

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

**Financial Audit  
Years Ended June 30, 2020 and 2019**

**Compliance Audit  
Year Ended June 30, 2020**

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## TABLE OF CONTENTS

	PAGE
Report Summary .....	1
Financial and Compliance Audit Report Section:	
Description of the Colorado School of Mines (Unaudited) .....	3
Independent Auditors' Report .....	4
Management's Discussion and Analysis (Unaudited).....	7
Basic Financial Statements	
Statements of Net Position .....	22
Statements of Revenues, Expenses, and Changes in Net Position .....	23
Statements of Cash Flows.....	24
Notes to Financial Statements .....	26
Required Supplementary Information (Unaudited)	
Schedule of the Proportionate Share of the Net Pension Liability .....	71
Schedule of Pension Contributions and Related Ratios .....	71
Schedule of the Proportionate Share of the Net OPEB Liability .....	73
Schedule of OPEB Contributions and Related Ratios .....	73
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	75
State Funded Student Financial Assistance Programs:	
Introduction .....	77
Report Summary .....	78
Independent Auditors' Report on the Statement of Appropriations, Expenditures, Transfers, and Reversions of State-Funded Student Assistant Programs .....	79
State-Funded Student Financial Assistance Programs	
Statement of Appropriations, Expenditures, Transfers and Reversions .....	81
State-Funded Student Financial Assistance Programs	
Notes to Statement of Appropriations, Expenditures, Transfers and Reversions .....	82
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Statement of Appropriations, Expenditures, and Reversions of the State of Colorado State-Funded Student Assistance Programs Performed in Accordance With Government Auditing Standards .....	83
Required Communications to Legislative Audit Committee.....	85

# Colorado School of Mines

## Report Summary

Year Ended June 30, 2020

### 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, 2020. 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 2020 to January 2021.

The purpose and scope of our audit were to:

- Express opinions on the financial statements of the University as of and for the years ended June 30, 2020 and 2019. 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, 2020 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 years ended June 30, 2020 and 2019.

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, 2020**

### **Audit Opinions and Reports (Continued)**

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

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

There were no findings or recommendations reported under *Governmental Auditing Standards* for the fiscal year ended June 30, 2019.

**Colorado School of Mines**  
**Financial and Compliance Audit**  
**Description of the Colorado School of Mines (Unaudited)**  
**Year Ended June 30, 2020**

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 of the University for the past three fiscal years has been as follows:

Fiscal Year	<u>Resident</u>	<u>Nonresident</u>	<u>Total</u>
2020	3,607	2,797	6,404
2019	3,333	2,538	5,871
2018	3,475	2,537	6,012

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

Fiscal Year	<u>Faculty</u>	<u>Staff</u>	<u>Total</u>
2020	505	695	1,200
2019	536	640	1,176
2018	500	625	1,125



## Independent Auditors' Report

Members of the Legislative Audit Committee and Board of Trustees:

### 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, 2020 and 2019, 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, 2020 and 2019. 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 University'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 University's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinions**

In our opinion, based on our audits and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Colorado School of Mines as of June 30, 2020 and 2019, 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*****Colorado School of Mines – a portion of the business-type activities of the State of Colorado***

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, 2020 and 2019, 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 and other post-employment benefit 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 February 11, 2021 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

**CliftonLarsonAllen LLP**

Denver, Colorado  
February 11, 2021

# 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, 2020 and 2019 (Fiscal Years 2020 and 2019, respectively) with comparative information for Fiscal Year 2018. 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 and other post-employment benefit (OPEB) liabilities and related information.

We recommend 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 and commitments, student retention, graduation rates, building condition, and campus safety. Information about nonfinancial indicators is not included in this discussion and analysis but may be

# **Colorado School of Mines**

## **Management's Discussion and Analysis**

(unaudited)

obtained from the University's Office of Communications and Marketing. 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 2020 include:

- Total University assets increased by 3.2 percent, total University liabilities decreased by 7.2 percent and total net position increased by 146.7 percent. The increase in net position is the result of decreases in the University's proportionate share of the net pension and OPEB liabilities and increases in restricted expendable for capital assets.
- Operating revenues increased by 7.5 percent while operating expenses decreased by 8.8 percent. The increase in operating revenue is attributed to increases in tuition revenue and sponsored research activity. Mines received direct federal support under the Higher Education Emergency Relief Fund (HEERF) of \$3,445,000 in response to COVID-19; revenue received under the HEERF program provided both direct and indirect emergency student relief; see Note 18 for additional information. Operating expenses decreased due to a reduction in the University's proportionate share of pension and OPEB expense. The decrease was offset with increases in salary and benefits and expenses related to student emergency relief awards and student housing & dining credits as a direct result of the University's need for health and safety of our campus community due to the COVID-19 pandemic.
- The University is finalizing several major construction projects including the Charles and Ida Green Center Roof Replacement; the Charles and Ida Green Center Chiller; campus generators; Green Center 2<sup>nd</sup> floor; Spruce Hall, a first-year student residence hall; McNeil Center for Entrepreneurship and Innovation; Mines first parking garage; and extension of our campus utility infrastructure including developing a connector road on campus.

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, 2020, 2019, and 2018 (in thousands)**

				2020 vs 2019		2019 vs 2018	
	2020	2019	2018	Amount	Percent	Amount	Percent
<b>Assets</b>							
Cash and Restricted Cash	\$ 183,329	204,462	229,370	(21,133)	(10.3%)	(24,908)	(10.9%)
Other Noncapital Assets	59,577	64,588	60,336	(5,011)	(7.8)%	4,252	7.0%
Net Capital Assets	493,432	444,237	401,112	49,195	11.1%	43,125	10.8%
<b>Total Assets</b>	<b>\$ 736,338</b>	<b>713,287</b>	<b>690,818</b>	<b>23,051</b>	<b>3.2%</b>	<b>22,469</b>	<b>3.3%</b>
<b>Deferred Outflows of Resources</b>	<b>\$ 33,165</b>	<b>61,041</b>	<b>125,350</b>	<b>(27,876)</b>	<b>(45.7%)</b>	<b>(64,309)</b>	<b>(51.3%)</b>
<b>Liabilities</b>							
Non-debt Liabilities	\$ 331,483	369,758	607,485	(38,275)	(10.4%)	(237,727)	(39.1%)
Debt Liabilities	291,659	301,732	311,949	(10,073)	(3.3%)	(10,217)	(3.3%)
<b>Total Liabilities</b>	<b>\$ 623,142</b>	<b>671,490</b>	<b>919,434</b>	<b>(48,348)</b>	<b>(7.2%)</b>	<b>(247,944)</b>	<b>(27.0%)</b>
<b>Deferred Inflows of Resources</b>	<b>\$ 113,167</b>	<b>173,907</b>	<b>37,438</b>	<b>(60,740)</b>	<b>(34.9)%</b>	<b>136,469</b>	<b>364.5%</b>
<b>Net Position</b>							
Net Investment in Capital Assets	\$ 235,121	236,820	214,037	(1,699)	(0.7)%	22,783	10.6%
Restricted:							
Nonexpendable Purposes	6,243	6,384	6,412	(141)	(2.2%)	(28)	(0.4%)
Expendable Purposes	18,155	17,212	16,642	943	5.5%	570	3.4%
Unrestricted	(226,325)	(331,485)	(377,795)	105,160	31.7%	46,310	(12.3%)
<b>Total Net Position</b>	<b>\$ 33,194</b>	<b>(71,069)</b>	<b>(140,704)</b>	<b>104,263</b>	<b>146.7%</b>	<b>69,635</b>	<b>(49.5%)</b>

### Assets

Cash and restricted cash comprises approximately 75.5 percent and 76.0 percent of the University's total noncapital assets as of June 30, 2020 and 2019, respectively. Restricted cash of \$59,350,000 and \$102,876,000, as of June 30, 2020 and 2019, 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 Fiscal Year 2020 due to spending bond proceeds from debt issued in prior years for various capital projects including a parking garage, new residence hall, operations building, and campus improvements and infrastructure 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 \$331,483,000 and \$369,758,000 as of June 30, 2020 and 2019, respectively, comprise 53.2 percent and 55.1 percent, respectively, of the total liabilities. The net pension liability comprises 73.4 percent and 79.3 percent, respectively, of total non-debt related liabilities. Each year, the University records its share of the statewide net pension liability. The University's net pension liability decreased 17.0 percent from 2019 to 2020 and 45.9 percent from 2018 to 2019. The decrease in Fiscal Year 2020 is primarily attributed to the State of Colorado's contribution to the unfunded pension liability pursuant to Senate Bill 18-200 of \$225,000,000 of which \$1,933,000 was allocated to the University. PERA operates on a calendar year. PERA's net pension liability for the years ending December 31, 2019 and 2018 was \$9,703,804,000 and \$11,378,673,000, respectively. Mines portion of PERA's liability for the fiscal years ending June 30, 2020 and 2019 was \$243,370,000 and \$293,120,000, respectively. The University is required to record its percent of the statewide net pension liability, and 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. The Public Employees Retirement Association of Colorado (PERA) and the State's General Assembly control those decisions. See Note 12 of the accompanying financial statements for more information related to the net pension liability.



# Colorado School of Mines

## Management's Discussion and Analysis

(unaudited)

As a result of implementing Governmental Accounting Standards Board Statement No. 83, *Certain Asset Retirement Obligations (ARO)*, in Fiscal Year 2019, the University recorded a liability and a deferred outflow, net of amortization expense, for the future costs associated with the disposal of assets requiring remediation. The University recorded a liability in 2019 of \$190,000 of which \$150,000 remains a deferred outflow as of June 30, 2020. See Note 11 for additional information related the asset retirement obligation.

In Fiscal Year 2018, as a result of implementing Governmental Accounting Standards Board Statement No. 75, *Reporting for Other Post-Employment Benefits Other Than Pensions (OPEB)*, the University recorded as a liability, its proportionate share of the PERA retiree healthcare costs. PERA subsidizes a portion of a PERA retiree's healthcare costs and it is this subsidy that is categorized as an OPEB liability. Colorado PERA's unfunded liability for OPEB as of December 31, 2020 and 2019 was \$1,123,988,000 and \$1,360,542,000 respectively and Mines share of that liability is \$9,616,000 and \$12,199,000 respectively See Note 13 of the accompanying financial statements for more information related to the OPEB 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. Unearned revenue increased 74.8 percent from prior year due to the receipt of Coronavirus Relief Funds (CRF) received by the University which will be used in fiscal year 2021. These amounts will be recognized as revenue in future periods after all requirements have been satisfied. See Note 8 for additional information on the University's unearned revenues.

The non-debt related liabilities decreased from 2019 to 2020 mainly due to the decrease in net pension liability of \$49,750,000 and from 2018 to 2019 with the decrease in net pension liability of \$248,723,000.

### 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 University maintains its 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 14 for additional information.

# Colorado School of Mines

## Management's Discussion and Analysis

(unaudited)

- 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 and OPEB liabilities 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 and OPEB liabilities and associated deferred outflows and inflows of resources.

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

	<u>6/30/20</u>	<u>6/30/19</u>	<u>6/30/18</u>
Unrestricted Net Position with Pension Impact	\$(226,325)	(331,485)	(377,795)
Cumulative effect on Unrestricted Net Position associated with the net pension liability and OPEB	349,197	432,368	478,705
Unrestricted Net Position without Pension & OPEB	<u>\$ 122,872</u>	<u>100,883</u>	<u>100,910</u>

Because the University is not required, and has no plans, to fund the net pension or OPEB liabilities, the unrestricted net position without the pension and OPEB 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, certain state appropriations and support, investment income or loss, 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.

# Colorado School of Mines

## Management's Discussion and Analysis

(unaudited)

**Table 3 - Condensed Statements of Revenues, Expenses and Changes in Net Position for Years Ended June 30, 2020, 2019, and 2018**  
(in thousands)

	2020	2019	2018	Increase (Decrease)			
				2020 vs 2019		2019 vs 2018	
				Amount	Percent	Amount	Percent
Operating Revenues	\$ 272,578	253,643	234,373	18,935	7.5%	19,270	8.2%
Operating Expenses	208,474	228,511	362,208	(20,037)	(8.8%)	(133,697)	(36.9%)
<b>Operating Income ( Loss)</b>	<b>64,104</b>	<b>25,132</b>	<b>(127,835)</b>	<b>38,972</b>	<b>155.1%</b>	<b>152,967</b>	<b>119.7%</b>
Net Nonoperating Revenues	31,612	27,822	22,238	3,790	13.6%	5,584	25.1%
<b>Income (Loss) Before Other Revenues</b>	<b>95,716</b>	<b>52,954</b>	<b>(105,597)</b>	<b>42,762</b>	<b>80.8%</b>	<b>158,551</b>	<b>150.1%</b>
Other Revenues	8,547	16,681	6,465	(8,134)	(48.8%)	10,216	158.0%
<b>Increase (decrease) in Net Position</b>	<b>104,263</b>	<b>69,635</b>	<b>(99,132)</b>	<b>34,628</b>	<b>49.7%</b>	<b>168,767</b>	<b>170.2%</b>
Net Position, Beginning of Year	(71,069)	(140,704)	(28,439)	69,635	49.5%	(112,265)	(394.8%)
Adjustment for change in accounting principle	-	-	(13,133)	-	0.0%	13,133	(100.0%)
<b>Net Position, End of Year</b>	<b>\$ 33,194</b>	<b>(71,069)</b>	<b>(140,704)</b>	<b>104,263</b>	<b>146.7%</b>	<b>69,635</b>	<b>49.5%</b>

Table 4 - Operating and Nonoperating Revenues for the Years Ended June 30, 2020, 2019, and 2018 provides gross operating and nonoperating (noncapital) revenues by major sources. As Table 4 shows, the University's total operating revenues increased 7.5 percent and 8.2 percent for Fiscal Years 2020 and 2019, respectively, and net nonoperating revenues increased 8.5 percent over last fiscal year and 16.4 percent from Fiscal Years 2018 to 2019.

**Table 4 - Operating and Nonoperating Revenues for Years Ended June 30, 2020, 2019, and 2018** (in thousands)

	2020	2019	2018	Increase (Decrease)			
				2020 vs 2019		2019 vs 2018	
				Amount	Percent	Amount	Percent
<b>Operating Revenues</b>							
Student Tuition and Fees, net	\$ 146,383	135,714	129,963	10,669	7.9%	5,751	4.4%
Grants and Contracts	76,711	67,788	58,652	8,923	13.2%	9,136	15.6%
Fee for Service	17,314	15,731	15,043	1,583	10.1%	688	4.6%
Auxiliary Enterprises, net	25,142	27,453	24,397	(2,311)	(8.4%)	3,056	12.5%
Other Operating	7,028	6,957	6,318	71	1.0%	639	10.1%
<b>Total Operating Revenues</b>	<b>\$ 272,578</b>	<b>253,643</b>	<b>234,373</b>	<b>18,935</b>	<b>7.5%</b>	<b>19,270</b>	<b>8.2%</b>
<b>Nonoperating Revenues</b>							
State Appropriations	\$ 3,606	3,099	3,659	507	16.4%	(560)	(15.3%)
State Support for Pensions	1,933	2,022	-	(89)	(4.4%)	2,022	100.0%
Contributions	20,190	20,949	19,254	(759)	(3.6%)	1,695	8.8%
Investment Income, net	7,490	7,299	4,132	191	2.6%	3,167	76.6%
Federal Nonoperating	8,076	4,625	4,673	3,451	74.6%	(48)	(1.0%)
Other Nonoperating, net	137	183	1,089	(46)	(25.1%)	(906)	(83.2%)
<b>Total Nonoperating Revenues</b>	<b>\$ 41,432</b>	<b>38,177</b>	<b>32,807</b>	<b>3,255</b>	<b>8.5%</b>	<b>5,370</b>	<b>16.4%</b>
<b>Total Revenues (noncapital)</b>	<b>\$ 314,010</b>	<b>291,820</b>	<b>267,180</b>	<b>22,190</b>	<b>7.6%</b>	<b>24,640</b>	<b>9.2%</b>

The University has experienced increases in most sources of operating revenues over the past three years. Student Tuition and Fees (net) increased 7.9 percent from Fiscal Year 2019 and 4.4 percent from Fiscal Year 2018. The increase in student tuition and fees reflects the increase in enrollment. See Table 14 for additional information.

