BKD LLP
CPAs & Advisors

Wells Fargo Center
1700 Lincoln Street, Suite 1400
Denver, CO 80203-4514
303.861.4545 Fax 303.832.5705 www.bkd.com

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 years ended June 30, 2011 and 2010, 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 audits. 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 reports have been furnished to us and our opinions, insofar as they relate to the amounts included for the discretely presented component unit, are based solely on the reports of the other accountants.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 audits and the reports of the other accountants provide a reasonable basis for our opinions.

In our opinion, based on our audits and the reports of other accountants, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the Colorado State University System as of June 30, 2011 and 2010, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Members of the Legislative Audit Committee

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2011, 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

November 30, 2011

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, 2011 and 2010. The System includes Colorado State University (CSU), Colorado State University Pueblo (CSU-Pueblo), and Colorado State University Global Campus (CSU-Global). This discussion provides an analysis of the System's financial activities based on currently known facts, decisions, or existing 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

- As a result of the economic downturn experienced across the United States over the past three years, State Fiscal Stabilization Funds (SFSF), in the form of a federal grant from the U.S. Department of Education, were granted to the State of Colorado to offset such reductions in state funding primarily to local educational agencies (K-12) and institutions of higher education. This funding source was restricted for use in supporting educational and general expenditures in such a manner as to mitigate the need to raise tuition and fees for in-state residents. In fiscal year 2009 and 2010, the System received $33.3 million and $81.2 million in SFSF funds, respectively. However this funding mechanism ended early in fiscal year 2011 with the System receiving only $6.0 million. As a result of the loss of SFSF funding, the State of Colorado replenished a portion of its earlier funding to the System in the amount of $60.3 million. Of this $60.3 million, $48.8 million related to the fee for service contract with the remaining $11.5 million increase resulting in the reinstatement of the College Opportunity Fund (COF) stipend from $44 to $62 per credit hour. Through the use of the SFSF funding and traditional State funding mechanisms, the System has received a total of $146.9 million from the State of Colorado in both fiscal year 2009 and 2010. In fiscal year 2011, this amount declined to $132.0 million, resulting in an overall State budget reduction to the System of $14.9 million.

- In fiscal year 2011, the System realized a $2.3 million increase in its restricted investments. The majority of these investments are held for the benefit of CSU by the Colorado State University Foundation.

- The assets of the System exceeded its liabilities at June 30, 2011 by $814.4 million (net assets). Of this amount $111.0 million is restricted for purposes which the donor or grantor or other external party intended, and $528.4 million related to investments in capital assets, net of related debt. The remaining $175.0 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 $58.2 million during fiscal year 2011. Of this amount, $9.1 million, $9.9 million and $39.2 million relate to increases in capital assets, net of related debt, donor/grant or restricted net assets, and unrestricted net assets, respectively.

- On August 12, 2010, the System issued $98.9 million in System Enterprise Revenue Bonds that will mature in varying annual amounts to March 2040 with the interest rates ranging from 4.000% to 6.057%. The proceeds from the sale of these bonds will be used to defray the costs of constructing, acquiring, renovating, improving and equipping certain facilities at CSU. This issuance included Recovery Zone Economic Development Bonds as well as Build America

(Continued)

Bonds that carry special tax credits and federal subsidies, reducing the effective borrowing costs to the issuer. The System's effective interest rate for this issue is approximately 3.44%.

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

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

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, 2011 and 2010 of $814.4 million and $756.2 million, respectively. The majority (65% and 69%, 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.

(Continued)

Summary of Net Assets
(Amounts expressed in thousands)

	June 30		
	2011	2010	2009
Current assets	$ 435,034	383,900	356,784
Noncurrent assets, including capital assets of $952,732, $911,761 and $754,552, respectively	1,130,333	1,020,267	998,078
Total assets	$ 1,565,367	1,404,167	1,354,862
Current liabilities	$ 164,519	165,613	162,168
Noncurrent liabilities	586,491	482,344	481,379
Total liabilities	$ 751,010	647,957	643,547
Net assets:			
Invested in capital assets, net of related debt	$ 528,366	519,269	489,880
Restricted	110,945	101,014	104,023
Unrestricted	175,046	135,927	117,412
Total net assets	$ 814,357	756,210	711,315

- The $161.2 million increase in System assets in 2011 over that of 2010 is related to increases in both current and noncurrent assets of $51.1 million and $110.1 million, respectively. Current assets increased primarily due to an increase in cash and cash equivalents of $38.2 million, an increase in grant and other accounts receivable of $12.2 million, and an increase in inventories of $1.3 million. The majority of the increase in noncurrent assets is related to increases of $68.1 million in restricted cash and cash equivalents, $2.3 million in restricted investments, $231.8 million in buildings and improvements, $5.6 million in equipment and $3.6 million in land improvements, which is offset by a decline in construction in progress of $197.6 million and library materials of $3.2 million. The changes in construction in progress, buildings and improvements, and land improvements are discussed within the capital assets portion of this document. The increase in restricted cash and cash equivalents is the result of new bond proceeds to support construction activities. The $49.3 million increase in System assets in 2010 over that of 2009 is related to increases in both current and noncurrent assets of $27.1 million and $22.2 million, respectively. Current assets increased primarily due to an increase in cash of $20.1 million, an increase in student accounts receivable of $5.8 million and an increase in grant and other receivables of $1.7 million. The majority of the increase in noncurrent assets is related to increases of $62.1 million in construction in progress, $93.0 million in buildings and improvements, and $3.0 million in land, which is offset by a decline in restricted cash and cash equivalents of $136.4 million. The reduction in restricted cash and cash equivalents is the result of the use of bond proceeds to support construction activities.

(Continued)

- In 2011, total liabilities increased $103.1 million, which is primarily related to increases in long-term liabilities of $95.0 million in bonds payable, $5.3 million in deposits held for others and $4.3 million in other long-term liabilities which is offset by a decline in current liabilities of $1.1 million. In 2010, total liabilities increased $4.4 million, which is primarily related to a $4.4 million increase in deposits held for others.

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 at the end of the fiscal year.

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

	Year Ended June 30		
	2011	2010	2009
Operating revenues:			
Tuition and fees, net	$ 296,884	253,822	248,267
State fee for service revenue	87,610	38,798	73,233
Grants and contracts	293,484	265,990	280,130
Auxiliary enterprises	134,883	125,249	125,262
Other	28,815	28,978	25,909
Total operating revenues	841,676	712,837	752,801
Operating expenses:			
Instruction	222,891	226,367	219,522
Research	182,451	175,960	174,170
Public service	97,868	81,757	92,504
Academic support	58,373	54,625	54,186
Student services	33,109	29,387	28,840
Institutional support	41,915	45,126	47,434
Operation and maintenance of plant	52,837	54,403	59,978
Scholarships and fellowships	16,608	16,491	11,319
Auxiliary enterprises	119,083	111,248	117,261
Depreciation	54,290	47,593	43,593
Total operating expenses	879,425	842,957	848,807
Operating loss	(37,749)	(130,120)	(96,006)

(Continued)

	Year Ended June 30		
	2011	2010	2009
Nonoperating revenues:			
State appropriations	5,700	6,300	4,750
State Fiscal Stabilization Fund	6,030	81,195	33,271
Federal nonoperating grants and contracts	36,493	27,496	17,367
Other nonoperating revenues, net	18,237	27,280	36,470
Net nonoperating revenues	66,460	142,271	91,858
Income (loss) before other revenues (expenses)	28,711	12,151	(4,148)
State capital contributions	14,049	13,832	32,951
Capital grants	7,942	12,110	6,166
Capital gifts	4,931	5,813	4,028
Payments (to)/from governing boards or other institutions	213	(181)	938
Additions (reductions) to permanent endowments	2,301	1,170	(2,561)
Increase in net assets	58,147	44,895	37,374
Net assets:			
Net assets, beginning of year	756,210	711,315	673,941
Net assets, end of year	$ 814,357	756,210	711,315

The System experienced a $37.7 million, $130.1 million and $96.0 million loss from operations in fiscal years 2011, 2010 and 2009, respectively. The operating loss in 2011 was offset by net nonoperating and other revenues of $95.9 million which primarily included $5.7 million in state appropriations, $6.0 million in State Fiscal Stabilization Funds, $29.9 million in gifts and capital gifts, $6.9 million in investment income, $22.0 million in state capital contributions and capital grants, $36.5 million in federal nonoperating grants and contracts, $2.3 million in permanent endowments, and $4.2 million in other nonoperating revenues, all of which was offset by $17.8 million in interest expense on capital debt. The state appropriations of $5.7 million included $3.25 million for wildfire preparedness, $1.0 million for forest restoration, and $1.45 million for Healthy Forests – vibrant communities. The operating loss in 2010 was offset by net nonoperating and other revenues of $175.0 million, which included $6.3 million in state appropriations, $81.2 million in State Fiscal Stabilization Funds, $30.3 million in gifts and capital gifts, $7.6 million in investment income, $25.9 million in state capital contributions and capital grants, $27.5 million in federal nonoperating grants and contracts, $1.1 million in permanent endowments, and $4.2 million in other nonoperating revenues, all of which was offset by $9.1 million in interest expense on capital debt. The state appropriations of $6.3 million included $3.25 million for wildfire preparedness, $1.0 million for forest restoration, $1.45 million for Healthy Forests – vibrant communities, and $600 thousand for the Wildfire Emergency Fund. In fiscal year 2009, the operating loss was offset by net nonoperating and other revenues of $133.4 million, which included $4.75 million in state appropriations, $33.3 million in State Fiscal Stabilization Funds, $31.7 million in gifts and capital gifts, $11.2 million in investment income, $17.4 million in federal nonoperating grants and contracts, $39.1 million in state capital contributions and capital grants, $4.2 million in other nonoperating revenues, $938 thousand in

(Continued)

other revenues, all of which was offset by $6.6 million in interest expense on capital debt, and $2.6 million in reductions to endowments. The state appropriations of $4.75 million included $3.25 million for wildfire preparedness, $1.0 million for forest restoration, and $500 thousand for the Colorado Water Institute.

- Fiscal year 2011 System operating revenues increased $128.8 million in relation to prior year levels. This is primarily attributable to a $43.1 million increase in tuition and fee revenue, a $48.8 increase in state fee for service (FFS), $27.5 million increase in grants and contracts and a $9.6 million increase in auxiliary enterprises revenue. State FFS revenue and the COF stipend included within tuition and fees have almost returned to Pre-State Fiscal Stabilization Fund levels. The FFS was increased $48.8 million and COF was increased $11.5 million. These increases reflect the pre-SFSF funding levels, plus approximately 11% which is related to this year's approved increase in tuition and fees and the incremental increase in the number of enrolled students.

- Fiscal year 2011 System operating expenses increased $36.5 million in relation to prior year levels. This increase is primarily due to a $16.1 million increase in public service related to increased fires in fiscal year 2011. The remaining increase is due to smaller increases and decreases in the other operating expense lines.

- Fiscal year 2011 System net nonoperating revenues decreased $75.8 million, which is primarily attributable to the reduction of $75.2 million associated with SFSF. In addition, state appropriations decreased $600 thousand due to no additional funding for the Wildfire Emergency Fund. The increases in federal nonoperating grants and contracts are offset by increases in interest expense on capital debt.

- Other revenues decreased $3.3 million in fiscal year 2011. This decrease was primarily due to a $4.2 million decrease in capital grants offset by a $1.1 million increase in permanent endowments.

Capital Assets and Debt Administration

At June 30, 2011, the System had approximately $952.7 million invested in capital assets, net of accumulated depreciation of $598.4 million. At June 30, 2010, the System had approximately $911.8 million invested in capital assets, net of accumulated depreciation of $558.6 million.

