Colorado School of Mines
(A Component Unit of the State of Colorado)

Financial Audit – Years Ended June 30, 2009 and 2008

Compliance Audit – Year Ended June 30, 2009

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November 20, 2009

Members of the Legislative Audit Committee:

We have completed the financial statement audit of the Colorado School of Mines as of and for the years ended June 30, 2009 and 2008. Our audit was conducted 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 were engaged to conduct our audit pursuant to Section 2-3-103, C.R.S., which authorizes the State Auditor to conduct or cause to be conducted audits of all departments, institutions and agencies of state government. The reports which we have issued as a result of this engagement are set forth in the table of contents which follows.

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Colorado School of Mines
(A Component Unit of the State of Colorado)
Years Ended June 30, 2009 and 2008

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Colorado School of Mines
(A Component Unit of the State of Colorado)
Report Summary
Year Ended June 30, 2009

Purposes and Scope of Audit

The purposes and scope of this audit were to:

- Express an opinion on the financial statements of the Colorado School of Mines (the School) as of and for the year ended June 30, 2009, including consideration of internal control over financial reporting as required by auditing standards generally accepted in the United States of America and *Government Auditing Standards.*

- Evaluate compliance with certain provisions of laws, regulations, contracts and grants governing the expenditures of Federal and state funds for the year ended June 30, 2009.

- Issue a report on the School's internal control over financial reporting and on compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters based on our audit of the financial statements performed in accordance with *Government Auditing Standards.*

- Express an opinion on the Statement of Appropriations, Expenditures, Transfers and Reversions of State-Funded Student Assistance Programs of the School for the year ended June 30, 2009.

- Express an opinion on compliance, and report on internal control over compliance, with requirements applicable to each state-funded student assistance program.

- Evaluate progress in implementing prior audit recommendations.

Audit Opinions and Reports

The Independent Accountants' Reports expressed unqualified opinions on the School's financial statements as of and for the years ended June 30, 2009 and 2008 and on the Statement of Appropriations, Expenditures, Transfers and Reversions of the State-Funded Student Assistance Programs for the year ended June 30, 2009.

No instances of noncompliance considered material to the financial statements were disclosed by the audit.

We did note certain areas in which the School could improve its internal controls and compliance procedures. These areas are discussed in the Auditor's Findings and Recommendations section of this report and are summarized below.

Summary of Audit Recommendations

Auditor's Findings and Recommendations Section

The Auditor's Findings and Recommendations Section includes the following:

Exclusive of the findings with respect to our testing of expenditures of Federal awards and state-funded student assistance discussed below, our finding and recommendation addresses the School's need to strengthen its existing independent review policies and procedures (See Recommendation No. 1).

Expenditures of Federal Awards

There were five findings related to our testing of Federal expenditures under OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* (Single Audit). The findings related to a.) the School's need to develop policies and procedures to assure that the calculation of amounts earned for withdrawn students receiving Title IV loan or grant assistance exclude institutionally scheduled breaks, b.) the need for the School to implement a detailed review of its Fiscal Operations Report and Application to Participate (FISAP) prior to submission of the FISAP Report to the U.S. Department of Education c.) the School's need to perform suspension and debarment verification procedures required for covered transactions to determine that contracting entities are not suspended or debarred (Research and Development Grant Cluster), d.) the need for the School to assure that existing review policies are strictly adhered to for documenting supervisory review of project summary sheets and financial reports for federally funded projects and e.) the School's need to assure that the National Student Loan Data System is properly updated for student status changes in accordance with compliance requirements of the Federal Family Education Loans (FFEL) program (Student Financial Assistance Cluster) (See Recommendation Nos. 2, 3, 4, 5 and 6).

State-Funded Student Assistance Programs

There was one finding related to our testing of state-funded student assistance expenditures. The finding related to the School's need to modify its current policy with respect to the required signatures on work-study program student's time sheets to require the signatures of both the student and direct supervisor prior to payment (See Recommendation No. 7).

Summary of Progress in Implementing Prior Audit Recommendations

The audit for the year ended June 30, 2008, included six recommendations. The disposition of those six audit recommendations as of November 20, 2009, was as follows:

Status	Number
Implemented	4
Partially implemented	-
Not implemented	2
Total	6

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Colorado School of Mines
(A Component Unit of the State of Colorado)
Recommendation Locator
Year Ended June 30, 2009

All recommendations are addressed to the Colorado School of Mines

Recommendation Number	Page Number	Recommendation Summary	Response	Implementation Date
1	10	Strengthen existing independent review policies and procedures.	Agree	January 1, 2010
2	12	Develop policies and procedures to assure that the calculation of amounts earned for withdrawn students who are receiving Title IV loan or grant assistance excludes institutionally scheduled breaks and that a detailed review of Title IV amount earned calculations be performed by an individual other than the preparer.	Agree	September 24, 2009
3	13	Implement a review process that includes a detailed review prior to the submission of the Fiscal Operations Report and Application to Participate (FISAP) to the U.S. Department of Education and also includes approval by an individual other than the person preparing the report.	Agree	September 24, 2009
4	14	Use the *EPLS* system to verify subrecipients (subcontracts and vendors) have not been suspended or debarred and obtain amendments to all subcontract agreements entered into prior to the addition of the certification clause in the standard federal subcontract agreement template. Additionally, implement policies and procedures to ensure the proper subcontract agreement template is being used in the future.	Agree	July 1, 2009

Recommendation Number	Page Number	Recommendation Summary	Response	Implementation Date
5	15	Assure that the School's existing review policies are strictly adhered to for documenting supervisory review of project summary sheets and financial reports for federally funded projects.	Agree	July 1, 2009
6	16	Implement policies and procedures to i.) increase the frequency of reporting to the National Student Clearinghouse to assure all changes in student status are dealt with in a timely manner and meet reporting requirements, and ii). perform spot checks to assure information is being reported correctly and that any discrepancies are reported timely.	Agree	November 1, 2009
7	17	Modify the School's current policy with respect to the required signatures on work-study program student's time sheets to require the signatures of both the student and direct supervisor prior to payment.	Agree	October 1, 2009

Colorado School of Mines
(A Component Unit of the State of Colorado)
Description of Colorado School of Mines
Year Ended June 30, 2009

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

The Board of Trustees is the governing body of the School and is composed of seven members appointed by the Governor, with consent of the Senate, for four-year terms and one nonvoting student member elected by the student body.

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

	Student FTE Enrollment		
	Resident Student FTE	Non-resident Student FTE	Total Student FTE
2005	2,807	820	3,627
2006	3,009	849	3,858
2007	3,056	917	3,973
2008	3,085	1,051	4,136
2009	3,144	1,181	4,325

	Faculty and Staff FTE		
	Faculty FTE	Staff FTE	Total Faculty and Staff FTE
2005	248	332	580
2006	259	343	602
2007	276	396	672
2008	315	433	748
2009	357	407	764

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In planning and performing our audit of the financial statements of the Colorado School of Mines (the School) as of and for the year ended June 30, 2009 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 considered the School's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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 School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control. As such, our consideration of internal control would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters Identified in an Audit,* provides guidance to auditors on evaluating the severity of control deficiencies identified in our audit of financial statements. The definitions outlined below for control deficiencies, significant deficiencies and material weaknesses are provided by SAS 112 to provide categories of control deficiencies for purposes of communicating such internal control deficiencies to those charged with governance of the audited entity.

A control deficiency 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 misstatements of the School's financial statements on a timely basis. A control deficiency in design exists when a control necessary to meet a control objective is missing or an existing control is not properly designed so that, even if the control operates as designed, a control objective is not always met. A control deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or qualifications to perform the control effectively.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the School's financial statements that is more than inconsequential will not be prevented or detected by the School's internal controls.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the School's financial statements will not be prevented or detected by the School's internal controls.

We observed the following matters that we consider to be control deficiencies, significant deficiencies or material weaknesses.

Material Weaknesses – Internal Control Over Financial Reporting

No matters are reportable.

Significant Deficiencies – Internal Control Over Financial Reporting

No matters are reportable.

Control Deficiency – Internal Control Over Financial Reporting

Independent Review of Transactions

The School's current procedures require that significant and/or complex transactions be reviewed and approved by someone other than the person submitting the transaction for recording and they also require that all external reporting of financial information be reviewed and approved by someone other than the preparer of the information. Written documentation detailing the review requirements exists, but in some cases lacks sufficient clarity regarding how detailed the review must be, particularly for externally reported financial information.

For fiscal year 2009, an audit entry of approximately $241,000 was required to record a receivable from Colorado School of Mines Foundation, Incorporated (the Foundation) for loans administered by the School on behalf of the Foundation. We also noted additional audit adjustments not recorded by the School because of immateriality for i.) the write-off of certain unsupported tuition accounts receivable balances (approximately $107,000), ii.) prior year interest costs capitalized in the current year (approximately $51,000), iii.) the unrecorded fair value of preferred stock previously donated to the School (approximately $278,000), iv.) prior year depreciation expense recorded in the current year (approximately $57,000), v.) certain costs that were capitalized that should have been expensed as repair and maintenance (approximately $285,000), vi.) the write-off of certain uncollectible receivables (approximately $109,000) and viii.) the accrual of certain estimated pollution remediation costs (approximately $60,000). Also, nine exhibits that are required to be filed with the State Controller's Office for its use in preparing the State's annual financial statements required revision because incorrect information had been initially reported to the State Controller's Office. While exhibits often require revision because they are prepared prior to the finalization of review procedures by School personnel to meet the State Controller's Office submission deadlines, the nine exhibits were not corrected timely once the School had finalized supporting detail for the exhibits.

The primary cause for the adjusting entries and the required corrections to the exhibits was the lack of sufficient review by the reviewer.

Strong internal controls over financial reporting require that an entity's significant and/or complex transactions be reviewed in detail for accuracy and completeness by an individual other than the individual responsible for preparing the entry that records the transaction. The independent review should be adequately documented to provide evidence that the review has been performed.

By not performing a detailed review of financial transactions and financial reporting, original input errors made by the preparer of such information may go undetected and such errors might be material to the financial statement reporting process.

Recommendation No. 1

The School should strengthen its existing independent review policies and procedures by requiring that the reviewer examine all supporting documentation necessary to determine that financial transactions and financial reporting is accurate.

Colorado School of Mines Response

Agree. Implementation Date: January 1, 2010

The Controller's Office is requiring all the financial reports to be reviewed in detail for accuracy and completeness. Financial reports and Exhibits must be initialed by the independent reviewer to strengthen its review process.

OMB Circular A-133 (Single Audit) Findings

Introduction

The Colorado School of Mines receives federal funding from the United States Department of Education for Student Financial Aid programs administered by the school. The School also receives federal funding from various granting agencies for research and development projects. In fiscal year 2009, the School expended federal funding of $17,786,329 relating to Student Financial Aid and $24,932,899 on Research and Development.

Major Program Compliance – Instance of Noncompliance

Internal Controls Over Major Programs – Control Deficiency

Special Tests and Provisions - Return of Title IV Funds (Student Financial Assistance Cluster)

Federal Family Education Loans (CFDA No. 84.032); Federal Perkins Loans (CFDA No. 84.038); Federal Pell Grant Program (CFDA No. 84.063); Academic Competitiveness Grant (CFDA No. 84.375); National Science and Mathematics Access to Retain Talent Grant (National SMART Grant) (CFDA No. 84.376); Federal Supplemental Educational Opportunity Grants (FSEOG) (CFDA No. 84.007)

When a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV grant or loan assistance that the student earned as of the student's withdrawal date. This process performed by the School is the Title IV amount earned calculation. According to federal guidelines, when determining the percentage of the payment period or the period of enrollment completed by the recipient, the calculation for determining the amount earned is defined as follows: "the total number of calendar days in a payment period or period of enrollment includes all days within the period, except that **scheduled breaks of at least five consecutive days are excluded** *(emphasis added)* from the total number of calendar days in a payment period or period of enrollment and the number of calendar days completed in that period".

For the year ended June 30, 2009, a total of twelve students who were receiving Title IV grant or loan assistance withdrew from the School. The School conducted Title IV amount earned calculations on seven fall withdrawals and five spring withdrawals. We noted during our testing of Title IV amount earned the School failed to exclude the week of spring break from the spring term amount earned calculation. The week of spring break is an institutionally scheduled break and should be excluded from the total number of calendar days in the calculation of the amount earned by the student. For the exception noted, the School had not yet disbursed any Title IV grant or loan assistance to the student at the time of his withdrawal from the School, thus no over-refund occurred. Through our discussions with School personnel, the amount earned calculations for all spring withdrawals failed to exclude the institutionally scheduled break.

The School employee responsible for the calculation was not aware of the provisions for the exclusion of institutionally scheduled breaks from the amount earned calculation. Additionally, the calculation lacked documentation of a supervisory review.

By the School not excluding from its amount earned calculations the institutionally scheduled breaks that meet the definition provided for in the regulations cited above, the School could potentially refund an incorrect amount of Title IV grant or loan assistance for students who withdraw from the School.

Recommendation No. 2

The School should develop policies and procedures to assure that the calculation of amounts earned for withdrawn students who are receiving Title IV loan or grant assistance excludes institutionally scheduled breaks. A detailed review of Title IV amount earned calculations should be performed by an individual other than the preparer to help assure that calculations are performed accurately and in accordance with existing federal regulations.

Colorado School of Mines Response

Agree. Implementation Date: September 24, 2009

Colorado School of Mines Financial Aid Office has established a detailed procedural policy that ensures the scheduled break days are populated in the Banner System accurately. This policy is in coordination with the Registrar Office and includes Thanksgiving and Spring break. The new policy ensures that calculated Title IV amount earned are reviewed by an individual other than the preparer.

Major Program Compliance – Instance of Noncompliance

Internal Controls Over Major Programs – Control Deficiency

Reporting - Fiscal Operations Report and Application to Participate (FISAP) (Student Financial Assistance Cluster)

Federal Perkins Loans (CFDA No. 84.038); Federal Supplemental Educational Opportunity Grants (FSEOG) (CFDA No. 84.007); Federal Work-Study Program (CFDA No. 84.033)

Per federal regulations the School is required to annually submit a U.S. Department of Education "Fiscal Operations Report and Application to Participate (FISAP)" (OMB No. 1845-0030) to receive funds for the following campus-based programs: Federal Perkins Loans, Federal Supplemental Educational Opportunity Grant and Federal Work Study Program.

We noted exceptions during our testing of the FISAP relating to the Federal Work Study Program (FWS) that resulted in reporting errors but not questioned costs for the program. Specifically, exceptions were noted relating to information about community service activities and family literacy activities line items. The School reported 28 students in community service employment, however the actual number was 26 students. The result was an inaccurate reporting of the federal (reported $21,755, actual $21,131) and non-federal (reported $7,252, actual $7,044) share of community service earned compensation. Additionally, information was reported for family literacy activities when no such program existed. Specifically, one student was reported as employed in family literacy activities along with compensation of $1,444, of which $1,083 was reported as the federal share. The exceptions noted above have not caused any reductions in federal funding to the school.

The errors noted resulted principally from a lack of sufficient independent review of the FISAP prior to submission of the report.

Submission of inaccurate information on the FISAP could result in a reduction of future federal funding.

Recommendation No. 3

The School should implement a review process that includes a detailed review prior to the submission of the FISAP and approval by an individual other than the person preparing the report. The review should be formally documented by the reviewing individual.

Colorado School of Mines Response

Agree. Implementation Date: September 24, 2009

Colorado School of Mines has established a new review process that is coordinated by the Director of Financial Aid. The Director of Financial Aid will prepare the FISAP for review by the Bursar, Controller, and the Senior Vice President for Finance and Administration. All parties will formally document their review.