In Fiscal Year 2020, the University secured restricted awards of \$95,216,000, which is comprised of research awards of \$78,344,000, Federal CARES Act of \$3,445,000 of Higher Education Emergency Relief Funds, and \$13,427,000 of Coronavirus Relief Funds, compared to \$84,456,000 in Fiscal Year 2019 and \$65,955,000 in Fiscal Year 2018. Grants and Contracts revenue for Fiscal Year 2020 increased 13.2 percent, or \$8,924,000 over Fiscal Year 2019 and 15.6 percent, or \$9,120,000 from Fiscal Year 2018. The University remains

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

committed to increasing its focus and national role as a research institution. 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 73.3 percent and 73.9 percent of total grants and contracts revenue for Fiscal Years 2020 and 2019, respectively. Grants and contracts generally allow for reimbursement of a portion of any related administrative and facility overhead costs. In Fiscal Years 2020 and 2019, the University received reimbursements of approximately \$16,052,000 and \$13,910,000, respectively.

The University receives funding from the State of Colorado in two ways; (1) fee-for-service contracts with the Colorado Department of Higher Education and (2) stipends to qualified undergraduate students used to pay a portion of tuition. Funding in Fiscal Years 2020 and 2019 related to our fee-for-service contracts increased by \$1,583,000 and \$688,000, 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.

<b>Table 5 – College Opportunity Fund –Undergraduate Student Stipends</b>				
		<b>2020</b>	<b>2019</b>	<b>2018</b>
Student stipends	\$	8,057,000	7,143,000	6,443,000
Stipend allotment		94/hour	85/hour	77/hour
Stipend eligible hours		85,718	84,185	83,720

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

Over the past three fiscal years, contribution 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 volatility 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 in Fiscal Years 2020, 2019, and 2018 of \$3,592,000, \$2,187,000, and \$898,000, respectively. The realized investment income was \$4,371,000, \$5,577,000, and \$3,699,000, respectively, for the same periods. Federal nonoperating revenues consist of interest subsidies received for taxable Build America Bonds (BAB) issued by the University, financial aid received under the Pell program and COVID-19 relief funds as described below. The University received \$1,128,000, \$1,136,000, and \$1,143,000 in federal interest subsidies in Fiscal Years 2020, 2019, and 2018, 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 2020, 2019, and 2018 were \$3,530,000, \$3,489,000, and \$3,530,000, respectively. Revenues fluctuate based on student activity in the Pell program. In Fiscal Year 2020, the federal government provided relief from the effects of COVID-19 through the Coronavirus Aid, Relief, and Economic Security Act (CARES). The University recognized \$3,418,000 in revenue of the total \$3,445,000 Higher Education Emergency Relief Fund (HEERF) funding received during Fiscal Year 2020.

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

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

**Table 6 - Operating Expenses by Function and Natural Classifications for Years Ended June 30, 2020, 2019, and 2018 (in thousands)**

By Functional Expense				Increase (Decrease)			
	2020	2019	2018	2020 vs 2019		2019 vs 2018	
				Amount	Percent	Amount	Percent
Education and General							
Instruction	\$ 54,426	64,038	125,439	(9,612)	(15.0%)	(61,401)	(48.9%)
Research	43,461	49,369	61,679	(5,908)	(12.0%)	(12,310)	(20.0%)
Public Service	410	925	2,105	(515)	(55.7%)	(1,180)	(56.1%)
Academic Support	13,994	17,387	29,537	(3,393)	(19.5%)	(12,150)	(41.1%)
Student Services	9,947	7,557	11,996	2,390	31.6%	(4,439)	(37.0%)
Institutional Support	18,613	18,988	38,037	(375)	(2.0%)	(19,049)	(50.1%)
Operation and Maintenance of Plant	21,519	22,078	35,258	(559)	(2.5%)	(13,180)	(37.4%)
Scholarships and Fellowships	1,574	889	1,042	685	77.1%	(153)	(14.7%)
Total Education and General	163,944	181,231	305,093	(17,287)	(9.5%)	(123,862)	(40.6%)
Auxiliary Enterprises	22,996	26,570	37,368	(3,574)	(13.5%)	(10,798)	(28.9%)
Depreciation and amortization	21,534	20,710	19,747	824	4.0%	963	4.9%
<b>Total Operating Expenses</b>	<b>\$ 208,474</b>	<b>228,511</b>	<b>362,208</b>	<b>(20,037)</b>	<b>(8.8%)</b>	<b>(133,697)</b>	<b>(36.9%)</b>
<b>By Natural Classification</b>							
Salaries and Benefits	\$ 110,169	132,657	269,892	(22,488)	(17.0%)	(137,235)	(50.8%)
Operating Expenses	76,771	75,144	72,569	1,627	2.2%	2,575	3.5%
Depreciation	21,534	20,710	19,747	824	4.0%	963	4.9%
<b>Total Operating Expenses</b>	<b>\$ 208,474</b>	<b>228,511</b>	<b>362,208</b>	<b>(20,037)</b>	<b>(8.8%)</b>	<b>(133,697)</b>	<b>(36.9%)</b>

Total operating expenses decreased 8.8 percent from Fiscal Year 2019 to 2020 and 36.9 percent from Fiscal Year 2018 to 2019. The decrease is primarily due to the reduction in benefit related expenses impacted by the State's contribution to the unfunded pension liability. The University reported pension expenses of (\$65,678,000) for Fiscal Year 2020 compared to (\$29,212,000) for Fiscal Year 2019. These pension related expenses impact most of the functional expense categories

Excluding the impact of recording pension and OPEB expenses related to the net pension and OPEB liabilities described above, total operating expenses increased by 6.2 percent from Fiscal Year 2019 to Fiscal Year 2020 and 6.0 percent from Fiscal Year 2018 to Fiscal Year 2019. Increases in salary expense, depreciation expense, and scholarship and fellowship expense from Fiscal Year 2019 to Fiscal Year 2020 were largest contributors to the increase in operating expenses.

Increases in salaries were in support of the teaching and research missions and the administration of the University. The salary increases of \$8,294,000 resulted from a combination of merit increases and hiring new faculty and staff to address operational demands.

Depreciation expense increased by \$824,000 as the University continues its investment in new buildings and improved infrastructure.

The amounts reported for scholarships and fellowships reflect the actual resources dedicated to student aid from University resources. The majority of the University's financial aid resources are applied to the students' accounts, and is recorded as a scholarship allowance, net of tuition and fee revenue. The University's total financial aid resources benefiting students were \$42,994,000, \$39,832,000, and \$35,823,000, in Fiscal Years 2020, 2019, and 2018, respectively. Comparatively, gross tuition increased \$13,650,000 in 2020 from 2019 and \$7,228,000 in 2019 from 2018. Additionally, the University provides financial aid resources to students for certain non-tuition and fee charges such as housing and dining; that expense is recorded under Operating Expense as Scholarship and Fellowships and was \$1,574,000, \$889,000 and 1,089,000 in Fiscal Year 2020, 2019 and 2018, respectively.



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

**Capital Assets and Debt Management**

As indicated in Table 7 - Capital Asset Categories, the University's capital assets consist of land, works of art, construction in progress, land improvements, buildings and improvements, software, equipment, library materials, and intangible assets with a gross book value of \$769,506,000, \$703,091,000, and \$642,790,000 at June 30, 2020, 2019 and 2018, respectively. Accumulated depreciation on depreciable assets totaled \$276,074,000 \$258,853,000, and \$241,678,000, 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, 2020, 2019, and 2018 (in thousands)**

	Increase (Decrease)							
	2020 vs 2019				2019 vs 2018			
	2020	2019	2018	Amount	Percent	Amount	Percent	
Land	\$ 13,210	12,366	8,935	844	6.8%	3,431	38.4%	
Works of Art	202	202	202	-	0.0%	-	0.0%	
Construction in Progress	114,671	63,511	32,209	51,160	80.6%	31,302	97.2%	
Land Improvements	28,429	26,002	22,670	2,427	9.3%	3,332	14.7%	
Buildings & Improvements	511,242	503,653	485,863	7,589	1.5%	17,790	3.7%	
Software	2,249	2,374	2,338	(125)	(5.3%)	36	1.5%	
Equipment	85,737	81,465	77,348	4,272	5.2%	4,117	5.3%	
Library materials	13,166	12,918	12,625	248	1.9%	293	2.3%	
Intangible	600	600	600	-	0.0%	-	0.0%	
<b>Total Capital Assets</b>	<b>\$ 769,506</b>	<b>703,091</b>	<b>642,790</b>	<b>66,415</b>	<b>9.4%</b>	<b>60,301</b>	<b>9.4%</b>	
<b>Accumulated Depreciation</b>	<b>\$ 276,074</b>	<b>258,853</b>	<b>241,678</b>	<b>17,221</b>	<b>6.7%</b>	<b>17,175</b>	<b>7.1%</b>	

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

**Active Projects**

- Charles and Ida Green Center (Green Center) Roof Replacement. This \$17,000,000 project is a complete removal and replacement of the approximately 44,000 square foot roof on the Green Center, including asbestos abatement, along with replacement of the major mechanical equipment in the building. The School of Mines has received a capital appropriation from the State of Colorado for 50% of the project costs. The anticipated completion date is May 2021.
- Charles and Ida Green Center (Green Center) Chiller. This \$8,800,000 project is to replace failing chillers and provide added capacity to the campus chilled water system. The anticipated completion date is January 2021.
- Spruce Residence Hall. \$42,355,000 project allows for the construction a residence hall of approximately 400 beds that opened in August 2020. Spruce Hall furthers the University's housing expansion supporting the goal of housing all freshmen and sophomore students on the University campus. It provides single occupancy (20%) and double occupancy (80%) for primarily freshmen students.

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

- **Parking Garage.** This \$30,405,000 project allows for the construction of a parking garage with a capacity of approximately 750 parking spaces. As the University continues to add new buildings, surface level parking on campus has decreased. In addition, changes in parking restrictions around the campus have further reduced available parking for the campus community. The garage was opened in August 2020.
- **14<sup>th</sup> Street Extension.** This new roadway is intended to provide direct access to the new parking garage by connecting Illinois street to Maple street on the east side of the garage. The roadway was opened in October 2020.
- **The McNeil Center for Entrepreneurship and Innovation.** This \$33,000,000 project allows for the construction of a 20,000 gross square feet (GSF) of office and classroom space surrounding the parking garage. Classes began in the building in September 2020 and the final completion is estimated in June 2021.
- **Campus Utility Infrastructure.** This \$6,000,000 project allows for the University to upgrade its steam and chilled water distribution to service growing needs. Upgrading the campus utility infrastructure will provide additional capacity for campus growth. The anticipated completion date is February 2021.

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)*

<b>Project Description</b>	<b>Financing Sources</b>	<b>Budget</b>
Charles and Ida Green Center Roof Replacement	State appropriation, University resources	\$ 17,000
Charles and Ida Green Center Chiller	Debt financing	8,800
Residence Hall	Debt financing	42,355
Parking Garage	University resources, Debt financing	30,405
14th Street Extension	Univeristy resources	1,000
McNeil Center for Entrepreneurship and Innovation	University resources, Debt financing	33,000
Campus Utility Infrastructure	Debt financing	6,000

In addition to operating and nonoperating revenues, the University received capital revenues in the amount shown in Table 9 – Capital Revenues. Year to year Capital Appropriations from the State are varied as they are based on the level of approved funding by the State for a respective project. The Fiscal Year 2020 amount of \$1,217,000 is related to the planning efforts of a proposed building focusing on our Subsurface Frontiers initiative. The Fiscal Year 2019 amount is related to the funding for the Charles and Ida Green Center Roof replacement and the Heating Plant renovations. Within Capital grants and gifts, in Fiscal Year 2020, the University received gifts provided by donations to fund the Labriola Innovation Complex and the CoorsTek Center for Applied Science and Engineering building and the debt service on the 2016 bonds used for initial funding on that project.

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

**Table 9 – Capital Revenues for the Years Ended June 30, 2020, 2019, and 2018** *(in thousands)*

Revenue Classification	2020	2019	2018	Increase (Decrease)			
				2020 vs 2019		2019 vs 2018	
				Amount	Percent	Amount	Percent
Capital appropriations and contributions from the State	\$ 1,217	7,260	1,870	(6,043)	(83.2%)	5,390	288.2%
Capital grants and gifts	7,330	9,418	4,562	(2,088)	(22.2%)	4,856	106.4%
<b>Total Capital Revenues</b>	<b>\$ 8,547</b>	<b>16,678</b>	<b>6,432</b>	<b>(8,131)</b>	<b>(48.8%)</b>	<b>10,246</b>	<b>159.3%</b>

Table 10 – Deferred Outflows/Inflows of Resources represent the consumption and acquisition of net position of certain activities representing the change in fair value. These deferred outflows and inflows of resources are amortized to expense over a period of years depending on the specific type. See Note 12 and the Required Supplementary Information for additional information.

**Table 10 – Deferred Outflows/Inflows of Resources at June 30, 2020, 2019, and 2018** *(in thousands)*

Type	2020	2019	2018	Increase (Decrease)			
				2020 vs 2019		2019 vs 2018	
				Amount	Percent	Amount	Percent
Loss on bond refunding	\$ 10,159	11,314	12,519	(1,155)	(10.2%)	(1,205)	(9.6%)
Components of pension liability	16,418	46,222	112,356	(29,804)	(64.5%)	(66,134)	(58.9%)
Components of OPEB	538	636	475	(98)	(15.4%)	161	33.9%
SWAP valuation	5,900	2,716	-	3,184	117.2%	2,716	0.0%
Components of ARO	150	153	-	(3)	(2.0%)	153	0.0%
<b>Total Deferred Outflows of Resources</b>	<b>33,165</b>	<b>61,041</b>	<b>125,350</b>	<b>(27,876)</b>	<b>(45.7%)</b>	<b>(64,309)</b>	<b>(51.3%)</b>
Components of pension liability	109,830	172,468	36,102	(62,638)	(36.3%)	136,366	377.7%
Components of OPEB	3,337	1,439	1,223	1,898	132.0%	216	17.7%
SWAP valuation	-	-	113	-	0.0%	(113)	(100.0%)
<b>Total Deferred Inflows or Resources</b>	<b>\$ 113,167</b>	<b>173,907</b>	<b>37,438</b>	<b>(60,740)</b>	<b>(34.9%)</b>	<b>136,469</b>	<b>364.5%</b>

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, 2020, 2019, and 2018, the outstanding swap had a fair market value of (\$12,838,000), (\$9,164,000), and (\$6,837,000), respectively.

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, 2020, 2019, and 2018, bonds and capital leases payable of \$291,659,000, \$301,732,000, and \$311,949,000, respectively, were outstanding.

**Table 11 – Long-Term Debt Categories at June 30, 2020, 2019, and 2018** *(in thousands)*

Debt Type	2020	2019	2018	Increase (Decrease)			
				2020 vs 2019		2019 vs 2018	
				Amount	Percent	Amount	Percent
Revenue bonds	\$ 291,659	301,732	311,941	(10,073)	(3.3%)	(10,209)	(3.3%)
Capital leases	-	-	8	-	0.0%	(8)	(100.0%)
<b>Total Long-Term Debt</b>	<b>\$ 291,659</b>	<b>301,732</b>	<b>311,949</b>	<b>(10,073)</b>	<b>(3.3%)</b>	<b>(10,217)</b>	<b>(3.3%)</b>

Two of the University's outstanding bond issues qualify as Build America Bonds and one qualifies as a Qualified Energy Conservation Bond (QECB). As such, the University expects to receive a cash subsidy payment from the United States Treasury, referred to as Federal Direct Payments, equal to a percentage of the interest payable on the bonds on or around each interest payment date.



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

**Factors Impacting Future Periods**

With the onset of the global pandemic - novel coronavirus (COVID-19) and the related health impacts, the State of Colorado Governor Jared Polis issued a statewide stay-at-home order in March 2020 necessitating that the University act swiftly to transition the remaining educational delivery of the spring 2020 semester and operations of the University to predominantly a remote format. The University's educational delivery remained fully remote until the beginning of Fiscal Year 2021 when several summer courses and the fall semester is being conducted both in-person and remote.

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. COVID-19 affected the University's impact and planning for each of these factors.