Depreciation charges were $54.3 million and $47.6 million for the years ended June 30, 2011 and 2010, respectively.

During the fiscal year ended June 30, 2011, the System received $14.0 million of state capital contributions for capital construction projects. Of this amount $12.2 million relates to the Academic Resource Center/University Library at CSU-Pueblo, $700 thousand relates to the CSU Clark Building, $500 thousand relates to the replacement of the north line, and $600 thousand to improve the main campus sanitary sewer system.

(Continued)

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 2011	2010	2009
Nondepreciable land and land improvements	$ 19,835	19,677	16,639
Land improvements	32,449	28,839	29,975
Buildings and improvements	780,062	548,297	455,315
Leasehold improvements	1,108	576	575
Equipment and software	62,861	57,301	55,919
Collections	2,195	2,024	1,384
Library materials	15,790	19,031	20,798
Construction in progress	38,432	236,016	173,947
Total capital assets, net	$ 952,732	911,761	754,552

In 2011 capital assets, net increased $41.0 million. This increase is primarily attributable to a $3.6 million increase in land improvements, a $5.6 million increase in equipment and software, a $231.8 million increase in buildings and improvements, offset by a $197.6 million decrease in construction in progress. The increase in buildings and improvements is primarily related to the completion and capitalization of the CSU projects including the Research Innovation Center for $57.1 million, the Behavioral Science Building for $43.8 million, Diagnostic Medicine Center for $42.3 million, Student Recreation Center for $39.4 million, Clark Building for $6 million, Ingersoll and Edwards Halls Exterior Revitalization for $1.9 million, Corbett Hall Fire Suppression for $1.5 million, CIRA Building Addition for $1.5 million, ACNS Cooling Backup Chiller for $1.1 million and several other smaller projects on the CSU campus. These costs are offset by depreciation expense in the amount of $25.5 million. The decrease in construction in progress is due to the completion of several large projects that had been on-going for the last few years, and were moved from construction in progress to buildings and improvements in FY 2011. The CSU projects involved are the Research Innovation Center which had a prior year construction in progress balance of $46.5 million, the Diagnostic Medicine Center prior year balance of $42.0 million, Behavioral Science Building prior year balance of $36.3 million, Student Recreation Center prior year balance of $31.3 million, Clark Building prior year balance of $4.7 million, as well as several other smaller projects. The increase in land improvements is largely attributed to the completion and capitalization of a project to replace a steam and condensate line on the CSU campus, with total costs of $2.6 million.

In 2010 capital assets, net increased $157.2 million. This increase is primarily attributable to a $3.0 million increase in land, a $93.0 million increase in buildings and improvements, and a $62.1 million increase in construction in progress. The increase in buildings and improvements is primarily related to the completion and capitalization of the CSU projects including the Lake Street Parking Garage for $20.7 million, Aspen Hall for $19.1 million, Rockwell West Business School Addition for $17.0 million, the new Indoor Practice Facility for $15.8 million, the District Cooling #2 update for $5.7 million, Braden Hall for $4.6 million, the Academic Training Center for $3.7 million, additions to Moby Arena for $1.9 million and several smaller projects on the CSU campus. Also included is the Crestone Hall at CSU-Pueblo for $16.2 million. These costs are offset by depreciation expense in the amount of $25.3 million. The increase in construction in progress is related to new projects at CSU-Pueblo including Culebra Hall and Greenhorn Hall for $28.6 million, and the Academic Resource Center for $10.4 million. The projects at CSU include the Research Innovation Center for $27.6 million, Behavioral Science Building for $25.8 million, Clark building renovation for $3.6 million, the Diagnostic Medicine Center for $1.0 million, the North Steam line for $1.0 million and various smaller projects. These costs are offset by projects from the prior year that were capitalized including Crestone Hall at CSU-Pueblo for $14.6 million, the Lake Street Parking Garage for $11.5 million, Rockwell West Business School Addition for $9.9 million, Braden Hall for $2.4 million, and Aspen Hall for $2.3 million.

The System had capital construction commitments outstanding of approximately $55.2 million at June 30, 2011. The total commitment at CSU was $54.9 million and included approximately $14.3 million for the Engineering II Building, $10.3 million for the Parmelee Hall 4th Floor Addition, $9.2 million for the Braiden Hall 4th Floor Addition, $8.9 million for the Morgan Library Expansion, $1.7 million for the Student Recreation Center Expansion, $1.4 million for the Alder Hall Addition, $1.3 million for the Corbett Hall Exterior Revitalization and $7.8 million for numerous smaller CSU projects. The remaining commitment of $300 thousand at CSU-Pueblo was related to the Academic Resources Center Remodel and Housing projects.

The System had $515.4 million and $419.9 million of debt outstanding at June 30, 2011 and 2010, respectively.

Summary of Debt
(Amounts expressed in thousands)

	June 30		
	2011	**2010**	**2009**
Debt outstanding:			
Revenue bonds, certificates of participation	$ 508,697	413,268	419,865
Capital lease obligations	6,737	6,612	7,331
	$ 515,434	419,880	427,196

On August 12, 2010, the System issued $98.9 million in System Enterprise Revenue Bonds, Series 2010A-C. The proceeds from the sale of the Series 2010A-C are being used to defray the costs of constructing, acquiring, renovating, expanding, and equipping certain facilities at CSU. The improvement projects include the Engineering II Building, the Library Expansion, the Braiden and Parmelee Hall Renovations, the Lory Theatre Renovation, and the Classroom Renovations at CSU. The bonds bear interest rates from 4.0 to 6.1 percent with final maturity falling in 2040.

On March 18, 2009, the System issued $56.1 million in System Enterprise Revenue Bonds, Series 2009A. The proceeds are being primarily used to construct and equip student housing facilities at CSU-Pueblo. A small portion of this issuance was utilized to build an addition to the Cooperative Institute for Research in the Atmosphere (CIRA) building at CSU. The bonds bear interest rates from 3 to 5 percent with final maturity falling in 2039.

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.

Advanced 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 were used to purchase U.S. Treasury Securities and to provide cash, which was placed in an escrow account to refund the refunded bonds. The Escrow Agent paid the debt service requirements of the 1998 Bonds through April 1, 2008 and redeemed those maturing on April 1, 2009. The Escrow Agent will pay the debt service requirements on each of the remaining refunded bonds on each of their scheduled payment dates through and including 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. The outstanding balance of defeased obligations at June 30, 2011 was $9,595,000.

Economic Outlook/Future of the Colorado State University System

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

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 for use by 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 projection by Legislative Council (September, 2011) estimates that the State General Fund revenue will increase in fiscal year 2012 by 2.6% from the previous fiscal year. For fiscal year 2013, the General Fund revenue used for the State's budgeting process is projected to decrease compared to General Funds available in FY 2012. The State's overall budgetary situation remains governed by the three constitutional budgetary provisions: The Taxpayer Bill of Rights (TABOR), the Gallagher Amendment on property taxes, and Amendment 23 requiring specified amounts in state support for K-12 Education. The budgetary situation for higher education has changed with the implementation of the College Opportunity Fund in fiscal year 2006. As a result of legislation adopted in the 2004 session (S.B. 04-189), the State no longer provides direct State General Fund appropriation to the governing boards. Instead, the State provides stipends to qualified, resident undergraduate students, and institutions receive fee for service contracts from the Colorado Commission on Higher Education for the provision of other educational services. Finally, S.B. 04-189 also allows institutions of higher education to become TABOR enterprises through this new funding mechanism. Enterprise status eliminates institutional cash funds, such as tuition, from counting against the state's TABOR limitation.

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

The Colorado State University System is authorized to receive $67.4 million in fee for service contract revenue and $39.1 million in student stipends in fiscal year 2012. The $106.5 million of anticipated FY 2012 fee for service contract revenue and the student stipends represents a $25.6 million decrease in state support and SFSF funding as compared to funding provided in FY 2011.

For the fiscal year ending June 30, 2012, CSU will receive no additional state capital appropriation funding. CSU will carry forward state capital appropriation funding of $300 thousand for controlled maintenance projects from 2011. This includes $30 thousand to improve the main campus sanitary sewer system, and $270 thousand to replace the environmental control systems in several campus facilities.

(Continued)

Overall enrollment at both System institutions increased 1.5% as measured by total enrollment from 2010 to 2011. CSU-Pueblo experienced a 1% increase in student FTE in 2011. This increase is a result of specific initiatives begun in 2007 to support the goal of increased enrollment including an expansion of academic programs, increased marketing and recruitment efforts, expansion of athletic programs, 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 2012 and 2013. Overall, the projected enrollment increase for the System in the next three years should be in the 1% - 2% 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.

THIS PAGE LEFT BLANK INTENTIONALLY

Colorado State University System

Statements of Net Assets

June 30, 2011 and 2010

(Amounts expressed in thousands)

Assets	2011	2010
Current assets:		
Cash and cash equivalents	$ 323,875	285,634
Student accounts receivable, net	20,042	20,004
Grant and other accounts receivable, net	74,923	62,724
Student loans receivable, net	2,888	2,620
Inventories	9,249	7,988
Prepaid expenses	4,057	4,930
Total current assets	435,034	383,900
Noncurrent assets:		
Restricted cash and cash equivalents	133,114	65,019
Restricted investments	20,077	17,791
Student loans receivable, net	20,457	21,359
Other noncurrent assets	3,953	4,337
Nondepreciable capital assets:		
Land and land improvements	19,835	19,677
Construction in progress	38,432	236,016
Collections	2,195	2,024
Total nondepreciable capital assets	60,462	257,717
Depreciable capital assets, net:		
Land improvements	32,449	28,839
Buildings and improvements	780,062	548,297
Leasehold improvements	1,108	576
Equipment	62,861	57,301
Library materials	15,790	19,031
Total depreciable capital assets (net of accumulated depreciation)	892,270	654,044
Total noncurrent assets	1,130,333	1,020,267
Total assets	$ 1,565,367	1,404,167

(Continued)

Colorado State University System

Statements of Net Assets

June 30, 2011 and 2010

(Amounts expressed in thousands)

	2011	2010
Liabilities		
Current liabilities:		
Accounts payable	$ 31,268	50,907
Accrued liabilities	88,260	72,234
Deferred revenue	26,146	24,636
Deposits held for others	5,462	5,263
Bonds payable and certificates of participation, current portion	7,113	6,648
Capital leases payable, current portion	1,663	1,472
Other long-term liabilities, current portion	2,288	2,154
Compensated absences liabilities, current portion	2,319	2,299
	164,519	165,613
Noncurrent liabilities:		
Bonds payable and certificates of participation	501,584	406,620
Capital leases payable	5,074	5,140
Deposits held for others	20,927	15,589
Other long-term liabilities	19,450	15,115
Compensated absences liabilities	39,456	39,880
Total noncurrent liabilities	586,491	482,344
Total liabilities	$ 751,010	647,957
Net Assets		
Net assets:		
Invested in capital assets, net of related debt	$ 528,366	519,269
Restricted for nonexpendable purposes	20,563	18,204
Restricted for expendable purposes - other	90,382	82,810
Unrestricted	175,046	135,927
Total net assets	$ 814,357	756,210

See accompanying notes to basic financial statements.

