

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

Financial Audit
Years Ended June 30, 2015 and 2014

Compliance Audit
Year Ended June 30, 2015

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COLORADO SCHOOL OF MINES
REPORT SUMMARY
Year Ended June 30, 2015

Purpose and Scope

The Office of the State Auditor of the State of Colorado engaged CliftonLarsonAllen, LLP to conduct a financial and compliance audit of the Colorado School of Mines (the University) for the year ended June 30, 2015. CliftonLarsonAllen performed this audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We conducted the related fieldwork from May 2015 to October 2015.

The purpose and scope of our audit were to:

- Express opinions on the financial statements of the University as of and for the year ended June 30, 2015. This includes a report on internal control over financial reporting and compliance and other matters based on the audit of the financial statements performed in accordance with *Government Auditing Standards*.
- Evaluate compliance with laws, regulations, contracts, and grants governing the expenditure of federal and state funds.
- Evaluate progress in implementing prior audit findings and recommendations.

The University's schedule of expenditures of federal awards and applicable opinions thereon, issued by the Office of the State Auditor, State of Colorado, are included in the June 30, 2015 Statewide Single Audit Report issued under separate cover.

Audit Opinions and Reports

We expressed unmodified opinions on the University's financial statements as of and for the year ended June 30, 2015.

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

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

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

**COLORADO SCHOOL OF MINES
REPORT SUMMARY
Year Ended June 30, 2015**

In addition to issuing a report on the University's compliance with internal control over financial reporting, we also performed procedures in accordance with Office of Management and Budget Circular A-133 *Audits of States, Local Governments, and Non-profit Organizations*, over major federal programs as determined by the Office of the State Auditor. The purpose of our procedures was not to issue an opinion over the University's compliance with the federal program tested, but rather report any noncompliance and internal control deficiencies noted during our testing to the Office of the State Auditor for inclusion in the Statewide Single Audit report. We noted no instances of noncompliance or internal control deficiencies during these procedures.

Summary of Progress in Implementing Prior Year Audit Recommendations

The audit report for the year ended June 30, 2014 included one finding and recommendation. We noted that the recommendation for the prior year has been implemented and is not a finding for Fiscal Year 2015.

**Colorado School of Mines
Financial and Compliance Audit
Recommendation Locator
Year Ended June 30, 2015**

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

Colorado School of Mines
Financial and Compliance Audit
Description of the Colorado School of Mines (Unaudited)
Year Ended June 30, 2015

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

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

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

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

Fiscal Year	Resident	Nonresident	Total
2015	3,412	2,117	5,529
2014	3,379	1,935	5,314
2013	3,452	1,787	5,239

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

Fiscal Year	Faculty	Staff	Total
2015	470	548	1,018
2014	439	525	964
2013	431	498	929

**Colorado School of Mines
Financial and Compliance Audit
Findings and Recommendations
Year Ended June 30, 2015**

There were no findings or recommendation to be reported for the fiscal year ended June 30, 2015.

Colorado School of Mines
Financial and Compliance Audit
Disposition of Prior Audit Findings and Recommendations
Year Ended June 30, 2015

The following table presents the recommendation from the June 30, 2014 audit, and its disposition as of June 30, 2015:

Recommendation No.	Disposition
Recommendation No. 1 – The Colorado School of Mines should ensure it is meeting federal procurement, suspension, and debarment requirements for the Research and Development program. This should include performing training for all applicable employees to ensure they are aware of the requirements and by considering the implementation of a third-party system that automatically checks the suspension and debarment status of all subawardees/subcontractors and vendors used by the University.	Implemented



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Independent Auditors' Report

Members of the Legislative Audit Committee:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Colorado School of Mines as of June 30, 2015, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1, the financial statements of the University, an institution of higher education of the State of Colorado, are intended to present the financial position, the changes in financial position, and cash flows of only that portion of the business-type activities of the State of Colorado that is attributable to the transactions of the University. They do not purport to, and do not, present fairly the financial position of the State of Colorado as of June 30, 2015 and 2014, the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 18 to the financial statements, in fiscal year 2015, the University adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and the related GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. As a result of the implementation of these standards, the University reported a restatement for the change in accounting principle for fiscal year 2015 (see Note 11). Fiscal year 2014 was not restated for the change in accounting principle as the information needed to properly restate the financial statements was not available. Our auditors' opinion was not modified with respect to the restatement.

Other Matters

Required Supplementary Information

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

Supplementary Information

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

Other Information

The financial statements of the University and the discretely presented component unit as of June 30, 2014 were audited by other auditors whose report dated December 1, 2014 expressed unmodified opinions.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2015 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Broomfield, Colorado
November 23, 2015

Colorado School of Mines
Management's Discussion and Analysis
(unaudited)
Year Ended June 30, 2015

This financial discussion and analysis of the Colorado School of Mines (the University) is intended to make the University's financial statements easier to understand and communicate the University's financial situation in an open and accountable manner. It provides an objective analysis of the University's financial position (Statements of Net Position) and results of operations (Statements of Revenues, Expenses, and Changes in Net Position) as of and for the years ended June 30, 2015 and 2014 (Fiscal Years 2015 and 2014, respectively) with comparative information for Fiscal Year 2013. University management is responsible for the completeness and fairness of this discussion and analysis and the financial statements, as well as the underlying system of internal controls.

Understanding the Financial Statements

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

- **Independent Auditors' Report** presents unmodified opinions prepared by our auditors, an independent certified public accounting firm, on the fairness, in all material respects, of our financial statements.
- **Statements of Net Position** present the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the University at a point in time (June 30, 2015 and 2014). Their purpose is to present a financial snapshot of the University. They aid readers in determining the assets available to continue the University's operations; how much the University owes to employees, vendors and creditors; and a picture of net positions and their availability for expenditure by the University.
- **Statements of Revenues, Expenses and Changes in Net Position** present the total revenues earned and expenses incurred by the University for operating, nonoperating, and other related activities during a period of time (the years ended June 30, 2015 and 2014). Their purpose is to assess the University's operating and nonoperating activities.
- **Statements of Cash Flows** present the cash receipts and disbursements of the University during a period of time (the years ended June 30, 2015 and 2014). Their purpose is to assess the University's ability to generate net cash flows to meet its obligations as they come due.
- **Notes to the Financial Statements** present additional information to support the financial statements and are commonly referred to as "Notes." Their purpose is to clarify and expand on the information in the financial statements. Notes are referenced in this discussion and analysis to indicate where details of the financial highlights may be found.

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

Colorado School of Mines
Management's Discussion and Analysis
(unaudited)
Year Ended June 30, 2015

Financial Highlights

Selected financial highlights for Fiscal Year 2015 include:

- University assets totaled \$538,404,000, deferred outflows of resources of \$29,465,000, with liabilities of \$517,437,000, deferred inflows of resources of \$19,000, and net position of \$50,413,000. Of the \$50,413,000 in net position, \$161,559,000 is net investment in capital assets, \$6,336,000 is nonexpendable endowments, \$21,846,000 is expendable but restricted for specific purposes, and (\$139,328,000) is unrestricted and may be used to meet ongoing University obligations. The deficit in unrestricted is the result of the University's implementation of a new accounting standard related to pension liabilities.
- The University's total net position increased by \$14,714,000. This increase is primarily due to capital grants and gifts that were used to construction capital assets.
- Cash and cash equivalents as of June 30, 2015 totaled \$146,352,000. Net cash provided by operating activities was \$4,281,000, net cash provided by noncapital financing activities was \$22,486,000, net cash used for capital and related financing activities was \$50,218,000 and net cash provided by investing activities was \$1,562,000 for a net decrease in cash and cash equivalents for the fiscal year of \$21,889,000. The net decrease in cash is due primarily to several significant construction projects on campus.
- The University was engaged in several major construction projects: the Clear Creek Athletic Complex, the Starzer Welcome Center, the CoorsTek Center for Applied Sciences and Engineering, the Ben H. Parker Student Center Renovation, and the General Research Lab Annex.

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

Statements of Net Position

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

Colorado School of Mines
Management's Discussion and Analysis
(unaudited)
Year Ended June 30, 2015

Table 1 - Condensed Statements of Net Position as of June 30, 2015, 2014, and 2013 (all dollars in thousands)

	2015	2014	2013	Increase (Decrease)			
				2015 vs 2014		2014 vs 2013	
				Amount	Percent	Amount	Percent
Assets							
Cash and Restricted Cash	\$ 146,352	168,241	183,026	(21,889)	(13.0%)	\$ (14,785)	(8.1%)
Other Noncapital Assets	59,222	61,353	45,278	(2,131)	(3.5)	16,075	35.5
Net Capital Assets	332,830	293,168	273,845	39,662	13.5	19,323	7.1
Total Assets	\$ 538,404	522,762	502,149	15,642	3.0%	\$ 20,613	4.1%
Deferred Outflows of Resources	\$ 29,465	14,275	14,987	15,190	106.4%	\$ (712)	(4.8%)
Liabilities							
Non-debt Liabilities	\$ 307,527	46,330	43,832	261,197	563.8%	\$ 2,498	5.7%
Debt Liabilities	209,910	220,458	233,751	(10,548)	(4.8)	(13,293)	(5.7)
Total Liabilities	\$ 517,437	266,788	277,583	250,649	94.0%	\$ (10,795)	(3.9%)
Deferred Inflows of Resources	\$ 19	-	-	19	100%	-	-
Net Position							
Net Investment in Capital Assets	\$ 161,559	133,694	124,877	27,865	20.8%	\$ 8,817	7.1%
Restricted:							
Nonexpendable Purposes	6,336	5,794	5,431	542	9.4	363	6.7
Expendable Purposes	21,846	25,773	20,165	(3,927)	(15.2)	5,830	28.9
Unrestricted	(139,328)	104,988	89,080	(244,316)	(232.7)	15,686	17.6
Total Net Position	\$ 50,413	270,249	239,553	(219,836)	(81.3%)	\$ 30,696	12.8%

Assets

Cash and restricted cash comprise approximately 71.2 percent and 73.3 percent of the University's total noncapital assets as of June 30, 2015 and 2014, respectively. Restricted cash of \$39,139,000 and \$69,452,000, as of June 30, 2015 and 2014, respectively, primarily consists of unspent revenue bond proceeds that will be used for capital related activity as well as unspent gifts, grants, and contract revenues. Total cash and restricted cash decreased during the past two fiscal years as a result of continued spending on various capital projects. The Statements of Cash Flows provide additional information on where cash is received and how it is used by the University. The decrease in other noncapital assets from Fiscal Year 2014 to Fiscal Year 2015 is the result of improved collections on outstanding receivables and a decrease in the value of the University's investment due to a decline in market conditions. 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 University's resources that are not immediately needed, combined with \$4,351,000 of realized and unrealized investment income due to improved market conditions.