Similar to the impacts globally, the pandemic has impacted those within the University community from both a health and financial perspective. Given that, for the Academic Year 2020-2021, the University committed to not increase tuition for all students and only slightly increased fees. This compares to Fiscal Year 2020 where the resident rate remained flat and non-resident rate increased 3.0 percent, Fiscal Year 2019 where both resident and non-resident rates increased 3.0 percent. Table 12 – Full Time Tuition and Room and Board Charges per Year provides a trend of tuition and room and board charges for the academic years 2018 to 2020.

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

Academic Year	Annual Full-time Undergraduate Tuition Rates		Annual Room and Board (avg.)		
	Residents*	Non-residents	Double	Single	Meal Plan
2021	16,650	37,350	8,800	10,920	6,120
2020	16,650	37,350	8,462	10,500	5,960
2019	16,650	36,270	7,694	9,546	5,678
2018	16,170	35,220	6,632	8,230	5,460

\* Reported net of student stipends

Even with the impacts on our community from COVID-19, Fall 2020 total enrollment increased 2.2 percent from Fall 2019. This increase was primarily due to our strong retention rate and new graduate degree and certificate programs.

**Table 13 - Fall Enrollment Trends**

Academic Year	Undergraduate Students			Graduate Students			Total		
	Residents	Non-residents	Total	Residents	Non-residents	Total	Residents	Non-residents	Total
2020	2,903	2,308	5,211	867	676	1,543	3,770	2,984	6,754
2019	2,824	2,331	5,155	774	678	1,452	3,598	3,009	6,607
2018	2,737	2,217	4,954	640	674	1,314	3,377	2,891	6,268

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

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

**Table 14 - Fall Semester Undergraduate Admissions Trends**

Fall of Year	Number of Applicants	Number Accepted	Percent Accepted	Number Committed	Percent Committed
2020	12,682	6,964	54.9%	1,338	19.2%
2019	12,333	6,592	53.5%	1,469	22.3%
2018	13,282	6,517	49.1%	1,358	20.8%

Due to the financial impacts of COVID-19 on the State of Colorado, the state's allocation of the Fiscal Year 2021 budget for higher education was reduced by 58.0 percent, or \$493,000,000; the University's share of that reduction is \$14,710,000 (\$10,656,000 reduced from our fee-for-service contract and \$4,054,000 from student stipends). Table 15 - State Operating Support shows the trend in State Support for the Fiscal Years 2018 to 2021.

**Table 15 – State Operating Support (in thousands)**

Fiscal Year	State Support *	Total Operating Revenues **	% of Total State Operating Support to Total Operating Revenues
2021	\$ 10,656	287,198	3.7%
2020	25,371	272,578	9.3%
2019	22,874	253,643	9.0%
2018	21,485	234,373	9.2%

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

\*\*Fiscal Year 2021 Amount of State Support is based on amounts included in the State's Long Appropriation Act (Long Bill). Total Operating Revenues is based on the University's Fiscal Year 2021 projected revenues.

In May, 2020 Governor Polis allocated to Higher Education \$450,000,000 of the State of Colorado allocation of the \$1,700,000,000 Federal CARES Act to backfill the Fiscal Year 2021 state reduction for a one-year time period. The University's portion of the state allocation was \$13,400,000. With the aforementioned reduction to the University and the CARES Act backfill, the University's will incur a net loss from state funding of \$1,310,000 in Fiscal Year 2021.

The State is currently in their budget process for Fiscal Year 2022 and at this time it is unknown what funding will be allocated to Higher Education and the University in specific.

**Financial Sustainability:**

In 2016, the University developed a strategic plan, Mines@150, which charts out a path to enhance its distinction and excellence. The plan focuses on a signature experience for our students, entrepreneurship and innovation, growing the scale and impact of our research, and attracting private partners. We are well underway in our implementation of the plan which includes growth and diversification of our revenue stream. As part of the revenue diversification, in fiscal year 2018 we developed an online platform in order to offer certain graduate degrees and certificates to students around the world. We have seen growth in

# Colorado School of Mines

## Management's Discussion and Analysis

(unaudited)

enrollment of online students driven from newly created online graduate degree and certificate programs. Additionally, in fall 2020, we announced our fundraising campaign "A Campaign for Mines@150". The intent of this campaign is to garner private support for the initiatives that are represented in the strategic plan.

The University continues to look at ways to control increases in operating costs. In the spring of 2020 when we transitioned to remote education delivery to protect our campus from the pandemic health impacts, we significantly reduced costs and continue to maintain most of those cost reductions in the fall semester of 2020. The University continually evaluates administrative processes and develops processes for streamlining services and providing efficiencies and value-added services. As a result of one of these initiatives, the University implemented an administrative shared services model in Fiscal Year 2019. The shared services model consolidates procurement, travel, accounts payable and payroll services, mitigating the need for duplicative processes across the organization.

In January 2017, the University began offering an alternative retirement plan for newly hired academic and administrative faculty. As of July 1, 2020, the employer contribution to the Mines Defined Contribution Plan (MDCP) is 12 percent compared to the combined 20.90 percent required retirement contribution to PERA; the PERA rate will increase to 20.95 percent on January 1, 2021. 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 have exceeded \$2,000,000 since inception and 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.

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 2021 budget was developed to devote resources to all of these strategic areas as well as to respond to the possible impacts that the pandemic could continue to have on the University.

### Future Capital Projects

Due to the current economic uncertainty around the pandemic, the University is taking a measured approach on executing its capital plans and has put some projects on hold. We are however, continuing our planning efforts on two projects that will be either fully or primarily funded by existing student fees, external gifts and or grants. Continuation of these critical projects will improve the University's infrastructure and enhance the student experience in alignment with our strategic plan, Mines@150. The planning projects that we are moving forward with are:

**Labriola Innovation Complex.** The University is planning to construct a 32,000 GSF Innovation Complex. The Complex will provide a place for students to learn via hands on techniques and courses. The project will be financed through philanthropic and student support. The current estimated cost of the project is \$22,000,000 with construction anticipated to begin in early 2021.

**Beck Venture Center.** The University is planning for a Venture Center with 40,000+ GSF that will provide services and space for faculty, students, alumni and the broader community for entrepreneurial endeavors. This project is expected to be funded by external gifts with the remainder possibly funded by University issued debt.

# **Colorado School of Mines**

## **Management's Discussion and Analysis**

(unaudited)

The University partnered with a local developer to build a new residence hall, 1750 Jackson, to provide on campus housing options to sophomore students. The University owns the land and will operate and maintain the building, while the developer designed, built, and financed the building. The University will lease the building from the developer. The residence hall opened to students in August 2020.

A major project that is on hold is a capital project in collaboration with the United States Geological Survey. The University and the United States Geological Survey (USGS) signed an agreement in October 2018 that sets forth the respective organization's collaboration on science matters related to the mineral resources and the earth's subsurface. This collaboration is intended to incorporate co-location of some functions of the USGS on the University's campus. The shared facility is designed at 193,000+ GSF building that if it moves forward will be occupied both by the University and the USGS at an estimated cost of \$156,400,000. This project is currently on hold pending the outcome of federal legislation which seeks approval for the federal government to fund the project in its entirety.

### **Economic Outlook**

Despite the increased economic volatility and heightened uncertainty arising from the pandemic, the University believes it is well-positioned financially. The University continues to make efforts to ensure that operating expense increases do not outpace operating revenue increases. This was achieved this past year setting aside the impact of recording the net pension and OPEB liabilities. Enrollment remains strong and is growing in the graduate student space. The University has been deliberate in keeping tuition rates flat for this academic year. We are also experiencing continued growth in sponsored research from federal and industry sponsors. Lastly, philanthropic support remained robust as we approached the formal launch of the Campaign for Mines@150 in the fall of 2020.

### **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

Years Ended June 30, 2020 and 2019 (*in thousands*)

	2020		2019	
	University	Component Unit	University	Component Unit
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 123,979	14,488	\$ 101,586	5,805
Short term investments	-	-	-	170
Accounts and loans receivable, net	22,743	7,415	26,127	4,727
Other assets	1,907	-	999	-
<b>Total Current Assets</b>	<b>\$ 148,629</b>	<b>21,903</b>	<b>\$ 128,712</b>	<b>10,702</b>
<b>Noncurrent Assets</b>				
Restricted cash and cash equivalents	\$ 59,350	90	\$ 102,876	30
Investments	31,317	320,840	33,227	332,615
Accounts and loans receivable	3,610	42,284	4,235	17,069
Other assets	-	268	-	277
Capital assets, net	493,432	1,742	444,237	50
<b>Total Noncurrent Assets</b>	<b>\$ 587,709</b>	<b>365,224</b>	<b>\$ 584,575</b>	<b>350,041</b>
<b>Total Assets</b>	<b>\$ 736,338</b>	<b>387,127</b>	<b>\$ 713,287</b>	<b>360,743</b>
<b>Deferred Outflows of Resources</b>				
Loss on bond refundings	\$ 10,159	-	\$ 11,314	-
SWAP Valuation	5,900	-	2,716	-
Pension related	16,418	-	46,222	-
OPEB related	538	-	636	-
Asset retirement obligation	150	-	153	-
<b>Total Deferred Outflows of Resources</b>	<b>\$ 33,165</b>	<b>-</b>	<b>\$ 61,041</b>	<b>-</b>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts payable and accrued liabilities	\$ 19,294	1,937	\$ 23,102	5,467
Accrued compensated absences	672	-	712	-
Unearned revenue	31,477	-	18,007	-
Bonds and leases payable	9,045	-	8,730	-
Other liabilities	2,719	-	1,856	-
<b>Total Current Liabilities</b>	<b>\$ 63,207</b>	<b>1,937</b>	<b>\$ 52,407</b>	<b>5,467</b>
<b>Noncurrent Liabilities</b>				
Accrued compensated absences	\$ 7,991	-	\$ 7,023	-
Bonds and leases payable	282,614	-	293,002	-
Interest rate swap agreement	12,838	-	9,164	-
Net pension liability	243,370	-	293,120	-
Net OPEB liability	9,616	-	12,199	-
Other liabilities	3,506	39,562	4,575	41,726
<b>Total Noncurrent Liabilities</b>	<b>\$ 559,935</b>	<b>39,562</b>	<b>\$ 619,083</b>	<b>41,726</b>
<b>Total Liabilities</b>	<b>\$ 623,142</b>	<b>41,499</b>	<b>\$ 671,490</b>	<b>47,193</b>
<b>Deferred Inflows of Resources</b>				
SWAP Valuation	\$ -	-	\$ -	-
Pension related	109,830	-	172,468	-
OPEB related	3,337	-	1,439	-
<b>Total Deferred Inflows of Resources</b>	<b>\$ 113,167</b>	<b>-</b>	<b>\$ 173,907</b>	<b>-</b>
<b>Net Position</b>				
Net investment in capital assets	\$ 235,121	-	\$ 236,820	-
<b>Restricted for nonexpendable purposes</b>				
Instruction	\$ 3,360	-	\$ 3,360	-
Scholarships and fellowships	2,051	95,204	2,051	94,760
Other	832	86,713	973	89,109
<b>Total restricted for nonexpendable purposes</b>	<b>\$ 6,243</b>	<b>181,917</b>	<b>\$ 6,384</b>	<b>183,869</b>
<b>Restricted for expendable purposes</b>				
Scholarships and fellowships	\$ 4,999	46,853	\$ 5,290	43,630
Loans	1,537	1,703	1,513	1,798
Research	5,900	1,901	5,459	1,678
Capital projects	2,680	5,415	1,488	1,067
Other	3,039	80,113	3,462	52,410
<b>Total restricted for expendable purposes</b>	<b>\$ 18,155</b>	<b>135,985</b>	<b>\$ 17,212</b>	<b>100,583</b>
<b>Unrestricted</b>	<b>\$ (226,325)</b>	<b>27,726</b>	<b>\$ (331,485)</b>	<b>29,098</b>
<b>Total Net Position</b>	<b>\$ 33,194</b>	<b>345,628</b>	<b>\$ (71,069)</b>	<b>313,550</b>



# Colorado School of Mines

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

Years Ended June 30, 2020 and 2019 *(in thousands)*

	2020		2019	
	University	Component Unit	University	Component Unit
<b>Operating Revenues</b>				
Tuition and fees, (net of scholarship allowance of \$41,851 in 2020 and \$38,870 in 2019)	\$ 146,383	-	\$ 135,714	-
Fee-for-service	17,314	-	15,731	-
Federal grants and contracts	56,213	-	50,114	-
State grants and contracts	4,901	-	4,965	-
Nongovernmental grants and contracts	15,597	-	12,709	-
Auxiliary enterprises, (net of scholarship allowance of \$1,143 in 2020 and \$962 in 2019)	25,142	-	27,453	-
Contributions	-	61,227	-	21,509
Other operating revenues	7,028	2,681	6,957	2,033
<b>Total Operating Revenues</b>	<b>\$ 272,578</b>	<b>63,908</b>	<b>\$ 253,643</b>	<b>23,542</b>
<b>Operating Expenses</b>				
Education and General				
Instruction	\$ 54,426	-	\$ 64,038	-
Research	43,461	-	49,369	-
Public service	410	-	925	-
Academic support	13,994	-	17,387	-
Student services	9,947	-	7,557	-
Institutional support	18,613	35,057	18,988	35,034
Operation and maintenance of plant	21,519	-	22,078	-
Scholarships and fellowships	1,574	-	889	-
Total Education and General	163,944	35,057	181,231	35,034
Auxiliary enterprises	22,996	-	26,570	-
Depreciation and amortization	21,534	-	20,710	-
<b>Total Operating Expenses</b>	<b>\$ 208,474</b>	<b>35,057</b>	<b>\$ 228,511</b>	<b>35,034</b>
<b>Operating Revenue (Loss)</b>	<b>\$ 64,104</b>	<b>28,851</b>	<b>\$ 25,132</b>	<b>(11,492)</b>
<b>Nonoperating Revenues (Expenses)</b>				
State appropriations, non-capital	\$ 3,606	-	\$ 3,099	-
State Support for pensions	1,933	-	2,022	-
Contributions from the Foundation	19,406	-	19,672	-
Contributions	784	-	1,277	-
Investment income, net	7,490	3,227	7,299	2,483
Interest on debt	(9,120)	-	(9,950)	-
Federal nonoperating revenue	8,076	-	4,625	-
Other nonoperating expenses	(700)	-	(405)	-
Other nonoperating revenue	137	-	183	-
<b>Net Nonoperating Revenues (Expenses)</b>	<b>\$ 31,612</b>	<b>3,227</b>	<b>\$ 27,822</b>	<b>2,483</b>
<b>Income (Loss) Before Other Revenues</b>	<b>\$ 95,716</b>	<b>32,078</b>	<b>\$ 52,954</b>	<b>(9,009)</b>
Capital appropriations and contributions from State	1,217	-	7,260	-
Capital grants and gifts	7,330	-	9,419	-
Additions to permanent endowments	-	-	2	-
<b>Total Other Revenues</b>	<b>\$ 8,547</b>	<b>-</b>	<b>\$ 16,681</b>	<b>-</b>
<b>Increase (Decrease) in Net Position</b>	<b>104,263</b>	<b>32,078</b>	<b>69,635</b>	<b>(9,009)</b>
Net Position, Beginning of Year	(71,069)	313,550	(140,704)	322,559
<b>Net Position, End of Year</b>	<b>\$ 33,194</b>	<b>345,628</b>	<b>\$ (71,069)</b>	<b>313,550</b>

# Colorado School of Mines

## Statement of Cash Flows

Years Ended June 30, 2020 and 2019 (in thousands)

