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

Financial Audit
Years Ended June 30, 2017 and 2016

Compliance Audit
Year Ended June 30, 2017

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Colorado School of Mines

Report Summary

Year Ended June 30, 2017

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, 2017. CliftonLarsonAllen performed this audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We conducted the related fieldwork from June 2017 to October 2017.

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, 2017 and 2016. This includes a report on internal control over financial reporting and compliance and other matters based on the audit of the financial statements performed in accordance with *Government Auditing Standards*.

- Evaluate compliance with laws, regulations, contracts, and grants governing the expenditure of federal and state funds.

- Evaluate progress in implementing prior audit findings and recommendations.

The University's schedule of expenditures of federal awards and applicable opinions thereon, issued by the Office of the State Auditor, State of Colorado, are included in the June 30, 2017 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, 2017 and 2016.

Three audit adjustments were proposed and made to the financial statements of the University. The audit adjustments are listed on page 66 of this report.

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, 2017

Summary of Progress in Implementing Prior Year Audit Recommendations

There were no findings or recommendations to be reported under *Governmental Auditing Standards* for the fiscal year ended June 30, 2016.

Description of the Colorado School of Mines (Unaudited)
Year Ended June 30, 2017

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
2017	3,399	2,423	5,822
2016	3,456	2,353	5,809
2015	3,412	2,117	5,529

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
2017	464	592	1,056
2016	515	552	1,067
2015	470	548	1,018

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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 years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits and the reports of other auditors. We did not audit the financial statements of the Colorado School of Mines Foundation, Inc. (the Foundation), a discretely presented component unit, discussed in Note 1 to the financial statements, for the years ended June 30, 2017 and 2016. Those financial statements were audited by another auditor, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of another auditor. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards.*

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

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

Opinions

In our opinion, based on our audits and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Colorado School of Mines as of June 30, 2017 and 2016, and the respective changes in financial position, and where applicable, cash flows thereof for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the University, an institution of higher education of the State of Colorado, are intended to present the financial position, the changes in financial position, and cash flows of only that portion of the business-type activities of the State of Colorado that is attributable to the transactions of the University. They do not purport to, and do not, present fairly the financial position of the State of Colorado as of June 30, 2017 and 2016, the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2017 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Broomfield, Colorado
November 20, 2017

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

Management is pleased to present this financial discussion and analysis of the Colorado School of Mines (University). It is intended to make the University's financial statements easier to understand and communicate the University's financial situation in an open and accountable manner. It provides an objective analysis of the University's financial position (Statements of Net Position) and results of operations (Statements of Revenues, Expenses, and Changes in Net Position) as of and for the years ended June 30, 2017 and 2016 (Fiscal Years 2017 and 2016, respectively) with comparative information for Fiscal Year 2015. University management is responsible for the completeness and fairness of this discussion and analysis and the financial statements, as well as the underlying system of internal controls.

Understanding the Financial Statements

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

- **Independent Auditors' Report** presents unmodified opinions prepared by our auditors, an independent certified public accounting firm, on the fairness, in all material respects, of our financial statements.

- **Statements of Net Position** present the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the University at a point in time. Their purpose is to present a financial snapshot of the University. They aid readers in determining the assets available to continue the University's operations; how much the University owes to employees, vendors and creditors; and a picture of net positions and their availability for expenditure by the University.

- **Statements of Revenues, Expenses and Changes in Net Position** present the total revenues earned and expenses incurred by the University for operating, nonoperating, and other related activities during a period of time. Their purpose is to assess the University's operating and nonoperating activities.

- **Statements of Cash Flows** present the cash receipts and disbursements of the University during a period of time. Their purpose is to assess the University's ability to generate net cash flows to meet its obligations as they come due.

- **Notes to the Financial Statements** present additional information to support the financial statements and are commonly referred to as "Notes." Their purpose is to clarify and expand on the information in the financial statements. Notes are referenced in this discussion and analysis to indicate where details of the financial highlights may be found.

- **Required Supplementary Information (RSI)** presents additional information that differs from the basic financial statements. In this report, the RSI includes schedules on the University's proportionate share of the Public Employees Retirement Association (PERA) pension liability and related information.

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

Colorado School of Mines Foundation, Incorporated (the Foundation), which is a required presentation by accounting standards. The Foundation is not included in this financial discussion and analysis.

Financial Highlights

Selected financial highlights for Fiscal Year 2017 include:

- Total University assets increased by 3.6 percent, total University liabilities increased by 40.3 percent and total net position decreased by 158.8 percent. The decrease in net position and the deficit in unrestricted net position is the result of increases in the University's proportionate share of the net pension liability.
- The University's net pension liability increased 79.6 percent, which also resulted in an increase in the deferred outflows and a decrease in deferred inflows of resources.
- Operating revenues increased by 1.4 percent while operating expenses increased by 34.4 percent. The increase in operating expenses is primarily associated with the increase in the net pension liability.
- The University is engaged in several major construction projects including the CoorsTek Center for Applied Science and Engineering and the Heating Plant Renovation.

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

Statements of Net Position

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

Colorado School of Mines

Management's Discussion and Analysis

(unaudited)

Table 1 - Condensed Statements of Net Position as of June 30, 2017, 2016, and 2015 *(all dollars in thousands)*

				Increase (Decrease)			
				2017 vs 2016		2016 vs 2015	
	2017	2016	2015	Amount	Percent	Amount	Percent
Assets							
Cash and restricted cash	$ 131,050	143,132	146,352	(12,082)	(8.4%)	$ (3,220)	(2.2%)
Other noncapital assets	62,631	61,821	59,222	810	1.3	2,599	4.4
Net capital assets	385,650	354,018	332,830	31,632	8.9	21,188	6.4
Total Assets	**$ 579,331**	**558,971**	**538,404**	**20,360**	**3.6%**	**$ 20,567**	**3.8%**
Deferred Outflows of Resources	**$ 188,537**	**59,432**	**29,465**	**129,105**	**217.2%**	**$ 29,967**	**101.7%**
Liabilities							
Non-debt liabilities	$ 582,356	341,811	307,527	240,545	70.4%	$ 34,284	11.1%
Debt liabilities	212,313	224,708	209,910	(12,395)	(5.5)	14,798	7.0
Total Liabilities	**$794,669**	**566,519**	**517,437**	**228,150**	**40.3%**	**$ 49,082**	**9.5%**
Deferred Inflows of Resources	**$ 1,638**	**3,516**	**19**	**(1,878)**	**(53.4%)**	**$ 3,497**	**18,405%**
Net Position							
Net investment in capital assets	$ 199,521	174,605	161,559	24,916	14.3%	$ 13,046	8.1%
Restricted:							
Nonexpendable purposes	6,329	6,335	6,336	(6)	(0.1)	(1)	0.0
Expendable purposes	19,573	20,109	21,846	(536)	(2.7)	(1,737)	(8.0)
Unrestricted	(253,862)	(152,681)	(139,328)	(101,181)	(66.3)	(13,353)	9.6
Total Net Position	**$ (28,439)**	**48,368**	**50,413**	**(76,807)**	**(158.8%)**	**$ (2,045)**	**(4.1%)**

Assets

Cash and restricted cash comprises approximately 67.7 percent and 69.8 percent of the University's total noncapital assets as of June 30, 2017 and 2016, respectively. Restricted cash of $21,169,000 and $37,785,000, as of June 30, 2017 and 2016, 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.

Non-Debt Liabilities

The University's non-debt related liabilities totaling $582,356,000 and $341,811,000 as of June 30, 2017 and 2016, respectively, comprise 73.3 percent and 60.3 percent, respectively, of the total liabilities. The net pension liability comprises 91.4 percent and 86.7 percent, respectively, of total non-debt related liabilities. Each year, the University records its share of the statewide net pension liability. Over the last three years, the University's net pension liability increased 79.6 percent from 2016 to 2017 and 12.8 percent from 2015 to 2016. The significant increase from 2016 to 2017 was primarily due to actuarial changes to the plan as well as a change in the discount rate used to calculate the net position of the plan. 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 the Public Employees Retirement Association of Colorado (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 tuition and fees represent cash collected for the summer term that extends beyond the end of the fiscal year. Unearned sponsored project revenue represents amounts paid by grantors and contractors for which the University has not yet met all of the requirements for revenue recognition. These amounts will be recognized as revenue in future periods after all requirements have been satisfied. See Note 7 for additional information on the University's unearned revenues.

The non-debt related liabilities increased from 2016 to 2017 and from 2015 to 2016 due mainly to the increase in net pension liability of $235,940,000 and $37,801,000, respectively.

Net Position

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

- The largest category of net position relates to the University's net investment in capital assets. This consists of the University's capital assets less accumulated depreciation and related debt issued to fund the purchase or construction of those assets. This amount represents the University's investments in campus facilities and equipment that is necessary to carry out the teaching, research, and student centered mission of the University. The increases in each of the past three years reflect the University's commitment to improving the students' on campus experience through new and renovated student and academic facilities along with various infrastructure improvements. Additional discussion on the University's capital activity is included in the Capital Assets and Debt Management section of this discussion and analysis.

- Net position restricted for nonexpendable purposes represents gift funds received from donors whereby the donor has specified the original principal be set aside for perpetual investment (endowment) with a set amount of spendable distribution based on University policy. The majority of the endowment assets benefiting the University are managed by the Foundation, which is a discretely presented component unit. See Note 1.

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

- Unrestricted net position represents the amount available for spending for any appropriate and necessary 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 negative unrestricted net position reflects the recording of the University's proportionate share of the statewide net pension liability and the associated pension expenses beyond the University's annual required contributions. Table 2 – Unrestricted Net Position reflects the impact on the University's unrestricted net position of recording the net pension liability and associated deferred outflows and inflows of resources.

