (5) Restricted Investments

As of June 30, 2008 and 2007, the System's restricted investments had a fair value of \$19,114,000 and \$19,638,000, respectively. Investment earnings for the fiscal years 2008 and 2007 were \$207,000 and \$304,000, respectively.

No investment types were purchased and sold during the years that were not owned as of June 30, 2008 and 2007. The System only invests in U.S. Treasury securities, which are federal guaranteed investments, as required by state law. The System's restricted investments include investments held by CSUF that are invested in the Foundation's long-term endowment pool, which are not evidenced by securities that exist in physical or book form.

The following details each major category of the System's investments at fair value as of June 30, 2008 and 2007:

	<b>June 30</b>	
	<b>2008</b>	<b>2007</b>
U.S. Treasury obligations	\$ 5,989,000	5,166,000
Investments held by CSUF in long-term endowment pool:		
Corporate equities	\$ 1,044,000	\$ 1,383,000
Mutual funds	5,631,000	6,455,000
Hedge funds	4,645,000	5,340,000
Other investments	1,805,000	1,294,000
	<u>13,125,000</u>	<u>14,472,000</u>
Total investments	<u>\$ 19,114,000</u>	<u>19,638,000</u>

# Colorado State University System

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## Notes to Basic Financial Statements

June 30, 2008 and 2007

**(a) Credit Quality Risk**

At June 30, 2008 and June 30, 2007, the System (investments held by CSUF) had debt securities in the following credit risk categories:

	June 30	
	2008	2007
Money market mutual funds:		
Aaa	\$ 108,000	54,000
Bond mutual funds		
Aaa	583,000	371,000
Aa	251,000	77,000
A	110,000	38,000
Baa	20,000	19,000
Ba	20,000	19,000
B	20,000	-
P1	-	96,000
Below P1	-	19,000
	\$ 1,004,000	639,000

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

**(b) Interest Rate Risk**

At June 30, 2008, 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	\$ 5,989,000	0.09	
Investments held by CSUF in long-term endowment pool:			
Bond mutual funds:			
PIMCO - Low Duration Fund	1,004,000	1.89	1.91
Total investments subject to interest rate risk	\$ 6,993,000		

## Colorado State University System

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### Notes to Basic Financial Statements

June 30, 2008 and 2007

At June 30, 2007, the following System investments were subject to interest rate risk:

<b>Type of investment</b>	<b>Fair value</b>	<b>Weighted average maturity (in years)</b>	<b>Duration (in years)</b>
U.S. Treasury obligations	\$ 5,166,000	0.209	
Investments held by CSUF in long-term endowment pool:			
Bond mutual funds:			
PIMCO - Low Duration Fund	639,000	1.590	2.990
Total investments subject to interest rate risk	\$ 5,805,000		

The Colorado State University Foundation investment policy is utilized to manage interest rate risk relating to the System amounts invested in the Foundation's long-term endowment pool. This policy specifies that the portfolio's weighted average maturity is to be 10 years or less at all times and that the fixed income portion of the portfolio is to be targeted at 6% of the total portfolio with an acceptable range being between 3% and 10%.

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 unit*** – As of June 30, 2008, investments for the Foundation consisted of various securities carried at fair market value as determined by quoted market prices on national exchanges. Alternative investments are valued at the net asset value (NAV) provided by the investment manager. This NAV is computed based on dealer quotations on the fair market value of the underlying securities, the majority of which are traded on national exchanges. Alternative investments comprise two investment types: absolute return and long-term or short-term investments. The goal of absolute return investments is to earn a stable return uncorrelated with equity markets. The goal of long-term or short-term investments is to outperform the S&P 500 Index over the long term with less volatility.

## Colorado State University System

(A Component Unit of the State of Colorado)

### Notes to Basic Financial Statements

June 30, 2008 and 2007

The following details each major category of the Foundation's investments at fair market value as of June 30, 2008 and 2007:

	<b>June 30</b>	
	<b>2008</b>	<b>2007</b>
Cash and cash equivalents subject to investment management direction	\$ 1,970,000	909,000
Equities:		
Large cap equities	51,460,000	57,670,000
International equities	31,092,000	38,769,000
Micro cap equities	9,489,000	12,261,000
Small cap equities	9,423,000	10,672,000
Fixed income	18,348,000	10,674,000
Alternative investments	84,863,000	89,218,000
Other investments	33,132,000	21,611,000
	\$ 239,777,000	241,784,000

Net investment income (loss) of the Foundation consisted of the following for the years ended June 30, 2008 and 2007:

	<b>2008</b>	<b>2007</b>
Interest, dividends, and other income	\$ 3,069,000	2,381,000
Net unrealized and realized gains (losses) on investments	(8,427,000)	34,055,000
Less investment management fees	(4,136,000)	(1,489,000)
	(9,494,000)	34,947,000
Less income (loss) on deposits held in custody for CSU	813,000	(2,025,000)
	\$ (8,681,000)	32,922,000

## Colorado State University System

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### Notes to Basic Financial Statements

June 30, 2008 and 2007

**(6) Accounts Receivable**

Accounts receivable are shown net of allowances for doubtful accounts in the accompanying statements of net assets.

	<b>June 30</b>	
	<b>2008</b>	<b>2007</b>
Student accounts receivable	\$ 14,554,000	12,054,000
Less allowance for doubtful accounts	(3,060,000)	(3,258,000)
Student accounts receivable, net	\$ 11,494,000	8,796,000
Student loans receivable	\$ 26,774,000	25,982,000
Less allowance for doubtful accounts	(2,071,000)	(2,094,000)
Student loans receivable, net	24,703,000	23,888,000
Less current portion	(2,861,000)	(3,553,000)
Student loans receivable	\$ 21,842,000	20,335,000
Grant and other accounts receivable:		
Sponsored programs	\$ 51,161,000	56,523,000
Commercial receivables	3,136,000	2,576,000
Conferences and summer programs	968,000	601,000
Insurance trust fund	96,000	237,000
Receivables from Foundation	895,000	644,000
Athletics	950,000	794,000
Capital construction-due from state	3,454,000	949,000
Due from other employees - pay date shift	902,000	546,000
Vendor credits	4,000	45,000
Other	3,136,000	1,795,000
Total grant and other accounts receivable	64,702,000	64,710,000
Less allowance for doubtful accounts	(1,006,000)	(997,000)
Grant and other accounts receivable, net	\$ 63,696,000	63,713,000

## Colorado State University System

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### Notes to Basic Financial Statements

June 30, 2008 and 2007

*Discretely presented component unit* – As of June 30, 2008 and 2007, the Foundation's pledges receivable consisted of the following:

	<b>June 30</b>	
	<b>2008</b>	<b>2007</b>
Receivables due in less than one year	\$ 5,274,000	2,362,000
Receivables due in one to five years	12,439,000	8,315,000
Receivables due in more than five years	17,361,000	18,487,000
	35,074,000	29,164,000
Less allowance for uncollectible pledges	(614,000)	(188,000)
Less present value discounting	(6,131,000)	(5,941,000)
	<u>\$ 28,329,000</u>	<u>23,035,000</u>

Unconditional promises to give (pledges receivable) are from foundations, corporations and individuals. The discount factors utilized in the present value calculation are the five-year U.S. Treasury bond rates as of June 30 in the fiscal year the commitment is made.

# Colorado State University System

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## Notes to Basic Financial Statements

June 30, 2008 and 2007

### (7) Capital Assets

Following are the changes in capital assets for the year ended June 30, 2008:

	<b>Balance July 1, 2007</b>	<b>Additions</b>	<b>Deletions</b>	<b>Transfers</b>	<b>Balance June 30, 2008</b>
Nondepreciable capital assets:					
Land	\$ 10,898,000	—	(64,000)	119,000	10,953,000
Construction in progress	83,844,000	107,145,000	(5,469,000)	(122,248,000)	63,272,000
Collections	1,318,000	26,000	(7,000)	—	1,337,000
	<u>96,060,000</u>	<u>107,171,000</u>	<u>(5,540,000)</u>	<u>(122,129,000)</u>	<u>75,562,000</u>
Total nondepreciable capital assets					
Depreciable capital assets:					
Land improvements	54,350,000	262,000	—	1,790,000	56,402,000
Buildings and improvements	559,851,000	12,545,000	(315,000)	115,906,000	687,987,000
Leasehold improvements	838,000	—	—	—	838,000
Equipment	182,016,000	18,167,000	(11,778,000)	4,433,000	192,838,000
Library materials	87,011,000	2,891,000	(265,000)	—	89,637,000
	<u>884,066,000</u>	<u>33,865,000</u>	<u>(12,358,000)</u>	<u>122,129,000</u>	<u>1,027,702,000</u>
Total depreciable capital assets					
Less accumulated depreciation:					
Land improvements	23,641,000	2,606,000	—	—	26,247,000
Buildings and improvements	236,610,000	18,565,000	(1,568,000)	—	253,607,000
Leasehold improvements	472,000	41,000	—	—	513,000
Equipment	134,685,000	14,723,000	(8,613,000)	—	140,795,000
Library materials	61,353,000	5,216,000	(264,000)	—	66,305,000
	<u>456,761,000</u>	<u>41,151,000</u>	<u>(10,445,000)</u>	<u>—</u>	<u>487,467,000</u>
Total accumulated depreciation					
Net depreciable capital assets	<u>427,305,000</u>	<u>(7,286,000)</u>	<u>(1,913,000)</u>	<u>122,129,000</u>	<u>540,235,000</u>
Total capital assets, net					
	<u>\$ 523,365,000</u>	<u>99,885,000</u>	<u>(7,453,000)</u>	<u>—</u>	<u>615,797,000</u>

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Following are the changes in capital assets for the year ended June 30, 2007:

