

Colorado School of Mines  
Financial Statements and Independent Auditor's Reports

Financial Audit  
Years Ended June 30, 2016 and 2015

Compliance Audit  
Year Ended June 30, 2016

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# TABLE OF CONTENTS

	PAGE
Report Summary .....	1
Financial and Compliance Audit Report Section:	
Description of the Colorado School of Mines (Unaudited) .....	3
Independent Auditors' Report .....	4
Management's Discussion and Analysis (Unaudited) .....	7
Basic Financial Statements	
Statements of Net Position .....	20
Statements of Revenues, Expenses, and Changes in Net Position .....	21
Statements of Cash Flows .....	22
Notes to Financial Statements .....	24
Required Supplementary Information (Unaudited)	
Defined Benefit Pension Plan Schedules	
Schedule of the Proportionate Share of the Net Pension Liability .....	55
Schedule of Contributions and Related Ratios .....	55
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	56
Required Communications to Legislative Audit Committee .....	58
State Funded Student Financial Assistance Programs:	
Introduction .....	62
Independent Auditors' Report on the Statement of Appropriations, Expenditures, Transfers, and Reversions of State-Funded Student Assistant Programs .....	63
State-Funded Student Financial Assistance Programs	
Statement of Appropriations, Expenditures, Transfers and Reversions .....	65
State-Funded Student Financial Assistance Programs	
Notes to Statement of Appropriations, Expenditures, Transfers and Reversions .....	66
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Statement of Appropriations, Expenditures, and Reversions of the State of Colorado State-Funded Student Assistance Programs Performed in Accordance With <i>Government Auditing Standards</i> .....	67

# Colorado School of Mines

## Report Summary

Year Ended June 30, 2016

### Purpose and Scope

The Office of the State Auditor of the State of Colorado engaged CliftonLarsonAllen, LLP to conduct a financial and compliance audit of the Colorado School of Mines (the University) for the year ended June 30, 2016. CliftonLarsonAllen performed this audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We conducted the related fieldwork from June 2016 to October 2016.

The purpose and scope of our audit were to:

- Express opinions on the financial statements of the University as of and for the year ended June 30, 2016. This includes a report on internal control over financial reporting and compliance and other matters based on the audit of the financial statements performed in accordance with *Government Auditing Standards*.
- Evaluate compliance with laws, regulations, contracts, and grants governing the expenditure of federal and state funds.
- Evaluate progress in implementing prior audit findings and recommendations.

The University's schedule of expenditures of federal awards and applicable opinions thereon, issued by the Office of the State Auditor, State of Colorado, are included in the June 30, 2016 Statewide Single Audit Report issued under separate cover.

### Audit Opinions and Reports

We expressed unmodified opinions on the University's financial statements as of and for the year ended June 30, 2016.

No audit adjustments were proposed or made to the financial statements of the University.

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

We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

# Colorado School of Mines

## Report Summary

Year Ended June 30, 2016

In addition to issuing a report on the University's compliance with internal control over financial reporting, we also performed procedures in accordance with the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) over major federal programs as determined by the Office of the State Auditor. The purpose of our procedures was not to issue an opinion over the University's compliance with the federal programs tested, but rather to report any noncompliance and internal control deficiencies noted during our testing to the Office of the State Auditor for inclusion in the Statewide Single Audit report. We noted no instances of noncompliance or internal control deficiencies during these procedures.

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

There were no findings or recommendations to be reported under *Governmental Auditing Standards* for the fiscal year ended June 30, 2015.

**Colorado School of Mines**  
**Financial and Compliance Audit**  
**Description of the Colorado School of Mines (Unaudited)**  
**Year Ended June 30, 2016**

The Colorado School of Mines (the University) was founded on February 9, 1874. The University came under state control with statehood in 1876. The first diploma was granted in 1882. The authority under which the University operates is Article 41 of Title 23, C.R.S.

The Board of Trustees is the governing body of the University and is composed of seven members appointed by the Governor, with consent of the Senate, for four-year terms and two non-voting members, representing the faculty and students of the University, voted in by the respective constituents.

Financial support comes from student tuition and fees and from the state through a fee-for-service contract and student stipends. Funds are augmented by government and privately sponsored research, private support from alumni and support from industry and friends through the Colorado School of Mines Foundation, Incorporated (the Foundation).

The primary emphasis of the Colorado School of Mines is engineering and science education and research. The full-time equivalent (FTE) for student enrollment and faculty and staff of the University for the past three fiscal years has been as follows:

Fiscal Year	<u>Resident</u>	<u>Nonresident</u>	<u>Total</u>
2016	3,456	2,353	5,809
2015	3,412	2,117	5,529
2014	3,379	1,935	5,314

Full-time equivalent employees, funded by the State of Colorado, reported by the University for the last three fiscal years are as follows:

Fiscal Year	<u>Faculty</u>	<u>Staff</u>	<u>Total</u>
2016	515	552	1,067
2015	470	548	1,018
2014	439	525	964

## Independent Auditors' Report

Members of the Legislative Audit Committee:

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Colorado School of Mines (the University), an institution of higher education of the State of Colorado, as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

Our responsibility is to express opinions on these financial statements based on our audits and the reports of other auditors. We did not audit the financial statements of the Colorado School of Mines Foundation, Inc. (the Foundation), a discretely presented component unit, discussed in note 1 to the financial statements, for the years ended June 30, 2016 and 2015. Those financial statements were audited by another auditor, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of another auditor. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

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

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

### ***Opinions***

In our opinion, based on our audits and the report of the other auditor, 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 Colorado School of Mines as of June 30, 2016 and 2015, and the respective changes in financial position, and where applicable, cash flows thereof for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 1, the financial statements of the University, an institution of higher education of the State of Colorado, are intended to present the financial position, the changes in financial position, and cash flows of only that portion of the business-type activities of the State of Colorado that is attributable to the transactions of the University. They do not purport to, and do not, present fairly the financial position of the State of Colorado as of June 30, 2016 and 2015, the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

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

#### ***Supplementary Information***

The description of the Colorado School of Mines on page 4 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.



**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2016 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Broomfield, Colorado  
November 22, 2016

# Colorado School of Mines

## Management's Discussion and Analysis

(unaudited)

Management is pleased to present this financial discussion and analysis of the Colorado School of Mines (University). It is intended to make the University's financial statements easier to understand and communicate the University's financial situation in an open and accountable manner. It provides an objective analysis of the University's financial position (Statements of Net Position) and results of operations (Statements of Revenues, Expenses, and Changes in Net Position) as of and for the years ended June 30, 2016 and 2015 (Fiscal Years 2016 and 2015, respectively) with comparative information for Fiscal Year 2014. University management is responsible for the completeness and fairness of this discussion and analysis and the financial statements, as well as the underlying system of internal controls.

### Understanding the Financial Statements

Financial highlights are presented in this discussion and analysis to help your assessment of the University's financial activities. Since the presentation includes highly summarized data, it should be read in conjunction with the financial statements, which have the following six parts:

- **Independent Auditors' Report** presents unmodified opinions prepared by our auditors, an independent certified public accounting firm, on the fairness, in all material respects, of our financial statements.
- **Statements of Net Position** present the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the University at a point in time. Their purpose is to present a financial snapshot of the University. They aid readers in determining the assets available to continue the University's operations; how much the University owes to employees, vendors and creditors; and a picture of net positions and their availability for expenditure by the University.
- **Statements of Revenues, Expenses and Changes in Net Position** present the total revenues earned and expenses incurred by the University for operating, nonoperating, and other related activities during a period of time. Their purpose is to assess the University's operating and nonoperating activities.
- **Statements of Cash Flows** present the cash receipts and disbursements of the University during a period of time. Their purpose is to assess the University's ability to generate net cash flows to meet its obligations as they come due.
- **Notes to the Financial Statements** present additional information to support the financial statements and are commonly referred to as "Notes." Their purpose is to clarify and expand on the information in the financial statements. Notes are referenced in this discussion and analysis to indicate where details of the financial highlights may be found.
- **Required Supplementary Information (RSI)** presents additional information that differs from the basic financial statements. In this report, the RSI includes schedules on the University's proportionate share of the Public Employees Retirement Association (PERA) pension liability and related information.

We suggest that you combine this financial discussion and analysis with relevant nonfinancial indicators to assess the overall health of the University. Examples of nonfinancial indicators include trend and quality of student applicants, incoming class size and quality, student retention, building condition, and campus safety. Information about nonfinancial indicators is not included in this discussion and analysis but may be obtained from the University's Public Relations Office. It should be noted that the University's financial statements include the presentation of a discretely presented component unit, the Colorado School of Mines Foundation, Incorporated (the Foundation), which is a required presentation by accounting standards. The Foundation is not included in this financial discussion and analysis.

**Colorado School of Mines**  
**Management's Discussion and Analysis**  
(unaudited)

**Financial Highlights**

Selected financial highlights for Fiscal Year 2016 include:

- Total University assets increased by 3.8 percent, total University liabilities increased by 9.5 percent and total net position decreased by 4.1 percent. The decrease in net position and the deficit in unrestricted net position is the result of recording the University's proportionate share of the Colorado Public Employees' Retirement Association (PERA) pension liability.
- The University's net pension liability increased 14.6 percent, which also caused increases in the deferred outflows and inflows of resources.
- Operating revenues increased by 3.8 percent while operating expenses increased by 8.5 percent.
- The University was engaged in several major construction projects including the CoorsTek Center for Applied Sciences and Engineering, the Heating Plant Renovation, and the Student Center and Traditional Halls Renovations.

The following sections provide further explanations of the University's financial health.

**Statements of Net Position**

Table 1 - Condensed Statements of Net Position presents a financial snapshot of the University and serves, over time, as a useful indicator of the strength of the University's financial position. It presents the fiscal resources (assets), claims against those resources (liabilities), and residual net position available for future operations (net position). Analysis of the University's deferred outflows and inflows of resources, capital assets, and related debt is included in the section titled Capital Assets and Debt Management, while this section provides analysis of the University's noncapital assets and liabilities.

**Colorado School of Mines**  
**Management's Discussion and Analysis**  
(unaudited)

**Table 1 - Condensed Statements of Net Position as of June 30, 2016, 2015, and 2014** (all dollars in thousands)

	2016	2015	2014	Increase (Decrease)			
				2016 vs 2015		2015 vs 2014	
				Amount	Percent	Amount	Percent
<b>Assets</b>							
Cash and Restricted Cash	\$ 143,132	146,352	168,241	(3,220)	(2.2%)	\$ (21,899)	(13.0%)
Other Noncapital Assets	61,821	59,222	61,353	2,599	4.4	(2,131)	(3.5)
Net Capital Assets	354,018	332,830	293,168	21,188	6.4	39,662	13.5
<b>Total Assets</b>	<b>\$ 558,971</b>	<b>538,404</b>	<b>522,762</b>	<b>20,567</b>	<b>3.8%</b>	<b>\$ 15,642</b>	<b>3.0%</b>
<b>Deferred Outflows of Resources</b>	<b>\$ 59,432</b>	<b>29,465</b>	<b>14,275</b>	<b>29,967</b>	<b>101.7%</b>	<b>\$ 15,190</b>	<b>106.4%</b>
<b>Liabilities</b>							
Non-debt Liabilities	\$ 341,811	307,527	46,330	34,284	11.1%	\$ 261,197	563.8%
Debt Liabilities	224,708	209,910	220,458	14,798	7.0	(10,548)	(4.8)
<b>Total Liabilities</b>	<b>\$ 566,519</b>	<b>517,437</b>	<b>266,788</b>	<b>49,082</b>	<b>9.5%</b>	<b>\$ 250,649</b>	<b>94.0%</b>
<b>Deferred Inflows of Resources</b>	<b>\$ 3,516</b>	<b>19</b>	<b>-</b>	<b>3,497</b>	<b>18,405%</b>	<b>\$ 19</b>	<b>100%</b>
<b>Net Position</b>							
Net Investment in Capital Assets	\$ 174,605	161,559	133,694	13,046	8.1%	\$ 27,865	20.8%
Restricted:							
Nonexpendable Purposes	6,335	6,336	5,794	(1)	0.0	542	9.4
Expendable Purposes	20,109	21,846	25,773	(1,737)	(8.0)	(3,927)	(15.2)
Unrestricted	(152,681)	(139,328)	104,988	(13,353)	9.6	(244,316)	(232.7)
<b>Total Net Position</b>	<b>\$ 48,368</b>	<b>50,413</b>	<b>270,249</b>	<b>(2,045)</b>	<b>(4.1%)</b>	<b>\$ (219,836)</b>	<b>(81.3%)</b>

**Assets**

Cash and restricted cash comprises approximately 69.8 percent and 71.2 percent of the University's total noncapital assets as of June 30, 2016 and 2015, respectively. Restricted cash of \$39,172,000 and \$39,139,000, as of June 30, 2016 and 2015, respectively, primarily consists of unspent revenue bond proceeds that will be used for capital related activity as well as unspent gifts, grants, and contract revenues. Total cash and restricted cash decreased during the past two fiscal years as a result of continued spending on various capital projects. The Statements of Cash Flows provide additional information on where cash is received and how it is used by the University. The increase in other noncapital assets from Fiscal Year 2015 to Fiscal Year 2016 is the result of increased accounts receivables due from the federal government and private sponsors which offset a decline in the value of the University's investments due to poor market conditions. The decrease in other noncapital assets from Fiscal Year 2014 to Fiscal Year 2015 is the result of improved collections on outstanding receivables and a decrease in the value of the University's investment due to a decline in market conditions.

**Non-Debt Liabilities**

The University's non-debt related liabilities totaling \$341,811,000 and \$307,527,000 as of June 30, 2016 and 2015, respectively, comprise 60.3 percent and 59.4 percent, respectively, of the total liabilities. The two largest categories of non-debt related liabilities are the net pension liability (86.6 percent of total non-debt related liabilities) and unearned revenue related to summer tuition and fees and sponsored projects (4.8 percent of total non-debt related liabilities). As a result of implementing Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* (Statement No. 68), in Fiscal Year 2015, the University recorded as a liability, its proportionate share of the net pension liability of the cost-sharing multiple-employer defined benefit pension fund, administered by the Public Employees' Retirement Association (PERA), that the University contributes to on behalf of its employees. While the University is required to record this liability, the University is under no obligation to fund the liability, nor does the University have any ability to affect funding, benefit, or annual required contribution decisions of the plan. Those decisions are controlled by PERA and the State's General Assembly. See Note 12 of the accompanying financial statements for more information related to

**Colorado School of Mines**  
**Management’s Discussion and Analysis**  
(unaudited)

the net pension liability. Unearned tuition and fees represent cash collected for the summer term that extends beyond the end of the fiscal year. Unearned sponsored project revenue represents amounts paid by grantors and contractors for which the University has not met all of the requirements for revenue recognition. These amounts will be recognized as revenue in future periods after all requirements have been satisfied. See Note 7 for additional information on the University’s unearned revenues.

The non-debt related liabilities increased from 2015 to 2016 due mainly to the increase in net pension liability of \$37,801,000. The non-debt related liabilities increased from 2014 to 2015 due to the first year recording of the net pension liability of \$258,474,000 and an increase in amounts due to vendors of \$4,400,000 related to construction activity on campus.

**Net Position**

A portion of the University’s net position has restrictions imposed by external parties, such as donors, or are invested in capital assets (property, plant, and equipment) and are therefore not immediately available to spend. To help understand these restrictions, the University’s net position is shown in four categories.

- The largest category of net position relates to the University’s net investment in capital assets. This consists of the University’s capital assets less accumulated depreciation and related debt issued to fund the purchase or construction of those assets. This amount represents the University’s investments in campus facilities and equipment that is necessary to carry out the teaching, research, and student centered mission of the University. The increases in each of the past three years reflect the University’s commitment to improving the students’ on campus experience through new and renovated student and academic facilities along with various infrastructure improvements. Additional discussion on the University’s capital activity is included in the Capital Assets and Debt Management section of this discussion and analysis.
- Net position restricted nonexpendable represents gift funds received from donors whereby the donor has specified the original principal be set aside for perpetual investment (endowment) with a set amount of spendable distribution based on University policy. The majority of the endowment assets benefiting the University are managed by the Foundation, which is a discretely presented component unit. See Note 1.
- Net position restricted expendable represents funds received for specific purposes, but for which the University is allowed to fully expend those funds in accordance with the purposes identified by the individual or entity providing the funds. This includes spendable distributions and accumulated undistributed earnings from the University’s endowments.
- Net position unrestricted represents the amount available for spending for any lawful purpose and are at the full discretion of management. In some instances, management or the Board has placed internal designations on the use of these funds. As discussed above, the decrease in unrestricted net position reflects the recording of the University’s proportionate share of PERA’s net pension liability and the associated pension expenses beyond the University’s annual required contributions. Table 2 – Unrestricted Net Position reflects the impact on the University’s unrestricted net position of recording the net pension liability and associated deferred outflows and inflows of resources.

**Table 2 – Unrestricted Net Position** *(in thousands)*

	<b>6/30/16</b>	<b>6/30/15</b>
Unrestricted Net Position with Pension Impact	\$ (152,681)	(139,328)
Cumulative effect on Unrestricted Net Position associated with the net pension liability	260,475	243,712
Unrestricted Net Position without Pension Impact	\$ 107,794	104,384

Because the University is not required, and has no plans, to fund the net pension liability, the unrestricted net position without the pension impact is used for budgetary and operational purposes.