Colorado State University System

Colorado State University Foundation

Statements of Financial Position – Discretely Presented Component Unit

June 30, 2011 and 2010

(Amounts expressed in thousands)

Assets	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2011	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2010
Cash and cash equivalents	$ 221	263	7	491	547	310	375	1,232
Investments	31,767	128,817	136,317	296,901	14,090	94,707	124,195	232,992
Receivables:								
Pledges, net of allowance	358	22,511	6,068	28,937	370	15,005	4,208	19,583
Life income trusts	-	-	74	74	-	-	43	43
Property and equipment, net of accumulated depreciation	17	-	-	17	22	250	-	272
Cash surrender value of life insurance policies	-	2	511	513	51	2	432	485
Prepaids and other assets	48	62	52	162	52	94	57	203
Total assets	32,411	151,655	143,029	327,095	15,132	110,368	129,310	254,810
Liabilities and Net Assets								
Accounts payable (primarily to CSU)	241	598	-	839	255	682	-	937
Other accrued liabilities	112	-	-	112	102	-	-	102
Life income agreements	544	149	192	885	558	105	210	873
Deposit held in custody for CSU	-	2,741	9,504	12,245	-	2,655	8,037	10,692
Total liabilities	897	3,488	9,696	14,081	915	3,442	8,247	12,604
Net Assets								
Unrestricted:								
Undesignated	4,629	-	-	4,629	4,276	-	-	4,276
Board-designated	28,901	-	-	28,901	18,711	-	-	18,711
Endowment investment losses in excess of gift value	(2,016)	-	-	(2,016)	(8,770)	-	-	(8,770)
Total unrestricted	31,514	-	-	31,514	14,217	-	-	14,217
Temporarily restricted	-	148,167	-	148,167	-	106,926	-	106,926
Permanently restricted	-	-	133,333	133,333	-	-	121,063	121,063
Total net assets	31,514	148,167	133,333	313,014	14,217	106,926	121,063	242,206
Total liabilities and net assets	$ 32,411	151,655	143,029	327,095	15,132	110,368	129,310	254,810

See accompanying notes to basic financial statements.

Colorado State University System

Statements of Revenues, Expenses and Changes in Net Assets

Years Ended June 30, 2011 and 2010

(Amounts expressed in thousands)

		2011	2010
Operating revenues:			
Student tuition and fees, (including $56,474 and $47,572 of revenues pledged for bonds in 2011 and 2010, respectively, and net of scholarship allowances of $89,276 and $73,509 for 2011 and 2010, respectively)	$	296,884	253,822
State fee for service revenue		87,610	38,798
Grants and contracts (including $42,159 and $39,370 of revenues pledged for bonds in 2011 and 2010, respectively)		293,484	265,990
Sales and services of educational activities		22,709	23,262
Auxiliary enterprises, (including $101,041 and $96,244 of revenues pledged for bonds in 2011 and 2010, respectively, and net of scholarship allowances of $5,039 and $4,821 for 2011 and 2010, respectively)		134,883	125,249
Other operating revenue		6,106	5,716
Total operating revenues		841,676	712,837
Operating expenses:			
Instruction		222,891	226,367
Research		182,451	175,960
Public service		97,868	81,757
Academic support		58,373	54,625
Student services		33,109	29,387
Institutional support		41,915	45,126
Operation and maintenance of plant		52,837	54,403
Scholarships and fellowships		16,608	16,491
Auxiliary enterprises		119,083	111,248
Depreciation		54,290	47,593
Total operating expenses		879,425	842,957
Operating loss		(37,749)	(130,120)

(Continued)

Colorado State University System

Statements of Revenues, Expenses and Changes in Net Assets

Years Ended June 30, 2011 and 2010

(Amounts expressed in thousands)

	2011	2010
Nonoperating revenues (expenses):		
State appropriations	5,700	6,300
State Fiscal Stabilization Fund	6,030	81,195
Gifts	24,942	24,521
Investment income (including $1,986 and $1,482 of revenues pledged for bonds in 2011 and 2010, respectively)	6,928	7,633
Interest expense on capital debt	(17,817)	(9,075)
Federal nonoperating grants and contracts	36,493	27,496
Other nonoperating revenues	4,184	4,201
Net nonoperating revenues	66,460	142,271
Income before other revenues	28,711	12,151
Other revenues (expenses):		
State capital contributions	14,049	13,832
Capital grants	7,942	12,110
Capital gifts	4,931	5,813
Payments (to)/from governing boards or other institutions	213	(181)
Additions to permanent endowments	2,301	1,170
Total other revenues	29,436	32,744
Increase in net assets	58,147	44,895
Net assets, beginning of year	756,210	711,315
Net assets, end of year	$ 814,357	756,210

See accompanying notes to basic financial statements.

Colorado State University System

Colorado State University Foundation

Statements of Activities - Discretely Presented Component Unit

Years Ended June 30, 2011 and 2010

(Amounts expressed in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2011	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2010
Support and revenue:								
Contributions	$ 180	32,648	12,223	45,051	222	16,139	5,384	21,745
In-kind contributions	-	-	-	-	1	5,753	-	5,754
Total contributions	180	32,648	12,223	45,051	223	21,892	5,384	27,499
Net investment income	23,403	28,623	110	52,136	14,726	11,065	52	25,843
Actuarial change in value of life income agreements	(27)	(14)	5	(36)	(35)	(13)	(25)	(73)
Other revenue	1	37	82	120	2	(49)	51	4
Net assets released from restrictions:								
Satisfaction of program restrictions	20,257	(20,246)	(11)	-	29,551	(29,540)	(11)	-
Total support and revenue	43,814	41,048	12,409	97,271	44,467	3,355	5,451	53,273
Expenses:								
Program services:								
CSU College of:								
Agricultural Sciences	2,541	-	-	2,541	2,966	-	-	2,966
Applied Human Sciences	1,019	-	-	1,019	6,074	-	-	6,074
Business	1,865	-	-	1,865	5,333	-	-	5,333
Engineering	1,947	-	-	1,947	1,883	-	-	1,883
Liberal Arts	835	-	-	835	928	-	-	928
Warner College of Natural Resources	1,322	-	-	1,322	1,320	-	-	1,320
Natural Sciences	971	-	-	971	1,185	-	-	1,185
Veterinary Medicine and Biomedical Sciences	4,488	-	-	4,488	4,711	-	-	4,711
Athletics	1,790	-	-	1,790	1,938	-	-	1,938
Central Development	4,257	-	-	4,257	2,938	-	-	2,938
Other CSU programs	2,650	-	-	2,650	2,628	-	-	2,628
Total program services	23,685	-	-	23,685	31,904	-	-	31,904
Support services								
Management and general	2,056	-	-	2,056	1,963	-	-	1,963
Total expenses	25,741	-	-	25,741	33,867	-	-	33,867
(Decrease) increase in allowance for uncollectible pledges	-	496	226	722	-	141	(22)	119
Change in net assets	18,073	40,552	12,183	70,808	10,600	3,214	5,473	19,287
Interfund transfers	(776)	689	87	-	(694)	678	16	-
Net assets, beginning of year	14,217	106,926	121,063	242,206	4,311	103,034	115,574	222,919
Net assets, end of year	$ 31,514	148,167	133,333	313,014	14,217	106,926	121,063	242,206

See accompanying notes to basic financial statements.

Colorado State University System

Statements of Cash Flows

Years Ended June 30, 2011 and 2010

(Amounts expressed in thousands)

		2011	2010
Cash flows from operating activities:			
Cash received:			
Tuition and fees	$	295,605	249,982
Student loans collected		3,742	3,710
Sales of products		21,352	20,462
Sales of services		135,935	131,470
State fee for service revenue		87,610	38,798
Grants and contracts		284,633	258,053
Other operating receipts		6,933	4,743
Cash payments:			-
Scholarships disbursed		(12,146)	(11,336)
Student loans disbursed		(2,599)	(2,527)
Payments to employees		(573,320)	(562,853)
Payments to suppliers		(229,866)	(201,539)
Net cash provided by (used in) operating activities		17,879	(71,037)
Cash flows from noncapital financing activities:			
State appropriations - noncapital		5,700	6,300
State Fiscal Stabilization Fund		6,030	81,195
Gifts and grants for other than capital purposes		23,445	22,041
Agency (direct lending inflows)		172,498	156,471
Agency (direct lending outflows)		(172,498)	(156,471)
Other agency inflows		58,814	46,036
Other agency (outflows)		(54,476)	(43,059)
Payments to governing boards or other institutions		(67)	(338)
Other nonoperating revenues		40,727	31,927
Net cash provided by noncapital financing activities		80,173	144,102
Cash flows from capital and related financing activities:			
Proceeds from capital debt		102,037	-
State appropriations - capital		14,284	14,456
Capital grants, contracts and gifts		8,921	15,076
Acquisition and construction of capital assets		(92,725)	(202,582)
Principal paid on capital debt		(8,675)	(8,401)
Interest on capital debt		(21,352)	(16,348)
Net cash provided by (used in) capital and related financing activities		2,490	(197,799)

(Continued)

Colorado State University System

Statements of Cash Flows

Years Ended June 30, 2011 and 2010

(Amounts expressed in thousands)

	2011	2010
Cash flows from investing activities:		
Proceeds from sale and maturities of investments	14,512	13,406
Purchase of investments	(15,212)	(13,922)
Investment earnings	6,494	8,978
Net cash provided by investing activities	5,794	8,462
Net increase (decrease) in cash and cash equivalents	106,336	(116,272)
Cash and cash equivalents	285,634	265,511
Restricted cash and cash equivalents	65,019	201,414
Cash and cash equivalents, beginning of the year	350,653	466,925
Cash and cash equivalents	323,875	285,634
Restricted cash and cash equivalents	133,114	65,019
Cash and cash equivalents, end of the year	$ 456,989	350,653
Reconciliation of operating loss to net cash provided by (used in) operating activities:		
Operating loss	$ (37,749)	(130,120)
Adjustments:		
Depreciation expense	54,290	47,593
Noncash operating transactions	2,376	(1,039)
Decrease (increase) in assets:		
Receivables, net	(9,234)	(3,554)
Inventories and prepaids	(1,322)	2,493
Increase (decrease) in liabilities:		
Accounts payable	(10,768)	4,140
Accrued liabilities	14,581	4,045
Deferred revenue	1,510	372
Deposits held for others	215	440
Compensated absences liabilities	(405)	569
Other liabilities	4,385	4,024
Net cash provided by (used in) operating activities	$ 17,879	(71,037)

(Continued)

Colorado State University System

Statements of Cash Flows

Years Ended June 30, 2011 and 2010

(Amounts expressed in thousands)

	2011	2010
Noncash activities:		
Noncash gifts	5,245	6,005
Noncash capital leases	2,180	1,429
Noncash additions to investments held by Foundation	1,552	651
Unrealized gains (losses) on investments	(368)	972
Capitalized interest	6,306	7,740
Amortization of bond premium	604	238
Amortization of bond issuance costs	182	131
Retainage payable	(3,614)	922
Certificate of Participation	502	1,207

See accompanying notes to basic financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

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

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

As a higher education institution of the State of Colorado, the income of the System is generally exempt from income taxes under Section 115 of the Internal Revenue Code (IRC). However, income unrelated to the exempt purpose of the System would be subject to tax under IRC Section 511(a)(2)(B). The System had no material unrelated business income for the years ended June 30, 2011 and 2010.

(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 and presented in the System's 2011 and 2010 financial statements. The Colorado State University Research Foundation and the Colorado State University – Pueblo Foundation do not meet the criteria to be reported as component units.

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 is restricted for use by, or for the benefit of CSU by the donors. The Foundation is a private nonprofit organization that reports under Financial Accounting Standards Board (FASB) standards, including FASB Statement No. 117, *Financial Reporting for Not-for-*

Profit Organizations. As such, certain revenue recognition criteria and presentation requirements are different from GASB revenue recognition criteria and presentation requirements. No modifications have been made to the Foundation's financial information in the System's financial reporting entity for these differences, as permitted by GASB Statement No. 39. In fiscal year 2009, CSUF implemented Financial Accounting Standards Board Staff Position No. FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*. CSUF fully discloses the nature of its endowment funds, both donor-restricted endowment funds and board-designated endowment funds.

