Colorado School of Mines

Financial Statements and Independent Auditor's Report
Financial Audit
Years Ended June 30, 2014 and 2013

Colorado School of Mines

Years Ended June 30, 2014 and 2013

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Independent Auditor's Report

Members of the Legislative Audit Committee:

Report on the Financial Statements

We have audited the accompanying basic financial statements of the business-type activities and the discretely presented component unit of the Colorado School of Mines (a higher education institution of the State of Colorado) (the School) as of and for the years ended June 30, 2014 and 2013, and the related notes to the basic financial statements, which collectively comprise the School's basic financial statements 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 maintenances of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of the Colorado School of Mines Foundation, Incorporated (the Foundation), the discretely presented component unit of the School. Those statements were audited by other auditors, 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 the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

Members of the Legislative Audit Committee:

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

Opinions

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

Emphasis of Matters

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

Other Matters

Required Supplementary Information

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

BKD, LLP

Denver, Colorado
December 1, 2014

Colorado School of Mines
Management's Discussion and Analysis
(Unaudited)
Year Ended June 30, 2014

This financial discussion and analysis of the Colorado School of Mines (the School) is intended to make the School's financial statements easier to understand and communicate the School's financial situation in an open and accountable manner. It provides an objective analysis of the School'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, 2014 and 2013 (Fiscal Years 2014 and 2013, respectively) with comparative information for Fiscal Year 2012. School 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 School's financial activities. Since the presentation includes highly summarized data, it should be read in conjunction with the financial statements, which have the following five parts:

- **Independent Auditor's Report** presents an unmodified opinion 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, liabilities, and net position of the School at a point in time (June 30, 2014 and 2013). Their purpose is to present a financial snapshot of the School. They aid readers in determining the assets available to continue the School's operations; how much the School owes to employees, vendors and creditors; and a picture of net positions and their availability for expenditure by the School.

- **Statements of Revenues, Expenses, and Changes in Net Position** present the total revenues earned and expenses incurred by the School for operating, nonoperating and other related activities during a period of time (the years ended June 30, 2014 and 2013). Their purpose is to assess the School's operating and nonoperating activities.

- **Statements of Cash Flows** present the cash receipts and disbursements of the School during a period of time (the years ended June 30, 2014 and 2013). Their purpose is to assess the School's ability to generate net cash flows to meet its obligations as they come due.

- **Notes to 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.

We suggest that you combine this financial discussion and analysis with relevant nonfinancial indicators to assess the overall health of the School. 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 School's Public Relations and Marketing Office. It should be noted that the School'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.

Financial Highlights

Selected financial highlights for Fiscal Year 2014 include:

- School assets totaled $522,762,000, deferred outflows of $14,275,000, with liabilities of $266,788,000 and net position of $270,249,000. Of the $270,249,000 in net position, $133,694,000 is net investment in capital assets, $5,794,000 is nonexpendable endowments, $25,995,000 is expendable but restricted for specific purposes, and $104,766,000 is unrestricted and may be used to meet ongoing School obligations.

- The School's total net position increased by $30,696,000. The increase is primarily due to higher operating revenues generated by tuition and fees, auxiliary operations, as well as increased investment income due to improved market conditions, capital grants and contributions, and one-time settlement proceeds.

- Cash and cash equivalents as of June 30, 2014 totaled $168,241,000. Net cash provided by operating activities was $22,956,000, net cash provided by noncapital financing activities was $8,889,000, net cash used for capital and related financing activities was $48,622,000 and net cash provided by investing activities was $1,992,000 for a net decrease in cash and cash equivalents for the fiscal year of $14,785,000.

- The School was engaged in several major construction projects: Elm Street Residence and Dining Hall, the beginning stages of the Clear Creek Athletic Complex and the Starzer Welcome Center.

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

Statements of Net Position

Table 1 - Condensed Statements of Net Position presents a financial snapshot of the School and serves, over time, as a useful indicator of the strength of the School'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 School's deferred outflows, capital assets and related debt is included in the section titled Capital Assets and Debt Management, while this section provides analysis of the School's noncapital assets and liabilities.

Table 1 - Condensed Statements of Net Position as of June 30, 2014, 2013, and 2012 *(all dollars in thousands)*

				Increase (Decrease)			
				2014 vs 2013		2013 vs 2012	
	2014	2013	2012	Amount	Percent	Amount	Percent
Assets							
Cash and Restricted Cash	$ 168,241	183,026	118,003	(14,785)	(8.1%)	65,023	55.1%
Other Noncapital Assets	61,353	45,278	38,059	16,075	35.5%	7,219	19.0%
Net Capital Assets	293,168	273,845	270,244	19,323	7.1%	3,601	1.3%
Total Assets	**$ 522,762**	**502,149**	**426,306**	**20,613**	**4.1%**	**75,843**	**17.8%**
Deferred Outflows	**$ 14,275**	**14,987**	**19,811**	**(712)**	**(4.8%)**	**(4,824)**	**(24.4%)**
Liabilities							
Non-debt Liabilities	$ 46,330	43,832	45,905	2,498	5.7%	(2,073)	(4.5%)
Debt Liabilities	220,458	233,751	182,856	(13,293)	(5.7%)	50,895	27.8%
Total Liabilities	**$ 266,788**	**277,583**	**228,761**	**(10,795)**	**(3.9%)**	**48,822**	**21.3%**
Net Position							
Net Investment in Capital Assets	$ 133,694	124,877	122,016	8,817	7.1%	2,861	2.3%
Restricted:							
Nonexpendable Purposes	5,794	5,431	2,993	363	6.7%	2,438	81.5%
Expendable Purposes	25,995	20,165	18,343	5,830	28.9%	1,822	9.9%
Unrestricted	104,766	89,080	74,004	15,686	17.6%	15,076	20.4%
Total Net Position	**$ 270,249**	**239,553**	**217,356**	**30,696**	**12.8%**	**22,197**	**10.2%**

Assets

In analyzing the School's noncapital assets, cash and restricted cash comprises approximately 73.3 percent and 80.2 percent of the School's total noncapital assets as of June 30, 2014 and 2013, respectively. Restricted cash of $69,452,000 and $87,528,000, as of June 30, 2014 and 2013, 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 current fiscal year as a result of continued spending on various capital projects. Total cash and restricted cash increased in the prior year as a result of issuing $60,345,000 in new long-term debt for new capital projects. The Statements of Cash Flows provide additional information on where cash is received and how it is used by the School. The increase in other noncapital assets from Fiscal Year 2013 to Fiscal Year 2014 is primarily due to investing $13,760,000 of additional funds with the Foundation in order to maximize the return on certain of the School's resources that are not immediately needed, combined with $4,351,000 of realized and unrealized investment income due to improved market conditions. The increase in other noncapital assets from Fiscal Year 2012 to Fiscal Year 2013 is primarily due to additions to the School's permanent endowments of $3,542,000 and a net increase in realized and unrealized gains of $1,647,000 on the School's investments due to improved market conditions.

Non-Debt Liabilities

The School's non-debt related liabilities totaling $46,330,000 and $43,832,000 as of June 30, 2014 and 2013, respectively, comprise 17.4 percent and 15.8 percent, respectively, of the total liabilities. The largest three categories of non-debt related liabilities are payables to vendors, accrued salaries and benefits, and unearned revenue on sponsored projects. Accrued salaries represent amounts owed to School employees, primarily for June payroll and compensated absences, but not paid as of fiscal year-end. Unearned sponsored project revenue represents amounts paid by grantors and contractors for which the School 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 Notes 6, 7, and 8 for additional information.

The increase in non-debt related liabilities from 2013 to 2014 is primarily due to an increase in amounts due to vendors of $2,143,000 related to the construction activity occurring on campus. The decrease in non-debt related liabilities from 2012 to 2013 is primarily due to a decrease of $3,655,000 in accounts payable to vendors. During the year, several large construction projects were completed and therefore less was owed to vendors at year-end compared to the prior year.

Net Position

A portion of the School'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 School's net position is shown in four categories.

- The largest category of net position relates to the School's net investment in capital assets. This consists of the School's capital assets less accumulated depreciation and related debt issued to fund the purchase or construction of those assets. This category comprises 49.5 percent and 52.1 percent of net position for Fiscal Years 2014 and 2013, respectively. This amount represents the School's investments in campus facilities and equipment that is necessary to carry out the teaching, research, and student centered mission of the School. The increases in each of the past three years reflect the School's commitment to improving the student's on campus experience through new and renovated student and academic facilities and various infrastructure improvements. Additional discussion on the School'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). The majority of the endowment assets benefiting the School are held and managed by the Foundation, which is a discretely presented component unit (Note 1). The Foundation's net position is not included in Table 1.

- Net position restricted expendable represents funds received for specific purposes, but for which the School is allowed to fully expend those funds in accordance with the purposes identified by the entity providing the funds. This includes spendable distributions and accumulated undistributed earnings from the School'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.

Statements of Revenues, Expenses, and Changes in Net Position

Table 2 - Condensed Statements of Revenues, Expenses, and Changes in Net Position presents the financial activity of the School 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 enterprises, are earned primarily by providing services to the students and various constituencies of the School. Operating expenses are incurred to provide services, primarily instruction and research or acquire goods necessary to carry out the mission of the School for which the School earns operating revenues. Nonoperating revenues are received when goods or services are not 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 losses on disposals of assets.