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

	6/30/17	6/30/16
Unrestricted net position with pension impact	$ (253,862)	(152,681)
Cumulative effect on unrestricted net position associated with the net pension liability	360,662	260,475
Unrestricted Net Position without Pension Impact	$ 106,800	$ 107,794

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

Table 3 - Condensed Statements of Revenues, Expenses and Changes in Net Position for Years Ended June 30, 2017, 2016, and 2015
(all dollars in thousands)

				Increase (Decrease)			
				2017 vs 2016		2016 vs 2015	
	2017	2016	2015	Amount	Percent	Amount	Percent
Operating revenues	$ 222,108	219,075	211,056	$ 3,033	1.4%	$ 8,019	3.8%
Operating expenses	338,784	252,028	232,387	86,756	34.4	19,641	8.5
Operating Loss	(116,676)	(32,953)	(21,331)	(83,723)	(254.1)	(11,622)	(54.5)
Net nonoperating revenues	24,692	18,430	19,802	6,262	34.0	(1,372)	(6.9)
Loss Before Other Revenues	(91,984)	(14,523)	(1,529)	(77,461)	(533.4)	(12,994)	(849.8)
Other revenues	15,177	12,478	16,243	2,699	21.6	(3,765)	(23.2)
Increase (decrease) in Net Position	(76,807)	(2,045)	14,714	(74,762)	(3,655.8)	(16,759)	(113.9)
Net Position, beginning of year	48,368	50,413	270,249	(2,045)	(4.1)	(219,836)	(81.3)
Adjustment for change in accounting principle	-	-	(234,550)	-	-	234,550	100.00
Net Position, End of Year	**$ (28,439)**	**48,368**	**50,413**	**(76,807)**	**(158.8%)**	**$ (2,045)**	**(4.1%)**

Table 4 - Operating and Nonoperating Revenues for the Years Ended June 30, 2017, 2016, and 2015 provides gross operating and nonoperating (noncapital) revenues by major sources. As Table 4 shows, the University's total operating revenues increased 1.4 percent and 3.8 percent for Fiscal Years 2017 and 2016, respectively, and net nonoperating revenues increased 34.0 percent over last fiscal year and decreased 6.9 percent from Fiscal Years 2015 to 2016.

Table 4 - Operating and Nonoperating Revenues for Years Ended June 30, 2017, 2016, and 2015 *(all dollars in thousands)*

				Increase (Decrease)			
				2017 vs 2016		2016 vs 2015	
	2017	2016	2015	Amount	Percent	Amount	Percent
Operating Revenues							
Student tuition and fees, net	$ 123,886	118,871	118,301	$ 5,015	4.2%	$ 570	0.5%
Grants and contracts	56,262	59,932	55,998	(3,670)	(6.1)	3,934	7.0
Fee-for-service	14,706	14,390	12,475	316	2.2	1,915	15.4
Auxiliary enterprises, net	23,655	22,314	21,304	1,341	6.0	1,010	4.7
Other operating	3,599	3,568	2,978	31	0.9	590	19.8
Total Operating Revenues	222,108	219,075	211,056	3,033	1.4	8,019	3.8
Nonoperating Revenues							
State appropriations	3,351	2,898	1,858	453	15.6	1,040	56.0
Gifts	20,346	19,931	20,258	415	2.1	(327)	(1.6)
Investment income, net	5,551	(361)	890	5,912	1,637.7	(1,251)	(140.6)
Federal nonoperating	4,058	4,081	4,367	(23)	(0.6)	(286)	(6.5)
Other nonoperating, net	594	165	155	429	260.0	10	6.5
Total Nonoperating Revenues	33,900	26,714	27,528	7,186	26.9	(813)	(3.0)
Total Revenues (noncapital)	**$256,008**	**245,789**	**238,584**	**10,219**	**4.2%**	**$ 7,205**	**3.0%**

The University has experienced increases in most sources of operating revenues over the past three years. The increase in student tuition and fees reflects a combination of increases in tuition rates and enrollment (see Tables 13 and 14) which offset decreases experienced in the University's continuing education program. The decrease in grants and contracts revenue from Fiscal Year 2016 to 2017 reflects the current economic challenges in the oil and gas industry and a conversion of revenue to in-kind contribution of services which are not recognized in the University's financial statements.

Student Tuition and Fees (net) increased 0.5 percent from Fiscal Year 2015 to 2016 due to a decline in continuing education revenue associated with the decline in the energy and commodities market along with an increase in scholarship allowance. Grants and Contracts revenue for Fiscal Year 2016 increased 7.0 percent over Fiscal Year 2015 reflecting the impact of the Federal Government shutdown in Fiscal Year 2014 causing delays in the government issuing federal awards resulting in less federal revenue in Fiscal Year 2015. The University remains committed to increasing its focus and national role as a research institution. In Fiscal Year 2017, the University secured research awards of $56,795,000 compared to $60,200,000 in Fiscal Year 2016 and $63,900,000 in Fiscal Year 2015. The decrease in federal awards reflects the ongoing uncertainty at the federal level on the overall federal budget and the continued existence of certain federal agencies and programs. Approximately $8 million of federal awards anticipated to be received in Fiscal Year 2017 were delayed until Fiscal Year 2018 due to this uncertainty. The University continues to focus on securing funding from both federal and private industry sources as additional resources are focused towards research. Revenue from the Federal Government represents approximately 67.1 percent and 60.1 percent of total grants and contracts revenue for Fiscal Years 2017 and 2016, respectively. Revenue generated from grants and contracts also benefit the University in that they generally allow for reimbursement of a portion of any related administrative and facility overhead costs. In Fiscal Years 2017 and 2016, the University received approximately $11,896,000 and $11,966,000, respectively, of such administrative and facility overhead costs reimbursements.

The University receives funding from the State of Colorado in two ways; (1) fee-for-service contracts with the Department of Higher Education and (2) stipends to qualified undergraduate students used to pay a portion of tuition. Funding in Fiscal Years 2017 and 2016 related to fee-for-service contracts increased by $316,000 and $1,915,000, respectively. The level of funding received from the State is dependent on the State's budgetary process and decisions.

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

Table 5 – College Opportunity Fund – Undergraduate Student Stipends

	2017	2016	2015
Student stipends	$5,933,000	6,157,000	6,194,000
Stipend allotment	$75/hour	$ 75/hour	$ 74/hour
Stipend eligible hours	79,107.50	82,100.75	82,858.50

Nonoperating revenues can fluctuate from year to year due to the types of revenues being recognized.

Over the past three fiscal years, gift revenues, received primarily from the Foundation, has remained flat. The University has experienced fluctuations in investment income over the last three fiscal years due to continued fluctuations in the financial markets that impact the fair market value of the University's investments held by the Foundation and amounts held by the State Treasurer. The University experienced unrealized gains (losses) in Fiscal Years 2017, 2016, and 2015 of $4,235,000, ($1,581,000), and ($179,000), respectively. The realized investment income was $1,792,000, $1,498,000, and $1,884,000, respectively, for this same periods. Federal nonoperating revenues consist of interest subsidies received for taxable Build America Bonds (BAB) issued by the University and financial aid received under the Pell program. The University received $1,150,000, $1,161,000, and $1,164,000 in federal interest subsidies in Fiscal Years 2017, 2016, and 2015, respectively. The amount of federal subsidies is tied to the interest payments being made on the bonds. The decrease in revenue experienced during the past three years reflects the decrease in interest payments being made on the bonds. Revenues from the Pell program for Fiscal Years 2017, 2016, and 2015 were $2,908,000, $2,921,000, and $3,203,000, respectively. Revenues fluctuate based on student activity in the Pell program each year.

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

Table 6 - Operating Expenses by Function and Natural Classifications for Years Ended June 30, 2017, 2016, and 2015 *(all dollars in thousands)*

				Increase (Decrease)			
				2017 vs 2016		2016 vs 2015	
	2017	**2016**	**2015**	**Amount**	**Percent**	**Amount**	**Percent**
By Functional Expense							
Education and General							
Instruction	$ 119,702	79,830	73,685	39,872	49.9%	$ 6,145	8.3%
Research	61,034	48,891	46,923	12,143	24.8	1,968	4.2
Public service	1,215	327	448	888	271.6	(121)	(27.0)
Academic support	28,209	21,544	18,934	6,665	30.9	2,610	13.8
Student services	10,941	8,242	7,309	2,699	32.7	933	12.8
Institutional support	34,867	23,339	18,240	11,528	49.4	5,099	28.0
Operation and maintenance of plant	27,419	23,994	22,720	3,425	14.3	1,274	5.6
Scholarships and fellowships	1,381	1,177	1,484	204	17.3	(307)	(20.7)
Total Education and General	284,768	207,344	189,743	77,424	37.3	17,601	9.3
Auxiliary enterprises	35,434	26,513	25,866	8,921	33.6	647	2.5
Depreciation and amortization	18,582	18,171	16,778	411	2.3	1,393	8.3
Total Operating Expenses	**$ 338,784**	**252,028**	**232,387**	**86,756**	**34.4%**	**$ 19,641**	**8.5%**
By Natural Classification							
Salaries and benefits	$ 254,386	168,674	151,734	85,712	50.8%	$ 16,940	11.2%
Operating expenses	65,816	65,183	63,875	633	1.0	1,308	2.0
Depreciation	18,582	18,171	16,778	411	2.3	1,393	8.3
Total Operating Expenses	**$ 338,784**	**252,028**	**232,387**	**86,756**	**34.4%**	**$ 19,641**	**8.5%**

Total operating expenses increased by 34.4 percent from Fiscal Year 2016 to 2017 and by 8.5 percent from Fiscal Year 2015 to 2016. The increases in the past two years are attributed to the following:

- Increases in salaries in support of the teaching and research missions and the administration of the University. The salary increases of $4,536,000 results from a combination of merit increases and hiring new faculty and staff to address operational demands.
- Increases in benefit related expenses. In Fiscal Year 2017, the University recorded $100,188,000 of pension related expenses compared to $27,508,000 for Fiscal Year 2016. These pension related expenses impact most of the functional expense categories.
- Increased depreciation expense as the University continues its investment in new buildings and improved infrastructure.

Excluding the impact of recording pension expense related to the net pension liability described in the second bullet above, total operating expenses increased by 1.3 percent from Fiscal Year 2016 to Fiscal Year 2017 and 5.3 percent from Fiscal Year 2015 to Fiscal Year 2016.

The amounts reported for scholarships and fellowships expenses do not reflect the actual resources dedicated to student aid. The majority of the University's financial aid resources are applied to the students' accounts, which do not result in a disbursement to the student. Financial aid applied to student accounts are netted against tuition and fee revenue as scholarship allowance. The University's total financial aid resources benefiting students were $32,793,000, $30,092,000, and $27,436,000, in Fiscal Years 2017, 2016, and 2015, respectively.

Capital Assets and Debt Management

As indicated in Table 7 - Capital Asset Categories, the University's capital assets consist of land, works of art, construction in progress, land improvements, buildings and improvements, software, equipment, library materials, and intangible assets with a gross book value of $610,596,000, $562,555,000, and $526,276,000 at June 30, 2017, 2016 and 2015, respectively. Accumulated depreciation on depreciable assets totaled $224,946,000, $208,537,000, and $193,446,000, respectively. The University continues to invest in academic and auxiliary facilities to enhance the educational and campus experience for students. During the construction of a project, costs are accumulated in construction in progress. Upon completion of the project, the costs are moved out of construction in progress into the appropriate asset classification.