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 for the benefit of 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 University Operations. No person who is an employee of CSU is eligible to serve as an officer of the Foundation or as a voting Board Member.

The major source for the Foundation's revenue is gifts. For the years ended June 30, 2011 and 2010, respectively, gifts were $45,051,000 and $27,499,000. Included in total support and revenue is net investment income. The Foundation had net investment income for the years ended June 30, 2011 and 2010 of $52,136,000 and $25,843,000, respectively. The total support and revenue at June 30, 2011 and 2010 was $97,271,000 and $53,273,000, respectively.

The support provided by the Foundation to CSU is intended to assist in the promotion, development, and enhancement of the facilities, educational programs and opportunities of the faculty, students, and alumni of CSU. Additionally, the Foundation provides receipts to contributors and invests philanthropic gifts. Approximately $23,685,000 and $31,904,000 was transferred to CSU for the years ended June 30, 2011 and 2010, 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 $12,245,000 and $10,692,000 as of June 30, 2011 and 2010, 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.

(Continued)

(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 basis of accounting and other requirements for the presentation of such information.

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

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

(a) Cash and Cash Equivalents

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

(b) Investments

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

(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-Pueblo, library materials are valued at actual cost.

Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets or intangible assets, generally 10 to 70 years for buildings, 10 to 21 years for land improvements, 3 to 15 years for library books, 3 to 12 years for equipment and software, and 5 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 material impairments of capital assets at June 30, 2011 or 2010.

(f) Compensated Absence Liabilities

The amount of compensated absence liabilities that are recorded as a current liability on the statements of net assets are 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 purpose. 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.

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

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

Nonoperating revenues consist primarily of gifts from grantors and donors, and investment income that are relied upon and budgeted for support of operating expenses. Also included in nonoperating revenues are State Fiscal Stabilization Fund and Federal Pell Grants. State Fiscal Stabilization Fund grants are federal grants from the U.S. Department of Education which were granted to the State of Colorado and passed through to higher education to offset reductions to the College Opportunity Fund stipend and the fee for service contract. 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.

(l) Changes in Accounting Principles

As discussed in Note 7, the System adopted GASB 51, *Accounting and Financial Reporting for Intangible Assets* during fiscal year ended June 30, 2010. This change had no effect on net assets at June 30, 2010 or changes in net assets for the year then ended.

The System adopted GASB 53, *Accounting and Financial Reporting for Derivative Instruments* during fiscal year ended June 30, 2010. This implementation had no effect on net assets at June 30, 2010 or changes in net assets for the year then ended.

(m) Reclassifications

Certain 2010 amounts have been reclassified to conform to the 2011 basic financial statements presentation. These reclassifications had no effect on the change in net assets.

(Continued)

(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. Monies deposited in the Treasury are invested until the cash is needed. As of June 30, 2011, the System had cash on deposit with the State Treasurer of $447,836,000 which represented approximately 7.3 percent of the total $6,100,300,000 fair value of deposits in the State Treasurer's Pool (Pool). As of June 30, 2010, the System had cash on deposit with the State Treasurer of $344,746,000 which represented approximately 5.8 percent of the total $5,977,900,000 fair value of deposits in the Pool.

For financial reporting purposes, all of the Treasurer's investments are reported at fair value, which is determined based on quoted market prices at fiscal year-end. On the basis of the System's participation in the Pool, the System reports as an increase or decrease in cash and cash equivalents its share of the Treasurer's unrealized gains and losses on the Pool's underlying investments. The State Treasurer does not invest any of the Pool's resources in any external investment pool. The unrealized gains or losses included in income reflect only the change in fair value for the fiscal year.

The difference between the System's cash carrying value, deposits with the State Treasurer and balances at other banks is due to outstanding checks and deposits in transit. Interest earned on deposits with the State for the fiscal years ended June 30, 2011 and 2010 was approximately $7,768,000 and $7,760,000, 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 $6,672,000 and $7,040,000 on cash and cash equivalents on deposit with the State Treasurer for the fiscal years ended June 30, 2011 and 2010, respectively. The unrealized loss on investment income for the fiscal year ended June 30, 2011 was $368,000 and the unrealized gain on investment income for the fiscal year ended June 30, 2010 was $972,000. 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, 2011, none of the investments in the State Treasurer's Pool are subject to custodial credit risk.

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

At June 30, 2011 and 2010, the System's book value of cash not on deposit with the State Treasurer was $9,153,000 and $5,907,000, respectively. Cash included petty cash/change funds and bank account balances of $138,000 and $9,015,000 as of June 30, 2011 and $199,000 and $5,708,000 as of June 30, 2010, respectively. Bank account balances per the bank at June 30, 2011 and 2010 were

$13,835,000 and $8,147,000, respectively. Of the June 30, 2011 deposits, $13,062,000 were covered by depository insurance and were not exposed to custodial credit risk, the remaining $773,000 were collateralized with securities held by the pledging institution in the System's name. Of the June 30, 2010 deposits, $7,490,000 were covered by depository insurance and were not exposed to custodial credit risk and the remaining $657,000 were collateralized with securities held by the pledging institution in the System's name.

Credit quality risk is the risk that the issuer or other counterparty to a debt security will not fulfill its obligations. This risk is assessed by national rating agencies which assign a credit quality rating for many investments. Credit quality ratings for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not reported; however, credit quality ratings are reported for obligations of U.S. government agencies that are not explicitly guaranteed by the U.S. government. Based on these parameters, as of June 30, 2011, approximately 86.7 percent of investments of the Pool are subject to credit quality risk reporting. Except for $18,384,000 of corporate bonds rated lower medium and $15,015,000 of corporate bonds rated as very speculative, these investments are rated from upper medium to the highest quality, which indicates that the issuer has a strong capability to pay principal and interest when due. As of June 30, 2010, approximately 88.1 percent of investments of the Pool are subject to credit quality risk reporting. Except for $25,573,000 of corporate bonds rated lower medium and $14,534,000 of corporate bonds rated speculative, and $14,219,000 of corporate bonds rated as very speculative, these investments are rated from upper medium to the highest quality which indicates that the issuer has a strong capability to pay principal and interest when due.

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, 2011, the weighted average maturity of investments in the Pool was 0.015 years for Commercial Paper (1.3 percent of the Pool), 1.054 years for U.S. Government Securities (81.7 percent of the Pool), 1.06 years for Asset Backed Securities (6.9 percent of the Pool), and 3.133 years for Corporate Bonds (10.1 percent of the Pool). As of June 30, 2010, the weighted average maturity of investments in the Pool was 0.04 years for Commercial Paper (3.7 percent of the Pool), 0.01 years for Money Market funds (3.2 percent of the Pool), 1.30 years for U.S. Government Securities (73.8 percent of the Pool), 1.36 years for Asset Backed Securities (12.6 percent of the Pool), and 2.05 years for Corporate Bonds (6.7 percent of the Pool).

The Pool was not subject to foreign currency risk or concentration of credit risk in fiscal years 2011 or 2010.

Additional information on investments of the Pool may be obtained in the State's Comprehensive Annual Financial Report for the year ended June 30, 2011.

(Continued)

(5) Restricted Investments

As of June 30, 2011 and 2010, the System's restricted investments had a fair value of $20,077,000 and $17,791,000, respectively. Investment earnings for the fiscal years 2011 and 2010 were $12,000 and $11,000, respectively.

No investment types were purchased and sold during the years that were not owned as of June 30, 2011 and 2010. The System only invests in U.S. Treasury securities, which are federally guaranteed investments, as required, by state law. The System's restricted investments include investments held by 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, 2011 and 2010:

	June 30	
	2011	2010
U.S. Treasury obligations	$ 7,832,000	7,099,000
Investments held by CSUF in long-term endowment pool:		
Corporate equities	488,000	369,000
Mutual funds	3,867,000	3,110,000
Private equities	2,729,000	2,328,000
International equities	1,770,000	1,514,000
Hedge funds	950,000	911,000
Other investments	2,441,000	2,460,000
	12,245,000	10,692,000
Total investments	$ 20,077,000	17,791,000

(a) Credit Quality Risk

At June 30, 2011 and 2010, the System (investments held by CSUF) had debt securities in the following credit risk categories:

	June 30 2011	June 30 2010
Bond Mutual Funds		
(Standard & Poor's/Moody's)		
AAA / Aaa	$ 102,000	398,000
AA / Aa	374,000	56,000
A / A	119,000	81,000
BBB / Baa	162,000	50,000
BB / Ba	60,000	25,000
B / B	26,000	6,000
Below B	8,000	6,000
	$ 851,000	622,000

The Foundation's 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, 2011, 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	$ 7,832,000	0.08	
Investments held by CSUF in long-term endowment pool:			
Bond Mutual Funds:			
PIMCO - Low Duration Fund	851,000	2.73	1.87
Total investments subject to interest rate risk	$ 8,683,000		

At June 30, 2010, 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	$ 7,099,000	0.08	
Investments held by CSUF in long-term endowment pool:			
Bond Mutual Funds:			
PIMCO - Low Duration Fund	622,000	2.93	1.89
Total investments subject to interest rate risk	$ 7,721,000		

The Colorado State University Foundation's 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 ten years or less at all times and that the fixed income portion of the portfolio is to be targeted at eight percent of the total portfolio with an acceptable range being between four percent and twelve percent.

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, 2011, Foundation investments consisted of various securities carried at fair market value as determined by quoted market prices on national exchanges. Alternative investments are valued at the 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.

The following details each major category of the Foundation's investments at fair market value as of June 30, 2011 and 2010:

	June 30	
	2011	2010
Cash and cash equivalents subject to investment management direction	$ 4,018,000	650,000
Equities:		
Large cap	69,048,000	53,629,000
International	42,873,000	32,956,000
Micro cap	11,829,000	8,033,000
Fixed income	20,622,000	13,536,000
Alternative investments	148,304,000	124,044,000
Other investments	207,000	144,000
	$ 296,901,000	232,992,000

Net investment income (loss) of the Foundation consisted of the following for the years ended June 30, 2011 and 2010:

	2011	2010
Interest, dividends, and other income	$ 4,265,000	3,323,000
Net unrealized and realized gain on investments	54,022,000	27,143,000
Less investment management fees	(4,050,000)	(3,623,000)
	54,237,000	26,843,000
Less income on deposits held in custody for CSU	(2,101,000)	(1,000,000)
Total	$ 52,136,000	25,843,000

(6) Accounts Receivable

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

	2011	2010
Student accounts receivable:	$ 24,913,000	24,581,000
Less allowance for doubtful accounts	(4,871,000)	(4,577,000)
Student accounts receivable, net	$ 20,042,000	20,004,000
Student loans receivable:	$ 26,108,000	26,349,000
Less allowance for doubtful accounts	(2,763,000)	(2,370,000)
Student loans receivable, net	23,345,000	23,979,000
Less current portion	(2,888,000)	(2,620,000)
Student loans receivable	$ 20,457,000	21,359,000
Grant and other accounts receivable:		
Sponsored programs	$ 65,464,000	54,107,000
Commercial receivables	5,160,000	4,385,000
Conferences and summer programs	498,000	881,000
Insurance trust fund	526,000	499,000
Receivables from Foundation	1,820,000	902,000
Athletics	621,000	791,000
Capital construction - due from state	6,000	819,000
Due from other employees - pay date shift	346,000	519,000
Vendor credits	-	6,000
Other	1,568,000	1,109,000
Total grant and other accounts receivable	76,009,000	64,018,000
Less allowance for doubtful accounts	(1,086,000)	(1,294,000)
Grant and other accounts receivable, net	$ 74,923,000	62,724,000

(Continued)

Discretely presented component unit – As of June 30, 2011 and 2010, the Foundation's pledges receivable consisted of the following:

	June 30	
	2011	2010
Receivables due in less than one year	$ 7,227,000	3,600,000
Receivables due in one to five years	14,072,000	8,739,000
Receivables due in more than five years	12,128,000	11,402,000
	33,427,000	23,741,000
Less allowance for uncollectible pledges	(573,000)	(331,000)
Less present value discounting	(3,917,000)	(3,827,000)
	$ 28,937,000	19,583,000

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

Pledged receivables from two donors at June 30, 2011 represented approximately 61 percent of net pledged receivables. Pledged receivables from one donor at June 30, 2010 represented approximately 46 percent of net pledged receivables.