Colorado School of Mines
Management's Discussion and Analysis
(unaudited)
Year Ended June 30, 2015

Non-Debt Liabilities

The University's non-debt related liabilities totaling \$307,527,000 and \$46,330,000 as of June 30, 2015 and 2014, respectively, comprise 59.4 percent and 17.4 percent, respectively, of the total liabilities. The largest three categories of non-debt related liabilities as of June 30, 2015 are net pension liability, payables to vendors, and unearned revenue on sponsored projects. As a result of implementing Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* (Statement No. 68), in Fiscal Year 2015, the University recorded as a liability, its proportionate share of the net pension liability of the cost-sharing multiple-employer defined benefit pension fund, administered by the Public Employees' Retirement Association (PERA), that the University contributes to on behalf of its employees. While the University is required to record this liability, the University is under no obligation to fund the liability, nor does the University have any ability to affect funding, benefit, or annual required contribution decisions of the plan. Those decisions are controlled by PERA and the State's General Assembly. See Note 12 of the accompanying financial statements for more information related to the net pension liability. Unearned sponsored project revenue represents amounts paid by grantors and contractors for which the University has not met all of the requirements for revenue recognition. These amounts will be recognized as revenue in future periods after all requirements have been satisfied. See Notes 6 and 7 for additional information.

The non-debt related liabilities also increased from 2014 to 2015 due to an increase in amounts due to vendors of \$4,400,000 related to the construction activity on campus. The increase in non-debt related liabilities from 2013 to 2014 was also due to an increase in amounts due to vendors of \$2,143,000 related to the construction activity on campus.

Net Position

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

- The largest category of net position relates to the University's net investment in capital assets. This consists of the University's capital assets less accumulated depreciation and related debt issued to fund the purchase or construction of those assets. This amount represents the University's investments in campus facilities and equipment that is necessary to carry out the teaching, research, and student centered mission of the University. The increases in each of the past three years reflect the University's commitment to improving the students' on campus experience through new and renovated student and academic facilities and various infrastructure improvements. Additional discussion on the University's capital activity is included in the Capital Assets and Debt Management section of this discussion and analysis.
- Net position restricted nonexpendable represents gift funds received from donors whereby the donor has specified the original principal be set aside for perpetual investment (endowment). The majority of the endowment assets benefiting the University are managed by the Foundation, which is a discretely presented component unit. See Note 1.
- Net position restricted expendable represents funds received for specific purposes, but for which the University is allowed to fully expend those funds in accordance with the purposes identified by the entity providing the funds. This includes spendable distributions and accumulated undistributed earnings from the University's endowments.

Colorado School of Mines
Management's Discussion and Analysis
 (unaudited)
Year Ended June 30, 2015

- Net position unrestricted represents the amount available for spending for any lawful purpose and are at the full discretion of management. In some instances, management or the Board has placed internal designations on the use of these funds. As discussed above, the decrease in unrestricted net position is a result of implementing a new accounting standard associated with pension liabilities. There is a significant impact on unrestricted net assets as a result of recording the pension liability and related expenses.

	6/30/15
Unrestricted Net Position with Pension Impact	\$ (139,328,000)
Cumulative effect on Unrestricted Net Position associated with the net pension liability	<u>243,712,000</u>
Unrestricted Net Position without Pension Impact	<u>\$ 104,384,000</u>

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

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 University during the fiscal year. A key component of these statements is the differentiation between operating and nonoperating activities. Operating revenues, such as tuition and auxiliary enterprises, are earned primarily by providing services to the students and various constituencies of the University. Operating expenses are incurred to provide services, primarily instruction and research, or acquire goods necessary to carry out the mission of the University for which the University earns operating revenues. Nonoperating revenues are received when goods or services are not 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, 2015, 2014, and 2013
(all dollars in thousands)

	Increase (Decrease)						
				2015 vs 2014		2014 vs 2013	
	2015	2014	2013	Amount	Percent	Amount	Percent
Operating Revenues	\$ 207,782	199,739	190,660	8,043	4.0%	\$ 9,079	4.8%
Operating Expenses	232,387	206,201	192,733	26,186	12.7	13,468	7.0
Operating (Loss)	(24,605)	(6,462)	(2,073)	(18,143)	280.8	(4,389)	(211.7)
Net Nonoperating Revenues	19,802	18,443	13,780	1,359	7.4	4,663	33.8
Income (Loss) Before Other Revenues	(4,803)	11,981	11,707	(16,784)	(140.1)	274	2.3
Other Revenues	19,517	18,715	10,490	802	4.3	8,225	78.4
Increase in Net Position	14,714	30,696	22,197	(15,982)	(52.1)	8,499	38.3
Net Position, Beginning of Year	270,249	239,553	217,356	30,696	12.8	22,197	10.2
Adjustment for change in accounting principle	(234,550)	-	-	(234,550)	100	-	-
Net Position, End of Year	\$ 50,413	270,249	239,553	(219,836)	(81.3%)	\$ 30,696	12.8%

Colorado School of Mines
Management's Discussion and Analysis
 (unaudited)
Year Ended June 30, 2015

Table 3 - Operating and Nonoperating Revenues for the Years Ended June 30, 2015, 2014, and 2013 provides gross operating and nonoperating (noncapital) revenues by major sources. As Table 3 shows, the University's total operating revenues increased 4.0 percent and 4.8 percent for Fiscal Years 2015 and 2014, respectively.

Table 3 - Operating and Nonoperating Revenues for Years Ended June 30, 2015, 2014, and 2013 (*all dollars in thousands*)

	2015	2014	2013	Increase (Decrease)			
				2015 vs 2014		2014 vs 2013	
				Amount	Percent	Amount	Percent
Operating Revenues							
Student Tuition and Fees	\$ 115,027	104,589	98,371	10,438	10.0%	\$ 6,218	6.3%
Grants and Contracts	55,998	60,601	59,689	(4,603)	(7.6)	912	1.5
Fee for Service	12,475	11,636	10,938	839	7.2	698	6.4
Auxiliary Enterprises, Net	21,304	19,870	18,331	1,434	7.2	1,539	8.4
Other Operating	2,978	3,043	3,331	(65)	(2.1)	(288)	(8.6)
Total Operating Revenues	207,782	199,739	190,660	8,043	4.0	9,079	4.8
Nonoperating Revenues							
State appropriations	1,858	2,218	1,497	(360)	(16.2)	721	48.2
Gifts	20,258	16,581	15,344	3,677	22.2	1,237	8.1
Investment Income, Net	890	5,914	1,828	(5,024)	(85.0)	4,086	223.5
Federal Nonoperating	4,367	4,240	4,184	127	3.0	56	1.4
Other Nonoperating, net	155	76	147	79	103.9	(71)	(48.3)
Total Nonoperating Revenues	27,528	29,029	23,000	(1,501)	(5.2)	6,029	26.2
Total Revenues (noncapital)	\$ 235,310	228,768	213,660	6,542	2.9%	\$ 15,108	7.1%

The University 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.

Revenue from the University's research activities decreased by 7.6 percent and increased by 1.5 percent during Fiscal Years 2015 and 2014, respectively. The decrease in revenue for Fiscal Year 2015 is a direct result of the decrease in federal awards experienced by the University in Fiscal Year 2014. The decrease in awards in Fiscal Year 2014 was a result of the federal government shut down causing a delay in awards being issued. The University remains committed to increasing its focus and national role as a research institution. In Fiscal Year 2015, the University secured research awards of \$63,900,000 compared to \$53,700,000 in Fiscal Year 2014 and \$61,800,000 in Fiscal Year 2013. With the increase in awards for Fiscal Year 2015, the University expects to see a corresponding increase in revenue in Fiscal Year 2016. The University also anticipates continuing to see increases in funding from both Federal and private industry sources as additional resources are focused towards research. Revenue from the Federal Government represents approximately 61.6 percent and 58.4 percent of total grants and contracts revenue for Fiscal Years 2015 and 2014, respectively. These sources also benefit the University in that the grants generally allow for reimbursement of a portion of any related administrative and facility overhead costs. In Fiscal Years 2015 and 2014, the University received approximately \$11,682,000 and \$11,507,000, respectively, of such administrative and facility overhead costs reimbursements.

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The University receives funding from the State of Colorado in two ways; (1) fee for service contracts with the Department of Higher Education and (2) stipends to qualified undergraduate students used to pay a portion of tuition. Funding in Fiscal Years 2015 and 2014 related to fee for service contracts increased by \$839,000 and \$698,000, respectively. 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 University's student tuition and fees rates. In Fiscal Years 2015, 2014, and 2013, the University applied \$6,194,000, \$5,177,000, and \$5,146,000, respectively, of stipends against student bills. The per credit hour stipend allotted per student approved by the State Legislature for Fiscal Year 2015 was \$75, \$64 for Fiscal Year 2014 and \$62 for Fiscal Year 2013. The number of stipend eligible hours students applied for during Fiscal Years 2015, 2014, and 2013 were 82,858.5, 80,956.5, and 83,003.75, respectively.

Gifts for noncapital purposes, received primarily from the University's Foundation, have increased in each of the past three years. This reflects a continued strong fundraising effort by the University's Foundation, including an active \$350 million fundraising campaign, and a need to draw on those funds to supplement funding from the State that varies each year based on the State's budget constraints.

Federal nonoperating revenues consist of interest subsidies received for taxable Build America Bonds (BAB) issued by the University in addition to financial aid received under the Pell program. The University received \$1,164,000, \$1,177,000, and \$1,223,000 in federal interest subsidies in Fiscal Years 2015, 2014, and 2013, 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 2015, 2014, and 2013 were \$3,203,000, \$3,064,000, and \$2,961,000, respectively.