Table 7 - Capital Asset Categories (before depreciation) as of June 30, 2017, 2016, and 2015 *(all dollars in thousands)*

				Increase (Decrease)			
				2017 vs 2016		2016 vs 2015	
	2017	2016	2015	Amount	Percent	Amount	Percent
Land	$ 8,811	7,652	7,652	1,159	15.1%	$ -	0.0%
Works of art	202	187	-	15	8.0	187	100
Construction in progress	64,671	31,403	45,352	33,268	105.9	(13,949)	(30.8)
Land improvements	22,118	20,153	19,918	1,965	9.8	235	1.2
Buildings & improvements	424,470	416,748	373,618	7,722	1.9	43,130	11.5
Software	2,370	2,028	1,803	342	16.9	225	12.5
Equipment	74,944	71,509	65,191	3,435	4.8	6,318	9.7
Library materials	12,410	12,275	12,142	135	1.1	133	1.1
Intangible	600	600	600	-	0.0	-	0.0
Total Capital Assets	**$ 610,596**	**562,555**	**526,276**	**48,041**	**8.5%**	**$ 36,279**	**6.9%**

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

Completed Projects

- Elm Street Residence and Dining Hall. This is a 209 bed residence hall and 600 seat student dining facility. This was a $34,000,000 debt financed project that will be repaid by revenues generated by the University's housing and dining operations. The new residence hall was placed into service in September 2014 and the dining hall was placed in service in January 2015.

- Starzer Welcome Center. This is the new headquarters of the Foundation, the Colorado School of Mines Alumni Association, and the University's Undergraduate Admissions Office. The $11,268,000 project was funded from a combination of donations, debt financing, and University resources. The debt issued to finance a portion of the project will be repaid from rent received from the Foundation. The Starzer Welcome Center was placed into service in November 2015.

- Clear Creek Athletic Complex. The project constructed and equipped the Harold and Patricia Korrel Athletic Center, a contemporary football stadium including coaches' offices, locker rooms, training facilities and meeting rooms for more than 200 football and track and field athletes. The Center also houses offices, event facilities, and functional space for club sports and intramurals. The Complex also includes the new Marv Kay football stadium along with a new soccer building with locker and restroom facilities, conference rooms, and a press box. This $25,256,000 project was funded from a combination of gifts, debt financing, and University resources. The Clear Creek Athletic Complex was placed into service in September 2015.

Active Projects

- The CoorsTek Center for Applied Science and Engineering. The University broke ground on a $52,426,000 academic and research building that will bring together interdisciplinary instructors and researchers in biotechnology, materials characterization and nuclear engineering. This new facility will also serve as the new home for the University's Physics program and the College for Applied Science and Engineering. The project is funded through a significant private donation, a State appropriation, and University resources. The CoorsTek Center for Applied Science and Engineering is anticipated to be placed into service in the fall of 2017.

- Heating Plant Renovation. This is a $13,454,000 project to upgrade the University's heating and cooling plant facilities funded by a State appropriation and University resources. The renovation will be complete in the fall of 2017.

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

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

Project Description	Financing Sources	Budget
The CoorsTek Center for Applied Science and Engineering	Gifts, State appropriation, University resources	$ 52,426
Heating Plant Renovation	State appropriation, University resources	13,454
Campus Generators	Debt financing	6,025
18th Street Plaza	University resources	2,075
Parking Garage Planning	State appropriation, University resources, Debt financing	1,840

In addition to operating and nonoperating revenues, the University received capital revenues in the amount shown in Table 9 – Capital Revenues. The changes in capital appropriations and contributions from the State over the three years is related to the construction of the CoorsTek Center for Applied Science and Engineering ($7,882,000) and the Heating Plant Renovation ($2,162,000). At the end of Fiscal Year 2017, the University has received the full amount of State appropriations for these two projects, $14,600,000 and $6,500,000, respectively. The increase in capital grants and gifts received from Fiscal Year 2016 to 2017 results from donations received to fund the CoorsTek Center for Applied Science and Engineering and to fund debt services on the Starzer Welcome Center. The decrease in capital grants and gifts from Fiscal Year 2015 to 2016 is due to the completion of the Clear Creek Athletic Complex and the Starzer Welcome Center.

Table 9 – Capital Revenues for the Years Ended June 30, 2017, 2016, and 2015 *(all dollars in thousands)*

				Increase (Decrease)			
				2017 vs 2016		2016 vs 2015	
Revenue Classification	**2017**	**2016**	**2015**	**Amount**	**Percent**	**Amount**	**Percent**
Capital appropriations and contributions from the State	$ 9,441	10,044	1,760	(603)	(6.0%)	$ 8,284	470.7%
Capital grants and gifts	4,880	2,414	13,827	2,466	102.2	(11,413)	(82.5)
Total Capital Revenues	**$ 14,321**	**12,458**	**15,587**	**1,863**	**15.0%**	**$ (3,129)**	**(20.1%)**

Table 10 – Deferred Outflows/Inflows of Resources details the types and amounts of such activity. In accordance with accounting standards, the University is required to separately disclose the change in the fair market value of the interest rate swap. As of June 30, 2017, 2016, and 2015, the outstanding swap had a fair market value of $(9,251,000), ($13,222,000), and ($9,515,000), respectively.

Table 10 – Deferred Outflows/Inflows of Resources at June 30, 2017, 2016, and 2015 *(all dollars in thousands)*

				Increase (Decrease)			
				2017 vs 2016		2016 vs 2015	
Type	**2017**	**2016**	**2015**	**Amount**	**Percent**	**Amount**	**Percent**
Loss on bond refunding	$ 12,975	14,012	12,517	(1,037)	(7.4%)	$ 1,495	11.9%
Components of net pension liability	173,191	39,316	14,781	133,875	340.5	24,535	166.0
SWAP valuation	2,371	6,104	2,167	(3,733)	(61.2)	3,937	181.7
Total Deferred Outflows of Resources	**$ 188,537**	**59,432**	**29,465**	**129,105**	**217.2%**	**$ 29,967**	**101.7%**
Components of net pension liability	$ 1,638	3,516	19	(1,878)	(53.4%)	3,497	18,405.3%
Total Deferred Inflows of Resources	**$ 1,638**	**3,516**	**19**	**(1,878)**	**(53.4%)**	**$ 3,497**	**18,405.3%**

Certain amounts associated with recording the University's proportionate share of the net pension liability are required to be reported as either a deferred outflow or deferred inflow of University resources. These deferred outflows or inflows of resources are amortized to expense over a period of years depending on the specific type. See Note 12 and the RSI for additional information.

The University's long-term obligations, both current and noncurrent portions, as shown in Table 11 – Long-Term Debt Categories, are comprised principally of various revenue bonds issued to finance construction of the capital assets discussed above. As of June 30, 2017, 2016, and 2015, bonds and capital leases payable of $203,062,000, $211,486,000, and $200,395,000, respectively, were outstanding.

Table 11 – Long-Term Debt Categories at June 30, 2017, 2016, and 2015 *(all dollars in thousands)*

				Increase (Decrease)			
				2017 vs 2016		2016 vs 2015	
Debt Type	**2017**	**2016**	**2015**	**Amount**	**Percent**	**Amount**	**Percent**
Revenue bonds	$ 203,008	211,389	200,395	(8,381)	(4.0%)	$ 10,994	5.5%
Capital leases	54	97	-	(43)	(44.3)	97	100.0
Total Long-Term Debt	**$ 203,062**	**211,486**	**200,395**	**(8,424)**	**(4.0%)**	**$ 11,091**	**5.5%**

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

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

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.

Revenue increases in Fiscal Year 2018 will continue to be moderate. The University will see a slight increase in financial support from the State as well as a slight increase in its primary revenue source due to our moderating of tuition rate increases along with planned increases in undergraduate and graduate enrollment. For the 2017 fall semester, the University accepted more freshmen students and is putting plans in place to grow graduate enrollment. The University is experiencing a decrease in donations which is a reflection of what is occurring in the energy and commodities industries. These pressures have made it more difficult to manage the delicate balance of making strategic and critical investments while minimizing the impact on students and tuition.

State funding in the form of a fee-for-service contract and student stipends is budgeted to increase 4.1 percent in Fiscal Year 2018. This compares to a 0.4 percent increase in Fiscal Year 2017 and a 10.1 percent increase in Fiscal Year 2016 as reflected in Table 12 - State Operating Support.

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

Fiscal Year	State Support *	Total Operating Revenues	% of Total State Operating Support to Total Operating Revenues
2018**	$ 21,485	247,727	8.7%
2017	20,639	218,739	9.4
2016	20,547	215,741	9.5
2015	18,669	207,782	9.0

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

**Fiscal Year 2018 Amount of State Support is based on amounts included in the State's Long Appropriation Act (Long Bill). Fiscal Year 2018 Total Operating Revenues is based on the University's Fiscal Year 2018 projected revenues.

To offset increases in operating costs, the University increased resident undergraduate tuition rates and non-resident undergraduate tuition rates for Fiscal Year 2018 by 3.1 percent and 3.5 percent, respectively. This compares to increases for Fiscal Year 2017 by 3.1 percent and 4.0 percent, respectively. Table 13 - Full Time Tuition and Room and Board Charges per Year, provides a trend of tuition and room and board charges for the academic years 2015 to 2018.

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

Academic Year	Annual Full-time Undergraduate Tuition Rates: Residents*	Annual Full-time Undergraduate Tuition Rates: Non-residents	Annual Room and Board (avg.): Double	Annual Room and Board (avg.): Single	Annual Room and Board (avg.): Meal Plan
2018	$16,170	35,220	6,632	8,230	5,460
2017	15,690	34,020	6,316	7,546	5,332
2016	15,225	32,700	5,362	6,668	5,236
2015	14,790	31,470	5,106	6,350	4,986

* Reported net of student stipends

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

Table 14 - Fall Enrollment Trends

Academic Year	Undergraduate Students: Residents	Undergraduate Students: Non-residents	Undergraduate Students: Total	Graduate Students: Residents	Graduate Students: Non-residents	Graduate Students: Total	Total: Residents	Total: Non-residents	Total: Total
2017	2,839	1,967	4,806	560	456	1,016	3,399	2,423	5,822
2016	2,896	1,875	4,771	560	478	1,038	3,456	2,353	5,809
2015	2,947	1,713	4,660	465	404	869	3,412	2,117	5,529

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

Table 15 - Fall Semester Undergraduate Admissions Trends

Fall of Year	Number of Applicants	Number Accepted	Percent Accepted	Number Committed	Percent Committed
2017	11,171	6,242	55.9%	1,325	21.2%
2016	12,794	5,245	41.0%	1,126	21.5%
2015	12,420	4,848	37.4%	1,132	24.4%

In addition to steps taken to address revenues, the University continues to look at ways to control increases in operating costs. In January 2017, the University began offering an alternative retirement plan for newly hired academic and administrative faculty. The employer contribution to the Mines Defined Contribution Plan (MDCP) is 12 percent compared to the combined 20.15 percent required retirement contribution to PERA. Existing academic and administrative faculty were given a one-time irrevocable opportunity to move from PERA to the MDCP. All academic and administrative faculty hired starting January 1, 2017 that do not have at least one year of prior PERA service credit are enrolled in the MDCP. All academic and administrative faculty hired starting January 1, 2017 that have at least one year of prior PERA service credit have a one-time irrevocable option to either stay in PERA or enroll in the MDCP. The financial savings to the University are expected to increase significantly in future years as the workforce turns over and a larger percentage of academic and administrative faculty are part of the MDCP.