**Colorado School of Mines**  
**Management's Discussion and Analysis**  
(unaudited)

**Statements of Revenues, Expenses and Changes in Net Position**

Table 3 - Condensed Statements of Revenues, Expenses and Changes in Net Position presents the financial activity of the University during the fiscal year. A key component of these statements is the differentiation between operating and nonoperating activities. Operating revenues, such as tuition and auxiliary operations, are earned primarily by providing services to the students and various constituencies of the University. Operating expenses are incurred to provide services, primarily instruction and research, or acquire goods necessary to carry out the mission of the University for which the University earns operating revenues. Nonoperating revenues are received when goods or services are not directly provided and include contributions, investment income, federal interest subsidies, and Pell grant revenue. Nonoperating expenses include interest on long term debt, bond issuance costs, and gains/losses on disposals of assets.

**Table 3 - Condensed Statements of Revenues, Expenses and Changes in Net Position for Years Ended June 30, 2016, 2015, and 2014**(all dollars in thousands)

	2016	2015	2014	Increase (Decrease)			
				2016 vs 2015		2015 vs 2014	
				Amount	Percent	Amount	Percent
Operating Revenues	\$ 215,741	207,782	199,739	7,959	3.8%	\$ 8,043	4.0%
Operating Expenses	252,028	232,387	206,201	19,641	8.5	26,186	12.7
<b>Operating (Loss)</b>	<b>(36,287)</b>	<b>(24,605)</b>	<b>(6,462)</b>	<b>(11,682)</b>	<b>47.5</b>	<b>(18,143)</b>	<b>280.8</b>
Net Nonoperating Revenues	18,430	19,802	18,443	(1,372)	(6.9)	1,359	7.4
<b>Income (Loss) Before Other Revenues</b>	<b>(17,857)</b>	<b>(4,803)</b>	<b>11,981</b>	<b>(13,054)</b>	<b>271.8</b>	<b>(16,784)</b>	<b>(140.1)</b>
Other Revenues	15,812	19,517	18,715	(3,705)	(19.0)	802	4.3
<b>Increase in Net Position</b>	<b>(2,045)</b>	<b>14,714</b>	<b>30,696</b>	<b>(16,759)</b>	<b>(113.9)</b>	<b>(15,982)</b>	<b>(52.1)</b>
Net Position, Beginning of Year	50,413	270,249	239,553	(219,836)	(81.3)	30,696	12.8
Adjustment for change in accounting principle	-	(234,550)	-	234,550	(100.0)	(234,550)	100.0
<b>Net Position, End of Year</b>	<b>\$ 48,368</b>	<b>50,413</b>	<b>270,249</b>	<b>(2,045)</b>	<b>(4.1%)</b>	<b>\$ (219,836)</b>	<b>81.3%</b>

Table 4 - Operating and Nonoperating Revenues for the Years Ended June 30, 2016, 2015, and 2014 provides gross operating and nonoperating (noncapital) revenues by major sources. As Table 4 shows, the University's total operating revenues increased 3.8 percent and 4.0 percent for Fiscal Years 2016 and 2015, respectively, while non-operating revenues have decreased in each of the last two years. The decreases are primarily the result of lower investment income each year.

**Colorado School of Mines**  
**Management's Discussion and Analysis**  
(unaudited)

**Table 4 - Operating and Nonoperating Revenues for Years Ended June 30, 2016, 2015, and 2014** (all dollars in thousands)

	2016	2015	2014	Increase (Decrease)			
				2016 vs 2015		2015 vs 2014	
				Amount	Percent	Amount	Percent
<b>Operating Revenues</b>							
Student Tuition and Fees, Net	\$ 115,537	115,027	104,589	\$ 510	0.4%	\$ 10,438	10.0%
Grants and Contracts	59,932	55,998	60,601	3,934	7.0	(4,603)	(7.6)
Fee for Service	14,390	12,475	11,636	1,915	15.4	839	7.2
Auxiliary Enterprises, Net	22,314	21,304	19,870	1,010	4.7	1,434	7.2
Other Operating	3,568	2,978	3,043	590	19.8	(65)	(2.1)
<b>Total Operating Revenues</b>	<b>215,741</b>	<b>207,782</b>	<b>199,739</b>	<b>7,959</b>	<b>3.8</b>	<b>8,043</b>	<b>4.0</b>
<b>Nonoperating Revenues</b>							
State Appropriations	2,898	1,858	2,218	1,040	56.0	(360)	(16.2)
Gifts	19,931	20,258	16,581	(327)	(1.6)	3,677	22.2
Investment Income, Net	(361)	890	5,914	(1,251)	(140.6)	(5,024)	(85.0)
Federal Nonoperating	4,081	4,367	4,240	(286)	(6.5)	127	3.0
Other Nonoperating, Net	165	155	76	10	6.5	79	103.9
<b>Total Nonoperating Revenues</b>	<b>26,714</b>	<b>27,528</b>	<b>29,029</b>	<b>(814)</b>	<b>(3.0)</b>	<b>(1,501)</b>	<b>(5.2)</b>
<b>Total Revenues (noncapital)</b>	<b>\$ 242,455</b>	<b>235,310</b>	<b>228,768</b>	<b>7,145</b>	<b>3.0%</b>	<b>\$ 6,542</b>	<b>2.9%</b>

The University has experienced increases in most sources of operating revenues over the past three years. The increase in student tuition and fees reflects a combination of increases in tuition rates and enrollment (see Tables 13 and 14) which offset decreases in the University's continuing education program.

Student Tuition and Fees (net) increased only 0.4 percent from Fiscal Year 2015 due to a decline in continuing education revenue associated with the decline in the energy and commodities market along with an increase in scholarship allowance. Grants and Contracts revenue for Fiscal Year 2016 was comparable to Fiscal Year 2014. Fiscal Year 2015 revenue reflected a decline as compared to Fiscal Years 2016 and 2014 which was driven by the federal government shutdown in Fiscal Year 2014 causing delays in the government issuing awards. As a result, Fiscal Year 2016 and Fiscal Year 2014 revenues are higher than Fiscal Year 2015 revenue by 7.0 percent and 8.2 percent respectively. The University remains committed to increasing its focus and national role as a research institution. In Fiscal Year 2016, the University secured research awards of \$60,200,000 compared to \$63,900,000 in Fiscal Year 2015 and \$53,700,000 in Fiscal Year 2014. The University continues to focus on securing funding from both Federal and private industry sources as additional resources are focused towards research. Revenue from the Federal Government represents approximately 60.1 percent and 61.6 percent of total grants and contracts revenue for Fiscal Years 2016 and 2015, respectively. Revenue generated from grants and contracts also benefit the University in that they generally allow for reimbursement of a portion of any related administrative and facility overhead costs. In Fiscal Years 2016 and 2015, the University received approximately \$11,966,000 and \$11,682,000, respectively, of such administrative and facility overhead costs reimbursements.

The University receives funding from the State of Colorado in two ways; (1) fee for service contracts with the Department of Higher Education and (2) stipends to qualified undergraduate students used to pay a portion of tuition. Funding in Fiscal Years 2016 and 2015 related to fee for service contracts increased by \$1,915,000 and \$839,000, respectively. The level of funding received from the State is dependent on the State's budgetary process.

**Colorado School of Mines**  
**Management’s Discussion and Analysis**  
(unaudited)

The anticipated funding related to student stipends is incorporated into the University’s student tuition rates. Table 5 – College Opportunity Fund (COF) – Undergraduate Student Stipends reflects the amount of COF stipends applied toward student accounts, the per credit hour stipend allotted per student approved by the State Legislature, and the total number of stipend eligible hours that students applied for during the past three years.

**Table 5 – College Opportunity Fund –Undergraduate Student Stipends**

	<b>2016</b>	<b>2015</b>	<b>2014</b>
Student stipends	\$ 6,157,000	6,194,000	5,177,000
Stipend allotment	\$ 75/hour	\$ 75/hour	\$ 64/hour
Stipend eligible hours	82,100.75	82,858.50	80,956.50

Gifts for noncapital purposes, received primarily from the University’s Foundation, remained flat in Fiscal Year 2016, compared to Fiscal Year 2015. The University and Foundation are nearing the end of a five year fundraising campaign. This campaign has resulted in several large non-capital and capital donations in support of the University’s academic and research missions. As the State’s budget for higher education continues to be uncertain, the University will need to look to other sources of funding as well as contributions to supplement funding challenges in other areas.

Federal nonoperating revenues consist of interest subsidies received for taxable Build America Bonds (BAB) issued by the University in addition to financial aid received under the Pell program. The University received \$1,161,000, \$1,164,000, and \$1,177,000 in federal interest subsidies in Fiscal Years 2016, 2015, and 2014, respectively. The decrease in revenue experienced during the past three years is a direct result of the federal sequestration and legislation passed to reduce federal subsidies on BAB’s by approximately 8 percent. Revenues from the Pell program for Fiscal Years 2016, 2015, and 2014 were \$2,921,000, \$3,203,000, and \$3,064,000, respectively. Revenues fluctuate based on student activity in the Pell program each year.

Over the past three years, the University has experienced fluctuations in investment income due to continued unfavorable financial markets that impact the fair market value of the University’s investments held by the Foundation and amounts held by the State Treasurer. The University experienced unrealized gains (losses) in Fiscal Years 2016, 2015, and 2014 of (\$1,581,000), (\$179,000), and \$4,351,000, respectively. The realized investment income was \$1,498,000, \$1,884,000, and \$2,205,000, respectively, for this same periods.

The programmatic and natural classification uses of University resources are displayed in Table 6 - Operating Expenses by Function and Natural Classification.



**Colorado School of Mines**  
**Management's Discussion and Analysis**  
(unaudited)

**Table 6 - Operating Expenses by Function and Natural Classifications for Years Ended June 30, 2016, 2015, and 2014**  
*(all dollars in thousands)*

	2016	2015	2014	Increase (Decrease)			
				2016 vs 2015		2015 vs 2014	
				Amount	Percent	Amount	Percent
<b>By Functional Expense</b>							
Education and General							
Instruction	\$ 79,830	73,685	64,595	6,145	8.3%	\$ 9,090	14.1%
Research	48,891	46,923	46,691	1,968	4.2	232	0.5
Public Service	327	448	165	(121)	(27.0)	283	171.5
Academic Support	21,544	18,934	16,058	2,610	13.8	2,876	17.9
Student Services	8,242	7,309	6,044	933	12.8	1,265	20.9
Institutional Support	23,339	18,240	15,555	5,099	28.0	2,685	17.3
Operation and Maintenance of Plant	23,994	22,720	16,969	1,274	5.6	5,751	33.9
Scholarships and Fellowships	1,177	1,484	1,221	(307)	(20.7)	263	21.5
Total Education and General	207,344	189,743	167,298	17,601	9.3	22,445	13.4
Auxiliary Enterprises	26,513	25,866	22,690	647	2.5	3,176	14.0
Depreciation and amortization	18,171	16,778	16,213	1,393	8.3	565	3.5
<b>Total Operating Expenses</b>	<b>\$ 252,028</b>	<b>232,387</b>	<b>206,201</b>	<b>19,641</b>	<b>8.5%</b>	<b>\$ 26,186</b>	<b>12.7%</b>
<b>By Natural Classification</b>							
Salaries and Benefits	\$ 168,674	151,734	131,712	16,940	11.2%	\$ 20,022	15.2%
Operating Expenses	65,183	63,875	58,276	1,308	2.0	5,599	9.6
Depreciation	18,171	16,778	16,213	1,393	8.3	565	3.5
<b>Total Operating Expenses</b>	<b>\$ 252,028</b>	<b>232,387</b>	<b>206,201</b>	<b>19,641</b>	<b>8.5%</b>	<b>\$ 26,186</b>	<b>12.7%</b>

Operating expenses increased overall by 8.5 percent from Fiscal Year 2015 to 2016 and by 12.7 percent from Fiscal Year 2014 to 2015. The increases in the past two years are attributed to the following:

- Increases in salaries and benefits in support of the teaching and research missions and the administration of the University. The salary increases of \$3,868,000 results from a combination of merit increases and hiring new faculty and staff to address operational demands. The increase in benefits of \$13,072,000 is primarily the result of increased pension expenses and increased costs of University provided health benefits. In Fiscal Year 2016, the University recorded \$16,763,000 of pension related expenses related to Statement No. 68. For Fiscal Year 2015, pension related expenses increased \$9,162,000 due to the implementation of Statement No. 68. These increases impact most of the functional expense categories.
- Increases in general operating costs, including payments to subcontractors related to sponsored project activity, lab equipment and supplies, software licenses, non-capitalized campus facility improvements, and student meal plans, which offset decreases in student health insurance and purchases of sponsored owned and funded equipment.
- The amounts reported for scholarships and fellowships expenses do not reflect the actual resources dedicated to student aid. The majority of the University's financial aid resources are applied to the students' accounts, which do not result in a disbursement to the student. Financial aid applied to student accounts are netted against tuition and fee revenue as scholarship allowance. The University's total financial aid resources benefiting students were \$30,092,000, \$27,436,000, and \$24,556,000, in Fiscal Years 2016, 2015, and 2014, respectively.

**Colorado School of Mines**  
**Management's Discussion and Analysis**  
(unaudited)

**Capital Assets and Debt Management**

As indicated in Table 7 - Capital Asset Categories, the University's capital assets consist of land, works of art, construction in progress, land improvements, buildings and improvements, software, equipment, library materials, and intangible assets with a gross book value of \$562,555,000, \$526,276,000, and \$471,217,000 at June 30, 2016, 2015 and 2014, respectively. Accumulated depreciation on depreciable assets totaled \$208,537,000, \$193,446,000, and \$178,049,000, respectively. The University continues to invest in academic and auxiliary facilities to enhance the educational and campus experience for students. During the construction of a project, costs are accumulated in construction in progress. Upon completion of the project, the costs are moved out of construction in progress into the appropriate asset classification.

**Table 7 - Capital Asset Categories (before depreciation) as of June 30, 2016, 2015, and 2014** (all dollars in thousands)

	2016	2015	2014	Increase (Decrease)			
				2016 vs 2015		2015 vs 2014	
				Amount	Percent	Amount	Percent
Land	\$ 7,652	7,652	7,652	-	0.0%	\$ -	0.0%
Works of Art	187	-	-	187	100	-	-
Construction in Progress	31,403	45,352	31,943	(13,949)	(30.8)	13,409	42.0
Land Improvements	20,153	19,918	19,918	235	1.2	-	-
Buildings & Improvements	416,748	373,618	336,698	43,130	11.5	36,920	11.0
Software	2,028	1,803	1,742	225	12.5	61	3.5
Equipment	71,509	65,191	60,668	6,318	9.7	4,523	7.5
Library materials	12,275	12,142	11,996	133	1.1	146	1.2
Intangible	600	600	600	-	0.0	-	-
<b>Total Capital Assets</b>	<b>\$ 562,555</b>	<b>526,276</b>	<b>471,217</b>	<b>36,279</b>	<b>6.9%</b>	<b>\$ 55,059</b>	<b>11.7%</b>

During the past three years, the University has completed or began construction on the following capital projects:

Completed Projects

- Elm Street Residence and Dining Hall. This is a 209 bed residence hall and 600 seat student dining facility. This was a \$34,000,000 debt financed project that will be repaid by revenues generated by the University's housing and dining operations. The new residence hall was placed into service in September 2014 and the dining hall was placed in service in January 2015.
- Starzer Welcome Center. This is the new headquarters of the Foundation, the Colorado School of Mines Alumni Association, and the University's Undergraduate Admissions Office. The \$11,268,000 project was funded from a combination of donations, debt financing, and University resources. The debt issued to finance a portion of the project will be repaid from rent received from the Foundation. The Starzer Welcome Center was placed into service in November 2015.
- Clear Creek Athletic Complex. The project constructed and equipped the Harold and Patricia Korrel Athletic Center, a contemporary football stadium including coaches' offices, locker rooms, training facilities and meeting rooms for more than 200 football and track and field athletes. The Center also houses offices, event facilities, and functional space for club sports and intramurals. The Complex also includes the new Marv Kay football stadium along with a new soccer building with locker and restroom facilities, conference rooms, and a press box. This \$25,256,000 project was funded from a combination of gifts, debt financing, and University resources. The Clear Creek Athletic Complex was placed into service in September 2015.

**Colorado School of Mines**  
**Management's Discussion and Analysis**  
(unaudited)

Active Projects

- The CoorsTek Center for Applied Sciences and Engineering. The University broke ground on a \$52,426,000 academic and research building that will bring together interdisciplinary instructors and researchers in biotechnology, materials characterization and nuclear engineering. This new facility will also serve as the new home for the University's Physics program and the College for Applied Science and Engineering. The project is funded through a significant private donation, State appropriation, and University resources. The CoorsTek Center for Applied Science and Engineering is anticipated to be placed into service in the fall of 2017.
- Heating Plant Renovation Phase 1. This is a \$13,454,000 project to upgrade the University's heating and cooling plant facilities funded by a state appropriation and University resources.
- Student Center Renovation. This is a \$11,335,000 project to update and renovate the University Student Center funded by debt financing and University resources. The debt issued to finance a portion of the project will be repaid from Student Center operations.