(7) Capital Assets

Following are the changes in capital assets for the year ended June 30, 2011:

	Balance July 1, 2010	Additions	Transfers	Deletions	Balance June 30, 2011
Nondepreciable capital assets:					
Land	$ 17,658,000	158,000	-	-	17,816,000
Land improvements	2,019,000	-	-	-	2,019,000
Construction in progress	236,016,000	71,410,000	(268,994,000)	-	38,432,000
Collections	2,024,000	176,000	-	(5,000)	2,195,000
Total nondepreciable capital assets	257,717,000	71,744,000	(268,994,000)	(5,000)	60,462,000
Depreciable capital assets:					
Land and leasehold improvements	61,780,000	-	7,111,000	-	68,891,000
Buildings and improvements	847,294,000	1,508,000	259,837,000	(618,000)	1,108,021,000
Software	4,123,000	3,821,000	815,000	(276,000)	8,483,000
Equipment	207,586,000	17,754,000	1,231,000	(9,193,000)	217,378,000
Library materials	91,876,000	1,465,000	-	(5,460,000)	87,881,000
Total depreciable capital assets	1,212,659,000	24,548,000	268,994,000	(15,547,000)	1,490,654,000
Less accumulated depreciation:					
Land and leasehold improvements	32,365,000	2,969,000	-	-	35,334,000
Buildings and improvements	298,997,000	29,553,000	-	(591,000)	327,959,000
Software	2,394,000	991,000	-	(276,000)	3,109,000
Equipment	152,014,000	16,070,000	-	(8,193,000)	159,891,000
Library materials	72,845,000	4,707,000	-	(5,461,000)	72,091,000
Total accumulated depreciation	558,615,000	54,290,000	-	(14,521,000)	598,384,000
Net depreciable capital assets	654,044,000	(29,742,000)	268,994,000	(1,026,000)	892,270,000
Total capital assets, net	$ 911,761,000	42,002,000	-	(1,031,000)	952,732,000

GASB 51 - *Accounting and Financial Reporting for Intangible Assets* at June 30, 2011:
Capitalized software cost has been separated from the equipment information (see above).
Land includes the following conservation easements:

Catspaw Conservation Easement	$ 3,155,000
Snow Mountain Conservation Easement	5,000,000
Elmgreen Conservation Easement	500,000
Total	$ 8,655,000

Following are the changes in capital assets for the year ended June 30, 2010:

	Balance July 1, 2009	Additions	Transfers	Deletions	Balance June 30, 2010
Nondepreciable capital assets:					
Land	$ 14,620,000	-	3,050,000	(12,000)	17,658,000
Land improvements	2,019,000	-	-	-	2,019,000
Construction in progress	173,947,000	183,214,000	(121,145,000)	-	236,016,000
Collections	1,384,000	658,000		(18,000)	2,024,000
Total nondepreciable capital assets	191,970,000	183,872,000	(118,095,000)	(30,000)	257,717,000
Depreciable capital assets:					
Land and leasehold improvements	60,129,000	623,000	1,028,000	-	61,780,000
Buildings and improvements	729,014,000	4,258,000	114,022,000	-	847,294,000
Software	3,730,000	393,000	-	-	4,123,000
Equipment	200,131,000	14,200,000	3,045,000	(9,790,000)	207,586,000
Library materials	91,349,000	1,887,000	-	(1,360,000)	91,876,000
Total depreciable capital assets	1,084,353,000	21,361,000	118,095,000	(11,150,000)	1,212,659,000
Less accumulated depreciation:					
Land and leasehold improvements	29,579,000	2,786,000	-	-	32,365,000
Buildings and improvements	273,699,000	25,298,000	-	-	298,997,000
Software	1,819,000	575,000	-	-	2,394,000
Equipment	146,123,000	15,279,000	-	(9,388,000)	152,014,000
Library materials	70,551,000	3,655,000	-	(1,361,000)	72,845,000
Total accumulated depreciation	521,771,000	47,593,000	-	(10,749,000)	558,615,000
Net depreciable capital assets	562,582,000	(26,232,000)	118,095,000	(401,000)	654,044,000
Total capital assets, net	$ 754,552,000	157,640,000	-	(431,000)	911,761,000

GASB 51 - *Accounting and Financial Reporting for Intangible Assets* at June 30, 2010:
Capitalized software cost has been separated from the equipment information (see above).
Land includes the following conservation easements:

Catspaw Conservation Easement	$ 3,155,000
Snow Mountain Conservation Easement	5,000,000
Elmgreen Conservation Easement	500,000
Total	$ 8,655,000

Interest expense capitalized, net of related interest income for the System, was $6,306,000 and $7,740,000 for the years ended June 30, 2011 and 2010, respectively.

(8) Accrued Liabilities

The current accrued liabilities balances as of June 30, 2011 and 2010 were comprised of:

	June 30	
	2011	2010
Accrued payroll and benefits	$ 65,945,000	61,925,000
Emergency firefighting accrual	12,601,000	2,501,000
Accrued interest payable	8,372,000	6,605,000
Other liabilities	1,342,000	1,203,000
	$ 88,260,000	72,234,000

(9) Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2011 was as follows:

	Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011	Amounts Due Within One Year
Bonds and capital lease obligations:					
Revenue bonds and COPs payable	$ 413,268,000	102,629,000	(7,200,000)	508,697,000	7,113,000
Capital leases payable	6,612,000	2,179,000	(2,054,000)	6,737,000	1,663,000
Total bonds and capital leases	419,880,000	104,808,000	(9,254,000)	515,434,000	8,776,000
Other liabilities:					
Deposits held for others	20,852,000	28,301,000	(22,764,000)	26,389,000	5,462,000
Other	17,269,000	4,770,000	(301,000)	21,738,000	2,288,000
Accrued compensated absences	42,179,000	-	(404,000)	41,775,000	2,319,000
Total long-term liabilities	$ 500,180,000	137,879,000	(32,723,000)	605,336,000	18,845,000

(Continued)

Long-term liability activity for the year ended June 30, 2010 was as follows:

	Balance July 1, 2009	Additions	Reductions	Balance June 30, 2010	Amounts Due Within One Year
Bonds and capital lease obligations:					
Revenue bonds and COPs payable	$ 419,865,000	-	(6,597,000)	413,268,000	6,648,000
Capital leases payable	7,331,000	1,430,000	(2,149,000)	6,612,000	1,472,000
Total bonds and capital leases	427,196,000	1,430,000	(8,746,000)	419,880,000	8,120,000
Other liabilities:					
Deposits held for others	16,464,000	19,701,000	(15,313,000)	20,852,000	5,263,000
Other	13,813,000	9,086,000	(5,630,000)	17,269,000	2,154,000
Accrued compensated absences	41,610,000	569,000	-	42,179,000	2,299,000
Total long-term liabilities	$ 499,083,000	30,786,000	(29,689,000)	500,180,000	17,836,000

(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 percent to 101 percent 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 August 12, 2010, the System issued $98.9 million in System Enterprise Revenue Bonds, Series 2010A-C. The proceeds from the sale of the Series 2010A-C will be used to defray the costs of constructing, acquiring, renovating, expanding, and equipping certain facilities at CSU. The improvement projects include the Engineering II Building, Library Expansion, Braiden and Parmelee Hall Renovations, Lory Theatre Renovation, and Classroom Renovations at CSU.

A general description of each bond issue, original issuance amount, and the amount outstanding as of June 30, 2011 and 2010 is detailed below.

Revenue bonds and COPs payable consisted of the following at June 30, 2011 and 2010:

	Interest Range	2011	2010
Colorado State University:			
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%	$ 5,935,000	6,630,000
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%	18,155,000	18,580,000
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%	42,775,000	43,755,000
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%-3.25%	490,000	965,000
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	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%	19,460,000	22,995,000
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	15,120,000

(Continued)

Colorado State University System

Notes to Basic Financial Statements

Years Ended June 30, 2011 and 2010

	Interest range	2011	2010
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 2038.	3.00%-5.00%	82,125,000	82,570,000
Colorado State University System Enterprise Revenue Bonds of 2009A, issued in the original amount of $56,090,000 and mature in varying annual amounts to March 2039.	3.00%-5.00%	56,090,000	56,090,000
Colorado State University System Enterprise Revenue Bonds of 2010A, issued in the original amount of $25,330,000 and mature in varying annual amounts to March 2020.	4.00%-5.00%	25,330,000	-
Colorado State University System Enterprise Revenue Bonds of 2010B, issued in the original amount of $40,335,000 and mature in varying annual amounts to March 2033.	4.900%-5.957%	40,335,000	-
Colorado State University System Enterprise Revenue Bonds of 2010C, issued in the original amount of $33,250,000 and mature in varying annual amounts to March 2040.	6.057%	33,250,000	-
Unamortized bond premium/discount		6,427,000	3,242,000
Total System Bonds		506,157,000	410,612,000
Colorado State University - Pueblo Portion of the State of Colorado Certificate of Participation to remodel the Academic Resource Center (Library). Payable annually with a final maturity in 2029.	5.10%	2,540,000	2,656,000
Total System Certificates of Participation		2,540,000	2,656,000
Total System Bonds and Certificates of Participation		$ 508,697,000	413,268,000

(Continued)

The scheduled maturities of the revenue bonds and COPs as of June 30, 2011 are as follows:

	Principal	Interest	Total Payments
2012	$ 7,113,000	25,250,000	32,363,000
2013	10,228,000	25,000,000	35,228,000
2014	10,768,000	24,558,000	35,326,000
2015	11,313,000	24,098,000	35,411,000
2016	11,853,000	23,534,000	35,387,000
2017-2021	68,600,000	108,461,000	177,061,000
2022-2026	82,861,000	90,114,000	172,975,000
2027-2031	105,734,000	66,840,000	172,574,000
2032-2036	133,550,000	37,311,000	170,861,000
2037-2040	60,250,000	5,982,000	66,232,000
Total debt service maturities	502,270,000	431,148,000	933,418,000
Unamortized bond premium/discount	6,427,000		
Total	$ 508,697,000		

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 percent of all net revenues derived at the System from charges to students for the provision of general instruction by the System, 80 percent of the CSU facilities fee, 100 percent of the CSU-Pueblo 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.

There we no material events to report for fiscal years ended June 30, 2011 and 2010.

(Continued)

(11) Defeased Obligations

In fiscal year 2008 the System issued System Enterprise Revenue Bonds, Series 2007B to refund outstanding bonds and COPs. Net proceeds were deposited with an escrow agent to be used for purchasing certain U.S. governmental obligations. The principal and interest from the U.S. governmental obligations will be sufficient to enable the escrow agent to make all future debt service payments on the refunded bonds and COPs. As a result, the refunded bonds and COPs are considered to be defeased and the liability for those bonds is no longer reflected on the statement of net assets.