Table 2 - Condensed Statements of Revenues, Expenses, and Changes in Net Position for Years Ended June 30, 2014, 2013, and 2012
(all dollars in thousands)

				Increase (Decrease)			
				2014 vs 2013		2013 vs 2012	
	2014	**2013**	**2012**	**Amount**	**Percent**	**Amount**	**Percent**
Operating Revenues	$ 199,739	190,660	178,860	9,079	4.8%	11,800	6.6%
Operating Expenses	206,201	192,733	178,031	13,468	7.0%	14,702	8.3%
Operating Income (Loss)	(6,462)	(2,073)	829	(4,389)	(211.7%)	(2,902)	(350.1%)
Net Nonoperating Revenues	18,443	13,780	10,670	4,663	33.8%	3,110	29.1%
Income before Other Revenues	11,981	11,707	11,499	274	2.3%	208	1.8%
Other Revenues	18,715	10,490	10,585	8,225	78.4%	(95)	(.9%)
Increase in Net Position	30,696	22,197	22,084	8,499	38.3%	113	0.5%
Net Position, Beginning of Year	239,553	217,356	196,580	22,197	10.2%	20,776	10.6%
Adjustment for Change in Accounting Principle	-	-	(1,308)	-	-	1,308	(100.0%)
Net Position, End of Year	**$ 270,249**	**239,553**	**217,356**	**30,696**	12.8%	**22,197**	10.2%

Table 3 - Operating and Nonoperating Revenues for the Years Ended June 30, 2014, 2013, and 2012 provides gross operating and nonoperating (noncapital) revenues by major sources. As Table 3 shows, the School's total operating revenues increased 4.8 percent and 6.6 percent for Fiscal Years 2014 and 2013, respectively. The School has experienced increases in most sources of operating revenues for the past three years. The increase in student tuition and fees reflects a combination of increases in tuition rates and enrollment as shown in Tables 12 and 13 below. Fee-for-service revenue results from services provided to the State of Colorado Department of Higher Education for undergraduate and graduate education. This amount will vary each year depending on the level of services purchased by the state. The level of services purchased is heavily dependent on budgetary constraints experienced by the state.

Revenue from the School's research activities increased by 1.5 percent and 1.3 percent over the last two years, respectively, and reflects the School's commitment to increase its focus and national role as a research institution. Revenue from the federal government represents approximately 58.4 percent and 55.6 percent of total grants and contracts revenue for Fiscal Years 2014 and 2013, respectively. These sources also benefit the School in that the grants generally allow for reimbursement of a portion of any related administrative and facility overhead costs. In Fiscal Years 2014 and 2013, the School received approximately $11,506,000 and $11,309,000, respectively, of such administrative and facility overhead costs reimbursements. The School pledges this reimbursement along with other auxiliary revenues to satisfy its bond obligations, which are commonly referred to as pledged revenues. The School garnered research awards of $53,700,000 in Fiscal Year 2014 and $61,800,000 in Fiscal Year 2013. The decrease in awards for the current year is a result of the federal government shut down causing a delay in awards being issued. The School expects the decrease in federal awards in 2014 to be made up in 2015 and the School anticipates continuing to see increases in funding from both federal and private industries sources.

The School 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 Year 2014 related to fee-for-service contracts increased by $698,000 while funding in Fiscal Year 2013 decreased by $250,000. The level of funding received from the state for fee-for service contracts is dependent on the state's budgetary process.

The anticipated funding related to student stipends is incorporated into the School's student tuition and fees rates. In Fiscal Years 2014, 2013, and 2012, the School applied $5,177,000, $5,146,000, and $5,066,000, respectively, of stipends against student bills. The per credit hour stipend allotted per student approved by the State Legislature for Fiscal Year 2014 was $64 and it was $62 for Fiscal Years 2013 and 2012. The number of stipend eligible hours students applied for during Fiscal Years 2014, 2013, and 2012 were 80,956.50, 83,003.75, and 81,676.50, respectively.

Gifts for noncapital purposes, received primarily from the Foundation, have increased in each of the past three years. This reflects a continued strong fundraising effort by the Foundation and a need to draw on those funds to replace ongoing decreases in funding from the state.

Federal nonoperating revenues consist of interest subsidies received for taxable Build America Bonds (BAB) issued by the School in addition to financial aid received under the Pell program. The School received $1,177,000, $1,223,000, and $1,297,000 in federal interest subsidies in Fiscal Years 2014, 2013, and 2012, respectively. The decrease in revenue experienced during the past two years is a direct result of the federal sequestration and legislation passed to reduce federal subsidies on BAB's by about 8 percent. Revenues from the Pell program for Fiscal Years 2014, 2013, and 2012 were $3,064,000, $2,961,000, and $2,938,000, respectively.

Table 3 - Operating and Nonoperating Revenues for Years Ended June 30, 2014, 2013, and 2012 *(all dollars in thousands)*

				Increase (Decrease)			
				2014 vs 2013		2013 vs 2012	
	2014	2013	2012	Amount	Percent	Amount	Percent
Operating Revenues							
Student Tuition and Fees	$ 104,589	98,371	88,322	6,218	6.3%	10,049	11.4%
Grants and Contracts	60,601	59,689	58,917	912	1.5%	772	1.3%
Fee-for-Service	11,636	10,938	11,188	698	6.4%	(250)	(2.2%)
Auxiliary Enterprises, Net	19,870	18,331	17,384	1,539	8.4%	947	5.5%
Other Operating	3,043	3,331	3,049	(288)	(8.6%)	282	9.2%
Total Operating Revenues	199,739	190,660	178,860	9,079	4.8%	11,800	6.6%
Nonoperating Revenues							
State Appropriations	2,218	1,497	-	721	48.2%	1,497	100%
Gifts	16,581	15,344	12,534	1,237	8.1%	2,810	22.4%
Investment Income, Net	5,914	1,828	1,204	4,086	223.5%	624	51.8%
Federal Nonoperating	4,240	4,184	4,235	56	1.4%	(51)	(1.2%)
Other Nonoperating, Net	76	147	1,061	(71)	(48.3%)	(914)	(86.2%)
Total Nonoperating Revenues	29,029	23,000	19,034	6,029	26.2%	3,966	20.8%
Total Revenues (Noncapital)	**$ 228,768**	**213,660**	**197,894**	**15,108**	**7.1%**	**15,766**	**8.0%**

The School, over the past two years, experienced positive investment income due primarily to favorable financial markets resulting in changes in the fair market value of the School’s investments held by the Foundation and amounts held by the State Treasury. The School experienced unrealized gains in Fiscal Years 2014 and 2013 of $4,138,000 and $377,000, respectively, compared to losses of $373,000 in Fiscal Year 2012. The realized investment income in Fiscal Years 2014, 2013, and 2012 were $2,205,000, $1,721,000, and $1,820,000, respectively. The investment activity experienced during the past three years reflects an increase in the School’s base cash position from general operations, additional investments with the Foundation, and offset with continued spending of bond proceeds that are held by the State Treasury.

The programmatic uses of School resources are displayed in Table 4 - Operating Expenses by Function. Table 5 – Operating Expenses by Natural Classification summarizes operating expenses into three categories. Operating expenses increased overall by 7.0 percent from Fiscal Year 2013 to 2014 and by 8.3 percent from Fiscal Year 2012 to 2013. The increases in the past two years are attributed to the following:

- Increases in salaries and benefits supporting the teaching and research missions of the School;
- Increases in general operating costs, including software maintenance, noncapitalized equipment, student health insurance costs, subcontractor payments on sponsored research projects, and utilities;
- Increase in financial aid awarded to students in the form of scholarships, tuition assistance and fellowships. The amounts shown for scholarships and fellowships do not reflect the actual resources dedicated to student aid. The majority of the School’s financial aid

resources is being applied to the student's accounts and is netted against tuition and fee revenue as scholarship allowance. The School's scholarship allowance was $23,335,000, $21,082,000, and $19,464,000 in Fiscal Years 2014, 2013, and 2012, respectively;

- Increase in auxiliary enterprise operating expenses associated with student facilities and services as enrollment continues to increase and new facilities are brought into service; and
- Increase in depreciation expense associated with new campus facilities placed into service.

Table 4 - Operating Expenses by Function for Years Ended June 30, 2014, 2013, and 2012 *(all dollars in thousands)*

				Increase (Decrease)			
				2014 vs 2013		2013 vs 2012	
Functional Expense	**2014**	**2013**	**2012**	**Amount**	**Percent**	**Amount**	**Percent**
Education and General							
Instruction	$ 64,595	58,876	53,970	5,719	9.7%	4,906	9.1%
Research	46,691	45,071	42,442	1,620	3.6%	2,629	6.2%
Public Service	165	115	56	50	43.5%	59	105.4%
Academic Support	16,058	14,458	12,479	1,600	11.1%	1,979	15.9%
Student Services	6,044	5,804	5,048	240	4.1%	756	15.0%
Institutional Support	15,555	13,384	10,955	2,171	16.2%	2,429	22,1%
Operation and Maintenance of Plant	16,969	18,531	18,961	(1,562)	(8.4%)	(430)	(2.3%)
Scholarships and Fellowships	1,221	1,021	2,146	200	(19.6%)	(1,125)	(52.4%)
Total Education and General	167,298	157,260	146,057	10,038	6.4%	11,203	7.7%
Auxiliary Enterprises	22,690	20,977	18,489	1,713	8.2%	2,488	13.5%
Depreciation and Amortization	16,213	14,496	13,485	1,717	11.8%	1,011	7.5%
Total Operating Expenses	**$ 206,201**	**192,733**	**178,031**	**13,468**	**7.0%**	**14,702**	**8.3%**

Table 5 – Operating Expenses by Natural Classification for Years Ended June 30, 2014, 2013, and 2012 *(all dollars in thousands)*

				Increase (Decrease)			
Natural Classification	**2014**	**2013**	**2012**	**2014 vs 2013 Amount**	**Percent**	**2013 vs 2012 Amount**	**Percent**
Salaries and Benefits	$ 131,712	125,283	113,624	6,429	5.1%	11,659	10.3%
Operating Expenses	58,276	52,954	50,922	5,322	10.1%	2,032	4.0%
Depreciation	16,213	14,496	13,485	1,717	11.8%	1,011	7.5%
Total Operating Expenses	**$ 206,201**	**192,733**	**178,031**	**13,468**	**7.0%**	**14,702**	**8.3%**

Capital Assets and Debt Management

As indicated in Table 6 - Capital Asset Categories, the School's capital assets consist of land, construction in progress, land improvements, buildings and improvements, software, equipment, library materials, and intangible assets with a gross book value of $471,217,000, $437,319,000, and $420,505,000 at June 30, 2014, 2013, and 2012, respectively. Accumulated depreciation on depreciable assets totaled $178,049,000, $163,474,000, and $150,261,000, respectively. The School 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 buildings and improvements. During the past three years, the School has completed or began construction on the following capital projects:

- Completion of the Weaver Towers renovation, a 224 bed residence hall originally built in 1978. This was an $11,900,000 bond funded project that will be repaid by revenues generated by the School's housing operations.