Over the past three years, the University has experienced an overall positive investment income, although the current year is considerably lower than the prior year, due to unfavorable financial markets that impacted the fair market value of the University's investments held by the Foundation and amounts held by the State Treasurer. The University experienced unrealized gains (losses) in Fiscal Years 2015, 2014, and 2013 of (\$179,000), \$4,351,000, and \$1,647,000, respectively. The realized investment income was \$1,884,000, \$2,205,000, and \$1,721,000, respectively, for this same periods.

The programmatic and natural classification uses of University resources are displayed in Table 4 - Operating Expenses by Function and Natural Classification.

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Table 4 - Operating Expenses by Function and Natural Classifications for Years Ended June 30, 2015, 2014, and 2013 (all dollars in thousands)

	2015	2014	2013	Increase (Decrease)			
				2015 vs 2014		2014 vs 2013	
				Amount	Percent	Amount	Percent
By Functional Expense							
Education and General							
Instruction	\$ 73,685	64,595	58,876	9,090	14.1%	\$ 5,719	9.7%
Research	46,898	46,691	45,071	207	0.4	1,620	3.6
Public Service	448	165	115	283	171.5	50	43.5
Academic Support	18,935	16,058	14,458	2,877	17.9	1,600	11.1
Student Services	7,309	6,044	5,804	1,265	20.9	240	4.1
Institutional Support	18,240	15,555	13,384	2,685	17.3	2,171	16.2
Operation and Maintenance of Plant	22,720	16,969	18,531	5,751	33.9	(1,562)	(8.4)
Scholarships and Fellowships	1,484	1,221	1,021	263	21.5	200	(19.6)
Total Education and General	189,719	167,298	157,260	22,446	13.4	10,038	6.4
Auxiliary Enterprises	25,866	22,690	20,977	3,176	14.0	1,713	8.2
Depreciation and amortization	16,778	16,213	14,496	565	3.5	1,717	11.8
Total Operating Expenses	\$ 232,363	206,201	192,733	26,187	12.7%	\$ 13,468	7.0%
By Natural Classification							
Salaries and Benefits	\$ 152,017	131,712	125,283	20,305	15.4%	\$ 6,429	5.1%
Operating Expenses	63,568	58,276	52,954	5,292	9.1	5,322	10.1
Depreciation	16,778	16,213	14,496	565	3.5	1,717	11.8
Total Operating Expenses	\$ 232,363	206,201	192,733	26,162	12.7%	\$ 13,468	7.0%

Operating expenses increased overall by 12.7 percent from Fiscal Year 2014 to 2015 and by 7.0 percent from Fiscal Year 2013 to 2014. 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 University. The salary increases results from a combination of raises given to existing faculty and staff and the hiring of new faculty and staff to address the demands of increased student enrollment. The increase in benefits is a result of higher costs associated with the University provided health and retirement benefits. In addition, for Fiscal Year 2015, the University recorded an additional \$9,162,000 of pension related expenses related to the implementation of Statement No. 68. These increases impact most of the functional expense categories;
- Increases in general operating costs, including non-capitalized campus facility improvements and the purchase of non-capitalized equipment, student health insurance costs, international travel, 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 University's financial aid resources are

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being applied to the students' accounts and are netted against tuition and fee revenue as scholarship allowance. The University's scholarship allowance was \$25,952,000, \$23,335,000, and \$21,082,000, in Fiscal Years 2015, 2014, and 2013, respectively; and

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

Capital Assets and Debt Management

As indicated in Table 6 - Capital Asset Categories, the University'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 \$526,276,000, \$471,217,000, and \$437,319,000 at June 30, 2015, 2014 and 2013, respectively. Accumulated depreciation on depreciable assets totaled \$193,445,000, \$178,049,000, and \$163,474,000, respectively. The University continues to invest in academic and auxiliary facilities to enhance the educational and campus experience for students. During the construction of a project, costs are accumulated in construction in progress. Upon completion of the project, the costs are moved out of construction in progress into the appropriate asset classification.

Table 6 - Capital Asset Categories (before depreciation) as of June 30, 2015, 2014, and 2013 *(all dollars in thousands)*

	2015	2014	2013	Increase (Decrease)			
				2015 vs 2014		2014 vs 2013	
				Amount	Percent	Amount	Percent
Land	\$ 7,652	7,652	7,471	-	0.0%	\$ 181	2.4%
Construction in Progress	45,352	31,943	6,725	13,409	42.0	25,218	375.0
Land Improvements	19,918	19,918	18,900	-	0	1,018	5.4
Buildings & Improvements	373,618	336,698	335,100	36,920	11.0	1,598	0.5
Software	1,803	1,742	1,656	61	3.5	86	5.2
Equipment	65,191	60,668	54,536	4,523	7.5	6,132	11.2
Library materials	12,142	11,996	12,331	146	1.2	(335)	(2.7)
Intangible	600	600	600	-	0.0	-	0.0
Total Capital Assets	\$ 526,276	471,217	437,319	55,059	11.7%	\$ 33,898	7.8%

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

Completed Projects

- Marquez Hall. This is a \$36,000,000 project financed through \$25,000,000 in private contributions and \$11,000,000 in bond funds financed by student academic facility fees. The building is the home of the University's Petroleum Engineering program as well as general classrooms, labs, and faculty and administrative offices.
- W. Lloyd Wright Student Wellness Center. This is a \$3,200,000 bond funded project that replaced the University's aging student health center. The bonds will be repaid from student health fees.

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- Elm Street Residence and Dining Hall. This is 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 University's housing and dining operations. The new residence hall was placed in service in September 2014 and the dining hall was placed in service in January 2015.

Active Projects

- Welcome Center. This will be the new headquarters of the Foundation, the Colorado School of Mines Alumni Association, and the University's Admissions Office. The \$11,268,000 project is funded from a combination of donations, debt financing, and University cash resources. The debt issued to fund a portion of the project will be repaid from rent received from the Foundation. The University broke ground on the project in September 2014 and it is anticipated to be placed into service in October 2015.
- Clear Creek Athletic Complex. This \$25,256,000 project will construct and equip the Harold and Patricia Korrel Athletic Center, a contemporary football stadium including coaches' offices, locker rooms, training facilities and meeting rooms for more than 200 football and track and field athletes. The Center will also house offices, event facilities, and functional space for club sports and intramurals. The Complex also includes the new Marv Kay football stadium along with a new soccer building with locker and restroom facilities, conference rooms, and a press box.
- Ben H Parker Student Center Renovation. The Student Center renovation is a \$11,520,000 project designed to:
 - Provide students with updated study space, expanded bookstore, and new casual dining options;
 - Consolidate student related services to provide a one stop service for class registration, financial aid and bursar operations; and
 - Complete needed mechanical, electrical, and exterior improvements.
- The CoorsTek Center for Applied Sciences and Engineering. The University is in the planning and design phase for a new academic and research building that will bring together interdisciplinary instructors and researchers in biotechnology, materials characterization and nuclear engineering. This new building will also serve as the new home for the University's Physics program and the College for Applied Science and Engineering. Funded through a significant donation, State funding, as well as University funds, the CoorsTek Center for Applied Science and Engineering, a \$53,000,000 building, will break ground in Fiscal Year 2016 and is anticipated to be put into service in Fiscal Year 2018.

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A list of the larger on-going capital projects is 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
The CoorsTek Center for Applied Sciences and Engineering	Gifts, Campus cash resources, State appropriation	\$ 52,727
Clear Creek Athletic Complex	Gifts, bond proceeds, Campus cash resources	25,256
Heating Plant Renovation	Campus cash resources, state appropriation	13,129
Starzer Welcome Center	Foundation, Campus cash resources	11,268
Ben H Parker Student Center Renovation	Bond proceeds	8,200
General Research Lab Annex	Campus cash resources	7,800
Edgar Mine Renovation	Gifts	1,000
11 th Street Parking Lot	Campus cash resources	900

In addition to operating and nonoperating revenues, the University received capital revenues in the amount shown in Table 8 – Capital Revenues. The increase in capital appropriations and contributions from the State over the prior year is primarily related to the upcoming construction of the the CoorsTek Center for Applied Sciences and Engineering. The State appropriated \$14,600,000 towards this new building. The increase in capital gifts of \$9,495,000 over the prior year is primarily related to the construction of the Clear Creek Athletic Complex, the Starzer Welcome Center, and the retirement of bonds associated with the construction of Marquez Hall. The majority of capital grants and gifts received in Fiscal Years 2014 and 2013 are attributed to the construction of the Clear Creek Athletic Complex.

Table 8 – Capital Revenues for the Years Ended June 30, 2015, 2014, and 2013 (all dollars in thousands)

Revenue Classification	2015	2014	2013	Increase (Decrease)			
				2014 vs 2013		2014 vs 2013	
				Amount	Percent	Amount	Percent
Capital appropriations and contributions from the State	\$ 1,760	-	454	1,760	100.0%	\$ (454)	(100.0%)
Capital grants and gifts	13,827	4,332	2,702	9,495	219.2	1,630	60.3
Academic facility fee	3,274	3,153	3,124	121	3.8	29	1.0
Total Capital Revenues	\$ 18,861	7,485	6,280	11,376	152.0%	\$ 1,205	19.2%

Table 9 – Deferred Outflows/Inflows of Resources details the types and amounts of such activity. In accordance with accounting standards, the University is required to separately disclose the change in the fair market value of the interest rate swap in the Statement of Net Position in sections labeled Deferred Outflows of Resources or Deferred Inflows of Resources, depending on the change in the fair market value. As of June 30, 2015, 2014, and 2013, the outstanding swap had a fair market value of

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(\$9,515,000), (\$8,566,000), and (\$8,334,000), respectively. The change in fair market value of the interest rate swap as of June 30, 2015 and 2014 resulted in \$1,170,000 and \$446,000, respectively, being recorded as a deferred outflow of resources in the Statement of Net Position.