A list of the larger on-going capital projects is detailed in Table 8 – Current Capital Construction Projects. Further detail regarding capital asset activity can be found in Note 4.

**Table 8 – Current Capital Construction Projects** *(in thousands)*

<b>Project Description</b>	<b>Financing Sources</b>	<b>Budget</b>
The CoorsTek Center for Applied Sciences and Engineering	Gifts, State appropriation, University resources	\$ 52,426
Heating Plant Renovation	State appropriation, University resources	13,454
Student Center Renovation	Debt financing, University resources	11,335
18 <sup>th</sup> Street Plaza	University resources	1,775
Edgar Mine Renovation	Gifts	1,000

In addition to operating and nonoperating revenues, the University received capital revenues in the amount shown in Table 9 – Capital Revenues. The increase in capital appropriations and contributions from the State over the prior year is related to the construction of the CoorsTek Center for Applied Sciences and Engineering (\$7,882,000) and the Heating Plant Renovation (\$2,162,000). The majority of capital grants and gifts received in Fiscal Years 2015 and 2014 is primarily related to the construction of the Clear Creek Athletic Complex, the Starzer Welcome Center, and the retirement of bonds associated with the construction of Marquez Hall.

**Table 9 – Capital Revenues for the Years Ended June 30, 2016, 2015, and 2014** *(all dollars in thousands)*

<b>Revenue Classification</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>Increase (Decrease)</b>			
				<b>2016 vs 2015</b>		<b>2015 vs 2014</b>	
				<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Capital appropriations and contributions from the State	\$ 10,044	1,760	-	8,284	470.7%	\$ 1,760	100.0%
Academic facility fee	3,334	3,274	3,153	60	1.8	121	3.8
Capital grants and gifts	2,414	13,827	4,332	(11,413)	(82.5)	9,495	219.2
<b>Total Capital Revenues</b>	<b>\$ 15,792</b>	<b>18,861</b>	<b>7,485</b>	<b>(3,069)</b>	<b>(16.3%)</b>	<b>\$ 11,376</b>	<b>152.0%</b>

**Colorado School of Mines**  
**Management's Discussion and Analysis**  
(unaudited)

Table 10 – Deferred Outflows/Inflows of Resources details the types and amounts of such activity. In accordance with accounting standards, the University is required to separately disclose the change in the fair market value of the interest rate swap in the Statement of Net Position in sections labeled Deferred Outflows of Resources or Deferred Inflows of Resources, depending on the change in the fair market value. As of June 30, 2016, 2015, and 2014, the outstanding swap had a fair market value of (\$13,222,000), (\$9,515,000), and (\$8,566,000), respectively. The change in fair market value of the interest rate swap as of June 30, 2016 and 2015 resulted in \$3,937,000 and \$1,170,000, respectively, being recorded as additional deferred outflow of resources in the Statement of Net Position.

**Table 10 – Deferred Outflows/Inflows of Resources at June 30, 2016, 2015, and 2014** (all dollars in thousands)

Type	2016	2015	2014	Increase (Decrease)			
				2016 vs 2015		2015 vs 2014	
				Amount	Percent	Amount	Percent
Loss on bond refunding	\$ 14,012	12,517	13,278	1,495	11.9%	\$ (761)	(5.7%)
Components of pension liability	39,316	14,781	-	24,535	166.0	14,781	100.0
SWAP valuation	6,104	2,167	997	3,937	181.7	1,170	117.4
<b>Total Deferred Outflows of Resources</b>	<b>\$ 59,432</b>	<b>29,465</b>	<b>14,275</b>	<b>29,967</b>	<b>101.7%</b>	<b>\$ 15,190</b>	<b>106.4%</b>
Components of pension liability	\$ 3,516	19	-	3,497	18,405.3%	19	100.0%
<b>Total Deferred Inflows of Resources</b>	<b>\$ 3,516</b>	<b>19</b>	<b>-</b>	<b>3,497</b>	<b>18,405.3%</b>	<b>\$ 19</b>	<b>100.0%</b>

With the implementation of Statement No. 68, certain amounts associated with recording the University's proportionate share of the net pension liability are required to be reported as either a deferred outflow or deferred inflow of University resources. These deferred outflows or inflows of resources are amortized to expense over a period of years depending on the specific type. See Note 12 and the RSI for additional information.

The University's long-term obligations, as shown in Table 11 – Long-Term Debt Categories, are comprised principally of various revenue bonds issued to finance construction of the capital assets discussed above. As of June 30, 2016, 2015, and 2014, bonds and leases payable of \$211,486,000, \$200,395,000, and \$211,892,000, respectively, were outstanding.

**Table 11 – Long-Term Debt Categories at June 30, 2016, 2015, and 2014** (all dollars in thousands)

Debt Type	2016	2015	2014	Increase (Decrease)			
				2016 vs 2015		2015 vs 2014	
				Amount	Percent	Amount	Percent
Revenue bonds	\$ 211,389	200,395	211,892	10,994	5.5%	\$ (11,497)	(5.4%)
Capital leases	97	-	-	97	100.0	-	-
<b>Total Long-Term Debt</b>	<b>\$ 211,486</b>	<b>200,395</b>	<b>211,892</b>	<b>11,091</b>	<b>5.5%</b>	<b>\$ (11,497)</b>	<b>(6.0%)</b>

During Fiscal Year 2016, the University issued \$34,690,000 of Series 2016 bonds of which \$13,090,000 provided bridge funding for the construction of the CoorsTek Center for Applied Sciences and Engineering with the remaining \$21,600,000 was used to refinance \$11,070,000 of the Series 2009A bonds and \$10,530,000 of the Series 2009C bonds.

During Fiscal Year 2015, in addition to the normal debt service payments, the University paid \$4,790,000 to retire the Series 2009D bonds and paid \$270,000 in additional principal payments related to the Refunding and Improvement Series 2004 bonds.

Three of the University's outstanding bond issues qualify as Build America Bonds (BAB). As qualified BAB, the University expects to receive a cash subsidy payment from the United States Treasury, referred to as Federal Direct Payments, equal to a percentage of the interest payable on the bonds on or around each interest payment date.

**Colorado School of Mines**  
**Management's Discussion and Analysis**  
(unaudited)

**Factors Impacting Future Periods**

The University's ability to maintain and improve the quality of academic programs, undertake new strategic initiatives, and meet its core mission and ongoing operational needs is impacted by many factors, principally by: student enrollment and the resulting tuition and fees revenue, research volume, the level of state support, and the University's largest expense, compensation costs.

Fiscal Year 2017 brings a moderating of our revenue sources. The University will see a slight increase in financial support from the State and expects a softening of our primary revenue source due to our moderating of tuition rate increases along with the leveling off of undergraduate and graduate enrollment. The University has taken several steps to counteract this leveling off, including opening the University's enrollment wait list six weeks earlier and offering additional financial aid packages. The University is also experiencing a decrease in donations which is a reflection of what is occurring in the energy and commodities industries. These pressures have made it more difficult to manage the delicate balance of making strategic and critical investments while minimizing the impact on students and tuition.

State funding in the form of a fee for service contract and student stipends is budgeted to increase 0.4 percent in Fiscal Year 2017. This compares to increases of 10 percent and 11 percent, respectively, in Fiscal Years 2016 and 2015 as shown in Table 12 - State Operating Support.

**Table 12 – State Operating Support** (all dollars in thousands)

Fiscal Year	State Support *	% of Total State Operating	
		Total Operating Revenues	Support to Total Operating Revenues
2017**	\$20,639	239,605	9.0%
2016	20,547	215,741	9.5
2015	18,669	207,782	9.0
2014	16,813	199,739	8.4

\*State support includes a fee for service contract and student stipends funded from the College Opportunity Fund.

\*\*Fiscal Year 2017 Amount of State Support is based on amounts included in the State's Long Appropriation Act (Long Bill). Total Operating Revenues is based on the University's Fiscal Year 2017 projected revenues.

To offset increases in operating costs, the University increased resident undergraduate tuition rates and non-resident undergraduate tuition rates for Fiscal Year 2017 by 3.0 percent and 4.0 percent, respectively. This compares to increases for Fiscal Year 2016 of 2.6 percent and 3.9 percent, respectively. Table 13 - Full Time Tuition and Room and Board Charges per Year, provides a trend of tuition and room and board charges for the past four academic years.

**Table 13 - Full Time Tuition and Room and Board Charges per Year**

Academic Year	Annual Full-time Undergraduate Tuition Rates		Annual Room and Board (avg.)		
	Residents*	Non-residents	Double	Single	Meal Plan
2017	\$ 15,690	34,020	6,316	7,546	5,332
2016	15,225	32,700	5,362	6,668	5,236
2015	14,790	31,470	5,106	6,350	4,986
2014	14,400	30,330	4,910	6,106	4,801

\* Reported net of student stipends

**Colorado School of Mines**  
**Management's Discussion and Analysis**  
(unaudited)

Tuition rates combined with enrollment changes have a significant impact on the University's ability to provide the quality of education expected by our students. Table 14 – Fall Enrollment Trends presents undergraduate, graduate and combined enrollments for each of the last three academic years.

**Table 14 - Fall Enrollment Trends**

Academic Year	Undergraduate Students			Graduate Students			Total		
	Residents	Non-residents	Total	Residents	Non-residents	Total	Residents	Non-residents	Total
2016	2,896	1,875	4,771	448	382	830	3,456	2,353	5,809
2015	2,947	1,713	4,660	465	404	869	3,412	2,117	5,529
2014	2,896	1,585	4,481	483	351	834	3,379	1,935	5,314

Table 15 - Fall Semester Undergraduate Admissions Trends highlights the University's ability to attract freshmen students and transfer students. As demonstrated by Tables 14 and 15, the University continues to be very successful in attracting new students.

**Table 15 - Fall Semester Undergraduate Admissions Trends**

Fall of Year	Number of Applicants	Number Accepted	Percent Accepted	Number Committed	Percent Committed
2016	12,794	5,245	41.0%	1,126	21.5%
2015	12,420	4,848	37.4%	1,132	24.4%
2014	13,195	4,768	36.1%	1,159	24.3%

In addition to steps taken to address revenues, the University continues to look at ways to control increases in operating costs. Beginning January 2017, the University will provide an alternative retirement plan for newly hired faculty. The anticipated employer contribution to the Mines Defined Contribution Plan is expected to be in the 12 percent range compared to the combined 20.15 percent required retirement contribution to PERA for existing employees. Existing academic and administrative faculty will be given the opportunity to move from PERA to the Mines Defined Contribution Plan. The financial savings to the University will increase significantly in future years as the workforce turns over and a larger percentage of academic and administrative faculty move to the new retirement plan.

Given all of the economic conditions of the past few years, the University's financial health is well-positioned. Over the past few years, the University has ended the year with an overall increase in net position, setting aside the impact of implementing Statement No. 68, primarily due to strong enrollment, modest tuition increases, consistent contributions, and deliberate measures taken to contain costs. Research activity remains strong with Fiscal Year 2016 research award volume decreasing slightly from the record year of Fiscal Year 2015, but was higher than the research award volume in Fiscal Year 2014.

As the University looks forward, it must ensure that the human capital, physical infrastructure, and financial aid resources accommodates student academic and social needs and expectations, optimizes the professional opportunities for its faculty, fosters growth in research, and enhances business process, all with a single focus of being a world-class institution. The University's Fiscal Year 2017 budget was developed to devote resources to all of these strategic areas.

**Requests for Information**

This financial report is designed to provide a general overview of the Colorado School of Mines' finances for all those with an interest in the University's finances. Questions concerning any other information provided in this report or requests for additional financial information should be addressed to the Department of Finance and Administration, 1500 Illinois Street, Golden, Colorado 80401-1887.

# Colorado School of Mines

## Statements of Net Position

June 30, 2016 and 2015 (in thousands)

	2016		2015	
	University	Component Unit	University	Component Unit
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 103,960	11,503	107,213	9,303
Short term investments	-	162	-	159
Accounts and loans receivable, net	25,077	6,230	17,185	3,820
Other assets	801	-	590	-
<b>Total Current Assets</b>	<b>129,838</b>	<b>17,895</b>	<b>124,988</b>	<b>13,282</b>
<b>Noncurrent Assets</b>				
Restricted cash and cash equivalents	39,172	59	39,139	64
Investments	31,075	282,089	33,731	308,741
Accounts and loans receivable	4,868	27,863	4,840	32,061
Other assets	-	751	2,876	709
Capital assets, net	354,018	-	332,830	3
<b>Total Noncurrent Assets</b>	<b>429,133</b>	<b>310,762</b>	<b>413,416</b>	<b>341,578</b>
<b>Total Assets</b>	<b>\$ 558,971</b>	<b>328,657</b>	<b>538,404</b>	<b>354,860</b>
<b>Total Deferred Outflows of Resources</b>	<b>\$ 59,432</b>	<b>-</b>	<b>29,465</b>	<b>-</b>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts payable and accrued liabilities	\$ 19,815	3,287	24,598	2,159
Accrued compensated absences	610	-	575	-
Unearned revenue	16,536	-	15,124	-
Bonds payable	7,758	-	5,460	-
Other liabilities	971	-	1,547	-
<b>Total Current Liabilities</b>	<b>45,690</b>	<b>3,287</b>	<b>47,304</b>	<b>2,159</b>
<b>Noncurrent Liabilities</b>				
Accrued compensated absences	5,973	-	5,548	-
Bonds payable	203,728	-	194,935	-
Interest rate swap agreement	13,222	-	9,515	-
Pension liability	296,275	-	258,474	-
Other liabilities	1,631	41,726	1,661	44,931
<b>Total Noncurrent Liabilities</b>	<b>520,829</b>	<b>41,726</b>	<b>470,133</b>	<b>44,931</b>
<b>Total Liabilities</b>	<b>\$ 566,519</b>	<b>45,013</b>	<b>517,437</b>	<b>47,090</b>
<b>Total Deferred Inflows of Resources</b>	<b>\$ 3,516</b>	<b>-</b>	<b>19</b>	<b>-</b>
<b>Net Position</b>				
Net investment in capital assets	\$174,605	-	161,559	3
Restricted for nonexpendable purposes				
Instruction	3,360	-	3,340	-
Scholarships and fellowships	2,051	75,166	2,038	80,352
Other	924	80,737	958	86,462
<b>Total restricted for nonexpendable purposes</b>	<b>6,335</b>	<b>155,903</b>	<b>6,336</b>	<b>166,814</b>
Restricted for expendable purposes				
Scholarships and fellowships	3,813	41,977	4,165	47,362
Loans	4,289	1,631	4,190	1,660
Research	6,123	2,526	6,368	2,487
Capital projects	2,420	7,840	3,176	7,468
Other	3,464	54,013	3,947	57,789
<b>Total restricted for expendable purposes</b>	<b>20,109</b>	<b>107,987</b>	<b>21,846</b>	<b>116,766</b>
Unrestricted	(152,681)	19,754	(139,328)	24,187
<b>Total Net Position</b>	<b>\$ 48,368</b>	<b>283,644</b>	<b>50,413</b>	<b>307,770</b>

**Colorado School of Mines**  
**Statements of Revenues, Expenses and Changes in Net Position**  
Years Ended June 30, 2016 and 2015 *(in thousands)*

	2016		2015	
	University	Component Unit	University	Component Unit
<b>Operating Revenues</b>				
Tuition and fees, (net of scholarship allowance of \$28,544 in 2016 and \$25,696 in 2015)	\$ 115,537	-	115,027	-
Fee for service	14,390	-	12,475	-
Federal grants and contracts	36,010	-	34,489	-
State grants and contracts	5,021	-	3,614	-
Nongovernmental grants and contracts	18,901	-	17,895	-
Auxiliary enterprises, (net of scholarship allowance of \$371 in 2016 and \$256 in 2015)	22,314	-	21,304	-
Contributions	-	14,534	-	33,091
Other operating revenues	3,568	2,594	2,978	2,423
<b>Total Operating Revenues</b>	<b>215,741</b>	<b>17,128</b>	<b>207,782</b>	<b>35,514</b>
<b>Operating Expenses</b>				
Education and General				
Instruction	79,830	-	73,685	-
Research	48,891	-	46,923	-
Public service	327	-	448	-
Academic support	21,544	-	18,934	-
Student services	8,242	-	7,309	-
Institutional support	23,339	28,417	18,240	38,662
Operation and maintenance of plant	23,994	-	22,720	-
Scholarships and fellowships	1,177	-	1,484	-
Total Education and General	207,344	28,417	189,743	38,662
Auxiliary enterprises	26,513	-	25,866	-
Depreciation and amortization	18,171	3	16,778	3
<b>Total Operating Expenses</b>	<b>252,028</b>	<b>28,420</b>	<b>232,387</b>	<b>38,665</b>
<b>Operating Income (Loss)</b>	<b>(36,287)</b>	<b>(11,292)</b>	<b>(24,605)</b>	<b>(3,151)</b>
<b>Nonoperating Revenues (Expenses)</b>				
State appropriations, non-capital	2,898	-	1,858	-
Contributions from the Foundation	18,905	-	19,374	-
Contributions	1,026	-	884	-
Investment income, net	(361)	(12,834)	890	(1,833)
Interest on debt	(8,163)	-	(7,689)	-
Federal nonoperating revenue	4,081	-	4,367	-
Other nonoperating expenses	(121)	-	(37)	-
Other nonoperating revenue	165	-	155	-
<b>Net Nonoperating Revenues (Expenses)</b>	<b>18,430</b>	<b>(12,834)</b>	<b>19,802</b>	<b>(1,833)</b>
<b>Loss Before Other Revenues</b>	<b>(17,857)</b>	<b>(24,126)</b>	<b>(4,803)</b>	<b>(4,984)</b>
Capital appropriations and contributions from state	10,044	-	1,760	-
Academic facility fee	3,334	-	3,274	-
Capital grants and gifts	2,414	-	13,827	-
Additions to permanent endowments	20	-	656	-
<b>Total Other Revenues</b>	<b>15,812</b>	<b>-</b>	<b>19,517</b>	<b>-</b>
<b>Increase (Decrease) in Net Position</b>	<b>(2,045)</b>	<b>(24,126)</b>	<b>14,714</b>	<b>(4,984)</b>
Net Position, Beginning of Year	50,413	307,770	270,249	312,754
Adjustment for change in accounting principle	-	-	(234,550)	-
Net Position, Beginning of Year, Restated	50,413	307,770	35,699	312,754
<b>Net Position, End of Year</b>	<b>\$ 48,368</b>	<b>283,644</b>	<b>50,413</b>	<b>307,770</b>