- Completion of Marquez Hall (the Hall) and Wing. Marquez Hall is a $25,000,000 project financed entirely through private contributions. The Hall houses the School's Petroleum Engineering program. The Wing is an $11,000,000 academic addition that is a bond-funded project financed by student academic facility fees.

- Completion of the new W. Lloyd Wright Student Wellness Center. This is a $3,200,000 bond funded project that replaced the School's aging student health center. The bonds will be repaid from student health fees.

- Completion of $2,800,000 of energy conservation improvements throughout campus funded by taxable qualified energy conservation bonds that will be repaid through energy savings.

- Near completion of the Elm Street Residence and Dining Hall, a 209 bed residence hall and 600 seat student dining facility. This is a $34,000,000 bond funded project that will be repaid by revenues generated by the School's housing and dining operations. The new residence hall was placed in service in September 2014 and the dining hall is anticipated to be in service in January 2015.

During Fiscal Year 2014, the School began planning or construction of the following major projects:

- Welcome Center. This will be the new headquarters of the Foundation, the Alumni Association, the Admissions Office and the Public Relations Office. The $11,268,000 project will be funded from a combination of donations, bonds, and School cash resources. The bonds issued to fund a portion of the project will be repaid from rent received from the Foundation. The School broke ground on this project in September 2014.

- Clear Creek Athletic Complex. This project will construct and equip a contemporary football stadium to complement the existing turf football field at Campbell Field, locker room and training facilities for more than 200 football and track and field athletes, office and event facilities, functional space for club sports and intramurals, and updates and additions to the existing soccer pitch area that include a new soccer building with locker and restroom facilities, conference rooms and a modern press box.

Table 6 - Capital Asset Categories (before depreciation) as of June 30, 2014, 2013, and 2012 *(all dollars in thousands)*

				Increase (Decrease)			
				2014 vs 2013		2013 vs 2012	
	2014	2013	2012	Amount	Percent	Amount	Percent
Land	$ 7,652	7,471	4,274	181	2.4%	3,197	74.8%
Construction in Progress	31,943	6,725	36,962	25,218	375.0%	(30,237)	(81.8%)
Land Improvements	19,918	18,900	18,900	1,018	5.4%	-	0.0%
Buildings and Improvements	336,698	335,100	299,415	1,598	0.5%	35,685	11.9%
Software	1,742	1,656	1,378	86	5.2%	278	20.2%
Equipment	60,668	54,536	46,525	6,132	11.2%	8,011	17.2%
Library Materials	11,996	12,331	12,451	(335)	(2.7%)	(120)	(1.0%)
Intangible	600	600	600	-	0.0%	-	0.0%
Total Capital Assets	**$ 471,217**	**437,319**	**420,505**	**33,898**	**7.8%**	**16,814**	**4.0%**

Numerous other projects are continuing into Fiscal Year 2015 as detailed in Table 7 - Current Capital Construction Projects. Further detail regarding capital asset activity can be found in Note 4.

Table 7 - Current Capital Construction Projects *(in thousands)*

Project Description	Financing Sources	Budget
Elm Street Residence and Dining Hall	Bond proceeds	$ 34,000
Clear Creek Athletic Complex	Gifts, bond proceeds, Campus cash resources	24,623
Welcome Center	Foundation, Campus cash resources	11,268
Student Center Renovation	Bond proceeds	8,200
11th Street Parking Lot	Campus cash resources	900
Steinhauer Track Replacement	Campus cash resources	804
Boiler Plant Replacement, Design	Campus cash resources	675

In addition to operating and nonoperating revenues, the School received capital revenues in the amount shown in Table 8 – Capital Revenues. The variances in capital contributions from the state over the past three years are primarily related to the construction of Brown Hall. In Fiscal Year 2008, the state issued Certificates of Participation (COP), for the benefit of several institutions of higher education. The School received a total of $6,748,000 from the state towards the construction of Brown Hall. The last of that funding was received in Fiscal Year 2013. The School received capital gifts of $3,312,000 and $2,000,000 in Fiscal Years 2014 and 2013, respectively, to be used for the construction of the Clear Creek Athletic Complex. The majority of capital grants and gifts received in Fiscal Year 2012 are attributed to $5,180,000 which was used for the construction of Marquez Hall.

Table 8 – Capital Revenues for the Years Ended June 30, 2014, 2013, and 2012 *(all dollars in thousands)*

				Increase (Decrease)			
Revenue Classification	**2014**	**2013**	**2012**	**2014 vs 2013 Amount**	**Percent**	**2013 vs 2012 Amount**	**Percent**
Capital Appropriations and Contributions from the State	$ -	454	1,529	(454)	(100.0%)	(1,075)	(70.3%)
Capital Grants and Gifts	4,332	2,702	5,660	1,630	60.3%	(2,958)	(52.3%)
Academic Facility Fee	3,153	3,124	3,019	29	1.0%	105	3.5%
Total Capital Revenues	**$ 7,485**	**6,280**	**10,208**	**1,205**	**19.2%**	**(3,928)**	**(38.5%)**

Table 9 – Deferred Outflows/Inflows details the types and amounts of such activity. In accordance with accounting standards, the School is required to separately disclose the change in the fair market value of the interest rate swap in the Statements of Net Position in sections labeled Deferred Outflows or Deferred Inflows, depending on the change in the fair market value. As of June 30, 2014, 2013, and 2012, the outstanding swap had a fair market value of ($8,566,000), ($8,334,000), and ($12,994,000), respectively. The change in fair market value of the interest rate swap as of June 30, 2014 and 2013 resulted in $446,000 and $551,000, respectively, being recorded as a deferred outflow in the Statements of Net Position.

With the implementation of Governmental Accounting Standards Board Statement No 65, *Items Previously Reported as Assets and Liabilities,* in Fiscal Year 2013, the unamortized balance of loss on bond refunding is also reported as a deferred outflow.

Table 9 – Deferred Outflows/Inflows at June 30, 2014, 2013, and 2012 *(all dollars in thousands)*

				Increase (Decrease)			
Type	**2014**	**2013**	**2012**	**2014 vs 2013 Amount**	**Percent**	**2013 vs 2012 Amount**	**Percent**
Loss on Bond Refunding	$ 13,278	14,436	14,806	(1,158)	(8.0%)	(370)	(2.5%)
SWAP Valuation	997	551	5,005	446	81.0%	(4,454)	(89.0%)
Total Deferred Outflows	**$ 14,275**	**14,987**	**19,811**	**(712)**	**(4.8%)**	**(4,824)**	**(24.4%)**

The School's long-term obligations, as shown in Table 10 – 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, 2014, 2013, and 2012, bonds and leases payable of $211,892,000, $225,417,000, and $169,862,000, respectively, were outstanding.

During Fiscal Year 2014, the School placed in escrow $9,299,000 to in-substance defease $8,040,000 of the Refunding and Improvement Series 2009A bonds.

During Fiscal Year 2013, the School had the following long-term debt activity:

- Issued $47,345,000 of revenue bonds to construct and equip the Elm Street Residence and Dining Hall, renovate the Student Center, construct and equip a new Welcome Center, and refund a portion of existing bonds.
- Issued $13,000,000 of subordinate revenue bonds to finance the construction of the Clear Creek Athletic Complex.

The School did not issue any new, or refund any existing debt during Fiscal Year 2012.

Three of the School's outstanding bond issues qualify as BAB under American Recovery and Reinvestment Act of 2009 (ARRA). As qualified BAB, the School 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.

Table 10 – Long-Term Debt Categories at June 30, 2014, 2013, and 2012 *(all dollars in thousands)*

				Increase (Decrease)			
Debt Type	**2014**	**2013**	**2012**	**2014 vs 2013 Amount**	**Percent**	**2013 vs 2012 Amount**	**Percent**
Revenue Bonds	$ 211,892	225,385	168,992	(13,493)	(6.0%)	56,393	33.4%
Capital Leases	-	32	870	(32)	(100.0%)	(838)	(96.3%)
Total Long-Term Debt	**$ 211,892**	**225,417**	**169,862**	**(13,525)**	**(6.0%)**	**55,555**	**32.7%**

Factors Impacting Future Periods

The School's ability to maintain and improve the quality of academic programs, undertake new initiatives, and meet its core mission and ongoing operational needs are impacted by many factors: principally, by student enrollment and the resulting tuition and fees revenue, research volume, the level of state support, and the School's largest expense, compensation costs. As tuition and fees revenue is the School's single largest revenue source, it continues to be vital for the School to have the ability to set tuition at a level which will support the cost of educating a Colorado School of Mines student.

The challenges facing the state's budget will continue to impact the School in Fiscal Year 2015 and likely beyond. While the School's total operating revenue continues to increase each year, actual state funding, in the form of student stipends and fee-for-service revenues, only increased slightly in 2014 and decreased in 2013 and 2012. State funding will increase slightly in Fiscal Year 2015 as shown in Table 11 - State Operating Support.