Major Program Compliance – Instance of Noncompliance

Internal Controls Over Major Programs – Control Deficiency

Procurement and Suspension and Debarment (Research and Development Grant Cluster)

Federal suspension and debarment rules, as outlined in OMB Circular A-133 *Compliance Supplement*, state that non-federal entities are prohibited from contracting with or making subawards under covered transactions (procurement contracts for goods and services equal to or in excess of $25,000) to parties that are suspended or debarred or whose principals are suspended or debarred by the Federal government. Suspensions are temporary actions that may last up to one year and may be based on indictments, information or adequate evidence involving environmental crimes, contract fraud, embezzlement, theft, forgery, bribery, poor performance, non-performance, or false statements. Debarments result in the imposition of a set period of time on a case-by-case basis and may be based on convictions, civil judgments or fact-based cases involving environmental crimes, contract fraud, embezzlement, theft, forgery, bribery, poor performance, non-performance or false statements as well as other causes. Suspension and debarment actions protect the government from doing business with individuals/companies/recipients who pose a business risk to the government. When a non-federal entity enters into a covered transaction in excess of $25,000 with an entity, the non-federal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the *Excluded Parties List System (EPLS)* maintained by the General Services Administration, collecting a certification from the entity or adding a clause or condition to the covered transaction with the entity.

The School was not performing suspension and debarment verification procedures required for covered transactions to determine that contracting entities were not suspended or debarred. This was also a finding in the audit for the year ended June 30, 2008. The auditors recommended that the School verify and document that entities are not suspended or debarred from contracting work involving federal funds. The School agreed with the recommendation and indicated that its subaward and subcontracts would include a certification clause that requires the subrecipients to certify that they are not on the debarred or suspended list prior to execution of a subaward or subcontract.

During the fiscal year 2009 audit we found the School has not consistently used the proper subcontract agreement template to certify that subrecipients are not suspended or debarred. We noted during our testing of suspension and debarment that for three out of the six subcontract agreements reviewed, the School failed to certify that the subrecipients had not been suspended or debarred. Two of the exceptions related to subcontract agreements that were entered into prior to the certification clause being added to the standard federal subcontract agreement template used by the School, and one error related to the use of a non-federal subcontract agreement template. Upon further review, the School determined that during fiscal year 2009, a total of eight subcontract agreements with expenditures of $711,600 did not include a certification clause by the School that subrecipients had not been suspended or debarred.

Failure to perform required suspension and debarment certification procedures might result in the School procuring goods or services from an entity that has been suspended or debarred, thereby exposing it to increased business risk and potential federal disallowances.

Recommendation No. 4

The School should use the *EPLS* system to verify subrecipients (subcontracts and vendors) have not been suspended or debarred and obtain amendments to all subcontract agreements entered into prior to the addition of the certification clause in the standard federal subcontract agreement template. Furthermore, the School should implement policies and procedures to ensure the proper subcontract agreement template is being used going forward.

Colorado School of Mines Response

Agree. Implementation Date: July 1, 2009

The School reviewed the EPLS system for the eight subcontracts in question and determined that none of the subrecipients were debarred or suspended. In addition, the School obtained amendments for the addition of the certification clause to all subcontract agreements in effect during fiscal year 2009. The School has implemented the use of the Federal Demonstration Partnership (FDP) subaward form for subawards under federal grants that include the certification clause. The School's template for contract funded subcontracts contains the certification clause. In addition, the School has added the certification clause to its non-federal and interagency agreement templates. Furthermore, the School will document its review of the EPLS system for all subcontracts regardless of the source of funds.

Internal Controls Over Major Programs – Control Deficiency

Reporting and Matching, Level of Effort and Earmarking - Supervisory Review (Research and Development Cluster)

We noted during our testing of grant setups (i.e. project summary sheets) used to review matching requirements and testing of financial reports that one out of seven project summary sheets and eight out of 40 financial reports lacked evidence of a secondary review. The eight financial report exceptions were comprised of two Financial Status Reports and six Federal Cash Transactions Reports.

To strengthen internal control procedures over the administration of grants, the School should include a secondary review of financial documents, specifically financial reports which are required to be submitted under the terms of the grant and internally maintained project summary sheets used to assure proper set-up of matching requirements. Each review should be performed and documented by an individual who is independent of the preparer, possesses sufficient knowledge of reporting and matching requirements and has access to the documentation used to prepare the documents.

The exceptions noted above resulted from lack of documentation indicating reviews had been performed; however School personnel represented that reviews had been conducted.

Failure to review project summary sheets for proper matching requirements and financial reports for accuracy could result in grant terms not being met and inaccurate reporting information to awarding agencies. Documentation of review and approval is important to provide evidence that the approval control function is operating as designed.

Recommendation No. 5

The School should assure that its existing review policies are strictly adhered to for documenting supervisory review of project summary sheets and financial reports for federally funded projects.

Colorado School of Mines Response

Agree. Implementation Date: July 1, 2009

The Director reviews and documents his review on all new project summary sheets. The project summary sheet noted was reviewed, however that review was not documented. The Director will ensure that his review is documented.

Financial Status and Federal Cash Transaction reports are prepared by the fiscal manager and reviewed by the billing specialist. The billing specialist will ensure documentation of her review by reviewing the reports on a monthly basis.

Major Program Compliance – Instance of Noncompliance

Internal Controls Over Major Programs – Control Deficiency

Special Tests and Provisions-Student Status Changes (Student Financial Assistance Cluster) Federal Family Education Loans CFDA No. 84.032

Under the FFEL and Direct Loans programs, and per 34 CFR 682.610(c), a school must report within 60 days through use of Student Status Confirmation Reports (SSCR), which updates the National Student Loan Data System (NSLDS), or directly to a guaranty agency, a change in enrollment status, including: (a) withdrawal; (b) graduation; (c) student who has ceased to be enrolled on at least a half-time basis; or (d) student who has been accepted for enrollment but never attended.

The School's current policy is to submit student status confirmation reports monthly to the National Student Clearinghouse. The National Student Clearinghouse is responsible for reporting the status changes to NSLDS. We noted during our testing of 30 students with Federal Family Education Loans (FFEL) under Student Financial Assistance Programs who either graduated, withdrew, dropped out, or enrolled but never attended during the year, that the School failed to notify either the NSLDS or the guaranty agency of the change in enrollment status for two students who withdrew during the school year.

For the School to assure that it is meeting the requirements to notify the NSLDS of changes in student status in a timely and accurate manner, it must have policies and procedures in place to assure information is timely reported for all changes in student status, and a review process to sample information for accuracy in reporting.

If the School fails to meet student status change reporting requirements that determine the borrower's schedule for loan repayment, borrowers' repayment responsibilities might be reported incorrectly resulting in a lack of timely repayments by the borrowers.

Recommendation No. 6

The School should implement policies and procedures to increase the frequency of reporting to the National Student Clearinghouse from once a month to twice a month, as well as to establish internal policies and procedures to assure all changes in student status are dealt with in the 60 day reporting requirement. The School should also implement policies and procedures to perform spot checks to assure information is being reported correctly and that any discrepancies are reported timely.

Colorado School of Mines Response

Agree. Implementation Date: November 1, 2009

In order to rectify this procedural problem, as of October 1, 2009, we have begun reporting on a bi-monthly basis on the first and fifteenth of each month to the National Student Clearinghouse. Additionally, internal reports have been created and shared among offices as of November 2009 to log all of the withdrawal forms being processed. This new process was jointly created between Academic Affairs and Student Affairs. The report is run by Financial Aid on their data and checked against all incoming forms in the Registrar's Office to verify that all forms have been processed by the Registrar.

State-Funded Student Assistance Programs Finding

Colorado Work-Study Program

The Colorado School of Mines had total expenditures of $401,076 under the Colorado Work-Study Program for the year ended June 30, 2009. We reviewed 16 students who earned Colorado Work-Study in the amount of $20,640. During our testing we noted three of the 16 students did not sign their timesheet as required in the *2008-09 Audit Guide, Colorado Funded Student Aid.* Per the audit guide, payments under the work-study program are required to be supported by time sheets that are (a) signed by the student and certified by a responsible official and (b) reflect the actual hours worked by the student. Currently, the School's policy requires only the direct supervisor's signature.

Failure to comply with time sheet signature requirements of the Colorado Work-Study Program could result in the disallowance of funding under the program.

Recommendation No. 7

The School should modify and implement changes to its current policy with respect to the required signatures on work-study program student's time sheets to require the signatures of both the students and the direct supervisors prior to payment.

Colorado School of Mines Response

Agree. Implementation Date: October 1, 2009

The Payroll department now requires signature of both students and their supervisors on all timesheets. The State of Colorado's Timesheet Policy was shared with the campus constituents to ensure compliance.

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Colorado School of Mines
(A Component Unit of the State of Colorado)
Disposition of Prior Audit Recommendations
Year Ended June 30, 2009

Summary of Progress in Implementing Prior Audit Recommendations

The audit report for the year ended June 30, 2008 included six recommendations. The disposition of those audit recommendations, as of November 20, 2009, was as follows:

Recommendation Number	Recommendation	Disposition
1	Implement procedures for the review of interest expense during the reporting period to ensure that interest expense is recognized for the entire period the applicable debt is outstanding during the fiscal year, regardless of when the interest is paid.	Implemented
2	Ensure that the existing year-end closing procedure for the review and evaluation of all unpaid invoices at year-end is consistently followed so that all valid costs incurred and related revenues, if applicable, are recorded in the proper accounting period.	Implemented
3	Verify that entities are not suspended or debarred or otherwise excluded from contracting for work involving Federal funds and maintain documentation to support such verification procedures.	Not Implemented. See current year Recommendation No. 4.
4	Ensure that the School's existing policy for documenting approval of cost transfers to Federal R&D projects be strictly adhered to prior to recording accounting entries for such cost transfers.	Implemented
5	Ensure proper policies and procedures are in place to determine that data reported in the National Student Loan Data System (NSLDS) Enrollment Timeline matches the students' academic files and if discrepancies are noted, that such discrepancies are reported timely.	Not Implemented. See current year Recommendation No. 6.
6	Ensure that an adequate review is performed for Colorado Student Grant Program awards to verify that the School's procedures for awarding in accordance with award limitation levels are being followed in all instances. The School should also provide additional training for staff to reinforce the requirements for awarding these grants.	Implemented

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Independent Accountants' Report on Financial Statements and Supplementary Information

Members of the Legislative Audit Committee:

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Colorado School of Mines (the School), a blended component unit of the State of Colorado, as of and for the years ended June 30, 2009 and 2008, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Colorado School of Mines' management. Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of Colorado School of Mines Foundation, Incorporated (the Foundation), the discretely presented component unit of the School. Those statements were audited by other accountants whose report has been furnished to us and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other accountants.

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 of material misstatement. The financial statements of Colorado School of Mines Foundation, Incorporated, the discretely presented component unit of the School, were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of the other accountants provide a reasonable basis for our opinions.

In our opinion, based on our audits and the report of other accountants, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the Colorado School of Mines, as of June 30, 2009 and 2008, and the respective changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued our report dated November 20, 2009, on our consideration of the Colorado School of Mines' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

BKD, LLP

November 20, 2009

Management's Discussion and Analysis

This section of the Colorado School of Mines annual financial report presents management's discussion and analysis of the financial performance of the School during the fiscal years ended June 30, 2009 and 2008, with prior year data presented for comparative purposes. The activities of the Colorado School of Mines Building Corporation and the Colorado School of Mines Development Corporation, blended component units, have also been incorporated. The financial statements focus on the financial position and changes in financial position for the School as a whole.

The School follows the provisions of Governmental Accounting Standards Board Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and as a result, the financial statements for the Colorado School of Mines Foundation, Incorporated (the Foundation), a legally separate organization whose operations benefit the School, is discretely presented within the School's financial statements.

Unless otherwise noted, the information and financial data included in management's discussion and analysis relate solely to the School. This discussion has been prepared by management along with the financial statements and related footnote disclosures and should be read in conjunction with the financial statements and footnotes. The discussion and analysis is designed to focus on current activities, resulting changes and currently known facts. The financial statements, footnotes and this discussion are the responsibility of management.

Executive Summary

Fiscal year 2009 proved to be a difficult financial year for the State of Colorado. Due to State revenue shortfalls, the State had to cut expenses in order to produce a balanced budget at the end of the year. One of the cuts made by the Governor's Office was a $150.7 million cut to higher education. This cut was allocated among all of the higher education entities which resulted in a cut for the School of $4.4 million. The State did receive American Recovery and Reinvestment Act of 2009 (Federal Stimulus) dollars in 2009, using $150.7 million of those dollars to backfill the cut to higher education. The Federal Stimulus dollars are due to expire at the end of fiscal year 2011. The School has been assessing options of how to address the cut once the stimulus dollars expire.

Recognizing the state of the national and State of Colorado economy, in early fiscal year 2009, the School put in place cost containment measures in order to protect the School's financial position from the ensuing budget cut. These measures included a hiring freeze, travel restrictions, as well as restrictions on any non-mandatory spending. This careful financial management allowed the School to maintain a strong net asset position.

In fiscal year 2009, the School engaged in an exercise to assess and recalibrate the School's 2004 Strategic Plan which layed out the School's vision *to optimize, consolidate, and align institutional resources in support of key programmatic areas such as earth, energy, materials and environment*. To date, the School has been successful in its progress towards achieving many of the initiatives outlined in the strategic plan. The results of this year's assessment shifted the undergraduate and graduate enrollment targets as well as the research volume target as the new targets are better aligned with the School's undergraduate teaching and research objectives.

The School's total operating revenues increased 8.4% for fiscal year 2009 compared to 2008. Tuition and fees remain a major source of revenue to the School representing 46.7% of total operating revenues. The School experienced a strong freshman class along with an increase in resident graduate and non-resident enrollment which, with an increase in tuition rates, contributed to the increase in overall tuition and fees revenue.

Fiscal year 2009 represented the fourth year of the School's Fee-for-Service agreement with the Department of Higher Education; this year's contracted revenue was decreased by $2.5 million in response to the overall State cut to higher education. To get to the School's complete state funding cut of $4.4 million, the State also reduced $1.9 million from the College Opportunity Fund. The fee for service reduction resulted in an 9.5% decrease from the prior year.

Funding of the School's research enterprise increased by 11.4% as a result of increased funding from federal agencies. The School achieved record research award volume in fiscal year 2009 of $51.4 million which surpassed the School's Strategic Plan goal of $50 million by fiscal year 2014.

Operating expenses increased 10.5% from the prior year with the majority of that increase coming from increases in instruction, research, operation and maintenance of plant, institutional support, and auxiliary enterprises.

Funding from the School's Foundation declined slightly in 2009 with $10.5 million in gifts coming to the School; a 4.6% decrease from the prior year. Donations made directly to the School, however increased from the prior year. The state provided support to the School for capital and deferred maintenance funds in 2009 at $4.7 million compared to $3.2 million in the prior year, an increase of 47.3%.

Overall, total net assets increased 7.0% for the year with a 0.1% decrease in the School's unrestricted net assets.

Statement of Net Assets

The statement of net assets includes all assets and liabilities of the School as of the end of the fiscal year. It is prepared under the accrual basis of accounting whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service regardless of when cash is exchanged.

Condensed Statements of Net Assets (in thousands)

June 30, 2009, 2008 and 2007

	2009	2008	2007
Assets			
Current assets	$ 50,408	$ 44,914	$ 37,956
Noncurrent assets			
Capital, net	175,437	165,762	162,944
Other	66,556	66,663	31,442
Total assets	292,401	277,339	232,342
Liabilities			
Current liabilities	30,571	27,674	26,976
Noncurrent liabilities	120,132	117,241	78,373
Total liabilities	150,703	144,915	105,349
Net Assets			
Invested in capital assets, net of related debt	102,095	92,016	91,425
Restricted			
Nonexpendable	1,386	1,645	1,878
Expendable	8,349	8,657	8,947
Unrestricted	29,869	30,106	24,743
Total net assets	$ 141,699	$ 132,424	$ 126,993

The Colorado School of Mines has the following general ratios as of June 30;

	2009	2008	2007
Current Assets to Current Liabilities	1.65:1	1.62:1	1.41:1
Total Assets to Total Liabilities	1.94:1	1.91:1	2.21:1

These ratios continue to remain strong and indicate that the School is positioned well for covering both current and long-term obligations.