In a continued effort to improve the University's infrastructure and enhance the student experience, the University has engaged in various capital projects that will result in additional debt financing. During August 2017, the University issued $27,675,000 of Institutional Enterprise Revenue Bonds (Series 2017A) for the following projects:

- Charles and Ida Green Center (Green Center) Roof Replacement. Project Cost – approximately $17,000,000. This project is a complete removal and replacement of the approximately 44,000 square feet roof on the Green Center, including asbestos abatement, along with replacement of the major mechanical equipment in the building. The University has received a capital appropriation from the State of Colorado for 50% of the project costs. The anticipated start date of the project is March 2018 with an estimated completion date of August 2019.

- Charles and Ida Green Center (Green Center) Chiller Plant. Project Cost – approximately $8,600,000. The intent of this project is to replace failing chillers and provide added capacity to the campus chilled water system. The anticipated start date of the project is May 2018 with an estimated completion date of August 2019.

- Campus Generators. Project Cost – approximately $6,000,000. The University intends to upgrade its generator system by installing a series of generators that provide enough power to run the entire campus during an electrical outage. It is anticipated that the University will enter into an Energy Savings Performance Contract to construct the project and that the savings can payback the cost of the project over a relatively short period of time. The anticipated start date of the project is September 2017 with an estimated completion date of April 2018.

- Operations Buildings. Project Cost – approximately $8,800,000. This project consists of three new buildings and an addition to an existing building. The University will be consolidating its Facilities unit shops into one building to provide a centralized and efficient center. This project will allow the campus to consolidate its Operations units thus freeing up existing space for other academic and operational use. The anticipated start date of the project is September 2017 with an estimated completion date of October 2018.

In September 2017, the Board of Trustees approved an additional debt issuance of $79,000,000 to fund the following projects:

- Residence Hall. Project Cost – approximately $49,000,000. The University intends to construct an approximate 400 bed residence hall that is anticipated to open in the fall of 2020. The Residence Hall is Phase I of the University's housing expansion supporting the goal of housing 60% of the student body on campus. It will provide single occupancy (20%) and double occupancy (80%) for primarily freshman and sophomore students.

- Parking Garage and Academic Wing. Project Cost – approximately $23,000,000. The University intends to construct an approximate 650 parking space parking garage combined with a 20,000 GSF of office and classroom space surrounding the parking garage. As the University continues to add new buildings, surface level parking around campus has decreased. In addition, changes in parking restrictions around the campus have further reduced available parking for the campus community.

- Campus Utility Infrastructure. Project Cost – approximately $6,000,000. The University intends to upgrade its steam and chilled water distribution to service growing needs. Upgrading the campus utility infrastructure will provide additional capacity for campus growth.

Given all of the economic conditions of the past few years, the University's financial health is well-positioned. Over the past few years, the University has ended the year with an overall increase in net position, setting aside the impact of recording the net pension liability, primarily due to strong enrollment, modest tuition increases, consistent contributions, and deliberate measures taken to contain costs. Research activity remains strong although the current economic challenges in the oil and gas industry and the uncertainty at the federal level does warrant the University's attention.

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 2018 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 University's 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, 2017 and 2016 *(in thousands)*

	2017		2016	
	University	Component Unit	University	Component Unit
Assets				
Current Assets				
Cash and cash equivalents	$ 109,881	10,626	105,347	11,503
Short term investments	-	162	-	162
Accounts and loans receivable, net	22,108	3,975	25,077	6,230
Other assets	1,013	-	801	-
Total Current Assets	**133,002**	**14,763**	**131,225**	**17,895**
Noncurrent Assets				
Restricted cash and cash equivalents	21,169	30	37,785	59
Investments	34,625	321,380	31,075	282,089
Accounts and loans receivable	4,885	22,062	4,868	27,863
Other assets	-	2,007	-	751
Capital assets, net	385,650	-	354,018	-
Total Noncurrent Assets	**446,329**	**345,479**	**427,746**	**310,762**
Total Assets	**$ 579,331**	**360,242**	**558,971**	**328,657**
Total Deferred Outflows of Resources	**$ 188,537**	**-**	**59,432**	**-**
Liabilities				
Current Liabilities				
Accounts payable and accrued liabilities	$ 24,970	2,878	19,815	3,287
Accrued compensated absences	671	-	610	-
Unearned revenue	15,826	-	16,536	-
Bonds and leases payable	8,491	-	7,758	-
Other liabilities	1,227	-	971	-
Total Current Liabilities	**51,185**	**2,878**	**45,690**	**3,287**
Noncurrent Liabilities				
Accrued compensated absences	5,768	-	5,973	-
Bonds and leases payable	194,571	-	203,728	-
Interest rate swap agreement	9,251	-	13,222	-
Net pension liability	532,215	-	296,275	-
Other liabilities	1,679	44,551	1,631	41,726
Total Noncurrent Liabilities	**743,484**	**44,551**	**520,829**	**41,726**
Total Liabilities	**$ 794,669**	**47,429**	**566,519**	**45,013**
Total Deferred Inflows of Resources	**$ 1,638**	**-**	**3,516**	**-**
Net Position				
Net investment in capital assets	$ 199,521	-	174,605	-
Restricted for nonexpendable purposes				
Instruction	3,360	-	3,360	-
Scholarships and fellowships	2,051	86,671	2,051	75,166
Other	918	89,344	924	80,737
Total restricted for nonexpendable purposes	6,329	176,015	6,335	155,903
Restricted for expendable purposes				
Scholarships and fellowships	4,267	46,843	3,813	41,977
Loans	4,422	1,678	4,289	1,631
Research	4,890	2,663	6,123	2,526
Capital projects	1,911	7,091	2,420	7,840
Other	4,083	50,381	3,464	54,013
Total restricted for expendable purposes	19,573	108,656	20,109	107,987
Unrestricted	(253,862)	28,142	(152,681)	19,754
Total Net Position	**$ (28,439)**	**312,813**	**48,368**	**283,644**

The accompanying notes are an integral part of the financial statements

Colorado School of Mines

Statements of Revenues, Expenses and Changes in Net Position

Years Ended June 30, 2017 and 2016 *(in thousands)*

	2017		2016	
	University	Component Unit	University	Component Unit
Operating Revenues				
Tuition and fees, (net of scholarship allowance of $30,982 in 2017 and $28,544 in 2016)	$ 123,886	-	118,871	-
Fee-for-service	14,706	-	14,390	-
Federal grants and contracts	37,750	-	36,010	-
State grants and contracts	4,772	-	5,021	-
Nongovernmental grants and contracts	13,740	-	18,901	-
Auxiliary enterprises, (net of scholarship allowance of $430 in 2017 and $371 in 2016)	23,655	-	22,314	-
Contributions	-	14,509	-	14,534
Other operating revenues	3,599	2,862	3,568	2,594
Total Operating Revenues	**222,108**	**17,371**	**219,075**	**17,128**
Operating Expenses				
Education and General				
Instruction	119,702	-	79,830	-
Research	61,034	-	48,891	-
Public service	1,215	-	327	-
Academic support	28,209	-	21,544	-
Student services	10,941	-	8,242	-
Institutional support	34,867	30,710	23,339	28,417
Operation and maintenance of plant	27,419	-	23,994	-
Scholarships and fellowships	1,381	-	1,177	-
Total Education and General	284,768	30,710	207,344	28,417
Auxiliary enterprises	35,434	-	26,513	-
Depreciation and amortization	18,582	-	18,171	3
Total Operating Expenses	**338,784**	**30,710**	**252,028**	**28,420**
Operating Loss	**(116,676)**	**(13,339)**	**(32,953)**	**(11,292)**
Nonoperating Revenues (Expenses)				
State appropriations, non-capital	3,351	-	2,898	-
Contributions from the Foundation	19,135	-	18,905	-
Contributions	1,211	-	1,026	-
Investment income, net	5,551	42,508	(361)	(12,834)
Interest on debt	(8,878)	-	(8,163)	-
Federal nonoperating revenue	4,058	-	4,081	-
Other nonoperating expenses	(330)	-	(121)	-
Other nonoperating revenue	594	-	165	-
Net Nonoperating Revenues (Expenses)	**24,692**	**42,508**	**18,430**	**(12,834)**
Income (Loss) Before Other Revenues	**(91,984)**	**29,169**	**(14,523)**	**(24,126)**
Capital appropriations and contributions from State	9,441	-	10,044	-
Capital grants and gifts	4,880	-	2,414	-
Additions to permanent endowments	-	-	20	-
Settlement proceeds	856	-	-	-
Total Other Revenues	**15,177**	-	**12,478**	-
Increase (Decrease) in Net Position	**(76,807)**	**29,169**	**(2,045)**	**(24,126)**
Net Position, Beginning of Year	**48,368**	**283,644**	**50,413**	**307,770**
Net Position, End of Year	**$ (28,439)**	**312,813**	**48,368**	**283,644**