Table 11 – State Operating Support *(all dollars in thousands)*

Fiscal Year	**State Support ***	**Total Operating Revenues**	**% of Total State Operating Support to Total Operating Revenues**
2015**	$ 18,669	208,100	9.0%
2014	16,813	199,739	8.4%
2013	16,084	190,660	8.4%
2012	16,254	178,860	9.1%

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

** Fiscal Year 2015 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 School's Fiscal Year 2015 projected revenues.

To offset increases in operating costs, the School increased resident undergraduate tuition and non-resident undergraduate tuition in Fiscal Year 2015 by 2.75 percent and 3.875 percent, respectively, and room and board an average of 3.77 percent. Table 12 - 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 12 - Full Time Tuition and Room and Board Charges per Year

Academic Year	Annual Full-time Undergraduate Tuition Rates: Residents*	Non-residents	Annual Room and Board (avg.): Double	Single	Meal Plan
2015	$ 17,040	31,470	5,106	6,350	4,986
2014	16,320	30,330	4,910	6,106	4,818
2013	15,450	28,620	4,720	5,870	4,632
2012	14,445	27,270	4,638	5,486	4,250

* Resident students can utilize the student stipend to cover a portion of the tuition

The increase in tuition rates combined with enrollment changes have a significant impact on the School's ability to provide the quality of education expected by our students. Table 13 - Fall Enrollment Trends presents undergraduate, graduate and combined enrollments for each of the last three years. Table 14 - Fall Semester Undergraduate Admissions Trends highlights the School's ability to attract freshmen students and transfer students. As demonstrated by the two tables below, the School continues to be very successful in attracting new students.

Table 13 - Fall Enrollment Trends

	Undergraduate Students			Graduate Students			Total		
Academic Year	Residents	Non-residents	Total	Residents	Non-residents	Total	Residents	Non-residents	Total
2014	2,896	1,585	4,481	483	351	834	3,379	1,935	5,314
2013	2,938	1,433	4,371	514	353	867	3,452	1,787	5,239
2012	2,873	1,312	4,185	519	354	873	3,392	1,666	5,058

Table 14 - Fall Semester Undergraduate Admissions Trends

Fall of Year	Number of Applicants	Number Accepted	Percent Accepted	Number Committed	Percent Committed
2014	13,195	4,768	36.1%	1,159	24.3%
2013	13,060	4,715	36.1%	1,098	23.3%
2012	12,517	4,616	36.9%	1,066	23.1%

The School continues to plan for state funding to remain flat or decrease in future years. The School, even with the economic volatility during the past several years, is financially well-positioned. Over the past few years, the School has ended the year with an overall increase in net position primarily due to strong enrollment, consistent contributions, and deliberate measures taken to contain costs. The School continues to experience strong enrollment, which resulted in record applications and freshmen enrollment for the previous and current academic year. While research award volume decreased in Fiscal Year 2014 due to the federal government shut down, the award activity in Fiscal Year 2015 has improved and is expected to exceed that of the prior years. The growth in research is having a direct and positive impact on graduate student enrollment, research expenditures, as well as indirect costs recovered from these expenditures. The School’s anticipated federal interest subsidies related to BAB were reduced in Fiscal Year 2013 and it is expected that they will continue at the reduced rate for the foreseeable future.

Additionally, because of the continued strong enrollment, the School must ensure that the School’s human capital, physical infrastructure, and financial aid accommodates student needs, optimizes the academic and social life of the student, fosters growth in research, and supports a world-class institution. The School’s Fiscal Year 2015 budget was developed to devote resources to these areas. In addition, the School’s five-year financial model continues to manage the delicate balance of having to make strategic and critical investments during a time of ongoing economic uncertainty for the School, our students, and our faculty and staff.

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 School’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, 2014 and 2013 (*in thousands)*

	2014		2013	
	School	Component Unit	School	Component Unit
Assets				
Current Assets				
Cash and cash equivalents	$ 98,789	13,869	95,498	10,772
Short term investments	-	158	-	156
Accounts and loans receivable, net	18,677	6,386	17,110	6,634
Inventories	268	-	296	-
Other assets	613	-	127	-
Total Current Assets	**118,347**	**20,413**	**113,031**	**17,562**
Noncurrent Assets				
Restricted cash and cash equivalents	69,452	96	87,528	96
Investments	34,322	305,962	19,217	249,260
Accounts and loans receivable	4,879	32,205	4,824	11,096
Other assets	2,594	711	3,704	787
Capital assets, net	293,168	7	273,845	16
Total Noncurrent Assets	**404,415**	**338,981**	**389,118**	**261,255**
Total Assets	**$ 522,762**	**359,394**	**502,149**	**278,817**
Total Deferred Outflows	**$ 14,275**	**-**	**14,987**	**-**
Liabilities				
Current Liabilities				
Accounts payable and accrued liabilities	$ 22,323	1,460	19,558	2,433
Accrued compensated absences	486	-	460	-
Unearned revenue	14,475	-	14,919	-
Bonds, notes, and leases payable	6,330	-	5,692	-
Other liabilities	1,677	-	1,695	-
Total Current Liabilities	**45,291**	**1,460**	**42,324**	**2,433**
Noncurrent Liabilities				
Accrued compensated absences	5,626	-	5,445	-
Bonds, notes, and leases payable	205,562	-	219,725	-
Interest rate swap agreement	8,566	-	8,334	-
Other liabilities	1,743	45,180	1,755	30,880
Total Noncurrent Liabilities	**221,497**	**45,180**	**235,259**	**30,880**
Total Liabilities	**$ 266,788**	**46,640**	**277,583**	**33,313**
Net Position				
Net investment in capital assets	$ 133,694	7	124,877	16
Restricted for nonexpendable purposes				
Instruction	3,320	-	3,300	-
Scholarships and fellowships	1,774	81,140	1,517	66,894
Other	700	85,286	614	76,685
Total restricted for nonexpendable purposes	5,794	166,426	5,431	143,579
Restricted for expendable purposes				
Scholarships and fellowships	4,286	46,683	3,693	39,281
Loans	4,088	1,743	3,838	1,755
Research	7,899	2,337	7,112	1,342
Capital projects	5,388	11,833	2,347	5,633
Other	4,334	56,655	3,175	29,549
Total restricted for expendable purposes	25,995	119,251	20,165	77,560
Unrestricted	104,766	27,070	89,080	24,349
Total Net Position	**$ 270,249**	**312,754**	**239,553**	**245,504**

Colorado School of Mines

Statements of Revenues, Expenses, and Changes in Net Position

Years Ended June 30, 2014 and 2013 (*in thousands)*

	2014		2013	
	School	Component Unit	School	Component Unit
Operating Revenues				
Tuition and fees, (net of scholarship allowance of $23,088 in 2014 and $20,763 in 2013)	$ 104,589	-	98,371	-
Fee-for-Service	11,636	-	10,938	-
Federal grants and contracts	35,409	-	33,165	-
State grants and contracts	3,145	-	4,506	-
Nongovernmental grants and contracts	22,047	-	22,018	-
Auxiliary enterprises, (net of scholarship allowance of $247 in 2014 and $319 in 2013)	19,870	-	18,331	-
Contributions	-	48,916	-	26,074
Other operating revenues	3,043	2,278	3,331	2,459
Total Operating Revenues	**199,739**	**51,194**	**190,660**	**28,533**
Operating Expenses				
Education and General				
Instruction	64,595	-	58,876	-
Research	46,691	-	45,071	-
Public service	165	-	115	-
Academic support	16,058	-	14,458	-
Student services	6,044	-	5,804	-
Institutional support	15,555	24,508	13,384	21,427
Operation and maintenance of plant	16,969	-	18,531	-
Scholarships and fellowships	1,221	-	1,021	-
Total Education and General	167,298	24,508	157,260	21,427
Auxiliary enterprises	22,690	-	20,977	-
Depreciation and amortization	16,213	9	14,496	11
Total Operating Expenses	**206,201**	**24,517**	**192,733**	**21,438**
Operating Income (Loss)	**(6,462)**	**26,677**	**(2,073)**	**7,095**
Nonoperating Revenues (Expenses)				
State appropriations, noncapital	2,218	-	1,497	-
Contributions from the Foundation	14,765	-	13,909	-
Contributions	1,816	-	1,435	-
Investment income, net	5,914	40,573	1,828	23,356
Interest on debt	(8,669)	-	(8,626)	-
Loss on early extinguishment of debt	(1,744)	-	-	-
Bond issuance costs	(23)	-	(415)	-
Loss on disposal of assets	(150)	-	(179)	-
Federal nonoperating revenue	4,240	-	4,184	-
Other nonoperating revenue	76	-	147	-
Net Nonoperating Revenues	**18,443**	**40,573**	**13,780**	**23,356**
Income Before Other Revenues	**11,981**	**67,250**	**11,707**	**30,451**
Capital appropriations and contributions from state	-	-	454	-
Academic facility fee	3,153	-	3,124	-
Capital grants and gifts	4,332	-	2,702	-
Additions to permanent endowments	172	-	3,145	-
Transfer of Colorado Geological Services	-	-	1,065	-
Settlement proceeds	11,058	-	-	-
Total Other Revenues	**18,715**	-	**10,490**	-
Increase in Net Position	**30,696**	**67,250**	**22,197**	**30,451**
Net Position, Beginning of Year	**239,553**	**245,504**	**217,356**	**215,053**
Net Position, End of Year	**$ 270,249**	**312,754**	**239,553**	**245,504**