2009

The School's capital assets consist of land, land improvements, buildings and improvements, equipment, library materials, intangible assets and construction in progress collectively totaling $175.4 million, net, at June 30, 2009. This amount is net of accumulated depreciation of $118.8 million. The net increase in capital assets is primarily due to planning costs incurred for several large construction projects that are due to break ground in fiscal year 2010; an addition to the School's engineering building, Brown Hall, is slated to break ground in February and a new housing development is also slated to break ground in February of 2010. The School was also in the final stages of completing several other construction projects, namely the Creekside athletic fields comprising a new competitive soccer field, a new practice football field and a new running track. Also, as research for the School grew this year, so did the equipment and other capital items related to research; included in the net increase to capital assets is over $4.2 million of capital assets purchased under research grants. Further detail regarding capital asset activity can be found in Footnote 3 to the financial statements.

The School's long-term obligations are comprised principally of various revenue bonds issued to finance construction of capital assets. As of June 30, 2009, net revenue bonds payable of $109.8 million were outstanding. The only debt issuance activity in fiscal year 2009 was a refinancing of synthetic fixed rate and variable rate debt to traditional fixed rate debt as well as $4.3 million in proceeds secured to purchase property. Further detail regarding long-term liabilities can be found in Footnotes 4, 5 and 6 to the financial statements.

2008

The School's capital assets consist of land, land improvements, buildings and improvements, equipment, library materials and construction in progress collectively totaling $165.8 million, net, at June 30, 2008. This amount is net of accumulated depreciation of $110.4 million. New buildings, construction and capital projects accounted for the addition of $9.1 million in net capital assets. The two new buildings include two properties adjacent to campus occupied by the School pursuant to a capital lease arrangement with the Foundation. It is the intent that the School will acquire these properties before the termination date of the lease. Major construction projects in progress this year include improvements to the Green Center, schematic design of the new petroleum engineering building (Marquez Hall), and construction of new athletics fields at the Clear Creek site. All these projects except for the design of Marquez Hall and the athletic fields have been supported by State capital appropriations. Further detail regarding capital asset activity can be found in Footnote 3 to the financial statements.

The School's long-term obligations are comprised principally of various revenue bonds payable issued to finance construction of capital assets and to refinance old debt. During the year, the School refunded a portion of its debt taking advantage of favorable market conditions which resulted in proceeds set aside to support various capital projects. Subsequent to the refunding, the market dramatically deteriorated necessitating a refinance of the prior refunding. Also, the School issued additional debt to support major construction planned on campus; an addition to the Brown Hall engineering building along with funds for other construction projects on campus. As of June 30, 2008 net revenue bonds payable of $106.9 million were outstanding. Further detail regarding long-term liabilities can be found in Footnotes 4, 5 and 6 to the financial statements.

Cash and cash equivalents increased due primarily to the improved cash flow from increases in revenue from tuition and fees, grants and contracts, and fee for service. Restricted cash and cash equivalents increased due to bond proceeds from refinancing and issuance of the new bonds.

Statements of Revenues, Expenses and Changes in Net Assets

The statement of revenues, expenses and changes in net assets presents revenues earned and expenses incurred during the fiscal year. Activities are reported as either operating or nonoperating, in accordance with Governmental Accounting Standards Board (GASB) Statements 34 and 35. Under these guidelines, state appropriations and gifts are classified as nonoperating revenues. Because the School depends so significantly on contributions from the Foundation, a nonoperating revenue, this results in an operating loss. The use of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life.

The fiscal year 2009 financial statements reported herein reflect an increase in net assets of $9.3 million.

Condensed Statements of Revenues, Expenses and Changes in Net Assets (in thousands) Years Ended June 30, 2009, 2008 and 2007

	2009	2008	2007
Operating Revenues			
Tuition and fees, net	$ 62,776	$ 56,588	$ 47,213
Grants and contracts	58,307	55,090	50,099
Auxiliary enterprises	12,545	11,670	10,885
Other operating revenues	669	598	640
Total operating revenues	134,297	123,946	108,837
Operating Expenses	145,869	131,980	117,806
Operating Loss	(11,572)	(8,034)	(8,969)
Nonoperating Revenues (Expenses)			
Contributions from the Foundation	10,475	10,981	10,237
Other nonoperating revenues (expenses)	3,517	(1,490)	229
Net nonoperating revenues	13,992	9,491	10,466
Income Before Other Revenues, Expenses, Gains or Losses	2,420	1,457	1,497
State appropriations – capital	4,696	3,187	5,230
Capital grants and gifts	2,159	787	—
Increase in Net Assets	9,275	5,431	6,727
Net Assets, Beginning of Year	132,424	126,993,	120,266
Net Assets, End of Year	$ 141,699	$ 132,424	$ 126,993

2009

Operating revenues increased 8.4% for fiscal year 2009 even after the reduction of $4.4 million in state support. Net tuition and fees revenue along with sponsored grants and contracts revenue reflected the most growth in revenue.

Due to strong non-resident undergraduate enrollment, strong graduate enrollment and increased tuition rates, net tuition and fees increased by 10.9%.

Revenue received from sponsored grants and contracts increased 11.4% from the prior year with funding from federal agencies reflecting an increase of 24.2% while funding from private sponsors reflected a decrease. Due to the budget cut, the School experienced a 9.5% decrease in its revenue from the fee-for-service agreement.

Auxiliary enterprise revenues increased by 7.5% compared to previous year primarily due to increased rates for room and board.

Operating expenses in 2009 increased 10.5% from the prior year. Instruction increased 11.4% which was primarily due to the addition of twenty new faculty members that were brought on board at the beginning of the 2008-2009 academic year. Research expenses (excluding capital purchases) increased almost 8% which was a direct result of increased research activity on campus. Institutional support increased by 28.2% as a result of increased legal, insurance and audit costs, work study expenses, health benefits and other centrally related expenses. Auxiliary enterprises increased 10.6% primarily due to increased repairs and maintenance and utilities costs. Operation and maintenance of plant increased 13.5% for several factors, but primarily due to increase in utilities.

Funding from the School's Foundation in 2009 was $10.5 million in gifts coming to the School, a decrease from the prior year which was approximately $11 million. Also, in 2009, the School received approximately $2 million in gifts given directly to the School as compared to $289 thousand in 2008.

Overall, total net assets reflects an increase of 7.0% for the year with a 0.1% decrease to the School's unrestricted net assets.

The following chart presents undergraduates, graduate studies and combined enrollments for each of the last seven years. As can be seen from the chart, total combined enrollments have increased over the prior year in each of the periods presented.

	Undergraduates			Graduate Studies			Combined		
Fiscal Year	Residents	Non-residents	Total	Residents	Non-residents	Total	Residents	Non-residents	Total
2008-09	2,744	936	3,680	400	245	645	3,144	1,181	4,325
2007-08	2,683	840	3,523	402	211	613	3,085	1,051	4,136
2006-07	2,686	745	3,431	370	172	542	3,056	917	3,973
2005-06	2,656	679	3,335	353	170	523	3,009	849	3,858
2004-05	2,468	638	3,106	339	182	521	2,807	820	3,627
2003-04	2,303	626	2,929	312	204	516	2,615	830	3,445
2002-03	2,156	628	2,784	329	218	547	2,485	846	3,331

Tuition rates, shown below, support the School's tuition and fee revenues. Reasonable rates of growth, along with stable student enrollment levels, indicate the School's current and continued ability to attract students interested in the degree programs offered. Room and board charges, also shown below, contribute to the affordability of attendance at the Colorado School of Mines. Revenue from room and board charges, along with other specified student fees, support maintenance of student life facilities and bond payments outstanding for past, current and planned improvements and additions to these facilities.

	Annual Full-time Tuition Rates		Annual Room and Board (avg.)		
Fiscal Year	Residents	Non-residents	Double	Single	Board
2008-09	$9,810	$23,820	$3,996	$4,732	$3,630
2007-08	$8,764	$21,750	$3,880	$4,595	$3,455
2006-07	$8,047	$20,340	$3,695	$4,375	$3,290
2005-06	$7,248	$19,830	$3,520	$4,170	$3,132
2004-05	$6,336	$19,240	$3,420	$4,050	$3,028
2003-04	$5,700	$19,030	$3,300	$3,925	$2,912
2002-03	$5,246	$17,516	$3,200	$3,783	$2,800

Undergraduate admissions data, outlined below, show another aspect of the School's basis for student enrollment. The 2007, 2008, and 2009 increases in applications reflect a new marketing program, which resulted in a higher quality and larger entering freshman class for each year.

Fall Semester Undergraduate Admissions

Fall of Year	Number of Applicants	Number Accepted	Percent Accepted	Number Committed *	Percent Committed *
2009	7,710	4,704	61.0%	975	20.7%
2008	7,072	4,305	60.9%	905	21.0%
2007	6,063	3,692	60.9%	899	24.3%
2006	3,931	2,791	71.0%	898	32.2%
2005	3,444	2,722	79.0%	971	35.7%
2004	3,323	2,802	84.3%	868	31.0%
2003	3,250	2,566	79.0%	771	30.1%
2002	2,910	1,960	67.4%	670	34.2%

* "Committed" refers to students who committed to attend the School once their application had been accepted by the School.

2008

Revenue received from sponsored grants and contracts increased by 10.0% with increased funding from federal agencies and funding from private sponsors. The School experienced an 11.1% increase in its revenue from the fee-for-service agreement.

Net nonoperating revenues (expenses) of $9.5 million include $11.0 million of gifts from the Colorado School of Mines Foundation, Incorporated, $1.6 million of investment income, $(3.6) million of interest expense on capital debt, and other net non-operating revenues of $.5 million.

Operating expenses increased 12.1% from 2007 to 2008. This change is due to increases in wages and benefits, utility, travel and non-capitalized equipment. Also, expenses related to research activities increased by 20.2%.

Operating Expenses by Function Compared with Operating Expenses by Natural Classification (in thousands)

Years Ended June 30, 2009, 2008 and 2007

	2009		2008		2007	
Function						
Instruction	$ 48,228	33.0%	$ 43,282	32.8%	$ 37,798	32.1%
Research	34,335	23.5%	31,848	24.1%	26,502	22.5%
Academic support	10,418	7.1%	10,122	7.7%	8,319	7.1%
Student services	3,456	2.4%	3,217	2.4%	2,926	2.5%
Institutional support	11,502	7.9%	8,968	6.8%	7,251	6.1%
Operation and maintenance of plant	12,079	8.3%	10,643	8.1%	9,641	8.2%
Scholarships and fellowships	549	0.4%	790	0.6%	1,537	1.3%
Auxiliary enterprises	15,443	10.6%	13,969	10.6%	13,481	11.4%
Depreciation	9,859	6.8%	9,141	6.9%	10,351	7.2%
Total operating expenses	$ 145,869	100.0%	$ 131,980	100.0%	$ 117,806	100.0%
Classification						
Wages and benefits						
Faculty wages	$ 54,145	54.4%	$ 47,360	53.4%	$ 42,319	54.6%
Classified wages	14,125	14.2%	13,341	15.0%	12,570	16.2%
Student wages	2,729	2.8%	2,441	2.8%	2,207	2.9%
Benefits	25,954	26.1%	21,043	23.8%	17,096	22.1%
	96,953	97.5%	84,185	95.0%	74,192	95.8%
Personal service contracts	2,518	2.5%	4,394	5.0%	3,256	4.2%
	$ 99,471	100.0%	$ 88,579	100.0%	$ 77,448	100.0%
Total wages and benefits	$ 99,471	68.2%	$ 88,579	67.1%	$ 77,448	65.7%
Scholarships and fellowships	406	0.3%	460	0.4%	889	0.8%
Utilities	3,680	2.5%	3,332	2.5%	2,772	2.3%
Supplies and other	32,453	22.2%	30,468	23.1%	26,346	22.4%
Depreciation	9,859	6.8%	9,141	6.9%	10,351	8.8%
Total operating expenses	$ 145,869	100.0%	$ 131,980	100.0%	$ 117,806	100.0%

Factors Impacting Future Periods

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

In fiscal year 2009, State revenues experienced a shortfall which resulted in state-wide fund reductions; the Department of Higher Education budget was reduced by $150.7 million. As a result, state funding to the School was reduced by $4.4 million. This reduction continues into fiscal year 2010 and potentially beyond. In addition, in August 2009, the Governor's Budget Office announced a plan to cut an additional $78.0 million to higher education for fiscal year 2010 year which is expected to result in an additional budget reduction to the School of $3.3 million. This cut will bring the total reduction of state support to the School to $7.7 million.

On the heels of the Governor's planned fiscal year 2010 budget cut, the Governor announced in October 2009 that even with the earlier budget cuts, the State is still expecting a shortfall in revenues for fiscal year 2010 and has announced that another cut to higher education of $145 million is needed as part of the state's budget balancing plan for fiscal year 2010. Mines specific share of this cut is not known at this time, however, based on previous budget cut allocations among the higher education institutions, Mines share should be approximately $6 million. The Colorado General Assembly and its Joint Budget Committee will consider the Governor's plans when the legislature is back in session in January 2010. Higher Education, including the School, however are getting a reprieve from the full impact of the cuts currently as the Fiscal year 2009 budget reduction was backfilled by Federal Stimulus funds and it is the Governor's intent that the most recent planned cuts will also be backfilled by Federal Stimulus dollars.

The School of Mines is preparing and planning for additional cuts and for fiscal year 2012 when the Federal Stimulus dollars expire; it is likely that the School will be facing a dramatic shortfall in revenue due to the significant reduction in state support. The School, even in this time of economic volatility is financially positioned well. Over the past few years, the School has ended the year with an operating budget surplus primarily due to strong enrollment and deliberate measures taken to contain costs. The School continues to experience strong enrollment which resulted in record applications for the previous and current academic year and a record freshman class in the fall semester of 2008 which was then surpassed by a record freshman class in the fall semester of 2009. Also, the School is experiencing record growth in research awards. Fiscal year 2009 was the School's highest research award volume at $51.4 million. The School's Strategic Plan goal of $50 million in research awards by 2014 is being reassessed at this time. The growth in research is having a direct and positive impact on graduate student enrollment, research expenditures as well as indirect costs recovered from these expenditures.

Additionally, the School must ensure that the physical infrastructure can not only accommodate our student enrollment and growing research, but also is utilized to optimize the academic and social life of the student, foster growth in research and support a world-class institution. The ability to obtain and devote resources to support the physical infrastructure is a high priority of the School especially in this time where the State has not been able to provide funding for higher education capital needs. In recent bond issues, the School exercised its ability to pledge tuition for the repayment of debt. The School intends to utilize the broader pledge base to support any future debt obligations. Given that the School's debt capacity is limited even with the expanded pledge ability, utilizing a diverse source of funds will be critical to meet our growing infrastructure needs.

As the state continues its attempt to manage the State budget and identify additional funding sources for higher education, the School is assessing the implications on the long term health and maintenance of the School and its continued ability to provide high quality academic programs that continue to attract high quality students. To that end, the School is working towards a goal to strengthen the School's financial position and obtain more operating and financial flexibility in this environment of limited state support. The School continues to position itself to fully implement the Strategic Plan and in doing so must work to secure the financial and human resources needed to fulfill the mission.