	2020	2019
<b>Cash Flows from Operating Activities:</b>		
Tuition and fees	\$ 143,423	\$ 132,345
Grants and contracts	92,692	82,716
Sales of services from auxiliary enterprises	25,367	27,172
Collection of loans to students	929	1,398
Rental income	1,598	1,644
Receipts from the Foundation	1,058	988
Other operating receipts	5,484	5,400
Payments to employees	(129,239)	(119,990)
Payments for employee benefits	(61,994)	(56,226)
Payments to suppliers	(75,312)	(70,249)
Developmental services fees	(1,900)	(1,900)
Scholarships disbursed	(933)	(489)
Loans issued to students	(352)	(422)
<b>Net cash provided by operating activities</b>	<b>\$ 821</b>	<b>\$ 2,387</b>
<b>Cash Flows from Noncapital Financing Activities:</b>		
Receipts from the Foundation	\$ 17,893	\$ 18,260
State appropriations, non-capital	3,458	3,099
Gifts and grants for other than capital purposes	2,042	2,369
Additions to permanent endowments	-	2
Principal payments on noncapital debt	(355)	(330)
Interest payments on noncapital debt	(27)	(44)
Funds invested with the Foundation	-	(22)
Federal nonoperating revenue	20,040	3,489
Direct lending receipts	32,979	31,173
Direct lending disbursements	(32,979)	(31,173)
Agency inflows	13,413	11,703
Agency outflows	(13,506)	(11,641)
<b>Net cash provided by noncapital financing activities</b>	<b>\$ 42,958</b>	<b>\$ 26,885</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
State appropriations, capital	\$ 1,217	\$ 7,260
Capital gifts	9,058	4,118
Academic facility fees	3,878	3,625
Bond proceeds	-	-
Bond issuance and other loan costs	(97)	(53)
Acquisition and construction of capital assets	(66,218)	(56,372)
Principal payments on capital debt	(8,375)	(8,313)
Interest payments on capital debt	(12,916)	(13,273)
Federal nonoperating revenue	567	1,136
<b>Net cash used for capital and related financing activities</b>	<b>\$ (72,886)</b>	<b>\$ (61,872)</b>
<b>Cash Flows from Investing activities:</b>		
Interest and dividends on investments	7,974	7,692
<b>Net cash provided by investing activities</b>	<b>\$ 7,974</b>	<b>\$ 7,692</b>
Net Decrease in cash and cash equivalents	(21,133)	(24,908)
Cash and cash equivalents, Beginning of Year	204,462	229,370
<b>Cash and cash equivalents, End of Year</b>	<b>\$ 183,329</b>	<b>\$ 204,462</b>

# Colorado School of Mines

## Statement of Cash Flows

Years Ended June 30, 2020 and 2019 *(in thousands)*

	2020	2019
<b>Reconciliation of Operating Revenue to Net Cash</b>		
<b>Provided by Operating Activities:</b>		
Operating revenue	\$ 64,104	\$ 25,132
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization expense	21,534	20,710
Noncash operating expenses	192	(44,257)
Receipts of items classified as non-operating revenues	3,276	3,603
Academic construction fee split out of tuition to capital	(3,878)	(3,625)
<b>Changes in assets and liabilities:</b>		
Accounts and loans receivable	599	(3,293)
Other assets	(908)	735
Loans to students	624	455
Accounts payable and accrued liabilities	(2,683)	2,870
Unearned revenue	43	2,249
Accrued compensated absences	927	(21)
Other liabilities	(52,175)	(204,726)
<b>Changes in deferred outflows and inflows:</b>		
Deferred outflows	29,906	65,972
Deferred inflows	(60,740)	136,583
<b>Net cash provided by operating activities</b>	<b>\$ 821</b>	<b>\$ 2,387</b>
<b>Noncash Investing, Capital and Financing Activities:</b>		
Capital assets acquired by donations, state funded, and payable increases	10,433	11,202
Fair value change in interest rate swap	3,674	2,327
Realized/unrealized gains on investments	95	107
Administrative fees on investments	471	465
Accretion of interest on deep discount debt	447	492
Amortization of premiums/discounts	(1,794)	(2,069)
Amortization of deferred losses and swap termination	1,644	704
Loss on disposal of assets	(837)	(420)
Construction In Progress adjustments and deductions	(44)	(19)
State Support for Pensions	1,933	2,022
Federal noncapital financing receivable (CARES)	335	-
Federal capital financing receivable (BABS)	561	-



# Colorado School of Mines

## Notes to Financial Statements

June 30, 2020 and 2019

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

#### Governance

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

#### Financial Reporting Entity and Basis of Presentation

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

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

#### 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.

# **Colorado School of Mines**

## **Notes to Financial Statements**

June 30, 2020 and 2019

### **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 the last of its real estate assets in 2020. It is our understanding TMRC will proceed with an orderly dissolution. However, claims against TMRC, if any, may not be fully discharged for a period of up to five years under appropriate Colorado statutory procedures.

### **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 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, money market funds with brokers, and Guarantee Investment agreements.

#### **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.

# Colorado School of Mines

## Notes to Financial Statements

June 30, 2020 and 2019

### Investments and Investment Income

Investments in equity and debt securities are carried at fair value. Fair value is determined using values provided by the investment managers, along with managements estimates. 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 Statement 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
Building and improvements	20-40	Years
Equipment	3-10	Years
Library Materials	10	Years

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

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

# **Colorado School of Mines**

## **Notes to Financial Statements**

June 30, 2020 and 2019

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 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 re-funding, the market to market valuation of the University's SWAP agreement, and net pension liability related items. For current re-funding and advance re-funding resulting in defeasance of debt, the difference between the re-acquisition 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. The University recognized a deferred outflow in fiscal years 2020 and 2019 for the mark to market valuation of the SWAP agreement.

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

# Colorado School of Mines

## Notes to Financial Statements

June 30, 2020 and 2019

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.

The Asset Retirement Obligation (ARO) liability is the estimated costs of legally enforceable obligations required to sell, retire, recycle or dispose of specific assets. The legally enforceable obligation could come from federal, state or local laws and regulations, binding contracts, court judgements. These costs include but are not limited to specific cleaning processes, environmental remediation, transportation and disposal. The University recognizes this liability over the useful life of the assets with legally enforceable obligations.

### 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, net (includes Colorado Opportunity Fund stipends (COF)) (2) state fee for service contract (3) sales and services of auxiliary enterprises, (4) contracts and grants for research activities and (5) 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, Federal CARES Act revenue, state appropriations for non-capital, state support for pensions, 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, 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, 2020 and 2019, the authorized spending rate was equal to the 4.25 percent of the rolling 36-month average market value of the endowment

# Colorado School of Mines

## Notes to Financial Statements

June 30, 2020 and 2019

investments. Earnings net of fees 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 and state 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, 2020 and 2019.

### 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 with the 2020 presentation.

### Note 2: Cash and Cash Equivalents, and Investments

The University's and DPCU's 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	2020	2019
<b>University</b>		
Cash on hand	\$ 17	17
Cash with U.S. financial institutions	25,872	10,404
Cash with Guaranteed Investment Contract	16,601	64,231
Cash with State Treasurer	140,839	129,810
<b>Total Cash and Cash Equivalents - University</b>	<b>\$ 183,329</b>	<b>204,462</b>
<b>Discretely Presented Component Unit</b>		
Cash with U.S. financial institutions	14,578	5,835
<b>Total Cash and Cash Equivalents - DPCU</b>	<b>\$ 14,578</b>	<b>5,835</b>

# **Colorado School of Mines**

## **Notes to Financial Statements**

June 30, 2020 and 2019

### **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. Moneys deposited in the Treasury are invested until the cash is needed. As of June 30, 2020, the University had cash on deposit with the Treasury of \$140,800,000 which represented approximately 1.5 percent of the total \$9,638,800,000 fair value of investments in the State Treasury Pool (Pool). As of June 30, 2019, the University had cash on deposit with the Treasury of \$129,800,000 which represented approximately 1.4 percent of the total \$9,096,500,000 fair value of deposits in the Pool. As of June 30, 2020, and 2019, the Pool's resources included \$16,000,000 and \$73,700,000 of cash on hand and \$9,617,800,000 and \$9,022,800,000 of investments, respectively.

On the basis of the University's participation in the Pool, the University reports 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, 2020.

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, 2020 and 2019 are deemed to be exposed to custodial credit risk. As of June 30, 2020, and 2019, the DPCU maintained balances in various operating accounts in excess of federally insured limits totaling approximately \$14,300,000 and \$5,600,000, respectively.

### **Guaranteed Investment Contract**

The University entered into a Guaranteed Investment Contract (GIC) with Toronto-Dominion Bank in April 2018. The cash provided for the GIC was equal to the unspent 2017B Bond Proceeds. The University intends to leverage the investment to maximize the projects funded by the 2017B issue.

### **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.

# Colorado School of Mines

## Notes to Financial Statements

June 30, 2020 and 2019

**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 shown in table 2.2 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 the 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, 2020 and 2019, no single investment of the University's exceeded 5 percent of the total investments.

Most of the University's investments are managed by the Foundation, on behalf of the University and are reflected in the Foundation's Long-term Investment Pool (LTIP). The University's investments represent a proportionate share of the Foundation's LTIP and therefore, the University does not own any specific investments. As such, the fair value measurement for the University's investments are reported as a 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 or liability. 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; Net Asset Value (NAV) is computed based on dealer quotations on the fair value of the underlying securities. The fair value measurement of investments as of June 30, 2020 and 2019 are show in Table 2.2 Fair Value Measurements.



**Colorado School of Mines**  
**Notes to Financial Statements**  
June 30, 2020 and 2019

**Table 2.2 Fair Value Measurements** *(in thousands)*

2020					
Investment Type	Level 1	Level 2	Level 3	NAV	Total
<b>University</b>					
Corporate equity securities	\$ 173	-	-	-	173
Investments with Foundation	-	-	31,144	-	31,144
<b>Total Investments - University</b>	<b>\$ 173</b>	<b>-</b>	<b>31,144</b>	<b>-</b>	<b>31,317</b>
<b>Liabilities</b>					
Interest Rate Swap Agreement	-	12,838	-	-	12,838
<b>Total Liabilities - University</b>	<b>-</b>	<b>12,838</b>	<b>-</b>	<b>-</b>	<b>12,838</b>
<b>Discretely Presented Component Unit</b>					
Cash equivalents	\$ -	13,208	-	-	13,208
Corporate equity securities	75,240	-	-	90,475	165,715
Hedge funds	-	-	-	35,591	35,591
Private equity	-	-	-	64,261	64,261
Corporate bond funds	13,922	-	-	-	13,922
Split-interest agreements	13,491	-	275	-	13,766
Gift annuity agreements	2,904	-	-	-	2,904
Beneficial interest investments	-	-	11,473	-	11,473
<b>Total Investments-DPCU</b>	<b>\$ 105,557</b>	<b>13,208</b>	<b>11,748</b>	<b>190,327</b>	<b>320,840</b>
2019					
Investment Type	Level 1	Level 2	Level 3	NAV	Total
<b>University</b>					
Corporate equity securities	\$ 314	-	-	-	314
Investments with Foundation	-	-	32,913	-	32,913
<b>Total Investments - University</b>	<b>\$ 314</b>	<b>-</b>	<b>32,913</b>	<b>-</b>	<b>33,227</b>
<b>Liabilities</b>					
Interest Rate Swap Agreement	-	9,164	-	-	9,164
<b>Total Liabilities - University</b>	<b>-</b>	<b>9,164</b>	<b>-</b>	<b>-</b>	<b>9,164</b>
<b>Discretely Presented Component Unit</b>					
Cash equivalents	\$ -	13,139	-	-	13,139
Corporate equity securities	66,019	-	-	82,792	148,811
Hedge funds	-	-	-	55,654	55,654
Private equity	-	-	-	63,234	63,234
Corporate bond funds	22,956	-	-	-	22,956
Split-interest agreements	13,974	-	300	-	14,274
Gift annuity agreements	3,119	82	-	-	3,201
Beneficial interest investments	-	-	11,346	-	11,346
<b>Total Investments-DPCU</b>	<b>\$ 106,068</b>	<b>13,221</b>	<b>11,646</b>	<b>201,680</b>	<b>332,615</b>

# Colorado School of Mines

## Notes to Financial Statements

June 30, 2020 and 2019

The following details each major category for the Colorado School of Mines Foundation investments at fair value.

**Table 2.3 Investments in Certain Entities that Calculate NAV Per Share** *(in thousands)*

Fund Description	June 30, 2020 Fair Value	June 30, 2019 Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Domestic equity	\$ 41,295	30,560	-	Quarterly	30 to 45 days
International equity	49,180	52,233	-	Monthly	5 to 30 days
Hedge funds	35,591	55,654	-	Quarterly to Annually	30 to 90 days
Private equity funds	64,261	63,234	39,161	N/A	N/A
<b>Total Investments-DPCU</b>	<b>\$ 190,327</b>	<b>201,681</b>	<b>39,161</b>		

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

Table 3.1, Accounts Receivable, segregates receivables as of June 30, 2020 and 2019, by type.

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

2020				
Type of Receivable	Gross Receivable	Allowance	Net Receivable	Net Current Portion
<b>University</b>				
Student accounts	\$ 1,362	863	499	499
Student loans	4,270	110	4,160	550
Federal Government	16,033	-	16,033	16,033
Private sponsors	2,894	226	2,668	2,668
DPCU	1,750	-	1,750	1,750
Other	1,245	2	1,243	1,243
<b>Total Receivable - University</b>	<b>\$ 27,554</b>	<b>1,201</b>	<b>26,353</b>	<b>22,743</b>
<b>Discretely Presented Component Unit</b>				
Contributions*	\$ 50,603	2,607	47,996	7,415
Due from University	1,703	-	1,703	-
<b>Total Receivable - DPCU</b>	<b>\$ 52,306</b>	<b>2,607</b>	<b>49,699</b>	<b>7,415</b>
2019				
Type of Receivable	Gross Receivable	Allowance	Net Receivable	Net Current Portion
<b>University</b>				
Student accounts	\$ 3,772	872	2,900	2,900
Student loans	4,903	119	4,784	549
Federal Government	12,653	-	12,653	12,653
Private sponsors	3,265	935	2,330	2,330
DPCU	5,324	-	5,324	5,324
Other	2,373	2	2,371	2,371
<b>Total Receivable - University</b>	<b>\$ 32,290</b>	<b>1,928</b>	<b>30,362</b>	<b>26,127</b>
<b>Discretely Presented Component Unit</b>				
Contributions*	\$ 21,266	1,268	19,998	4,727
Due from University	1,798	-	1,798	-
<b>Total Receivable - DPCU</b>	<b>\$ 23,064</b>	<b>1,268</b>	<b>21,796</b>	<b>4,727</b>

\*The allowance on the contributions receivable is comprised of uncollectible and unamortized discounts of \$1,278 and \$1,329 respectively, as of June 30, 2020 and \$615 and \$653, respectively, for June 30, 2019.

# Colorado School of Mines

## Notes to Financial Statements

June 30, 2020 and 2019

### 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, 2020 and 2019.

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

Category	Balance 2019	Additions	Deletions	Transfers	Balance 2020
<b>Nondepreciable capital assets</b>					
Land	\$ 12,366	980	136	-	13,210
Works of art	202	-	-	-	202
Construction in progress	63,510	61,724	165	(10,398)	114,671
<b>Total nondepreciable assets</b>	<b>\$ 76,078</b>	<b>62,704</b>	<b>301</b>	<b>(10,398)</b>	<b>128,083</b>
<b>Depreciable capital assets</b>					
Land improvements	\$ 26,002	122	106	2,411	28,429
Buildings and improvements	503,653	1,199	1,221	7,611	511,242
Software	2,374	90	215	-	2,249
Equipment	81,465	8,694	4,798	376	85,737
Library materials	12,918	248	-	-	13,166
Intangible assets	600	-	-	-	600
<b>Total depreciable capital assets</b>	<b>\$ 627,012</b>	<b>10,353</b>	<b>6,340</b>	<b>10,398</b>	<b>641,423</b>
<b>Less accumulated depreciation</b>					
Land improvements	\$ 13,361	1,129	69	-	14,421
Buildings	178,034	13,603	31	-	191,606
Software	2,252	105	209	-	2,148
Equipment	52,933	6,469	4,004	-	55,398
Library materials	11,940	195	-	-	12,135
Intangible assets	333	33	-	-	366
<b>Total accumulated depreciation</b>	<b>\$ 258,853</b>	<b>21,534</b>	<b>4,313</b>	<b>-</b>	<b>276,074</b>
Net depreciable assets	\$ 368,159	(11,181)	2,027	10,398	365,349
<b>Total Net Capital Assets</b>	<b>\$ 444,237</b>	<b>51,523</b>	<b>2,328</b>	<b>-</b>	<b>493,432</b>

# Colorado School of Mines

## Notes to Financial Statements

June 30, 2020 and 2019

**Table 4.1 Capital Assets, continued** *(in thousands)*

Category	Balance 2018	Additions	Deletions	Transfers	Balance 2019
<b>Nondepreciable capital assets</b>					
Land	\$ 8,935	3,431	-	-	12,366
Works of art	202	-	-	-	202
Construction in progress	32,209	52,686	19	(21,366)	63,510
<b>Total nondepreciable assets</b>	<b>\$ 41,346</b>	<b>56,117</b>	<b>19</b>	<b>(21,366)</b>	<b>76,078</b>
<b>Depreciable capital assets</b>					
Land improvements	\$ 22,670	-	-	3,332	26,002
Buildings and improvements	485,863	1,221	518	17,087	503,653
Software	2,338	48	12	-	2,374
Equipment	77,348	6,602	3,432	947	81,465
Library materials	12,625	296	3	-	12,918
Intangible assets	600	-	-	-	600
<b>Total depreciable capital assets</b>	<b>\$ 601,444</b>	<b>8,167</b>	<b>3,965</b>	<b>21,366</b>	<b>627,012</b>
<b>Less accumulated depreciation</b>					
Land improvements	\$ 12,417	944	-	-	13,361
Buildings	164,667	13,572	205	-	178,034
Software	2,077	187	12	-	2,252
Equipment	50,339	5,910	3,316	-	52,933
Library materials	11,878	64	2	-	11,940
Intangible assets	300	33	-	-	333
<b>Total accumulated depreciation</b>	<b>\$ 241,678</b>	<b>20,710</b>	<b>3,535</b>	<b>-</b>	<b>258,853</b>
Net depreciable assets	\$ 359,766	(12,543)	430	21,366	368,159
<b>Total Net Capital Assets</b>	<b>\$ 401,112</b>	<b>43,574</b>	<b>449</b>	<b>-</b>	<b>444,237</b>

The total interest costs related to capital asset debt incurred by the University during the years ended June 30, 2020 and 2019, was \$9,270,000 and \$10,875,000, 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, 2020 and 2019 was \$4,040,000 and \$2,421,000, respectively.