Colorado School of Mines

Statements of Cash Flows

Years Ended June 30, 2014 and 2013 (*in thousands)*

	2014	2013
Cash Flows from Operating Activities:		
Tuition and fees	$ 105,111	98,503
Grants and contracts	68,846	70,973
Collection of loans to students	1,095	1,013
Sales of services from auxiliary enterprises	19,767	18,088
Rental income	1,318	1,307
Receipts from the Foundation	2,020	1,906
Other operating receipts	12,691	3,108
Payments to suppliers	(54,165)	(49,306)
Scholarships disbursed	(1,155)	(719)
Payments to employees	(90,420)	(86,411)
Payments for employee benefits	(39,264)	(39,407)
Developmental services fees	(1,800)	(1,800)
Loans issued to students	(1,088)	(926)
Net cash provided by operating activities	**22,956**	**16,329**
Cash Flows from Noncapital Financing Activities:		
State appropriations, noncapital	1,534	706
Receipts from the Foundation	13,792	11,066
Gifts and grants for other than capital purposes	4,650	3,467
Additions to permanent endowments	172	3,145
Principle payments on noncapital debt	(275)	(265)
Interest payments on noncapital debt	(117)	(131)
Funds invested with the Foundation	(14,015)	(5,428)
Federal nonoperating revenue	3,147	3,057
Direct lending receipts	29,147	28,886
Direct lending disbursements	(29,147)	(28,886)
Agency inflows	10,184	9,588
Agency outflows	(10,183)	(9,560)
Net cash provided by noncapital financing activities	**8,889**	**15,645**
Cash Flows from Capital and Related Financing Activities:		
Capital gifts	4,313	2,603
Academic facility fees	3,152	3,124
Bond issuance and other loan costs	(23)	(212)
Acquisition and construction of capital assets	(32,691)	(20,370)
Proceeds from capital debt and refinancing	-	59,628
Principal payments on capital debt and leases	(13,457)	(4,553)
Interest payments on capital debt and leases	(11,121)	(8,827)
Federal subsidy on Build America Bonds	1,093	1,127
Proceeds from insurance recovery	112	79
Net cash provided by (used for) capital and related financing activities	**(48,622)**	**32,599**
Cash Flows from Investing Activities:		
Interest and dividends on investments	1,992	450
Net cash provided by investing activities	**1,992**	**450**
Net increase (decrease) in cash and cash equivalents	(14,785)	65,023
Cash and Cash Equivalents, Beginning of Year	**183,026**	**118,003**
Cash and Cash Equivalents, End of Year	**$ 168,241**	**183,026**

Colorado School of Mines
Statements of Cash Flows
Years Ended June 30, 2014 and 2013 (*in thousands)*

	2014	2013
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:		
Operating loss	$ (6,462)	(2,073)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation and amortization expense	16,213	14,496
Insurance recoveries	(112)	(79)
Other noncash operating expenses	685	790
Receipts of items classified as nonoperating revenues	13,153	3,118
Changes in assets and liabilities		
Accounts and loans receivables	(2,697)	(406)
Inventories	28	(195)
Other assets	624	(866)
Loans to students	(49)	25
Accounts payable and accrued liabilities	1,765	145
Unearned revenue	(444)	548
Accrued compensated absences	206	689
Other liabilities	46	137
Net cash provided by operating activities	**$ 22,956**	**16,329**

	2014	2013
Noncash Investing, Capital and Financing Activities:		
Bond refinance	$ -	7,654
Capital assets acquired by donations, state funded, and payable increases	6,257	5,754
Fair value change in interest rate swap	(447)	4,661
Unrealized gains on investments	4,351	1,647
Administrative fees on investments	(428)	(269)
Accretion of interest on deep discount debt	606	534
Amortization of premiums/discounts	412	304
Bond underwriter costs	-	203
Amortization of deferred losses and swap termination	474	476
Write-off of unamortized deferred loss	485	-
Loss on disposal of assets	150	179

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

Governance

Colorado School of Mines (the School) is a public institution of higher education with a primary emphasis in engineering and science education and research. The School 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 School, are voted in by the respective constituents.

Financial Reporting Entity and Basis of Presentation

The School's financial reporting entity includes the operations of the School and all related entities for which the School is financially accountable or that provide services to the School, referred to as blended component units. Financial accountability may stem from the School'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. As a result of legislation passed during the 2012 session, effective February 1, 2013 the Colorado Geological Services operations were transferred to the School from the Department of Natural Resources. The net effect of the transfer is reported as part of Other Revenues in the Statement of Revenues, Expenses, and Changes in Net Position. The School 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 School. 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. Upon dissolution, subject to certain provisions, any assets remaining shall be transferred to the School. Separate financial statements are not prepared.

- 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 School and to further the transfer of newly created technologies from the School to the private sector. The corporation is operated exclusively for the benefit of the School. Upon dissolution, subject to certain provisions, any assets remaining shall be transferred to the School. Separate financial statements are not prepared.

Discretely Presented Component Unit

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

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 School. 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 School 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 School. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the School, the Foundation is considered a component unit of the School and is discretely presented in the School'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 School to be a state institution. Thus, for financial reporting purposes, the School is included as part of the state's primary government.

Basis of Accounting and Presentation

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

The Foundation reports under Financial Accounting Standards Board (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 School's financial reporting entity for these differences.

Significant Accounting Policies

Cash and Cash Equivalents

The School 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.

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 School.

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 School also administers student loans on behalf of the discretely presented component unit. The student loans administered by the School 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 School:

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.

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

School 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 PERA 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 School has not provided the associated services, and advances on grants and contract awards for which the School has not provided services or has not met all of the applicable eligibility requirements.

Bonds, Notes and Leases

Bonds, notes and leases represent debt by borrowing or financing usually for the acquisition of land, buildings, equipment, or capital construction. The School 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 School's variable interest rate debt obligations (Note 9).

Capital leases consist of a multi-year lease-purchase contract. The contract provides that any commitments beyond the current year are contingent upon funds being appropriated for such purposes by the School. It is reasonably assured that such leases will be renewed in the normal course of business and, therefore, are treated as non-cancelable for financial reporting purposes.

Deferred Outflows

Deferred outflows represent losses on various bond refundings and the mark to market valuation of the School's SWAP agreement. 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 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.

Classification of Revenues

The School 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 BAB.

Scholarship Discounts and Allowances

Student tuition, 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 School 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 School's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the School 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 School and the Foundation is based on a spending rate set by the Foundation board on an annual basis. For the years ended June 30, 2014 and 2013, 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 School 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 School 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 School 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 School's exempt purpose as of June 30, 2014 and 2013.

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 2013 amounts have been reclassified to conform to the 2014 presentation.

Note 2: Cash and Cash Equivalents and Investments

The School'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	2014	2013
School		
Cash on hand	$ 16	15
Cash with U.S. financial institutions	47,554	7,512
Cash with State Treasurer	120,671	175,499
Total Cash and Cash Equivalents-School	**$ 168,241**	**183,026**
Discretely Presented Component Unit		
Cash with U.S. financial institutions	$ 13,965	10,868
Total Cash and Cash Equivalents-DPCU	**$ 13,965**	**10,868**

Deposits

The School 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 most state supported institutions of higher education. Monies deposited in the Treasury are invested until the cash is needed. As of June 30, 2014, the School had cash on deposit with the Treasury of $120,671,000 which represented approximately 1.6 percent of the total $7,445.0 million fair value of deposits in the State Treasury Pool (Pool). As of June 30, 2013, the School had cash on deposit with the Treasury of $175,499,000 which represented approximately 2.4 percent of the total $7.260.8 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 at fiscal year-end. On the basis of the School's participation in the Pool, the School 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.

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, 2014, 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, 2014 and 2013, approximately 87.0 percent and 88.5 percent, respectively, of investments of the Pool are subject to credit quality risk reporting. Except for $15,235,458 and $41,074,270 as of June 30, 2014 and 2013, respectively, of corporate bonds rated lower medium and $25,428,000 of corporate bonds rated very speculative in 2014, 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. As of June 30, 2014, the weighted average maturity of investments in the Pool is 0.043 years for Commercial Paper (1.0 percent of the Pool), 1.424 years for U.S. Government Securities (55.8 percent of the Pool), 3.033 years for Asset Backed Securities (19.9 percent of the Pool), and 2.766 years for Corporate Bonds (23.3 percent of the Pool). As of June 30, 2013, the weighted average maturity of investments in the Treasurer's Pool is 0.037 years for Commercial Paper (1.0 percent of the Pool), 1.321 years for U.S. Government Securities (63.9 percent of the Pool), 3.371 years for Asset Backed Securities (16.0 percent of the Pool), and 3.100 years for Corporate Bonds (19.1 percent of the Pool).

The Pool was not subject to foreign currency risk or concentration of credit risk in Fiscal Years 2014 and 2013.

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

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 the depositor – government's name. Accordingly, none of the School's deposits as of June 30, 2014 and 2013 are deemed to be exposed to custodial credit risk. As of June 30, 2014 and 2013, the DPCU maintained balances in various operating accounts in excess of federally insured limits totaling approximately $13,500,000 and $9,962,000, respectively.

Investments

The School has authority to invest institutional funds in any investment deemed advisable by the governing board per section 15-1-1106, C.R.S. The School 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 School has no investment policy that would further limit its investment choices beyond those allowed by state statute.

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 School's investments is measured by monitoring the modified duration of the overall investments portfolio. Modified duration estimates the sensitivity of the School's investments to changes in the interest rates. The School 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, 2014 and 2013, no single investment of the School exceeded 5 percent of the total investments.

Table 2.2, Investments, presents the School's and DCPU Investments by type.

TABLE 2.2 Investments *(in thousands)*

Investment Type	2014	2013
School		
Cash	$ 930	1,407
Corporate equity securities	16,793	9,108
Hedge funds	7,479	4,192
Private equity	5,603	3,180
Corporate bonds	3,517	1,330
Total Investments-School	**$ 34,322**	**19,217**
Discretely Presented Component Unit		
Cash	$ 7,684	17,344
Corporate equity securities	135,482	91,086
Hedge funds	61,803	54,573
Private equity	46,299	38,277
Corporate bonds	29,062	22,821
Split-interest agreements	9,634	10,686
Gift annuity agreements	4,888	4,790
Beneficial interest investments	11,110	9,683
Total Investments-DPCU	**$ 305,962**	**249,260**

The School's investments are managed by the Foundation, on behalf of the School and are reflected in the Foundation's Long-term Investment Pool (LTIP). The School 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 School. 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.