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance June 30, 2007</u>
Nondepreciable capital assets:					
Land	\$ 9,670,000	301,000	(21,000)	948,000	10,898,000
Construction in progress	31,086,000	72,175,000	—	(19,417,000)	83,844,000
Collections	2,317,000	46,000	(1,045,000)	—	1,318,000
	<u>43,073,000</u>	<u>72,522,000</u>	<u>(1,066,000)</u>	<u>(18,469,000)</u>	<u>96,060,000</u>
Total nondepreciable capital assets					
Depreciable capital assets:					
Land improvements	50,140,000	2,236,000	—	1,974,000	54,350,000
Buildings and improvements	543,982,000	630,000	(464,000)	15,703,000	559,851,000
Leasehold improvements	838,000	—	—	—	838,000
Equipment	181,163,000	13,255,000	(13,194,000)	792,000	182,016,000
Library materials	84,215,000	3,035,000	(239,000)	—	87,011,000
	<u>860,338,000</u>	<u>19,156,000</u>	<u>(13,897,000)</u>	<u>18,469,000</u>	<u>884,066,000</u>
Total depreciable capital assets					
Less accumulated depreciation:					
Land improvements	21,165,000	2,476,000	—	—	23,641,000
Buildings and improvements	221,010,000	15,845,000	(245,000)	—	236,610,000
Leasehold improvements	424,000	48,000	—	—	472,000
Equipment	133,550,000	13,847,000	(12,712,000)	—	134,685,000
Library materials	56,268,000	5,324,000	(239,000)	—	61,353,000
	<u>432,417,000</u>	<u>37,540,000</u>	<u>(13,196,000)</u>	<u>—</u>	<u>456,761,000</u>
Total accumulated depreciation					
Net depreciable capital assets	<u>427,921,000</u>	<u>(18,384,000)</u>	<u>(701,000)</u>	<u>18,469,000</u>	<u>427,305,000</u>
Total capital assets, net					
	<u>\$ 470,994,000</u>	<u>54,138,000</u>	<u>(1,767,000)</u>	<u>—</u>	<u>523,365,000</u>

Interest expense capitalized, net of related interest income for the System, was \$2,430,000 and \$738,000 for the years ended June 30, 2008 and 2007, respectively.

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**(8) Accrued Liabilities**

The current accrued liabilities balances as of June 30, 2008 and 2007 were comprised of:

	<b>June 30</b>	
	<b>2008</b>	<b>2007</b>
Accrued payroll and benefits	\$ 53,888,000	45,925,000
Emergency firefighting accrual	6,728,000	6,154,000
Accrued interest payable	4,498,000	1,592,000
Other liabilities	1,394,000	172,000
	\$ 66,508,000	53,843,000

**(9) Long-term Liabilities**

Long-term liability activity for the year ended June 30, 2008 was as follows:

	<b>Balance July 1, 2007</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2008</b>	<b>Amounts due within one year</b>
Bonds and capital lease obligations:					
Revenue bonds and COPs payable	\$ 112,220,000	297,129,000	(40,246,000)	369,103,000	6,735,000
Capital leases payable	6,032,000	2,603,000	(1,452,000)	7,183,000	1,251,000
Total bonds and capital leases	118,252,000	299,732,000	(41,698,000)	376,286,000	7,986,000
Other liabilities:					
Compensated absences	34,249,000	3,536,000	—	37,785,000	2,207,000
Deposits held for others	10,195,000	5,871,000	(2,559,000)	13,507,000	4,653,000
Other	10,489,000	3,106,000	(816,000)	12,779,000	3,556,000
Total long-term liabilities	\$ 173,185,000	312,245,000	(45,073,000)	440,357,000	18,402,000

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Long-term liability activity for the year ended June 30, 2007 was as follows:

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2007</u>	<u>Amounts</u> <u>due within</u> <u>one year</u>
Bonds and capital lease obligations:					
Revenue bonds and COPs payable	\$ 118,071,000	—	(5,851,000)	112,220,000	5,910,000
Capital leases payable	7,232,000	317,000	(1,517,000)	6,032,000	1,096,000
Total bonds and capital leases	125,303,000	317,000	(7,368,000)	118,252,000	7,006,000
Other liabilities:					
Compensated absences	31,535,000	2,714,000	—	34,249,000	2,156,000
Deposits held for others	12,259,000	19,557,000	(21,621,000)	10,195,000	2,801,000
Other	10,086,000	20,093,000	(19,690,000)	10,489,000	2,614,000
Total long-term liabilities	<u>\$ 179,183,000</u>	<u>42,681,000</u>	<u>(48,679,000)</u>	<u>173,185,000</u>	<u>14,577,000</u>

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

The revenue bonds consist of multiple issues to finance 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 contain optional redemption provisions. The optional redemption provisions allow the System to redeem at various dates, portions of the outstanding revenue bonds at prices varying from 100% to 101% of the principal amount of the revenue bonds redeemed. Payment of the principal and interest on the bonds is insured by various financial guarantee insurance policies.

On June 12, 2008, the System issued \$83,300,000 in System Enterprise Revenue Bonds, Series 2008A. The proceeds from the sale of the Series 2008A will be used to defray the costs of constructing, acquiring, renovating, expanding, and equipping certain facilities at CSU. The improvement projects include the Academic Village Phase 1B, the Lake Street Parking Garage, the Student Recreation Center and the Academic Computing Center.

On September 6, 2007, the System issued \$210,000,000 in System Enterprise Revenue Bonds, Series 2007A-C. The proceeds from the sale of the Series 2007A-C Bonds will be used to defray the costs of constructing, acquiring, renovating, expanding, and equipping buildings and facilities at CSU and CSU-Pueblo in addition to refunding all or a portion of certain outstanding bonds. These improvement projects will include the CSU Academic Instruction Building, Computer Science Building, Research Innovation Center, Athletics Facilities, University Center for the Arts, Rockwell Hall Addition, Research Building Revolving Fund Multi-Scale Modeling of Atmospheric Process (RBRF MMAP) Building, Chiller Plant, Greenhouse and Research Space, Animal Research Infrastructure, Research Campus Renovations, and the Student Recreation Center at CSU-Pueblo.

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June 30, 2008 and 2007

A general description of each bond issue, original issuance amount, and the amount outstanding as of June 30, 2008 and 2007 is detailed below.

Revenue bonds and COPs payable consisted of the following at June 30, 2008 and 2007:

	<u>Interest range</u>	<u>2008</u>	<u>2007</u>
Colorado State University:			
Colorado State University Student Sports Recreational Facilities Bonds of 1998, issued in the original amount of \$2,785,000 and mature in varying annual amounts to April 2017. Advance refunded with 2007B bond.	3.80% - 5.13%	\$ —	1,755,000
Colorado State University Auxiliary Facilities Bonds of 1996, issued in the original amount of \$17,380,000 and mature in varying annual amounts to March 2008. Current refunded with 2007B bond.	3.80% - 5.60%	—	525,000
Colorado State University Auxiliary Facilities Bonds of 1997, issued in the original amount of \$13,420,000 and mature in varying annual amounts to March 2017. Current refunded with 2007B bond.	3.85% - 5.13%	—	11,365,000
Colorado State University Research Building and Revolving Fund Bonds of 1997, issued in the original amount of \$4,420,000 and mature in varying annual amounts to December 2008. Current refunded with 2007B bond.	4.00% - 4.60%	—	1,045,000
Colorado State University Research Building and Revolving Fund Bonds of 2001, issued in the original amount of \$6,965,000 and mature in varying annual amounts to December 2010. Current refunded with 2007B bond.	3.85% - 4.30%	—	3,145,000
Colorado State University Auxiliary Facilities Bonds of 2003A, issued in the original amount of \$15,615,000 and mature in varying annual amounts to March 2017. \$3,610,000 advance refunded with 2007B bond.	2.50% - 5.25%	8,430,000	12,955,000

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	<u>Interest range</u>	<u>2008</u>	<u>2007</u>
Colorado State University Auxiliary Facilities Bonds of 2003B, issued in the original amount of \$20,535,000 and mature in varying annual amounts to March 2035.	2.50% - 5.00%	\$ 19,390,000	19,780,000
Colorado State University Research Building and Revolving Fund Bonds of 2005A, issued in the original amount of \$10,045,000 and mature in varying annual amounts to December 2020. Advance refunded with 2007B bond.	3.25% - 5.00%	—	9,535,000
Colorado State University Auxiliary Facilities Bonds of 2005B, issued in the original amount of \$45,200,000 and mature in varying annual amounts to March 2035.	3.50% - 5.00%	45,200,000	45,200,000
Colorado State University – Pueblo: Recreational Facilities and Occiato Student Center Bonds of 2003, issued in the original amount of \$3,625,000 and mature in varying annual amounts to August 2011.	2.0 to 3.25%	1,885,000	2,330,000
Colorado State University System: Colorado State University System Enterprise Revenue Bonds of 2007A, issued in the original amount of \$160,665,000 and mature in varying annual amounts to March 2037.	4.625% - 5.250%	160,665,000	—
Colorado State University System Enterprise Revenue Bonds of 2007B, issued in the original amount of \$34,260,000 and mature in varying annual amounts to March 2021.	4.00% - 5.00%	30,400,000	—
Colorado State University System Enterprise Revenue Bonds of 2007C, issued in the original amount of \$15,120,000 and mature in varying annual amounts to March 2020.	5.883%	15,120,000	—

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	<b>Interest Range</b>	<b>2008</b>	<b>2007</b>
Colorado State University System Enterprise Revenue Bonds of 2008A, issued in the original amount of \$83,285,000 and mature in varying annual amounts to March 2028	3.00% - 5.00%	\$ 83,285,000	—
Unamortized bond premium		4,728,000	1,380,000
Total System Bonds		369,103,000	109,015,000
Series 1997 Certificates of Participation:			
Colorado State University has a lease purchase agreement funded by issuance of certificates of participation (COPS) for finance or refinance of construction, other acquisition and equipping of buildings with a value of \$4,670,000. The COPS bear interest ranging from 4.25% to 5.35%, payable semiannually with a final maturity in 2018.			
Current refunded with 2007B bond	4.25% - 5.35%	—	3,205,000
Total CSU certificates of participation		—	3,205,000
Total System revenue bonds and certificates of participation		\$ 369,103,000	112,220,000