# Colorado School of Mines

## Notes to Financial Statements

June 30, 2020 and 2019

### 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, 2020 and 2019.

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

<b>Deferred Outflows</b>	<b>2020</b>	<b>2019</b>
Loss on bond refundings	\$ 10,159	\$ 11,314
Pension Related	16,418	46,222
OPEB Related	538	636
SWAP valuation	5,900	2,716
Asset Retirement Obligation	150	153
<b>Total Deferred Outflows of Resources</b>	<b>\$ 33,165</b>	<b>\$ 61,041</b>
<b>Deferred Inflows</b>	<b>2020</b>	<b>2019</b>
Pension Related	\$ 109,830	\$ 172,468
OPEB Related	3,337	1,439
<b>Total Deferred Inflows of Resources</b>	<b>\$ 113,167</b>	<b>\$ 173,907</b>

### Note 6: Accounts Payable and Accrued Liabilities

Table 6.1, Accounts Payable and Accrued Liabilities, details the accounts payable and accrued expenses as of June 30, 2020 and 2019.

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

<b>Type</b>	<b>2020</b>	<b>2019</b>
Accounts payable - vendors	\$ 11,991	\$ 14,966
Accrued salaries and benefits	5,853	6,602
Accrued interest payable	1,450	1,534
<b>Total Accounts Payable and Accrued Liabilities</b>	<b>\$ 19,294</b>	<b>\$ 23,102</b>

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 2020 and 2019, total rent expense under these agreements was \$566,000 and \$191,000, respectively.



# Colorado School of Mines

## Notes to Financial Statements

June 30, 2020 and 2019

Table 6.2, Future Minimum Operating Lease Payments, details the future minimum operating lease payments.

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

<b>Years Ending June 30</b>	<b>Minimum Lease Payment</b>
2021	\$ 212
2022	155
2023	113
2024	68
2025	68
2026 to 2030	79
<b>Total Operating Lease Payments</b>	<b>\$ 695</b>

The University leases office space to several tenants in primarily two buildings. The lease terms for the tenants vary and extend through Fiscal Year 2025. The annual rent payments for Fiscal Year 2020 and 2019 was \$1,640,000 and \$1,644,000, respectively, and includes cancellable operating leases.

Table 6.3, Future Tenant Rent Payments, presents the anticipated annual rent payments from tenants.

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

<b>Years Ending June 30</b>	<b>Minimum Lease Payment</b>
2021	\$ 43
2022	42
2023	42
2024	42
2025	42
<b>Total Tenant Rent Payments</b>	<b>\$ 211</b>

### Note 7: Compensated Absences

Table 7.1, Compensated Absences, presents the changes in compensated absences for the years ended June 30, 2020 and 2019.

**Table 7.1 Compensated Absences** *(in thousands)*

	<b>2020</b>	<b>2019</b>
Beginning of the year	\$ 7,735	7,756
Adjustments/reductions	927	(21)
<b>End of the year</b>	<b>\$ 8,662</b>	<b>7,735</b>
<b>Current Portion</b>	<b>\$ 672</b>	<b>712</b>

**Colorado School of Mines**  
**Notes to Financial Statements**  
June 30, 2020 and 2019

**Note 8: Unearned Revenue**

Table 8.1, Unearned Revenue, details the types and amounts of unearned revenue as of June 30, 2020 and 2019.

**Table 8.1 Unearned Revenue** *(in thousands)*

<b>Type</b>	<b>2020</b>	<b>2019</b>
Tuition and fees	\$ 5,170	5,633
Grants and contracts	26,190	11,495
Miscellaneous	117	879
<b>Total Unearned Revenue</b>	<b>\$ 31,477</b>	<b>18,007</b>

**Note 9: Bonds and Leases**

As of June 30, 2020, and June 30, 2019, the categories of long-term obligations are detailed in Table 9.2, Bonds 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, 2020 and 2019.

**Revenue Bonds**

A general description of each revenue bond issue, original issuance amount, and the amount outstanding as of June 30, 2020 and 2019 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, 2020, and 2019, 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 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.

# Colorado School of Mines

## Notes to Financial Statements

June 30, 2020 and 2019

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

<b>Source of Net Pledged Revenue</b>	<b>2020</b>	<b>2019</b>
<b>Prior Bond Obligation:</b>		
Auxiliary Gross Revenues		
Facilities	26,865	26,422
Student Services Fee Revenue	3,863	3,592
Auxiliary Renewal & Replacement	658	687
Total Auxiliary Revenues	31,386	30,701
Total Auxiliary Operating Expenses	(14,047)	(13,547)
Net Auxiliary Revenues	17,339	17,154
Total Prior Obligations Debt Service	1,385	1,385
Prior Obligations Debt Service Coverage	12.52	12.39
<b>Parity Bond Obligations</b>		
Institution Enterprise Revenues:		
Student Tuition	17,703	17,417
Indirect Cost Recoveries	16,052	13,909
Academic Facility Fees	3,878	3,625
Federal Interest Subsidy	1,128	1,136
Net Institutional Enterprise Revenues	\$ 38,761	\$ 36,087
Net Pledged Revenues for Parity Debt	\$ 54,714	\$ 51,856
Total Parity Debt Service	18,566	18,842
Parity Debt Service Coverage	2.95	2.75
<b>Subordinate Bond Obligations</b>		
Total Subordinate Debt Service	1,147	1,175
Coverage of Parity and Subordinate Bonds	2.78	2.59
Total Debt Service Coverage	2.66	2.49

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,



# Colorado School of Mines

## Notes to Financial Statements

June 30, 2020 and 2019

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 and 2010B bonds qualify as Build America Bonds and the Series 2011 bonds qualify as Qualified Energy Conservation 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 started during Fiscal Year 2013, the University received approximately 5.9 and 6.2 percent less in payments under this program for Fiscal Years 2020 and 2019, respectively. 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 all bonds. In Fiscal Years 2020 and 2019, the University received \$1,128,000 and \$1,136,000, respectively, in Federal Direct Payments.

The Series 2009B, 2012B, 2016A, 2016B, 2017C and 2018A 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, 2020 and 2019 (in thousands):

**Table 9.2 Bonds Payable (in thousands)**

Type	Interest Rates	Final Maturity	Balance 2020	Balance 2019
Auxiliary Facilities Enterprise Revenue Bonds	5.14% - 5.40%	2028	\$ 8,194	9,126
Institutional Enterprise Revenue Bonds				
Variable Rate Demand Bonds	0.111*	2038	36,760	37,335
Fixed Rate Bonds	2.00% - 6.29%	2043	239,915	247,186
Fixed Rate Bonds (Direct Placement)	4.90%	2021	370	725
Subordinate Institutional Enterprise Revenue Bonds	3.00%	2027	6,420	7,360
<b>Total Bonds Payable</b>			<b>\$ 291,659</b>	<b>301,732</b>

\*Variable rate demand bonds are set at an adjustable rate as discussed below. The rates reflected in the table are as of June 30, 2020.

In May 2018, the University refunded the 2010A variable rate demand bonds with the issuance of the 2018A variable rate institutional enterprise revenue bonds. In addition, the University negotiated a new support fee of 0.50 percent. The interest rate on the Series 2018A variable rate demand bonds is calculated based on 67 percent of the one-month London interbank offered rate (LIBOR) plus 50 basis points. The interest rate on the Series 2018A as of June 30, 2020 and 2019 (including basis points) was 0.611 percent and 2.100 percent, respectively.

# Colorado School of Mines

## Notes to Financial Statements

June 30, 2020 and 2019

Table 9.3, Changes in Bonds and Leases Payable presents the changes in bonds, and leases for the years ended June 30, 2020 and 2019.

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

Type	Balance 2019	Additions	Deductions	Balance 2020	Current Portion
Revenue bonds payable	\$ 278,022	451	8,730	269,743	9,045
Plus unamortized premiums	23,721	-	1,796	21,925	-
Less unamortized discounts	11	-	2	9	-
<b>Total Bonds Payable</b>	<b>\$ 301,732</b>	<b>451</b>	<b>10,524</b>	<b>291,659</b>	<b>9,045</b>

Type	Balance 2018	Additions	Deductions	Balance 2019	Current Portion
Revenue bonds payable	\$ 286,162	495	8,635	278,022	8,730
Plus unamortized premiums	25,794	-	2,073	23,721	-
Less unamortized discounts	15	-	4	11	-
<b>Total Bonds Payable</b>	<b>\$ 311,941</b>	<b>495</b>	<b>10,704</b>	<b>301,732</b>	<b>8,730</b>
Capital Leases	8	-	8	-	-
<b>Total Bonds and Leases Payable</b>	<b>\$ 311,949</b>	<b>495</b>	<b>10,712</b>	<b>301,732</b>	<b>8,730</b>

Table 9.4, Revenue Bond Detail presents a summary description of the University's outstanding revenue bonds for the years ended June 30, 2020 and 2019

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

Issuance Description	Original Issuance Amount	Outstanding Balance 2020	Outstanding Balance 2019
<b>Auxiliary Facilities Enterprise Revenue Bonds:</b>			
Capital Appreciation, Series 1999 - Used to fund capital improvements for residence halls, residential housing, student center and fraternity housing facilities.	\$ 7,794	8,203	9,137
<b>Total Auxiliary Facilities Enterprise Revenue Bonds</b>	<b>\$ 7,794</b>	<b>8,203</b>	<b>9,137</b>
<b>Institutional Enterprise Revenue Bonds:</b>			
<u>Series 2009B</u>			
Taxable Direct Payment Build America Bonds. Used to fund construction or renovation of certain campus capital projects including a new residence hall, Weaver Towers, wellness center and other capital improvements. Repayment begins in 2024.	42,860	42,860	42,860
<u>Refunding Series 2009C</u>			
Used to refund a portion of the Series 2008B and terminate an existing swap agreement for the Series 2008B bonds.	16,745	-	640

# Colorado School of Mines

## Notes to Financial Statements

June 30, 2020 and 2019

### Series 2010B

Taxable Direct Payment Build America Bonds.

Used to construct, improve, renovate and equip new academic Marquez Hall Wing and provide additional facilities. Repayment begins in 2034.	11,195	11,195	11,195
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### 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 bonds and a portion of the Series 2004 bonds.

47,345	5,420	6,635
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### 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	23,930	27,550
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### Series 2017A

Used to fund construction and improvements to campus-wide generators, a chiller plant, the Green Center roof and a new operations building. Repayment begins in 2023.

27,675	27,675	27,675
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### Series 2017B

Used to fund construction of a new residence hall, parking garage, Innovative learning space and improvements to campus utilities. Repayment begins in 2021.

71,880	71,880	71,880
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### Series 2017C

Used to advanced refund a portion of the Institutional Enterprise Revenue Bonds, Series 2012B. Repayment begins in 2022.

35,030	35,030	35,030
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### Series 2018A

Used to refund all of the variable rate demand Institutional Enterprise Revenue Bonds, Series 2010A. Repayment begins in 2020.

37,885	36,760	37,335
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<b>Total Institutional Enterprise Revenue Bonds</b>	<b>\$ 325,305</b>	<b>254,750</b>	<b>260,800</b>
<b>Direct Placement Institutional Enterprise Revenue Bonds:</b>			
Series 2011 - Taxable Qualified Energy Conservation Bonds. Used to finance qualified conservation improvement projects.	\$ 2,800	370	725
<b>Total Direct Placement Institutional Enterprise Revenue Bonds</b>	<b>\$ 2,800</b>	<b>370</b>	<b>725</b>

# Colorado School of Mines

## Notes to Financial Statements

June 30, 2020 and 2019

### Subordinate Institutional Enterprise Revenue

#### Bonds, Direct Placement:

<u>Series 2012A –</u>				
Used to fund construction of new athletic facilities.	\$	13,000	6,420	7,360
<b>Total Direct Placement Subordinate Institutional Enterprise Revenue Bonds</b>	<b>\$</b>	<b>13,000</b>	<b>6,420</b>	<b>7,360</b>
<b>Total Revenue Bonds</b>	<b>\$</b>	<b>348,899</b>	<b>269,743</b>	<b>278,022</b>
Plus Premiums			21,925	23,721
Less Discounts			9	11
<b>Total Revenue Bonds</b>			<b>291,659</b>	<b>301,732</b>

### Revenue and Refunding Bond Activity

The University did not issue any new revenue or refunding bonds in the years ended June 30, 2020 or 2019.

### Debt Service Requirements on Revenue Bonds

The future minimum revenue bonds debt service requirements as of June 30, 2020, 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	Non-Direct Borrowings			Direct Borrowings		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 7,735	12,377	20,112	1,310	188	1,498
2022	6,435	12,155	18,590	940	150	1,090
2023	7,455	11,967	19,422	940	122	1,062
2024	7,710	11,718	19,428	940	94	1,034
2025	8,165	11,419	19,584	940	66	1,006
2026 – 2030	44,605	51,513	96,118	1,720	49	1,769
2031 – 2035	56,005	39,713	95,718	-	-	-
2036 – 2040	75,470	23,484	98,954	-	-	-
2041 – 2045	33,110	8,119	41,229	-	-	-
2046 – 2048	17,855	1,369	19,224	-	-	-
<b>Subtotal</b>	<b>\$ 264,545</b>	<b>183,834</b>	<b>448,379</b>	<b>6,790</b>	<b>669</b>	<b>7,459</b>
Unaccreted interest -1999 Bonds	(1,592)					
<b>Total Debt Service</b>	<b>\$ 262,953</b>					

### Interest Rate SWAP Agreements

In Fiscal Year 2008, the University entered into a floating to fixed interest rate swap agreement (Swap Agreement) in connection with the 2008A issuance. The Swap Agreement was entered into with the objective of protecting against the potential of rising interest rates. The 2008A issuance was refunded with the Series 2010A issuance. The Series 2010A was refunded with the issuance of the Series 2018A Refunding Bonds. The

# Colorado School of Mines

## Notes to Financial Statements

June 30, 2020 and 2019

Swap Agreement was not terminated and was associated with the Series 2018A issuance. The Swap Agreement has a notional amount of \$36,760,000 and \$37,335,000 and a fair value of (\$12,838,000) and (\$9,164,000) at June 30, 2020 and 2019, 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, 0.166 percent and 1.601 percent at June 30, 2020 and 2019, 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, 2020 and 2019. On the date of the refunding of the Series 2010A Bonds, the fair market value of the swap was (\$6,999,000) and was included in the calculation of deferred loss on refunding and is being amortized over the life of the Series 2018A Refunding Bonds. Accumulated amortization of the deferred loss as of June 30, 2020 and 2019 was \$2,395,000 and \$1,853,000 respectively. Morgan Stanley, counterparty to the Swap Agreement, determined the fair value as of June 30, 2020 and 2019, 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, 2038.