Colorado School of Mines

Statements of Cash Flows

Years Ended June 30, 2017 and 2016 *(in thousands)*

	2017	2016
Cash Flows from Operating Activities:		
Tuition and fees	$ 120,453	115,731
Grants and contracts	73,065	68,697
Sales of services from auxiliary enterprises	23,731	22,048
Collection of loans to students	1,000	1,047
Rental income	1,478	1,321
Receipts from the Foundation	1,338	1,667
Other operating receipts	3,480	2,319
Payments to employees	(104,294)	(99,945)
Payments for employee benefits	(46,284)	(48,247)
Payments to suppliers	(62,777)	(62,770)
Developmental services fees	(1,900)	(1,900)
Scholarships disbursed	(1,187)	(1,019)
Loans issued to students	(904)	(957)
Net cash provided by (used for) operating activities	**7,199**	**(2,008)**
Cash Flows from Noncapital Financing Activities:		
Receipts from the Foundation	18,142	16,247
State appropriations, non-capital	3,176	2,898
Gifts and grants for other than capital purposes	2,491	1,740
Additions to permanent endowments	-	20
Principal payments on noncapital debt	(300)	(295)
Interest payments on noncapital debt	(75)	(89)
Funds invested with the Foundation	-	(166)
Federal nonoperating revenue	2,908	2,921
Direct lending receipts	29,601	29,265
Direct lending disbursements	(29,601)	(29,265)
Agency inflows	10,368	9,988
Agency outflows	(10,364)	(9,977)
Net cash provided by noncapital financing activities	**26,346**	**23,287**
Cash Flows from Capital and Related Financing Activities:		
State appropriations, capital	9,441	10,044
Capital gifts	4,858	2,366
Academic facility fees	3,369	3,334
Bond proceeds	-	14,191
Bond issuance and other loan costs	(9)	(150)
Acquisition and construction of capital assets	(49,495)	(45,513)
Principal payments on capital debt	(7,458)	(5,199)
Interest payments on capital debt	(8,204)	(6,480)
Federal nonoperating revenue	1,150	1,161
Net cash used for capital and related financing activities	**(46,348)**	**(26,246)**
Cash Flows from Investing activities:		
Interest and dividends on investments	721	1,747
Net cash provided by investing activities	**721**	**1,747**
Net Decrease in cash and cash equivalents	(12,082)	(3,220)
Cash and cash equivalents, Beginning of Year	**143,132**	**146,352**
Cash and cash equivalents, End of Year	**$ 131,050**	**143,132**

Colorado School of Mines

Statements of Cash Flows

Years Ended June 30, 2017 and 2016 *(in thousands)*

	2017	2016
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:		
Operating loss	$ (116,676)	(32,953)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization expense	18,582	18,171
Noncash operating expenses	100,441	16,763
Receipts of items classified as non-operating revenues	2,788	1,832
Academic construction fee split out of tuition to capital financing	(3,369)	(3,334)
Changes in assets and liabilities:		
Accounts and loans receivable	2,814	(6,970)
Other assets	(211)	2,666
Loans to students	(6)	(21)
Accounts payable and accrued liabilities	3,592	521
Unearned revenue	(710)	1,412
Accrued compensated absences	(144)	460
Other liabilities	135,851	20,483
Changes in deferred outflows and inflows:		
Deferred outflows	(133,875)	(24,535)
Deferred inflows	(1,878)	3,497
Net cash provided by (used for) operating activities	**$ 7,199**	**(2,008)**
Noncash Investing, Capital and Financing Activities:		
Capital assets acquired by donations, state funded, and payable increases	$ 6,590	5,307
Fair value change in interest rate swap	(3,971)	(3,401)
Realized/unrealized gains (losses) on investments	5,305	(1,581)
Administrative fees on investments	475	526
Accretion of interest on deep discount debt	547	559
Amortization of premiums/discounts	(1,167)	916
Amortization of deferred losses and swap termination	799	779
Bond underwriter costs	-	115
Write-off of unamortized deferred loss	-	2,504
Loss on disposal of assets	(357)	(366)
CIP adjustments and deductions	(79)	-

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:

- <u>Colorado School of Mines Building Corporation:</u> 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.

- <u>Mines Applied Technology Transfer Inc. (MATTI):</u> 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.

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 Financial Accounting Standards Board (FASB) standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. Modifications have been made to the Foundation's financial information in the University's financial reporting entity for these differences.

Significant Accounting Policies

Cash and Cash Equivalents

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

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 Receivable

Accounts and loans receivable consist of tuition and fee charges to students, charges for auxiliary enterprise services provided to students, advances to faculty, staff, and students, activity related to 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 acquisition value at the date of donation, if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. The following estimated useful lives are being used by the University:

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

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

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

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 International Swaps and Derivatives Association (ISDA) Master Swap Agreement in order to convert certain variable rate debt to a synthetic fixed rate, thereby economically hedging against changes in the cash flow requirements of the University's variable interest rate debt obligations (Note 9).

Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent losses on various bond refundings, the mark to market valuation of the University's SWAP agreement, and net pension liability related items. For current refundings and advance refundings resulting in defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources on the Statement of Net Position and amortized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter. For the net pension liability related items, the difference between expected and actual experiences, the difference between projected and actual earnings on pension plan investments, the impact on the net pension liability resulting from changes in plan related assumptions, 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, 2017 and 2016, the authorized spending rate was equal to the 4.5 percent of the rolling 36-month average market value of the endowment investments. Earnings in excess of the amount authorized for spending are available in future years and are included in the value of the related investment.

Application of Restricted and Unrestricted Resources

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

Income Taxes

As a state institution of higher education, the income of the University is generally exempt from federal and state income taxes under Section 115(a) of the Internal Revenue Code and a similar provision of state law. However, the University is subject to federal income tax on any unrelated business taxable income. There was no tax liability related to income generated from activities unrelated to the University's exempt purpose as of June 30, 2017 and 2016.

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 prior year amounts have been reclassified to conform to the 2017 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	2017	2016
University		
Cash on hand	$ 16	14
Cash with U.S. financial institutions	13,800	10,850
Cash with State Treasurer	117,234	132,268
Total Cash and Cash Equivalents-University	**$ 131,050**	**143,132**
Discretely Presented Component Unit		
Cash with U.S. financial institutions	$ 10,656	11,562
Total Cash and Cash Equivalents-DPCU	**$ 10,656**	**11,562**

Deposits

The University deposits the majority of its cash with the Colorado State Treasurer (Treasury) pursuant to Colorado Revised Statutes (C.R.S.). The State Treasurer pools these deposits and invests them in securities authorized by Section 24-75-601.1, C.R.S. The State Treasurer 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, 2017, the University had cash on deposit with the Treasury of $117,234,000 which represented approximately 1.7 percent of the total $6,770.2 million fair value of deposits in the State Treasury Pool (Pool). As of June 30, 2016, the University had cash on deposit with the Treasury of $132,268,000 which represented approximately 1.8 percent of the total $7,408.5 million fair value of deposits in the Pool.

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 Treasurer's unrealized gains and losses on the Pool's underlying investments. The State Treasurer does not invest any of the Pool's resources in any external investment pool, 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.

Additional information on investments of the State Treasurer's Pool may be obtained in the State's Comprehensive Annual Financial Report for the year ended June 30, 2017.

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, 2017 and 2016 are deemed to be exposed to custodial credit risk. As of June 30, 2017 and 2016, the DPCU maintained balances in various operating accounts in excess of federally insured limits totaling approximately $10,400,000, and $11,100,000, respectively.

Investments

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

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

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

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. At June 30, 2017 and 2016, no single investment of the University exceeded 5 percent of the total investments.

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

The Foundation categorizes fair value measurements of investments within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets at the measurement date; Level 2 inputs are significant other than quoted prices that are observable for the investment either directly or indirectly; Level 3 are significant unobservable inputs where little or no market data is available, which requires the entity to develop its own assumptions. The fair value measurement of investments as of June 30, 2017 and 2016 are shown in Table 2.3 Fair Value Measurements.

Table 2.3 Fair Value Measurements *(in thousands)*

	2017			
Investment Type	Level 1	Level 2	Level 3	Total
University				
Corporate equity securities	$ 261	-	-	261
Investments with Foundation	-	-	34,364	34,364
Total Investments-University	**$ 261**	**-**	**34,364**	**34,625**
Liabilities				
Interest rate swap agreement	$ -	9,251	-	9,251
Total Liabilities-University	**$ -**	9,251	-	**9,251**
Discretely Presented Component Unit				
Cash equivalents	$ -	8,531	-	8,531
Corporate equity securities	82,338	67,357	-	149,695
Hedge funds	-	48,461	13,975	62,436
Private equity	-	-	53,146	53,146
Corporate bond funds	18,034	-	-	18,034
Split-interest agreements	13,703	-	100	13,803
Gift annuity agreements	4,001	-	-	4,001
Beneficial interest investments	11,270	449	15	11,734
Total Investments-DPCU	**$ 129,346**	**124,798**	**67,236**	**321,380**

	2016			
Investment Type	Level 1	Level 2	Level 3	Total
University				
Corporate equity securities	$ 267	-	-	267
Investments with Foundation	-	-	30,808	30,808
Total Investments-University	**267**	**-**	**30,808**	**31,075**
Liabilities				
Interest rate swap agreement	$ -	13,222	-	13,222
Total Liabilities-University	**$ -**	13,222	-	**13,222**
Discretely Presented Component Unit				
Cash equivalents	-	3,555	-	3,555
Corporate equity securities	66,842	54,374	-	121,216
Hedge funds	-	35,708	23,447	59,155
Private equity	-	-	44,824	44,824
Corporate bond funds	17,287	-	9,583	26,870
Split-interest agreements	11,628	-	125	11,753
Gift annuity agreements	4,032	-	-	4,032
Beneficial interest investments	10,246	419	19	10,684
Total Investments-DPCU	**$ 110,035**	**94,056**	**77,998**	**282,089**

Note 3: Accounts, Contributions and Loans Receivable

Table 3.1, Accounts Receivable, segregates receivables as of June 30, 2017 and 2016, by type.

TABLE 3.1 Accounts Receivable *(in thousands)*

	2017			
Type of Receivable	**Gross Receivable**	**Allowance**	**Net Receivable**	**Net Current Portion**
University				
Student accounts	$ 4,262	1,167	3,095	3,095
Student loans	5,533	139	5,394	509
Federal Government	11,031	-	11,031	11,031
Private sponsors	2,987	841	2,146	2,146
DPCU	2,681	-	2,681	2,681
Other	2,646	-	2,646	2,646
Total Receivable-University	**$ 29,140**	**2,147**	**26,993**	**22,108**
Discretely Presented Component Unit				
Contributions*	$ 26,603	2,244	24,359	3,975
Due from University	1,678	-	1,678	-
Total Receivable-DPCU	**$ 28,281**	**2,244**	**26,037**	**3,975**

	2016			
Type of Receivable	**Gross Receivable**	**Allowance**	**Net Receivable**	**Net Current Portion**
University				
Student accounts	$ 3,934	1,243	2,691	2,691
Student loans	5,538	150	5,388	520
Federal Government	9,532	-	9,532	9,532
Private sponsors	6,727	753	5,974	5,974
DPCU	2,858	-	2,858	2,858
Other	3,502	-	3,502	3,502
Total Receivable-University	**$ 32,091**	**2,146**	**29,945**	**25,077**
Discretely Presented Component Unit				
Contributions*	$ 35,667	3,205	32,462	6,230
Due from University	1,631	-	1,631	-
Total Receivable-DPCU	**$ 37,298**	**3,205**	**34,093**	**6,230**

*The allowance on the contributions receivable is comprised of uncollectible and unamortized discounts of $1,077 and $1,167, respectively, for June 30, 2017, and $1,440 and $1,765 respectively, as of June 30, 2016.