# Colorado School of Mines

## Statements of Cash Flows

Years Ended June 30, 2016 and 2015 (in thousands)

	2016	2015
<b>Cash Flows from Operating Activities:</b>		
Tuition and fees	\$ 115,731	115,367
Grants and contracts	68,697	70,918
Sales of services from auxiliary enterprises	22,048	20,795
Collection of loans to students	1,047	1,157
Rental income	1,321	1,326
Receipts from the Foundation	1,667	2,213
Other operating receipts	2,319	1,789
Payments to employees	(99,945)	(96,052)
Payments for employee benefits	(48,247)	(49,163)
Payments to suppliers	(62,770)	(59,724)
Developmental services fees	(1,900)	(1,900)
Scholarships disbursed	(1,019)	(1,441)
Loans issued to students	(957)	(1,004)
<b>Net cash provided by (used for) operating activities</b>	<b>(2,008)</b>	<b>4,281</b>
<b>Cash Flows from Noncapital Financing Activities:</b>		
Receipts from the Foundation	16,247	16,320
State Appropriations, non-capital	2,898	1,858
Gifts and grants for other than capital purposes	1,740	1,433
Additions to permanent endowments	20	656
Principal payments on noncapital debt	(295)	(290)
Interest payments on noncapital debt	(89)	(104)
Funds invested with the Foundation	(166)	(654)
Federal nonoperating revenue	2,921	3,275
Direct lending receipts	29,265	29,966
Direct lending disbursements	(29,265)	(29,966)
Agency inflows	9,988	9,648
Agency outflows	(9,977)	(9,656)
<b>Net cash provided by noncapital financing activities</b>	<b>23,287</b>	<b>22,486</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
State Appropriations, capital	10,044	1,680
Capital gifts	2,366	13,803
Academic facility fees	3,334	3,274
Bond proceeds	14,191	-
Bond issuance and other loan costs	(150)	(12)
Acquisition and construction of capital assets	(45,513)	(49,804)
Principal payments on capital debt	(5,199)	(11,100)
Interest payments on capital debt	(6,480)	(9,151)
Federal nonoperating revenue	1,161	1,092
<b>Net cash used for capital and related financing activities</b>	<b>(26,246)</b>	<b>(50,218)</b>
<b>Cash Flows from Investing activities:</b>		
Interest and dividends on investments	1,747	1,562
<b>Net cash provided by investing activities</b>	<b>1,747</b>	<b>1,562</b>
Net Decrease in cash and cash equivalents	(3,220)	(21,889)
Cash and cash equivalents, Beginning of Year	146,352	168,241
<b>Cash and cash equivalents, End of Year</b>	<b>\$ 143,132</b>	<b>146,352</b>

# Colorado School of Mines

## Statements of Cash Flows

Years Ended June 30, 2016 and 2015 *(in thousands)*

	2016	2015
<b>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:</b>		
Operating loss	\$ (36,287)	(24,605)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation and amortization expense	18,171	16,778
Noncash operating expenses	16,763	9,317
Insurance recoveries	-	23
Receipts of items classified as non-operating revenues	1,832	2,213
Changes in assets and liabilities		
Accounts and loans receivables	(6,970)	2,115
Other assets	2,666	10
Loans to students	(21)	79
Accounts payable and accrued liabilities	521	(2,283)
Unearned revenue	1,412	649
Accrued compensated absences	460	11
Other liabilities	20,483	14,736
Changes in deferred outflows and inflows		
Deferred outflows	(24,535)	(14,781)
Deferred inflows	3,497	19
<b>Net cash provided by (used for) operating activities</b>	<b>\$ (2,008)</b>	<b>4,281</b>

### Noncash Investing, Capital and Financing Activities:

Capital assets acquired by donations, state funded, and payable increases	\$ 5,307	10,961
Fair value change in interest rate swap	(3,401)	(693)
Realized/unrealized losses on investments	(1,581)	(179)
Administrative fees on investments	526	493
Accretion of interest on deep discount debt	559	567
Amortization of premiums/discounts	916	674
Amortization of deferred losses and swap termination	779	538
Bond underwriter costs	115	-
Write-off of unamortized deferred loss	2,504	-
Loss on disposal of assets	(366)	(25)

# Colorado School of Mines

## Notes to Financial Statements

June 30, 2016 and 2015

### Note 1: Basis of Presentation and Summary of Significant Accounting Policies

#### Governance

Colorado School of Mines (the University) is a public institution of higher education with a primary emphasis in engineering and science education and research. The University is governed by a nine member Board of Trustees. Seven voting members are appointed by the Governor of the State of Colorado with the consent of the Colorado Senate. Two non-voting members, representing the faculty and students of the University, are voted in by the respective constituents.

#### Financial Reporting Entity and Basis of Presentation

The University's financial reporting entity includes the operations of the University and all related entities for which the University is financially accountable or that provide services to the University, referred to as blended component units. Financial accountability may stem from the University's ability to appoint a majority of the governing board of the related organization, its ability to impose its will on the related organization, its ability to access assets, or its responsibility for debts of the related organization. The University includes the following blended component units:

- Colorado School of Mines Building Corporation: established in June 1976 as a separate corporation under the laws of the State of Colorado. The purpose of the corporation was to build a facility that would house the United States Geological Survey (USGS). The Corporation collects annual rent payments from the USGS. Upon dissolution, subject to certain provisions, any assets remaining shall be transferred to the University. Separate financial statements are not prepared.
- Colorado School of Mines Development Corporation: established in September 2001 as a separate corporation under the laws of the State of Colorado. The corporation was formed for the purpose of issuing obligations for or assisting in the financing of capital expenditures on behalf of or for the benefit of the Colorado School of Mines. Separate financial statements are not prepared. The Corporation was dissolved on December 19, 2014 and the remaining assets were transferred to the University.
- Mines Applied Technology Transfer Inc. (MATTI): established in 2002 as a separate corporation under the laws of the State of Colorado with a December 31 year end. The purpose of MATTI, a not-for-profit 501(c)(3), is to further the education, research, development and public services objectives of the University and to further the transfer of newly created technologies from the University to the private sector. The corporation is operated exclusively for the benefit of the University. Upon dissolution, subject to certain provisions, any assets remaining shall be transferred to the University. Separate financial statements are not prepared.

# Colorado School of Mines

## Notes to Financial Statements

June 30, 2016 and 2015

### **Discretely Presented Component Unit**

The University's financial statements include one supporting organization as a discretely presented component unit (DPCU) of the University.

Colorado School of Mines Foundation, Incorporated (the Foundation) is a legally separate entity incorporated under Article 40, Title 7 of the Colorado Revised Statutes of 1973. The Foundation was established in 1928 to promote the welfare, development and growth of the University. The Foundation has a determination letter from the Internal Revenue Service stating it qualifies under Section 501(c)(3) of the Internal Revenue Code as a public charity. Although the University does not control the timing of receipts received by the Foundation, the majority of resources or income thereon the Foundation holds and invests are restricted by the donors for the benefit of the University. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements. Separately issued financial statements are available by contacting the Foundation at PO Box 4005, Golden, Colorado, 80401-0005.

### **Related Organizations**

The Table Mountain Research Center (TMRC), formerly the Colorado School of Mines Research Institute (CSMRI), a not-for-profit corporation, was established in 1949 as a separate corporation under the laws of the State of Colorado. The purpose of TMRC is to promote, encourage and aid scientific and technological investigation and research.

TMRC ceased active operations during 1987 and sold most of its real estate in 1988.

### **Relationship to State of Colorado**

Article VIII, Section 5 of the Colorado Constitution declares the University to be a state institution. Thus, for financial reporting purposes, the University is included as part of the State's primary government.

### **Basis of Accounting and Presentation**

For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when an obligation is incurred.

The University applies all applicable Governmental Accounting Standards Board (GASB) pronouncements.

The Foundation reports under FASB standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. Modifications have been made to the Foundation's financial information in the University's financial reporting entity for these differences.

### **Significant Accounting Policies**

#### **Cash and Cash Equivalents**

The University considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Cash equivalents consist primarily of funds invested through the State Treasurer's Cash Management Program and money market funds with brokers.

# Colorado School of Mines

## Notes to Financial Statements

June 30, 2016 and 2015

### **Restricted Cash and Cash Equivalents**

Restricted cash and cash equivalents include amounts whose use is constrained either through external party restrictions or imposition by law. Restricted purposes include gifts, endowments, debt funded project construction and debt service reserves.

### **Investments and Investment Income**

Investments in equity and debt securities are carried at fair value. Fair value is determined using quoted market prices. Investments include, but are not limited to, funds managed by the Foundation on behalf of the University.

Investment income consists of interest and dividend income and the net change for the year in the fair value of investments carried at fair value.

### **Accounts and Loans Receivables**

Accounts and loans receivables consist of tuition and fee charges to students, charges for auxiliary enterprise services provided to students, faculty and staff, reimbursements outstanding on research contracts and grants, and short and long-term loans issued to students under various federal and other loan programs to cover tuition and fee charges. Receivables are recorded net of estimated uncollectible amounts. The University also administers student loans on behalf of the discretely presented component unit. The student loans administered by the University are recorded as a receivable from the student, included with loans to students in the Statements of Net Position, and a liability to the component unit.

### **Inventories**

Inventories are stated at the lower of cost, determined using the FIFO (first-in, first-out) method, or market.

### **Bond Issuance Costs**

Bond issuance costs incurred on revenue bond issues are expensed in the year the bond issue occurs.

### **Capital Assets**

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation, if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. The following estimated useful lives are being used by the University:

Land improvements	20 years
Buildings and improvements	20 – 40 years
Equipment	3 – 10 years
Library materials	10 years

For equipment, the capitalization policy includes all items with a value of \$5,000 or more, and an estimated useful life of greater than one year.

Renovations to buildings and other improvements that significantly increase the value or extend the useful life of the structure are capitalized. For renovations and improvements, the capitalization policy includes items with a value of \$50,000 or more. Routine repairs and maintenance are charged to operating expense. Major outlays for capital assets and improvements are capitalized as construction in progress throughout the building project. Interest incurred during the construction phase is included as part of the value of the construction in progress.

# Colorado School of Mines

## Notes to Financial Statements

June 30, 2016 and 2015

Assets recorded under capital lease agreements are recorded at the present value of future minimum lease payments and are amortized over either the term of the lease or the estimated useful life of the asset, whichever period is shorter. Such amortization is included as depreciation expense in the accompanying financial statements.

Intangible assets are carried at cost and are comprised of an indefeasible right to use certain fiber optic cables. Intangible assets are being amortized over 20 years.

### **Compensated Absences**

University policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time-off or, in limited circumstances, as a cash payment. Expense and the related liabilities that are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time-off or in cash. Expense and the related liability for sick leave benefits are recognized when earned to the extent the employee is expected to realize the benefit in cash determined using the termination payment method. Sick leave benefits expected to be realized as paid time-off are recognized as expense when the time-off occurs and no liability is accrued for such benefits employees have earned but not yet realized. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect as of July 1 plus an additional amount for compensation-related payments such as Social Security and Medicare taxes computed using rates in effect at that date.

### **Unearned Revenue – Tuition, Fees and Grants**

Unearned revenue represents student tuition and fees, for which the University has not provided the associated services, and advances on grants and contract awards for which the University has not provided services or has not met all of the applicable eligibility requirements.

### **Bonds**

Bonds represent debt by borrowing or financing usually for the acquisition of land, buildings, equipment, or capital construction. The University has an ISDA (International Swaps and Derivatives Association) Master Swap Agreement in order to convert certain variable rate debt to a synthetic fixed rate, thereby economically hedging against changes in the cash flow requirements of the University's variable interest rate debt obligations (Note 9).

### **Deferred Outflows/Inflows of Resources**

Deferred outflows of resources represent losses on various bond refundings, the mark to market valuation of the University's SWAP agreement, and net pension liability related items. For current refundings and advance refundings resulting in defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources on the Statement of Net Position and amortized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter. For the net pension liability related items, the difference between expected and actual experiences, the net difference between projected and actual earnings on pension plan investments, the changes in the University's proportionate share of the net pension liability, and contributions paid to PERA subsequent to the plan's measurement date are all reported as either a deferred outflow or a deferred inflow of resources on the Statement of Net Position and are amortized as a component of pension expense over varying amounts of time.

# Colorado School of Mines

## Notes to Financial Statements

June 30, 2016 and 2015

### **Classification of Revenues**

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

Operating revenues – Operating revenues include activities that have the characteristics of exchange or exchange like transactions, program-specific, or government-mandated non-exchange transactions, such as (1) student tuition and fees, (2) sales and services of auxiliary enterprises, (3) contracts and grants for research activities and (4) interest on student loans.

Nonoperating revenues – Nonoperating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions and other revenue sources that are not deemed operating revenues including Federal Pell revenue and interest subsidy payments associated with Build America Bonds.

### **Scholarship Discounts and Allowances**

Student tuition and fee revenues and certain other revenues from students are reported net of scholarship allowances in the Statements of Revenues, Expenses and Changes in Net Position. Scholarship allowances are the difference between the stated charge for goods and services provided by the University and the amount that is paid by students and/or third-parties making payments on the students' behalf. Certain governmental grants, such as Pell grants and other Federal, State or nongovernmental programs are recorded as either operating or nonoperating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship allowance.

### **Donor Restricted Endowments**

Disbursements of the net appreciation (realized and unrealized) of investments of endowment gifts are permitted by state law, except where a donor has specified otherwise. The amount of earnings and net appreciation available for spending by the University and the Foundation is based on a spending rate set by the Foundation board on an annual basis. For the years ended June 30, 2016 and 2015, the authorized spending rate was equal to the 4.5 percent of the rolling 36-month average market value of the endowment investments. Earnings in excess of the amount authorized for spending are available in future years and are included in the value of the related investment.

### **Application of Restricted and Unrestricted Resources**

The University first applies restricted resources when an expense or outlay is incurred for purposes for which both restricted and unrestricted resources are available.

### **Income Taxes**

As a state institution of higher education, the income of the University is generally exempt from federal and state income taxes under Section 115(a) of the Internal Revenue Code and a similar provision of state law. However, the University is subject to federal income tax on any unrelated business taxable income. There was no tax liability related to income generated from activities unrelated to the University's exempt purpose as of June 30, 2016 and 2015.

# Colorado School of Mines

## Notes to Financial Statements

June 30, 2016 and 2015

### 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 and disclosure of contingent 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.

### Reclassifications

Certain 2015 amounts have been reclassified to conform to the 2016 presentation.

## Note 2: Cash and Cash Equivalents and Investments

The University's and DPCU cash and cash equivalents as of June 30 are detailed in Table 2.1, Cash and Cash Equivalents.

**TABLE 2.1 Cash and Cash Equivalents** (in thousands)

Type	2016	2015
<b>University</b>		
Cash on hand	\$ 14	12
Cash with U.S. financial institutions	10,850	14,419
Cash with State Treasurer	132,268	131,921
<b>Total Cash and Cash Equivalents-University</b>	<b>\$ 143,132</b>	<b>146,352</b>
<b>Discretely Presented Component Unit</b>		
Cash with U.S. financial institutions	\$ 11,562	9,367
<b>Total Cash and Cash Equivalents-DPCU</b>	<b>\$ 11,562</b>	<b>9,367</b>

### **Deposits**

The University deposits the majority of its cash with the Colorado State Treasurer (Treasury) pursuant to Colorado Revised Statutes (C.R.S.). The Treasury pools these deposits and invests them in securities authorized by Section 24-75-601.1, C.R.S. The Treasury acts as a bank for all state agencies and many state supported institutions of higher education. Monies deposited in the Treasury are invested until the cash is needed. As of June 30, 2016, the University had cash on deposit with the Treasury of \$132,268,000 which represented approximately 1.8 percent of the total \$7,408.5 million fair value of deposits in the State Treasury Pool (Pool). As of June 30, 2015, the University had cash on deposit with the Treasury of \$131,921,000 which represented approximately 1.7 percent of the total \$7,661.8 million fair value of deposits in the Pool.