Table 9 – Deferred Outflows/Inflows of Resources at June 30, 2015, 2014, and 2013 (all dollars in thousands)

Type	2015	2014	2013	Increase (Decrease)			
				2015 vs 2014 Amount	Percent	2014 vs 2013 Amount	Percent
Loss on bond refunding	\$ 12,517	13,278	14,436	(761)	(5.7%)	\$ (1,158)	(8.0%)
Components of pension liability	14,781	-	-	14,781	100	-	-
SWAP valuation	2,167	997	551	1,170	117.4	446	81.0
Total Deferred Outflows of Resources	\$ 29,465	14,275	14,987	15,190	(106.4%)	\$ (712)	(4.8%)
Pension liability	\$ 19	-	-	19	100%	-	-
Total Deferred Inflows or Resources	\$ 19	-	-	19	100%	-	-

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 required to be reported as a deferred outflow of resources. This deferred outflow of resources is amortized to interest expense over the life the associated bond issuance.

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

The University'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, 2015, 2014, and 2013, bonds and leases payable of \$200,395,000, \$211,892,000, and \$225,417,000, respectively, were outstanding.

Table 10 – Long-Term Debt Categories at June 30, 2015, 2014, and 2013 (all dollars in thousands)

Debt Type	2015	2014	2013	Increase (Decrease)			
				2015 vs 2014 Amount	Percent	2014 vs 2013 Amount	Percent
Revenue bonds	\$ 200,395	\$ 211,892	225,385	(11,497)	(5.4%)	\$ (13,493)	(6.0%)
Capital leases	-	-	32	-	-	(32)	(100.0)
Total Long-Term Debt	\$ 200,395	\$ 211,892	225,417	(11,497)	(6.0%)	\$ (13,525)	(6.0%)

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

During Fiscal Year 2014, in addition to the normal debt service payments, the University placed in escrow \$9,299,000 to in-substance defease \$8,040,000 of the Refunding and Improvement Series 2009A bonds.

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

Factors Impacting Future Periods

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

Fiscal Year 2016 will bring an increase in financial support from the State due to the State's positive operating budget position. Given the future financial position of the State is unknown, the University is projecting a flat or a decline in State funding beginning in Fiscal Year 2017. The University is also experiencing a softening of our revenue base as tuition increases are moderating and pursuant to strategic intent, undergraduate enrollment is remaining level. This will impact the University's ability to manage the delicate balance of needing to make strategic and critical investments in programs and operations while minimizing the impact on students and tuition.

State funding in the form of student stipends and the fee for service contract will increase 10 percent in Fiscal Year 2016 compared to an 11 percent increase in Fiscal Year 2015 and 4.5 percent increase in Fiscal Year 2014 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
2016**	\$ 20,547	243,042	9.2%
2015	18,669	208,100	9.0
2014	16,813	199,739	8.4
2013	16,084	190,660	8.4

*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 University's Fiscal Year 2016 projected revenues.

To offset increases in operating costs, the University increased resident undergraduate tuition rates and non-resident undergraduate tuition rates in Fiscal Year 2016 by 2.9 percent and 3.9 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.

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Table 12 - Full Time Tuition and Room and Board Charges per Year

Academic Year	Annual Full-time Undergraduate Tuition Rates		Annual Room and Board (avg.)		
	Residents*	Non-residents	Double	Single	Meal Plan
2016	\$ 17,475	32,700	5,362	6,668	5,236
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

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

Tuition rates combined with enrollment changes have a significant impact on the University's ability to provide the quality of education expected by our students. Table 13 - Fall Enrollment Trends presents undergraduate, graduate, and combined enrollments for each of the last three academic years.

Table 13 - Fall Enrollment Trends

Academic Year	Undergraduate Students			Graduate Students			Total		
	Residents	Non-residents	Total	Residents	Non-residents	Total	Residents	Non-residents	Total
2015	2,947	1,713	4,660	465	404	869	3,412	2,117	5,529
2014	2,896	1,585	4,481	483	351	834	3,379	1,935	5,315
2013	2,938	1,433	4,371	514	353	867	3,452	1,787	5,239

Table 14 - Fall Semester Undergraduate Admissions Trends highlights the University's ability to attract freshmen students and transfer students. As demonstrated by Tables 13 and 14, the University continues to be very successful in attracting new students.

Table 14 - Fall Semester Undergraduate Admissions Trends

Fall of Year	Number of Applicants	Number Accepted	Percent Accepted	Number Committed	Percent Committed
2015	12,420	4,848	37.4%	1,132	24.4%
2014	13,195	4,768	36.1%	1,159	24.3%
2013	13,060	4,715	36.1%	1,098	23.3%

Even with the economic volatility during the past several years, the University is financially well-positioned. Over the past few years, the University has ended the year with an overall increase in net position, setting aside the impact of implementing Statement No. 68, primarily due to strong enrollment, modest tuition increases, consistent contributions, and deliberate measures taken to contain costs. While research award volume decreased in Fiscal Year 2014 due to the federal government shut down, the award activity in Fiscal Year 2015 was a record year. The growth in research is having a direct and

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positive impact on graduate student enrollment, research expenditures, as well as indirect costs recovered from these expenditures.

As the University looks forward, it must ensure that the human capital, physical infrastructure, and financial aid resources accommodates student academic and social needs and expectations, optimizes the professional opportunities for its faculty, fosters growth in research, and enhances business process, all with a single focus of being a world-class institution. The University's Fiscal Year 2016 budget was developed to devote resources to all of these strategic areas.

Requests for Information

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

Colorado School of Mines

Statements of Net Position

June 30, 2015 and 2014 (*in thousands*)

	2015		2014	
	University	Component Unit	University	Component Unit
Assets				
Current Assets				
Cash and cash equivalents	\$ 107,213	9,303	98,789	13,869
Short term investments	-	159	-	158
Accounts & loans receivable, net	17,185	3,820	18,677	6,386
Other assets	590	-	881	-
Total Current Assets	124,988	13,282	118,347	20,413
Noncurrent Assets				
Restricted cash and cash equivalents	39,139	64	69,452	96
Investments	33,731	308,741	34,322	305,962
Accounts and loans receivable	4,840	32,061	4,879	32,205
Other assets	2,876	709	2,594	711
Capital assets, net	332,830	3	293,168	7
Total Noncurrent Assets	413,416	341,578	404,415	338,981
Total Assets	\$ 538,404	354,860	522,762	359,394
Total Deferred Outflows of Resources	\$ 29,465	-	14,275	-
Liabilities				
Current Liabilities				
Accounts payable and accrued liabilities	\$ 24,598	2,159	22,323	1,460
Accrued compensated absences	575	-	486	-
Unearned revenue	15,124	-	14,475	-
Bonds payable	5,460	-	6,330	-
Other liabilities	1,547	-	1,677	-
Total Current Liabilities	47,304	2,159	45,291	1,460
Noncurrent Liabilities				
Accrued compensated absences	5,548	-	5,626	-
Bonds payable	194,935	-	205,562	-
Interest rate swap agreement	9,515	-	8,566	-
Pension liability	258,474	-	-	-
Other liabilities	1,661	44,931	1,743	45,180
Total Noncurrent Liabilities	470,133	44,931	221,497	45,180
Total Liabilities	\$ 517,437	47,090	266,788	46,640
Total Deferred Inflows of Resources	\$ 19	-	-	-
Net Position				
Net investment in capital assets	\$ 161,559	3	133,694	7
Restricted for nonexpendable purposes				
Instruction	3,340	-	3,320	-
Scholarships and fellowships	2,038	80,352	1,774	81,140
Other	958	86,462	700	85,286
Total restricted for nonexpendable purposes	6,336	166,814	5,794	166,426
Restricted for expendable purposes				
Scholarships and fellowships	4,165	47,362	4,286	46,683
Loans	4,190	1,660	4,088	1,743
Research	6,368	2,487	7,899	2,337
Capital projects	3,176	7,468	5,388	11,833
Other	3,947	57,789	4,112	56,655
Total restricted for expendable purposes	21,846	116,766	25,773	119,251
Unrestricted	(139,328)	24,187	104,988	27,070
Total Net Position	\$ 50,413	307,770	270,249	312,754

Colorado School of Mines
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2015 and 2014 (*in thousands*)

	2015		2014	
	University	Component Unit	University	Component Unit
Operating Revenues				
Tuition and fees, (net of scholarship allowance of \$25,696 in 2015 and \$23,088 in 2014)	\$ 115,027	-	104,589	-
Fee for service	12,475	-	11,636	-
Federal grants and contracts	34,489	-	35,409	-
State grants and contracts	3,614	-	3,145	-
Nongovernmental grants and contracts	17,895	-	22,047	-
Auxiliary enterprises, (net of scholarship allowance of \$256 in 2015 and \$247 in 2014)	21,304	-	19,870	-
Contributions	-	33,091	-	48,916
Other operating revenues	2,978	2,423	3,043	2,278
Total Operating Revenues	207,782	35,514	199,739	51,194
Operating Expenses				
Education and General				
Instruction	73,685	-	64,595	-
Research	46,923	-	46,691	-
Public service	448	-	165	-
Academic support	18,934	-	16,058	-
Student services	7,309	-	6,044	-
Institutional support	18,240	38,662	15,555	24,508
Operation and maintenance of plant	22,720	-	16,969	-
Scholarships and fellowships	1,484	-	1,221	-
Total Education and General	189,743	38,662	167,298	24,508
Auxiliary enterprises	25,866	-	22,690	-
Depreciation and amortization	16,778	3	16,213	9
Total Operating Expenses	232,387	38,665	206,201	24,517
Operating Income (Loss)	(24,605)	(3,151)	(6,462)	26,677
Nonoperating Revenues (Expenses)				
State appropriations, non-capital	1,858	-	2,218	-
Contributions from the Foundation	19,374	-	14,765	-
Contributions	884	-	1,816	-
Investment income, net	890	(1,833)	5,914	40,573
Interest on debt	(7,689)	-	(8,669)	-
Loss on early extinguishment of debt	-	-	(1,744)	-
Federal nonoperating revenue	4,367	-	4,240	-
Other nonoperating expenses	(37)	-	(173)	-
Other nonoperating revenue	155	-	76	-
Net Nonoperating Revenues (Expenses)	19,802	(1,833)	18,443	40,573
Income (Loss) Before Other Revenues	(4,803)	(4,984)	11,981	67,250
Capital appropriations and contributions from state	1,760	-	-	-
Academic facility fee	3,274	-	3,153	-
Capital grants and gifts	13,827	-	4,332	-
Additions to permanent endowments	656	-	172	-
Settlement proceeds	-	-	11,058	-
Total Other Revenues	19,517	-	18,715	-
Increase (Decrease) in Net Position	14,714	(4,984)	30,696	67,250
Net Position, Beginning of Year	270,249	312,754	239,553	245,504
Adjustment for change in accounting principle	(234,550)	-	-	-
Net Position, Beginning of Year, Restated	35,699	312,754	239,553	245,504
Net Position, End of Year	\$ 50,413	307,770	270,249	312,754