Table 2.3, Debt Investments, Interest Rate Risk and Credit Quality Risk, presents the School's rating and duration for its debt securities.

TABLE 2.3 Debt Investments, Interest Rate and Credit Quality Risk
(in thousands)

Investment Type	2014	2013
School		
Corporate Bonds		
Fair Value	$ 3,517	1,330
% of Rated Value by Credit Rating	Unrated	Unrated
Duration (yrs)	0.7-5.5	2.21-5.70

TABLE 2.3 Debt Investments, Interest Rate and Credit Quality Risk (continued) *(in thousands)*

Investment Type	2014	2013
Discretely Presented Component Unit		
Corporate Bonds		
Fair Value	$ 29,062	22,821
% of Rated Value by Credit Rating	Unrated	Unrated
Duration	0.7-5.5	2.21-5.70

Note 3: Accounts, Contributions and Loans Receivable

Table 3.1, Accounts Receivable, segregates receivables as of June 30, 2014 and 2013, by type.

TABLE 3.1 Accounts Receivable *(in thousands)*

	2014			
Type of Receivable	**Gross Receivables**	**Allowance**	**Net Receivable**	**Net Current Portion**
School				
Student accounts	$ 3,826	1,112	2,714	2,714
Student loans	5,620	174	5,446	567
Federal government	9,659	-	9,659	9,659
Private sponsors	3,541	343	3,198	3,198
DPCU	1,241	-	1,241	1,241
Other	1,298	-	1,298	1,298
Total Receivable-School	**$ 25,185**	**1,629**	**23,556**	**18,677**
Discretely Presented Component Unit				
Contributions*	$ 40,937	4,089	36,848	6,386
Due from School	1,743	-	1,743	-
Total Receivable-DPCU	**$ 42,680**	**4,089**	**38,591**	**6,386**

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

	2013			
Type of Receivable	**Gross Receivables**	**Allowance**	**Net Receivable**	**Net Current Portion**
School				
Student accounts	$ 4,099	1,058	3,041	3,041
Student loans	5,574	178	5,396	572
Federal government	7,794	-	7,794	7,794
Private sponsors	2,519	438	2,081	2,081
DPCU	2,376	-	2,376	2,376
Other	1,246	-	1,246	1,246
Total Receivable-School	**$ 23,608**	**1,674**	**21,934**	**17,110**
Discretely Presented Component Unit				
Contributions*	$ 16,675	700	15,975	6,634
Due from School	1,755	-	1,755	-
Total Receivable-DPCU	**$ 18,430**	**700**	**17,730**	**6,634**

*The allowance on the contributions receivable is comprised of uncollectible and unamortized discounts of $1,920 and $2,169, respectively, for June 30, 2014, and $316 and $384, respectively, as of June 30, 2013.

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, 2014 and 2013.

TABLE 4.1 Capital Assets *(in thousands)*

Category	**Balance 2013**	**Additions**	**Deletions**	**Transfers**	**Balance 2014**
Nondepreciable capital assets					
Land	$ 7,471	181	-	-	7,652
Construction in progress	6,725	28,308	260	(2,830)	31,943
Total nondepreciable assets	14,196	28,489	260	(2,830)	39,595
Depreciable capital assets					
Land improvements	18,900	-	-	1,018	19,918
Buildings and improvements	335,100	725	466	1,339	336,698
Software	1,656	215	129	-	1,742
Equipment	54,536	6,362	703	473	60,668
Library materials	12,331	156	491	-	11,996
Intangible assets	600	-	-	-	600
Total depreciable capital assets	$ 423,123	7,458	1,789	2,830	431,622

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

Category	Balance 2013	Additions	Deletions	Transfers	Balance 2014
Less accumulated depreciation					
Land improvements	$ 8,556	755	-	-	9,311
Buildings	111,653	9,845	446	-	121,052
Software	1,065	249	73	-	1,241
Equipment	31,072	4,673	628	-	35,117
Library materials	10,995	657	491	-	11,161
Intangible assets	133	34	-	-	167
Total accumulated depreciation	163,474	16,213	1,638	-	178,049
Net depreciable assets	259,649	(8,755)	151	2,830	253,573
Total Net Capital Assets	**$ 273,845**	**19,734**	**411**	**-**	**293,168**

Category	Balance 2012	Additions	Deletions	Transfers	Balance 2013
Nondepreciable capital assets					
Land	$ 4,274	3,197	-	-	7,471
Construction in progress	36,962	11,798	15	(42,020)	6,725
Total nondepreciable assets	41,236	14,995	15	(42,020)	14,196
Depreciable capital assets					
Land improvements	18,900	-	-	-	18,900
Buildings and improvements	299,415	-	3,230	38,915	335,100
Software	1,378	297	19	-	1,656
Equipment	46,525	5,876	970	3,105	54,536
Library materials	12,451	131	251	-	12,331
Intangible assets	600	-	-	-	600
Total depreciable capital assets	$ 379,269	6,304	4,470	42,020	423,123
Less accumulated depreciation					
Land improvements	$ 7,826	730	-	-	8,556
Buildings	102,512	9,501	360	-	111,653
Software	823	244	2	-	1,065
Equipment	27,918	3,841	687	-	31,072
Library materials	11,082	165	252	-	10,995
Intangible assets	100	33	-	-	133
Total accumulated depreciation	150,261	14,514	1,301	-	163,474
Net depreciable assets	229,008	(8,210)	3,169	42,020	259,649
Total Net Capital Assets	**$ 270,244**	**6,785**	**3,184**	**-**	**273,845**

The total interest costs related to capital asset debt incurred by the School during the years ended June 30, 2014 and 2013 was $9,862,000 and $9,375,000, respectively. The School 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, 2014 and 2013 was $1,939,000 and $1,196,000, respectively.

Note 5: Deferred Outflows

Table 5.1, Deferred Outflows details the types and amounts of deferred outflows as of June 30, 2014 and 2013.

TABLE 5.1 Deferred Outflows *(in thousands)*

Deferred Outflows	2014	2013
Loss on bond refundings	$ 13,278	14,436
SWAP valuation	997	551
Total Deferred Outflows	**$ 14,275**	**14,987**

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, 2014 and 2013.

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

Type	2014	2013
Accounts payable - vendors	$ 10,828	8,685
Accrued salaries and benefits	10,712	10,052
Accrued interest payable	783	821
Total Accounts Payable and Accrued Liabilities	**$ 22,323**	**19,558**

The School 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 2014 and 2013, total rent expense under these agreements was $315,000 and $320,000, 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)

Years Ending June 30	Minimum Lease Payment
2015	$ 224
2016	79
2017	9
Total Operating Lease Payments	**$ 312**

The School leases office space to an unrelated single tenant. The lease term is 10 years and expires in July 2018. The annual rent payment of $1,313,000 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, 2014 and 2013.

TABLE 7.1 Unearned Revenue *(in thousands)*

Type	**2014**	**2013**
Tuition and fees	$ 4,620	4,650
Grants and contracts	8,718	9,271
Miscellaneous	1,137	998
Total Unearned Revenue	**$ 14,475**	**14,919**

Note 8: Compensated Absences

Table 8.1, Compensated Absences, presents the changes in compensated absences for the years ended June 30, 2014 and 2013.

TABLE 8.1 Compensated Absences *(in thousands)*

	2014	**2013**
Beginning of the year	$ 5,905	5,216
Additions	768	1,139
Adjustments/reductions	561	450
End of the year	**$ 6,112**	**5,905**
Current Portion	**$ 486**	**460**

Note 9: Bonds, Notes and Leases

As of June 30, 2014 and 2013, the categories of long-term obligations are detailed in Table 9.2, Bonds, Notes and Leases Payable. Table 9.3, Changes in Bonds, Notes, and Leases Payable, presents the changes in bonds, notes, and capital leases payable for the years ended June 30, 2014 and 2013.

Revenue Bonds

A general description of each revenue bond issue, original issuance amount, and the amount outstanding as of June 30, 2014 and 2013 is detailed in Table 9.4, Revenue Bond Detail.

The School's fixed rate revenue bonds are payable semi-annually, have serial maturities contain sinking fund requirements and contain optional redemption provisions. The School's variable rate demand bonds are payable annually, contain sinking fund requirements and contain optional redemption provisions. The optional redemption provisions allow the School to redeem, at various dates, portions of the outstanding revenue bonds at varying prices. All School revenue bonds are special limited obligations of the School. 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 School.

The revenue bonds are secured by a pledge of all net revenues as defined by the bond documents. As of June 30, 2014 and 2013, net auxiliary pledged revenues, total net pledged revenues, and the associated debt service coverage are shown in Table 9.1, Net Pledged Revenues. The School'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 principle and interest of the related pledged debt is detailed in Table 9.5, Revenue Bonds Future Minimum Payments. The School believes it is in compliance with all existing pledged revenue requirements of its outstanding bonds.

TABLE 9.1 Net Pledged Revenues *(in thousands)*

Source of Net Pledged Revenue	**2014**	**2013**
Auxiliary Revenue Bonds		
Net auxiliary facilities	$ 10,064	8,298
Student fees	3,021	2,930
Renewal and replacement fund	622	487
Net auxiliary pledged revenues	13,707	11,715
Prior obligation auxiliary debt service	$ 867	1,008
Prior obligation auxiliary debt service coverage	15.81	11.62
Institutional Enterprise Revenue Bonds		
Student tuition	$ 14,295	13,799
Student facility fees	3,152	3,124
Federal indirect cost recovery	11,507	11,309
Federal interest subsidy	1,177	1,223
Gifts	815	-
Institutional Enterprise Pledged Revenues	30,946	29,455
Total Net Pledged Revenues	43,787	40,162
Total Parity Debt Service	$ 14,772	11,911
Total Parity Debt Service Coverage	2.96	3.37
% of Pledged Revenue to Total Revenue	84%	82%

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 School 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 School 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 School 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 School 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 2014 and 2013, the School received $1,177,000 and $1,223,000, 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 payment by the State Treasurer of principal and interest 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 date on which it is due. For Fiscal Years 2014 and 2013, the School did not invoke the State Intercept Program.