The following bonds and certificates of participation were included in the refunding and have since been redeemed: Auxiliary Facilities Enterprise Refunding and Improvement Revenue Bonds, Series 1996; Auxiliary Facilities Enterprise Refunding and Improvement Revenue Bonds, Series 1997; Certificates of Participation, Series 1997; Student Sports Recreational Facilities Revenue Bonds, Series 1998; and Research Building Revolving Fund Enterprise Revenue Bonds, Series 2001. The Enterprise System Refunding and Improvement Revenue Bonds, Series 2003A (partial refund), and Research Building Revolving Fund Enterprise Revenue Bonds, Series 2005A were also refunded and have remaining defeased obligations at June 30, 2011 as follows:

	Original Amount Refunded	Balance June 30, 2011
CSU Enterprise System Refunding and Improvement Revenue Bonds, Series 2003A	$ 3,610,000	2,295,000
CSU Research Building Revolving Fund Enterprise Revenue Bonds, Series 2005A	9,535,000	7,300,000
	$ 13,145,000	9,595,000

(12) Pledged Revenues and Related Expenses

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

a) 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.

	June 30	
	2011	2010
Operating revenues – pledged auxiliary revenues	$ 103,848,000	97,489,000
Operating expenses	(85,778,000)	(82,600,000)
Pledged revenues over operating expenses	18,070,000	14,889,000
Net nonoperating expenses	(9,496,000)	(8,525,000)
Other revenues and transfers	182,000	563,000
Net increase	$ 8,756,000	6,927,000

b) CSU-Pueblo Auxiliary Facilities Enterprise Refunding and Improvement Revenue Bonds:

Pledged by auxiliary revenues.

	June 30	
	2011	2010
Operating revenues – pledged auxiliary revenues	$ 12,210,000	10,391,000
Operating expenses	(8,630,000)	(7,891,000)
Pledged revenue over operating expenses	3,580,000	2,500,000
Net nonoperating expenses	-	-
Other revenues and transfers	(3,047,000)	(1,553,000)
Net increase	$ 533,000	947,000

(Continued)

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

Pledged by 10 percent System tuition revenues, 80 percent CSU facilities fees revenues, 100 percent CSU-Pueblo 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.

	Years Ended June 30	
	2011	**2010**
Operating revenues	$ 41,855,000	35,936,000
Operating expenses	(621,000)	(1,335,000)
Pledged revenues over operating expenses	41,234,000	34,601,000
Net nonoperating expenses	(8,650,000)	(4,789,000)
Other revenues and transfers	6,583,000	3,758,000
Net increase	$ 39,167,000	33,570,000

The debt covenants for the above bonds require indirect cost recoveries from research-related grants to be pledged. The pledged revenue reported above includes $3,231,000 and $2,949,000 in indirect cost recoveries for the fiscal years ended June 30, 2011 and 2010, respectively, 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 $42,160,000 and $39,370,000 for the fiscal years ended June 30, 2011 and 2010, respectively.

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

(Continued)

(13) Capital Lease Obligations

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

	Total
Fiscal year ending June 30:	
2012	$ 1,905,000
2013	1,883,000
2014	1,527,000
2015	838,000
2016	705,000
2017-2021	543,000
Minimum future lease payments	7,401,000
Less amount representing interest	664,000
Present value of minimum lease payments	$ 6,737,000

Capital lease agreements have been utilized to provide for the use of property and equipment. As of June 30, 2011 and 2010, respectively, the System had capital lease obligations in effect with capitalized asset costs of $15,610,000 and $14,937,000; accumulated depreciation of $4,756,000; and $4,131,000; and related outstanding liabilities of $6,737,000 and $6,612,000.

(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.

	Future Minimum Obligations for Operating Leases
Fiscal year ending June 30:	
2012	$ 1,663,000
2013	1,684,000
2014	1,440,000
2015	927,000
2016	577,000
2017-2021	1,707,000
Total	$ 7,998,000

Rent expense was $1,352,000 and $1,814,000 for fiscal years ended June 30, 2011 and 2010, respectively.

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

(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 $26,156,000 and $26,447,000 and are reported as restricted net assets - expendable on the financial statements as of June 30, 2011 and 2010, 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 $33,657,000 and $27,901,000 are reported as restricted net assets - expendable on the financial statements as of June 30, 2011 and 2010, 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, 2011 and 2010, this reserve had net assets of $1,871,000 and $2,171,000, respectively. These amounts were reported as restricted net assets - expendable on the statements of net assets.

Total restricted net assets were as follows:

	June 30	
	2011	2010
Total restricted net assets were as follows:		
Restricted for nonexpendable purposes:		
Scholarships, research and other	$ 12,267,000	10,699,000
Federal Land Grant Act Account - nonexpendable	8,296,000	7,505,000
Total	$ 20,563,000	18,204,000
Restricted for expendable purposes:		
Federal Land Grant Act Income Account - expendable	$ 5,156,000	5,635,000
Student loans	26,156,000	26,447,000
Colorado Water Institute	387,000	447,000
Sponsored programs	1,235,000	2,602,000
Gifts	1,796,000	1,479,000
Auxiliary pledged net assets	33,657,000	27,901,000
Tuition and Fee pledged assets	6,270,000	4,009,000
Research Building Revolving Fund	3,002,000	2,866,000
Equipment reserve for Vet Med	1,871,000	2,171,000
CSFS legislative funds	10,736,000	8,960,000
Other	116,000	293,000
Total	$ 90,382,000	82,810,000

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.

(Continued)

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, 2011 and 2010, the Foundation's Board has designated $28,901,000 and $18,711,000, 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, 2011 were $102,595,000. These outstanding purchase order commitments included $55,199,000 of System capital construction commitments. CSU capital construction commitments included approximately $14,315,000 for the Engineering II Building, $10,334,000 for the Parmelee Hall 4th Floor Addition, $9,212,000 for the Braiden Hall 4th Floor Addition, $8,855,000 for the Morgan Library Expansion, $1,676,000 for the Student Recreation Center Expansion, $1,383,000 for the Alder Hall Addition and $1,253,000 for the Corbett Hall Exterior Revitalization. The remaining capital construction commitments were for other smaller projects at CSU and CSU-Pueblo. Of the remaining noncapital purchase order commitments, $31,324,000 were related to CSU sponsored contracts and grants.

In addition to purchase order commitments, CSU has contracted obligations of $17,884,000 at June 30, 2011 related to employment hiring incentives and shared costs on long-term federal contracts. The hiring incentives arise in recruiting faculty and research scientists whereby the 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, 2011 were:

Purchase Order Commitments	$ 102,595,000
Shared Cost Obligations on long-term revenue contracts	10,337,000
Obligations under accepted Employment offers	7,547,000
Total	$ 120,479,000

(17) Employment Benefits

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

Optional Retirement Plan (ORP), subject to eligibility criteria defined by PERA and the University for each separate governing entity.

The System's total payroll for the fiscal years ended June 30, 2011 and 2010 was approximately $474,326,000 and $468,877,000, respectively. Payroll for employees covered by the PERA plan, the optional defined contribution plan, and the student retirement plan was approximately $149,458,000 $260,857,000, and $13,855,000 respectively, for the fiscal year ended June 30, 2011 and $154,092,000, $253,569,000, and $10,237,000 respectively, for the fiscal year ended June 30, 2010. The remaining employees were not eligible for participation in any of the System's plans.

(a) PERA Defined Benefit Pension Plan

Plan Description

Employees of the department/institution deemed eligible under PERA's membership rules for institutions of higher education may participate in the Defined Benefit Pension Plan. The purpose of the Defined Benefit Pension Plan is to provide lifetime retirement income to PERA annuitants and/or their families in the case of death or disability. The plan is a cost sharing multiple employer plan administered by the PERA. PERA was established by State statute in 1931. Responsibility for the organization and administration of the plan is placed with the PERA Board of Trustees. Changes to the plan require an actuarial assessment and legislation by the General Assembly. The State plan and other divisions' plans are included in PERA's financial statements, which may be obtained by contacting PERA at:

PERA
P.O. Box 5800
Denver, Colorado 80217
(800) 759-7372
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.

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

PERA members electing the PERA Defined Contribution Plan are allowed an irrevocable election between the second and fifth year to use their defined contribution account to purchase service credit and be covered under the Defined Benefit Plan. However, making this election subjects the member to the rules in effect for those hired on or after January 1, 2007, as discussed below. Employer contributions to both the PERA Defined Contribution Plan and the PERA Defined Benefit Plan are the same.

Vesting for plan members occurs after five years of service and members are eligible for retirement benefits based on their hire dates as follows:

- Hired before July 1, 2005 – at age 50 with 30 years of service, age 60 with 20 years of service, or age 65 with five years of service.
- Hired between July 1, 2005, and December 31, 2006 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 20 years of service, or age 65 with 5 years of service.
- Hired on or after January 1, 2007 – any age with 35 years of service, age 55 with 30 year of service, age 60 with 25 years of service, or age 65 with 5 years of service.

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

- Hired before January 1, 2007 – age 55 with a minimum of 5 years of service credit and age plus years of service equals 80 or more.
- Hired on or after January 1, 2007 – age 55 with a minimum of 5 years of service credit and age plus years of service equals 85 or more.
- Hired between January 1, 2011 and December 31, 2016 – age 58 and age plus years of service equals 88 or more.
- Hired on or after January 1, 2017 – age 60 and age plus years of service equals 90.

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

For retirements after January 1, 2009 – the HAS is calculated based on original hire date as follows:

- For members hired before January 1, 2007 – HAS is calculated based on three periods of service credit and is limited to a 15 percent increase between periods; the lowest salary of four periods is used as a base for determining the maximum allowable 15 percent increase.
- For members hired on or after January 1, 2007 – HAS is calculated based on three periods of service credit and is limited to an 8 percent increase between periods; the lowest salary of four periods is used as a base for determining the maximum allowable 8 percent increase.

(Continued)

For retirements after January 2, 2011 – the HAS is calculated based on original hire date as follows:

- For members hired before January 1, 2007 and eligible to retire as of January 1, 2011 – HAS is calculated based on three periods of service credit and is limited to a 15 percent increase between periods; the lowest salary of four periods is used as a base for determining the maximum allowable 15 percent increase.
- For members hired before January 1, 2007 and not eligible to retire as of January 1, 2011 – HAS is calculated based on three periods of service credit and is limited to a 8 percent increase between periods; the lowest salary of four periods is used as a base for determining the maximum allowable 8 percent increase.

Retiree Annual Benefit Increases:

- In the 2010 legislative session, the general assembly set the current increase as the lesser of 2 percent or the average of monthly CPI amounts for calendar year 2009. The 2009 CPI was negative resulting in a calendar year 2010 increase of 0 percent. The 2010 legislation moved the payment date of all future increases to July. New rules governing the annual increase amount are in effect beginning January 1, 2011. The reserve is funded by a portion of the employer contribution specified in Section 24-51-401 (1.7) equal to one percent of the salaries of members who were not members, inactive members, or retirees on December 31, 2006.
- The upper limit of the annual increase shall be increased one-quarter of one percent each year when the funded ratio of PERA equals or exceeds 103 percent and subsequently declines by one-quarter of one percent when the funded ratio drops below 90 percent after having exceeded 103 percent. The funded ratio increase does not apply for three years when a negative return on investment occurs.

Members who are disabled, who have five or more years of service credit, six months of which has been earned since the most recent period of membership, may receive retirement benefits if determined to be permanently disabled. If a member dies before retirement, their spouse or their eligible children under the age of 18 (23 if a full-time student) are entitled to monthly benefit payments. If there is no eligible child or 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. The annual gross covered wages subject to PERA are gross earnings less any reduction in pay to offset employer contributions to the state-sponsored plan established under Section 125 of the Internal Revenue Code.