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, 2020, 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 value at June 30, 2020 and 2019 related to the credit risk. However, the University was not exposed to this loss because of the negative fair value of the swaps as of June 30, 2020 and 2019. 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).



# Colorado School of Mines

## Notes to Financial Statements

June 30, 2020 and 2019

As of June 30, 2020, 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
2021	\$ 575	223	1,267	2,065	182
2022	850	218	1,241	2,309	178
2023	925	213	1,210	2,348	174
2024	975	207	1,177	2,359	169
2025	1,000	201	1,143	2,344	164
2026-2030	9,675	866	4,929	15,470	708
2031-2035	14,125	479	2,726	17,330	392
2036-2038	8,635	78	442	9,155	64
<b>Total Debt Service</b>	<b>\$ 36,760</b>	<b>2,485</b>	<b>14,135</b>	<b>53,380</b>	<b>2,031</b>

### Extinguishment of Debt

Previous revenue bond issues considered to be extinguished through in-substance defeasance under generally accepted accounting principles are not included in the accompanying financial statements. The amount of debt in this category, covered by assets placed in trust to be used solely for future payments, amounted to \$34,000,000 and \$45,260,000 as of June 30, 2020 and 2019, respectively.

### State of Colorado Certificates of Participation

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

On September 26, 2018, the State issued State of Colorado Rural Colorado Certificates of Participation, Series 2018A, with a par value of \$500,000,000, a premium of \$47,369,000 and a discount of \$526,047. The certificates have interest rates ranging from 1.840% to 5.000% and mature in December 2037. Of the proceeds, \$1,200,000 was designated for controlled maintenance projects identified in Senate Bill 17-267. The University received \$628,000 for the later phases of projects to repair the campus steam branch and to replace hazardous fume hoods. The State of Colorado is responsible for making the principal and interest payments on the COP.

# Colorado School of Mines

## Notes to Financial Statements

June 30, 2020 and 2019

### Note 10: Other Liabilities

Table 10.1, Other Liabilities, details other liabilities as of June 30, 2020 and 2019.

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

Type	2020		2019	
	Total	Current Portion	Total	Current Portion
<b>University</b>				
Amounts due to the Foundation	\$ 1,777	73	2,048	250
Funds held for others	1,161	1,161	397	202
Polution remediation	190	-	190	-
Student deposits	476	476	702	353
Miscellaneous	2,621	1,009	3,094	1,051
<b>Total Other Liabilities - University</b>	<b>\$ 6,225</b>	<b>2,719</b>	<b>6,431</b>	<b>1,856</b>
<b>Discretely Presented Component Unit</b>				
Colorado School of Mines	\$ 31,144	-	32,911	-
Other trust funds	1,193	-	1,263	-
Obligations under split-interest agreements	3,246	-	3,686	-
Obligations under gift annuity agreements	3,396	-	3,472	-
Refunded advances	90	-	30	-
Other liabilities	493	-	364	-
<b>Total Other Liabilities - DPCU</b>	<b>\$ 39,562</b>	<b>-</b>	<b>41,726</b>	<b>-</b>

### 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, 2020 and 2019 under these programs were \$32,979,000 and \$31,173,000, respectively.

### Note 11: Changes in Accounting Principles

GASB Statement No. 95 Postponement of the effective dates of certain authoritative guidance was adopted May 2020. This Statement allows for the postponement of eight Statements to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. The University adopted the postponement of all Statements identified under GASB 95 with the exception of Statement No. 83, Certain Asset Retirement Obligations (ARO). Statement No. 83 was fully implemented in fiscal year 2019.

# Colorado School of Mines

## Notes to Financial Statements

June 30, 2020 and 2019

### Note 12: Retirement Plans

#### Defined Benefit Pension Plan

##### Summary of Significant Accounting Policies

*Pensions.* Colorado School of Mines participates in the State Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net pension liability, 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.

The Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: Concerning Modifications to the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years. The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to certain benefit provisions. Some, but not all, of these changes were in effect as of June 30, 2020.

##### General Information about the Pension Plan

*Plan description.* Eligible employees of the Colorado School of Mines 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 (CAFR) that can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

*Benefits provided as of December 31, 2019.* 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.



## Colorado School of Mines

### Notes to Financial Statements

June 30, 2020 and 2019

The lifetime retirement benefit for all eligible retiring employees under the Denver Public Schools (DPS) benefit structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit.
- \$15 times the first 10 years of service credit plus \$20 times service credit over 10 years plus a monthly amount equal to the annuitized member contribution account balance based on life expectancy and other actuarial factors.

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

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

As of December 31, 2019, 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., once certain criteria are met. Pursuant to SB 18-200, the annual increase for 2019 is 0.00 percent for all benefit recipients. Thereafter, benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007, and all benefit recipients of the DPS benefit structure will receive an annual increase of 1.25 percent unless adjusted by the automatic adjustment provision (AAP) pursuant C.R.S. § 24-51-413. Benefit recipients under the PERA benefit structure who began eligible employment on or after January 1, 2007, will receive the lesser of an annual increase of 1.25 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SDTF. The AAP may raise or lower the aforementioned annual increase by up to 0.25 percent based on the parameters specified in C.R.S. § 24-51-413.

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.

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 provisions as of June 30, 2020:* Eligible employees of, Colorado School of Mines and the State are required to contribute to the SDTF at a rate set by Colorado statute. The contribution requirements for the SDTF are established under C.R.S. § 24-51-401, *et seq.* and § 24-51-413. Employee contribution rates for the period of January 01, 2019 through December 31, 2020 are summarized in the table below:

# Colorado School of Mines

## Notes to Financial Statements

June 30, 2020 and 2019

**Table 12.1 Contribution Rate Requirements**

	January 1, 2019 Through June 30, 2019	July 1, 2019 Through June 30, 2020	July 1, 2020 Through December 31, 2020
Employee contribution (all employees except State Troopers)	8.00%	8.75%	10.00%

Contribution rates for the SDTF are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

The employer contribution requirements for all employees except State Troopers are summarized in the table below:

	January 1, 2019 Through June 30, 2019	July 1, 2019 Through June 30, 2020	July 1, 2020 Through December 31, 2020
Employer contribution rate	10.15%	10.40%	10.90%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)	(1.02%)	(1.02%)	(1.02%)
Amount apportioned to the SDTF	9.13%	9.38%	9.88%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	5.00%	5.00%	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	5.00%	5.00%	5.00%
<b>Total employer contribution rate to the SDTF</b>	<b>19.13%</b>	<b>19.38%</b>	<b>19.88%</b>

Contribution rates for the SDTF are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

As specified in C.R.S. § 24-51-414, the State is required to contribute \$225,000,000 each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SDTF based on the proportionate amount of annual payroll of the SDTF to the total annual payroll of the SDTF, School Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. A portion of the direct distribution allocated to the SDTF is considered a nonemployer contribution for financial reporting purposes.

Subsequent to the SDTF's December 31, 2019, measurement date, HB 20-1379 *Suspend Direct Distribution to PERA Public Employees Retirement Association for 2020-21 Fiscal Year*, was passed into law during the 2020 legislative session and signed by Governor Polis on June 29, 2020. This bill suspends the July 1, 2020, \$225,000,000 direct distribution allocated to the State, School, Judicial, and DPS Divisions, as required under Senate Bill 18-200.

Employer contributions are recognized by the SDTF in the period in which the compensation becomes payable to the member and the Colorado School of Mines is statutorily committed to pay the contributions to the SDTF. Employer contributions recognized by the SDTF from Colorado School of Mines were \$14,973,000 and \$14,990,000 for the year ended June 30, 2020 and 2019, respectively.

# Colorado School of Mines

## Notes to Financial Statements

June 30, 2020 and 2019

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

The net pension liability for the SDTF was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll-forward the total pension liability to December 31, 2019. The Colorado School of Mines proportion of the net pension liability was based on Colorado School of Mines contributions to the SDTF for the calendar year 2019 relative to the total contributions of participating employers and the State as a nonemployer contributing entity for participating employers of the SDTF that are outside of the State's financial reporting entity.

At June 30, 2020 and 2019, the Colorado School of Mines reported a liability of \$243,370,000 and \$293,120,000, respectively, for its proportionate share of the net pension liability that reflected a reduction for support from the State as a nonemployer contributing entity. The amount recognized by the Colorado School of Mines as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with Colorado School of Mines were as follows:

**Table 12.2 Proportionate Share** *(in thousands)*

	2020	2019
Colorado School of Mines proportionate share of the net pension liability	\$ 243,370	293,120
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the Colorado School of Mines	1,240	1,614
<b>Total</b>	<b>\$ 244,610</b>	<b>294,734</b>

At December 31, 2019, the Colorado School of Mines proportion was 2.5079807421 percent, which was a decrease of 0.06 from its proportion measured as of December 31, 2018 of 2.57605127580 percent.

# Colorado School of Mines

## Notes to Financial Statements

June 30, 2020 and 2019

For the year ended June 30, 2020 and 2019, the Colorado School of Mines recognized pension expense of (\$65,678,000) and (\$29,212,000), respectively, and revenue of \$1,933,000 and \$2,022,000, respectively, for support from the State as a nonemployer contributing entity. At June 30, 2020 and 2019, the Colorado School of Mines reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**Table 12.3 Deferred Outflows and Inflows** *(in thousands)*

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	2020	2019	2020	2019
Difference between expected and actual experience	\$ 9,093	8,382	-	-
Changes of assumptions or other inputs	-	15,434	69,804	151,363
Net difference between projected and actual earnings on pension plan investments	-	14,806	26,220	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	-	13,806	21,105
Contributions subsequent to the measurement date	7,325	7,600	-	-
<b>Total</b>	<b>\$ 16,418</b>	<b>46,222</b>	<b>109,830</b>	<b>172,468</b>

The University reported \$7,325,000 as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Table 12.4 Amortization of Deferred Outflows and Inflows** *(in thousands)*

Year ended June 30:	Amount
2021	\$ (82,415)
2022	(8,373)
2023	(1,029)
2024	(8,920)
2025	-
Thereafter	-
<b>Total</b>	<b>\$ (100,737)</b>

*Actuarial assumptions.* The total pension liability in the December 31, 2018, actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

# Colorado School of Mines

## Notes to Financial Statements

June 30, 2020 and 2019

<b>Actuarial cost method</b>	<b>Entry age</b>
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 – 9.17 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
<b>Post-retirement benefit increases:</b>	
PERA benefit structure hired prior to 1/1/07; and DPS benefit structure (automatic)	1.25 percent compounded annually
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic) <sup>1</sup>	Financed by the Annual Increase Reserve

<sup>1</sup>For 2019, the annual increase was 0.00 percent.

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.

Post-retirement non-disabled mortality assumptions were based on 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 based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting.

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.

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

# Colorado School of Mines

## Notes to Financial Statements

June 30, 2020 and 2019

in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the most recent adoption of the long-term expected rate of return by the PERA Board, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

**Table 12.5 Long Term Expected Rate of Return**

<b>Asset Class</b>	<b>Target Allocation</b>	<b>30 Year Expected Geometric Real Rate of Return</b>
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%
<b>Total</b>	<b>100.00%</b>	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25 percent.

*Discount rate.* The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50 percent.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including scheduled increases in SB 18-200 and the additional 0.50 percent resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

## Colorado School of Mines

### Notes to Financial Statements

June 30, 2020 and 2019

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200 and the additional 0.50 percent, resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020. Employer contributions also include current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Additionally, estimated employer contributions reflect 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.
- As specified in law, the State provides an annual direct distribution of \$225,000,000 which commenced July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- Employer contributions and the amount of total service costs for future plan members were based upon a process 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. AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- The projected benefit payments reflect the lowered AI cap, from 1.50 percent to 1.25 percent resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the projection test indicates the SDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent. There was no change in the discount rate from the prior measurement date.

*Sensitivity of the Colorado School of Mines proportionate share of the net pension liability to changes in the discount rate.* The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:



# Colorado School of Mines

## Notes to Financial Statements

June 30, 2020 and 2019

**Table 12.6 Discount Rate Sensitivity (in thousands )**

		<b>1% Decrease (6.25%)</b>	<b>Current Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
<b>2020</b>				
Proportionate share of the net pension liability	\$	313,087	243,370	184,371
<b>2019</b>				
Proportionate share of the net pension liability	\$	364,399	293,120	232,812

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

## Pension Plans

### Voluntary Investment Program

*Plan Description* - Employees of the Colorado School of Mines that are also members of the SDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S., as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available CAFR which includes additional information on the Voluntary Investment Program. That report can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

*Funding Policy* - The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions, employer contributions and investment earnings. For the year ended June 30, 2020, program members contributed \$2,332,620 for the Voluntary Investment Program.

### Defined Contribution Retirement Plan (PERA DC Plan)

*Plan Description* – Employees of the State of Colorado that were hired on or after January 1, 2006, and employees of certain community colleges that were hired on or after January 1, 2008, which were eligible to participate in the SDTF, a cost-sharing multiple-employer defined benefit pension plan, have the option to participate in the SDTF or the Defined Contribution Retirement Plan (PERA DC Plan). Pursuant to C.R.S. § 24-51-1501(4), the PERA DC Plan eligibility was extended to certain new classified employees at State Colleges and Universities beginning on January 1, 2019. The PERA DC Plan is an Internal Revenue Code Section 401(a) governmental profit-sharing defined contribution plan. Title 24, Article 51, Part 15 of the C.R.S., as amended, assigns the authority to establish Plan provisions to the PERA Board of Trustees. The DC Plan is also included in PERA's CAFR as referred to above.

*Funding Policy* – All participating employees in the PERA DC Plan and the Colorado School of Mines are required to contribute a percentage of the participating employees' PERA-includable salary to the PERA DC Plan. The employee and employer contribution rates for the period July 1, 2019 through June 30, 2020 are summarized in the tables below:

# Colorado School of Mines

## Notes to Financial Statements

June 30, 2020 and 2019

	January 1, 2019 Through June 30, 2019	July 1, 2019 Through June 30, 2020	July 1, 2020 Through December 31, 2020
Employee Contribution Rates:			
Employee contribution (all employees except State Troopers)	8.00%	8.75%	10.00%
Employer Contribution Rates:			
On behalf of all employees except State Troopers	10.15%	10.40%	10.90%

Additionally, the employers are required to contribute AED and SAED to the SDTF as follows:

As of June 30, 2020	
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 <sup>1</sup>	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 <sup>1</sup>	5.00%
<b>Total employer contribution rate to the SDTF<sup>1</sup></b>	<b>10.00%</b>

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

Contribution requirements are established under Title 24, Article 51, Section 1505 of the C.R.S., as amended. Participating employees of the PERA DC Plan are immediately vested in their own contributions and investment earnings and are immediately 50 percent vested in the amount of employer contributions made on their behalf. For each full year of participation, vesting of employer contributions increases by 10 percent. Forfeitures are used to pay expenses of the PERA DC Plan in accordance with PERA Rule 16.80 as adopted by the PERA Board of Trustees in accordance with Title 24, Article 51, Section 204 of the C.R.S. As a result, forfeitures do not reduce pension expense. Participating employees in the PERA DC Plan contributed \$6,601 and the Colorado School of Mines recognized pension expense of \$15,400 for the PERA DC Plan.

### 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 a 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.

# Colorado School of Mines

## Notes to Financial Statements

June 30, 2020 and 2019

For the year ended June 30, 2020, the University's contribution to the MDCP was equal to 12 percent of pre-tax covered payroll and the employee contribution was equal to 8.75 percent of pre-tax covered payroll. The University's contribution under the MDCP approximated \$3,574,000 and \$2,599,000 for Fiscal Years 2020 and 2019, respectively.

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 \$248,000 and \$237,000 for Fiscal Years 2020 and 2019, respectively.