For financial reporting purposes all of the Treasury's investments are reported at fair value, which is determined based on quoted market prices in active markets for identical assets (\$230 million) and significant other observable inputs (\$7,178.5 million) at fiscal year-end. On the basis of the University's participation in the Pool, the University reports as an increase or decrease in cash for its share of the Treasury's unrealized gains and losses on the Pool's underlying investments. The State Treasurer does not invest any of the Pool's resources in any external investment pool, and there is no assignment of income related to participation in the Pool. The unrealized gains/losses included in income reflect only the change in fair value for the fiscal year.



# Colorado School of Mines

## Notes to Financial Statements

June 30, 2016 and 2015

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, 2016 and 2015, none of the investments in the Pool are subject to custodial credit risk.

Credit quality risk is the risk that the issuer or other counterparty to a debt security will not fulfill its obligations. This risk is assessed by national rating agencies that 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, 2016 and 2015, approximately 83.8 percent and 88.0 percent, respectively, of investments of the Pool are subject to credit quality risk reporting. As of June 30, 2016 and 2015, except for \$77,761,610 and \$87,396,440, respectively, of corporate bonds rated lower medium and \$0 and \$25,018,750, respectively, of corporate bonds rated very speculative, these investments are rated from upper medium to the highest quality, which indicates that the issuer has strong capacity 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 the 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. The weighted average maturity of investments in the Pool is shown in Table 2.2, Weighted Average Maturities.

**Table 2.2 Weighted Average Maturities** (maturities in years)

Investment Type	2016		2015	
	Weighted Average Maturity	Percent of the Treasury Pool	Weighted Average Maturity	Percent of the Treasury Pool
Commercial paper	0.094	11.5%	0.063	6.3%
U.S. Government securities	1.343	49.0	1.339	47.5
Asset-Backed securities	2.585	14.0	2.528	18.5
Corporate bonds	1.985	22.4	2.196	22.9
Money market mutual funds	0.000	3.1	0.010	4.8

The Pool was not subject to foreign currency risk or concentration of credit risk in Fiscal Years 2016 and 2015.

Additional information on investments of the Pool may be obtained in the State's Comprehensive Annual Financial Report for the year ended June 30, 2016.

Deposits not with the Treasury are exposed to custodial credit risk (the risk that, in the event of the failure of a depository financial institution, the government would not be able to recover deposits or would not be able to recover collateral securities that are in the possession of an outside party), if they are not covered by depository insurance (FDIC) and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, except for deposits collateralized by certain types of collateral pools including a single financial institution collateral pool where the fair value of the pool is equal to or exceeds all uninsured public deposits held by the financial institution (the Public Deposit Protection Act) or collateralized with securities held by the pledging financial institution's trust department or agent but not in

# Colorado School of Mines

## Notes to Financial Statements

June 30, 2016 and 2015

the depositor – government’s name. Accordingly, none of the University’s deposits as of June 30, 2016 and 2015 are deemed to be exposed to custodial credit risk. As of June 30, 2016 and 2015, the DPCU maintained balances in various operating accounts in excess of federally insured limits totaling approximately \$11,100,000, and \$9,100,000, respectively.

### Investments

The University has authority to invest institutional funds in any investment deemed advisable by the governing board per section 15-1-1106, C.R.S. The University may legally invest in direct obligations of, and other obligations guaranteed as to principal by, the U.S. Treasury and U.S. agencies and instrumentalities and in bank repurchase agreements. It may also invest, to a limited extent, in equity securities.

**Credit Quality Risk** – Credit quality risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Credit risk only applies to debt investments. This is measured by the assignment of a rating by a nationally recognized statistical rating organization (NRSRO). The University has no investment policy that would further limit its investment choices beyond those allowed by State statute. The corporate bond funds are mutual funds and therefore are not rated.

**Interest Rate Risk** – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Interest rate risk only applies to debt investments. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Interest rate risk inherent in the University’s investments is measured by monitoring the modified duration of the overall investments portfolio. Modified duration estimates the sensitivity of the University’s investments to changes in the interest rates. The University does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Concentration of Credit Risk** – Concentration of credit risk is the risk of loss attributed to the magnitude of an entity’s investment in a single issuer. At June 30, 2016 and 2015, no single investment of the University exceeded 5 percent of the total investments.

The University’s investments are managed by the Foundation, on behalf of the University and are reflected in the Foundation’s Long-term Investment Pool (LTIP). The University’s investments represent a proportionate share of the Foundation’s LTIP and therefore, the University does not own any specific investments. As such the fair value measurement for the University’s investments are reported as Level 3 as described below. The University investments are under the Foundation’s LTIP policy. This policy requires funds to be managed in a diversified manner to reduce risks with the goal of providing a steady stream of funding for the University. The LTIP must be over a broad investment spectrum in order to create a mix of potential returns that, in the aggregate, would achieve the overall portfolio objectives. This diversification is to ensure that adverse or unexpected developments arising in one security or asset class will not have a significant detrimental impact on the entire portfolio. This policy minimizes concentration credit risk.

The Foundation categorizes fair value measurements of investments within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets at the measurement date; Level 2 inputs are significant other than quoted prices that are observable for the investment either directly or indirectly; Level 3 are significant unobservable inputs where little or no market data is available, which requires the entity to develop its own assumptions. The fair value measurement of investments as of June 30, 2016 and 2015 are shown in Table 2.3 Fair Value Measurements.

# Colorado School of Mines

## Notes to Financial Statements

June 30, 2016 and 2015

**Table 2.3 Fair Value Measurements** *(in thousands)*

<b>2016</b>				
<b>Investment Type</b>	Level 1	Level 2	Level 3	Total
<b>University</b>				
Corporate equity securities	\$ 267	-	-	267
Investments with Foundation	-		30,808	30,808
<b>Total Investments-University</b>	<b>\$ 267</b>	<b>-</b>	<b>30,808</b>	<b>31,075</b>
<b>Discretely Presented Component Unit</b>				
Cash	-	3,555	-	3,555
Corporate equity securities	66,842	54,374	-	121,216
Hedge funds	-	35,708	23,447	59,155
Private equity	-	-	44,824	44,824
Corporate bond funds	17,287	-	9,583	26,870
Restricted Stock	-	-	-	-
Split-interest agreements	11,628	-	125	11,753
Gift annuity agreements	4,032	-	-	4,032
Beneficial interest investments	10,246	419	19	10,684
<b>Total Investments-DPCU</b>	<b>\$ 110,035</b>	<b>94,056</b>	<b>77,998</b>	<b>282,089</b>
<b>2015</b>				
<b>Investment Type</b>	Level 1	Level 2	Level 3	Total
<b>University</b>				
Corporate equity securities	\$ 301	-	-	301
Investments with Foundation	-	-	33,430	33,430
<b>Total Investments-University</b>	<b>301</b>	<b>-</b>	<b>33,430</b>	<b>33,731</b>
<b>Discretely Presented Component Unit</b>				
Cash	-	14,188	-	14,188
Corporate equity securities	84,683	45,643	-	130,326
Hedge funds	-	19,219	41,408	60,627
Private equity	-	-	45,906	45,906
Corporate bond funds	22,661	6,633	-	29,294
Restricted Stock	-	-	370	370
Split-interest agreements	12,003	-	142	12,145
Gift annuity agreements	4,115	-	553	4,668
Beneficial interest investments	10,913	275	29	11,217
<b>Total Investments-DPCU</b>	<b>\$ 134,375</b>	<b>85,958</b>	<b>88,408</b>	<b>308,741</b>

# Colorado School of Mines

## Notes to Financial Statements

June 30, 2016 and 2015

### Note 3: Accounts, Contributions and Loans Receivable

Table 3.1, Accounts Receivable, segregates receivables as of June 30, 2016 and 2015, by type.

**TABLE 3.1 Accounts Receivable** (in thousands)

Type of Receivable	2016			
	Gross Receivables	Allowance	Net Receivable	Net Current Portion
<b>University</b>				
Student accounts	\$ 3,934	1,243	2,691	2,691
Student loans	5,538	150	5,388	520
Federal government	9,532	-	9,532	9,532
Private sponsors	6,727	753	5,974	5,974
DPCU	2,858	-	2,858	2,858
Other	3,502	-	3,502	3,502
<b>Total Receivable-University</b>	<b>\$ 32,091</b>	<b>2,146</b>	<b>29,945</b>	<b>25,077</b>
<b>Discretely Presented Component Unit</b>				
Contributions*	\$35,667	3,205	32,462	6,230
Due from University	1,631	-	1,631	-
<b>Total Receivable-DPCU</b>	<b>\$ 37,298</b>	<b>3,205</b>	<b>34,093</b>	<b>6,230</b>
Type of Receivable	2015			
	Gross Receivables	Allowance	Net Receivable	Net Current Portion
<b>University</b>				
Student accounts	\$ 4,058	1,291	2,767	2,767
Student loans	5,522	155	5,367	527
Federal government	8,066	-	8,066	8,066
Private sponsors	3,375	954	2,421	2,421
DPCU	1,897	-	1,897	1,897
Other	1,507	-	1,507	1,507
<b>Total Receivable-University</b>	<b>\$ 24,425</b>	<b>2,400</b>	<b>22,025</b>	<b>17,185</b>
<b>Discretely Presented Component Unit</b>				
Contributions*	\$ 38,159	3,939	34,220	3,820
Due from University	1,661	-	1,661	-
<b>Total Receivable-DPCU</b>	<b>\$ 39,820</b>	<b>3,939</b>	<b>35,881</b>	<b>3,820</b>

\*The allowance on the contributions receivable is comprised of uncollectible and unamortized discounts of \$1,440 and \$1,765, respectively, for June 30, 2016, and \$1,849 and \$2,090 respectively, as of June 30, 2015.

# Colorado School of Mines

## Notes to Financial Statements

June 30, 2016 and 2015

### Note 4: Capital Assets

Table 4.1, Capital Assets, presents the changes in capital assets and accumulated depreciation by major asset category for the years ended June 30, 2016 and 2015.

**TABLE 4.1 Capital Assets** (in thousands)

Category	Balance 2015	Additions	Deletions	Transfers	Balance 2016
Nondepreciable capital assets					
Land	\$ 7,652	-	-	-	7,652
Works of Art	-	187	-	-	187
Construction in progress	45,352	32,602	58	(46,493)	31,403
<b>Total nondepreciable assets</b>	<b>53,004</b>	<b>32,789</b>	<b>58</b>	<b>(46,493)</b>	<b>39,242</b>
Depreciable capital assets					
Land improvements	19,918	-	-	235	20,153
Buildings and improvements	373,618	-	2,316	45,446	416,748
Software	1,803	225	-	-	2,028
Equipment	65,191	6,816	1,310	812	71,509
Library materials	12,142	141	8	-	12,275
Intangible assets	600	-	-	-	600
<b>Total depreciable capital assets</b>	<b>\$ 473,272</b>	<b>7,182</b>	<b>3,634</b>	<b>46,493</b>	<b>523,313</b>
<b>Category</b>	<b>Balance 2015</b>	<b>Additions</b>	<b>Deletions</b>	<b>Transfers</b>	<b>Balance 2016</b>
Less accumulated depreciation					
Land improvements	\$ 10,046	739	-	-	10,785
Buildings	131,369	11,255	1,984	-	140,640
Software	1,443	255	-	-	1,698
Equipment	39,053	5,714	1,088	-	43,679
Library materials	11,335	175	8	-	11,502
Intangible assets	200	33	-	-	233
<b>Total accumulated depreciation</b>	<b>193,446</b>	<b>18,171</b>	<b>3,080</b>	<b>-</b>	<b>208,537</b>
<b>Net depreciable assets</b>	<b>279,826</b>	<b>(10,989)</b>	<b>554</b>	<b>46,493</b>	<b>314,776</b>
<b>Total Net Capital Assets</b>	<b>\$ 332,830</b>	<b>21,800</b>	<b>612</b>	<b>-</b>	<b>354,018</b>
<b>Category</b>	<b>Balance 2014</b>	<b>Additions</b>	<b>Deletions</b>	<b>Transfers</b>	<b>Balance 2015</b>
Nondepreciable capital assets					
Land	\$ 7,652	-	-	-	7,652
Construction in progress	31,943	50,833	265	(37,159)	45,352
<b>Total nondepreciable assets</b>	<b>39,595</b>	<b>50,833</b>	<b>265</b>	<b>(37,159)</b>	<b>53,004</b>
Depreciable capital assets					
Land improvements	19,918	-	-	-	19,918
Buildings and improvements	336,698	-	-	36,920	373,618
Software	1,742	126	65	-	1,803
Equipment	60,668	5,746	1,462	239	65,191
Library materials	11,996	155	9	-	12,142
Intangible assets	600	-	-	-	600
<b>Total depreciable capital assets</b>	<b>\$ 431,622</b>	<b>6,027</b>	<b>1,536</b>	<b>37,159</b>	<b>473,272</b>

# Colorado School of Mines

## Notes to Financial Statements

June 30, 2016 and 2015

**TABLE 4.1 Capital Assets** (in thousands)

Category	Balance 2014	Additions	Deletions	Transfers	Balance 2015
Less accumulated depreciation					
Land improvements	\$ 9,311	735	-	-	10,046
Buildings	121,052	10,317	-	-	131,369
Software	1,241	246	44	-	1,443
Equipment	35,117	5,280	1,344	-	39,053
Library materials	11,161	183	9	-	11,335
Intangible assets	167	33	-	-	200
Total accumulated depreciation	178,049	16,794	1,397	-	193,446
Net depreciable assets	253,573	(10,767)	139	37,159	279,826
<b>Total Net Capital Assets</b>	<b>\$ 293,168</b>	<b>40,066</b>	<b>404</b>	<b>-</b>	<b>332,830</b>

The total interest costs related to capital asset debt incurred by the University during the years ended June 30, 2016 and 2015, was \$8,100,000 and \$9,151,000, respectively. The University capitalizes interest costs as a component of construction in progress during the period of construction, based on interest costs of borrowing specifically for the project, net of interest earned on investments acquired with the proceeds of the tax-exempt debt. The total amount of interest costs capitalized as part of construction in progress during the years ended June 30, 2016 and 2015 was \$886,000 and \$1,937,000, respectively.

### Note 5: Deferred Outflows of Resources

Table 5.1, Deferred Outflows of resources details the types and amounts of deferred outflows of resources as of June 30, 2016 and 2015.

**TABLE 5.1 Deferred Outflows of Resources** (in thousands)

Deferred Outflows of Resources	2016	2015
Loss on bond refundings	\$ 14,012	12,517
Components of pension liability	39,316	14,781
SWAP valuation	6,104	2,167
<b>Total Deferred Outflows of Resources</b>	<b>\$ 59,432</b>	<b>29,465</b>

### Note 6: Accounts Payable and Accrued Liabilities

Table 6.1, Accounts Payable and Accrued Liabilities, details the accounts payable and accrued expenses as of June 30, 2016 and 2015.

**TABLE 6.1 Accounts Payable and Accrued Liabilities** (in thousands)

Type	2016	2015
Accounts payable - vendors	\$ 9,690	15,254
Accrued salaries and benefits	8,978	8,622
Accrued interest payable	1,147	722
<b>Total Accounts Payable and Accrued Liabilities</b>	<b>\$ 19,815</b>	<b>24,598</b>

# Colorado School of Mines

## Notes to Financial Statements

June 30, 2016 and 2015

The University leases various buildings and equipment under operating lease rental agreements. Operating leases do not give rise to property rights or meet other capital lease criteria, and therefore, the related assets and liabilities are not recorded in the accompanying financial statements. For Fiscal Years 2016 and 2015, total rent expense under these agreements was \$341,000 and \$275,000, respectively. Table 6.2, Future Minimum Operating Lease Payments, details the future minimum operating lease payments.

**TABLE 6.2 Future Minimum Operating Lease Payments** *(in thousands)*

<b>Years Ending June 30</b>	<b>Minimum Lease Payment</b>
2017	\$ 287
2018	162
2019	134
2020	137
<b>Total Operating Lease Payments</b>	<b>\$ 720</b>

The University leases office space to an unrelated single tenant. The lease term is 10 years and expires in July 2018. The annual rent payment of \$1,321,000 is paid in monthly installments and is recorded as other operating revenue.

### Note 7: Unearned Revenue

Table 7.1, Unearned Revenue, details the types and amounts of unearned revenue as of June 30, 2016 and 2015.

**TABLE 7.1 Unearned Revenue** *(in thousands)*

<b>Type</b>	<b>2016</b>	<b>2015</b>
Tuition and fees	\$ 5,459	5,017
Grants and contracts	10,338	9,221
Miscellaneous	739	886
<b>Total Unearned Revenue</b>	<b>\$ 16,536</b>	<b>15,124</b>

### Note 8: Compensated Absences

Table 8.1, Compensated Absences, presents the changes in compensated absences for the years ended June 30, 2016 and 2015.