The scheduled maturities of the revenue bonds are as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Total Payments</b>
2009	\$ 6,735,000	16,385,000	23,120,000
2010	6,360,000	17,293,000	23,653,000
2011	6,555,000	17,059,000	23,614,000
2012	6,785,000	16,815,000	23,600,000
2013	7,145,000	16,576,000	23,721,000
2014-2018	40,725,000	77,879,000	118,604,000
2019-2023	51,705,000	66,881,000	118,586,000
2024-2028	66,035,000	52,633,000	118,668,000
2029-2033	83,865,000	34,744,000	118,609,000
2034-2038	88,465,000	11,923,000	100,388,000
Total debt service maturities	364,375,000	328,188,000	692,563,000
Unamortized premium	4,728,000		
Total	\$ 369,103,000		

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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 a pledge of 10% of all net revenues derived at the System from charges to students for the provision of general instruction by the System, 80% of the CSU facilities fee, 100% of the CSU-P facilities fee, 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. The pledge also includes the remaining pledged auxiliary revenue after current year debt service requirements on the 2003A, 2003B, and 2005B bonds. 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.

In connection with the execution and delivery of the above-referenced Bonds, the Board hereby provides notice of rating changes. The 2003A and B bonds are insured by Ambac Financial Group (“Ambac”), Inc. Finch, Inc. has removed its ratings on Ambac, Moody’s Investors Service has downgraded the financial strength rating of Ambac from “Aaa” to “Aa3”, and Standard & Poor’s Ratings Services has lowered its financial strength rating on Ambac from “AAA” to “AA”. The 2005B, 2007A, 2007B, and 2007C bonds are insured by Financial Guaranty Insurance Company (“FGIC”). Finch, Inc downgraded the insurer financial strength of FGIC from “BBB” to “CCC” and placed the rating on Rating Watch Evolving, Moody’s Investors Service has downgraded the insurance financial strength of FGIC from “Baa3” to “B1”, and Standard & Poor’s Ratings Services has had several rating actions on FGIC culminating in the current financial strength rating of “BB”. The 2008A bonds are insured by Financial Security Assurance (“FSA”). Moody Investors Service has placed its “Aaa” rating of FSA’s financial strength on review for possible downgrade and Standard & Poor’s Ratings Services has revised its outlook on FSA to negative from stable and affirmed its “AAA” rating.

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### (11) Defeased Obligations

Of the Series 2007A-C bonds issued September 6, 2007, the System issued \$34,260,000 in System Enterprise Revenue Bonds with an average interest rate of 4.4008% used to advance refund \$34,185,000 million of outstanding bonds with an average interest rate of 4.7205%. The following is a list of bonds and certificates of participation that were completely refunded: Auxiliary Facilities Enterprise Refunding and Improvement Bonds, Series 1996; Auxiliary Facilities Enterprise Refunding and Improvement Bonds, Series 1997; Research Building Revolving Fund Enterprise 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; and Research Building Revolving Fund Enterprise Revenue Bonds, Series 2005A. The Enterprise System Refunding and Improvement Revenue Bonds, Series 2003A were partially refunded. Net proceeds of \$34,458,000 were deposited with an escrow agent and will be used to purchase certain United States governmental obligations. The principal and interest from the United States 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 on the Statement of Net Assets.

The System refunded the above-mentioned bonds and COPs to reduce its total debt service payments over the next 14 years by \$641,000 and obtain an economic gain (difference between the present value of the debt service payments on the old debt and new debt) of \$312,000.

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

#### Sources

Principal amount of new debt	\$ 34,260,000
Net original issue premium	359,000
Total sources of funds	<u>\$ 34,619,000</u>

#### Uses

Refunding escrow deposits	\$ 34,458,000
Issuance costs	161,000
Total uses of funds	<u>\$ 34,619,000</u>

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Calculation of difference in cash flow requirements and economic gain:

Cash flow difference

Old debt service cash flows	\$	42,921,000
Less: New debt service cash flows		42,280,000
	\$	<u>641,000</u>

Economic gain

Present value of old debt service cash flows	\$	34,413,000
Less: Present value of new debt service cash flows		33,940,000
Less: Issuance costs		161,000
	\$	<u>312,000</u>

Issuance costs were as follows:

Cost of Issuance		6,000
Underwriter's Discount		94,000
FGIC Insurance		59,000
Other Uses of Funds		2,000
	\$	<u>161,000</u>

### (12) Pledged Revenues and Related Expenses

In 2008, the System adopted GASB 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. GASB 48, among other things, provides disclosure requirements for future revenues that are pledged. Adoption of GASB 48 had no effect on the System's beginning net assets as of July 1, 2007 or on its increase in net assets for the year ended June 30, 2008.

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CSU and CSU-P 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 Research Building Revolving Fund Enterprise Revenue Bonds:**

Refunded with the 2007B bond issue which is pledged by the System Enterprise revenue and now encompasses RBRF.

	<b>June 30</b>	
	<b>2008</b>	<b>2007</b>
Operating revenues – pledged auxiliary revenues	\$ -	3,747,000
Operating expenses	-	1,155,000
Pledged revenues over operating expenses	-	2,592,000
Net nonoperating expenses	-	(311,000)
Other revenues and transfers	-	(4,126,000)
Net (decrease)	\$ -	(1,845,000)

The debt covenants for the above bonds require indirect cost recoveries from research-related grants to be pledged. The pledged revenue reported above includes \$2,447,000 in indirect cost recoveries for the fiscal year ended June 30, 2007, 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 \$36,454,000 for the fiscal year ended June 30, 2007.

**CSU Enterprise System Refunding and Improvement Revenue Bonds (including Auxiliary Facilities Refunding and Improvement Revenue Bonds and Student Sports Recreational Facilities Revenue Bonds):**

Pledged by auxiliary revenues.

	<b>June 30</b>	
	<b>2008</b>	<b>2007</b>
Operating revenues – pledged auxiliary revenues	\$ 89,850,000	80,805,000
Operating expenses	79,254,000	76,088,000
Pledged revenues over operating expenses	10,596,000	4,717,000
Net nonoperating expenses	(6,396,000)	(985,000)
Other revenues and transfers	12,269,000	31,000
Net increase	\$ 16,469,000	3,763,000

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Colorado State University - Pueblo Auxiliary Facilities Enterprise Refunding and Improvement Revenue Bonds:

Pledged by auxiliary revenues.

	June 30	
	2008	2007
Operating revenues – pledged auxiliary revenues	\$ 9,181,000	10,098,000
Operating expenses	5,722,000	5,606,000
Pledged revenues over operating expenses	3,459,000	4,492,000
Net nonoperating expenses	—	—
Other revenues and transfers	3,103,000	(699,000)
Net increase	\$ 6,562,000	3,793,000

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

Pledged by 10% System tuition revenues, 80% CSU facilities fees revenues, 100% CSU-P facilities fees revenues, CSU research building revolving fund revenues, and remaining auxiliary revenue after current year debt service requirements for the 2003A, 2003B, and 2005B bond issues.

	June 30	
	2008	2007
Operating revenues	\$ 33,534,000	N/A
Operating expenses	2,404,000	N/A
Pledged revenues over operating expenses	31,130,000	
Net nonoperating revenues	4,215,000	N/A
Other revenues and transfers	67,569,000	N/A
Net increase	\$ 102,914,000	

The debt covenants for the above bonds require indirect cost recoveries from research-related grants to be pledged. The pledged revenue reported above includes \$2,768,000 in indirect cost recoveries for the fiscal year ended June 30, 2008, which is the amount of actual cost recoveries used to support the related bond activity. The remaining amount of indirect cost recoveries required to be pledged is \$39,706,000 for the fiscal year ended June 30, 2008.

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

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#### (13) Capital Lease Obligations

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

	<b>Total</b>
Fiscal year ending June 30:	
2009	\$ 1,547,000
2010	1,335,000
2011	1,250,000
2012	1,044,000
2013	897,000
2014-2018	2,275,000
Minimum future lease payments	8,348,000
Less amount representing interest	1,165,000
Present value of minimum lease payments	\$ 7,183,000

Capital lease agreements have been utilized to provide for the use of property and equipment. As of June 30, 2008 and 2007, respectively, the System had capital lease obligations in effect with capitalized asset costs of \$13,745,000 and \$11,739,000; accumulated depreciation of \$2,813,000 and \$2,698,000; and related outstanding liabilities of \$7,183,000 and \$6,032,000.

#### (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.

	<b>Future minimum obligations for operating leases</b>
Fiscal year ending June 30:	
2009	\$ 793,000
2010	525,000
2011	120,000
2012	109,000
2013	32,000
2014-2018	—
Total	\$ 1,579,000

Rent expense was \$1,091,000 and \$1,482,000 for fiscal years 2008 and 2007, respectively.

# Colorado State University System

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### (15) Net Assets

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 \$25,980,000 and \$25,439,000 and are reported as restricted net assets - expendable on the financial statements as of June 30, 2008 and 2007, 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 amounts so restricted of \$25,749,000 and \$19,974,000 are reported as restricted net assets - expendable on the financial statements as of June 30, 2008 and 2007, respectively.

Colorado Revised Statute 23-31-135 requires a support fee to be annually assessed to cooperative state or accountable students in the System's professional veterinary medicine program. The statute specifies that this fee must be credited to a reserve account and used for renovation projects and for the acquisition or replacement of equipment. As of June 30, 2008 and 2007, this reserve had net assets of \$1,875,000 and \$1,676,000, respectively. These amounts were reported as restricted net assets - expendable on the statements of net assets.