Colorado School of Mines

Statements of Cash Flows

Years Ended June 30, 2015 and 2014 (*in thousands*)

	2015	2014
Cash Flows from Operating Activities:		
Tuition and fees	\$ 115,367	105,111
Grants and contracts	70,918	68,846
Collection of loans to students	1,157	1,095
Sales of services from auxiliary enterprises	20,795	19,767
Rental income	1,326	1,318
Receipts from the Foundation	2,213	2,020
Other operating receipts	1,789	12,691
Payments to employees	(96,052)	(90,420)
Payments for employee benefits	(49,163)	(39,264)
Payments to suppliers	(59,724)	(54,165)
Developmental services fees	(1,900)	(1,800)
Scholarships disbursed	(1,441)	(1,155)
Loans issued to students	(1,004)	(1,088)
Net cash provided by operating activities	4,281	22,956
Cash Flows from Noncapital Financing Activities:		
Receipts from the Foundation	16,320	13,792
State Appropriations, non-capital	1,858	1,534
Gifts and grants for other than capital purposes	1,433	4,650
Additions to permanent endowments	656	172
Principal payments on noncapital debt	(290)	(275)
Interest payments on noncapital debt	(104)	(117)
Funds invested with the Foundation	(654)	(14,015)
Federal nonoperating revenue	3,275	3,147
Direct lending receipts	29,966	29,147
Direct lending disbursements	(29,966)	(29,147)
Agency inflows	9,648	10,184
Agency outflows	(9,656)	(10,183)
Net cash provided by noncapital financing activities	22,486	8,889
Cash Flows from Capital & Related Financing Activities:		
Capital gifts	13,803	4,313
Academic facility fees	3,274	3,152
State Appropriations, capital	1,680	-
Bond issuance and other loan costs	(12)	(23)
Acquisition and construction of capital assets	(49,804)	(32,691)
Principal payments on capital debt	(11,100)	(13,457)
Interest payments on capital debt	(9,151)	(11,121)
Federal nonoperating revenue	1,092	1,093
Proceeds from insurance recovery	-	112
Net cash used for capital and related financing activities	(50,218)	(48,622)
Cash Flows from Investing activities:		
Interest and dividends on investments	1,562	1,992
Net cash provided by investing activities	1,562	1,992
Net Decrease in cash and cash equivalents	(21,889)	(14,785)
Cash and cash equivalents, Beginning of Year	168,241	183,026
Cash and cash equivalents, End of Year	\$ 146,352	168,241

Colorado School of Mines

Statements of Cash Flows

Years Ended June 30, 2015 and 2014 (*in thousands*)

	2015	2014
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:		
Operating loss	\$ (24,605)	(6,462)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation and amortization expense	16,778	16,213
Insurance recoveries	23	(112)
Other noncash operating expenses	9,317	685
Receipts of items classified as non-operating revenues	2,213	13,153
Changes in assets and liabilities		
Accounts and loans receivables	2,115	(2,697)
Other assets	10	652
Loans to students	79	(49)
Accounts payable and accrued liabilities	(2,283)	1,765
Unearned revenue	649	(444)
Accrued compensated absences	11	206
Other liabilities	(26)	46
Net cash provided by operating activities	\$ 4,281	22,956

Noncash Investing, Capital and Financing Activities:

Capital assets acquired by donations, state funded, and payable increases	\$10,961	6,257
Fair value change in interest rate swap	(693)	(447)
Unrealized gains (losses) on investments	(179)	4,351
Administrative fees on investments	493	428
Accretion of interest on deep discount debt	567	606
Amortization of premiums/discounts	674	399
Amortization of deferred losses and swap termination	538	474
Write-off of unamortized deferred loss	-	485
Loss on disposal of assets	25	150

Colorado School of Mines

Notes to Financial Statements

June 30, 2015 and 2014

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

Governance

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

Financial Reporting Entity and Basis of Presentation

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

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

Colorado School of Mines

Notes to Financial Statements

June 30, 2015 and 2014

Discretely Presented Component Unit

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

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

Related Organizations

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

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

Relationship to State of Colorado

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

Basis of Accounting and Presentation

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

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

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

Colorado School of Mines

Notes to Financial Statements

June 30, 2015 and 2014

Significant Accounting Policies

Cash and Cash Equivalents

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

Restricted Cash and Cash Equivalents

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

Investments and Investment Income

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

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

Accounts and Loans Receivables

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

Inventories

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

Bond Issuance Costs

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

Capital Assets

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

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

Colorado School of Mines

Notes to Financial Statements

June 30, 2015 and 2014

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

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

Unearned Revenue – Tuition, Fees and Grants

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

Bonds

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

Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent losses on various bond refundings, the mark to market valuation of the University's SWAP agreement, and net pension liability related items. For current refundings and advance refundings resulting in defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of

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Notes to Financial Statements

June 30, 2015 and 2014

resources on the Statement of Net Position and amortized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter. For the net pension liability related items, the difference between expected and actual experiences, the net difference between projected and actual earnings on pension plan investments, the changes in the University's proportionate share of the net pension liability, and contributions paid to PERA subsequent to the plan's measurement date are all reported as either a deferred outflow or a deferred inflow of resources on the Statement of Net Position and are amortized as a component of pension expense over varying amounts of time.

Classification of Revenues

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

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

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

Scholarship Discounts and Allowances

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

Donor Restricted Endowments

Disbursements of the net appreciation (realized and unrealized) of investments of endowment gifts are permitted by state law, except where a donor has specified otherwise. The amount of earnings and net appreciation available for spending by the University and the Foundation is based on a spending rate set by the Foundation board on an annual basis. For the years ended June 30, 2015 and 2014, the authorized spending rate was equal to the 4.5 percent of the rolling 36-month average market value of the endowment investments. Earnings in excess of the amount authorized for spending are available in future years and are included in the value of the related investment.

Application of Restricted and Unrestricted Resources

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

Colorado School of Mines

Notes to Financial Statements

June 30, 2015 and 2014

Income Taxes

As a state institution of higher education, the income of the University is generally exempt from federal and state income taxes under Section 115(a) of the Internal Revenue Code and a similar provision of state law. However, the University is subject to federal income tax on any unrelated business taxable income. There was no tax liability related to income generated from activities unrelated to the University's exempt purpose as of June 30, 2015 and 2014.

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 2014 amounts have been reclassified to conform to the 2015 presentation.

Note 2: Cash and Cash Equivalents and Investments

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

TABLE 2.1 Cash and Cash Equivalents (in thousands)

Type	2015	2014
University		
Cash on hand	\$ 12	16
Cash with U.S. financial institutions	14,419	47,554
Cash with State Treasurer	131,921	120,671
Total Cash and Cash Equivalents-University	\$ 146,352	168,241
Discretely Presented Component Unit		
Cash with U.S. financial institutions	\$ 9,367	13,965
Total Cash and Cash Equivalents-DPCU	\$ 9,367	13,965

Deposits

The University deposits the majority of its cash with the Colorado State Treasurer (Treasury) pursuant to Colorado Revised Statutes (C.R.S.). The Treasury pools these deposits and invests them in securities authorized by Section 24-75-601.1, C.R.S. The Treasury acts as a bank for all state agencies and many state supported institutions of higher education. Monies deposited in the Treasury are invested until the cash is needed. As of June 30, 2015, the University had cash on deposit with the Treasury of \$131,921,000 which represented approximately 1.7 percent of the total \$7,661.8 million fair value of deposits in the State Treasury Pool (Pool). As of June 30, 2014, the University 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 Pool.

Colorado School of Mines

Notes to Financial Statements

June 30, 2015 and 2014

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 University's participation in the Pool, the University reports as an increase or decrease in cash for its share of the Treasury's unrealized gains and losses on the Pool's underlying investments. The State Treasurer does not invest any of the Pool's resources in any external investment pool, and there is no assignment of income related to participation in the Pool. The unrealized gains/losses included in income reflect only the change in fair value for the fiscal year.

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

Credit quality risk is the risk that the issuer or other counterparty to a debt security will not fulfill its obligations. This risk is assessed by national rating agencies that assign a credit quality rating for many investments. Credit quality ratings for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not reported; however, credit quality ratings are reported for obligations of U.S. government agencies that are not explicitly guaranteed by the U.S. government. Based on these parameters, as of June 30, 2015 and 2014, approximately 88.0 percent and 87.0 percent, respectively, of investments of the Pool are subject to credit quality risk reporting. Except for \$87,396,440 and \$15,235,458, respectively, of corporate bonds rated lower medium and \$25,018,750 of corporate bonds rated very speculative in 2015, these investments are rated from upper medium to the highest quality, which indicates that the issuer has strong capacity to pay principal and interest when due.

Interest rate risk is the risk that changes in the market rate of interest will adversely affect the value of an investment. In addition to statutory limitations on the types of investments, the State Treasurer's investment policy mitigates interest rate risk through the use of maturity limits set to meet the needs of the individual fund if the Treasurer is investing for a specific fund rather than the Pool. The Treasurer actively manages the time to maturity in reacting to changes in the yield curve, economic forecasts, and liquidity needs of the participating funds. The Treasurer further limits investment risk by setting a minimum/maximum range for the percentage of investments subject to interest rate risk and by laddering maturities and credit ratings. The weighted average maturity of investments in the Pool is shown in Table 2.2, Weighted Average Maturities.

Table 2.2 Weighted Average Maturities (maturities in years)

Investment Type	2015		2014	
	Weighted Average Maturity	Percent of the Treasury Pool	Weighted Average Maturity	Percent of the Treasury Pool
Commercial paper	0.063	6.3%	0.043	1.0%
U.S. Government securities	1.330	47.5	1.424	55.8
Asset-Backed securities	2.520	18.5	3.033	19.9
Corporate bonds	2.196	22.9	2.766	23.3
Money market mutual funds	0.010	4.8	-	-

The Pool was not subject to foreign currency risk or concentration of credit risk in Fiscal Years 2015 and 2014.