The following table provides a summary of the School's long-term debt obligations as of June 30, 2014 and 2013 (in thousands):

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

Type	Interest Rates	Final Maturity	Balance 2014	Balance 2013
Auxiliary Facilities Enterprise Revenue Bonds	2.5% - 5.4%	2028	$ 11,621	11,860
Institutional Enterprise Revenue Bonds				
Variable Rate Demand Bonds	0.104%*	2038	40,785	41,385
Fixed Rate Bonds	3% - 6.29%	2043	159,486	172,140
Capital Leases Payable	3.25% - 7.5%	2014	-	32
Total Bonds, Notes and Leases Payable			**$ 211,892**	**225,417**

* Variable rate demand bonds are set at an adjustable rate as discussed below. The rates reflected in the table are as of June 30, 2014.

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. As a result of the direct purchase agreement with Wells Fargo, the demand feature is not applicable until October 2015. 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). In addition, the School pays a support fee of 0.65 percent. The interest rate on the Series 2010A as of June 30, 2014 was 0.104 percent.

Table 9.3, Changes in Bonds, Notes, and Leases payable presents the changes in bonds, notes, and leases for the years ended June 30, 2014 and 2013.

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

Type	Balance 2013	Additions	Deductions	Balance 2014	Current Portion
Revenue bonds payable	$ 217,949	606	13,700	204,855	6,330
Plus unamortized premiums	7,503	-	418	7,085	-
Less unamortized discounts	67	-	19	48	-
Total revenue bonds	225,385	606	14,099	211,892	6,330
Capital leases payable	32	-	32	-	-
Total Bonds, Notes, and Leases Payable	**$ 225,417**	**606**	**14,131**	**211,892**	**6,330**

Type	Balance 2012 (Restated)	Additions	Deductions	Balance 2013	Current Portion
Revenue bonds payable	$ 168,405	60,879	11,335	217,949	5,660
Plus unamortized premiums	685	7,140	322	7,503	-
Less unamortized discounts	98	-	31	67	-
Total revenue bonds	168,992	68,019	11,626	225,385	5,660
Capital leases payable	870	-	838	32	32
Total Bonds, Notes, and Leases Payable	**$ 169,862**	**68,019**	**12,464**	**225,417**	**5,692**

TABLE 9.4 Revenue Bond Detail *(in thousands)*

Issuance Description	Original Issuance Amount	Outstanding Balance 2014	Outstanding Balance 2013
Auxiliary Facilities Enterprise Revenue Bonds:			
Capital Appreciation, Series 1999 -			
Used to fund capital improvements for residence halls, residential housing, student center and fraternity housing facilities	$ 7,794	11,095	10,489
Refunding and Improvement, Series 2004 -			
Used to refund the Auxiliary Facilities Refunding and Improvement Series 1993, Auxiliary Facilities Series 1996, and construct and equip recreational and health facilities	17,450	545	1,375
Total Auxiliary Facilities Enterprise Revenue Bonds	**$ 25,244**	**11,640**	**11,864**

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

Issuance Description	Original Issuance Amount	Outstanding Balance 2014	Outstanding Balance 2013
Institutional Enterprise Revenue Bonds:			
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	17,055	26,035
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	14,770	15,285
Series 2009D - Used to provide bridge funding for construction of Marquez Hall	8,400	5,630	6,445
Variable Rate Demand Refunding Series 2010A - Used to current refund the Refunding Series 2008A	42,860	40,785	41,385
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	2,260	2,535
Series 2012A - Used to fund construction of new athletic facilities	13,000	12,060	13,000
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	46,600	47,345
Total Institutional Enterprise Revenue Bonds	**213,925**	**193,215**	**206,085**
Total Revenue Bonds	**$ 239,169**	**204,855**	**217,949**
Plus Premiums		7,085	7,503
Less Discounts		48	67
Total Outstanding Revenue Bonds		**$ 211,892**	**225,385**

Refunding Revenue Bond Activity

In November 2012, the School issued $47,345,000 in Institutional Enterprise Revenue Bonds Series 2012B. $7,653,590 of the proceeds was used to current refund all of the outstanding balance of the Refunding and Improvement Series 2002 and advance refund a portion of the outstanding balance of the Refunding and Improvement Series 2004. The current and advanced refunding portion of the Series 2012B resulted in an economic gain of $879,000, a decrease in the cash flows to service the new debt versus the old debt of $994,000, and a deferred loss of $312,000 that is being amortized over the life of the old debt.

In June 2014, the School placed $9,299,432 into an escrow account to in-substance defease $8,040,000 of the Refunding and Improvement Series 2009A. This resulted in an economic gain of $1,297,000, a decrease in the debt service cash flows to service the remaining debt of $2,048,000 and a loss of $1,744,000 which was expensed in the current period.

Debt Service Requirements on Revenue Bonds

The future minimum revenue bonds debt service requirements as of June 30, 2014, are shown in Table 9.5, Revenue Bonds Future Minimum Payments.

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

Years Ending June 30	Principal	Interest	Total
2015	$ 6,330	9,096	15,426
2016	6,455	8,895	15,350
2017	6,675	8,663	15,338
2018	6,875	8,419	15,294
2019	7,115	8,175	15,290
2020 – 2024	32,895	37,608	70,503
2025 – 2029	33,910	32,020	65,930
2030 – 2034	36,485	24,570	61,055
2035 – 2039	50,955	13,818	64,773
2040 – 2044	21,860	1,450	23,310
Subtotal	209,555	152,714	362,269
Unaccreted interest – 1999 Bonds	(4,700)		
Total Debt Service	**$ 204,855**		

Interest Rate SWAP Agreements

In Fiscal Year 2008, the School 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 $40,785,000 and $41,385,000 and a fair value of $(8,566,000) and $(8,334,000) at June 30, 2014 and 2013, 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 School and 67 percent of one month USD-LIBOR-BBA, 0.104 and 0.130 percent at June 30, 2014 and 2013, 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, 2014 and 2013. 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, 2014 and 2013 was $732,000 and $518,000, respectively. Morgan Stanley, counterparty to the Swap Agreement, determined the fair value as of June 30, 2014 and 2013, 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.

There can be risks inherent to interest rate swaps that the School 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 School. 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 School, either through receipt of a payment from a termination, or if a termination payment is made by the School, a conversion to a more beneficial debt instrument or credit relationship.
>
> Credit Risk – The risk that the counterparty will not fulfill its obligations. The School 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, 2014, Morgan Stanley's credit rating is Baa2 by Moody's, A- by Standards & Poor's.
>
> For the outstanding swap agreement the School has a maximum possible loss equivalent to the swaps' fair market value at June 30, 2014 and 2013 related to the credit risk. However, the School was not exposed to this loss because of the negative fair market value of the swaps as of June 30, 2014 and 2013. In addition, these agreements required no collateral and no initial net cash receipt or payment by the School.
>
> 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 School. Basis risk can also result from the use of floating, but different, indices. To mitigate basis risk, it is the School'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 LIBOR.

As of June 30, 2014, 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
2015	$ 625	42	1,409	2,076	263
2016	625	41	1,387	2,053	259
2017	675	41	1,364	2,080	254
2018	975	40	1,335	2,350	249
2019	550	39	1,310	1,899	244
2020 – 2024	3,900	185	6,196	10,281	1,155
2025 – 2029	8,150	157	5,254	13,561	980
2030 – 2034	13,600	96	3,217	16,913	600
2035 – 2039	11,685	23	788	12,496	147
Total Debt Service	**$ 40,785**	**664**	**22,260**	**63,709**	**4,151**

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 $14,975,000 and $6,935,000 as of June 30, 2014 and 2013, respectively.

Capital Leases

As of June 30, 2014 and 2013, the School had an outstanding liability for capital leases approximating $0 and $32,000, respectively, with underlying gross capitalized asset cost approximating $132,000 and $132,000, respectively. Accumulated amortization as of June 30, 2014 and 2013 is $132,000 and $119,000, respectively.

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 School 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, 2014 and 2013.

TABLE 10.1 Other Liabilities *(in thousands)*

	2014		2013	
Type	**Total**	**Current Portion**	**Total**	**Current Portion**
School				
Amounts due to the Foundation	$ 1,923	180	2,001	246
Funds held for others	131	131	129	129
Pollution remediation	-	-	30	30
Student deposits	590	590	620	620
Miscellaneous	776	776	670	670
Total Other Liabilities - School	**$ 3,420**	**1,677**	**3,450**	**1,695**
Discretely Presented Component Unit				
Colorado School of Mines	$ 33,923	-	18,889	-
Other trust funds	1,112	-	945	-
Obligations under split-interest agreements	4,826	-	5,606	-
Obligations under gift annuity agreements	4,960	-	5,116	-
Refunded advances	96	-	96	-
Other liabilities	263	-	228	-
Total Other Liabilities - DPCU	**$ 45,180**	**-**	**30,880**	**-**

Direct Lending

The School 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 School rather than through a private lender. The School is responsible for handling the complete loan process, including funds management, as well as promissory note functions. The School 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, 2014 and 2013 under these programs were $29,147,000 and $28,886,000, respectively.

Note 11: Pension Plan

Plan Description

Virtually all the School employees participate in a defined benefit pension plan. The plan's purpose is to provide income to members and their families at retirement or in case of death or disability. The plan is a cost-sharing multiple-employer plan, administered by the Public Employees' Retirement Association (PERA). PERA was established by state statute in 1931. Responsibility for the organization and administration of the plan is placed with the Board of Trustees of PERA. Changes to the plan require an actuarial assessment and legislation by the General Assembly. The state plan and other divisions' plans are included in PERA's financial statements which may be obtained by writing PERA at PO Box 5800, Denver, Colorado, 80217 or by calling PERA at 1-800-729-PERA (7372), or by visiting www.copera.org.