Total restricted net assets were as follows:

	<b>2008</b>	<b>2007</b>
Restricted for nonexpendable purposes:		
Scholarships, research, and other	\$ 13,200,000	14,671,000
Federal Land Grant Act Account – nonexpendable	6,159,000	5,233,000
Total	19,359,000	19,904,000
Restricted for expendable purposes:		
Federal Land Grant Act Income Account – expendable	5,448,000	4,779,000
Student loans	25,980,000	25,439,000
Sponsored programs	1,109,000	1,582,000
Gifts	1,753,000	1,865,000
Bond reserves	—	1,300,000
Auxiliary pledged net assets	25,749,000	19,974,000
Tuition and fee pledged assets	7,724,000	—
Research Building Revolving Fund	3,401,000	3,718,000
Equipment reserve for Vet Med	1,875,000	1,676,000
Other	5,128,000	3,285,000
Total	\$ 78,167,000	63,618,000

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Although other amounts reflected in unrestricted net assets 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 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. Also, as of June 30, 2008 and 2007, the Foundation's board has designated \$21,453,000 and \$25,695,000, respectively, of the unrestricted net assets to be used for board-designated endowments.

### (16) Commitments

Outstanding purchase order commitments against future funds not reflected in the financial statements at June 30, 2008 were \$76,478,000. These outstanding purchase order commitments included \$45,278,000 of System capital construction commitments. Approximately \$2,108,000 of the capital construction commitments were for the CSU Academic Village, \$891,000 for renovation of the CSU University Center For The Arts, \$778,000 for the CSU Bio Environmental Research Building, \$2,362,000 for the CSU Athletics Indoor Practice Facility, \$6,185,000 for the CSU Research Innovation Center, \$2,608,000 for the CSU Atmospheric Science Facility, \$6,335,000 for the CSU Diagnostic Medical Center, \$2,475,000 for the CSU Computer Science Building, \$1,506,000 for the CSU Linear Accelerator, \$5,499,000 for the CSU Academic Instruction Building, and \$3,332,000 for the CSU-P Recreation Center. The remaining capital construction commitments are for other small projects at CSU and CSU-P. Of the remaining non-capital purchase order commitments in the amount of \$31,200,000, \$21,455,000 were related to CSU-sponsored contracts and grants. In addition to these purchase order commitments, the System had contracted obligations of \$26,521,000 at June 30, 2008 related to employment hiring incentives and shared costs on long-term federal revenue contracts. The hiring incentives arise in recruiting faculty and research scientists whereby the System 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 System upon acceptance of the employment offer. The shared cost obligations arise in connection with federal contracts and grants in which the System agrees to pay for certain costs beyond what would otherwise be reimbursed by the sponsor under the contract or grant. Although the System can exercise cancellation clauses to avoid these shared cost obligations, the System 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, 2008 were:

Purchase order commitments	\$ 76,478,000
Shared cost obligations on long-term revenue contracts	9,806,000
Obligations under accepted employment offers	<u>16,715,000</u>
Total	<u>\$ 102,999,000</u>

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## (17) Employment Benefits

In 2008, the System adopted GASB 50, *Pension Disclosures—an Amendment of GASB Statements No. 25 and No. 27*. GASB 50, among other things, provides standards for the required note disclosures for defined benefit pension plans. Adoption of GASB 50 had no effect on the System's beginning net assets as of July 1, 2007 or on its increase in net assets for the year ended June 30, 2008.

Employees of the System, eligible for retirement benefits, participate in one of three retirement plans. Eligible student employees participate in a student retirement plan, which is funded solely by contributions from the student employees. All other eligible employees of the System participate in one of two additional plans, the Public Employees' Retirement Association (PERA) plan or an optional defined contribution plan.

The System's total payroll for the fiscal years ended June 30, 2008 and 2007 was \$444,901,000 and \$414,105,000, respectively. Payroll for employees covered by the PERA plan, the optional defined contribution plan, and the student retirement plan was \$155,183,000, \$225,825,000, and \$6,739,000 respectively, for the fiscal year ended June 30, 2008 and \$148,102,000, \$203,754,000, and \$6,667,000 respectively, for the fiscal year ended June 30, 2007. The remaining employees were not eligible for participation in any of the System's plans.

### (a) *PERA Defined Benefit Pension Plan*

#### **Plan Description**

Eligible System employees participate in PERA. The plan's purpose is to provide income to members and their families at retirement or in 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 Board of Trustees of PERA. Changes to the plan require legislation by the General Assembly. The state plan, as well as the other divisions' plans, are included in PERA's financial statements which may be obtained by writing to PERA of Colorado, P.O. Box 5800, Denver, Colorado 80217 or by calling PERA at 1-800-759-PERA (7372), or by visiting [www.copera.org](http://www.copera.org).

Prior to January 1, 2006, state employees and employees of local school districts were members of the combined State and School Division of PERA. On January 1, 2006, that combined division was segregated into a State Division and a separate School Division. PERA's financial statements at December 31, 2005, presented the state and school portions of the trust as a single division.

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Plan members vest after five years of service, and if they were hired before July 1, 2005, most are eligible for retirement benefits at age 50 with 30 years of service, age 60 with 20 years of service, or at age 65 with five years of service. Persons on or after July 1, 2005, (except plan members, inactive plan members, and retirees) are eligible for retirement benefits at any age with 35 years of service, at age 55 with 30 years of service, at age 60 with 20 years of service, or at age 65 with 5 years of service. Members are also eligible for retirement benefits without a reduction for early retirement if they are at least 55 and have a minimum of five years of service credit, and their age plus years of service equals 80 or more. Monthly benefits are calculated as a percentage of highest average salary (HAS). HAS is one-twelfth of the average of the highest salaries on which contributions were paid, associated with three periods of twelve consecutive months of service credit. Members disabled, who have five or more years of service credit, six months of which has been earned since the most recent period of membership, may receive retirement benefits if determined to be disabled. PERA contains benefit provisions for both short and long term disability. If a member dies before retirement, his/her spouse or their eligible children under age 18 (23 if full-time student) are entitled to monthly benefit payments. If there is no eligible spouse, financially dependent parents will receive a survivor's benefit.

### **Funding Policy**

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

Employees contribute 8% of their gross covered wages to an individual account with the plan. During fiscal year 2007 – 2008, 2006 – 2007, and 2005 – 2006, the System contributed 10.15% of employees' gross covered wages to PERA of which 1.02% of the total contribution was allocated to the Health Care Trust Fund. Beginning January 1, 2006, in addition to the 10.15% contributed on employees' gross covered wages, the System remitted an Amortization Equalization Disbursement (AED) payment, discussed below, of 0.5% of employees', including annuitant retirees, gross covered wages.

Per Colorado Revised Statutes, an amortization period of 30 years is deemed actuarially sound. At December 31, 2005, the State and School Division of PERA was underfunded with an infinite amortization period, which means that the unfunded actuarially accrued liability would never be fully funded at the current contribution rate.

In the 2004 legislative session, the general assembly authorized an Amortization Equalization Disbursement (AED) to address a pension-funding shortfall. The AED requires PERA employers to pay an additional 0.5% of salary beginning January 1, 2006, another 0.5% of salary in 2007, and subsequent year increases of 0.4% of salary until the additional payment reaches 3.0% in 2012.

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In the 2006 legislative session, along with other significant provisions affecting the plan, 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 paid beginning January 1, 2008. The SAED is scheduled to increase by one half percentage points through 2013 resulting in a cumulative increase of three percentage points. The SAED will be terminated when each division's trust fund reaches 100 percent funding. For state employers, each year's one half percentage point increase in the SAED will be deducted from the amount of changes to state employees' salaries and used by the employer to pay the SAED.

The System's contributions to PERA for the fiscal years ended June 30, 2008, 2007, and 2006 were \$18,001,000, \$16,141,000, and \$14,978,000, respectively. These contributions were equal to the contribution requirement.

**(b) *Voluntary Tax-Deferred Retirement Plans***

PERA offers a voluntary 401(k) plan entirely separate from the defined benefit pension plan. The state offers a 457 deferred compensation plan and institutions of the state offer a 403(b) or 401(a) plan.

**(c) *Defined Contribution Pension Plan***

Under the optional defined contribution plan, eligible faculty, administrative professionals, post doctoral fellows and veterinary interns of the System enrolled in the defined contribution plan as an alternative to PERA. Three vendor choices are offered at CSU through the defined contribution plan: Teachers Insurance and Annuity Association (TIAA), Variable Annuity Insurance Corporation (VALIC), and Fidelity Investments/MetLife. Eligible faculty and staff at CSU-P do not have the Fidelity Investments/MetLife option available. The defined contribution retirement plans are established pursuant to state statute (24-54.5-101 to 24-54.5-107 C.R.S). The CSU plan was adopted by the Board in December 1992 and the CSU-P 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-P are the administrators of the plan. All participants contribute the required 8% of eligible salary. As required, CSU provides a matching contribution of 9% of eligible salary for all "permanent" appointees (those with regular and special 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-P provides a matching contribution of 11.1%, 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 vendors. The System's aggregate contribution to the above three vendors was equal to 8.7% of covered payroll or \$19,678,000 for the fiscal year ended June 30, 2008 and 8.7% of covered payroll or \$17,649,000 for the fiscal year ended June 30, 2007. The employee aggregate contribution to the above three vendors was equal to 8.0% of covered payroll or \$18,066,000 for the fiscal year ended June 30, 2008 and 8.0% of covered payroll or \$16,300,000 for the fiscal year ended June 30, 2007.

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A Federal retirement program covers some employees employed by the CSU Extension. The System's contribution to this plan for the fiscal years ended June 30, 2008 and 2007 was \$239,000 and \$217,000, respectively.