Colorado School of Mines

Notes to Financial Statements

June 30, 2015 and 2014

Additional information on investments of the Pool may be obtained in the State's Comprehensive Annual Financial Report for the year ended June 30, 2015.

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 University's deposits as of June 30, 2015 and 2014 are deemed to be exposed to custodial credit risk. As of June 30, 2015 and 2014, the DPCU maintained balances in various operating accounts in excess of federally insured limits totaling approximately \$9,100,000, and \$13,500,000, respectively.

Investments

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

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

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

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, 2015 and 2014, no single investment of the University exceeded 5 percent of the total investments.

Colorado School of Mines

Notes to Financial Statements

June 30, 2015 and 2014

The University's and DPCU Investments at June 30 are shown in Table 2.3 Investments.

TABLE 2.3 Investments (in thousands)

Investment Type	2015	2014
University		
Cash	\$ 1,692	930
Corporate equity securities	15,842	16,793
Hedge funds	7,230	7,479
Private equity	5,474	5,603
Corporate bond funds	3,493	3,517
Total Investments-University	\$ 33,731	34,322
Discretely Presented Component Unit		
Cash	\$ 14,188	7,684
Corporate equity securities	130,326	135,482
Hedge funds	60,627	61,803
Private equity	45,906	46,299
Corporate bond funds	29,294	29,062
Restricted Stock	370	-
Split-interest agreements	12,145	9,634
Gift annuity agreements	4,668	4,888
Beneficial interest investments	11,217	11,110
Total Investments-DPCU	\$ 308,741	305,962

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

Colorado School of Mines

Notes to Financial Statements

June 30, 2015 and 2014

Note 3: Accounts, Contributions and Loans Receivable

Table 3.1, Accounts Receivable, segregates receivables as of June 30, 2015 and 2014, by type.

TABLE 3.1 Accounts Receivable (in thousands)

Type of Receivable	2015			
	Gross Receivables	Allowance	Net Receivable	Net Current Portion
University				
Student accounts	\$ 4,058	1,291	2,767	2,767
Student loans	5,522	155	5,367	527
Federal government	8,066	-	8,066	8,066
Private sponsors	3,375	954	2,421	2,421
DPCU	1,897	-	1,897	1,897
Other	1,507	-	1,507	1,507
Total Receivable-University	\$ 24,425	2,400	22,025	17,185
Discretely Presented Component Unit				
Contributions*	\$ 38,159	3,939	34,220	3,820
Due from University	1,661	-	1,661	-
Total Receivable-DPCU	\$ 39,820	3,939	35,881	3,820
Type of Receivable	2014			
	Gross Receivables	Allowance	Net Receivable	Net Current Portion
University				
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-University	\$ 25,185	1,629	23,556	18,677
Discretely Presented Component Unit				
Contributions*	\$ 40,937	4,089	36,848	6,386
Due from University	1,743	-	1,743	-
Total Receivable-DPCU	\$ 42,680	4,089	38,591	6,386

*The allowance on the contributions receivable is comprised of uncollectible and unamortized discounts of \$1,849 and \$2,090, respectively, for June 30, 2015, and \$1,920 and \$2,169 respectively, as of June 30, 2014.

Colorado School of Mines

Notes to Financial Statements

June 30, 2015 and 2014

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, 2015 and 2014.

TABLE 4.1 Capital Assets (in thousands)

Category	Balance 2014	Additions	Deletions	Transfers	Balance 2015
Nondepreciable capital assets					
Land	\$ 7,652	-	-	-	7,652
Construction in progress	31,943	50,833	265	(37,159)	45,352
Total nondepreciable assets	39,595	50,833	265	(37,159)	53,004
Depreciable capital assets					
Land improvements	19,918	-	-	-	19,918
Buildings and improvements	336,698	-	-	36,920	373,618
Software	1,742	126	65	-	1,803
Equipment	60,668	5,746	1,462	239	65,191
Library materials	11,996	155	9	-	12,142
Intangible assets	600	-	-	-	600
Total depreciable capital assets	\$ 431,622	6,027	1,536	37,159	473,272
Category	Balance 2014	Additions	Deletions	Transfers	Balance 2015
Less accumulated depreciation					
Land improvements	\$ 9,311	735	-	-	10,046
Buildings	121,052	10,317	-	-	131,369
Software	1,241	246	44	-	1,443
Equipment	35,117	5,280	1,344	-	39,053
Library materials	11,161	183	9	-	11,335
Intangible assets	167	33	-	-	200
Total accumulated depreciation	178,049	16,794	1,397	-	193,446
Net depreciable assets	253,573	(10,767)	139	37,159	279,826
Total Net Capital Assets	\$ 293,168	40,066	404	-	332,830
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

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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

The total interest costs related to capital asset debt incurred by the University during the years ended June 30, 2015 and 2014, was \$9,151,000 and \$9,862,000, respectively. The University capitalizes interest costs as a component of construction in progress during the period of construction, based on interest costs of borrowing specifically for the project, net of interest earned on investments acquired with the proceeds of the tax-exempt debt. The total amount of interest costs capitalized as part of construction in progress during the years ended June 30, 2015 and 2014 was \$1,937,000 and \$1,939,000, respectively.

Note 5: Deferred Outflows of Resources

Table 5.1, Deferred Outflows of resources details the types and amounts of deferred outflows of resources as of June 30, 2015 and 2014.

TABLE 5.1 Deferred Outflows of Resources (in thousands)

Deferred Outflows of Resources	2015	2014
Loss on bond refundings	\$ 12,517	13,278
Components of pension liability	14,781	-
SWAP valuation	2,167	997
Total Deferred Outflows of Resources	\$ 29,465	14,275

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, 2015 and 2014.

TABLE 6.1 Accounts Payable and Accrued Liabilities (in thousands)

Type	2015	2014
Accounts payable - vendors	\$ 15,254	10,828
Accrued salaries and benefits	8,622	10,712
Accrued interest payable	722	783
Total Accounts Payable and Accrued Liabilities	\$ 24,598	22,323

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The University leases various buildings and equipment under operating lease rental agreements. Operating leases do not give rise to property rights or meet other capital lease criteria, and therefore, the related assets and liabilities are not recorded in the accompanying financial statements. For Fiscal Years 2015 and 2014, total rent expense under these agreements was \$275,000 and \$315,000, 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
2016	\$ 275
2017	190
2018	142
2019	134
2020	137
Total Operating Lease Payments	\$ 878

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

Note 7: Unearned Revenue

Table 7.1, Unearned Revenue, details the types and amounts of unearned revenue as of June 30, 2015 and 2014.

TABLE 7.1 Unearned Revenue *(in thousands)*

Type	2015	2014
Tuition and fees	\$ 5,017	4,620
Grants and contracts	9,221	8,718
Miscellaneous	886	1,137
Total Unearned Revenue	\$ 15,124	14,475

Note 8: Compensated Absences

Table 8.1, Compensated Absences, presents the changes in compensated absences for the years ended June 30, 2015 and 2014.

TABLE 8.1 Compensated Absences *(in thousands)*

	2015	2014
Beginning of the year	\$ 6,112	5,905
Additions	724	768
Adjustments/reductions	713	561
End of the year	\$ 6,123	6,112
Current Portion	\$ 575	486

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Note 9: Bonds and Leases

As of June 30, 2015 and 2014, the categories of long-term obligations are detailed in Table 9.2, Bonds and Leases Payable. Table 9.3, Changes in Bonds and Leases Payable, presents the changes in bonds and capital leases payable for the years ended June 30, 2015 and 2014.

Revenue Bonds

A general description of each revenue bond issue, original issuance amount, and the amount outstanding as of June 30, 2015 and 2014 is detailed in Table 9.4, Revenue Bond Detail.

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

The revenue bonds are secured by a pledge of all net revenues as defined by the bond documents. As of June 30, 2015 and 2014, net auxiliary pledged revenues, total net pledged revenues, and the associated debt service coverage are shown in Table 9.1, Net Pledged Revenues. The University's net pledged revenues will continue to be pledged for the life of the associated revenue bonds as detailed in Table 9.2, Bonds, Notes, and Leases Payable. The outstanding principal and interest of the related pledged debt is detailed in Table 9.5, Revenue Bonds Future Minimum Payments. The University believes it is in compliance with all existing pledged revenue requirements of its outstanding bonds.

TABLE 9.1 Net Pledged Revenues (in thousands)

Source of Net Pledged Revenue	2015	2014
Auxiliary Revenue Bonds		
Net auxiliary facilities	\$ 12,685	13,085
Renewal and replacement fund	612	622
Net auxiliary pledged revenues	\$ 13,297	13,707
Prior obligation auxiliary debt service	780	867
Prior obligation auxiliary debt service coverage	17.05	15.81
Parity Bond Obligations		
Institutional Enterprise Revenue Bonds		
Student tuition (10 percent)	\$ 16,482	14,295
Student facility fees	3,274	3,152
Federal indirect cost recovery	11,682	11,507
Federal interest subsidy	1,164	1,177
Gifts	-	815
Net Institutional Enterprise Pledged Revenues	32,602	30,946
Net Pledged Revenues for Parity Debt	45,119	43,786
Total Parity Debt Service	\$ 18,577	13,456
Total Parity Debt Service Coverage	2.43	3.25

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

Source of Net Pledged Revenue	2015	2014
Subordinate Bond Obligations		
Net Pledged Revenues for Subordinate Debt	\$ 26,542	30,330
Subordinate Debt Service	1,288	1,316
Subordinate Debt Service Coverage	20.61	23.05
Percent of Pledged Revenue to Total Revenue	81%	84%
Total Debt Service Coverage	2.22	2.86

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

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

The Series 2009B, 2010B, and 2011 bonds qualify as Build America Bonds for purposes of the American Recovery and Reinvestment Act of 2009 (ARRA) signed into law on February 17, 2009. Pursuant to ARRA, for the Series 2009B and 2010B bonds, the University expects to receive a cash subsidy payment from the United States Treasury, referred to as Federal Direct Payments, equal to 35 percent of the interest payable on the bonds on or around each interest payment date. For the Series 2011 bonds, the University expects to receive Federal Direct Payments equal to 70 percent of the interest payable on the bonds on or around each interest payment date. Due to federal budget cuts that occurred during Fiscal Year 2013, the University received approximately 8.75 percent less in payments under this program. Pursuant to the Colorado Recovery Act, the Board may pledge any Federal Direct Payments received to the payments of the bonds. The Board has pledged such payments to the payment of the Series 2009B, 2010B, 2011, and 2012B bonds. In Fiscal Years 2015 and 2014, the University received \$1,164,000 and \$1,177,000, respectively, in Federal Direct Payments.