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, 2017 and 2016.

TABLE 4.1 Capital Assets *(in thousands)*

Category	Balance 2016	Additions	Deletions	Transfers	Balance 2017
Nondepreciable capital assets					
Land	$ 7,652	1,159	-	-	8,811
Works of art	187	15	-	-	202
Construction in progress	31,403	39,761	79	(6,414)	64,671
Total nondepreciable assets	39,242	40,935	79	(6,414)	73,684
Depreciable capital assets					
Land improvements	20,153	706	-	1,259	22,118
Buildings and improvements	416,748	3,066	-	4,656	424,470
Software	2,028	389	47	-	2,370
Equipment	71,509	5,406	2,470	499	74,944
Library materials	12,275	173	38	-	12,410
Intangible assets	600	-	-	-	600
Total depreciable capital assets	$ 523,313	9,740	2,555	6,414	536,912
Less accumulated depreciation					
Land improvements	$ 10,785	761	-	-	11,546
Buildings	140,640	11,711	-	-	152,351
Software	1,698	255	47	-	1,906
Equipment	43,679	5,654	2,088	-	47,245
Library materials	11,502	167	38	-	11,631
Intangible assets	233	34	-	-	267
Total accumulated depreciation	208,537	18,582	2,173	-	224,946
Net depreciable assets	314,776	(8,842)	382	6,414	311,966
Total Net Capital Assets	**$ 354,018**	**32,093**	**461**	**-**	**385,650**

Category	Balance 2015	Additions	Deletions	Transfers	Balance 2016
Nondepreciable capital assets					
Land	$ 7,652	-	-	-	7,652
Works of art	-	187	-	-	187
Construction in progress	45,352	32,602	58	(46,493)	31,403
Total nondepreciable assets	53,004	32,789	58	(46,493)	39,242
Depreciable capital assets					
Land improvements	19,918	-	-	235	20,153
Buildings and improvements	373,618	-	2,316	45,446	416,748
Software	1,803	225	-	-	2,028
Equipment	65,191	6,816	1,310	812	71,509
Library materials	12,142	141	8	-	12,275
Intangible assets	600	-	-	-	600
Total depreciable capital assets	$ 473,272	7,182	3,634	46,493	523,313

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

Category	Balance 2015	Additions	Deletions	Transfers	Balance 2016
Less accumulated depreciation					
Land improvements	$ 10,046	739	-	-	10,785
Buildings	131,369	11,255	1,984	-	140,640
Software	1,443	255	-	-	1,698
Equipment	39,053	5,714	1,088	-	43,679
Library materials	11,335	175	8	-	11,502
Intangible assets	200	33	-	-	233
Total accumulated depreciation	193,446	18,171	3,080	-	208,537
Net depreciable assets	279,826	(10,989)	554	46,493	314,776
Total Net Capital Assets	**$ 332,830**	**21,800**	**612**	**-**	**354,018**

The total interest costs related to capital asset debt incurred by the University during the years ended June 30, 2017 and 2016, was $8,730,000 and $8,100,000, 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, 2017 and 2016 was $343,000 and $886,000, respectively.

Note 5: Deferred Outflows and Inflows of Resources

Table 5.1, Deferred Outflows and Inflows of Resources details the types and amounts of deferred outflows and inflows of resources as of June 30, 2017 and 2016.

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

Deferred Outflows of Resources	**2017**	**2016**
Loss on bond refundings	$ 12,975	14,012
Components of pension liability	173,191	39,316
SWAP valuation	2,371	6,104
Total Deferred Outflows of Resources	**$ 188,537**	**59,432**
Deferred Inflows of Resources		
Components of pension liability	$ 1,638	3,516
Total Deferred Inflows of Resources	**$ 1,638**	**3,516**

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, 2017 and 2016.

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

Type	2017	2016
Accounts payable - vendors	$ 10,962	9,690
Accrued salaries and benefits	12,738	8,978
Accrued interest payable	1,270	1,147
Total Accounts Payable and Accrued Liabilities	**$ 24,970**	**19,815**

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 2017 and 2016, total rent expense under these agreements was $203,000 and $341,000, 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
2018	$ 32
2019	-
2020	-
2021	-
Total Operating Lease Payments	**$ 32**

The University leases office space to several tenants in two buildings. The lease term for one single tenant is 10 years and expires in Fiscal Year 2018. The lease terms for the other tenants vary and extend through Fiscal Year 2021. The annual rent payments from these two buildings for Fiscal Year 2017 and 2016 was $1,478,000 and $1,321,000, respectively. Table 6.3, Future Tenant Rent Payments, presents the anticipated annual rent payments from tenants.

TABLE 6.3 Future Tenant Rent Payments *(in thousands)*

Years Ending June 30	Minimum Lease Payment
2018	$ 309
2019	207
2020	162
2021	147
Total Tenant Rent Payments	**$ 825**

Note 7: Unearned Revenue

Table 7.1, Unearned Revenue, details the types and amounts of unearned revenue as of June 30, 2017 and 2016.

TABLE 7.1 Unearned Revenue *(in thousands)*

Type	2017	2016
Tuition and fees	$ 5,445	5,459
Grants and contracts	9,324	10,338
Miscellaneous	1,057	739
Total Unearned Revenue	**$ 15,826**	**16,536**

Note 8: Compensated Absences

Table 8.1, Compensated Absences, presents the changes in compensated absences for the years ended June 30, 2017 and 2016.

TABLE 8.1 Compensated Absences *(in thousands)*

	2017	2016
Beginning of the year	$ 6,583	6,123
Additions	-	1,051
Adjustments/reductions	(144)	(591)
End of the year	**$ 6,439**	**6,583**
Current Portion	**$ 671**	**610**

Note 9: Bonds and Leases

As of June 30, 2017 and 2016, 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, 2017 and 2016.

Revenue Bonds

A general description of each revenue bond issue, original issuance amount, and the amount outstanding as of June 30, 2017 and 2016 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, 2017 and 2016, 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, 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	2017	2016
Auxiliary Revenue Bonds		
Net auxiliary facilities	$ 13,288	13,561
Renewal and replacement fund	640	569
Net auxiliary pledged revenues	13,928	14,130
Prior obligation auxiliary debt service	$ 770	770
Prior obligation auxiliary debt service coverage	18.09	18.35
Parity Bond Obligations		
Institutional Enterprise Revenue Bonds		
Student tuition (10 percent)	$ 15,651	15,163
Student facility fees	3,369	3,334
Federal indirect cost recovery	11,896	11,966
Federal interest subsidy	1,150	1,161
Net Institutional Enterprise Pledged Revenues	32,066	31,624
Net Pledged Revenues for Parity Debt	45,224	44,983
Total Parity Debt Service	$ 14,519	12,422
Total Parity Debt Service Coverage	3.11	3.62
Subordinate Bond Obligations		
Net Pledged Revenues for Subordinate Debt	$ 30,705	32,562
Subordinate Debt Service	1,231	1,260
Subordinate Debt Service Coverage	24.94	25.85
Percent of Pledged Revenue to Total Revenue	79%	80%
Total Debt Service Coverage	2.78	3.17

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 2017 and 2016, the University received $1,150,000 and $1,161,000, respectively, in Federal Direct Payments.

The Series 2009A, 2009B, 2009C, 2009D, 2012B, 2016A and 2016B 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.

The following table provides a summary of the University's long-term debt obligations as of June 30, 2017 and 2016 (in thousands):

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

Type	Interest Rates	Final Maturity	Balance 2017	Balance 2016
Auxiliary Facilities Enterprise Revenue Bonds	2.5% - 5.4%	2028	$ 10,386	10,651
Institutional Enterprise Revenue Bonds				
Variable Rate Demand Bonds	0.820%*	2038	38,860	39,535
Fixed Rate Bonds	3% - 6.29%	2043	144,522	151,023
Subordinate Institutional Enterprise Revenue Bonds	3.00%	2027	9,240	10,180
Total Bonds Payable			**203,008**	**211,389**
Capital Leases Payable	7.8%	2020	**54**	**97**
Total Bonds and Leases Payable			**$ 203,062**	**211,486**

* Variable rate demand bonds are set at an adjustable rate as discussed below. The rates reflected in the table are as of June 30, 2017.

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, 2017 and 2016 was 0.820 percent and 0.312 percent, respectively.

Table 9.3, Changes in Bonds and Leases Payable presents the changes in bonds, and leases for the years ended June 30, 2017 and 2016.

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

Type	Balance 2016	Additions	Deductions	Balance 2017	Current Portion
Revenue bonds payable	$ 200,702	545	7,758	193,489	8,445
Plus unamortized premiums	10,711	-	1,173	9,538	-
Less unamortized discounts	24	-	5	19	-
Total Bonds Payable	**211,389**	**545**	**8,926**	**203,008**	**8,445**
Capital Leases	97	3	46	54	46
Total Bonds and Leases Payable	**$ 211,486**	**548**	**8,972**	**203,062**	**8,491**

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

Table 9.4, Revenue Bond Detail presents a summary description of the University's outstanding revenue bonds for the years ended June 30, 2017 and 2016.

TABLE 9.4 Revenue Bond Detail *(in thousands)*

Issuance Description	Original Issuance Amount	Outstanding Balance 2017	Outstanding Balance 2016
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	10,404	10,672
Total Auxiliary Facilities Enterprise Revenue Bonds	**7,794**	**10,404**	**10,672**
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	2,205	3,240
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	1,855	2,425
Variable Rate Demand Refunding Series 2010A - Used to current refund the Refunding Series 2008A	42,860	38,860	39,535
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	1,375	1,675
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	42,895	44,230
Series 2016A and B - Used to fund construction, improvements, and equipping of CoorsTek Center; advance refunding portion of the Series 2009A bonds and Series 2009C bonds	34,690	32,600	34,690
Total Institutional Enterprise Revenue Bonds	**227,215**	**173,845**	**179,850**
Subordinate Institutional Enterprise Revenue Bonds:			
Series 2012A - Used to fund construction of new athletic facilities	13,000	9,240	10,180
Total Subordinate Institutional Enterprise Revenue Bonds	**13,000**	**9,240**	**10,180**
Total Revenue Bonds	**$ 248,009**	**193,489**	**200,702**
Plus Premiums		9,538	10,711
Less Discounts		19	24
Total Revenue Bonds		**$ 203,008**	**211,389**