Requests for Information

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

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Colorado School of Mines
(A Component Unit of the State of Colorado)
Statements of Net Assets
June 30, 2009 and 2008

	2009	2008
Assets		
Current Assets		
Cash and cash equivalents	$ 34,822,459	$ 30,260,088
Accounts receivable, net of allowance; 2009 - $651,272 and 2008 - $570,226	3,149,745	3,562,258
Federal and state grants receivable, net of allowance; 2009 - $595,289 and 2008 - $531,095	6,858,489	4,727,233
Other receivables, net of allowance; 2009 - $0 and 2008 - $2,000,000 (includes amounts due from the Foundation; 2009 - $896,437 and 2008 - $1,247,927)	4,944,368	5,765,996
Inventories	108,340	114,352
Loans to students, net of allowance; 2009 and 2008 - $5,154	489,572	480,357
Prepaid expenses	35,322	3,523
Total current assets	50,408,295	44,913,807
Noncurrent Assets		
Restricted cash and cash equivalents	50,503,934	49,205,550
Restricted investments	4,989,465	6,040,575
Other noncurrent investments	4,936,827	5,973,575
Loans to students, net of allowance; 2009 - $130,781 and 2008 - $99,973	5,120,536	4,595,437
Capital assets, net	175,437,150	165,761,561
Bond issuance costs, net	1,005,139	848,795
Total noncurrent assets	241,993,051	232,425,493
Total assets	292,401,346	277,339,300
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	12,486,972	12,997,408
Deferred revenue	15,211,648	12,306,692
Bonds payable – current portion	1,505,000	1,475,000
Other current liabilities (includes amounts due to the Foundation; 2009 - $5,850 and 2008 - $23,559)	1,367,023	894,489
Total current liabilities	30,570,643	27,673,589
Noncurrent Liabilities		
Accrued compensated absences	4,202,066	3,287,621
Deferred revenue	458,333	958,333
Bonds payable	108,305,630	105,466,310
Capital leases payable	4,383,109	4,285,000
Student loan funds administered for the Foundation	2,058,966	2,010,964
Notes payable	723,891	1,233,481
Total noncurrent liabilities	120,131,995	117,241,709
Total liabilities	150,702,638	144,915,298
Net Assets		
Invested in capital assets, net of related debt	102,095,339	92,016,447
Restricted		
Nonexpendable		
Scholarships and fellowships	793,564	941,824
Other	592,710	702,507
Expendable		
Scholarships and fellowships	2,049,384	2,333,767
Loans	4,807,324	4,553,084
Other	1,113,098	1,320,604
Capital projects	378,798	449,726
Unrestricted	29,868,491	30,106,043
Total net assets	$ 141,698,708	$ 132,424,002

Colorado School of Mines Foundation, Incorporated
(A Component Unit of Colorado School of Mines)
Statements of Financial Position
June 30, 2009 and 2008

	2009	2008
Assets		
Cash and cash equivalents	$ 8,344,092	$ 3,785,737
Restricted cash	451,678	1,677,567
Intermediate-term investments	125,833	308,190
Contributions receivable	14,949,660	3,303,000
Revolving loan fund - Colorado School of Mines	913,300	933,343
Direct student loans	1,165,152	1,086,267
Loan receivable - Recreation Center	1,004,619	1,259,534
Investment in direct financing leases	4,285,000	4,285,000
Contributions receivable from trusts held by others	2,947,038	3,805,100
Assets held under split-interest agreements	10,873,466	12,224,883
Assets held under gift annuity agreements	5,147,450	5,926,745
Beneficial interest in endowments held by others	5,872,587	7,873,213
Beneficial interest in long-term trusts held by others	1,439,007	1,705,367
Long-term investment pool	138,157,091	155,043,405
Real estate held for future use	276,945	284,194
Equipment, net of accumulated depreciation of 2009 - $657,284 and 2008 - $648,103	26,633	32,716
Other assets	209,804	330,872
Restricted net assets held by Property Management Corp.	70,646	73,703
Total assets	$ 196,260,001	$ 203,938,836
Liabilities		
Accounts payable and accrued liabilities	$ 776,526	$ 1,113,948
Obligations under split-interest agreements	5,795,976	6,377,168
Obligations under gift annuity agreements	5,083,717	4,198,912
Assets held for others	10,507,268	12,649,272
Refundable advances	95,744	1,668,237
Notes payable	4,285,000	4,285,000
Other liabilities	112,518	91,951
Total liabilities	26,656,749	30,384,488
Net Assets		
Unrestricted		
Undesignated	435,030	5,410,918
Board designated	12,921,558	15,381,683
Total unrestricted	13,356,588	20,792,601
Temporarily restricted	45,564,976	48,020,330
Permanently restricted	110,681,688	104,741,417
Total net assets	169,603,252	173,554,348
Total liabilities and net assets	$ 196,260,001	$ 203,938,836

Colorado School of Mines
(A Component Unit of the State of Colorado)
Statements of Revenues, Expenses and Changes in Net Assets
Years Ended June 30, 2009 and 2008

	2009	2008
Operating Revenues		
Tuition and fees, net	$ 62,775,981	$ 56,588,166
Federal grants and contracts	27,596,394	22,223,585
State grants and contracts	2,487,015	1,969,992
State grants - Fee-for-Service	13,267,682	14,658,014
Nongovernmental grants and contracts	14,955,947	16,238,700
Interest on student loans receivable	68,547	68,514
Auxiliary enterprises	12,544,504	11,669,976
Other operating revenues	600,647	528,799
Total operating revenues	134,296,717	123,945,746
Operating Expenses		
Instruction	48,228,145	43,282,483
Research	34,335,012	31,848,176
Academic support	10,418,180	10,121,649
Student services	3,456,363	3,216,608
Institutional support	11,501,508	8,968,066
Auxiliary enterprises	15,442,600	13,968,737
Operation and maintenance of plant	12,079,295	10,642,778
Scholarships and fellowships	549,197	790,004
Depreciation	9,858,824	9,141,274
Total operating expenses	145,869,124	131,979,775
Operating loss	(11,572,407)	(8,034,029)
Nonoperating Revenues (Expenses)		
Contributions from Colorado School of Mines Foundation, Incorporated	10,475,371	10,980,847
Contributions	2,059,417	289,430
Investment income (loss)	(103,893)	1,608,323
Rental income	1,251,756	805,129
Interest on capital asset-related debt	(3,873,810)	(3,605,213)
Amortization of bond issuance cost and other loan costs	(482,531)	(177,597)
Gain or loss on disposal of assets	(135,951)	(193,246)
Federal State Fiscal Stabilization Fund program	4,443,761	-
Other nonoperating revenues	357,942	(216,408)
Net nonoperating revenues (expenses)	13,992,062	9,491,265
Income before other revenues, expenses, gains or losses	2,419,655	1,457,236
Capital appropriations – State	4,695,960	3,187,378
Capital grants and gifts	2,159,091	786,720
Increase in net assets	9,274,706	5,431,334
Net Assets, Beginning of Year	132,424,002	126,992,668
Net Assets, End of Year	$ 141,698,708	$ 132,424,002

The accompanying notes are an integral part of the financial statements

Colorado School of Mines Foundation, Incorporated
(A Component Unit of Colorado School of Mines)
Statement of Activities
Year Ended June 30, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains and Support				
Contributions	$ 1,726,292	$ 23,244,303	$ 11,959,210	$ 36,929,805
Interest and dividends	523,465	1,201,625	198,624	1,923,714
Net realized and unrealized gains	(6,761,997)	(19,941,333)	(1,983,208)	(28,686,538)
Changes in net present values of split-interest agreements	(475,468)	397,450	873,525	795,507
Changes in interest in net assets assets of Property Management Corp.	-	(3,057)	-	(3,057)
Other income	192,552	24,815	3,898	221,265
Total revenues, gains and support	(4,795,156)	4,923,803	11,052,049	11,180,696
Net Assets Released from Restrictions				
Satisfaction of program	10,737,366	(10,737,366)	-	-
Administration fees	1,574,745	(1,574,745)	-	-
Realization of promises to give	253,924	(253,924)	-	-
Cancellation of pledges	205,396	(155,040)	(50,356)	-
Other reclassifications	(280,496)	5,341,918	(5,061,422)	-
Total net assets released from restrictions	12,490,935	(7,379,157)	(5,111,778)	-
Expenses				
School support	12,054,205	-	-	12,054,205
Fundraising	2,045,010	-	-	2,045,010
Alumni Association	120,000	-	-	120,000
Management and general	615,485	-	-	615,485
Presidential search	91,696	-	-	91,696
Cancellation of pledges	205,396	-	-	205,396
Total expenses	15,131,792	-	-	15,131,792
Change in Net Assets	(7,436,013)	(2,455,354)	5,940,271	(3,951,096)
Net Assets at Beginning of Year	20,792,601	48,020,330	104,741,417	173,554,348
Net Assets at End of Year	$ 13,356,588	$ 45,564,976	$ 110,681,688	$ 169,603,252

Colorado School of Mines Foundation, Incorporated
(A Component Unit of Colorado School of Mines)
Statement of Activities
Year Ended June 30, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains and Support				
Contributions	$ 1,655,043	$ 7,204,616	$ 2,097,090	$ 10,956,749
Interest and dividends	605,846	1,337,355	249,668	2,192,869
Net realized and unrealized gains	827,967	(5,275,746)	(285,953)	(4,733,732)
Changes in net present values of split-interest agreements	(255,006)	95,887	65,560	(93,559)
Changes in interest in net assets assets of Property Management Corp.	-	931	-	931
Other income	158,121	39,582	3,289	200,992
Total revenues, gains and support	2,991,971	3,402,625	2,129,654	8,524,250
Net Assets Released from Restrictions				
Satisfaction of program	10,228,911	(10,228,911)	-	-
Administration fees	1,057,887	(1,057,887)	-	-
Realization of promises to give	502,096	(502,096)	-	-
Cancellation of pledges	2,794	(562)	(2,232)	-
Other reclassifications	85,698	3,782,579	(3,868,277)	-
Total net assets released from restrictions	11,877,386	(8,006,877)	(3,870,509)	-
Expenses				
School support	11,345,780	-	-	11,345,780
Fundraising	1,819,667	-	-	1,819,667
Alumni Association	120,000	-	-	120,000
Management and general	524,247	-	-	524,247
Presidential search	-	-	-	-
Cancellation of pledges	2,794	-	-	2,794
Total expenses	13,812,488	-	-	13,812,488
Change in Net Assets	1,056,869	(4,604,252)	(1,740,855)	(5,288,238)
Net Assets at Beginning of Year	19,735,732	52,624,582	106,482,272	178,842,586
Net Assets at End of Year	$ 20,792,601	$ 48,020,330	$ 104,741,417	$ 173,554,348

Colorado School of Mines
(A Component Unit of the State of Colorado)
Statements of Cash Flows
Years Ended June 30, 2009 and 2008

	2009	2008
Cash Flows from Operating Activities		
Tuition and fees	$ 63,317,762	$ 55,789,988
Grants and contracts	58,300,033	53,562,347
Collection of loans to students	385,492	525,413
Sales of services from auxiliary enterprises	12,671,797	11,680,577
Other operating receipts	603,147	937,832
Payments to suppliers	(25,711,830)	(21,707,841)
Scholarships disbursed	(624,200)	(456,683)
Payments to or for employees	(90,030,637)	(82,082,259)
Loans issued to students	(887,770)	(777,386)
Payments for auxiliary enterprises	(17,293,021)	(16,002,184)
Net cash provided by operating activities	730,773	1,469,804
Cash Flows from Noncapital Financing Activities		
Receipts from the CSM Foundation, Inc.	10,885,109	10,703,468
Student loan funds administered for the Foundation	(27,955)	(31,161)
Gifts and grants for other than capital purposes	2,059,417	269,474
Rental income	1,211,196	804,710
Federal state stabilization funds	4,443,761	-
Other receipts/payments	357,942	(416,407)
Net cash provided by noncapital financing activities	18,929,470	11,330,084
Cash Flows from Capital and Related Financing Activities		
State appropriations (capital)	4,878,452	3,187,378
Capital gifts	1,257,451	-
Bond issuance and other loan costs	(638,820)	(91,621)
Acquisition and construction of capital assets	(18,458,685)	(6,128,213)
Proceeds from capital debt	28,493,244	37,471,706
Principal payments on capital debt and leases	(24,554,927)	(2,015,000)
Interest payments on capital debt and leases	(3,211,073)	(3,084,214)
Notes payable payments	(244,965)	(78,898)
Payment of prior year payables for capital assets	(1,718,506)	(1,711,666)
Swap termination payment	(1,693,000)	-
Proceeds from insurance recovery	107,376	-
Net cash provided by (used in) capital and related financing activities	(15,783,453)	27,549,472
Cash Flows from Investing Activities		
Interest and dividends on investments	(103,893)	1,608,323
Proceeds from sales and maturities of investments	2,087,858	1,030,542
Net cash provided by investing activities	1,983,965	2,638,865
Increase in Cash and Cash Equivalents	5,860,755	42,988,225
Cash and Cash Equivalents, Beginning of Year	79,465,638	36,477,413
Cash and Cash Equivalents, End of Year	$ 85,326,393	$ 79,465,638

(continued)

Colorado School of Mines
(A Component Unit of the State of Colorado)
Statements of Cash Flows
Years Ended June 30, 2009 and 2008

	2009	2008
Reconiliation of Cash and Cash Equivalents to the Statement of Net Assets		
Cash and cash equivalents	$ 34,822,459	$ 30,260,088
Restricted cash and cash equivalents - noncurrent	50,503,934	49,205,550
Total cash and cash equivalents	$ 85,326,393	$ 79,465,638
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities		
Operating loss	$ (11,572,407)	$ (8,034,029)
Depreciation expense	9,858,824	9,141,274
Insurance recovery	(107,376)	-
Changes in operating assets and liabilities		
Receivables, net	(1,390,537)	498,696
Inventories	6,012	6
Prepaid expenses	(31,799)	13,502
Loans to students	(534,314)	(357,224)
Accounts payable and other liabilities	641,843	(115,139)
Deferred revenue	2,404,956	225,688
Accrued compensated absences	921,197	201,002
Other current liabilities	534,374	(103,972)
Net cash provided by operating activities	$ 730,773	$ 1,469,804

Supplemental Cash Flows Information

Noncash Capital and Related Financing Activities

During the year ended June 30, 2008, the School issued its 2007 and 2008A bonds in the amount of $43,800,000 and $43,200,000, respectively, in order to refund debt and fund capital projects. Bond proceeds of $39,737,048 and $43,475,352 were deposited immediately into an irrevocable trust for the defeasance of outstanding revenue bond principal, bond premiums and discounts and for the payment of interest.

	2009	2008
Accounts payable incurred for capital asset purchases	$ 501,685	$ 1,718,506
Amortization of bond discounts	$ 4,115	$ 8,298
Amortization of bond issuance cost	$ 33,747	$ 18,476
Accretion of interest on deep discount debt	$ 459,224	$ 411,205
Amortization of deferred amount from refunding	$ 145,682	$ 86,389
Contributions received from Foundation applied against note payable	$ 323,625	$ 786,720
Noncash payment of bond issuance costs	$ 167,284	$ 132,984
Deferral of unamortized issuance costs	$ 167,229	$ -
Contributed capital assets	$ 578,015	$ 19,956
Capital lease	$ 131,979	$ 4,285,000

Colorado School of Mines Foundation, Incorporated
(A Component Unit of Colorado School of Mines)
Statements of Cash Flows
Years Ended June 30, 2009 and 2008

	June 30, 2009	June 30, 2008
Cash Flows from Operating Activities		
Change in net assets	$ (3,951,096)	$ (5,288,238)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Change in net assets held by Property Management Corporation	3,057	(931)
Depreciation and amortization	22,959	28,151
Net realized and unrealized losses (gains)	28,686,538	4,733,732
Cancellation of pledges	205,396	2,794
Changes in net present values of split-interest agreements	(795,507)	93,559
Contributions restricted for long-term investment	(11,959,210)	(2,097,090)
Accrued interest on loan receivable	(24,518)	(11,276)
Changes in assets and liabilities		
Contributions receivable	(11,852,056)	1,634,206
Receivables from trust	4,146,647	1,631,276
Other assets	121,068	(45,081)
Accounts payable and other liabilities	(316,855)	572,544
Assets held for others	(2,142,004)	(1,035,300)
Refundable advances	(1,572,493)	953,415
Net cash provided by operating activities	571,926	1,171,761
Cash Flows from Investing Activities		
Change in restricted cash	1,225,889	(237,094)
Purchases of investments	(45,531,954)	(39,591,872)
Sales of investments	37,342,016	40,451,594
Net student loan activity	(58,842)	(111,588)
Net recreation center loan activity	279,433	82,919
Purchase of property and equipment	(9,626)	(24,329)
Net cash provided by (used in) investing activities	(6,753,084)	569,630
Cash Flows from Financing Activities		
Proceeds from contributions restricted for long-term investment	11,959,210	2,097,090
Payment of split-interest agreement and gift annuity obligations	(1,219,697)	(1,172,588)
Net cash provided by financing activities	10,739,513	924,502
Net Increase in Cash and Cash Equivalents	4,558,355	2,665,893
Cash and Cash Equivalents at Beginning of Year	3,785,737	1,119,844
Cash and Cash Equivalents at End of Year	$ 8,344,092	$ 3,785,737

During the year ended June 30, 2008, the Foundation financed the purchase of two properties with notes payable totaling $4,285,000. Concurrently, the Foundation entered into a direct financing lease with the School whereby the Foundation transferred ownership of real estate valued at $4,285,000 to the School in exchange for minimum lease payments receivable of the same amount.