The System's payroll contributions to PERA for the fiscal years ended June 30, 2011, 2010 and 2009 were approximately $17,790,000, $20,681,000 and $20,258,000, respectively. These contributions were equal to the contribution requirement. Prior to July 1, 2010, employees contributed 8 percent of their salary, as defined in CRS 24-51-101(42), to an individual account in the plan. Effective July 1, 2010, Senate Bill 10-146 required members in the State to pay 2.5 percent additional member contributions through June 30, 2011. Concurrently, employer contributions were reduced by 2.5 percent to 7.65 percent. Senate Bill 11-076 continued these contribution levels for members and employers through June 30, 2012.

From July 1, 2010, to December 31, 2010, the System contributed 11.35 percent of the employee's salary. From January 1, 2011, through June 30, 2011, the System contributed 12.25 percent. During Fiscal Year 2010-11, 1.02 percent of the employees' total salary was allocated to the Health Care Trust Fund.

Per Colorado Revised Statutes C.R.S. 24-51-211(1), an amortization period of 30 years is deemed actuarially sound. At December 31, 2010, the division of PERA in which the State participates has a funded ratio of 62.8 percent and a 47 year amortization period based on current contribution rates. The funded ratio on the market value of assets is lower at 61.3 percent.

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 percent of salary beginning January 1, 2006, another 0.5 percent of salary in 2007, and subsequent year increases of 0.4 percent of salary until the additional payment reaches 3.0 percent in 2012.

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 point through 2013 resulting in a cumulative increase of three percentage points. 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.

In the 2010 legislative session, the General Assembly extended both the AED and SAED. The AED will continue to increase at a rate of 0.4 percent of salary from calendar years 2013 through 2017. The SAED will continue to increase by one-half percentage point from calendar years 2014 through 2017. Both the AED and SAED will be reduced by one-half percent point when funding levels reach 103 percent, and both will be increased by one-half percent point when the funding level subsequently falls below 90 percent. Neither the AED nor the SAED may exceed 5 percent.

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

(b) Voluntary Tax-Deferred Retirement Plans

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

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

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

Defined Benefit plan (as eligibility permits). DCP participants may select from three investment companies as follows:

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

The defined contribution retirement plans are established pursuant to state statute (24-54.5-101 to 24-54.5-107 C.R.S). The CSU plan was adopted by the Board of Governors in December 1992 and the CSU-Pueblo Plan was adopted in April 1993. The Defined Contribution Retirement Plan is a qualified plan under Section 401(a) of the IRC. CSU and CSU-Pueblo are the Plan Sponsors. All participants contribute the required 8 percent of eligible salary. As required, CSU provides a matching contribution of 9 percent of eligible salary for all "permanent" appointees (those with regular 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-Pueblo provides a matching contribution of 11.1 percent, as required, of eligible salary for all nonstudent employees, including those employees at less than half-time and nonstudent temporary, hourly employees. Both employee and employer contributions are vested immediately. Investments are participant-directed within the funds available through the authorized investment companies. The System's aggregate contribution to the above three vendors was equal to 8.7 percent of covered payroll or approximately $22,785,000 for the fiscal year ended June 30, 2011 and 8.6 percent of covered payroll or approximately $22,227,000 for the fiscal year ended June 30, 2010. The employee aggregate contribution to the above three vendors was equal to 8.0 percent of covered payroll or approximately $20,868,000 for the fiscal year ended June 30, 2011 and $20,285,000 for the fiscal year ended June 30, 2010.

The Federal retirement system covers a very limited number of employees at CSU Cooperative Extension. The System's contribution to this plan was approximately $205,000 for fiscal year ended June 30, 2011 and $223,000 for fiscal year ended June 30, 2010.

(d) Student Employee Retirement Program

Eligible student employees contribute 7.5 percent of covered payroll to the student employee retirement program (SERP). The SERP is funded entirely through employee contributions with no employer match. The SERP is a mandatory plan for all student employees who are enrolled at CSU but are not classified as a half-time student or greater. The SERP was established pursuant to state statute (24-54.6-101 through 24-54.6-106 C.R.S.) as a mandatory nonqualified plan under 403(b) of the IRC in lieu of mandatory old age, survivors, and disability insurance (OASDI) coverage. The student retirement plan is a defined contribution plan administered by a consortium of higher educational institutions in the State of which a "Committee" is derived. This Committee is comprised of 13 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 sole investment company, TIAA-CREF. The contribution by student employees for the fiscal years ended June 30, 2011 and 2010 was approximately $1,039,000 and $768,000, respectively.

(e) *Health Insurance Programs*

The System's contribution to the various health insurance programs was approximately $14,835,000 and $13,956,000 for the fiscal years ended June 30, 2011 and 2010, 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 System's assets. At CSU, separate accounts currently make up the self-insured program: workers' compensation, liability, auto comprehensive/collision and property. CSU contracts various day-to-day operations of the self-funded benefit plan, including claims processing, to third-party administrators. CSU carries excess insurance for liability and workers' compensation claims over $500,000 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 $1.0 billion. In addition to this, CSU carries auto insurance for out of state vehicles and workers' compensation for out of state employees, student intern professional liability, professional liability insurance (Architects & Engineers), crime insurance, foreign liability insurance, TULIP (Tenant User Liability Insurance Program), and self-insures for in-state auto insurance.

In addition to the above, CSU is self-insured for various other risks of loss. At CSU, separate accounts currently make up the self-insured program: healthcare, dental, short-term disability, and an unallocated reserve fund. CSU contracts various day-to-day operations of the self-funded benefit plans, including claims processing, to third-party administrators. Program funding is derived from 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 fiscal years ended June 30, 2011 and 2010 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 $21,304,000 and $16,309,000 at June 30, 2011 and 2010, respectively, which include incurred but not reported claims (IBNR) along with known claims at year-end. These estimates are made through a combination of analyzing payments in early months of the subsequent year, historical trends, and industry guidelines.

In addition to these claims, workers' compensation had estimated claim liabilities of $5,263,000 and $5,216,000 at June 30, 2011 and 2010, respectively. Liability self-insurance had estimated claim liabilities of $446,000 and $241,000 at June 30, 2011 and 2010, respectively. These estimates are based on current data and actuarial reports. Property self-insurance had no estimated claim liabilities at June 30, 2011 and 2010.

(Continued)

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

	2011	2010
Claim liabilities, beginning of year	$ 21,766,000	18,537,000
Incurred claims (including IBNR)	34,865,000	32,285,000
Claim payments	(29,618,000)	(29,056,000)
Claim liabilities, end of year	$ 27,013,000	21,766,000

Claims liabilities are recorded in accrued liabilities and other long-term liabilities on the statements of net assets.

(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 P.O. 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 the 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 percent for each year less than 20 years.

The Health Care Trust Fund is maintained by an employer's contribution of 1.02 percent of covered salary. The System paid $1,522,000 into this fund during fiscal year 2011 and $1,564,000 into this fund during fiscal year 2010. 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, 2010, there were 48,455 enrollees in the plan. At December 31, 2010, the plan had an unfunded actuarial liability of $1.35 billion, a funded ratio of 17.5 percent, and a 42 year amortization period. The actuarial valuation was based on the entry age cost method, an 8 percent investment rate of return, a 4.5 percent projection of salary increases (assuming a 0.75 percent inflation rate), a 3.5 percent annual medical claims increase, no post-retirement benefit increases, and a level dollar amortization on an open basis over 30 years.

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

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 Subsidy extending benefit coverage to spouses and dependents that elect to participate. CSU also has a self-insured Long-Term Disability (LTD) Income Replacement Plan. This plan provides income replacement after the 91st consecutive calendar day of total disability. Benefit provisions for each of the plans are established and amended through the Board of Governors of the Colorado State University System. CSU does not issue separate financial reports for the plans.

DCP Subsidy

Employees who retire from the System 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. DCP participants also include certain employees hired prior to April 19, 1993 who made a one time, irrevocable election at the time of implementation to terminate participation in PERA and join the DCP. The plan is administered by American Administrators Group.

The DCP Subsidy is a revocable trust whereby the plan assets are restricted to expenditures necessary and appropriate to fulfilling the purpose of the plan. On an annual basis, CSU provides funding equal to one percent of covered participant's payroll. To the extent the funds are not utilized in covering benefits, they are maintained in the revocable trust and earn interest. The funds available to cover the plan benefits were $29,165,000 and $26,721,000 for the fiscal years ended June 30, 2011 and 2010, respectively. Funds provided for the benefit of the program include an amount equal to the annual OPEB cost of $2,482,000 and $2,415,000 for the fiscal years ended June 30, 2011 and 2010, respectively, plus the corresponding interest income less plan costs. Total amounts paid by CSU to retirees for this healthcare subsidy were $506,000 and $561,000 for fiscal years ended June 30, 2011 and 2010, respectively. As of June 30, 2011 and 2010, 287 and 261 former employees, respectively, were qualified to receive such benefits.

PERA Subsidy

System faculty and nonclassified staff participating in the PERA retirement plan who retire from the System with at least ten years of System 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 PERA which bills CSU on a monthly basis for the applicable premiums. On an annual basis, funds equal to the annual OPEB costs are set aside, along with the related interest income, in an internal service fund to cover plan benefits. The funds available to cover the plan benefits were $11,416,000 and $8,516,000 for the fiscal years ended June 30, 2011 and 2010, respectively. The annual OPEB costs for fiscal years ended June 30, 2011 and 2010 were $3,980,000 and $4,050,000, respectively. The average number of beneficiaries of this subsidy was 514 and 509 for fiscal years ended June 30, 2011 and 2010, respectively. The benefits paid by the System were $1,247,000 and $1,246,000, for fiscal years ended June 30, 2011 and 2010, respectively.

Rx Subsidy

The System provides reimbursement for the prescription copayments made by eligible faculty and nonclassified staff who retire from the System 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.

CSU set aside funds in an internal service fund equal to the OPEB obligation of $341,000 and $204,000 at fiscal year ended June 30, 2011 and 2010, respectively. These funds, which include those previously set aside, along with the amounts paid in by participants of $38,000 in fiscal year 2011 and the related interest income, have resulted in total funds available of $333,000 and $274,000 as of fiscal years ended June 30, 2011 and 2010, respectively, for this plan. Plan members were reimbursed $82,000 and $145,000 for the fiscal years ended June 30, 2011 and 2010, respectively.

Long-Term Disability Insurance Subsidy

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

CSU set aside funds in an internal service fund equal to the OPEB obligations of $634,000 and $489,000 at fiscal years ended June 30, 2011 and 2010, respectively. These funds, which include those previously set aside and the related interest income, have resulted in total funds available of $5,008,000 and $4,995,000 as of fiscal years ended June 30, 2011 and 2010, respectively. Plan members received $1,031,000 and $983,000 in benefits for the fiscal years ended June 30, 2011 and 2010, respectively.