Revenue and Refunding Bond Activity

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

Debt Service Requirements on Revenue Bonds

The future minimum revenue bonds debt service requirements as of June 30, 2017, 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
2018	$ 8,445	8,623	17,068
2019	8,635	8,339	16,974
2020	8,730	8,026	16,756
2021	8,845	7,692	16,537
2022	7,095	7,451	14,546
2023 – 2027	33,335	34,412	67,747
2028 – 2032	32,720	27,776	60,496
2033 – 2037	43,510	18,691	62,201
2038 – 2042	42,860	5,310	48,170
2043 – 2047	2,385	60	2,445
Subtotal	196,560	126,380	322,940
Unaccreted interest -1999 Bonds	(3,071)		
Total Debt Service	**$ 193,489**		

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 $38,860,000 and $39,535,000 and a fair value of ($9,251,000) and ($13,222,000) at June 30, 2017 and 2016, 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, 0.82 percent and 0.312 percent at June 30, 2017 and 2016, 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, 2017 and 2016. 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, 2017 and 2016 was $1,421,000 and $1,183,000, respectively. Morgan Stanley, counterparty to the Swap Agreement, determined the fair value as of June 30, 2017 and 2016, 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, 2017, Morgan Stanley's credit rating is A3 by Moody's, BBB+ by Standards & Poor's.
>
> For the outstanding Swap Agreement the University has a maximum possible loss equivalent to the swaps' fair market value at June 30, 2017 and 2016 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, 2017 and 2016. In addition, these agreements required no collateral and no initial net cash receipt or payment by the University.
>
> Basis Index Risk – Basis risk arises as a result of movement in the underlying variable rate indices that may not be in tandem, creating a cost differential that could result in a net cash outflow from the University. Basis risk can also result from the use of floating, but different, indices. To mitigate basis risk, it is the University's policy that any index used as part of an interest rate swap agreement shall be a recognized market index, including, but not limited to, the Securities Industry and Financial Markets Association (SIFMA) or the London Interbank Offered Rate (LIBOR).

As of June 30, 2017, 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
2018	975	314	1,061	2,350	153
2019	550	308	1,040	1,898	150
2020	575	303	1,025	1,903	148
2021	575	299	1,009	1,883	146
2022	850	293	988	2,131	143
2023 – 2027	5,025	1,345	4,545	10,915	656
2028 – 2032	12,900	975	3,293	17,168	476
2033 – 2037	14,335	410	1,385	16,130	200
2038 – 2042	3,075	11	35	3,121	5
Total Debt Service	**$38,860**	**4,258**	**14,381**	**57,499**	**2,077**

Extinguishment of Debt

Previous revenue bond issues considered to be extinguished through in-substance defeasance under generally accepted accounting principles are not included in the accompanying financial statements. The amount of debt in this category, covered by assets placed in trust to be used solely for future payments, amounted to $31,160,000 and $31,160,000 as of June 30, 2017 and 2016, respectively.

Capital Leases

As of June 30, 2017 and 2016, the University had an outstanding liability for capital leases approximating $54,000 and $97,000, respectively, with underlying gross capitalized asset cost approximating $131,000 and $131,000, respectively. Accumulated amortization as of June 30, 2017 and 2016 is $6,000 and $7,000, respectively.

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

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

Year Ending June 30,	Principal	Interest	Total
2018	$ 46	3	49
2019	8	-	8
Total Capital Lease Payments	**$ 54**	**3**	**57**

State of Colorado Certificates of Participation

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

Note 10: Other Liabilities

Table 10.1, Other Liabilities, details other liabilities as of June 30, 2017 and 2016.

TABLE 10.1 Other Liabilities *(in thousands)*

	2017		2016	
Type	**Total**	**Current Portion**	**Total**	**Current Portion**
University				
Amounts due to the Foundation	$ 1,885	207	1,684	53
Funds held for others	137	137	136	136
Student deposits	308	308	250	250
Miscellaneous	576	575	532	532
Total Other Liabilities - University	**$ 2,906**	**1,227**	**2,602**	**971**
Discretely Presented Component Unit				
Colorado School of Mines	$ 34,364	-	30,808	-
Other trust funds	1,139	-	1,115	-
Obligations under split-interest agreements	4,319	-	4,756	-
Obligations under gift annuity agreements	4,351	-	4,628	-
Refunded advances	30	-	59	-
Other liabilities	348	-	360	-
Total Other Liabilities - DPCU	**$ 44,551**	**-**	**41,726**	**-**

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, 2017 and 2016 under these programs were $29,601,000 and $29,265,000, respectively.

Note 11: Changes in Accounting Principles

The Governmental Accounting Standards Board (GASB) issued Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (Statement No. 75), which revises and establishes new accounting and financial reporting requirements for most governments that provide their employees with post employment benefits other than pension benefits (OPEB). The University provides its employees with OPEB through the State's multiple employer cost-sharing Defined Benefit Other Postemployment Benefit Plan (Health Care Trust Fund or HCTF) administered by the Colorado Public Employees' Retirement Association (PERA). Statement No. 75 is effective for Fiscal Year 2018 and has accounting and financial reporting requirements similar to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. At this time, management is unable to estimate the magnitude of this impact. Information regarding PERA's current funding status can be found in their Comprehensive Annual Financial Report.

Statement No. 75 requires cost-sharing employers participating in the PERA program to record their proportionate share, as defined in Statement No. 75, of PERA's unfunded OPEB liability. 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 and the State Legislature. The requirement of Statement No. 75 to record the University's proportionate share of the HCTF's net OPEB liability will negatively impact the School's future unrestricted net position.

Note 12: Retirement Plans

Pension Plan

Summary of Significant Accounting Policies

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

Plan Description

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

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

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

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

Contributions

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

TABLE 12.1 Employer Contribution Requirements

	2017		2016	
	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]	4.60	5.00	4.20	4.60
Supplemental Amortization Equalization Disbursement as specified in C.R.S. § 24-51-411 [1]	4.50	5.00	4.00	4.50
Total Employer Contribution Rate to the SDTF[1]	18.23%	19.13	17.33	18.23

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

Employer contributions are recognized by the SDTF in the period in which the compensation becomes payable to the member and the University is statutorily committed to pay the contributions to the SDTF. Employer contributions recognized by the SDTF from the University were $15,370,000 and $14,249,000 for the years ended June 30, 2017 and 2016, respectively.

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

At June 30, 2017 and 2016, the University reported a NPL of $532,215,000 and $296,275,000, respectively, for its proportionate share of the SDTF NPL. The NPL was measured as of December 31, 2016 and 2015, respectively, and the total pension liability used to calculate the NPL was determined by an actuarial valuation as of December 31, 2015. Standard update procedures were used to roll forward the total pension liability to December 31, 2016. The University's proportion of the NPL was based on University contributions to the SDTF for the calendar years 2016 and 2015 relative to the total contributions of participating employers to the SDTF. At December 31, 2016 and 2015, the University's proportion of the NPL was 2.8974930745 percent and 2.8133496393 percent, respectively, or a change from the prior year of 0.0841434352.

For the years ended June 30, 2017 and 2016, the University recognized pension expense of $100,188,000 and $27,508,000, respectively. At June 30, 2017 and 2016, 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	
	2017	**2016**	**2017**	**2016**
Difference between expected and actual experience	$ 5,290	4,314	-	9
Net difference between projected and actual earnings on pension plan investments	17,643	22,230	-	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	6,992	5,239	-	-
Changes in assumptions and other inputs	135,399	-	1,638	3,507
Contributions subsequent to the measurement date	7,867	7,533	-	-
Total	**$ 173,191**	**39,316**	**1,638**	**3,516**

Deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date totaling $7,867,000 will be recognized as a reduction of the NPL in the year ended June 30, 2018. Deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date totaling $7,533,000 were recognized as a reduction of the NPL in the year ended June 30, 2017. 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
2018	$ 89,727
2019	68,880
2020	4,893
2021	186

Actuarial Assumptions

The total pension liability in the December 31, 2015 actuarial valuation was determined using the actuarial assumptions shown in Table 12.4, Actuarial Assumptions.

TABLE 12.4 Actuarial Assumptions

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

Based on the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic assumptions were adopted by PERA's Board on November 18, 2016 and effective as of December 31, 2016. These revised assumptions shown below in Table 12.5, Actuarial Revised Assumptions were reflected in the roll-forward calculation of the total pension liability from December 31, 2015 to December 31, 2016:

TABLE 12.5 Actuarial Revised Assumptions

Actuarial Cost Method	Entry Age
Price inflation	2.40%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50 – 9.17%
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	5.26%
Post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07	2.00%
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve (AIR)

Mortality rates used in the December 31, 2015 valuation 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 one year, and Females set back two years. Active member mortality was based upon the same mortality rates but adjusted to 55 percent of the base rate for males and 40 percent of the base rate for females. For disabled retirees, the RP-2000 Disabled Mortality Table (set back two years for males and set back two years for females) was assumed.

The actuarial assumptions used in the December 31, 2015 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.

As a result of the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic actuarial assumptions including withdrawal rates, retirement rates for early reduced and unreduced retirement, disability rates, administrative expense load, and pre- and post-retirement and disability mortality rates were adopted by PERA's Board on November 18, 2016 to more closely reflect PERA's actual experience. As the revised economic and demographic assumptions are effective as of the measurement date, December 31, 2016, these revised assumptions were reflected in the total pension liability roll-forward procedures.

Healthy mortality assumptions for active members reflect the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

Healthy, post-retirement mortality assumptions reflect the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- **Males**: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

- **Females**: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was changed to reflect 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016. As a result of the October 28, 2016 actuarial assumptions workshop and the November 18, 2016 PERA Board meeting, the economic assumptions changed, effective December 31, 2016, as follows:

- Investment rate of return assumption decreased from 7.50 percent per year, compounded annually, net of investment expenses to 7.25 percent per year, compounded annually, net of investment expenses.

- Price inflation assumption decreased from 2.80 percent per year to 2.40 percent per year.

- Real rate of investment return assumption increased from 4.70 percent per year, net of investment expenses, to 4.85 percent per year, net of investment expenses.

- Wage inflation assumption decreased from 3.90 percent per year to 3.50 percent per year.

Several factors were considered in evaluating the long-term rate of return assumption for the SDTF, including long-term historical data, estimates inherent in current market data, and 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 by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the November 18, 2016 adoption of the current long-term expected rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in Table 12.6, Target Allocations and Geometric Real Rate of Returns:

Table 12.6 Target Allocations and Geometric Real Rate of Returns

Asset Class	Target Allocation	10 Year Expected Geometric Real Rate of Return*
U.S. Equity – Large Cap	21.20%	4.30
U.S. Equity – Small Cap	7.42	4.80
Non U.S. Equity – Developed	18.55	5.20
Non U.S. Equity – Emerging	5.83	5.40
Core Fixed Income	19.32	1.20
High Yield	1.38	4.30
Non U.S. Fixed Income – Developed	1.84	0.60
Emerging Market Debt	0.46	3.90
Core Real Estate	8.50	4.90
Opportunity Fund	6.00	3.80
Private Equity	8.50	6.60
Cash	1.00	0.20
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 7.25%.