**(d) *Student Employee Retirement Program***

Eligible student employees contribute 7.5% of covered payroll to the student employee retirement program (SERP). The SERP is funded entirely through employee contributions with no employer match. The SERP is a mandatory plan for all student employees who are enrolled at CSU but are not classified as a half-time student or greater. The SERP was established pursuant to state statute (24-54.6-101 through 24-54.6-106 C.R.S.) as a mandatory nonqualified plan under 403(b) of the IRC in lieu of mandatory old age, survivors, and disability insurance (OASDI) coverage. The plan administrator is the "Committee". This Committee is comprised of thirteen individuals representing participating state institutions of higher education and one representative appointed by the Colorado student association. All contributions are vested immediately and are participant-directed within the funds available through the one vendor for the SERP, TIAA-CREF. The contribution by student employees for the fiscal years ended June 30, 2008 and 2007 was \$505,000 and \$500,000, respectively. The System is not liable for any matching contributions to the student employee retirement program.

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

The System's contribution to the various health insurance programs was \$10,500,000 and \$8,646,000 for the fiscal years ended June 30, 2008 and 2007, 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. CSU carries excess insurance for general liability and workers' compensation claims over \$500,000 per occurrence, including claims arising from employment practices. CSU self-insures for property insurance claims less than \$100,000 per occurrence with a \$1,000 deductible per occurrence paid by the University department incurring the loss. CSU purchases property insurance with limits of \$1 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, TULIP (Tenant User Liability Insurance Program), and self-insures for in state auto insurance.

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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, long-term disability, short-term disability, and an unallocated reserve fund. CSU contracts claims processing and other day-to-day operations of the self-funded benefit plans to various third-party administrators. Program funding is derived from premiums paid by benefit plan participants. The self-funded benefit plans are fully self-insured except for healthcare coverage, which is reinsured for plan expenses above \$200,000 in claims per covered employee per year. The Unallocated Reserve Account is a general contingency fund for miscellaneous and unanticipated expenses of the other health-related accounts. CSU also provides post-retirement healthcare premium subsidies to faculty and administrative professional retirees. The post-retirement healthcare premium subsidies and the Umbrella prescription plan are funded by CSU contributions.

The amount of claims and administrative costs for the self-funded plans for FY08 and FY07 did not exceed plan revenues and reserves.

Exempt employees may select from various benefit plans and may elect to make certain contributions in the form of a pre-tax salary reduction.

The above health-related programs, had estimated claim liabilities of \$11,907,000 and \$8,561,000 at June 30, 2008 and 2007, respectively, which includes 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, and industry guidelines.

In addition to these claims, workers' compensation had estimated claim liabilities of \$4,564,000 at June 30, 2008 and 2007. Liability self-insurance had estimated claim liabilities of \$1,327,000 and \$828,000, at June 30, 2008 and 2007, respectively. Property self-insurance had no estimated claim liabilities at June 30, 2008 and 2007. These estimates are based on current data and actuarial reports. The estimate for workers' compensation has not changed since receipt of the actuarial report was delayed due to contract negotiations.

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

	<u>2008</u>	<u>2007</u>
Claim liabilities, beginning of year	\$ 13,953,000	11,742,000
Incurred claims (including IBNR)	29,104,000	22,664,000
Claim payments	<u>(25,259,000)</u>	<u>(20,453,000)</u>
Claim liabilities, end of year	<u>\$ 17,798,000</u>	<u>13,953,000</u>

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### (19) Postemployment 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 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 PO Box 5800, Denver, Colorado 80217, by calling PERA at 1-800-759-PERA (7372), or by visiting <http://www.copera.org>.

The plan is a cost-sharing multiple-employer plan under which PERA subsidizes a portion of the monthly premium for health care coverage. The benefit recipient pays any remaining amount of that premium through an automatic deduction from the monthly retirement benefit. Effective July 1, 2000, the maximum monthly subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; and \$115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The maximum subsidy is based on the recipient having 20 years of service credit, and is subject to reduction by 5% for each year less than 20 years.

The Health Care Trust Fund was maintained by an employer's contribution of 1.02% of covered salary. The System paid \$1,452,130 into this fund during fiscal year 2008 and \$1,511,000 during fiscal year 2007. In each year the amount contributed was 100 percent of the required contribution. Monthly premium costs for participants depend on the healthcare plan selected, the number of persons being covered, Medicare eligibility, and the number of years of service credit. 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, 2007, there were 44,214 enrollees in the plan. At December 31, 2007, the plan had an unfunded actuarial liability of \$1.045 billion, a funded ratio of 19.9 percent, and a 38-year amortization period.

#### (b) *Other Post Retirement Benefits (OPEB) – CSU*

##### **Change in Accounting Principle**

During the fiscal year ended June 30, 2008, the System implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement improves the relevance and usefulness of financial reporting by requiring systematic, accrual-basis measurement and recognition of OPEB cost over a period that approximates employees' years of service and providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan.

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## Plan Descriptions

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

**DCP Subsidy** - 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 less than one year of participation in PERA or employees with such previous participation in PERA who elect to enroll in the DCP at the time of appointment and certain employees hired prior to that date who made a one time, irrevocable election at the time of implementation to terminate participation in PERA and join the DCP. The plan is administered by American Administrators Group.

The DCP Subsidy is a revocable trust whereby the plan funds are restricted to expenditures necessary and appropriate to fulfilling the purpose of the plan. On an annual basis, CSU provides funding equal to 1% of covered participant's payroll. To the extent the funds are not utilized in covering benefits, they are maintained in the revocable trust. The funds available to cover the plan benefits were \$21,786,301 and \$19,275,000 for the years ended June 30, 2008 and 2007, respectively. Contributions into the program totaled \$1,997,936 and \$1,799,000 for the years ended June 30, 2008 and 2007, respectively. Total amounts paid by CSU to retirees for this healthcare subsidy were \$485,555 and \$439,000 for 2008 and 2007, respectively. As of June 30, 2008 and 2007, 237 and 206 former employees, respectively, were qualified to receive such benefits.

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**PERA Subsidy** – University faculty and nonclassified staff participating in the PERA retirement plan who retire from the University with at least ten years of University service, are eligible to receive a subsidy. 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 the Colorado Public Employees' Retirement Association (PERA) which bills CSU on a monthly basis for the applicable premiums. In conjunction with the implementation of GASB 45, funds equal to the OPEB obligation at June 30, 2008 have been set aside in an internal service fund the amount of \$2,676,533 to cover future plan benefits. Prior to 2008, this plan was funded on a pay-as-you-go basis. The average number of beneficiaries of this subsidy was 480 and 474 for fiscal years 2008 and 2007, respectively. The benefit paid by the University was \$1,091,552 and \$1,000,000, for fiscal years 2008 and 2007, respectively.

**Rx Subsidy** - 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. PERA provides a prescription insurance program through Caremark for retirees enrolled in any medical insurance plan. The Caremark 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 Caremark's mail order pharmacy, and whether the drug is generic or a brand-name drug. The Umbrella Rx plan reimburses the retiree for the complete cost of the prescription copay less a \$10 copay for retail and a \$20 copay per prescription for mail-order drugs. Spouses and dependents of retirees enrolled in the plan can be covered with the payment of \$44 per month for those enrolled in Medicare or \$99 per month for those not enrolled in Medicare. The plan is administered by Employee Benefit Management Services, Inc.

With the implementation of GASB 45, CSU set aside funds in an internal service fund equal to the OPEB obligation of \$130,000 at June 30, 2008. These funds added to those previously set aside have resulted in total funds available at June 30, 2008 of \$203,600 with \$74,890 being available at June 30, 2007 for this plan. Prior to 2008, the University funded the Rx Subsidy plan at the rate of \$44.00 per month per retiree enrolled in the plan. Since the program is self-funded and the costs do not usually equal this amount, a small balance was retained in the account each year to cover unexpected overages. Funds provided to the program were \$264,000 and \$154,000 for the years ended June 30, 2008 and 2007, respectively. Plan members were reimbursed \$134,000 and \$143,000 for the years ended June 30, 2008 and 2007, respectively.

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### Funding Policy, Status, Progress, and Annual OPEB Cost

Contribution requirements are established and may be amended by the Board of Governors of the Colorado State University System. 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 liabilities over a period not to exceed thirty years. Fiscal 2008 is the year of transition and CSU has 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 has set aside funds to cover future benefits in varying amounts, however under GASB 45 in order to consider the assets available to the plan they must be segregated and restricted in a trust or equivalent arrangement. CSU's annual OPEB cost for 2008 and the related information for each plan are as follows:

	DCP <u>Subsidy</u>	PERA <u>Subsidy</u>	Rx <u>Subsidy</u>
Actuarial accrued liability (a)	\$ 22,080,000	54,012,000	4,267,000
Actuarial value of plan assets (b)	-	-	-
Unfunded actuarial accrued liability (a) - (b)	<u>\$ 22,080,000</u>	<u>54,012,000</u>	<u>4,267,000</u>
Funded Ratio (a)/(b)	0%	0%	0%
Covered payroll (c)	\$ 199,794,000	N/A	N/A
Unfunded actuarial accrued liability as a percentage of covered payroll [(a) - (b)]/(c)	11.1%	N/A	N/A
Contribution rates:			
CSU	Pay-as-you-go	Pay-as-you-go	Pay-as-you-go
Participants	N/A	N/A	\$0-\$99 depending upon eligibility status
Annual required contribution (OPEB Cost)	\$ 1,998,000	3,768,000	264,000
Contributions Made	<u>(486,000)</u>	<u>(1,092,000)</u>	<u>(134,000)</u>
Increase in Net OPEB obligation and net OPEB obligation - end of year	<u>\$ 1,512,000</u>	<u>2,676,000</u>	<u>130,000</u>
Percentage of OPEB Cost Contributed	<u>24.3%</u>	<u>29.0%</u>	<u>50.8%</u>
Assets held within internal service funds - revocable trusts for future plan benefits	<u>\$ 21,786,301</u>	<u>2,676,533</u>	<u>203,600</u>

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

### 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 members 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:

	<u>DCP</u> <u>Subsidy</u>	<u>PERA</u> <u>Subsidy</u>	<u>Rx</u> <u>Subsidy</u>
Valuation Date	1/1/2007	1/1/2007	1/1/2008
Actuarial Cost Method	Entry Age Normal	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Pay	Level Dollar	Level Dollar
Remaining Amortization Period	30 Years, open	30 Years, closed	30 Years, closed
Asset Valuation Method	Unfunded	Unfunded	Unfunded
Actuarial Assumptions			
Investment Rate of Return	4.00%	4.00%	4.00%
Inflation Rate	3.00%	3.00%	3.00%
Salary Increase Rate	4.00%	4.00%	4.00%
Healthcare Cost Trend Rate	9% initial, 5% ultimate	9% initial, 5% ultimate	N/A

**(c) Other Postemployment Benefits (OPEB)**

CSU-P – 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% of the health insurance cost. As of June 30, 2008, there were 34 participants in the plan, of which 3 were CSU-P retirees.