PERA also administers the Voluntary Investment Program that administers two defined contribution plans.

Defined benefit plan members (except state troopers) vest after five years of service and are eligible for full retirement based on their original hire date as follows:

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

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

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

Most members automatically receive the higher of the defined retirement benefit or money purchase benefit at retirement. Defined benefits are calculated as 2.5 percent times the number of years of service times the highest average salary (HAS). For retirements before January 1, 2009, HAS is calculated as one-twelfth of the average of the highest salaries on which contributions were paid, associated with three periods of 12 consecutive months of service credit and limited to a 15 percent increase between periods. For retirements after January 1, 2009, or persons hired on or after January 1, 2007, more restrictive limits are placed on salary increases between periods used in calculating HAS.

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

- Hired before July 1, 2007 – the lesser of 2 percent or the average of the monthly Consumer Price Index increases.
- Hired on or after January 1, 2007 – the lesser of 2 percent or the actual increase in the national Consumer Price Index, limited to a 10 percent reduction in a reserve established for cost of living increases related strictly to those hired on or after January 1, 2007. (The reserve is funded by 1 percentage point of salaries contributed by employers for employees hired on or after January 1, 2007.)
- The upper limits on benefits increase by one-quarter percentage point each year when the funded ratio of PERA equals or exceeds 103 percent and declines by one-quarter percentage point when the funded ratio drops below 90 percent after having exceeded 103 percent. The funded ratio increase does not apply for three years when a negative return on investment occurs.

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

Funding Policy

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

Most employees contribute eight percent of their salary, as defined in CRS 24-51-101(42), to an individual account in the plan. Effective July 1, 2012, the temporary contribution rate increase of 2.5 percent for members in the State and Judicial Divisions to replace the 2.5 percent reduction in employer contributions effective for Fiscal Years 2010-11 and 2011-12 expired.

From July 1, 2013 to December 31 2013, the School contributed a total of 16.55 percent of the employee's salary. From January 1, 2014 through June 30, 2014, the School contributed a total of 17.45 percent. During all of Fiscal Year 2013-14, 1.02 percent of the employees' total salary was allocated to the Health Care Trust Fund.

Per Colorado Revised Statutes, an amortization period of 30 years is deemed actuarially sound. At December 31, 2013, the division of PERA in which the state participates has a funded ratio of 57.5 percent and a 60 year amortization period based on current contribution rates. The funded ratio on the market value of assets is slightly higher at 61.0 percent.

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

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

At a 103 percent funding ration, both the AED and the SAED will be reduced by one-half percentage point, and for subsequent declines to below 90 percent funded both the AED and SAED will be increased by one-half percentage point. For the Judicial Division, if the funding ratio reaches 90 percent and subsequently declines, the AED and SAED will be increased by one-half percentage point.

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

The School contributions to the defined benefit program described above for the fiscal years ended June 30, 2014, 2013, and 2012 were $11,131,000, $10,731,000, and $7,731,000, respectively, equal to its required contributions for those years.

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 $145,000 and $135,000 for 2014 and 2013, respectively.

Note 12: Volunteer Tax-Deferred Retirement Plans (Voluntary Investment Program)

Deferred Compensation Plan

The PERA Deferred Compensation Plan (457) was established July 1, 2009, as a continuation of the State's deferred compensation plan which was established for state and local government employees in 1981. At July 1, 2009, the state's administrative functions for the 457 plan were transferred to PERA, where all costs of administration and funding are borne by the plan participants. In calendar year 2012, participants were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their 8 percent PERA) to a maximum of $17,500. The reduction for the 8 percent PERA contribution reflects the expiration of the temporary contribution rate increase to 10.5 percent effective in Fiscal Years 2010-11 and 2011-12. Participants who are age 50 and older and contribution the maximum amount allowable, were allowed to make an additional $5,500 contribution in 2013, for a total maximum contribution of $23,000. Contributions and earnings are tax deferred. At December 31, 2013, the plan had 17,462 participants.

Note 13: Other Postemployment Benefits and Life Insurance

Health Care Plan

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

After the PERA subsidy, the benefit recipient pays the balance of the premium through an automatic deduction from the monthly retirement benefit. Monthly premium costs for participants depend on the health care plan selected, the PERA subsidy amount, Medicare eligibility, and the number of persons covered. Effective July 1, 2000, the maximum monthly subsidy is $230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; and $115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The maximum subsidy is based on the recipient having 20 years of service credit, and is subject to reduction by 5 percent for each year less than 20 years.

Employees are not required to contribute to the Health Care Trust Fund, which is maintained by employer's contributions as discussed in Note 12 above. The School is required to contribute 1.02 percent of gross covered wages to the Health Care Trust Fund. The School contributed $668,000, $680,000, and $621,000 as required by statute in Fiscal Years 2013-14, 2012-13, and 2011-12, respectively. In each year the amount contributed was 100 percent of the required contribution.

The Health Care Trust Fund offers two general types of plans: fully-insured plans offered through health care organizations and self-insured plans administered for PERA by third party vendors. As of December 31, 2013, there were 53,041 enrolled participants, including spouses and dependents, from all contributors to the plan. At December 31, 2013, the Health Care Trust Fund had an unfunded actuarial accrued liability of $1.26 billion, a funded ratio of 18.8 percent, and a 30-year amortization period.

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. As of June 30, 2013, there were 17 participants in post-retirement coverage from the nine member higher education institutions. For Fiscal Year 2014, the School had three retired faculty administrative participants under CHEIBA.

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 Marshall Parks, Treasurer, CHEIBA Trust at 970-351-4048 or www.unco.edu.. 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 schools 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 School during the years ended June 30, 2014 and 2013 were approximately $19,087,000 and $16,522,000, respectively. These amounts have been recorded as contributions from the Foundation and as capital grants and gifts and Component Unit operating expenses in the accompanying financial statements. As of June 30, 2014 and 2013, the School has recorded an accounts receivable from the Foundation of $1,241,000 and $2,376,000, respectively. As of June 30, 2014 and 2013, the School has recorded a payable to the Foundation of $1,923,000 and $2,001,000, respectively.

The School 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 School's endowments. The School has endowments and other assets held by the Foundation approximating $33,923,000 and $18,901,000 as of June 30, 2014 and 2013, respectively. The Foundation retains an investment management fee equal to 2 percent.

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 $35,828,000 as of June 30, 2014. These commitments will be funded or financed by donor contributions, state appropriations, existing revenue bonds, and other campus resources.

Claims and Litigation

In November 1992, the School 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 School 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 (CSM license) for part of the site. The CSM 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 School 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 School 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 CSM license, determining that no further groundwater monitoring is required. CDPHE also accepted a modification to the existing environmental covenant that allowed the School to remove all monitoring wells from the site.

In 2010, the School executed a contract to further assess and characterize the site in relation to ground water monitoring results. A liability of $1.8 million was recorded at June 30, 2010, to implement the plan. Work began in late 2010. As of June 30, 2014 and 2013, the liability was $0 and $30,000, respectively, and related to completion of a final report. In Fiscal Year 2014, the School settled with several PRP's regarding the cost of the remediation work for $11,058,000. As of June 30, 2014, the School has a receivable of $76,000 related to the settlement.

The School has obtained a policy of environmental impairment liability insurance for an area that includes the site through Zurich Insurance (Zurich). It has provided notice to Zurich regarding CDPHE's termination of all Radioactive Materials Licenses covering the site, and advised that it is the School's position that CDPHE's action constitutes a "no further action" or equivalent confirmation from the regulatory entity. Based on this, the School has requested that Zurich amend the policy's "known pollution event schedule" and eliminate the pollution exclusion described in that schedule. This request is still pending with Zurich.

In the normal course of its operations, the School 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 School's financial statements.

Government Grants

The School 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 School's financial statements.

Future Accounting Standards

The Governmental Accounting Standards Board (GASB) issued Statement No. 68, *Accounting and Financial Reporting for Pensions* (Statement No. 68), which revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. The School provides its employees with pension benefits through the state's multiple-employer cost-sharing defined benefit retirement program, PERA.

Statement No. 68 requires cost-sharing employers participating in the PERA program, such as the School, to record their proportionate share, as defined in Statement No. 68, of PERA's unfunded pension liability. The School 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. The requirement of Statement No. 68 to record a portion of PERA's unfunded liability will negatively impact the School's future unrestricted net position. Statement No. 68 is effective for Fiscal Year 2015. At this time, management is unable to estimate the magnitude of this impact. Information regarding PERA's current funding status can be found in their Comprehensive Annual Financial Report.

Note 16: Risk Management

The School 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 School is not required to purchase 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 School does not retain risk of loss except for damage incurred to property belonging to the state, limited to a $1,000 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 School 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 School in its annual Long Appropriations Bill. The Long Appropriations Bill appropriated funds include an amount from the state of Colorado's College Opportunity Fund.

For the years ended June 30, 2014 and 2013, appropriated expenses were within the authorized spending authority. For the years ended June 30, 2014 and 2013, the School had a total appropriation of $16,813,000 and $16,084,000, respectively. For years ended June 30, 2014 and 2013, the School's appropriated funds consisted of $5,177,000 and $5,146,000, respectively, received from students that qualified for stipends from the College Opportunity Fund, $11,636,000 and $10,938,000, respectively, as fee-for-service contract revenue. All other revenues and expenses reported by the School represent non-appropriated funds and are excluded from the annual appropriations bill. Non-appropriated funds include tuition and fees, grants and contracts, gifts, indirect cost recoveries, auxiliary revenues and other revenue sources.

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