**TABLE 8.1 Compensated Absences** *(in thousands)*

	<b>2016</b>	<b>2015</b>
Beginning of the year	\$ 6,123	6,112
Additions	1,051	724
Adjustments/reductions	591	713
<b>End of the year</b>	<b>\$ 6,583</b>	<b>6,123</b>
<b>Current Portion</b>	<b>\$ 610</b>	<b>575</b>

# Colorado School of Mines

## Notes to Financial Statements

June 30, 2016 and 2015

### Note 9: Bonds and Leases

As of June 30, 2016 and 2015, the categories of long-term obligations are detailed in Table 9.2, Bonds and Leases Payable. Table 9.3, Changes in Bonds and Leases Payable, presents the changes in bonds and capital leases payable for the years ended June 30, 2016 and 2015.

#### Revenue Bonds

A general description of each revenue bond issue, original issuance amount, and the amount outstanding as of June 30, 2016 and 2015 is detailed in Table 9.4, Revenue Bond Detail.

The University's fixed rate revenue bonds are payable semi-annually, have serial maturities, contain sinking fund requirements and contain optional redemption provisions. The University's variable rate demand bonds are payable annually, contain sinking fund requirements and contain optional redemption provisions. The optional redemption provisions allow the University to redeem, at various dates, portions of the outstanding revenue bonds at varying prices. All University revenue bonds are special limited obligations of the University. The revenue bonds are secured only by certain pledged revenues and are not pledged by any encumbrance, mortgage, or other pledge of property, and the revenue bonds do not constitute general obligations of the University.

The revenue bonds are secured by a pledge of all net revenues as defined by the bond documents. As of June 30, 2016 and 2015, net auxiliary pledged revenues, total net pledged revenues, and the associated debt service coverage are shown in Table 9.1, Net Pledged Revenues. The University's net pledged revenues will continue to be pledged for the life of the associated revenue bonds as detailed in Table 9.2, Bonds, Notes, and Leases Payable. The outstanding principal and interest of the related pledged debt is detailed in Table 9.5, Revenue Bonds Future Minimum Payments. The University believes it is in compliance with all existing pledged revenue requirements of its outstanding bonds.

**TABLE 9.1 Net Pledged Revenues** *(in thousands)*

<b>Source of Net Pledged Revenue</b>	<b>2016</b>	<b>2015</b>
<b>Auxiliary Revenue Bonds</b>		
Net auxiliary facilities	\$ 13,561	12,685
Renewal and replacement fund	569	612
Net auxiliary pledged revenues	\$ 14,130	13,297
Prior obligation auxiliary debt service	770	780
Prior obligation auxiliary debt service coverage	18.35	17.05
<b>Parity Bond Obligations</b>		
<b>Institutional Enterprise Revenue Bonds</b>		
Student tuition (10 percent)	\$ 15,163	16,482
Student facility fees	3,334	3,274
Federal indirect cost recovery	11,966	11,682
Federal interest subsidy	1,161	1,164
Net Institutional Enterprise Pledged Revenues	31,623	32,602
Net Pledged Revenues for Parity Debt	44,983	45,119
Total Parity Debt Service	\$ 12,422	18,577
Total Parity Debt Service Coverage	3.62	2.43
<b>Subordinate Bond Obligations</b>		
Net Pledged Revenues for Subordinate Debt	\$ 32,562	26,542
Subordinate Debt Service	1,260	1,288
Subordinate Debt Service Coverage	25.85	20.61
Percent of Pledged Revenue to Total Revenue	80%	81%
Total Debt Service Coverage	3.17	2.22



# Colorado School of Mines

## Notes to Financial Statements

June 30, 2016 and 2015

The Auxiliary Facility Enterprise Revenue bonds specify debt service coverage requirements for the auxiliary facilities. The debt service coverage provisions require net pledged revenues to be equal to 110 percent of the combined principal and interest payments, excluding any reserves, on the Auxiliary Bonds and any additional bonds due during any subsequent fiscal year. The Auxiliary Facility Enterprise Revenue bonds are payable from net pledged revenues on parity with the other bonds and the note payable.

A master resolution adopted by the Board includes a covenant by the Board which provides, in summary, that, while the Bonds are outstanding, and subject to applicable law, the Board will continue to impose such fees and charges as are included within the gross revenues and will continue the present operation and use of the institutional enterprise and the facilities. The Board will continue to maintain such reasonable fees, rental rates and other charges for the use of all facilities and for services rendered by the Institutional Enterprise as will return annually gross revenue sufficient to pay the prior bond obligations, to pay operation and maintenance expenses, to pay the annual debt service requirements of the bonds and any parity obligations payable from the net revenues. In addition, the Board will make any deposits required to the reserve fund. The debt covenant includes provisions relating to other matters such as maintenance of insurance coverage for the facilities. The Master Resolution prohibits the Board from selling, destroying, abandoning, otherwise disposing of or altering at any time the property comprising a part of the facilities until all bonds payable out of net revenues have been paid or provision has been made to pay all such bonds. The University believes it is in compliance with these covenants.

The Series 2009B, 2010B, and 2011 bonds qualify as Build America Bonds for purposes of the American Recovery and Reinvestment Act of 2009 (ARRA) signed into law on February 17, 2009. Pursuant to ARRA, for the Series 2009B and 2010B bonds, the University expects to receive a cash subsidy payment from the United States Treasury, referred to as Federal Direct Payments, equal to 35 percent of the interest payable on the bonds on or around each interest payment date. For the Series 2011 bonds, the University expects to receive Federal Direct Payments equal to 70 percent of the interest payable on the bonds on or around each interest payment date. Due to federal budget cuts that occurred during Fiscal Year 2013, the University received approximately 8.75 percent less in payments under this program. Pursuant to the Colorado Recovery Act, the Board may pledge any Federal Direct Payments received to the payments of the bonds. The Board has pledged such payments to the payment of the Series 2009B, 2010B, 2011, and 2012B bonds. In Fiscal Years 2016 and 2015, the University received \$1,161,000 and \$1,164,000, respectively, in Federal Direct Payments.

The Series 2009A, 2009B, 2009C, 2009D, and 2012B revenue bonds qualify for the State Intercept Program established pursuant to Section 23-5-139 CRS. The State Intercept Program provides for the institutions of higher education to utilize the State of Colorado's credit rating. The State Treasurer is obligated to make principal and interest payments when due with respect to the revenue bonds issued by state supported institutions of higher education if such institution will not make the payment by the due date.

# Colorado School of Mines

## Notes to Financial Statements

June 30, 2016 and 2015

The following table provides a summary of the University's long-term debt obligations as of June 30, 2016 and 2015 (in thousands):

**TABLE 9.2 Bonds and Leases Payable** (in thousands)

Type	Interest Rates	Final Maturity	Balance 2016	Balance 2015
Auxiliary Facilities Enterprise Revenue Bonds	2.5% - 5.4%	2028	\$ 10,651	10,866
Institutional Enterprise Revenue Bonds				
Variable Rate Demand Bonds	0.312%*	2038	39,535	40,160
Fixed Rate Bonds	3% - 6.29%	2043	151,023	138,249
Subordinate Institutional Enterprise Revenue Bonds	3.00%	2027	10,180	11,120
<b>Total Bonds Payable</b>			<b>211,389</b>	<b>200,395</b>
<b>Capital Leases Payable</b>	7.8%	2020	<b>97</b>	<b>-</b>
<b>Total Bonds and Leases Payable</b>			<b>\$ 211,486</b>	<b>200,395</b>

\* Variable rate demand bonds are set at an adjustable rate as discussed below. The rates reflected in the table are as of June 30, 2016.

The demand feature of the Series 2010A variable rate demand bonds applies at the end of an interest rate mode period. This period can range from weekly to long-term. In June 2015, the University renewed the direct purchase agreement with Wells Fargo to extend the demand feature to June 2018. In addition, the University negotiated a new lower support fee of 0.40 percent compared to the prior support fee of 0.65 percent. The interest rate on the Series 2010A variable rate demand bonds is calculated weekly based on 67 percent of the one month London interbank offered rate (LIBOR). The interest rate on the Series 2010A as of June 30, 2016 and 2015 was 0.312 percent and 0.125 percent, respectively.

Table 9.3, Changes in Bonds and Leases payable presents the changes in bonds, and leases for the years ended June 30, 2016 and 2015.

**TABLE 9.3 Changes in Bonds and Leases Payable** (in thousands)

Type	Balance 2015	Additions	Deductions	Balance 2016	Current Portion
Revenue bonds payable	\$ 194,032	35,250	28,580	200,702	7,715
Plus unamortized premiums	6,405	4,961	655	10,711	-
Less unamortized discounts	42	3	21	24	-
<b>Total Bonds Payable</b>	<b>200,395</b>	<b>40,208</b>	<b>29,214</b>	<b>211,389</b>	<b>\$7,715</b>
Capital Leases	-	131	34	97	43
<b>Total Bonds and Leases Payable</b>	<b>\$ 200,395</b>	<b>40,339</b>	<b>29,248</b>	<b>211,486</b>	<b>\$7,758</b>

Type	Balance 2014	Additions	Deductions	Balance 2015	Current Portion
Revenue bonds payable	\$ 204,855	567	11,390	194,032	5,460
Plus unamortized premiums	7,085	-	680	6,405	-
Less unamortized discounts	48	-	6	42	-
<b>Total Bonds Payable</b>	<b>\$ 211,892</b>	<b>567</b>	<b>12,064</b>	<b>200,395</b>	<b>5,460</b>

# Colorado School of Mines

## Notes to Financial Statements

June 30, 2016 and 2015

Table 9.4, Revenue Bond Detail presents a summary description of the University's outstanding revenue bonds for the years ended June 30, 2016 and 2015.

**TABLE 9.4 Revenue Bond Detail** (in thousands)

Issuance Description	Original Issuance Amount	Outstanding Balance 2016	Outstanding Balance 2015
<b>Auxiliary Facilities Enterprise Revenue Bonds:</b>			
Capital Appreciation, Series 1999 - Used to fund capital improvements for residence halls, residential housing, student center and fraternity housing facilities	\$ 7,794	10,672	10,882
<b>Total Auxiliary Facilities Enterprise Revenue Bonds</b>	<b>\$ 7,794</b>	<b>10,672</b>	<b>10,882</b>
<b>Institutional Enterprise Revenue Bonds:</b>			
Refunding and Improvement Series 2009A - Used to refund the Colorado School of Mines Development Corporation Refunding Variable Rate Demand Bonds, Series 2005, refund a portion of the Variable Rate Demand Improvement Series 2008B, make a payment in connection with modifying a portion of an existing swap agreement for the Series 2008B Bonds, and acquire certain real properties	\$ 28,720	3,240	16,095
Series 2009B - Used to fund construction or renovation of certain campus capital projects including a new residence hall, Weaver Towers, wellness center and other capital improvements	42,860	42,860	42,860
Refunding Series 2009C - Used to refund a portion of the Series 2008B and terminate an existing swap agreement for the Series 2008B bonds	16,745	2,425	14,235
Variable Rate Demand Refunding Series 2010A - Used to current refund the Refunding Series 2008A	42,860	39,535	40,160
Series 2010B - Taxable Direct Payment Build America Bonds. Used to construct, improve, renovate and equip new academic Marquez Hall Wing and provide additional facilities	\$ 11,195	11,195	11,195
Series 2011 - Taxable Qualified Energy Conservation Bonds. Used to finance qualified conservation improvement projects	2,800	1,675	1,970
Series 2012B – Used to fund construction of a new residence hall and dining facility, renovate the Student Center, provide bridge funding for construction for a new welcome center, and refund all of the Series 2002 and a portion of the Series 2004	47,345	44,230	45,515
Series 2016A and B – Used to fund construction, improvements, and equipping of CoorsTek Center; advance refunding portion of the Series 2009A bonds and Series 2009C bonds	34,690	34,690	-
<b>Total Institutional Enterprise Revenue Bonds</b>	<b>\$ 227,215</b>	<b>179,850</b>	<b>172,030</b>
<b>Subordinate Institutional Enterprise Revenue Bonds:</b>			
Series 2012A – Used to fund construction of new athletic facilities	\$ 13,000	10,180	11,120
<b>Total Subordinate Institutional Enterprise Revenue Bonds</b>	<b>\$ 13,000</b>	<b>10,180</b>	<b>11,120</b>
<b>Total Revenue Bonds</b>	<b>\$ 248,009</b>	<b>200,702</b>	<b>194,032</b>
Plus Premiums		10,711	6,405
Less Discounts		24	42
<b>Total Revenue Bonds</b>		<b>\$ 211,389</b>	<b>200,395</b>

# Colorado School of Mines

## Notes to Financial Statements

June 30, 2016 and 2015

### Revenue and Refunding Bond Activity

In February 2016, the University issued \$34,690,000 in Institutional Enterprise Revenue and Refunding Bonds, Series 2016. \$13,090,000 of the Series 2016 bonds will be used to finance the construction of the CoorsTek Center for Applied Sciences and Engineering building. The University placed \$25,623,471 from the Series 2016 bonds into an escrow account to in-substance defease \$11,860,000 of the Series 2009A bonds and \$11,260,000 of the Series 2009C bonds. This resulted in a combined economic gain of \$2,222,000, a combined decrease in the debt service cash flows to service the remaining debt of \$2,672,000 and a combined deferred loss on refunding of \$2,504,000 that is being amortized over the life of Series 2009A bonds for the 2009A refunding and the Series 2016 bonds for the 2009C refunding.

### Debt Service Requirements on Revenue Bonds

The future minimum revenue bonds debt service requirements as of June 30, 2016, are shown in Table 9.5, Revenue Bonds Future Minimum Payments.

**TABLE 9.5 Revenue Bonds Future Minimum Payments (in thousands)**

<b>Years Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 7,715	8,778	16,493
2018	8,445	8,623	17,068
2019	8,635	8,339	16,974
2020	8,730	8,026	16,756
2021	8,845	7,692	16,537
2022 – 2026	33,420	35,444	68,864
2027 – 2031	32,575	29,258	61,833
2032 – 2036	41,085	20,806	61,891
2037 – 2041	50,170	7,956	58,126
2042 – 2046	4,655	236	4,891
Subtotal	204,275	135,158	339,433
Unaccreted interest -1999 Bonds	(3,573)		
<b>Total Debt Service</b>	<b>\$ 200,702</b>		

### Interest Rate SWAP Agreements

In Fiscal Year 2008, the University entered into a floating to fixed interest rate swap agreement (Swap Agreement) in connection with the 2008A issuance. The Swap Agreement was entered into with the objective of protecting against the potential of rising interest rates. With the issuance of the Series 2010A Refunding Bonds, the swap agreement was not terminated and was associated with the Series 2010A Refunding Bonds. The Swap Agreement has a notional amount of \$39,535,000 and \$40,160,000 and a fair value of \$(13,222,000) and \$(9,515,000) at June 30, 2016 and 2015, respectively. The Swap Agreement provides for certain payments to or from Morgan Stanley equal to the difference between the fixed rate of 3.59 percent payable by the University and 67 percent of one month USD-LIBOR-BBA, 0.312 and 0.125 percent at June 30, 2016 and 2015, respectively, payable by Morgan Stanley. The fair value of the swap is classified as a noncurrent liability and the change in fair value of the swap is classified as a deferred outflow at June 30, 2016 and 2015. On the date of the refunding of the Series 2008A Bonds, the fair market value of the swap was (\$8,301,000) and was included in the calculation of deferred loss on refunding and is being amortized over the life of the Series 2010A Refunding Bonds. Accumulated amortization of the deferred loss as of June 30, 2016 and 2015 was \$1,183,000 and \$954,000, respectively. Morgan Stanley, counterparty to the Swap Agreement, determined the fair value as of June 30, 2016 and 2015, using a discounted forecasted cash flows; however, the actual method and significant assumptions used are proprietary. The Swap Agreement has an effective date of March 5, 2008 and a termination date of December 1, 2037.

# Colorado School of Mines

## Notes to Financial Statements

June 30, 2016 and 2015

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

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

**Credit Risk** – The risk that the counterparty will not fulfill its obligations. The University considers the swap agreement counterparty's (Morgan Stanley) credit quality rating and whether the counterparty can withstand continuing credit market turmoil. As of June 30, 2016, Morgan Stanley's credit rating is A3 by Moody's, BBB+ by Standards & Poor's.

For the outstanding swap agreement the University has a maximum possible loss equivalent to the swaps' fair market value at June 30, 2016 and 2015 related to the credit risk. However, the University was not exposed to this loss because of the negative fair market value of the swaps as of June 30, 2016 and 2015. In addition, these agreements required no collateral and no initial net cash receipt or payment by the University.

**Basis Index Risk** – Basis risk arises as a result of movement in the underlying variable rate indices that may not be in tandem, creating a cost differential that could result in a net cash outflow from the University. Basis risk can also result from the use of floating, but different, indices. To mitigate basis risk, it is the University's policy that any index used as part of an interest rate swap agreement shall be a recognized market index, including, but not limited to, the Securities Industry and Financial Markets Association (SIFMA) or the London Interbank Offered Rate (LIBOR).

As of June 30, 2016, the aggregate debt service payments and net swap cash payments, assuming current interest rates remain the same, for their term are reflected in Table 9.6, Future Revenue Bonds and Net Swap Minimum Payments.