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Colorado School of Mines (the School) is a public institution of higher education with a primary emphasis in engineering and science education and research. The School is an institution of the State of Colorado. Operations are funded largely through student tuition and fees and in part by revenues under a fee-for-service agreement with the Department of Higher Education. Funds are augmented by government and private sponsored research, private support from alumni and support from industry and friends, through the Colorado School of Mines Foundation, Incorporated (the Foundation). The School extends unsecured credit to its students.

Reporting Entity and Component Units

The financial statements of the School include all of the integral parts of the School's operations. The School applied various criteria to determine if it is financially accountable for any organization that would require that organization to be included in the School's reporting entity. These criteria include fiscal dependency, financial benefit/burden relationship, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

In accordance with accounting principles generally accepted in the United States of America, the financial statements present the School (primary government), its discretely presented component unit – the Colorado School of Mines Foundation, Incorporated (Note 8), and its blended component units – the Colorado School of Mines Building Corporation and the Colorado School of Mines Development Corporation (Note 9). The blended component units are included in the School's reporting entity because they provide services entirely, or almost entirely, to the School or otherwise exclusively, or almost exclusively, benefit the School, in accordance with Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity.* The discretely presented component unit is included because it meets all three of the criteria included in Statement No. 39 of the Governmental Accounting Standards Board - *Determining Whether Certain Organizations Are Component Units, an amendment of GASB Statement No. 14.* Financial statements of the Colorado School of Mines Foundation, Incorporated can be obtained from their administrative office. Separate financial statements of the Colorado School of Mines Building Corporation and the Colorado School of Mines Development Corporation are not prepared.

Basis of Accounting and Presentation

The financial statements of the School have been prepared on the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally certain federal and state grants and state appropriations) are recognized when all applicable eligibility requirements are met. Internal activity and balances are eliminated in preparation of the financial statements unless they relate to services provided and used internally. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Government-mandated nonexchange transactions that are not program specific (such as state appropriations), investment income and interest on capital asset-related debt are included in nonoperating revenues and expenses. The School first applies restricted net assets when an expense or outlay is incurred for purposes for which both restricted and unrestricted net assets are available.

The School prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB). The School has the option to apply all Financial Accounting Standards Board (FASB) pronouncements that were issued after November 30, 1989, unless the FASB pronouncement conflicts with or contradicts a GASB pronouncement. The School has elected not to apply FASB pronouncements issued after the applicable date.

The Colorado School of Mines Foundation, Incorporated (the Foundation) reports under FASB standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the School's financial reporting entity for these differences. Because the Foundation uses a generally accepted accounting principles (GAAP) reporting model that is different from the School's reporting model, the School has chosen to report the Foundation's financial statements on separate pages as permitted by GASB Statement No. 39.

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, expenses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The School considers all highly liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2009 and 2008, cash equivalents consisted primarily of funds invested through the State Treasurer's Cash Management Program, funds managed by the Foundation on behalf of the School, and money market funds with brokers.

Restricted Cash and Cash Equivalents

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

Investments and Investment Income

Investments in equity and debt securities are carried at fair value. Fair value is determined using quoted market prices.

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.

Receivables: Accounts, Federal and State Grants and Other

Receivables consist of tuition and fee charges to students, charges for auxiliary enterprise services provided to students, faculty and staff and reimbursements outstanding on research contracts and grants. Receivables are recorded net of estimated uncollectible amounts. During the year ended June 30, 2009, the School wrote off a $2,000,000 receivable from the Petroleum Institute recorded as an "other receivable" as of June 30, 2008. The receivable was fully reserved as of June 30, 2008.

Inventories

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

Loans to Students

The School makes loans to students under various federal and other loan programs. Such loans receivable are recorded net of estimated uncollectible amounts. The allowance for uncollectible loans netted against loans to students was $135,935 and $105,127 at June 30, 2009 and 2008, respectively.

Bond Issuance Costs

Bond issuance costs incurred on the revenue bond issues have been deferred and are being amortized on a straight-line basis over the life of the bonds. Total amortization expense for the years ended June 30, 2009 and 2008, was $33,747 and $18,476, respectively.

Capital Assets

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

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

Assets recorded under capital lease agreements are amortized over either the term of the lease or the estimated useful life of the asset, whichever period is shorter.

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

The School capitalizes interest costs as a component of construction in progress, based on interest costs of borrowing specifically for the project, net of interest earned on investments acquired with the proceeds of the borrowing.

	2009	2008
Interest capitalized	$ 1,353,902	$ —
Interest charged to expense	3,873,810	3,605,213
Total interest incurred	$ 5,227,712	$ 3,605,213

Interest charged to expense includes amortization of bond discounts, amortization of deferred amounts from refunding of bonds and accretion of deep discount debt. These amounts are $4,115, $145,682 and $459,224 for 2009 and $8,298, $86,389 and $411,205 for 2008, respectively.

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at June 30, 2009 and 2008 are as follows:

	2009	2008
Accounts payable	$ 2,800,514	$ 3,508,172
Accrued interest payable	273,235	208,693
Salaries and benefits payable	9,413,223	9,280,543
Total	$ 12,486,972	$ 12,997,408

Compensated Absences

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

Deferred Revenue – Tuition, Fees, and Grants

Deferred revenue represents unearned student tuition, fees and advances on grants and contract awards for which the School has not met all of the applicable eligibility requirements. Deferred revenue for tuition, fees and grants totaled $14,711,648 and $11,806,692 at June 30, 2009 and 2008, respectively.

Deferred Revenue – Development Assistance and Trademark License

The School entered into a ten-year agreement to provide development assistance and other planning activities in connection with the development of a foreign school. Additionally, the School received a nonrefundable up-front fee for a non-exclusive license to use its trademarks for the term of the agreement. Development assistance fees and trademark license fees were recognized as revenue over the term of the agreement. In fiscal year 2009 the development assistance portion of this contract was renegotiated; the opportunity to generate revenue from this part of the contract has been transitioned to research projects for the School. The School continues to recognize revenue for the trademark license fee received upfront. Deferred revenue for the trademark license totaled $958,333 and $1,458,333 at June 30, 2009 and 2008, respectively.

Debt

For current refundings and advance refundings resulting in defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense on a straight-line basis over the remaining life of the old debt or the life of the new debt, whichever is shorter. On the statement of net assets, this deferred amount is reported as a deduction from or an addition to the new debt liability.

Colorado School of Mines has entered into an ISDA (International Swaps and Derivatives Association) Master Swap Agreement in order to convert certain variable rate debt to a fixed rate, thereby economically hedging against changes in the cash flow requirements of the Schools variable rate debt obligations. In accordance with accounting principles generally accepted in the United States of America, the School does not report derivatives, including interest rate swaps, in its financial statements. It does, however, provide required footnote disclosures (Note 4) for such derivatives. Net payments or receipts under the swap agreements are recorded as interest expense.

Classification of Revenues

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

Operating revenues – Operating revenues include activities that have the characteristics of exchange transactions or program-specific, government-mandated nonexchange transactions, such as (1) student tuition and fees, net of scholarship allowances, (2) sales and services of auxiliary enterprises, (3) contracts and grants for research activities (4) Pell grant and (5) interest on student loans.

Nonoperating revenues – Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions and other revenue sources that are not deemed operating revenues, including Federal State Fiscal Stabilization Fund (SFSF), a Federal appropriation under the American Recovery and Reinvestment Act of 2009 (ARRA). The SFSF program is a new one-time appropriation under ARRA whereby the U.S. Department of Education has awarded governors funds determined by formula in exchange for a commitment to advance essential education reforms to benefit students. These funds are intended to stabilize state and local government budgets in order to minimize and avoid reductions in education and other essential public services. The allocation to the State is to be used during fiscal years 2009, 2010 and 2011.

Scholarship Discounts and Allowances

Student tuition, fee revenues and certain other revenues from students are reported net of scholarship allowances in the statements of revenues, expenses and changes in net assets. Scholarship allowances are the difference between the stated charge for goods and services provided by the School and the amount that is paid by students and/or third-parties making payments on the students' behalf. Certain governmental grants, such as Pell grants and other federal, state or nongovernmental programs are recorded as either operating or nonoperating revenues in the School's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the School has recorded a scholarship allowance. The scholarship allowances on tuition and fees and on housing for the year ended June 30, 2009 were $13,066,480 and $209,955, respectively, and for the year ended June 30, 2008, were $11,229,601 and $189,238, respectively.

Income Taxes

As a state institution of higher education, the income of the School is generally exempt from federal and state income taxes under Section 115(a) of the Internal Revenue Code and a similar provision of state law. However, the School is subject to federal income tax on any unrelated business taxable income.

Reclassifications

Certain 2008 amounts have been reclassified to conform with the 2009 presentation.

Note 2: Cash and Cash Equivalents, Investments and Investment Return

Cash and Cash Equivalents

At June 30, the School had cash balances as follows:

	2009	2008
Cash on hand	$ 20,190	$ 13,058
Insured (FDIC insured)	798,122	334,413
Cash with U.S. financial institutions	46,216,066	38,967,977
Cash with the State Treasury	37,783,387	39,962,469
Unrealized gain(loss) - Cash with State Treasury	508,628	187,721
Total cash and cash equivalents (including restricted)	$ 85,326,393	$ 79,465,638

Deposits

The Colorado School of Mines deposits cash with the Colorado State Treasurer as required by Colorado Revised Statutes (CRS). The State Treasurer pools these deposits and invests them in securities approved by CRS 24-75-601.1. Colorado School of Mines reports its share of the unrealized gains/losses based on its participation in the State Treasurer's pool. All of the treasurer's investments are reported at fair value, which is determined based on quoted market prices at June 30, 2009 and 2008. The State Treasurer does not invest any of the pool resources in any external investment pool. The unrealized gain included in "Investment Income" reflects only the change in fair value during the current fiscal year. Additional information on the treasurer's pool may be obtained in the State of Colorado's Comprehensive Annual Financial Report.

Deposits 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 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 (*e.g.,* deposits insured by The Public Deposit Protection Act (PDPA)) or collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor – government's name. Accordingly, none of the School's deposits as of June 30, 2009 are deemed to be exposed to custodial credit risk.

Detailed information on the State Treasurer's pooled cash and investments is available from that office. State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities or the State of Colorado; bonds of any city, county, school district or special road district of the State of Colorado and bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits.

Investments

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

Credit and Interest Rate Risk – Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization (NRSRO). The School has no investment policy that would further limit its investment choices beyond those allowed by state statute. Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Interest rate risk inherent in the School's investments is measured by monitoring the modified duration of the overall investments portfolio. Modified duration estimates the sensitivity of the School's investments to changes in the interest rates. The School does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The following table presents the applicable investment type by rating and the modified duration.

Investments at June 30, 2009 and 2008 consisted of the following:

	Fair Value				
Investment	2009	2008	Maturity	Credit Rating	Rating Agency
Corporate Equities	$ 80,780	$ 80,780	N/A	Not rated	
Investment Pool					
Corporate Bonds	2,124,736	1,395,517	2.5 – 7 years	AA +	Standard & Poor's
Corporate Equities	7,720,776	10,537,853	N/A	Not Rated	
Total	$ 9,926,292	$ 12,014,150			

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

Summary of Carrying Values

The carrying values of cash and cash equivalents and investments shown above are included in the statements of net assets as follows:

	2009	2008
Cash and cash equivalents	$ 34,822,459	$ 30,260,088
Restricted cash and cash equivalents	50,503,934	49,205,550
Restricted investments	4,989,465	6,040,575
Other noncurrent investments	4,936,827	5,973,575
	$ 95,252,685	$ 91,479,788

Investment Income

Investment income (loss) for the year ended June 30 consisted of:

	2009	2008
Interest and dividend income	$ 1,552,047	$ 1,619,645
Net decrease in fair value of investments	(1,655,940)	(11,322)
	$ (103,893)	$ 1,608,323

Note 3: Capital Assets

Capital assets activity for the year ended June 30 was:

	2009				
	Beginning Balance	Additions	Disposals	Transfers from Construction in Progress	Ending Balance
Land	$ 3,224,144	$ —	$ —	$ —	$ 3,224,144
Land improvements	9,678,482	—	—	92,661	9,771,143
Buildings and improvements	214,869,686	59,125	—	7,851,519	222,780,330
Equipment	30,965,665	5,938,182	1,588,578	120,400	35,435,669
Library materials	12,109,846	200,302	5,460	—	12,304,688
Construction in progress	5,347,088	13,472,755	—	(8,664,580)	10,155,263
Intangible assets	—	—	—	600,000	600,000
	276,194,911	19,670,364	1,594,038	—	294,271,237
Less accumulated depreciation					
Land improvements	5,857,633	271,212	—	—	6,128,845
Buildings and improvements	71,594,680	7,135,786	—	—	78,730,466
Equipment	22,419,732	2,220,343	1,452,627	—	23,187,448
Library materials	10,561,305	231,483	5,460	—	10,787,328
	110,433,350	9,858,824	1,458,087	—	118,834,087
Net capital assets	$ 165,761,561	$ 9,811,540	$ 135,951	$ —	$ 175,437,150

	2008				
	Beginning Balance	Additions	Disposals	Transfers from Construction in Progress	Ending Balance
Land	$ 3,224,144	$ —	$ —	$ —	$ 3,224,144
Land improvements	9,557,184	121,298	—	—	9,678,482
Buildings and Improvements	209,319,604	5,254,017	—	296,065	214,869,686
Equipment	30,222,770	2,182,155	1,439,260	—	30,965,665
Library materials	11,919,589	200,403	10,146	—	12,109,846
Construction in progress	1,249,351	4,393,802	—	(296,065)	5,347,088
	265,492,642	12,151,675	1,449,406	—	276,194,911
Less accumulated depreciation					
Land improvements	5,591,770	265,863	—	—	5,857,633
Buildings and improvements	64,799,032	6,795,648	—	—	71,594,680
Equipment	21,870,094	1,795,652	1,246,014	—	22,419,732
Library materials	10,287,340	284,111	10,146	—	10,561,305
	102,548,236	9,141,274	1,256,160	—	110,433,350
Net capital assets	$ 162,944,406	$ 3,010,401	$ 193,246	$ —	$ 165,761,561

Note 4: Long-term Liabilities

The following is a summary of long-term obligation transactions for the School for the year ended June 30:

	2009					
	Beginning Balance	Additions	Deductions	Ending Balance	Amounts Due Within One Year	
Bonds						
Revenue bonds payable						
Series 1999 (B)	$ 8,083,892	$ 459,224	$ —	$ 8,543,116	$ —	
Series 2002 (C)	6,585,000	—	165,000	6,420,000	70,000	
Series 2004 (D)	8,215,000	—	1,285,000	6,930,000	1,120,000	
Series 2005 (H)	10,390,000	—	10,390,000	—	—	
Series 2008A (F)	43,200,000	—	25,000	43,175,000	315,000	
Series 2008B (G)	34,075,000	—	12,675,000	21,400,000	—	
Series 2009A (I)	—	28,720,000	—	28,720,000	—	
	110,548,892	29,179,224	24,540,000	115,188,116	1,505,000	
Unamortized bond discounts	14,690	(59,471)	(4,115)	(40,666)	—	
Deferred amount from refunding	(3,622,272)	(2,064,031)	(349,483)	(5,336,820)	—	
Total bonds	106,941,310	27,055,722	24,186,402	109,810,630	1,505,000	
Other Noncurrent Liabilities						
Accrued compensated absences	3,673,228	921,197	—	4,594,425	392,359	(1)
Deferred revenue						
Tuition, fees and grants	11,806,692	2,904,956	—	14,711,648	14,711,648	(2)
Development assistance and trademark license	1,458,333	—	500,000	958,333	500,000	(2)
Student loan funds administered for the Foundation	2,010,964	48,002	—	2,058,966	—	
Note payable	1,561,692	—	568,590	993,102	269,211	(1)
Capital lease payable	4,285,000	131,979	14,927	4,402,052	18,943	(1)
Total other noncurrent liabilities	24,795,909	4,006,134	1,083,517	27,718,526	15,892,161	
Total Noncurrent Liabilities	$131,737,219	$ 31,061,856	$ 25,269,919	$137,529,156	$ 17,397,161	