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 year 2008 was 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 fiscal year 2011 and the related information for each plan are as follows:

	DCP Subsidy	PERA Subsidy	Rx Subsidy	LTD Subsidy
Actuarial accrued liability (a)	$ 28,917,000	53,177,000	2,832,000	13,017,000
Actuarial value of plan assets (b)	-	-	-	-
Unfunded actuarial accrued liability (a) - (b)	$ 28,917,000	53,177,000	2,832,000	13,017,000
Funded ratio (a)/(b)	0.0%	0.0%	0.0%	0.0%
Covered payroll (c)	$ 248,228,000	N/A	N/A	N/A
Unfunded actuarial accrued liability as a percentage of covered payroll [(a) - (b)}/(c)	11.6%	N/A	N/A	N/A
Contribution rates:				
CSU	Pay-as-you-go	Pay-as-you-go	Pay-as-you-go	Pay-as-you-go
Participants	N/A	N/A	$0 - $99 Based on eligibility	N/A
Annual required contributions (ARC)	$ 2,447,000	4,137,000	194,000	1,173,000
Interest on net OPEB obligation	211,000	331,000	11,000	19,000
Adjustment to ARC	(176,000)	(488,000)	(16,000)	(16,000)
Annual OPEB cost	2,482,000	3,980,000	189,000	1,176,000
Contributions made	(506,000)	(1,247,000)	(82,000)	(1,031,000)
Increase in net OPEB obligation	1,976,000	2,733,000	107,000	145,000
Net OPEB obligation - beginning of year	5,231,000	8,283,000	234,000	489,000
Net OPEB obligation - end of year	$ 7,207,000	11,016,000	341,000	634,000
Percentage of OPEB cost contributed	20.4%	31.3%	43.4%	87.6%
Assets held within internal service funds - revocable trusts for future plan benefits	$ 29,165,000	11,416,000	333,000	5,008,000

(Continued)

CSU's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligations for fiscal year 2011 and the preceding years for each of the plans were as follows:

	Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
DCP	6/30/2011	2,482,000	20.4%	7,207,000
Subsidy	6/30/2010	2,415,000	23.2%	5,231,000
	6/30/2009	2,389,000	21.9%	3,377,000
PERA	6/30/2011	3,980,000	31.3%	11,016,000
Subsidy	6/30/2010	4,050,000	30.8%	8,283,000
	6/30/2009	4,005,000	30.0%	5,479,000
Rx	6/30/2011	189,000	43.4%	341,000
Subsidy	6/30/2010	183,000	79.2%	234,000
	6/30/2009	188,000	64.9%	196,000
LTD	6/30/2011	1,176,000	87.6%	634,000
Subsidy	6/30/2010	1,112,000	88.4%	489,000
	6/30/2009	1,081,000	84.6%	360,000

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. OPEB liabilities are recorded in accrued liabilities and other long-term liabilities as follows:

	DCP	PERA	Rx	LTD	Total
OPEB, current portion	$ 882,000	1,714,000	341,000	634,000	3,571,000
OPEB, non current portion	6,325,000	9,302,000	-	-	15,627,000
Total	$ 7,207,000	11,016,000	341,000	634,000	19,198,000

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:

	DCP Subsidy	PERA Subsidy	Rx Subsidy	LTD Subsidy
Valuation Date	1/1/2011	1/1/2011	1/1/2011	1/1/2011
Actuarial Cost Method	Entry Age Normal	Projected Unit Credit	Projected Unit Credit	Entry Age Normal
Amortization Method	Level Percent of Pay	Level Dollar	Level Dollar	Level Percent of Pay
Remaining Amortization Period	30 Years, open	27 Years, closed	27 Years, closed	30 Years, open
Asset Valuation Method	Unfunded	Unfunded	Unfunded	Unfunded
Actuarial Assumptions				
Investment Rate of Return	4.00%	4.00%	4.00%	4.00%
Inflation Rate	3.00%	3.00%	3.00%	3.00%
Salary Increase Rate	4.00%	N/A	N/A	4.00%
Healthcare Cost Trend Rate	8% initial, 5% ultimate	8% initial, 5% ultimate	N/A	N/A

(c) Other Postemployment Benefits (OPEB)

CSU-Pueblo – Retired faculty and exempt administrative staff are eligible to participate in the Colorado Higher Education Insurance Benefits Alliance Trust (CHEIBA). CHEIBA is a cost-sharing multiple-employer insurance purchasing pool, which allows for post-employment health coverage until the retiree is eligible for Medicare. The retiree is responsible for paying 100 percent of the health insurance cost. As of June 30, 2011, there were 20 participants in the plan, of which 2 were CSU-Pueblo retirees.

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

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

(d) Life Insurance Program

During fiscal years ended June 30, 2011 and 2010, 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, 2011 and 2010 was $41,775,000 and $42,179,000, respectively.

Overall, expenses decreased for the fiscal year ended June 30, 2011 by $404,000 and increased for the fiscal year ended June 30, 2010 by $569,000, for the estimated compensated absence liabilities.

(21) Direct Student Financial Aid Reporting

During the fiscal years ended June 30, 2011 and 2010, CSU and CSU-Pueblo participated in the federal government's Direct Loan Program. This program provides loans from the federal government to qualifying students and their families for educational purposes. While CSU and CSU-Pueblo help students obtain these loans, the System 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, 2011 and 2010 were $172,498,000 and $156,471,000, respectively.

(22) Scholarship Allowance

Tuition, fees, and auxiliary revenues and the related scholarship allowances for the year ended June 30, 2011 were as follows:

	2011		
	Tuition and Fees	Auxiliary Revenues	Total
Gross revenue	$ 386,160,000	139,922,000	526,082,000
Scholarship allowances:			
Federal	32,971,000	1,352,000	34,323,000
State	7,334,000	994,000	8,328,000
Private	305,000	291,000	596,000
Institutional	48,666,000	2,402,000	51,068,000
Total allowances	89,276,000	5,039,000	94,315,000
Net revenue	$ 296,884,000	134,883,000	431,767,000

Tuition, fees, and auxiliary revenues and the related scholarship allowances for the year ended June 30, 2010 were as follows:

	2010		
	Tuition and Fees	Auxiliary Revenues	Total
Gross revenue	$ 327,331,000	130,070,000	457,401,000
Scholarship allowances:			
Federal	26,002,000	1,544,000	27,546,000
State	7,495,000	678,000	8,173,000
Private	227,000	162,000	389,000
Institutional	39,785,000	2,437,000	42,222,000
Total allowances	73,509,000	4,821,000	78,330,000
Net revenue	$ 253,822,000	125,249,000	379,071,000

(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-Pueblo Foundation) did not meet the requirements of GASB Statement No. 39 to be incorporated into the System's financial reporting entity.

(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-Pueblo is eligible to serve as an officer of CSURF or as a voting member of the Board.

Colorado State University Ventures (CSUV) is a wholly owned subsidiary of Colorado State University Research Foundation. CSUV is used to assist in the promotion, development, improvement and expansion of the facilities and programs of the Colorado State University System (CSUS). The sole voting member of this 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, 2011 and 2010, royalty revenues equaled $1,311,000 and $1,139,000, respectively, and expenses were $879,000 and $744,000, respectively.

At June 30, 2011, CSURF's debt to provide buildings for use by the universities was $5,122,000.

At June 30, 2011, the assets of CSURF consisted of:

Cash and current assets	$ 2,825,000
Property and equipment	11,056,000
Other assets	9,794,000
Total assets	$ 23,675,000

(Continued)

At June 30, 2010, CSURF's debt to provide buildings for use by the universities was $4,184,000.

At June 30, 2010, the assets of CSURF consisted of:

Cash and current assets	$ 2,545,000
Property and equipment	10,243,000
Other assets	9,832,000
Total assets	$ 22,620,000

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

(b) Colorado State University – Pueblo Foundation

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

CSU-Pueblo Foundation recorded $1,732,000 and $1,760,000 in transfers of gifts and other assets to CSU-Pueblo during fiscal year 2011 and 2010, respectively. During the same periods, CSU-Pueblo provided $226,000 and $107,000, respectively, in in-kind support to CSU-Pueblo Foundation for 2011 and 2010. Further, CSU-Pueblo did not incur any expenses on behalf of CSU-Pueblo Foundation during the fiscal years ended June 30, 2011 and 2010.

At June 30, 2011, the assets of CSU-Pueblo Foundation consisted of:

Cash	$ 2,611,000
Investments	17,743,000
Property and equipment	17,000
Other assets	5,847,000
Total assets	$ 26,218,000

At June 30, 2010, the assets of CSU-Pueblo Foundation consisted of:

Cash	$ 2,050,000
Investments	14,124,000
Property and equipment	21,000
Other assets	6,224,000
Total assets	$ 22,419,000

CSU-Pueblo Foundation's sources of revenue are interest earned on bank accounts and investments, donations, rental property, and fundraising activities. CSU-Pueblo Foundation had $1,010,000 and $673,000 in outstanding liabilities and $25,208,000 and $20,708,000 in net assets as of June 30, 2011 and 2010, respectively.

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

(c) CSU-Pueblo Board-Designated Funds

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

The Walking Stick Fund assets at June 30, 2011 consisted of:

Walking Stick Fund Assets	
Cash	$ 5,363,000
Land	41,000
Total assets	$ 5,404,000

(Continued)

The Walking Stick Fund assets at June 30, 2010 consisted of:

Walking Stick Fund Assets	
Cash	$ 5,352,000
Land	41,000
Total assets	$ 5,393,000

On June 30, 2000, CSU-Pueblo sold the KTSC-TV television license and certain related assets. The proceeds of the sale have been placed in a board-designated fund to support the maintenance of the Buell Communication Center building, telecommunications equipment associated with the Mass Communications program of CSU-Pueblo, and scholarships.

The KTSC Fund assets at June 30, 2011 consisted of:

KTSC Fund Assets:	
Cash	$ 2,488,000
Due from other funds	53,000
Total assets	$ 2,541,000

The KTSC Fund assets at June 30, 2010 consisted of:

KTSC Fund Assets:	
Cash	$ 2,432,000
Due from other funds	102,000
Total assets	$ 2,534,000

(Continued)

(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 2011 and 2010 the System received $87,610,000 and $38,798,000, 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 2011 and 2010 stipends were provided to students attending classes at Colorado State University and Colorado State University-Pueblo in the amount of $38,420,000 and $26,890,000, 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 Events

Colorado State University's Equine Reproduction Laboratory office building was heavily damaged in an early morning fire on July 26, 2011. The fire only impacted the office building, which houses some laboratories. No people or animals were injured in this fire. The university is working with Poudre Fire Authority to determine the cause of the fire and assess the extent of the loss of building contents. Preliminary estimates of the cost of this incident are between $1 and $3 million.

During August 2011, Colorado State University received an in-kind gift of software with a commercial value of $44.5 million. The software will be used in the University's EcoCAR program.

Colorado State University System

Required Supplementary Information

Colorado State University Retiree Medical Premium Refund Plan (DCP Subsidy), PERA Subsidy, Umbrella Rx (Rx Subsidy) and Long Term Disability Insurance Subsidy (LTD Subsidy)

Schedule of Funding Progress

June 30, 2011

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
DCP Subsidy							
	1/1/2011	$ -	$ 28,917,000	$ 28,917,000	0%	$ 248,228,000	11.6%
	1/1/2009	-	25,188,000	25,188,000	0%	241,508,000	10.4%
	1/1/2007	-	22,080,000	22,080,000	0%	199,794,000	11.1%
PERA Subsidy							
	1/1/2011	$ -	$ 53,177,000	$ 53,177,000	0%	-	0.0%
	1/1/2009	-	55,864,000	55,864,000	0%	-	0.0%
	1/1/2007	-	54,012,000	54,012,000	0%	-	0.0%
Rx Subsidy							
	1/1/2011	$ -	$ 2,832,000	$ 2,832,000	0%	-	0.0%
	1/1/2009	-	2,899,000	2,899,000	0%	-	0.0%
	1/1/2008	-	4,267,000	4,267,000	0%	-	0.0%
LTD Subsidy							
	1/1/2011	$ -	$ 13,017,000	$ 13,017,000	0%	-	0.0%
	1/1/2009	-	12,219,000	12,219,000	0%	-	0.0%