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

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The following table provides a summary of the University's long-term debt obligations as of June 30, 2015 and 2014 (in thousands):

TABLE 9.2 Bonds Payable (in thousands)

Type	Interest Rates	Final Maturity	Balance 2015	Balance 2014
Auxiliary Facilities Enterprise Revenue Bonds	2.5% - 5.4%	2028	\$ 10,866	11,621
Institutional Enterprise Revenue Bonds				
Variable Rate Demand Bonds	0.125%*	2038	40,160	40,785
Fixed Rate Bonds	3% - 6.29%	2043	138,249	147,426
Subordinate Institutional Enterprise Revenue Bonds	3.00%	2027	11,120	12,060
Total Bonds Payable			\$ 200,395	211,892

* Variable rate demand bonds are set at an adjustable rate as discussed below. The rates reflected in the table are as of June 30, 2015.

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

Table 9.3, Changes in Bonds and Leases payable presents the changes in bonds, and leases for the years ended June 30, 2015 and 2014.

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

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

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 and Leases Payable	\$ 225,417	606	14,131	211,892	6,330

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TABLE 9.4 Revenue Bond Detail (in thousands)

Issuance Description	Original Issuance Amount	Outstanding Balance 2015	Outstanding Balance 2014
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	10,882	11,095
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
Total Auxiliary Facilities Enterprise Revenue Bonds	\$ 25,244	10,882	11,640
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	16,095	17,055
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	14,235	14,770
Series 2009D -			
Used to provide bridge funding for construction of Marquez Hall Variable Rate Demand Refunding Series 2010A -	8,400	-	5,630
Used to current refund the Refunding Series 2008A	42,860	40,160	40,785
Series 2010B - Taxable Direct Payment Build America Bonds.			
Used to construct, improve, renovate and equip new academic Marquez Hall Wing and provide additional facilities	11,195	11,195	11,195
Series 2011 - Taxable Qualified Energy Conservation Bonds. Used to finance qualified conservation improvement projects	2,800	1,970	2,260
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	45,515	46,600
Total Institutional Enterprise Revenue Bonds	200,925	172,030	181,155
Subordinate Institutional Enterprise Revenue Bonds:			
Series 2012A -			
Used to fund construction of new athletic facilities	13,000	11,120	12,060
Total Subordinate Institutional Enterprise Revenue Bonds	13,000	11,120	12,060

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

Issuance Description	Original Issuance Amount	Outstanding Balance 2015	Outstanding Balance 2014
Total Revenue Bonds	\$ 239,169	194,032	204,855
Plus Premiums		6,405	7,085
Less Discounts		42	48
Total Revenue Bonds		\$ 200,395	211,892

Refunding Revenue Bond Activity

In June 2014, the University 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, 2015, 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
2016	\$ 5,460	8,667	14,127
2017	5,625	8,486	14,111
2018	5,920	8,292	14,212
2019	6,110	8,097	14,207
2020	6,275	7,901	14,176
2021 – 2025	32,480	36,600	69,080
2026 – 2030	33,310	30,674	63,984
2031 – 2035	38,980	22,764	61,744
2036 – 2040	55,095	10,913	66,008
2041 – 2045	8,910	588	9,498
Subtotal	198,165	142,982	341,147
Unaccreted interest -1999 Bonds	(4,133)		
Total Debt Service	\$ 194,032		

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Interest Rate SWAP Agreements

In Fiscal Year 2008, the University entered into a floating to fixed interest rate swap agreement (Swap Agreement) in connection with the 2008A issuance. The Swap Agreement was entered into with the objective of protecting against the potential of rising interest rates. With the issuance of the Series 2010A Refunding Bonds, the swap agreement was not terminated and was associated with the Series 2010A Refunding Bonds. The Swap Agreement has a notional amount of \$40,160,000 and \$40,785,000 and a fair value of (\$9,515,000) and (\$8,566,000) at June 30, 2015 and 2014, respectively. The Swap Agreement provides for certain payments to or from Morgan Stanley equal to the difference between the fixed rate of 3.59 percent payable by the University and 67 percent of one month USD-LIBOR-BBA, 0.125 and 0.104 percent at June 30, 2015 and 2014, 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, 2015 and 2014. 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, 2015 and 2014 was \$954,000 and \$732,000, respectively. Morgan Stanley, counterparty to the Swap Agreement, determined the fair value as of June 30, 2015 and 2014, 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 University addresses and monitors pursuant to entering into interest rate swap agreements:

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

Credit Risk – The risk that the counterparty will not fulfill its obligations. The University considers the swap agreement counterparty's (Morgan Stanley) credit quality rating and whether the counterparty can withstand continuing credit market turmoil. As of June 30, 2015, Morgan Stanley's credit rating is A3 by Moody's, A- by Standards & Poor's.

For the outstanding swap agreement the University has a maximum possible loss equivalent to the swaps' fair market value at June 30, 2015 and 2014 related to the credit risk. However, the University was not exposed to this loss because of the negative fair market value of the swaps as of June 30, 2015 and 2014. In addition, these agreements required no collateral and no initial net cash receipt or payment by the University.

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

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As of June 30, 2015, 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
2016	\$ 625	50	1,379	2,054	159
2017	675	49	1,356	2,080	157
2018	975	48	1,327	2,350	153
2019	550	47	1,302	1,899	150
2020	575	46	1,282	1,903	148
2021 – 2025	4,325	217	6,015	10,557	694
2026 – 2030	9,675	177	4,909	14,761	567
2031 – 2035	14,125	98	2,715	16,938	313
2036 – 2040	8,635	15	441	9,091	51
Total Debt Service	\$ 40,160	747	20,726	61,633	2,392

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 \$8,040,000 and \$14,975,000 as of June 30, 2015 and 2014, 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 University received \$6,748,000 for a portion of the support in the construction of an addition to the Brown Hall building. The State of Colorado is responsible for making the principal and interest payments on the COP.

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Note 10: Other Liabilities

Table 10.1, Other Liabilities, details other liabilities as of June 30, 2015 and 2014.

TABLE 10.1 Other Liabilities (in thousands)

Type	2015		2014	
	Total	Current Portion	Total	Current Portion
University				
Amounts due to the Foundation	\$ 1,746	85	1,923	180
Funds held for others	121	121	131	131
Pollution remediation	394	394	-	-
Student deposits	251	251	590	590
Miscellaneous	696	696	776	776
Total Other Liabilities - University	\$ 3,208	1,547	3,420	1,677
Discretely Presented Component Unit				
Colorado School of Mines	\$ 33,430	-	33,923	-
Other trust funds	1,100	-	1,112	-
Obligations under split-interest agreements	5,147	-	4,826	-
Obligations under gift annuity agreements	4,908	-	4,960	-
Refunded advances	64	-	96	-
Other liabilities	282	-	263	-
Total Other Liabilities - DPCU	\$ 44,931	-	45,180	-

Direct Lending

The University began participation in the Direct Student Loan program operated by the Federal government in the spring of Fiscal Year 2010. This program enables eligible students or parents to obtain a loan to pay for the student's cost of attendance directly through the University rather than through a private lender. The University is responsible for handling the complete loan process, including funds management, as well as promissory note functions. The University is not responsible for collection of these loans or for defaults by borrowers, and therefore these loans are not recognized as receivables in the accompanying financial statements. Lending activity during the years ended June 30, 2015 and 2014 under these programs were \$29,966,000 and \$29,147,000, respectively.

Note 11: Changes in Accounting Principles

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

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record as a deferred outflow of resources contributions made to the pension plan subsequent to the measurement date of the net pension liability. The University participates in the Colorado Public Employees' Retirement Association (PERA) defined benefit plan.

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

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

TABLE 11.1 Change in Beginning Net Position (in thousands)

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

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

Table 11.2 Impact on Unrestricted Net Position (in thousands)

Unrestricted Net Position, beginning of year	\$ 104,988
Cumulative effect of change in accounting principles	(234,550)
Unrestricted Net Position, beginning of year as restated	\$ (129,562)

Note 12: Pension Plan

Summary of Significant Accounting Policies

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

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Plan Description

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

Benefits Provided

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

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

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

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

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

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

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

Colorado School of Mines

Notes to Financial Statements

June 30, 2015 and 2014

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

Contributions

Eligible employees and the University are required to contribute to the SDTF at a rate set by Colorado statute. Eligible employees are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements for all employees are summarized in Table 12.1 Employer Contribution Requirements.

TABLE 12.1 Employer Contribution Requirements

	2015		2014	
	July 1 – December 31	January 1 – June 30	July 1 – December 31	January 1 – June 30
Employer Contribution Rate ¹	10.15%	10.15	10.15	10.15
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) ¹	(1.02)	(1.02)	(1.02)	(1.02)
Amount Apportioned to the SDTF ¹	9.13	9.13	9.13	9.13
Amortization Equalization Disbursement as specified in C.R.S. § 24-51-411 ¹	3.80	4.20	3.40	3.80
Supplemental Amortization Equalization Disbursement as specified in C.R.S. § 24-51-411 ¹	3.50	4.00	3.04	3.50
Total Employer Contribution Rate to the SDTF ¹	16.43%	17.33	15.53	16.43

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

Employer contributions are recognized by the SDTF in the period in which the compensation becomes payable to the member and the University is statutorily committed to pay the contributions to the SDTF. Employer contributions recognized by the SDTF from the University were \$13,663,000 for the year ended June 30, 2015. The University's required annual contribution and the actual contribution to the SDTF for the years ended June 30, 2014 and 2013 were \$11,131,000 and \$10,731,000.