(1) Included in other current liabilities
(2) Included in current deferred revenue

	2008					
	Beginning Balance	Additions	Deductions	Ending Balance	Amounts Due Within One Year	
Bonds						
Revenue bonds payable						
Series 1997A (A)	$ 2,940,000	$ —	$ 2,940,000	$ —	$ —	
Series 1997B (A)	460,000	—	460,000	—	—	
Series 1999 (B)	10,457,687	411,205	2,785,000	8,083,892	—	
Series 2002 (C)	32,040,000	—	25,455,000	6,585,000	165,000	
Series 2004 (D)	15,225,000	—	7,010,000	8,215,000	1,285,000	
Series 2005 (H)	10,390,000	—	—	10,390,000	—	
Series 2007 (E)	—	43,800,000	43,800,000	—	—	
Series 2008A (F)	—	43,200,000	—	43,200,000	25,000	
Series 2008B (G)	—	34,075,000	—	34,075,000	—	
	71,512,687	121,486,205	82,450,000	110,548,892	1,475,000	
Unamortized bond discounts	(176,801)	173,999	(17,492)	14,690	—	
Deferred amount from refunding	(224,280)	(3,484,381)	(86,389)	(3,622,272)	—	
Total bonds	71,111,606	118,175,823	82,346,119	106,941,310	1,475,000	
Other Noncurrent Liabilities						
Accrued compensated absences	3,472,226	201,002	—	3,673,228	385,607	(1)
Deferred revenue						
Tuition, fees and grants	9,247,671	2,559,021	—	11,806,692	11,806,692	(2)
Development assistance and trademark license	3,791,666	—	2,333,333	1,458,333	500,000	(2)
Student loan funds administered for the Foundation	1,858,896	152,068	—	2,010,964	—	
Note payable	2,427,310	—	865,618	1,561,692	328,211	(1)
Capital lease payable	—	4,285,000	—	4,285,000	—	
Total other noncurrent liabilities	20,797,769	7,197,091	3,198,951	24,795,909	13,020,510	
Total Noncurrent Liabilities	$ 91,909,375	$ 125,372,914	$ 85,545,070	$131,737,219	$ 14,495,510	

(1) Included in other current liabilities
(2) Included in current deferred revenue

Auxiliary Housing Services Revenue Bonds

The School had the following Auxiliary Housing Services Revenue Bonds outstanding at June 30, 2009 and/or 2008:

A. Auxiliary Facilities Enterprise Revenue Bonds, Series 1997A and 1997B. Series 1997A – Serial and Term obligations were to mature in fiscal years ending June 30, 2010 to 2017; due in annual installments ranging from $305,000 to $435,000 with interest payable semi-annually ranging from 4.875% to 5.125%. Series 1997B – the purpose of this issue was to finance the construction, acquisition and equipping of Mines Park residential housing complex. The 1997A and 1997B bonds were current refunded by the 2007 series bonds.

B. Auxiliary Facilities Enterprise Revenue Bonds, Series 1999 – Serial obligations issued to finance major renovations to four of the existing residence halls; construction, other acquisitions and equipping of an approximately 13,000 square foot addition to the Ben H. Parker Student Center; acquisitions and construction of two fraternity housing facilities; and construction, acquisition and equipping of two additional buildings at the Mines Park residential housing complex. Obligations include the following:

   1. $2,785,000, 5% Series 1999 Current Interest Bonds. This portion of the series 1999 bonds was advance refunded by the 2007 series bonds.

   2. $5,009,333 (original principal amount), Series 1999 Capital Appreciation Bonds. These bonds mature on December 1, 2014 to 2027. Interest accretes from the date of issuance, compounding semi-annually until maturity, ranging from 5.14% to 5.4%.

C. Auxiliary Facilities Enterprise Refunding and Improvement Revenue Bonds, Series 2002 – Serial and Term obligations maturing in fiscal years ending June 30, 2009 to 2038; due in annual installments ranging from $50,000 to $530,000 with interest payable semi-annually ranging from 3.25% to 5.25%. The bonds were issued for the purpose of refunding a portion of the Series 1993 and 1997A revenue bonds and to finance the construction, acquisition and equipping of student housing and dining facilities and improving and equipping other auxiliary facilities at the School. The 2007 series bonds advance refunded a portion of the series 2002 bonds.

D. On October 27, 2004, the School issued $17,450,000 in Auxiliary Facilities Enterprise Refunding and Improvement Revenue Bonds, Series 2004. Proceeds from the bonds were used to in-substance defease the Auxiliary Facilities Refunding and Improvement Revenue Bonds, Series 1993 and the Auxiliary Facilities Enterprise Revenue Bonds, Series 1996 and for constructing and equipping recreational and health facilities at the School. Principal is paid annually in amounts ranging up to $1,120,000 and interest on the bonds is payable semi-annually on June 1 and December 1 of each year through maturity in 2035 with interest rates on the serial and term obligations ranging from 2.5% to 5.0%. The bonds are secured by a non-exclusive first lien upon the net pledged revenues, as defined, and a financial guaranty insurance policy. The 2007 series bonds advance refunded a portion of the series 2004 bonds.

The auxiliary bonds are secured by net pledged revenues. Bond provisions require the establishment of a reserve fund. The reserve fund is funded with a surety bond provided by the bond insurer, as required. The School is also required to maintain certain rate covenants related to the bonds. Management believes that it is in compliance with these covenants.

The auxiliary bond resolutions allow the School the right, subject to certain conditions, to issue additional bonds which are payable from net pledged revenues of the auxiliary facilities. However, additional bonds, if any, may only have a lien on parity with, not superior to, the existing lien.

E. On September 27, 2007, the School issued $43,800,000 in Enterprise Refunding and Improvement Revenue Bonds, Series 2007 (auction rate bonds). This series refunded and redeemed all or a portion of $36,409,298 of the following outstanding obligations: (a) current refund all of the Auxiliary Facilities Enterprise Revenue Bonds, Series 1997A; (b) current refund all of the Auxiliary Facilities Enterprise Revenue Bonds, Series 1997B; (c) advance refund all of the Auxiliary Facilities Enterprise Revenue Bonds, Series 1999 Current Interest Bonds; (d) advance refund a portion of the Auxiliary Facilities Refunding and Improvement Revenue Bonds, Series 2002; and (e) advance refund a portion of the Auxiliary Facilities Enterprise Refunding and Improvement Revenue Bonds, Series 2004.

The proceeds from the sale of the Series 2007 Bonds will be used to defray the costs of (a) refunding all or a portion of certain outstanding obligations of the Board as discussed above; (b) financing certain capital improvements to the School of Mines Campus; and (c) paying the costs of issuing the Series 2007 Bonds. The net proceeds of $39,737,100 (after payment of $393,759 in underwriting, insurance, other issuance costs and $3,474,426 for financing of capital improvements) was deposited in escrow accounts and was used to purchase certain United States governmental obligations, the principal of and interest on which will be sufficient to enable the escrow agent to pay the interest and premium on and the principal of each of the refunded obligations to and including the redemption date. No reserve fund has been established with respect to the Series 2007 Bonds. The School entered into a floating to fixed interest rate swap agreement to lock in the prevailing interest rate which was transferred to the Series 2008A Bonds.

The School defeased obligations by placing the proceeds of the new bonds in an irrevocable trust to provide for future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the School's financial statements. At June 30, 2009, $33,835,000 is outstanding for the advanced refunding that is considered defeased debt. The defeasance in fiscal year 2008 resulted in an economic gain of $70,000 and a book loss of $2.64 million to be amortized as an adjustment of interest expense over the remaining life of the old debt (new debt after the 2008A refunding – see F.)

F. Subsequent to the issuance of the 2007 Series bonds, the auction rate market declined primarily due to the deterioration of the underlying bond insurer market. To minimize the negative impact on the School from the market weakness, the School refunded the 2007 Enterprise Refunding and Improvement auction rate bonds. On March 5, 2008, The School issued $43,200,000 in Variable Rate Demand Enterprise Refunding Revenue Bonds, Series 2008A. Proceeds from the bonds were used to current refund the Enterprise Refunding and Improvement Revenue Bonds, Series 2007. Principal is paid annually in amounts ranging up to $3,075,000 and interest on the bonds is payable monthly. Interest is variable and is calculated weekly based on Securities Industry and Financial Markets Association (SIFMA). The interest rate at June 30, 2009 and 2008 was 0.4% and 1.4%, respectively. The defeasance resulted in an economic loss of $796,000 and a book loss of $.84 million, exclusive of the deferral for the 2007 refunding that would be amortized as an adjustment of interest expense over the remaining life of the new debt, which is the same as the old debt.

As discussed under E. above, the swap agreement entered into in connection with the Series 2007 Bonds was transferred to this issuance upon refunding. The 2008A Swap Agreement, with a notional amount of $43,200,000 and a market value of $(5,569,767) at June 30, 2009, provides for certain payments to or from Morgan Stanley equal to the difference between the fixed rate of 3.59% payable by the School under the 2007 Swap Agreement and 67% of one month USD-LIBOR-BBA payable by Morgan Stanley. Market value as of June 30, 2009 was determined by Morgan Stanley, counterparty to the Swap Agreement. This swap agreement has an effective date of March 5, 2008 and a termination date of December 1, 2037.

Under an irrevocable Letter of Credit issued by Dexia Credit Local through its New York branch, for Series 2008A Bonds, the trustee or the remarketing agent (Morgan Stanley) may draw an amount sufficient to pay (a) the principal, the redemption price and (if not paid from remarketing proceeds) the purchase price of the Series 2008A Bonds, plus (b) up to 35 days' accrued interest on the Series 2008A Bonds computed at a maximum rate of 12% per annum. The School agreed not to terminate the Letter of Credit agreement prior to March 5, 2010, except upon the payment by the School of a termination fee equal to the facility fees payable. Facility fee is a quarterly payment in arrears equal to the per annum rate associated with the rating as specified in the agreement. The facility fee rate associated with the rating is 0.44% for A2, A, or above; 0.49% for A3 and A-; 0.59% for Baa1 and BBB+; 0.79% for Baa2 and BBB; 1.09% for Baa3 and BBB-; 2.80% for anything below. During fiscal years 2009 and 2008, the School paid a total of $191,573 and $61,988, respectively, in facility fees at 0.44% rate.

Under a Reimbursement Agreement dated March 1, 2008, and subsequently amended October 17, 2008, between the Board of Trustees of the Colorado School of Mines and Dexia Credit Local, acting through its New York branch, reimbursement by the School to the Bank for advances under the Letter of Credit shall be payable in semiannual installments on each amortization payment date (the first business day of the sixth calendar month immediately succeeding the amortization commencement date and the first business day of each sixth calendar month occurring thereafter). The amortization commencement date is 186 days from the related purchase date of the bonds.

No amounts have been disbursed by Dexia Credit Local under the Letter of Credit Agreement as of June 30, 2009 or 2008.

Colorado School of Mines has a Remarketing Agreement for the Series 2008A Bonds with Morgan Stanley & Co. Incorporated. The School pays a quarterly remarketing fee in arrears equal to the per annum of the weighted average for the principal amount of bonds outstanding during each three-month period.

G. On June 19, 2008, the School issued $34,075,000 in Variable Rate Demand Enterprise Improvement Revenue Bonds, Series 2008B. Proceeds from the bonds will be used to (a) finance the cost of certain improvement projects, including but not limited to, improving, renovating, expanding and equipping the Brown Hall academic building; (b) pay the capitalized interest on the Series 2008B Bonds, and (c) to pay certain costs related to the issuance of the bonds.

Principal is paid annually, beginning in 2011, in amounts ranging up to $2,075,000. Interest on the bonds is paid monthly and is disbursed from the capitalized interest fund until 2011. Interest is variable and is calculated daily based on SIFMA. The interest rate at June 30, 2009 and 2008 was .35% and 2.05%.

The School entered into a floating to fixed interest rate swap agreement in connection with the 2008B issuance. The purpose of the 2008B swap agreement was to lock in the prevailing interest rate. The 2008B Swap Agreement, with a notional amount of $21,400,000 and a market value of ($1,892,512) at June 30, 2009, provides for certain payments to or from Morgan Stanley equal to the difference between the fixed rate of 4.21% payable by the School and 100% of the USD-SIFMA Municipal Swap Index payable by Morgan Stanley under the 2008B Swap Agreement. Market value as of June 30, 2009 was determined by Morgan Stanley, counterparty to the Swap Agreement. This swap agreement has an effective date of July1, 2008 and termination date of December 1, 2037.

Under an irrevocable Letter of Credit issued by Dexia Credit Local through its New York branch, for Series 2008B Bonds, the trustee or the remarketing agent (Morgan Stanley) may draw an amount sufficient to pay (a) the principal, the redemption price and (if not paid from remarketing proceeds) the purchase price of the Series 2008B Bonds, plus (b) up to 35 days' accrued interest on the Series 2008B Bonds computed at a maximum rate of 12% per annum. The School agreed not to terminate the Letter of Credit agreement prior to June 19, 2010, except upon the payment by the School of a termination fee equal to the facility fees payable. Facility fee is a quarterly payment in arrears equal to the per annum rate associated with the rating as specified in the agreement. The facility fee rate associated with the rating is 0.55% for A2, A, and above; 0.60% for A3, and A-; 70% for Baa1 and BBB+; 0.90% for Baa2 and BBB; 1.20% for Baa3 and BBB-; 2.20% for anything below. The School had no facility fee payment due for fiscal year 2008. During fiscal year 2009 and 2008, the School paid a total of $177,497 and $0, respectively at a 0.55% rate.

Under a Reimbursement Agreement dated June 1, 2008, and subsequently amended October 17, 2008, between the Board of Trustees of the Colorado School of Mines and Dexia Credit Local, acting through its New York branch, reimbursement by the School to the Bank for advances under the Letter of Credit shall be payable in semiannual installments on each amortization payment date (the first business day of the sixth calendar month immediately succeeding the amortization commencement date and the first business day of each sixth calendar month occurring thereafter). The amortization commencement date is 186 days from the related purchase date of the bonds.

No amounts have been disbursed by Dexia Credit Local under the Letter of Credit Agreement as of June 30, 2009 or 2008.

Colorado School of Mines has a Remarketing Agreement for the Series 2008B Bonds with Morgan Stanley & Co. Incorporated. The School pays a quarterly remarketing fee in arrears equal to 0.10% per annum of the weighted average for the principal amount of bonds outstanding during each three-month period.

2008B Bonds were partially refunded by 2009A Bonds on March 31, 2009. The amount of partial refund is $12,675,000. The portion of the 2008B Bonds refunded had a swap termination value of ($1,693,000) at the time of refunding.

H. On January 20, 2005, the Colorado School of Mines Development Corporation (the Corporation) (Note 9) issued $10,555,000 in Refunding Variable Rate Demand Bonds, Series 2005. The proceeds from the bonds were used to refund the Series 2001 revenue bonds.

The bonds were special, limited obligations of the issuer, payable solely from the revenues described in the Indenture. Payment of the principal and interest on the bonds were guaranteed by the Colorado School of Mines Foundation, Inc. Revenues were defined in the Indenture as (a) all moneys received or to be received by the Trustee from the Issuer in respect of payments of the Bond Service Charges (b) all moneys and investments in the Bond Fund, including without limitation moneys received by the Trustee under or pursuant to the guaranty agreement, (c) any moneys and investments in the escrow fund and (d) all income and profit from the investment of the foregoing moneys.

Principal on the 2005 bonds was payable at maturity on September 1, 2026. Interest was payable semi-annually through maturity in 2026 with interest rates on the obligations at variable rates, not to exceed 10%. Interest rates and payment periods were determined, as elected by the Corporation, using either (i) weekly, one-month or three-month interest rates, with interest payable monthly or (ii) six-month, one-year, five-year, ten-year or fixed interest rates, with interest payable semi-annually.