## Note 13: Defined Benefit Other Post Employment Benefit (OPEB) Plan

### Summary of Significant Accounting Policies

*OPEB.* Colorado School of Mines participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

### General Information about the OPEB Plan

*Plan description.* Eligible employees of the Colorado School of Mines are provided with OPEB through the HCTF—a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, 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 the premium subsidies. 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 (CAFR) that can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

*Benefits provided.* The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit. For members who retire having service credit with employers in the Denver Public Schools (DPS) Division and one or more of the other four Divisions (State, School, Local Government and Judicial), the premium subsidy is allocated between the HCTF and the Denver Public Schools Health Care Trust Fund (DPS HCTF). The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member

## Colorado School of Mines

### Notes to Financial Statements

June 30, 2020 and 2019

contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

C.R.S. § 24-51-1202 et seq. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure and all retirees under the DPS benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare. Upon the death of a DPS benefit structure retiree, no further subsidy is paid.

Enrollment in the PERACare is voluntary and is available to benefit recipients and their eligible dependents, certain surviving spouses, and divorced spouses and guardians, among others. Eligible benefit recipients may enroll into the program upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period.

#### **PERA Benefit Structure**

The maximum service-based premium subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5 percent reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For benefit recipients who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, C.R.S. § 24-51-1206(4) provides an additional subsidy. According to the statute, PERA cannot charge premiums to benefit recipients without Medicare Part A that are greater than premiums charged to benefit recipients with Part A for the same plan option, coverage level, and service credit. Currently, for each individual PERACare enrollee, the total premium for Medicare coverage is determined assuming plan participants have both Medicare Part A and Part B and the difference in premium cost is paid by the HCTF or the DPS HCTF on behalf of benefit recipients not covered by Medicare Part A.

#### **DPS Benefit Structure**

The maximum service-based premium subsidy is \$230 per month for retirees who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for retirees who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum subsidy, in each case, is for retirees with retirement benefits based on 20 or more years of service credit. There is a 5 percent reduction in the subsidy for each year less than 20. The retiree pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For retirees who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, the HCTF or the DPS HCTF pays an alternate service-based premium subsidy. Each individual retiree meeting these conditions receives the maximum \$230 per month

# Colorado School of Mines

## Notes to Financial Statements

June 30, 2020 and 2019

subsidy reduced appropriately for service less than 20 years, as described above. Retirees who do not have Medicare Part A pay the difference between the total premium and the monthly subsidy.

*Contributions.* Pursuant to Title 24, Article 51, Section 208(1) (f) of the C.R.S., as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the State, School, Local Government, and Judicial Divisions are required to contribute at a rate of 1.02 percent of PERA-includable salary into the HCTF.

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the Colorado School of Mines is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from Colorado School of Mines were \$788,000 and \$799,000 for fiscal years ended June 30, 2020 and 2019, respectively.

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

At June 30, 2020 and 2019, respectively, the Colorado School of Mines reported a liability of \$9,616,000 and \$12,199,000 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2019. The Colorado School of Mines proportion of the net OPEB liability was based on Colorado School of Mines contributions to the HCTF for the calendar year 2019 relative to the total contributions of participating employers to the HCTF.

At December 31, 2019, the Colorado School of Mines proportion was 0.85549110170 percent, which was a decrease of .04 from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020 and 2019, the Colorado School of Mines recognized OPEB expense of \$587,000 and \$113,000, respectively. At June 30, 2020 and 2019, the Colorado School of Mines reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

**Table 13.1 Deferred Outflows and Inflows (in thousands)**

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	2020	2019	2020	2019
Difference between expected and actual experience	\$ 32	44	1,616	19
Changes of assumptions or other inputs	80	87	160	-
Net difference between projected and actual earnings on OPEB plan investments	-	70	-	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	40	30	1,561	1,420
Contributions subsequent to the measurement date	386	405	-	-
<b>Total</b>	<b>\$ 538</b>	<b>636</b>	<b>3,337</b>	<b>1,439</b>

The University reported \$386,000 and \$405,000 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date for the fiscal year ending June 30, 2020

# Colorado School of Mines

## Notes to Financial Statements

June 30, 2020 and 2019

and 2019, respectively. The amount will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

**Table 13.2 Amortization of Deferred Outflows and Inflows (in thousands)**

Year ended June 30:		Amount:
2021	\$	(741)
2022		(741)
2023		(695)
2024		(577)
2025		(406)
Thereafter		(25)
<b>Total</b>	<b>\$</b>	<b>(3,185)</b>

*Actuarial assumptions.* The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

**Actuarial cost method**

Price inflation

Real wage growth

Wage inflation

Salary increases, including wage inflation

Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation

Discount rate

**Health care cost trend rates PERA benefit structure:**

Service-based premium subsidy

PERACare Medicare plans

Medicare Part A premiums

**DPS benefit structure:**

Service-based premium subsidy

PERACare Medicare plans

Medicare Part A premiums

**Entry age**

2.40 percent

1.10 percent

3.50 percent

3.50 percent in aggregate

7.25 percent

7.25 percent

0.00 percent

5.60 percent for 2019, gradually decreasing to 4.50 percent in 2029

3.50 percent for 2019, gradually increasing to 4.50 percent in 2029

0.00 percent

N/A

N/A

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each actuarial valuation and on the pattern of sharing of costs between employers of each fund to that point.

The actuarial assumptions used in the December 31, 2018, valuation were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016,



# Colorado School of Mines

## Notes to Financial Statements

June 30, 2020 and 2019

Board meeting. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA's actuary, as discussed below.

In determining the additional liability for PERACare enrollees who are age sixty-five or older and who are not eligible for premium-free Medicare Part A, the following monthly costs/premiums are assumed for 2019 for the PERA Benefit Structure:

**Table 13.3 Medicare Plan Premiums (in thousands)**

<b>Medicare Plan</b>	<b>Cost for Members</b>	
	<b>Without Medicare Part A</b>	<b>Premiums for Members Without Medicare Part A</b>
Medicare Advantage/Self-Insured Prescription	\$ 601	240
Kaiser Permanente Medicare Advantage HMO	605	237

The 2019 Medicare Part A premium is \$437 per month.

In determining the additional liability for PERACare enrollees in the PERA Benefit Structure who are age sixty-five or older and who are not eligible for premium-free Medicare Part A, the following chart details the initial expected value of Medicare Part A benefits, age adjusted to age 65 for the year following the valuation date:

<b>Medicare Plan</b>	<b>Cost for Members</b>	
	<b>Without Medicare Part A</b>	
Medicare Advantage/Self-Insured Prescription	\$ 562	
Kaiser Permanente Medicare Advantage HMO	571	

All costs are subject to the health care cost trend rates, as discussed below.

Health care cost trend rates reflect the change in per capita health costs over time due to factors such as medical inflation, utilization, plan design, and technology improvements. For the PERA benefit structure, health care cost trend rates are needed to project the future costs associated with providing benefits to those PERACare enrollees not eligible for premium-free Medicare Part A.

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and industry methods developed by health plan actuaries and administrators. In addition, projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services are referenced in the development of these rates. Effective December 31, 2018, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

The PERA benefit structure health care cost trend rates that were used to measure the total OPEB liability are summarized in the table below:



## Colorado School of Mines

### Notes to Financial Statements

June 30, 2020 and 2019

Year	PERACare Medicare Plans	Medicare Part A Premiums
2019	5.60%	3.50%
2020	8.60%	3.50%
2021	7.30%	3.50%
2022	6.00%	3.75%
2023	5.70%	3.75%
2024	5.50%	3.75%
2025	5.30%	4.00%
2026	5.10%	4.00%
2027	4.90%	4.25%
2028	4.70%	4.25%
2029 +	4.50%	4.50%

Mortality assumptions for the determination of the total pension liability for each of the Division Trust Funds as shown below are applied, as applicable, in the determination of the total OPEB liability for the HCTF. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

Healthy mortality assumptions for active members were based on 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.

Post-retirement non-disabled mortality assumptions for the State and Local Government Divisions were based on 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.

Post-retirement non-disabled mortality assumptions for the School and Judicial Divisions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93 percent factor applied to rates for ages less than 80, a 113 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 68 percent factor applied to rates for ages less than 80, a 106 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

# Colorado School of Mines

## Notes to Financial Statements

June 30, 2020 and 2019

- For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The following health care costs assumptions were updated and used in the measurement of the obligations for the HCTF:

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2019 plan year.
- The morbidity assumptions were updated to reflect the assumed standard aging factors.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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.

Several factors were considered in evaluating the long-term rate of return assumption for the HCTF, 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 for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the most recent adoption of the long-term expected rate of return by the PERA Board, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	30 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%
<b>Total</b>	<b>100.00%</b>	

## Colorado School of Mines

### Notes to Financial Statements

June 30, 2020 and 2019

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 percent.

Sensitivity of the Colorado School of Mines proportionate share of the net OPEB liability to changes in the Health Care Cost Trend Rates. The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

<b>June 30, 2020</b>	<b>1% Decrease in Trend Rates</b>	<b>Current Trend Rates</b>	<b>1% Increase in Trend Rates</b>
Initial PERACare Medicare trend rate	4.60%	5.60%	6.60%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	2.50%	3.50%	4.50%
Ultimate Medicare Part A trend rate	3.60%	4.50%	5.50%
Net OPEB Liability	\$ 9,387	9,616	9,880
<b>June 30, 2019</b>	<b>1% Decrease in Trend Rates</b>	<b>Current Trend Rates</b>	<b>1% Increase in Trend Rates</b>
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.00%	3.00%	4.00%
Ultimate Medicare Part A trend rate	3.25%	4.25%	5.25%
Net OPEB Liability	\$ 11,862	12,199	12,587

*Discount rate.* The discount rate used to measure the total OPEB liability was 7.25 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 health care cost trend rates for Medicare Part A premiums as of the December 31, 2019, measurement date.
- 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 percent.
- 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.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the projection test indicates the HCTF's fiduciary net position was projected to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on OPEB plan investments was applied to all periods of projected

# Colorado School of Mines

## Notes to Financial Statements

June 30, 2020 and 2019

benefit payments to determine the total OPEB liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent.

*Sensitivity of the Colorado School of Mines proportionate share of the net OPEB liability to changes in the discount rate.* The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

**Table 13.4 Discount Rate Sensitivity** *(in thousands)*

		<b>1% Decrease (6.25%)</b>	<b>Current Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
<b>2020</b>				
Proportionate share of the net OPEB liability	\$	10,872	9,616	8,541
		<b>1% Decrease (6.25%)</b>	<b>Current Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
<b>2019</b>				
Proportionate share of the net OPEB liability	\$	13,650	12,199	10,959

*OPEB plan fiduciary net position.* Detailed information about the HCTF's fiduciary net position is available in PERA's CAFR which can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

### 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, 2020 and 2019 were approximately \$24,576,000 and \$27,202,000, 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, 2020, and 2019, the University has recorded an accounts receivable from the Foundation of \$1,750,000 and \$5,324,000, respectively. As of June 30, 2020, and 2019, the University has recorded a liability to the Foundation of \$1,777,000 and \$2,047,000, respectively.

The University is the ultimate beneficiary of substantially all of the 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 manages a portion of the University's endowments. The University has endowments and other assets held by the Foundation approximating \$31,144,000 and \$32,913,000 as of June 30, 2020 and 2019, 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 \$23,592,000 as of June 30, 2020. These commitments will be funded or financed by donor contributions, state appropriations, existing revenue bonds, and other campus resources.

# Colorado School of Mines

## Notes to Financial Statements

June 30, 2020 and 2019

In the normal course of its operations, the University is involved in various litigation matters. The University is presently a defendant in two litigation matters and one administrative appeal, including an employment-based claim brought by a former Mines exempt employee, a state administrative appeal brought by a former Mines classified employee, and construction contract claim brought by a subcontractor who performed work on property owned by Mines. Management believes that any future liability that may incur as a result of these matter 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 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. To mitigate these risks the University has purchased the following insurance:

- General liability covered by Philadelphia Insurance Company for \$2,000,000/\$2,000,000/\$1,000,000/\$1,000,000/\$300,000/\$15,000 with \$0 deductible
- Educators legal liability covered by Philadelphia Insurance Company for: \$4,000,000/\$4,000,000 with a \$10,000 deductible
- Automobile liability covered by Philadelphia Insurance Company for: \$1,000,000/\$1,000,000/\$1,000,000/\$5,000 with \$500/\$1,000 deductible
- Fiduciary covered by Travelers Casualty and Surety for: \$1,000,000/\$250,000/\$100,000/\$100,000 with a \$10,000 deductible
- Employment practices liability covered by Philadelphia Insurance Company for: \$4,000,000/\$4,000,000 with a \$25,000 deductible
- Workers compensation covered by Pinnacol Assurance for: \$500,000/\$500,000/\$500,000 with a \$1,000 deductible
- Umbrella liability covered by Philadelphia Insurance Company for: \$3,000,000/\$3,000,000 with a self-insured retention of \$10,000
- Crime (employee dishonesty) covered by Travelers Casualty and Surety for: \$1,000,000/\$1,000,000/\$1,000,000/\$1,000,000/\$1,000,000/\$1,000,000/\$100,000/\$1,000,000/\$5,000/\$1,000,000/\$100,000 with a \$10,000/\$1,000/\$25,000 deductible

# Colorado School of Mines

## Notes to Financial Statements

June 30, 2020 and 2019

- Property covered by the Midwest Higher Education Compact (MHEC) for: \$1,026,442,793/\$100,000,000/\$100,000,000/\$100,000,000/\$25,000,000/\$1,000,000/\$25,000,000 with a \$50,000 deductible and 2% of values/\$100,000 deductible
- Inland Marine covered by the Philadelphia Insurance Company for Equipment value: \$595,284/\$3,173,860/\$1,000,000/\$50,000/\$100,000/\$750,000 with a \$5,000/5% sign deductible
- Aviation covered by the Westchester Fire Insurance Company for: \$1,000,000 with a \$0 deductible

The University became fully insured through several insurance companies in 2017 and is covered by insurance for everything above its reserve and deductible. The coverage in fiscal year 2020 is similar to the coverage from 2019.

### 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, 2020 and 2019, appropriated expenses were within the authorized spending authority. For the years ended June 30, 2020 and 2019, the University had a total appropriation of \$28,100,000 and \$25,531,000, respectively. For years ended June 30, 2020 and 2019, the University's appropriated funds consisted of \$8,057,000 and \$7,143,000, respectively, received on behalf of students that qualified for stipends from the College Opportunity Fund, \$17,314,000 and \$15,731,000, respectively, fee-for-service contract revenue, and \$2,729,000 and \$2,657,000 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: COVID

In Fiscal Year 2020, the World Health Organization declared the spread of a Coronavirus Disease (COVID-19) a worldwide pandemic. The Governor of the State of Colorado declared a State of Emergency. The resulting shutdown had significant impacts on Colorado School of Mines' personnel, students, classroom instruction, research projects, and overall operations.

The Coronavirus Aid, Relief and Economic Security (CARES) Act was approved by Congress and provided funding for higher education, known as Higher Education Emergency Relief Fund (HEERF). Half of this funding supports emergency grants for students who have experienced an unexpected expense or hardship as a result of the campus disruption due to COVID-19. The remaining funds support the operations of the University impacted by COVID-19. Colorado School of Mines was awarded \$3,445,000.

On May 18, 2020, Colorado Governor Polis signed an Executive Order allocating \$450,000,000 from the Coronavirus Relief Fund (CRF) to Colorado's public institutions of higher education. Colorado School of Mines received \$13,427,000, which was not spent as of June 30, 2020. CRF funds must be spent no later than December 30, 2020.

# **Colorado School of Mines**

## **Notes to Financial Statements**

June 30, 2020 and 2019

Due to the impacts of the COVID-19 pandemic, maintaining enrollment, continuing research and increasing the number of degrees awarded and courses completed has become more difficult than it would be in the absence of COVID-19. To continue supporting the University community and Colorado's economy, the University is adapting and adjusting services, including expanding its online course delivery, academic learning and student support.

Management continues to evaluate other financial impacts of the pandemic including, but not limited to: significant changes in the use or expected use of property, plant and equipment; estimates included in financial reporting, new employee benefits and termination benefits, volatility and risk in markets and investments, revenue projections, and the impact to debt covenants.

It is not possible to reliably estimate the duration and severity of the pandemic, the disruptions to University operations or the impact on financial position of the University for future periods.