**TABLE 9.6 Future Revenue Bonds and Net Swap Minimum Payments** (in thousands)

Years Ending June 30	Principal	Bond Interest	SWAP Interest (net)	Total Debt Service	Support Fee
2017	\$ 675	122	1,283	2,080	157
2018	975	120	1,255	2,350	153
2019	550	117	1,232	1,899	150
2020	575	115	1,213	1,903	148
2021	575	113	1,194	1,882	146
2022 – 2026	4,800	526	5,541	10,867	676
2027 – 2031	11,250	408	4,298	15,956	524
2032 – 2036	14,100	200	2,106	16,406	257
2037 – 2041	6,035	18	183	6,236	22
<b>Total Debt Service</b>	<b>\$ 39,535</b>	<b>1,739</b>	<b>18,305</b>	<b>59,579</b>	<b>2,233</b>

### Extinguishment of Debt

Previous revenue bond issues considered to be extinguished through in-substance defeasance under generally accepted accounting principles are not included in the accompanying financial statements. The amount of debt in this category, covered by assets placed in trust to be used solely for future payments, amounted to \$31,160,000 and \$8,040,000 as of June 30, 2016 and 2015, respectively.

# Colorado School of Mines

## Notes to Financial Statements

June 30, 2016 and 2015

### Capital Leases

As of June 30, 2016 and 2015, the School had an outstanding liability for capital leases approximating \$97,000 and \$0, respectively, with underlying gross capitalized asset cost approximating \$131,000 and \$0, respectively. Accumulated amortization as of June 30, 2016 and 2015 is \$7,000 and \$0, respectively.

Future minimum payments on the capital leases are shown in Table 9.7 Future Minimum Capital Lease Payments.

**Table 9.7 Future Minimum Capital Lease Payments** (in thousands)

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 43	6	49
2018	46	3	49
2019	8	-	8
<b>Total Capital Lease Payments</b>	<b>\$ 97</b>	<b>9</b>	<b>106</b>

### State of Colorado Certificates of Participation

In Fiscal Year 2008, State of Colorado Senate Bill 08-218 made Federal Mineral Leasing (FML) monies available for capital construction at institutions of higher education. FML money is derived from ongoing leasing and production activities on federal lands within Colorado and approximately half of these payments go to the State of Colorado. The State used part of this money on November 6, 2008 and issued Certificates of Participation (COP) to support some higher education construction and maintenance projects. The University received \$6,748,000 for a portion of the support in the construction of an addition to the Brown Hall building. The State of Colorado is responsible for making the principal and interest payments on the COP.

### Note 10: Other Liabilities

Table 10.1, Other Liabilities, details other liabilities as of June 30, 2016 and 2015.

**TABLE 10.1 Other Liabilities** (in thousands)

<b>Type</b>	<b>2016</b>		<b>2015</b>	
	<b>Total</b>	<b>Current Portion</b>	<b>Total</b>	<b>Current Portion</b>
<b>University</b>				
Amounts due to the Foundation	\$ 1,684	53	1,746	85
Funds held for others	136	136	121	121
Pollution remediation	-	-	394	394
Student deposits	250	250	251	251
Miscellaneous	532	532	696	696
<b>Total Other Liabilities - University</b>	<b>\$ 2,602</b>	<b>971</b>	<b>3,208</b>	<b>1,547</b>
<b>Discretely Presented Component Unit</b>				
Colorado School of Mines	\$30,808	-	33,430	-
Other trust funds	1,115	-	1,100	-
Obligations under split-interest agreements	4,756	-	5,147	-
Obligations under gift annuity agreements	4,628	-	4,908	-
Refunded advances	59	-	64	-
Other liabilities	360	-	282	-
<b>Total Other Liabilities - DPCU</b>	<b>\$41,726</b>	<b>-</b>	<b>44,931</b>	<b>-</b>

# Colorado School of Mines

## Notes to Financial Statements

June 30, 2016 and 2015

### Direct Lending

The University began participation in the Direct Student Loan program operated by the Federal government in the spring of Fiscal Year 2010. This program enables eligible students or parents to obtain a loan to pay for the student's cost of attendance directly through the University rather than through a private lender. The University is responsible for handling the complete loan process, including funds management, as well as promissory note functions. The University is not responsible for collection of these loans or for defaults by borrowers, and therefore these loans are not recognized as receivables in the accompanying financial statements. Lending activity during the years ended June 30, 2016 and 2015 under these programs were \$29,265,000 and \$29,966,000, respectively.

### Note 11: Changes in Accounting Principles

Effective July 1 2014, the University adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* (Statement No. 68) and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to Measurement Date* (Statement No. 71) which revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. Prior to implementation of Statement No. 68 and Statement No. 71, the University followed GASB Statement No 27, *Accounting for Pensions by State and Local Government Employers*. Statement No. 68 requires employers participating in cost-sharing multiple-employer defined benefit plans to record their proportionate share of the plan's unfunded pension liability. Statement No. 71 requires the University to record as a deferred outflow of resources contributions made to the pension plan subsequent to the measurement date of the net pension liability. The University participates in the Colorado Public Employees' Retirement Association (PERA) defined benefit plan.

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

To the extent practical, changes made to comply with Statement No. 68 should be presented as a restatement of the Fiscal Year 2014 financial statements. However, PERA did not provide the information required to restate the University's Fiscal Year 2014 financial statements; therefore, the impact of adoption of Statement No. 68 is shown as a cumulative effect adjustment to Net Position, beginning of the year, in Fiscal Year 2015. The impact of the adoption of Statement No. 68 is detailed Table 11.1 Changes in Beginning Net Position.

**TABLE 11.1 Change in Beginning Net Position** (in thousands)

<b>Net Position, beginning of year</b>	\$ 270,249
Cumulative effect of application of Statement No. 68	(240,644)
Cumulative effect of application of Statement No. 71	6,094
<b>Net Position, beginning of year as restated</b>	<b>\$ 35,699</b>

The University's proportionate share of PERA's net pension liability (NPL) directly reduces the University's unrestricted net position. The effect on unrestricted net position is shown in Table 11.2 Impact on Unrestricted Net Position.

**Table 11.2 Impact on Unrestricted Net Position** (in thousands)

	2016	2015
<b>Unrestricted Net Position</b>	\$ (152,681)	(139,328)
Cumulative effect of net pension liability	260,475	243,712
<b>Unrestricted Net Position, net of effect of net pension liability</b>	<b>\$ 107,794</b>	<b>104,384</b>

# Colorado School of Mines

## Notes to Financial Statements

June 30, 2016 and 2015

Effective July 1, 2015, the University adopted Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*, (Statement 72) which requires disclosures to be made about the fair value measurements, the level of fair value hierarchy, and the fair value valuation techniques used to value the University's investments. See Note 2 for additional information. There was no effect on net assets as a result of implementing Statement 72.

### Note 12: Pension Plan

#### Summary of Significant Accounting Policies

The University participates in the State Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado (PERA). The net pension liability (NPL), deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the SDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### Plan Description

All eligible employees of the University are provided with pensions through the SDTF, a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

#### Benefits Provided

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

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

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

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

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.



# Colorado School of Mines

## Notes to Financial Statements

June 30, 2016 and 2015

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S.. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve for the SDTF.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

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

### Contributions

Eligible employees and the University are required to contribute to the SDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, et seq. Eligible employees are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements for all employees are summarized in Table 12.1 Employer Contribution Requirements.

**TABLE 12.1 Employer Contribution Requirements**

	2016		2015	
	July 1 – December 31	January 1 – June 30	July 1 – December 31	January 1 – June 30
Employer Contribution Rate <sup>1</sup>	10.15%	10.15	10.15	10.15
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51- 208(1)(f) <sup>1</sup>	(1.02)	(1.02)	(1.02)	(1.02)
Amount Apportioned to the SDTF <sup>1</sup>	9.13	9.13	9.13	9.13
Amortization Equalization Disbursement as specified in C.R.S. § 24-51-411 <sup>1</sup>	4.20	4.60	3.80	4.20
Supplemental Amortization Equalization Disbursement as specified in C.R.S. § 24-51-411 <sup>1</sup>	4.00	4.50	3.50	4.00
Total Employer Contribution Rate to the SDTF <sup>1</sup>	17.33%	18.23	16.43	17.33

<sup>1</sup>Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Employer contributions are recognized by the SDTF in the period in which the compensation becomes payable to the member and the University is statutorily committed to pay the contributions to the SDTF. Employer contributions recognized by the SDTF from the University were \$14,249,000 and \$12,885,000 for the years ended June 30, 2016 and 2015, respectively.

# Colorado School of Mines

## Notes to Financial Statements

June 30, 2016 and 2015

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

At June 30, 2016 and 2015, the University reported a NPL of \$296,275,000 and \$258,474,000, respectively, for its proportionate share of the SDTF NPL. The NPL was measured as of December 31, 2015 and 2014, respectively, and the total pension liability used to calculate the NPL was determined by an actuarial valuation as of December 31, 2014, respectively. Standard update procedures were used to roll forward the total pension liability to December 31, 2015. The University's proportion of the NPL was based on University contributions to the SDTF for the calendar years 2015 and 2014 relative to the total contributions of participating employers to the SDTF. At December 31, 2015 and 2014, the University's proportion was 2.8133496393 percent and 2.7478159772 percent, respectively, or a change from the prior year of .0655336621.

For the years ended June 30, 2016 and 2015, the University recognized pension expense of \$27,508,000 and \$20,658,000, respectively. At June 30, 2016 and 2015, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources shown in Table 12.2 Deferred Outflows and Inflows.

**TABLE 12.2 Deferred Outflows and Inflows (in thousands)**

Type	Deferred Outflows of Resources		Deferred Inflows of Resources	
	2016	2015	2016	2015
Difference between expected and actual experience	\$ 4,314	-	9	19
Net difference between projected and actual earnings on pension plan investments	22,230	5,270	-	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	5,239	2,692	-	-
Changes in assumptions and other inputs	-	-	3,507	-
Contributions subsequent to the measurement date	7,533	6,819	-	-
<b>Total</b>	<b>\$ 39,316</b>	<b>14,781</b>	<b>3,516</b>	<b>19</b>

Deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date totaling \$7,533,000 will be recognized as a reduction of the NPL in the year ended June 30, 2017. Deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date totaling \$6,819,000 were recognized as a reduction of the NPL in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized to pension expense as shown in Table 12.3 Amortization of Deferred Outflows and Inflows.

**TABLE 12.3 Amortization of Deferred Outflows and Inflows (in thousands)**

Fiscal Year	Amount
2017	\$ 9,750
2018	8,061
2019	5,887
2020	4,569

### Actuarial Assumptions

The total pension liability in the December 31, 2014 actuarial valuation was determined using the actuarial assumptions shown in Table 12.4 Actuarial Assumptions.

# Colorado School of Mines

## Notes to Financial Statements

June 30, 2016 and 2015

**TABLE 12.4 Actuarial Assumptions**

Actuarial Cost Method	Entry Age
Price inflation	2.80%
Real wage growth	1.10%
Wage inflation	3.90%
Salary increases, including wage inflation	3.90 – 9.57%
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50%
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07	2.00%
PERA Benefit Structure hired after 12/31/06	
(ad hoc, substantively automatic)	Financed by the Annual Increase Reserve (AIR)

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years.

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA's Board on November 13, 2012, and an economic assumption study, adopted by PERA's Board on November 15, 2013 and January 17, 2014.

Changes to assumptions or other inputs since the December 31, 2013 actuarial valuation are as follows:

- The following programming changes were made:
  - Valuation of the full survivor benefit without any reduction for possible remarriage.
  - Reflection of the employer match on separation benefits for all eligible years.
  - Reflection of one year of service eligibility for survivor annuity benefit.
  - Refinement of the 18 month annual increase timing.
  - Refinements to directly value certain and life, modified cash refund and pop-up benefit forms.
- The following methodology changes were made:
  - Recognition of merit salary increases in the first projection year.
  - Elimination of the assumption that 35% of future disabled members elect to receive a refund.
  - Removal of the negative value adjustment for liabilities associated with refunds of future terminating members.
  - Adjustments to the timing of the normal cost and unfunded actuarial accrued liability payment calculations to reflect contributions throughout the year.

The SDTF's long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the November 15, 2013 adoption of the long-term expected rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized below.

# Colorado School of Mines

## Notes to Financial Statements

June 30, 2016 and 2015

<b>Asset Class</b>	<b>Target Allocation</b>	<b>10 Year Expected Geometric Real Rate of Return*</b>
U.S. Equity – Large Cap	26.76%	5.00
U.S. Equity – Small Cap	4.40	5.19
Non U.S. Equity – Developed	22.06	5.29
Non U.S. Equity – Emerging	6.24	6.76
Core Fixed Income	24.05	0.98
High Yield	1.53	2.64
Long Duration Gov't/Credit	0.53	1.57
Emerging Market Bonds	0.43	3.04
Real Estate	7.00	5.09
Private Equity	7.00	7.15
<b>Total</b>	<b>100.00%</b>	

\*In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.50%.

### Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.90%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR)

# Colorado School of Mines

## Notes to Financial Statements

June 30, 2016 and 2015

determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.

- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above actuarial cost method and assumptions, the SDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

### **Sensitivity of the University's Proportionate Share of the NPL to Changes in the Discount Rate.**

The following presents the proportionate share of the NPL calculated using the discount rate of 7.50 percent, as well as what the proportionate share of the NPL would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
<b>Proportionate share of the NPL</b>	374,302	296,275	231,008

### **Pension plan fiduciary net position.**

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

### **CSM Foundation Retirement Plan**

The Foundation participates in a defined contribution pension plan covering substantially all of its employees. Contributions and costs are based on the number of years of service and a percentage of regular salary. Pension expense was \$180,000 and \$150,000 for 2016 and 2015, respectively.

## **Note 13: Other Postemployment Benefits and Life Insurance**

### **Health Care Plan**

#### **Plan Description**

The University contributes to the Health Care Trust Fund ("HCTF"), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF and sets forth a framework that grants authority to the PERA Board to contract, self-insure and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

# Colorado School of Mines

## Notes to Financial Statements

June 30, 2016 and 2015

### Funding Policy

The University is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the University are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending June 30, 2016, June 30, 2015, and June 30, 2014, the University contributions to the HCTF were \$818,000, \$778,000 and \$732,000, respectively, equal to their required contributions for each year.

### Colorado Higher Education Insurance Benefits Alliance Trust (CHEIBA)

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.

CHEIBA financial statements are prepared under accounting principles generally accepted in the United States using the accrual basis of accounting following governmental accounting standards for a business-type activity. The financial statements can be obtained by contacting the CHEIBA Trust. 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.

There are no long-term contracts for contributions to the plan. Participating Universities can withdraw their participation in the plan with at least one year's notice to the CHEIBA board.

## Note 14: Discretely Presented Component Unit

### Colorado School of Mines Foundation

Distributions made by the Foundation to the University during the years ended June 30, 2016 and 2015 were approximately \$21,271,000 and \$32,927,000, respectively. These amounts have been recorded as contributions from the Foundation and as capital grants and gifts in the accompanying financial statements. As of June 30, 2016 and 2015, the University has recorded an accounts receivable from the Foundation of \$2,858,000 and \$1,897,000, respectively. As of June 30, 2016 and 2015, the University has recorded a liability to the Foundation of \$1,684,000 and \$1,746,000, respectively.

The University is the ultimate beneficiary of substantially all restricted and trust funds held by the Foundation and is the income beneficiary of the majority of endowment funds held by the Foundation. The Foundation also manages a portion of University's endowments. The University has endowments and other assets held by the Foundation approximating \$30,808,000 and \$33,430,000 as of June 30, 2016 and 2015, respectively.

## Note 15: Commitments and Contingencies

### Commitments

Contracts have been entered into for the purpose of planning, acquiring, constructing and equipping certain building additions and other projects, with outstanding amounts totaling approximately \$50,258,000 as of June 30, 2016. These commitments will be funded or financed by donor contributions, state appropriations, existing revenue bonds, and other campus resources.

# Colorado School of Mines

## Notes to Financial Statements

June 30, 2016 and 2015

In November 1992, the University and numerous other potentially responsible parties (PRP's) were notified by the United States Environmental Protection Agency (EPA) of potential liability pursuant to the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (CERCLA). Such potential liability resulted from costs associated with the investigation and cleanup of hazardous substances at a site owned by the University and leased to the Colorado School of Mines Research Institute (CSMRI, now known as Table Mountain Research Center or TMRC, following a name change in December 2012), which performed mining research for a variety of private and governmental entities. Negotiations with the EPA, the enforcement agency related to past costs, have been resolved. The Colorado Department of Public Health and Environment (CDPHE) remained involved in the investigation and cleanup activities at the site for several years. CDPHE had issued to TMRC Radioactive Materials License No. 617-01 (TMRC License). CDPHE also issued to the Colorado School of Mines Radioactive Materials License No. 1206-01 (University License) for part of the site. The University license generally covered the possession and storage of groundwater containing uranium, and any unknown sources of radioactive material contributing to uranium in groundwater within the portion of the site known as the lower terrace. The University granted an environmental covenant to CDPHE (restricting use of groundwater on the upper terrace area of the site) on September 21, 2012. Subsequently, CDPHE terminated the TMRC license (on December 19, 2012). After the University completed extensive site characterization, remediation and groundwater monitoring, it submitted a final Groundwater Report to CDPHE demonstrating that the remaining hazardous substances had been successfully removed from the site. On February 3, 2014, CDPHE terminated the University license, determining that no further groundwater monitoring is required. CDPHE also accepted a modification to the existing environmental covenant that allowed the University to remove all monitoring wells from the site. On June 30, 2015, CDPHE declared the cleanup goals have been achieved.