Bonds bearing interest at the five-year, ten-year or fixed interest rates are subject to mandatory sinking fund redemption commencing on the September 1 next succeeding the applicable interest rate adjustment date, as defined in the trust agreement. Bonds are subject to early redemption at the option of the issuer under certain conditions as described in the trust agreement.

The bonds were secured by a non-exclusive first lien upon net pledged revenues, a standby bond purchase agreement and are guaranteed by the Colorado School of Mines Foundation, Incorporated (the Foundation). The bonds were not secured by any encumbrance, mortgage or other pledge of property, except the net pledged revenues, and do not constitute general obligations of the Corporation.

Colorado School of Mines Development Corporation had a Remarketing Agreement with Wells Fargo Brokerage Services, LLC. For as long as Bonds bear interest at a weekly rate, Colorado School of Mines Development Corporation shall pay the Remarketing Agent an ongoing remarketing fee of 0.125% of the weighted average outstanding principal amount of Bonds for the prior year multiplied by a fraction the numerator for which is the actual number of days elapsed since the last payment date and the denominator of which is 365, payable quarterly in advance. For fiscal years 2009 and 2008, Colorado School of Mines Development Corporation paid $9,390 and $16,499, respectively, for remarketing fees. The remarketing agent is authorized to use its best efforts to sell the repurchased bonds at a price equal to 100 percent of the principal amount thereof plus accrued interest (if any).

Under a Standby Bond Purchase Agreement dated March 1, 2006 between Colorado School of Mines Development Corporation and The Bank of New York, the Bank agrees to purchase eligible bonds that are unremarketed bonds tendered by the holders thereof on any domestic business day on or prior to the Commitment Termination Date (generally 180 days after the purchase date of the bonds), at a price equal to the principal amount thereof plus accrued interest. The Corporation shall repay in full all outstanding disbursements under the agreement, together with accrued and unpaid interest thereon on the disbursement maturity date (if extended at the election of the Corporation, the first anniversary of the Commitment Termination Date, which effectively allows the borrower to extend repayment past one year). The stated expiration date of the agreement is April 3, 2009, but the expiration date can be extended at the request of the Corporation for an additional period not to exceed three years subject to approval of the Bank. As discussed below, the Series 2005 Bonds were refunded prior to April 3, 2009.

The Corporation paid an up-front fee equal to 0.15% of $10,555,000 at closing. Additionally, the Corporation paid a commitment fee for each day at the rate of 0.25% per annum on the Combined Available Commitment at the close of business day. For fiscal years 2009 and 2008, total commitment fees paid to The Bank of New York were $20,276 and $33,819, respectively. To provide additional security for the repayment of the 2005 Bonds, the Colorado School of Mines Foundation had guaranteed this obligation with a Liquidity Facility Guaranty Agreement with the Bank of New York.

No amounts have been disbursed by The Bank of New York under the Standby Bond Purchase Agreement as of June 30, 2009 or 2008.

The Series 2005 Bonds were current refunded by the Series 2009A Bonds on March 30, 2009.

I. On March 30. 2009, the School issued $28,720,000 in Enterprise Refunding and Improvement Bonds, Series 2009A. Proceeds from the bonds will be used to a) current refund the Colorado School of Mines Development Corporation Refunding Variable Rate Demand Bonds, Series 2005, b) current refund a portion of the Board of Trustees of the Colorado School of Mines Variable Rate Demand Enterprise Improvement Revenue Bonds, Series 2008B, c) make a payment in connection with modifying a portion of an existing swap agreement for the Series 2008B Bonds, d) acquire certain properties located at 1301 19th Street and 1920 Jones Road, Golden, CO, and e) pay costs related to the issuance of the bonds.

Principal is paid annually, beginning in 2011, in amounts ranging up to $1,610,000. Interest on the bonds is paid semi-annually ranging from 3% to 5.25%. The portion of the interest attributable to the refunding of the Series 2008B Bonds will be paid from the Series 2008B capitalized interest fund until 2011.

On the date of issuance of the Series 2009A Bonds, the Board modified a portion of the 2008B Swap Agreement with a payment of $1,693,000. The notional amount of the 2008B Swap Agreement was reduced by $12,675,000 and is equal to $21,400,000 as of March 30, 2009.

The defeasance resulted in an economic gain of $402,657 and a book loss of $371,031 to be amortized as an adjustment of interest expense over the shorter of either the remaining life of the old debt or new debt (19 years for Series 2005 Bonds and 30 years for Series 2008B Bonds).

Debt Service Requirements on Revenue Bonds

The debt service requirements as of June 30, 2009, are as follows:

Year Ending June 30	Total to be Paid	Principal	Interest
2010	$ 4,481,620	$ 1,505,000	$ 2,976,620
2011	5,931,778	2,950,000	2,981,778
2012	6,002,570	3,100,000	2,902,570
2013	6,031,781	3,215,000	2,816,781
2014	6,860,450	4,135,000	2,725,450
2015 – 2019	31,472,005	18,980,000	12,492,005
2020 – 2024	32,084,410	21,260,000	10,824,410
2025 – 2029	30,608,328	21,750,000	8,858,328
2030 – 2034	29,306,741	23,950,000	5,356,741
2035 – 2038	22,753,950	21,595,000	1,158,950
	$ 175,533,633	122,440,000	$ 53,093,633
Unaccreted interest on 1999 Bonds		(7,251,884)	
		$ 115,188,116	

Debt Covenant

A master resolution adopted by the Board on August 24, 2007 includes a covenant by the Board which provides, in summary, that, while 2008A, 2008B, and 2009A Bonds are outstanding, and subject to applicable law, the Board will continue to impose such fees and charges (Note 5) as are included within the Gross revenues and will continue the present operation and use of the Institutional Enterprise and the Facilities. The Board will continue to maintain such reasonable fees, rental rates and other charges for the use of all facilities and for services rendered by the Institutional Enterprise as will return annually Gross revenue sufficient to pay the prior bond obligations, to pay operation and maintenance expenses, to pay the annual debt service requirements of the bonds and any parity obligations payable from the net revenues. In addition, the Board will make any deposits required to the reserve fund. The debt covenant includes provisions relating to other matters such as maintenance of insurance coverage for the facilities. The Master Resolution prohibits the Board from selling, destroying, abandoning, otherwise disposing of or altering at any time the property comprising a part of the facilities until all bonds payable out of net revenues have been paid or provision has been made to pay all such bonds. The School believes it is in compliance with these covenants.

Interest Rate SWAP Agreements

The swap agreements discussed in E., F., and G. were entered into with the objective of protecting against the potential of rising interest rates.

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

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

Credit Risk – The risk that the counterparty will not fulfill its obligations. The School considers the swap agreement counterparty's (Morgan Stanley) credit quality rating and whether the counterparty can withstand continuing credit market turmoil. As of September 2, 2009, Morgan Stanley's credit rating is A2 by Moody's, A Standards & Poors.

For the swap agreements mentioned above in E., F., and G., Colorado School of Mines has a maximum possible loss equivalent to the swaps' fair market value at June 30, 2009 related to the credit risk. However, the School was not exposed to this loss because of the negative fair market value of the swaps as of June 30, 2009. In addition, these agreements required no collateral and no initial net cash receipt or payment by the School.

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

As of June 30, 2009, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term are reflected in the following tables.

Rates as of June 30, 2009

2008A		**2008B**	
Fixed rate	3.59%	Fixed rate	4.21%
Swap rate floating	(0.21%)	Swap rate floating	(0.35%)
Net interest rate swap payments	3.38%	Net interest rate swap payments	3.86%
Variable-rate bond coupon payments	0.40%	Interest rate	0.35%
Synthetic interest rate on bonds	3.78%	Synthetic interest rate	4.21%

Debt service requirement for the associated debt:

Fiscal Year Ending June 30,	Series 2008 A Bonds Principal	Interest	Interest rate Swap, net	Total	Series 2008B Bonds Principal	Interest	Interest rate Swap, net	Total
2010	$ 315,000	$ 171,440	$ 1,447,823	$ 1,934,263	$ -	$ -	$ 826,040	$ 826,040
2011	350,000	170,040	1,436,000	1,956,040	470,000	73,255	807,898	1,351,153
2012	550,000	167,840	1,417,421	2,135,261	410,000	71,820	792,072	1,273,892
2013	575,000	165,540	1,397,997	2,138,537	425,000	70,333	775,667	1,271,000
2014	600,000	163,140	1,377,729	2,140,869	455,000	68,740	758,104	1,281,844
2015-2019	3,450,000	775,100	6,545,774	10,770,874	2,575,000	317,503	3,501,599	6,394,102
2020-2024	3,900,000	704,500	5,949,552	10,554,052	3,215,000	265,983	2,933,407	6,414,390
2025-2029	8,150,000	589,300	4,976,680	13,715,980	4,000,000	201,705	2,224,518	6,426,223
2030-2034	13,600,000	346,400	2,925,372	16,871,772	4,980,000	121,573	1,340,771	6,442,344
2035-2038	11,685,000	70,980	599,431	12,355,411	4,870,000	26,565	292,974	5,189,539
	$ 43,175,000	$ 3,324,280	$ 28,073,779	$ 74,573,059	$ 21,400,000	$ 1,217,477	$ 14,253,050	$ 36,870,527

* Interest is being paid out of the capitalized interest fund

During fiscal year 2009 and 2008, net cash swap payments are presented in the following tables:

Swap net cash flow during fiscal year 2009:

		Variable-Rate Bonds		
Bond Series	**Principal**	**Interest**	**Interest rate swap**	**Total**
2008A	$ 25,000	$ 777,774	$ 1,149,039	$ 1,951,813
2008B	12,675,000	460,085	850,327	13,985,412
Total	$ 12,700,000	$ 1,237,859	$ 1,999,366	$ 15,937,225

Swap net cash flow during fiscal year 2008:

		Variable-Rate Bonds		
Bond Series	**Principal**	**Interest**	**Interest rate swap**	**Total**
2007	$ 600,000	$ 792,624	$ 125,111	$ 1,517,735
2008A	-	259,843	257,263	517,106
2008B	-	16,479	-	16,479
Total	$ 600,000	$ 1,068,946	$ 382,374	$ 2,051,320

Student Loan Funds Administered for the Foundation

The School administers student loans on behalf of the Foundation that revert back to the Foundation when repaid by the student. The student loans administered by the School are recorded as a receivable from the student, included with loans to students in the statement of net assets, and a liability to the Foundation.

Note 5: Pledged Revenues

Colorado School of Mines has pledged future revenues, net of operation and maintenance expenses, to repay $109,810,630 in revenue bonds issued in 1999, 2002, 2004, 2008 and 2009. Gross revenue includes, all income and revenues derived by the Institutional Enterprise from the Facilities; all revenues derived from the Student Services Fees; all revenues derived from the Recreation and Wellness Center Fees; all revenues derived from any special fee; all revenues accruing to the School of Mines from "overhead" charges on research contracts performed within the School of Mines facilities; 10% of Tuition Revenues; and all revenues derived from Facilities Construction Fees. Proceeds from the bonds provided financing for (a) refunding part of the Board's outstanding Auxiliary and Improvement Revenue Bonds and (b) constructing, equipping or otherwise acquiring certain student housing, student dining facilities, recreational and health facilities and the capital construction of the new academic building. Operation and Maintenance Expenses are defined as all reasonable and necessary current expenses of the School of Mines, paid or accrued for operating, maintaining and repairing the facilities excluding any allowance for depreciation and other non-cash non-accrual accounting adjustments. It is estimated that approximately 30% of the pledged revenues will be used for debt service annually over the duration of the bonds. The total principal and interest payments on the bonds are expected to be $175,533,633 payable through 2038. Principal and interest paid for the current year were $5,542,993, net of bonds issued to refund existing bonds. Total net revenue pledged for the current year was $23,199,212. The following table shows the comparative information for the Pledged Revenue.

Colorado School of Mines Historical Net Revenues for the fiscal year ended June 30

	2009	2008
Gross Pledged Revenues		
Facilities	$ 10,656,236	$ 10,228,545
Student fees	2,736,722	2,590,188
Student tuition	6,670,663	5,992,847
ICR	8,447,104	7,465,511
Facilities construction fee	901,219	418,951
Total pledged revenues	29,411,944	26,696,042
Total Operation and Maintenance Expenses	6,212,732	7,630,487
Net pledged revenue	23,199,212	19,065,555
Prior Bond Obligations Principal and Interest	5,542,993	4,538,650
Net pledged revenue over bond obligations	$ 17,656,219	$ 14,526,905

Additionally, the Auxiliary Bonds specify debt service coverage requirements for the auxiliary facilities. The debt service coverage provisions require net pledged revenues to be equal to 110% 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 following combined debt service coverage calculation includes all Auxiliary Bonds since all bonds are payable from net pledged revenues on a parity with the other bonds and the 2007 Note Payable.

The calculation of the combined debt service coverage for the year ended June 30, 2009 is as follows:

Debt service coverage calculation:

	Series 2004 Bonds	Series 2002 Bonds	Rec Ctr Loan	Total
Debt Service				
Principal	$ 1,285,000	$ 165,000	$ 568,590	$ 2,018,590
Interest	262,253	301,175	54,210	617,638
Total debt service	$ 1,547,253	$ 466,175	$ 622,800	$ 2,636,228
Operating revenues				$ 12,310,189
Less: Operating expenditures, net of depreciation				(6,212,732)
Plus: Auxilliary renewal and replacement fund balance				378,798
Net pledged revenues application for debt service				$ 6,476,255
Ratio of amount available for debt services to total debt service				2.46

The School believes it is in compliance with all existing pledged revenue requirements of its outstanding bonds.

Note 6: Note Payable

On April 10, 2007, the Foundation and the State of Colorado, Department of Higher Education, acting by and through the Colorado School of Mines Board of Trustees, entered into an agreement whereby the Foundation loaned the School funds for the construction of the School's Student Recreation Center in the amount of $2,427,310. The School will repay the loan amount to the Foundation with interest of 4.5%, with payments on July 1 and December 1 each year beginning December 1, 2007 until the last payment is made on April 10, 2012. The amount due shall also be reduced by the amounts of any restricted gifts made by donors for the benefit of or use by the School's Student Recreation Center during the term of the agreement. The agreement is unsecured. Transactions for the note payable for 2009 are as follows:

Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
$ 1,561,692	$ —	$ 568,590	$ 993,102	$ 269,211

Of the $568,590 deductions for 2009, $244,965 was paid by the School and $323,625 represented gifts received by the Foundation that were applied to the note.

The note is due as follows, excluding any reductions for restricted gifts, as of June 30, 2009:

Year Ending June 30,	Total to be Paid	Principal	Interest
2010	$ 310,000	$ 269,211	$ 40,789
2011	310,000	279,992	30,008
2012	463,424	443,899	19,525
	$ 1,083,424	$ 993,102	$ 90,322

Note 7: Related Party Transactions

Colorado School of Mines Research Institute

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 CSMRI is to promote, encourage and aid scientific and technological investigation and research.

CSMRI ceased active operations during 1987 and sold most of its real estate in 1988. As of June 30, 2009 and 2008, CSMRI had net assets of $61,139 and $53,252.. CSMRI once held a lease on property owned by the School. Funds remaining from the proceeds of the sales and satisfaction of indebtedness are to be applied to rehabilitation costs of the property leased to CSMRI and the remaining property owned by CSMRI. Upon dissolution, subject to certain provisions, any assets remaining shall be transferred to the Colorado School of Mines.

Note 8: Colorado School of Mines Foundation, Incorporated

The Colorado School of Mines Foundation, Incorporated is a legally separate, tax-exempt component unit of the School incorporated under Article 40, Title 7 of the Colorado Revised Statutes of 1973. The Foundation was established in 1928 to promote the welfare, development and growth of the School and also to permit the Foundation to engage in activities as may be beyond the scope of the Trustees of the School. Although the School does not control the timing of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the School by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the School, the Foundation is considered a component unit of the School and is discretely presented in the School's financial statements.