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

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

**(d) Life Insurance Program**

During fiscal year 2008, PERA provided its members 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 Absence 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, 2008 and 2007 was \$37,785,000 and \$34,249,000, respectively.

Overall, expenses increased for the fiscal years ended June 30, 2008 and 2007 by \$3,536,000 and \$2,714,000, respectively, for the estimated compensated absence liabilities.

**(21) Direct Student Financial Aid Reporting**

During the fiscal years ended June 30, 2008 and 2007, CSU 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 helps 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, 2008 and 2007 were \$95,863,000 and \$88,592,000, respectively.

## Colorado State University System

(A Component Unit of the State of Colorado)

### Notes to Basic Financial Statements

June 30, 2008 and 2007

#### (22) Scholarship Allowance

Tuition, fees and auxiliary revenues and the related scholarship allowances for the year ended June 30, 2008 were as follows:

	<b>2008</b>		
	<b>Tuition and fees</b>	<b>Auxiliary revenues</b>	<b>Total</b>
Gross revenue	\$ 289,027,000	118,781,000	407,808,000
Scholarship allowances:			
Federal	15,486,000	775,000	16,261,000
State	8,593,000	675,000	9,268,000
Private	215,000	97,000	312,000
Institutional	30,353,000	1,361,000	31,714,000
Total allowances	54,647,000	2,908,000	57,555,000
Net revenue	\$ 234,380,000	115,873,000	350,253,000

Tuition, fees, and auxiliary revenues and the related scholarship allowances for the year ended June 30, 2007 were as follows:

	<b>2007</b>		
	<b>Tuition and fees</b>	<b>Auxiliary revenues</b>	<b>Total</b>
Gross revenue	\$ 257,603,000	109,597,000	367,200,000
Scholarship allowances:			
Federal	13,461,000	638,000	14,099,000
State	7,017,000	285,000	7,302,000
Private	191,000	26,000	217,000
Institutional	25,924,000	1,209,000	27,133,000
Total allowances	46,593,000	2,158,000	48,751,000
Net revenue	\$ 211,010,000	107,439,000	318,449,000

#### (23) System Foundations and Endowments

As discussed in note 1(c), the Foundation was incorporated into the System's financial reporting entity during fiscal year 2004 as a result of adopting GASB Statement No. 39. The Colorado State University Research Foundation (CSURF) and the Colorado State University – Pueblo Foundation (CSU-P Foundation) did not meet the requirements of GASB Statement No. 39 to be incorporated into the System's financial reporting entity.

# Colorado State University System

(A Component Unit of the State of Colorado)

## Notes to Basic Financial Statements

June 30, 2008 and 2007

(a) **Colorado State University Research Foundation**

CSURF is a private, not-for-profit 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-P 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 (CSUS). The sole voting member of the nonprofit corporation is CSURF.

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 years ended June 30, 2008 and 2007, royalty revenues equaled \$820,000 and \$2,102,000, respectively, and expenses were \$558,000 and \$1,090,000, respectively.

At June 30, 2008, CSURF debt to provide buildings for use by the universities was \$4,387,000.

At June 30, 2008, the assets of CSURF consisted of:

Cash and current assets	\$	2,400,000
Property and equipment		8,408,000
Other assets		11,913,000
Total assets	\$	<u>22,721,000</u>

At June 30, 2007, CSURF debt to provide buildings for use by the universities was \$3,763,000.

At June 30, 2007, the assets of CSURF consisted of:

Cash and current assets	\$	2,004,000
Property and equipment		7,566,000
Other assets		7,942,000
Total assets	\$	<u>17,512,000</u>

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

## Colorado State University System

(A Component Unit of the State of Colorado)

### Notes to Basic Financial Statements

June 30, 2008 and 2007

(b) *Colorado State University – Pueblo Foundation*

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

CSU-P Foundation recorded \$2,462,000 and \$1,568,000 in transfers of gifts and other assets to CSU-P during fiscal year 2008 and 2007, respectively. During the same periods, CSU-P provided \$36,000 and \$114,000, respectively, in in-kind support to CSU-P Foundation for 2008 and 2007. Further, CSU-P did not incur any expenses on behalf of CSU-P Foundation during the fiscal years ended June 30, 2008 and 2007.

At June 30, 2008, the assets of CSU-P Foundation consisted of:

Cash	\$	4,503,000
Investments		13,756,000
Property and equipment, net		31,000
Other assets		4,809,000
Total assets	\$	<u>23,099,000</u>

At June 30, 2007, the assets of CSU-P Foundation consisted of:

Cash	\$	1,202,000
Investments		17,730,000
Property and equipment, net		37,000
Other assets		4,957,000
Total assets	\$	<u>23,926,000</u>

CSU-P Foundation's sources of revenue are interest earned on bank accounts and investments, donations, rental property, and fundraising activities. CSU-P Foundation had \$336,000 and \$535,000 in outstanding liabilities as of June 30, 2008 and 2007, respectively.

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

# Colorado State University System

(A Component Unit of the State of Colorado)

## Notes to Basic Financial Statements

June 30, 2008 and 2007

(c) **CSU-P Board-Designated Funds**

CSU-P manages two board-designated funds. These funds' assets and activity are reported as part of the System. Both funds retain 20% of earnings each year to build the corpus of the fund and transfer 80% of the annual earnings to CSU-P 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-P. To date, CSU-P has sold 16 parcels of land with the proceeds from the sales being placed in a board-designated fund.

The Walking Stick Fund assets at June 30, 2008 consisted of:

Cash	\$	5,405,000
Land		<u>41,000</u>
Total assets	\$	<u><u>5,446,000</u></u>

The Walking Stick Fund assets at June 30, 2007 consisted of:

Cash	\$	1,330,000
Land		<u>103,000</u>
Total assets	\$	<u><u>1,433,000</u></u>

On June 30, 2000, CSU-P 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-P, and scholarships.

The KTSC Fund assets at June 30, 2008 consisted of:

Cash	\$	2,357,000
Due from other funds		<u>125,000</u>
Total assets	\$	<u><u>2,482,000</u></u>

The KTSC Fund assets at June 30, 2007 consisted of:

Cash	\$	2,547,000
Due from other funds		<u>148,000</u>
Total assets	\$	<u><u>2,695,000</u></u>

# Colorado State University System

(A Component Unit of the State of Colorado)

## Notes to Basic Financial Statements

June 30, 2008 and 2007

### **(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 2008 and 2007 the System received \$82,669,000 and \$74,182,000, 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 2008 and 2007 stipends were provided to students attending classes at Colorado State University and Colorado State University-Pueblo in the amount of \$51,121,000 and \$49,182,000 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.

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

### **(26) Subsequent Event**

On November 6, 2008, the State Treasurer entered a lease purchase agreement under which a Trustee issued \$230,845,000 of State of Colorado Higher Education Capital Construction Lease Purchase Financing Program Certificates of Participation, Series 2008. The Certificates were issued at a net premium of \$180,940 and were a combination of serial and term maturities with the final maturity in November 2027. The Certificates carried coupon rates ranging from 3.00 percent to 5.50 percent with a total interest cost of 5.38 percent. The Certificates proceeds will be used to fund renovations, additions, and new construction at twelve state Institutions of Higher Education and were collateralized with existing properties at eleven of the twelve institutions. Legislation enacted in the 2008 session of the General Assembly authorized the lease purchase and limited the lease payments to average \$16.2 million for the first ten years and \$16.8 million for the second ten years. The legislation envisions annual appropriations of Federal Mineral Lease Program (FML) revenues to fund the semi-annual lease payments required. Total lease payments anticipated from the FML source are \$325.5 million, and three institutions will make \$42.8 million of lease payments over the life of the Certificates to fund the portion of their required project match that they elected to finance through the Certificates.

# **Colorado State University System**

(A Component Unit of the State of Colorado)

## **Notes to Basic Financial Statements**

June 30, 2008 and 2007

CSU's Clark Building Revitalization Project will have its full cost of \$2,000,000 contributed to it from the lease purchase agreement. The Howes Street Business Center is pledged as collateral. CSU-P's Academic Resource Center Building Project will have a state share of \$22,005,202 contributed to it from the lease purchase agreement. The institution COP financed match for CSU-P is \$2,797,436. The Chemistry Building and Life Science Building are pledged as collateral.