### **Note 19: Subsequent Events**

In July of 2020, the Colorado School of Mines entered into a long-term lease agreement for a newly constructed dormitory, 1750 Jackson Street. The University will pay annual payments of \$2,695,000, comprised of a 4.41% interest rate on a principal value of \$44,250,000 over the 30-year lease.

In July of 2020, the University received a donation of property from the Colorado School of Mines Foundation. The donated property was valued at \$752,000 at the time of the transfer.

Mines refinanced the 2010B bonds and a portion of the 2012B bonds with a direct purchase issuance of \$15,675,000. The par value of the 2010B and 2012B bonds refinanced was \$11,645,000 and \$4,030,000, respectively. The refinance transaction closed on December 1, 2020.



**Colorado School of Mines**  
**Required Supplementary Information**  
June 30, 2020 and 2019

**Plan Fiduciary**

**Schedule of Proportional Share of Net Pension Liability (\$ 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	Net Pension as a Percentage of the Total Pension Liability
2019	2.50798074200%	\$ 243,370	79,193	307.31%	62.24%
2018	2.57605127600%	293,120	78,099	375.32%	55.11%
2017	2.70681341100%	541,843	79,151	684.57%	43.20%
2016	2.89749307450%	532,215	82,557	644.66%	42.60%
2015	2.89133496393%	296,275	78,055	379.57%	56.11%
2017	2.74781597720%	258,747	74,014	349.59%	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) State Contribution	Covered Payroll	Contribution as a Percentage of Covered Payroll
2020	\$ 14,973	14,973	-	77,259	19.38%
2019	14,990	14,990	-	78,356	19.13%
2018	14,827	14,827	-	77,503	19.13%
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%

**Colorado School of Mines**  
**Required Supplementary Information**  
June 30, 2020 and 2019

**Notes to Required Supplementary Information (Net Pension Liability) – Fiscal Year 2020 Changes in benefit terms and actuarial assumptions**

Changes in assumptions or other input effective for the December 31, 2019 measurement period are as follows:

- The assumption used to value the annual increase (AI) cap benefit provision was changed from 1.50% to 1.25%.

Changes in assumptions or other inputs effective for the December 31, 2018 measurement period are as follows:

- The assumed investment rate of return of 7.25% was used as the discount rate, rather than using the blended rate of 4.72%

Changes in assumptions or other inputs effective for the December 31, 2017 measurement period are as follows:

- The discount rate was lowered from 5.26% to 4.72%.

Changes in assumptions or other inputs effective for the December 31, 2016 measurement period are as follows:

- The investment return assumption was lowered from 7.50% to 7.25%.
- The price inflation assumption was lowered from 2.80% to 2.40%.
- The real rate of investment return assumption increased from 4.70% per year, net of investment expenses, to 4.85% per year, net of investment expenses.
- The wage inflation assumption was lowered from 3.90% to 3.50%.
- The mortality tables were changed from RP-2000 Combined Mortality Table for Males and Females, as appropriate, with adjustments for mortality improvements based on a projection scale of Scale AA to 2020 to RP-2014 White Collar Employee Mortality for active employees, RP2014 Healthy Annuitant Mortality tables projected to 2020 using the MP-2015 projection scale for retirees, or RP-2014 Disabled Retiree Mortality Table for disabled retirees.
- The discount rate was lowered from 7.50% to 5.26%.
- There were no changes in terms or assumptions for the December 31, 2015 measurement period for pension compared to the prior year.
- There were no changes in terms or assumptions for the December 31, 2014 measurement period for pension compared to the prior year.

Changes in assumptions or other input effective for the December 31, 2013 measurement period are as follows:

- The investment return assumption was lowered from 8.00% to 7.50%
- The price inflation assumption was lowered from 3.50% to 2.80%
- The wage inflation assumption was lowered from 4.25% to 3.90%

**Colorado School of Mines**  
**Required Supplementary Information**  
June 30, 2020 and 2019

**Plan Fiduciary**

**Schedule of Proportional Share of OPEB Liability (\$ in thousands)**

Calendar Year	Proportionate (percentage) of the Collective OPEB Liability	Proportionate Share of the Collective OPEB Liability	Covered Payroll	Proportionate Share of the NOPEBL as a Percentage of Covered Payroll	Net Pension as a Percentage of the Total OPEB Liability
2019	0.8554911020%	\$ 9,616	79,193	12.14%	24.49%
2018	0.8966321621%	12,199	78,099	15.62%	17.03%
2017	0.9516781400%	12,368	79,151	15.63%	17.53%
2016	1.0454597700%	13,555	82,557	16.42%	16.16%

**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
2020	\$ 788	788	-	77,259	1.02%
2019	796	796	-	78,356	1.02%
2018	790	790	-	77,503	1.02%
2017	839	839	-	82,283	1.02%
2016	817	817	-	80,103	1.02%
2015	778	778	-	76,271	1.02%
2014	669	669	-	65,576	1.02%
2013	676	676	-	66,255	1.02%
2012	624	624	-	61,185	1.02%
2011	621	621	-	60,837	1.02%
2010	626	626	-	61,351	1.02%
2009	633	633	-	62,027	1.02%
2008	550	550	-	53,953	1.02%

**Colorado School of Mines**  
**Required Supplementary Information**  
June 30, 2020 and 2019

**Notes to Required Supplementary Information (Other Post-Employment Benefits) – Fiscal Year 2020**  
**Changes in benefit terms and actuarial assumptions**

There were no changes in assumptions or other inputs effective for the December 31, 2019 measurement period for OPEB.

There were no changes in assumptions or other inputs effective for the December 31, 2018 measurement period for OPEB compared to the prior year.

There were no changes in assumptions or other inputs effective for the December 31, 2017 measurement period for OPEB.



**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 and Board of Trustees:

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, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated February 11, 2021. 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 University's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

**CliftonLarsonAllen LLP**

Denver, Colorado  
February 11, 2021

**Colorado School of Mines**  
**State-Funded Student Financial Assistance Programs**  
**Year Ended June 30, 2020**

**Introduction**

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

The financial and compliance examination of the various state-funded student financial assistance programs at the University for the year ended June 30, 2020 was directed toward the objectives and criteria set forth in the Colorado Funded Student Aid 2019-2020 Audit Guide for State and Private Non-Profit Institutions of Higher Education issued by the Department of Higher Education (CDHE) and in accordance with the policies and procedures for State-Funded Student Financial Assistance Programs established by the Board of Trustees of the University. The State-Funded Student Financial Assistance Programs were examined simultaneously with the federal financial aid programs for the year ended June 30, 2020.

**Description of State-Funded Student Financial Assistance Programs**

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

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

The total state-funded student financial assistance programs expenditures made by the University were approximately \$2.7 million during the year ended June 30, 2020.

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

Authorizations and expenditures for state-funded student financial programs assistance are detailed by program in the accompanying statement of appropriations, expenditures, transfers, and reversions for the year ended June 30, 2020. The University also obtained authorizations for federal student financial aid funds as follows:

Pell Grants	\$ 3,529,780
Direct Loan	32,978,904
Supplemental Educational Opportunity Grant	156,028
College Work-Study	429,457

Academic year 2017-2018 was the last year in which new Perkins loans were allowed to be disbursed to students, as the U.S. Congress did not renew the program. No new loans were allowed to be disbursed to students after June 30, 2018. Institutions of higher education have been given the option of assigning existing Perkins loans back to the federal government or continuing to collect on these loans while returning the Federal Capital Contributions (FCC) portion as loans are repaid. The University has elected to continue to collect on Perkins loans and return the FCC portion as the loans are collected. The University collected, assigned and cancelled \$534,139 of Perkins loans during the year-end June 30, 2020. The balance of Perkins loans outstanding as of June 30, 2020 was \$2,463,715.



**Colorado School of Mines**  
**State-Funded Student Financial Assistance Programs**  
**Report Summary**  
**Year Ended June 30, 2020**

**Purpose and Scope**

Our audit of the state-funded student assistance programs was performed in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States. The purpose of the audit was to formulate an opinion on the statement of student aid program appropriations, expenditures, and reversions for the fiscal year ended June 30, 2020 and to determine if these programs were administered in accordance with applicable laws, regulations, terms of agreements, and Governing Board directives which were set forth in the Colorado-Funded Student Aid 2019-2020 Audit Guide for State and Private Non-Profit Institutions of Higher Education.

Our audit included:

- Expressing an opinion on the state of Colorado state-funded student assistance programs statement of appropriations, expenditures and reversions.
- Evaluation of the policies, procedures, and practices used to administer these programs.
- Determination of compliance with applicable sections of Colorado Revised Statutes 23-3.3 et. Seq. and approved Governing Board policies.

**Summary of Current Year Comments**

There were no findings or recommendations to be reported for the fiscal year ended June 30, 2020.

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

There were no findings or recommendations to be reported for the fiscal year ended June 30, 2018, the most recent audit of the University's state-funded student assistance programs.



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

Members of the Legislative Audit Committee and Board of Trustees:

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

We have audited the accompanying statement of appropriations, expenditures, transfers, and reversions of the state-funded student financial assistance programs (the Statement) of Colorado School of Mines (the University), an institution of higher education of the State of Colorado, for the year ended June 30, 2020, and the related notes to the Statement.

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

Management is responsible for the preparation and fair presentation of the Statement. The Statement was prepared in accordance with the format as set forth in the *Colorado-Funded Student Aid 2019-2020 Audit Guide for State and Private Non-Profit Institutions of Higher Education* issued by the Department of Higher Education (CDHE) and in accordance with the policies and procedures for State-Funded Student Financial Assistance Programs established by the governing board of the University; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Statement that is free from material misstatement, whether due to fraud or error.

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

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

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

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

## **Opinion**

In our opinion, the Statement referred to above presents fairly, in all material respects, the respective appropriations, expenditures, transfers, and reversions of the State-Funded Student Financial Assistance Programs of the University for the year ended June 30, 2020, in accordance with the *Colorado-Funded Student Aid 2019-2020 Audit Guide for State and Private Non-Profit Institutions of Higher Education* issued by the CDHE, and in accordance with the policies and procedures for State-Funded Student Financial Assistance Programs established by the Board of Trustees of the University described in Note 1 to the Statement.

## **Emphasis of Matter**

As described in Note 2 to the Statement, the Statement prepared by the University was prepared in accordance with the *Colorado-Funded Student Aid 2019-2020 Audit Guide for State and Private Non-Profit Institutions of Higher Education* issued by the Department of Higher Education, and in conformity with the policies and procedures for State-Funded Student Financial Assistance Programs established by the Board of Trustees of the University. As described in Note 2 to the Statement, the Statement is a summary of cash activity of the state-funded student financial assistance programs with the exception of the Colorado Work-Study programs, and does not present certain transactions that would be included in the statement of state-funded student assistance programs if it was presented on the accrual basis of accounting, as prescribed by generally accepted accounting principles in the United States of America. In addition, the accompanying Statement is not intended to, and does not present the financial position, changes in financial position, or cash flows of the University in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2021 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

## **Restriction on Use**

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



**CliftonLarsonAllen LLP**

Denver, Colorado  
February 11, 2021

**COLORADO SCHOOL OF MINES**  
**STATE-FUNDED STUDENT FINANCIAL ASSISTANCE PROGRAMS**  
**STATEMENT OF APPROPRIATIONS, EXPENDITURES, TRANSFERS, AND REVERSIONS**  
**Year Ended June 30, 2020**

	<b>Colorado Need-Based Grant Program</b>	<b>Colorado Graduate Grant Program</b>	<b>Colorado Work-Study Program</b>	<b>Colorado Merit Aid Program</b>	<b>Total State- Funded Student Assistance</b>
<b>Appropriations</b>					
Original official allocation notice	\$ 1,618,343	\$ 451,202	\$ 509,691	\$ 84,204	\$ 2,663,440
Additional funds reallocated by CDHE	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total appropriations	1,618,343	451,202	509,691	84,204	2,663,440
<b>Expenditures</b>	<u>1,618,343</u>	<u>451,202</u>	<u>509,691</u>	<u>84,204</u>	<u>2,663,440</u>
<b>Reversions to State General Fund</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**COLORADO SCHOOL OF MINES**  
**STATE-FUNDED STUDENT FINANCIAL ASSISTANCE PROGRAMS**  
**NOTES TO STATEMENT OF APPROPRIATIONS, EXPENDITURES,**  
**TRANSFERS, AND REVERSIONS**  
**Year Ended June 30, 2020**

**(1) Basis of Presentation**

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

The accompanying statement of appropriations, expenditures, transfers, and reversions of state-funded student financial assistance programs (the Statement) has been prepared in accordance with the format as set forth in the *Colorado- Funded Student Aid 2019-2020 Audit Guide for State and Private Non-Profit Institutions of Higher Education* issued by the Department of Higher Education (CDHE) and in accordance with the policies and procedures for State-Funded Student Financial Assistance Programs established by the Board of Trustees of Colorado School of Mines. The purpose of the Statement is to present, in summary form, the state-funded student financial assistance activities of the University for the year ended June 30, 2020.

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

**(2) Basis of Accounting**

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

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



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

Members of the Legislative Audit Committee and Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the statement of appropriations, expenditures, transfers, and reversions of the State-Funded Student Assistance Programs (the Statement) of Colorado School of Mines (the University), an institution of higher education of the State of Colorado, for the year ended June 30, 2020, and the related notes to the Statement, and have issued our report thereon dated February 11, 2021.

**Internal Control over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

**CliftonLarsonAllen LLP**

Denver, Colorado  
February 11, 2021





February 11, 2021

Members of the Legislative Audit Committee and Board of Trustees  
Colorado School of Mines  
Denver, Colorado

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, 2020, and have issued our report thereon dated February 11, 2021. 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, 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 the year ended June 30, 2020.

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:

#### Accounting estimates (continued):

- 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.
- Management's estimate of the OPEB liability is based on actuarial assumptions and other inputs as described in Note 13 to the financial statements. We evaluated the key factors and assumptions used to develop the OPEB 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 has determined that the effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The schedule on page 89 summarizes all uncorrected misstatements.

***Corrected misstatements***

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

***Disagreements with management***

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

***Management representations***

We have requested certain representations from management that are included in the management representation letter dated February 11, 2021.

***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 University'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 University'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.

The description of the Colorado School of Mines accompanying the financial statements, which is the responsibility of management, was prepared for purposes of additional analysis and is not a required part of the financial statements. Such information was not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we did not express an opinion or provide any assurance on it.

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

\* \* \*

This communication is intended solely for the information and use of the State of Colorado Legislative Audit Committee, the Office of the State Auditor, the Board of Trustees, 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, upon release by the Legislative Audit Committee this report is a public document.

**CliftonLarsonAllen LLP**

Denver, Colorado  
February 11, 2021

**SUMMARY OF UNCORRECTED MISSTATEMENTS - AUDIT**  
**Colorado School of Mines**  
**Year Ended June 30, 2020**

**UNCORRECTED ADJUSTMENTS**

**Effect of misstatements on:**

Description	Assets	Deferred Outflows of Resources	Liabilities	Deferred Inflows of Resources	Beginning Net Position	Net Revenue, Expense and Change in Net Position
To pass on increasing assets and liabilities for a payroll accrual that was improperly posted as a reduction to cash instead of a payroll liability account.	\$ 818,163	\$ -	\$ (818,163)	\$ -	\$ -	\$ -
To pass on reducing interest expense and increasing deferred outflows that was improperly recorded related to the change in fair value of the interest rate swap.	-	1,032,157	-	-	-	(1,032,157)
Net current year misstatements (Iron Curtain Method)	818,163	1,032,157	(818,163)	-	-	(1,032,157)
Net prior year misstatements	-	-	-	-	-	-
Combined current and prior year misstatements (Rollover Method)	\$ 818,163	\$ 1,032,157	\$ (818,163)	\$ -	\$ -	\$ (1,032,157)
Financial statement totals	<u>\$ 736,338,000</u>	<u>\$ 33,165,000</u>	<u>\$ 623,142,000</u>	<u>\$ 113,167,000</u>	<u>\$ (71,069,000)</u>	<u>\$ 104,263,000</u>
Current year misstatement as a % of financial statement totals (Iron Curtain Method)	0%	3%	0%			-1%
Current and prior year misstatement as a % of financial statement totals (Rollover Method)	0%	3%	0%			-1%

**INADEQUATE DISCLOSURES**

Description	Amount (If Applicable)
None noted	