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

At June 30, 2015, the University reported a liability of \$258,474,000 for its proportionate share of the NPL. The NPL was measured as of December 31, 2014, and the total pension liability used to calculate the NPL was determined by an actuarial valuation as of December 31, 2013. Standard update procedures were used to roll forward the total pension liability to December 31, 2014. The University's proportion of the NPL was based on University contributions to the SDTF for the calendar year 2014 relative to the total contributions of participating employers to the SDTF. At December 31, 2014, the University's proportion was 2.7478159772 percent. The University's proportionate share as of December 31, 2013 was 2.7014417840 percent.

Colorado School of Mines

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June 30, 2015 and 2014

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

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

Type	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	19
Net difference between projected and actual earnings on pension plan investments	5,270	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	2,692	-
Contributions subsequent to the measurement date	6,819	-
Total	\$ 14,781	19

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

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

Fiscal Year	Amount
2016	\$ 2,747
2017	2,561
2018	1,318
2019	1,317

Actuarial Assumptions

The total pension liability in the December 31, 2013 actuarial valuation was determined using the actuarial assumptions shown in Table 12.4 Actuarial Assumptions.

TABLE 12.4 Actuarial Assumptions

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

Colorado School of Mines

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June 30, 2015 and 2014

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

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

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

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

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the fixed statutory rates specified in law, including current and future AED and SAED, until the Actuarial Value Funding Ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Based on those assumptions, the SDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

Colorado School of Mines

Notes to Financial Statements

June 30, 2015 and 2014

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the NPL	331,416	258,474	197,111

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

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 \$150,000 and \$145,000 for 2015 and 2014, respectively.

Note 13: Other Postemployment Benefits and Life Insurance

Health Care Plan

Plan Description

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

Funding Policy

The University is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the University are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending June 30, 2015, June 30, 2014, and June 30, 2013, the University contributions to the HCTF were \$778,000, \$732,000 and \$680,000, respectively, equal to their required contributions for each year.

Colorado School of Mines

Notes to Financial Statements

June 30, 2015 and 2014

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. For Fiscal Year 2015, the University 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 the CHEIBA Trust. Contributions are recognized in the period due. Benefits and refunds are recognized and paid when due according to the participating plans. The fair value of the Trust's investments is based on quoted market prices from national securities exchanges.

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

Note 14: Discretely Presented Component Unit

Colorado School of Mines Foundation

Distributions made by the Foundation to the University during the years ended June 30, 2015 and 2014 were approximately \$32,927,000 and \$19,087,000, respectively. These amounts have been recorded as contributions from the Foundation and as capital grants and gifts in the accompanying financial statements. As of June 30, 2015 and 2014, the University has recorded an accounts receivable from the Foundation of \$1,897,000 and \$1,241,000, respectively. As of June 30, 2015 and 2014, the University has recorded a liability to the Foundation of \$1,746,000 and \$1,923,000, respectively.

The University is the ultimate beneficiary of substantially all restricted and trust funds held by the Foundation and is the income beneficiary of the majority of endowment funds held by the Foundation. The Foundation also manages a portion of University's endowments. The University has endowments and other assets held by the Foundation approximating \$33,430,000 and \$33,923,000 as of June 30, 2015 and 2014, respectively.

Note 15: Commitments and Contingencies

Commitments

Contracts have been entered into for the purpose of planning, acquiring, constructing and equipping certain building additions and other projects, with outstanding amounts totaling approximately \$20,203,000 as of June 30, 2015. These commitments will be funded or financed by donor contributions, state appropriations, existing revenue bonds, and other campus resources.

Colorado School of Mines

Notes to Financial Statements

June 30, 2015 and 2014

Claims and Litigation

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

In Fiscal Year 2014, the University settled with several PRP's regarding the cost of the remediation work for \$11,058,000. The University continues to pursue additional recovery of its outstanding cleanup costs from other responsible parties.

The University has obtained a policy of environmental impairment liability insurance for an area that includes the site through Zurich Insurance. It has provided notice to Zurich regarding CDPHE's termination of all Radioactive Materials Licenses covering the site, and advised that it is the University's position that CDPHE's action constitutes a "no further action" or equivalent confirmation from the regulatory entity. Based on this, the University 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 connection with this request, the University received a letter from CDPHE dated June 30, 2015, which stated, "[b]ased on information presented in the Groundwater Report, as well as upon the Radiation Program's technical evaluation of the uranium data and monitoring of the cleanup progress during site visits, the Program finds that the cleanup goals have been achieved."

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

Colorado School of Mines

Notes to Financial Statements

June 30, 2015 and 2014

Government Grants

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

Note 16: Risk Management

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

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

Note 17: Legislative Appropriations

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

For the years ended June 30, 2015 and 2014, appropriated expenses were within the authorized spending authority. For the years ended June 30, 2015 and 2014, the University had a total appropriation of \$20,503,000 and \$18,572,000, respectively. For years ended June 30, 2015 and 2014, the University's appropriated funds consisted of \$6,194,000 and \$5,177,000, respectively, received from students that qualified for stipends from the College Opportunity Fund, \$12,475,000 and \$11,636,000, respectively, as fee-for-service contract revenue \$1,834,000 and \$1,759,000, respectively, for the operations of the Colorado Geological Survey. All other revenues and expenses reported by the University represent non-appropriated funds. Non-appropriated funds include tuition and fees, grants and contracts, gifts, indirect cost recoveries, auxiliary revenues and other revenue sources.

Colorado School of Mines
Required Supplementary Information

June 30, 2015

Required Supplementary Information

Colorado School of Mines
Required Supplementary Information

June 30, 2015

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

Calendar Year	Proportionate (percentage) of the Collective NPL	Proportionate Share of the Collective Pension Liability	Covered Employee Payroll	Proportionate Share of the NPL as a Percentage of Covered Employee Payroll	Plan Fiduciary Net Pension as a Percentage of the Total Pension Liability
2014	2.7478159772%	\$ 258,474	\$ 74,014	363.32%	59.84%
2013	2.7014417840%	240,644	68,527	346.00	61.08

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

As of June 30	Statutorily Required Contributions	Contributions Related to the Statutorily Required Contribution	Contribution deficiency (excess)	Covered Employee Payroll	Contribution as a Percentage of Covered Employee Payroll
2015	\$ 13,648	13,648	-	76,271	17.89%
2014	12,204	12,204	-	71,143	17.15
2013	10,731	10,731	-	67,566	15.88
2012	7,731	7,731	-	62,962	12.28
2011	7,136	7,136	-	61,456	11.61
2010	7,892	7,892	-	60,759	12.99
2009	7,273	7,273	-	54,393	13.37
2008	6,112	6,112	-	54,431	11.23
2007	5,404	5,404	-	49,578	10.90
2006	4,874	4,874	-	45,770	10.65



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

Members of the Legislative Audit Committee:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of Colorado School of Mines (the University), an institution of higher education of the State of Colorado, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated November 23, 2015. Our report includes a reference to other auditors who audited the financial statements of the Colorado School of Mines Foundation, Inc., as described in our report on the University's financial statements. The financial statements of the Colorado School of Mines Foundation, Inc. were not audited in accordance with *Government Auditing Standards*. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Broomfield, Colorado
November 23, 2015



November 23, 2015

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

Ladies and Gentlemen:

We have audited the financial statements of the business-type activities and the discretely presented component unit of the Colorado School of Mines (the University), an institution of higher education of the State of Colorado, as of and for the year ended June 30, 2015, and have issued our report thereon dated of November 23, 2015. Our report includes a reference to other auditors. Other auditors audited the financial statements of the Colorado School of Mines Foundation, Inc. (the Foundation) discretely presented component unit and the Foundation's financial statements were not audited in accordance with *Government Auditing Standards*. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards* as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant audit findings

Qualitative aspects of accounting practices

Accounting policies

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

As described in Note 1, the University adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and the related GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. The impact of these standards was the University's recognition of its proportionate share of the state pension plan's net pension liability and the deferral of its contributions to the plan subsequent to the measurement date of the plan's net pension liability. The impact of this standard is detailed in Note 11 of the financial statements.

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

Accounting estimates

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

- Accounts and loans receivable are recorded net of estimated uncollectible amounts, approximating anticipated losses. Individual accounts are written off against the allowance when collection of the account appears doubtful.
- Capital assets are depreciated using the straight-line method and monthly convention over the estimated useful lives of the assets. Estimated useful lives range from 3 to 40 years.
- Fair value of short and long-term investments – Fair value of U.S. government securities, mutual funds, stocks, and bonds is the market value based on quoted market prices. For alternative investments, which include hedge funds and private equity investments, fair values are based on the net asset value reported by each fund because it serves as a practical expedient to estimate the fair value of the University's interest.
- Management's estimate of the interest rate swap liability is based on a third party model that uses a discounted forecasted cash flows method.
- Compensated absences and related personnel expenses are recognized based on estimated balances due to employees upon termination or retirement. The limitations on such payments are defined by the rules associated with the personnel systems at the University. Employees accrue and vest in vacation and sick leave earnings based on their hire date and length of service.
- Management's estimate of the net pension liability related to its pension plan is based on actuarial assumptions and other inputs as described in Note 13 to the financial statements. We evaluated the key factors and assumptions used to develop the net pension liability in determining that it is reasonable in relation to the financial statements taken as a whole.

We reviewed and tested management's procedures and underlying supporting documentation in the areas discussed above and evaluated the key factors and assumptions used to develop the estimates noted above in determining that they are reasonable in relation to the financial statements taken as a whole. We concluded that the accounting estimates and management judgments appeared to consider all significant factors and resulted in appropriate accounting recognition.

Financial statement disclosures

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

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

Difficulties encountered in performing the audit

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

Uncorrected misstatements

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

Corrected misstatements

Management did not identify and we did not notify them of any financial statement misstatements detected as a result of audit procedures.

Disagreements with management

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

Management representations

We have requested certain representations from management that are included in the management representation letter dated November 23, 2015.

Management consultations with other independent accountants

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

Significant issues discussed with management prior to engagement

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

Audits of group financial statements

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

Quality of component auditor's work

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

Limitations on the group audit

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

Other information in documents containing audited financial statements

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

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

* * *

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Broomfield, Colorado
November 23, 2015