In Fiscal Year 2014, the University settled with several PRP's regarding the cost of the remediation work for \$11,058,000. The University has negotiated another settlement with other PRPs that will recover an additional \$856,000 of its remaining cleanup costs. This settlement is awaiting judicial approval in United States District Court for the District of Colorado.

The University has obtained a policy of environmental impairment liability insurance for an area that includes the site through Zurich Insurance. It provided notice to Zurich regarding CDPHE's termination of all Radioactive Materials Licenses covering the site, as well as CDPHE's declaration that the cleanup goals had been achieved. Based on this "no further action" determination, Zurich has amended the policy's "known pollution event schedule" and eliminated the pollution exclusion described in that schedule.

In the normal course of its operations, the University is involved in various litigation matters. Management believes that any future liability that it may incur as a result of these matters, including the EPA matter discussed above, will not have a material effect on the University's financial statements.

### Government Grants

The University is currently participating in numerous grants from various departments and agencies of the Federal and State governments. The expenditures of grant proceeds must be for allowable and eligible purposes. Single audits and audits by the granting department or agency may result in requests for reimbursement of unused grant proceeds or disallowed expenditures. Upon notification of final approval by the granting department or agency, the grants are considered closed. Management believes that any future liability that it may incur as a result of audits by the granting department or agency will not have a material effect on the University's financial statements.

# Colorado School of Mines

## Notes to Financial Statements

June 30, 2016 and 2015

### Note 16: Risk Management

The University is subject to risks of loss from liability for accident, property damage and personal injury. These risks are managed by the State Division of Risk Management, an agency formed by statute and funded by the Long Appropriations Bill. Therefore, the University is not required to purchase third party insurance for such risk of loss. Commercial insurance coverage is purchased for employee health benefits. There has been no reduction in coverage nor have any settlements exceeded coverage in any of the three preceding years. The University does not retain risk of loss except for damage incurred to property belonging to the State, limited to a \$5,000 deductible per incident.

The State Division of Risk Management is deemed to be a public entity risk pool; therefore, under the Governmental Immunity Act, the University is protected from suit by the Doctrine of Sovereign Immunity except under certain circumstances in which immunity is waived.

### Note 17: Legislative Appropriations

The Colorado State Legislature establishes spending authority to the University in its annual Long Appropriations Bill.

For the years ended June 30, 2016 and 2015, appropriated expenses were within the authorized spending authority. For the years ended June 30, 2016 and 2015, the University had a total appropriation of \$22,659,000 and \$20,503,000, respectively. For years ended June 30, 2016 and 2015, the University's appropriated funds consisted of \$6,157,000 and \$6,194,000, respectively, received from students that qualified for stipends from the College Opportunity Fund, \$14,390,000 and \$12,475,000, respectively, as fee-for-service contract revenue and \$2,112,000 and \$1,834,000, respectively, for the operations of the Colorado Geological Survey. All other revenues and expenses reported by the University represent non-appropriated funds. Non-appropriated funds include tuition and fees, grants and contracts, gifts, indirect cost recoveries, auxiliary revenues and other revenue sources.



**Colorado School of Mines**  
**Required Supplementary Information**  
June 30, 2016 and 2015

**Required Supplementary Information**

**Colorado School of Mines**  
**Required Supplementary Information**

June 30, 2016 and 2015

**Schedule of Proportionate Share of NPL** (*\$ in thousands*)

<b>Calendar Year</b>	<b>Proportionate (percentage) of the Collective NPL</b>	<b>Proportionate Share of the Collective Pension Liability</b>	<b>Covered Employee Payroll</b>	<b>Proportionate Share of the NPL as a Percentage of Covered Employee Payroll</b>	<b>Plan Fiduciary Net Pension as a Percentage of the Total Pension Liability</b>
2015	2.8133496393%	\$ 296,275	78,246	378.65%	56.11%
2014	2.7478159772%	\$ 258,474	73,987	349.35	59.84
2013	2.7014417840%	\$ 260,644	69,550	346.00	61.08

**Schedule of Contributions and Related Ratios** (*\$ in thousands*)

<b>As of June 30</b>	<b>Statutorily Required Contributions</b>	<b>Contributions Related to the Statutorily Required Contribution</b>	<b>Contribution deficiency (excess)</b>	<b>Covered Employee Payroll</b>	<b>Contribution as a Percentage of Covered Employee Payroll</b>
2016	\$ 14,249	14,249	-	78,160	18.23%
2015	12,885	12,885	-	76,271	16.89
2014	11,382	11,382	-	71,143	16.00
2013	10,731	10,731	-	67,566	15.88
2012	7,731	7,731	-	62,962	12.28
2011	7,136	7,136	-	61,456	11.61
2010	7,892	7,892	-	60,759	12.99
2009	7,273	7,273	-	54,393	13.37
2008	6,112	6,112	-	54,431	11.23
2007	5,404	5,404	-	49,578	10.90



## CliftonLarsonAllen

### **Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Members of the Legislative Audit Committee:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of Colorado School of Mines (the University), an institution of higher education of the State of Colorado, as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated November 22, 2016. Our report includes a reference to other auditors who audited the financial statements of the Colorado School of Mines Foundation, Inc., as described in our report on the University's financial statements. The financial statements of the Colorado School of Mines Foundation, Inc. were not audited in accordance with *Government Auditing Standards*. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

#### **Internal Control over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

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

## **CliftonLarsonAllen LLP**

Broomfield, Colorado  
November 22, 2016



November 22, 2016

Members of the Legislative Audit Committee  
Colorado School of Mines  
Denver, Colorado

Ladies and Gentlemen:

We have audited the financial statements of the business-type activities and the discretely presented component unit of the Colorado School of Mines (the University), an institution of higher education of the State of Colorado, as of and for the year ended June 30, 2016, and have issued our report thereon dated of November 22, 2016. Our report includes a reference to other auditors. Other auditors audited the financial statements of the Colorado School of Mines Foundation, Inc. (the Foundation) a discretely presented component unit and the Foundation's financial statements were not audited in accordance with *Government Auditing Standards*. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards* as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

## **Significant audit findings**

### ***Qualitative aspects of accounting practices***

#### *Accounting policies*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the University are described in Note 1 to the financial statements.

As described in Note 11, the University implemented Governmental Accounting Standards Board (GASB) Statement No. 72, Fair Value Measurement and Application, which is effective for financial statement periods beginning after June 15, 2015. See Note 2 regarding the University's fair value disclosure of investments that were impacted with the implementation of this Statement.

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

#### *Accounting estimates*

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

- Accounts and loans receivable are recorded net of estimated uncollectible amounts, approximating anticipated losses. Individual accounts are written off against the allowance when collection of the account appears doubtful.
- Capital assets are depreciated using the straight-line method and monthly convention over the estimated useful lives of the assets. Estimated useful lives range from 3 to 40 years.

- Fair value of short and long-term investments – Fair value of U.S. government securities, mutual funds, stocks, and bonds is the market value based on quoted market prices. For alternative investments, which include hedge funds and private equity investments, fair values are based on the net asset value reported by each fund because it serves as a practical expedient to estimate the fair value of the University's interest.
- Management's estimate of the interest rate swap liability is based on a third party model that uses a discounted forecasted cash flows method.
- Compensated absences and related personnel expenses are recognized based on estimated balances due to employees upon termination or retirement. The limitations on such payments are defined by the rules associated with the personnel systems at the University. Employees accrue and vest in vacation and sick leave earnings based on their hire date and length of service.
- Management's estimate of the net pension liability related to its pension plan is based on actuarial assumptions and other inputs as described in Note 12 to the financial statements. We evaluated the key factors and assumptions used to develop the net pension liability in determining that it is reasonable in relation to the financial statements taken as a whole.

We reviewed and tested management's procedures and underlying supporting documentation in the areas discussed above and evaluated the key factors and assumptions used to develop the estimates noted above in determining that they are reasonable in relation to the financial statements taken as a whole.

#### Financial statement disclosures

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

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

#### **Difficulties encountered in performing the audit**

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

#### **Uncorrected misstatements**

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management did not identify and we did not notify them of any uncorrected financial statement misstatements.

#### **Audit Adjustment**

The attached schedule summarizes an audit adjustment (immaterial) detected as a result of audit procedures that was corrected by management.

#### **Disagreements with management**

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

#### **Management representations**

We have requested certain representations from management that are included in the management representation letter dated November 22, 2016.

***Management consultations with other independent accountants***

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

***Significant issues discussed with management prior to engagement***

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

***Audits of group financial statements***

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

***Quality of component auditor’s work***

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

***Limitations on the group audit***

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

***Other information in documents containing audited financial statements***

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management’s responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

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

\* \* \*

This communication is intended solely for the information and use of the State of Colorado Legislative Audit Committee, the Office of the State Auditor, the Board of Trustees and management of the University and is not intended to be, and should not be, used by anyone other than these specified parties.



**CliftonLarsonAllen LLP**

Broomfield, Colorado  
November 22, 2016

**Colorado School of Mines**  
**Summary of Audit Adjustment**  
June 30, 2016

<u>Account</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>
<b>Adjusting Journal Entry</b>			
To adjust accrued interest to proper amounts.			
Accrued Interest Payable		\$ 474,770	\$ -
	Interest on Debt	-	474,770
<b>Total</b>		<b><u>\$ 474,770</u></b>	<b><u>\$ 474,770</u></b>



**Colorado School of mines**  
**State-Funded Student Financial Assistance Programs**  
**Introduction**  
**Year Ended June 30, 2016**

The Colorado School of Mines (the University) is a state-supported institution of higher education located in Golden, Colorado.

The financial and compliance examination of the various state-funded student financial assistance programs at the University for the year ended June 30, 2016 was directed toward the objectives and criteria set forth in the 2015-2016 Audit Guide for State and Private Non-Profit Institutions of Higher Education, Colorado Funded Student Aid issued by the Department of Higher Education (CDHE) and in accordance with the policies and procedures for State-Funded Student Financial Assistance Programs established by the Board of Trustees of the University. The State-Funded Student Financial Assistance Programs were examined simultaneously with the federal financial aid programs for the year ended June 30, 2016.

**State-Funded Student Financial Assistance Programs**

The University's various state-funded student financial assistance programs include the following:

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

The total state-funded student financial assistance programs expenditures made by the University were approximately \$2.3 million during the year ended June 30, 2016.

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

Authorizations and expenditures for state-funded student financial programs assistance are detailed by program in the accompanying statement of appropriations, expenditures, transfers, and reversions for the year ended June 30, 2016. The University also obtained authorizations for federal student financial aid funds as follows:

Pell Grants	\$ 2,920,574
Direct Loan	29,265,171
Supplemental Educational Opportunity Grant	104,930
College Work-Study	283,522
Perkins Student Loan Program	3,950,707



## CliftonLarsonAllen

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

Members of the Legislative Audit Committee:

#### ***Report on the Statement***

We have audited the accompanying statement of appropriations, expenditures, transfers, and reversions of the state-funded student financial assistance programs (the Statement) of Colorado School of Mines (the University), an institution of higher education of the State of Colorado, for the year ended June 30, 2016, and the related notes to the Statement.

#### ***Management's Responsibility for the Statement***

Management is responsible for the preparation and fair presentation of the Statement. The Statement was prepared in accordance with the format as set forth in the *2015-2016 Audit Guide for State and Private Non-Profit Institutions of Higher Education, Colorado-Funded Student Aid* issued by the Department of Higher Education (CDHE) and in accordance with the policies and procedures for State-Funded Student Financial Assistance Programs established by the governing board of the University; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Statement that is free from material misstatement, whether due to fraud or error.

#### ***Auditors' Responsibility***

Our responsibility is to express an opinion on the statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule is free from material misstatement.

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

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

## **Opinion**

In our opinion, the Statement referred to above presents fairly, in all material respects, the respective appropriations, expenditures, transfers, and reversions of the State-Funded Student Financial Assistance programs of the University for the year ended June 30, 2016, in accordance with the format as set forth in the *2015-2016 Audit Guide for State and Private Non-Profit Institutions of Higher Education, Colorado- Funded Student Aid* issued by the CDHE, and in accordance with the policies and procedures for State-Funded Student Financial Assistance Programs established by the Board of Trustees of the University described in Note 1 to the Statement.

## **Basis of Accounting**

As described in Note 2 to the Statement, the Statement prepared by the University was prepared in accordance with the *2015-2016 Audit Guide for State and Private Non-Profit Institutions of Higher Education, Colorado-Funded Student Aid* issued by the Department of Higher Education, and in conformity with the policies and procedures for State-Funded Student Financial Assistance Programs established by the Board of Trustees of the University. As described in Note 2 to the Statement, the Statement is a summary of cash activity of the state-funded student financial assistance programs with the exception of the Colorado Work-Study programs, and does not present certain transactions that would be included in the statement of state-funded student assistance programs if it was presented on the accrual basis of accounting, as prescribed by generally accepted accounting principles. In addition, the accompanying Statement is not intended to, and does not present the financial position, changes in financial position, or cash flows of the University in conformity with accounting principles generally accepted in the United States of America.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2016 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

## **Restriction on Use**

This report is intended solely for the information and use of the Legislative Audit Committee, the Board of Trustees, and management of the University and the Department of Education and Colorado Commission on Higher Education and is not intended to be, and should not be used by anyone other than these specified parties.



## **CliftonLarsonAllen LLP**

Broomfield, Colorado  
November 22, 2016

**COLORADO SCHOOL OF MINES  
STATE-FUNDED STUDENT FINANCIAL ASSISTANCE PROGRAMS  
STATEMENT OF APPROPRIATIONS, EXPENDITURES, TRANSFERS, AND REVERSIONS  
Year Ended June 30, 2016**

	<u>Colorado Need-Based Grant Program</u>	<u>Colorado Graduate Grant Program</u>	<u>Colorado Work-Study Program</u>	<u>Colorado Merit Aid Program</u>	<u>Total State- Funded Student Assistance</u>
<b>Appropriations</b>					
Original official allocation notice	\$ 1,166,905	\$ 515,784	\$ 482,971	\$ 84,197	\$ 2,249,857
Additional funds reallocated by CDHE	<u>37,128</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,128</u>
Total appropriations	1,204,033	515,784	482,971	84,197	2,286,985
<b>Expenditures</b>	<u>1,204,033</u>	<u>515,784</u>	<u>482,971</u>	<u>84,197</u>	<u>2,286,985</u>
<b>Reversions to State General Fund</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to statement of appropriations, expenditures, transfers, and reversions.

**COLORADO SCHOOL OF MINES  
STATE-FUNDED STUDENT FINANCIAL ASSISTANCE PROGRAMS  
NOTES TO STATEMENT OF APPROPRIATIONS, EXPENDITURES,  
TRANSFERS, AND REVERSIONS  
Year Ended June 30, 2016**

**(1) Basis of Presentation**

The University's accounting system is structured and administered in accordance with the accounting principles promulgated by the Governmental Accounting Standards Board.

The accompanying statement of appropriations, expenditures, transfers, and reversions of state-funded student financial assistance programs (the Statement) has been prepared in accordance with the format as set forth in the *2015-2016 Audit Guide for State and Private Non-Profit Institutions of Higher Education, Colorado- Funded Student Aid* issued by the Department of Higher Education (CDHE) and in accordance with the policies and procedures for State-Funded Student Financial Assistance Programs established by the Board of Trustees of Colorado School of Mines. The purpose of the Statement is to present, in summary form, the state-funded student financial assistance activities of the University for the year ended June 30, 2016.

Because the Statement presents only a selected portion of the activities of the University, it is not intended to and does not present either the financial position or changes in financial position of the University in conformity with U.S. generally accepted accounting principles.

**(2) Basis of Accounting**

All state-funded student financial assistance is expensed on a cash basis, except for the Colorado Work-Study program. Colorado Work-Study wages are recorded on the accrual basis recognizing expenses when the services are performed.

The University's various state-funded student financial assistance programs include the following: the Colorado Need-Based Grant, the Colorado Graduate Grant, Colorado Work-Study and Colorado Merit Aid.



## CliftonLarsonAllen

### **INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE STATEMENT OF APPROPRIATIONS, EXPENDITURES AND REVERSIONS OF THE STATE OF COLORADO STATE FUNDED STUDENT ASSISTANCE PROGRAMS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Members of the Legislative Audit Committee:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the statement of appropriations, expenditures, transfers, and reversions of the State-Funded Student Assistance Programs (the Statement) of Colorado School of Mines (the University), an institution of higher education of the State of Colorado, for the year ended June 30, 2016, and the related notes to the Statement, and have issued our report thereon dated November 22, 2016.

#### **Internal Control over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

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

**CliftonLarsonAllen LLP**

Broomfield, Colorado  
November 22, 2016