# Colorado State University System

(A Component Unit of the State of Colorado)

## Required Supplementary Information

Colorado State University Retiree Medical Premium Refund Plan (DCP) and Umbrella Rx (Rx Subsidy)

### Schedule of Funding Progress

June 30, 2008

## Required Supplementary Information

Colorado State University Retiree Medical Premium Refund Plan (DCP)

and Umbrella Rx (Rx Subsidy)

### Schedule of Funding Progress

	<u>DCP Subsidy</u>	<u>Rx Subsidy</u>
Actuarial Valuation Date	1/1/2007	1/1/2008
Actuarial value of Assets (a)	-	-
Actuarial Accrued Liability (AAL)-Entry Age (b)	22,080,000	4,267,000
Unfunded AAL (UAAL) (b-a)	22,080,000	4,267,000
Funded Ratio (a/b)	-	-
Covered Payroll (c)	199,794,000	-
UAAL as a Percentage of Covered Payroll ([b-a]/c)	11.1%	-

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**Independent Accountants' 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 the financial statements of the business-type activities and the discretely presented component unit of the Colorado State University System (the System), a component unit of the State of Colorado, as of and for the year ended June 30, 2008, which collectively comprise its basic financial statements and have issued our report thereon dated December 18, 2008, which contained an explanatory paragraph regarding a change in accounting principles and a reference to the report of other accountants. 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, the discretely presented component unit, were not audited in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the System's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the System's internal control over financial reporting.

A control 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the System's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the System's financial statements that is more than inconsequential will not be prevented or detected by the System's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the System's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

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*.

We noted certain matters that we reported to management of the System in the Auditors' Findings and Recommendations section in this report.

This report is intended solely for the information and use of the Legislative Audit Committee, Office of the State Auditor, the Colorado State University System Board of Governors, the Colorado State University Board of Governor's 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

December 18, 2008



## Independent Accountants' Audit Committee Communication

Members of the Legislative Audit Committee:

As part of our audit of the financial statements of the Colorado State University System (the System) as of and for the year ended June 30, 2008, we wish to communicate the following to you.

### **Auditor's Responsibility Under Auditing Standards Generally Accepted in the United States of America**

An audit performed in accordance with auditing standards generally accepted in the United States of America 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.

These standards require communication of significant matters related to the financial statement audit 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.

An audit of the financial statements does not relieve management or those charged with governance of their responsibilities. Our contract with the State of Colorado through the State Auditor's Office and the Legislative Audit Committee more specifically describes the responsibilities of the System's management and the Board of Trustees.

### **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.

#### *Alternative Accounting Treatments*

The Governmental Accounting Standards Board's Implementation guide issued in 2008 clarified that Pell Grants should be recorded as nonoperating revenues since they are nonexchange revenues and entities generally have administrative requirements for these funds. Historically, the System has recorded this Pell Grant activity as operating revenue. The Colorado State Controller's Office also recommends that public institutions in the State continue to reflect Pell Grant activity as operating revenue. Consequently, since implementation guidance and industry practice are both level D GAAP and there are differences in practice, Colorado State University has decided to continue reporting Pell grant activity as operating revenue in its 2008 financial statements.

Members of the Legislative Audit Committee:

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
- Compensated absences
- Useful lives of capital assets and related depreciation expense
- Claim liabilities for self-insurance

Financial Statement Disclosures

No matters are reportable.

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. Some adjustments proposed were not recorded because their aggregate effect is not currently material; however, they involve areas in which adjustments in the future could be material, individually or in the aggregate.

Areas in which adjustments were proposed include:

Proposed Audit Adjustments Recorded

- None

Proposed Audit Adjustments Not Recorded

Colorado State University

- Reclassify credit balances in student accounts receivable
- Estimates for accruals relating to long-term construction projects
- Effect of recording liability for stale dated checks on beginning net assets

Colorado State University – Pueblo

- Negative net book value of capital assets

Members of the Legislative Audit Committee:

The proposed audit adjustments not recorded were determined by management to be immaterial, both individually and in the aggregate, to the financial statements as a whole. The effect of the uncorrected misstatements, had they been recorded, would have been to increase the change in net assets by \$932,131 for the year ended June 30, 2008, increase current assets by \$280,603, increase noncurrent assets by \$20,980, increase current liabilities by \$124,394, and decrease beginning net assets by \$754,942 as of June 30, 2008.

Attached is a summary of uncorrected misstatements we aggregated during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements as a whole.

**Auditor's Judgments About the Quality of the Entity's Accounting Principles**

During the course of the audit, we made the following observation regarding the System's application of accounting principles:

- During 2008 the System implemented GASB 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, GASB 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues* and GASB 50, *Pension Disclosures—an Amendment of GASB Statements No. 25 and No. 27*.

**Other Material Written Communications**

Listed below are other material written communications between management and us related to the audit:

- Management representation 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, LP

December 18, 2008

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**Colorado State University System  
ATTACHMENT**

This analysis and the attached "Schedule of Uncorrected Misstatements (Adjustments Passed)" reflects the effects on the financial statements if the uncorrected misstatements identified were corrected.

**QUANTITATIVE ANALYSIS**

	Before Misstatements	Misstatements	Subsequent to Misstatements	% Change
Current Assets	339,002,000	280,603	339,282,603	0.08%
Non-Current Assets	903,783,000	20,980	903,803,980	
Current Liabilities	(150,857,000)	(124,394)	(150,981,394)	0.08%
Non-Current Liabilities	(421,955,000)		(421,955,000)	
Current Ratio	2.247		2.247	
Total Assets	1,242,785,000	301,583	1,243,086,583	0.02%
Net Assets	(669,973,000)	(177,189)	(670,150,189)	0.03%
Revenues	(825,280,000)		(825,280,000)	
Expenses	797,756,000	(932,131)	796,823,869	-0.12%
Net Increase	(27,524,000)	(932,131)	(28,456,131)	3.39%





## Independent Accountant'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 unit of the Colorado State University System (the System), a component unit of the State of Colorado, as of and for the year ended June 30, 2008, which collectively comprise its basic financial statements and have issued our report thereon dated December 18, 2008. 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. We did not audit the financial statements of the Colorado State University Foundation, the discretely presented component unit, as described in our report on the System's financial statements. The financial statements of the Colorado State University Foundation, the discretely presented component unit, 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 compliance.

In accordance with the respective bond resolutions discussed above, a calculation of each bond's earnings requirement is shown on pages 107-109.

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

December 18, 2008



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# Colorado State University System

(A Component Unit of the State of Colorado)

## Revenue Bonds' Earnings Requirement Schedules

(Unaudited)

Year Ended June 30, 2008

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

The following information is presented in accordance with the bond resolutions of the Enterprise System Refunding and Improvement Revenue Bonds. Below are calculations of the earnings requirement for meeting the following bond resolutions: a) CSU Enterprise System Refunding and Revenue Bonds, Series 2003A, 2003B, and 2005B, which report the earnings of the entire Enterprise System net of the revenues and expenses earned and expensed between the Auxiliary Facilities; b) CSU-P Auxiliary Facilities Enterprise Refunding and Improvement Revenue Bonds, Series 2003; and c) System Enterprise Revenue Bonds, Series 2007A,B, & C and 2008A, which include the earnings of 10% tuition, CSU 80% facilities fees, CSU-P 100% facilities fees, CSU Research Building Revolving Fund, and the remaining Auxiliary pledged revenues after debt service requirements on the 2003A, 2003B, and 2005B bonds.

- a) The bond resolutions require that earnings be calculated after the payment of the bond maturities for the prior year of the Auxiliary Facilities and the Student Recreational Facilities bonds. For the purposes of determining compliance with the bond resolution, earnings are computed as follows:

Auxiliary revenues	\$ 75,687,873
Add:	
Auxiliary fee revenue	14,162,034
Investment income	1,437,057
	<u>91,286,964</u>
Auxiliary expenses	
Unrestricted expenses	75,623,141
Less:	
Excluded equipment expenditures	(328,704)
Compensated absences adjustment	(121,477)
	<u>75,172,960</u>
Student sports recreational facilities	
Unrestricted expenses	3,630,381
Less:	
Excluded equipment expenditures	(11,310)
Compensated absences adjustment	(3,383)
	<u>3,615,688</u>
Net income to meet requirement under the bond resolution	<u>\$ 12,498,316</u>
Net income required under the bond resolution:	
Current year principal and interest payments	\$ 4,715,671
Minimum earnings ratio required by bond resolution	<u>100%</u>
Net income required under the bond resolution	<u>\$ 4,715,671</u>

The net income for earnings requirement shown above exceeds the required amount.

**Colorado State University System**  
(A Component Unit of the State of Colorado)  
**Revenue Bonds' Earnings Requirement Schedules**  
(Unaudited)  
Year Ended June 30, 2008

b) For the purposes of determining compliance with the bond resolution, earnings for the 2003 CSU-P Auxiliary Facility Enterprise Refunding and Improvement Revenue Bonds:

Auxiliary revenues		\$	6,055,000
Add:			
Auxiliary fee revenue			3,126,000
Investment income			4,539,943
			13,720,943
Unrestricted expenses			6,083,231
Less:			
Excluded equipment expenditures			(74,329)
Compensated absences adjustment			(5,159)
			6,003,743
Net income to meet requirement under the bond resolution		\$	7,717,200
Net income required under the bond resolution:			
Current year principal and interest payments		\$	503,156
Minimum earnings ratio required by bond resolution			125%
			628,945
Net income required under the bond resolution		\$	628,945

The net income for earnings requirement shown above exceeds the required amount.

## Colorado State University System

(A Component Unit of the State of Colorado)

### Revenue Bonds' Earnings Requirement Schedules

(Unaudited)

Year Ended June 30, 2008

- c) For the purposes of determining compliance with the bond resolution, earnings for the System Enterprise Revenue earnings are computed as follows:

	Tuition and Facilities Fee	Revenue Bonds Revolving Fund	Total
Total pledged revenue	\$ 29,375,975	\$ 44,473,271	\$ 73,849,246
Operating expenses	6,706	920,412	927,118
Total tuition, facilities fee, and RBRF	29,369,269	43,552,859	72,922,128
Auxiliary revenues			
Net available revenues			20,215,516
FY 2008 debt service requirements for 2003A, 2003B, and 2005B bonds			(5,218,827)
Total available for enterprise system			14,996,689
Total net enterprise system revenue			\$ 87,918,817
Net income required under the bond resolution:			
Current year principal and interest payments			\$ 9,260,990
Minimum earnings ratio required by bond resolution			100%
Net income required under the bond resolution			\$ 9,260,990

The net income for earnings requirement shown above exceeds the required amount.