Discount Rate

The discount rate used to measure the total pension liability was 5.26 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated economic and demographic actuarial assumptions adopted by PERA's Board on November 18, 2016.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.

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

Based on the above assumptions and methods, the projection test indicates the SDTF's fiduciary net position was projected to be depleted in 2039 and, as a result, the municipal bond index rate was used in the determination of the discount rate. The long-term expected rate of return of 7.25 percent on pension plan investments was applied to periods through 2039 and the municipal bond index rate, the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Board of Governors of the Federal Reserve System, was applied to periods on and after 2039 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.86 percent, resulting in a blended discount rate of 5.26 percent.

As of the prior measurement date, the projection test indicated the SDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments of 7.50 percent was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination did not use a municipal bond index rate and the discount rate was 7.50 percent, 2.24 percent higher compared to the current measurement date.

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

Table 12.7, Discount Rate Sensitivity presents the proportionate share of the NPL calculated using the discount rate of 5.26 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 (4.26 percent) or 1-percentage-point higher (6.26 percent) than the current rate.

Table 12.7 Discount Rate Sensitivity

2017	**1% Decrease (4.26%)**	**Current Discount Rate (5.26%)**	**1% Increase (6.26%)**
Proportionate share of the NPL	659,182	532,215	427,903
2016	**1% Decrease (6.50%)**	**Current Discount Rate (7.50%)**	**1% Increase (8.50%)**
Proportionate share of the NPL	374,302	296,275	231,008

Pension plan fiduciary net position

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

Mines Defined Contribution Plan

The Colorado School of Mines Board of Trustees approved the establishment of the Mines Defined Contribution Plan (MDCP) for all newly hired administrative and academic faculty hired on or after January 1, 2017. In addition, all current administrative and academic faculty hired prior to January 1, 2017 with at least one year of PERA service credit were given the opportunity to participate in the MDCP with an one-time irrevocable election period between January 1, 2017 and March 1, 2017. The contribution requirements of the plan members and the University are established and may be amended by the Board. The vesting period for the MDCP is three years.

For the year ended June 30, 2017, the University's contribution to the MDCP was equal to 12 percent of pre-tax covered payroll and the employee contribution was equal to 8 percent of pre-tax covered payroll. The University's contribution under the MDCP approximated $426,000 for the year ended June 30, 2017.

Participants in the MDCP choose to invest all contributions with the designated vendor.

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 $194,000 and $180,000 for Fiscal Years 2017 and 2016, 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, 2017, June 30, 2016, and June 30, 2015, the University contributions to the HCTF were $839,000, $818,000 and $778,000, respectively, equal to their required contributions for each year.

Colorado Higher Education Insurance Benefits Alliance Trust (CHEIBA)

Retired faculty and exempt-administrative staff are eligible to participate in the Colorado Higher Education Insurance Benefits Alliance Trust (CHEIBA). CHEIBA is a cost-sharing multiple-employer insurance purchasing pool, which allows for post-employment health coverage until the retiree is eligible for Medicare.

CHEIBA financial statements are prepared under accounting principles generally accepted in the United States using the accrual basis of accounting following governmental accounting standards for a business-type activity. The financial statements can be obtained by contacting the CHEIBA Trust. Contributions are recognized in the period due. Benefits and refunds are recognized and paid when due according to the participating plans. The fair value of the Trust's investments is based on quoted market prices from national securities exchanges.

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

Note 14: Discretely Presented Component Unit

Colorado School of Mines Foundation

Distributions made by the Foundation to the University during the years ended June 30, 2017 and 2016 were approximately $23,993,000 and $21,271,000, 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, 2017 and 2016, the University has recorded an accounts receivable from the Foundation of $2,681,000 and $2,858,000, respectively. As of June 30, 2017 and 2016, the University has recorded a liability to the Foundation of $1,885,000 and $1,684,000, 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 the University's endowments. The University has endowments and other assets held by the Foundation approximating $34,364,000 and $30,808,000 as of June 30, 2017 and 2016, 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 $20,119,000 as of June 30, 2017. These commitments will be funded or financed by donor contributions, state appropriations, existing revenue bonds, and other campus resources.

In the normal course of its operations, the University is involved in various litigation matters. The University is a defendant in two litigation matters including an employment matter and a student conduct matter. Management believes that any future liability that it may incur as a result of these matters will not have a material effect on the University's financial statements.

Government Grants

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

Note 16: Risk Management

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

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

Note 17: Legislative Appropriations

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

For the years ended June 30, 2017 and 2016, appropriated expenses were within the authorized spending authority. For the years ended June 30, 2017 and 2016, the University had a total appropriation of $24,126,000 and $22,659,000, respectively. For years ended June 30, 2017 and 2016, the University's appropriated funds consisted of $5,933,000 and $6,157,000, respectively, received from students that qualified for stipends from the College Opportunity Fund, $14,706,000 and $14,390,000, respectively, as fee-for-service contract revenue and $3,487,000 and $2,112,000, 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.

Note 18: Subsequent Event

In August 2017, the University issued $27,675,000 of Institutional Enterprise Revenue Bonds, Series 2017A (Series 2017A). Proceeds are being used for the purpose of constructing, improving, renovating, and equipping of new and existing campus facilities and paying costs of issuance of the 2017A bonds. Principal payments range from $705,000 to $1,345,000 with final maturity in December 2037. Interest is payable semiannually with coupon rates ranging from 2.0 to 5.0 percent.

Required Supplementary Information

Colorado School of Mines

Required Supplementary Information

June 30, 2017 and 2016

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

Calendar Year	Proportionate (percentage) of the Collective NPL	Proportionate Share of the Collective Pension Liability	Covered Payroll	Proportionate Share of the NPL as a Percentage of Covered Payroll	Plan Fiduciary Net Pension as a Percentage of the Total Pension Liability
2016	2.8974930745%	$ 532,215	$ 82,557	644.66%	42.60%
2015	2.8133496393	296,275	78,055	379.57	56.11
2014	2.7478159772	258,474	74,014	349.21	59.84

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

Fiscal Year	Statutorily Required Contributions	Contributions Related to the Statutorily Required Contribution	Contribution deficiency (excess)	Covered Payroll	Contribution as a Percentage of Covered Payroll
2017	$ 15,370	15,370	-	82,283	18.68%
2016	14,254	14,254	-	80,103	17.80
2015	12,885	12,885	-	76,271	16.89
2014	10,463	10,463	-	65,576	15.96
2013	10,055	10,055	-	66,255	15.18
2012	7,107	7,107	-	61,185	11.62
2011	6,515	6,515	-	60,837	10.71
2010	7,266	7,266	-	61,351	11.84
2009	6,640	6,640	-	62,027	10.71
2008	5,562	5,562	-	53,953	10.31

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

Members of the Legislative Audit Committee:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of Colorado School of Mines (the University), an institution of higher education of the State of Colorado, as of and for the years ended June 30, 2017 and 2016, 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 20, 2017. Our report includes a reference to other auditors who audited the financial statements of the Colorado School of Mines Foundation, Inc., as described in our report on the University's financial statements. The financial statements of the Colorado School of Mines Foundation, Inc. were not audited in accordance with *Government Auditing Standards*. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Broomfield, Colorado
November 20, 2017

CliftonLarsonAllen

CliftonLarsonAllen LLP
CLAconnect.com

November 20, 2017

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, 2017, and have issued our report thereon dated of November 20, 2017. Our report includes a reference to other auditors. Other auditors audited the financial statements of the Colorado School of Mines Foundation, Inc. (the Foundation) a discretely presented component unit and the Foundation's financial statements were not audited in accordance with *Government Auditing Standards*. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards* as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant audit findings

Qualitative aspects of accounting practices

Accounting policies

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

No new accounting policies were adopted and the application of existing policies was not changed during 2017.

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. We evaluated the key factors and assumptions used to develop the accounts and loans receivable allowances in determining that they are reasonable in relation to the financial statements taken as a whole.

- 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. We evaluated the key factors and assumptions used to develop the useful lives estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

- 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. We evaluated the key factors and assumptions used to develop the fair value of short and long-term investments in determining that it is reasonable in relation to the financial statements taken as a whole.

- Management's estimate of the interest rate swap liability is based on a third party model that uses a discounted forecasted cash flows method. We evaluated the key factors and assumptions used to develop the interest rate swap liability in determining that it is reasonable in relation to the financial statements taken as a whole.

- 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. We evaluated the key factors and assumptions used to develop the compensated absences and related personnel expenses liability in determining that it is reasonable in relation to the financial statements taken as a whole.

- Management's estimate of the net pension liability related to its pension plan is based on actuarial assumptions and other inputs as described in Note 12 to the financial statements. We evaluated the key factors and assumptions used to develop the net pension liability in determining that it is reasonable in relation to the financial statements taken as a whole.

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

The schedule on page 66 summarizes misstatements (immaterial) detected as a result of audit procedures that were corrected by management.

Disagreements with management

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

Management representations

We have requested certain representations from management that are included in the management representation letter dated November 20, 2017.

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 Regents, management of the University, and others within the University, and is not intended to be, and should not be, used by anyone other than these specified parties. However, in accordance with Title 2 C.F.R. Section 200.512 (Uniform Guidance), if requested, a copy of this management letter must be provided to a federal agency or pass-through entity. However, upon release by the Legislative Audit Committee this report is a public document.

CliftonLarsonAllen LLP

Broomfield, Colorado
November 20, 2017

Colorado School of Mines
Summary of Corrected Misstatements (Adjustments)
June 30, 2017

Account	Description	Debit		Credit	
Adjusting Journal Entries JE # 1					
To accrue June 2017 steam usage expense and related payable.					
1001-5523	Steam	$	141,078	$	-
334857-5523	Steam		17,525		-
1001-2101	Accounts Payable Non Invoice		-		158,603
Total		**$**	**158,603**	**$**	**158,603**
Adjusting Journal Entries JE # 2					
To reduce PERA contribution expense and increase subsequent contributions deferred outflow for June 2017 PERA contributions.					
31199-1933	DO - PERA Contributions Jan - June	$	1,281,817	$	-
31199-5147	PERA Pension Expense Offset		-		1,281,817
Total		**$**	**1,281,817**	**$**	**1,281,817**
Adjusting Journal Entries JE # 3					
To adjust cash equivalents and investment income to agree to balances per the Office of the State Treasurer.					
31099-4117	Unrealized Gain/Loss on Investments	$	864,970	$	-
31099-1113	Unrealized G/L on Pooled Cash		-		864,970
Total		**$**	**864,970**	**$**	**864,970**