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**State-Funded Student Financial Assistance Programs  
Financial Audit Report Section**

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**Colorado State University System**  
 State-Funded Student Financial Assistance Programs  
 Introduction  
 Year Ended June 30, 2008

**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, 2008 was directed toward objectives and criteria set forth in the Colorado Commission on Higher Education (CCHE) Financial Aid Policy, adopted in April 2002. The state-funded student financial assistance programs were examined simultaneously with the federal aid programs for the year ended June 30, 2008.

**State-Funded Student Financial Assistance Programs**

Institutional participation in the various state-funded student financial assistance programs is illustrated as follows. CSU Global Campus had no students during fiscal year 2008.

State-Funded Student Assistance Program	CSU	CSU-P	CSU-GC
Colorado Leverage Education Assistance Program	X	X	
Colorado Student Grant Program	X	X	
Colorado Work-Study Program	X	X	
Merit Award Program	X	X	
Perkins and Health Professionals Student Loans Matching Program	X	X	
Governor's Opportunity Scholarship	X	X	

The state-funded student financial assistance awards made by the institutions during fiscal years 2008 and 2007 and total state-funded matching funds transferred to Perkins Student Loan Fund were as follows:

	<b>2008</b>	<b>2007</b>
State Funded Student Financial Assistance Awards:		
Colorado State University	\$8,540,601	6,859,935
Colorado State University - Pueblo	3,214,905	3,239,294
Colorado State University Global Campus	-	-
Perkins and Health Professionals Student Loans Matching Program:		
Colorado State University	-	149,000
Colorado State University - Pueblo	-	-
Colorado State University Global Campus	-	-

# **Colorado State University System**

## **State-Funded Student Financial Assistance Programs**

### **Introduction**

**Year Ended June 30, 2008**

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, 2008, the System obtained authorizations to award federal student financial aid funds of approximately \$1,057,839 in the Supplemental Educational Opportunity Grant program and \$1,393,914 in the College Work-Study Program. In addition to these programs, the System also received funding through the Pell Grant program and the Direct Loan program. Authorizations were not applicable to these programs given the Pell Grant and Direct Loans are available to any eligible student.

During the year ended June 30, 2008, the System obtained authorizations to award Colorado student financial aid funds of approximately \$274,000 in the Colorado Leveraging Educational Assistance program, \$7,752,000 in the Colorado Need-Based Grant program, \$2,161,000 in the Colorado Work-Study program, \$237,000 in the Merit program, \$1,006,000 in the Governor's Opportunity Scholarship, \$132,000 in Colorado Supplemental Leveraging Educational Assistance program, and \$194,000 in the Pre-Collegiate Academic Competitiveness Grant program.

The related statement of appropriations, expenditures, transfers and reversions of state-funded student financial assistance programs is presented on page 117 of this report as well as the individual universities' schedules of appropriations, expenditures, transfers and reversions of state-funded student financial assistance programs on pages 119 and 120.



**Independent Accountant's Report on the Statement of  
Appropriations, Expenditures, Transfers, and Reversions  
of the State-Funded Student Financial Assistance Programs**

Members of the Legislative Audit Committee:

We have audited the accompanying statement of appropriations, expenditures, transfers and reversions of the State-Funded Student Financial Assistance Programs (the Statement) of the Colorado State University System (the System), a component unit of the State of Colorado, for the year ended June 30, 2008. The Statement is the responsibility of the System's management. 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 assurance about whether the Statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in the notes to the Statement, the Statement was prepared in the format as set forth in the *2007-08 Audit Guide, Colorado Funded Student Aid*, issued by the Colorado Department of Higher Education (DHE), and in conformity with the provisions of the DHE Financial Aid Policy (2007-08). The Statement is a summary of cash activity of the state-funded financial assistance programs with the exception of the Perkins Loan and Colorado Work-Study Programs 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 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.

In our opinion, the Statement referred to above presents fairly, in all material respects, the appropriations, expenditures, transfers and reversions of the state-funded student financial assistance programs of Colorado State University System for the year ended June 30, 2008, pursuant to the *2007-08 DHE Audit Guide, Colorado Funded Student Aid* and in conformity with the provisions of the DHE Financial Aid Policy, as described in Note 1 to the Statement.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 18, 2008 on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Members of the Legislative Audit Committee

Our audit was conducted for the purpose of forming an opinion on the Statement in conformity with the provisions of the *CCHE Financial Aid Policy*. The introduction section is presented for purposes of additional analysis and is not a required part of the Statement. The introduction section has not been subjected to the auditing procedures applied in the audit of the Statement, and accordingly, we express no opinion on it. The accompanying schedules of appropriations, expenditures, transfers, and reversions of Colorado State University and Colorado State University – Pueblo (the Schedules) are presented for purposes of additional analysis and are not a required part of the Statement. The Schedules have been subjected to the auditing procedures applied in the audit of the Statement and, in our opinion, are fairly stated, in all material respects, in relation to the Statement taken as a whole.

This report is intended solely for the information and use of the Legislative Audit Committee, the Office of 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, state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BKD, CLD

December 18, 2008

## Colorado State University System

(A Component Unit of the State of Colorado)

### Statement of Appropriations, Expenditures, Transfers, and Reversions of the State-Funded Student Financial Assistance Programs Year Ended June 30, 2008

	Colorado Need- based Grant	Colorado Merit Scholarship	Colorado Work-Study	Governor's Opportunity Scholarship	CLEAP	SLEAP	PACG	Total State- Funded Student Assistance
<b>Appropriations</b>								
<b>Original</b>	\$ 7,652,952	236,849	2,133,609	980,876	273,884	131,946	194,276	11,604,392
<b>Adjustments/Transfers</b>	98,903	-	27,125	25,086	-	-	-	151,114
<b>Total</b>	7,751,855	236,849	2,160,734	1,005,962	273,884	131,946	194,276	11,755,506
<b>Expenditures</b>	7,751,855	236,849	2,160,734	1,005,962	273,884	131,946	194,276	11,755,506
<b>Reversions to State General Fund</b>	\$ -	-	-	-	-	-	-	-

See accompanying notes to the Statement of Appropriations, Expenditures, Transfers, and Reversions

# Colorado State University System

(A Component Unit of the State of Colorado)

## Notes to Statement of Appropriations, Expenditures, Transfers, and Reversions of the State-Funded Student Financial Assistance Programs

Year Ended June 30, 2008

### **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 accompanying statement of appropriations, expenditures, transfers and reversions of state-funded student financial assistance programs (the Statement) has been prepared in accordance with the format as set forth in the *DHE Audit Guide, Colorado Funded Student Aid* and in conformity with the provisions of the DHE Financial Aid Policy. The purpose of the Statement is to present, in summary form, the state-funded student financial assistance activities of the System's two campuses for the fiscal year ended June 30, 2008.

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 appropriations are presented instead of revenue and because assets, liabilities and net assets are not included in the financial statement.

### **Note 2: Student Incentive Grants**

CLEAP and SLEAP grants consist of nonfederal state funds and federal funds. The amount shown in the Statement is a combined total of nonfederal and federal funds.

### **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 would be required to repay the disallowed amounts.

## Colorado State University System

(A Component Unit of the State of Colorado)

### Statement of Appropriations, Expenditures, Transfers, and Reversions of the State-Funded Student Financial Assistance Programs

Colorado State University

Year Ended June 30, 2008

		Colorado Need-based Grant	Colorado Merit Scholarship	Colorado Work-Study	Governor's Opportunity Scholarship	CLEAP	SLEAP	PACG	Total State-Funded Student Assistance
<b>Appropriations</b>									
<b>Original</b>	\$	5,694,181	201,911	1,480,661	612,752	191,806	94,304	153,872	8,429,487
<b>Adjustments/Transfers</b>		58,903	-	27,125	25,086	-	-	-	111,114
<b>Total</b>		5,753,084	201,911	1,507,786	637,838	191,806	94,304	153,872	8,540,601
<b>Expenditures</b>		5,753,084	201,911	1,507,786	637,838	191,806	94,304	153,872	8,540,601
<b>Reversions to State General Fund</b>	\$	-	-	-	-	-	-	-	-

See accompanying notes to the Statement of Appropriations, Expenditures, Transfers, and Reversions

## Colorado State University System

(A Component Unit of the State of Colorado)

### Statement of Appropriations, Expenditures, Transfers, and Reversions of the State-Funded Student Financial Assistance Programs

Colorado State University – Pueblo

Year Ended June 30, 2008

	Colorado Need- based Grant	Colorado Merit Scholarship	Colorado Work-Study	Governor's Opportunity Scholarship	CLEAP	SLEAP	PACG	Total State- Funded Student Assistance
<b>Appropriations</b>								
<b>Original</b>	\$ 1,958,771	34,938	652,948	368,124	82,078	37,642	40,404	3,174,905
<b>Adjustments/Transfers</b>	40,000	-	-	-	-	-	-	40,000
<b>Total</b>	1,998,771	34,938	652,948	368,124	82,078	37,642	40,404	3,214,905
<b>Expenditures</b>	1,998,771	34,938	652,948	368,124	82,078	37,642	40,404	3,214,905
<b>Reversions to State General Fund</b>	\$ -	-	-	-	-	-	-	-

See accompanying notes to the Statement of Appropriations, Expenditures, Transfers, and Reversions

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