In 1992, the Foundation's Board of Directors approved a $1,915,000 revolving loan to the School for funding student loan needs. As of June 30, 2009 and 2008, the Foundation had advanced $913,300 and $933,343, respectively, to the School, which is included in student loan funds administered for the Foundation on the School's statement of net assets of $2,058,966 and $2,010,964 as of June 30, 2009 and 2008, respectively. The outstanding loan balance bears interest at 9% per annum.

During the fiscal year ended June 30, 2007, the Foundation entered into a loan agreement with the School, whereby the Foundation agreed to loan the School funds for the construction of the Student Recreation Center (Note 6). The loan accrues interest at 4.5% per annum and payments are due from the School beginning December 1, 2007, with payments due July 1st and December 1st of every year thereafter until the loan is paid off on April 10, 2012. Additionally, the loan will be reduced by any restricted gifts made by donors for the benefit or use of the Student Recreation Center during the term of the agreement.

Contributions Receivable

Contributions receivable as of June 30 are as follows:

	2009	2008
Due in less than one year	$ 3,228,530	$ 2,160,971
Due in one to five years	13,196,357	1,483,646
	16,424,887	3,644,617
Less: Allowance for uncollectible contributions	(664,010)	(80,000)
Unamortized discount	(811,217)	(261,617)
	$ 14,949,660	$ 3,303,000

The discount rate used for pledges receivable ranges from 2% to 5%.

Approximately 53% and 41% of the Foundation's contributions receivable as June 30, 2009 and 2008, respectively, consist of pledges from one donor in 2009 and three donors in 2008.

The Foundation is the beneficiary of certain irrevocable remainder trusts administered by others. The net present value of the Foundation's beneficial interest has been included in the statements of financial position as contributions receivable from trusts held by others in the amount of $2,947,038 and $3,805,100 at June 30, 2009 and 2008, respectively.

During the fiscal year ended June 30, 2006, the Foundation received a contingent pledge in the amount of $9,250,000 for the construction of a new building for the School's Department of Petroleum Engineering. During 2009, the Foundation met the contingent pledge requirement by receiving matching cash contributions and pledges totaling $10,000,000 toward construction of the building. As the contingency was satisfied, the Foundation recognized the contribution during 2009. At the request of the donor, these funds related to the gift are to be held in a separate interest-bearing money market account, and therefore are classified as restricted cash on the June 30, 2009 and 2008 statement of financial position in the amount of $355,934 and $9,330, respectively.

Investments

Intermediate-term investments consisted of certificates of deposit and cash equivalents of $125,833 and $308,190 at June 30, 2009 and 2008, respectively.

Assets Held Under Split-interest Agreements and Long-term Investment Pool

Assets held under split-interest agreements (including gift annuity agreements) and the long-term investment pool at June 30 consisted of the following:

	2009		2008	
	Split-interest Agreements	Long-term Investment Pool	Split-interest Agreements	Long-term Investment Pool
Cash equivalents	$ 597,945	$ 2,534,356	$ 1,254,460	$ 6,834,431
Bonds and bond mutual funds	8,951,921	29,284,334	9,135,414	17,999,376
Stocks and stock mutual funds	6,113,860	50,566,134	7,715,416	66,475,611
Pledge receivable	12,642	—	12,642	—
Investments in limited partnerships and real estate	344,548	55,772,267	33,696	63,733,987
	$ 16,020,916	$ 138,157,091	$ 18,151,628	$ 155,043,405

Split-interest Agreements

The Foundation is the trustee for various split-interest arrangements including charitable remainder trusts, charitable gift annuity contracts and a pooled income fund. A charitable remainder trust provides for the payment of distributions to the grantor or other designated beneficiaries over the trust's term (usually the designated beneficiary's lifetime). The terms of certain trusts and the pooled income fund specify that payments to the beneficiaries are limited to total trust income. Other trusts require that the Foundation make fixed payments or payments based on a fixed percentage of the fair market value of the trusts' assets to designated beneficiaries for their lifetimes.

At the end of the trusts' term, the remaining assets are available for the Foundation's use. The portion of the trust attributable to the future interest of the Foundation is recorded in the statements of activities as temporarily restricted contributions in the period the trust is established. Assets held under these various split-interest arrangements are recorded at fair value in the Foundation's statements of financial position. The Foundation makes distributions to the designated beneficiaries in accordance with the gift instrument and revalues the liability based on actuarial assumptions on an annual basis. The present value of the estimated future payments is calculated using the IRS discount rate and applicable mortality tables. The Foundation recorded contributions totaling $8,623 and $37,776 under split-interest agreements during the years ended June 30, 2009 and 2008.

Assets held in trust by the Foundation, and their associated liabilities, at June 30 are as follows:

	2009	2008
Assets held in trust	$ 16,020,916	$ 18,151,628
Less associated liabilities	(10,879,693)	(10,576,080)
Net present value of annuity trust agreements	$ 5,141,223	$ 7,575,548

Gift Annuity Agreements

The Foundation has been the recipient of several gift annuities that require future payments to the donor or their named beneficiaries. The assets received from the donor are recorded at fair value. The Foundation has recorded a liability at June 30, 2009 and 2008, of $5,083,717 and $4,198,912, respectively, which represents the present value of the future annuity obligations. During the years ended June 30, 2009 and 2008, the Foundation received gifts under charitable gift annuity contracts valued at $247,440 and $385,980, respectively, which are included in contributions in the statements of activities.

Assets Held for Others

Assets held in trust for others represent various trusts that revert to other parties in the future as stipulated in the respective trust documents and certain School assets held for long-term investment purposes. The fair market value of these assets as of June 30, are as follows:

	2009	2008
School funds	$ 9,845,511	$ 11,933,370
Trust funds	661,757	715,902
	$ 10,507,268	$ 12,649,272

Significant Estimates and Concentrations – Investments

As of June 30, 2009 and 2008, 40% and 41%, respectively, of the Foundation's investment portfolio is invested in limited partnerships and venture capital organizations, some of which are offshore entities and some of which include derivative investments. There is no ready market value for these investments. The values reported in the Foundation's financial statements are the market values reported by the entities in audited financial statements, federal tax Form K-1 or other internal valuations. These values could be volatile and could be significantly different on a subsequent valuation date.

Endowments

The Foundation's endowment consists of various individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Executive Committee of the Board to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Executive Committee of the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Executive Committee of the Foundation has interpreted the Colorado Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund,
(2) The purposes of the Foundation and the donor-restricted endowment fund,
(3) General economic conditions,
(4) The possible effect of inflation and deflation,
(5) The expected total return from income and the appreciation of investments,
(6) Other resources of the Foundation, and
(7) The investment policies of the Foundation.

The above interpretation pertains only to the endowments managed under UPMIFA. Certain endowments are donor-restricted endowments that have explicit donor stipulations allowing the Foundation to use the "corpus" of the fund for spending distributions. These endowments are managed using the "unitrust" approach. In using the "unitrust" approach, all portions of the endowment fund are considered permanently restricted in accordance to the CSMF spending policy for contract endowments.

Funds with Deficiencies

From time to time, the fair value of assets associated with certain individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature that are reported in unrestricted net assets were $291,200 as of June 30, 2009. These deficiencies resulted from unfavorable market fluctuations and continued appropriation for certain programs that was deemed prudent by the Executive Committee. There were $4,017 in such deficiencies as of June 30, 2008.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking the proper balance between preservation of capital and maintaining the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Executive Committee of the Board, the endowment assets are invested in a manner that seeks an average total annual return of the annual endowment payout plus CPI and seeks competitive investment performance versus appropriate capital market measures, such as securities indices, while assuming a moderate level of investment risk. The Foundation expects its endowment funds to provide an average rate of return of approximately 8-9 percent over the long-term. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints. The Investment Committee of the Foundation is responsible for selecting the asset mix and managers for the endowments of the Foundation. The target asset allocation is as follows: (a) 50% minimum and 80% maximum in equity-related investments; (b) 15% minimum and 30% maximum in fixed income; (c) 0% minimum and 30% maximum in alternative investments, and (d) 0% minimum and 20% maximum in cash and cash equivalents.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating for distribution each year 6% of its endowment fund's market value averaged over a three-year moving average, through the calendar year-end preceding the fiscal year in which the distribution is planned. The 6% distribution is comprised of 4.5% endowment fund restricted payout and 1.5% administration fee. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long-term, the Foundation expects the current spending policy to allow its endowment to grow at the rate of inflation, approximately 2-3% annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. The Executive Committee of the Board approves distributions from the funds designated by the Board to function as endowments through the annual budget process. Expenditures from the donor-restricted endowment funds are controlled by the Foundation's Executive Committee in concert with the donors' intent.

Colorado School of Mines
(A Component Unit of the State of Colorado)
Notes to Financial Statements
June 30, 2009 and 2008

Endowment Net Asset Composition by Type of Fund as of June 30, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ 70,979	$ 11,600,894	$ 95,291,383	$ 106,963,256
Board-designated endowment funds	11,335,178	-	-	11,335,178
Total funds	$ 11,406,157	$ 11,600,894	$ 95,291,383	$ 118,298,434

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment assets, beginning of year	$ 11,505,561	$ 29,362,221	$ 88,306,593	$ 129,174,375
Investment return				
Investment income	126,967	1,040,661	3,898	1,171,526
Net appreciation (depreciation)	(1,948,058)	(16,764,623)	(6,877)	(18,719,558)
Total investment return	(1,821,091)	(15,723,962)	(2,979)	(17,548,032)
Contributions	-	-	12,050,854	12,050,854
Appropriation of endowment assets for expenditure	(473,446)	(7,562,533)	-	(8,035,979)
Board designation from unrestricted	1,922,317	-	-	1,922,317
Other income - loan repayment	560,000	-	-	560,000
Transfers - funds becoming endowed	-	-	174,899	174,899
Donor reclassifications	(287,184)	5,525,168	(5,237,984)	-
Endowment assets, end of year	$ 11,406,157	$ 11,600,894	$ 95,291,383	$ 118,298,434

Endowment Net Assets Composition by Type of Fund as of June 30, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ 279,121	$ 29,362,221	$ 88,306,593	$ 117,947,935
Board-designated endowment funds	11,226,440	-	-	11,226,440
Total funds	$ 11,505,561	$ 29,362,221	$ 88,306,593	$ 129,174,375

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment assets, beginning of year	$ 11,934,924	$ 34,203,987	$ 89,887,111	$ 136,026,022
Investment return				
Investment income	116,640	1,107,281	3,289	1,227,210
Net appreciation (depreciation)	(423,350)	(3,895,460)	8,668	(4,310,142)
Total investment return	(306,710)	(2,788,179)	11,957	(3,082,932)
Contributions	-	-	2,230,858	2,230,858
Appropriation of endowment assets for expenditure	(1,035,517)	(5,951,296)	-	(6,986,813)
Other income - loan repayment	916,881	-	-	916,881
Donor reclassifications	(4,017)	3,897,709	(3,823,333)	70,359
Endowment assets, end of year	$ 11,505,561	$ 29,362,221	$ 88,306,593	$ 129,174,375

Amounts in the tables above only include funds received and held by the Foundation.

Note 9: Blended Component Units

Colorado School of Mines Building Corporation

The Colorado School of Mines Building Corporation (the Building Corporation) was established in June of 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. The net assets of the Building Corporation at June 30, 2009 and 2008 were $2,246,821 and $2,302,962, respectively.

Upon dissolution, subject to certain provisions, any assets remaining shall be transferred to the Colorado School of Mines.

Colorado School of Mines Development Corporation

The Colorado School of Mines Development Corporation (the Corporation) was established in September 2001 as a separate corporation under the laws of the State of Colorado. The Corporation was formed for the purpose of issuing obligations for or assisting in the financing of capital expenditures on behalf of or for the benefit of the Colorado School of Mines. The net assets of the Corporation at June 30, 2009 and 2008 were $608,278 and $896,944, respectively.

Upon dissolution, subject to certain provisions, any assets remaining shall be transferred to the Colorado School of Mines. While Revenue Bonds issued by the Development Corporation have been current refunded by the issuance of series 2009A bonds (Note 4), the Corporation has not been dissolved.

Note 10: Invested in Capital Assets, Net

Invested in capital assets, net, is comprised of the following as of June 30, 2009 and 2008:

	2009	2008
Capital assets, net	$ 175,437,150	$ 165,761,561
Bond issuance costs, net	1,005,139	848,795
Unspent bond proceeds	37,826,736	36,859,161
Note payable – current portion	(269,211)	(328,211)
Accounts payable incurred for capital asset purchases	(501,685)	(1,739,627)
Bonds payable – current portion	(1,505,000)	(1,475,000)
Note payable – noncurrent portion	(723,891)	(1,233,481)
Bonds payable, net noncurrent	(108,305,630)	(105,466,310)
Accreted interest on deep discount debt	3,533,783	3,074,559
Capital lease obligation	(4,402,052)	(4,285,000)
	$ 102,095,339	$ 92,016,447

Note 11: Operating Leases

The Colorado School of Mines Building Corporation, a blended component unit, leases 64,420 square feet of office space to an unrelated single tenant. The lease term is 10 years, from August 2008 to July 2018, at an annual rent of $1,292,265.

Note 12: Capital Leases

The Colorado School of Mines has entered into a three-year capital lease agreement with the Colorado School of Mines Foundation for two properties located in Golden, Colorado; one at 1031 19th Street and the other at 1920-1922 Jones Road. The monthly lease payments are $16,228 and $5,161, respectively, with a lump sum principal payment of $3,251,000 and $1,034,000, respectively, at the end of the lease term. The School is expected to pay off this debt in fiscal year 2010 with the proceeds from the series 2009A bonds.

Year Ending June 30,	Interest	Principal	Total
2010	$ 256,671	$ —	$ 256,671
2011	128,336	4,285,000	4,413,336
Total capital lease payments	$ 385,007	$ 4,285,000	$ 4,670,007

The assets acquired through capital leases are as follows:

Buildings	$ 4,285,000
Add Improvements	181,818
Less: Accumulated depreciation	(165,233)
Total	$ 4,301,585

Depreciation expense of $111,670 was recognized during the fiscal year ended June 30, 2009 on the buildings under capital leases.

Additionally, the Athletics department has entered into a lease agreement for a team transportation bus with a purchase option at the end of the lease. The monthly lease payments are $2,256. The School is expected to purchase this bus at the end of the lease in 2014.

Year Ending June 30,	Interest	Principal	Total
2010	$ 8,137	$ 18,943	$ 27,080
2011	6,666	20,414	27,080
2012	5,081	21,999	27,080
2013	3,373	23,707	27,080
2014	6,148	31,989	38,137
Total capital lease payments	$ 29,405	$ 117,052	$ 146,457

The assets acquired through capital leases are as follows:

Equipment	$ 131,979
Less: Accumulated depreciation	(13,198)
Total	$ 118,781

Note 13: Pension Plan

Plan Description

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

PERA also administers the Voluntary Investment Program that administers two defined contribution plans (Note 14).

Prior to legislation passed during the 2006 session, higher education employees may have participated in social security, PERA's defined benefit plan, or the institution's optional retirement plan. Currently, higher education employees, except for community college employees, are required to participate in their institution's optional plan, if available, unless they are active or inactive members of PERA with at least one year of service credit. In that case, they may elect either PERA or their institution's optional plan. Community college employees hired after January 1, 2008, are required to become members of PERA and must elect either PERA's defined benefit or defined contribution plan within 60 days, unless they have been a PERA member within the prior twelve months. In that case they are required to remain in the PERA plan which they participated previously.

PERA members electing the defined contribution plan are allowed an irrevocable election between the second and fifth year to use their defined contribution account to purchase service credit and be covered under the defined benefit retirement plan. However, making this election subjects the member to the rules in effect for those hired on or after January 1, 2007, as discussed below. Employer contributions to both defined contribution plans are the same as the contributions to the PERA defined benefit plan.

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

- Hired before July 1, 2005 - age 50 with 30 years of service, age 60 with 20 years of service, age 65 with five years of service or age 65 with less than five years of service but 60 payroll postings.
- Hired between July 1, 2005 and December 31, 2006 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 20 years of service, age 65 with five years of service or age 65 with less than five years of service but 60 payroll postings.
- Hired on or after January 1, 2007 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 25 years of service, age 65 with five years of service, or age 65 with less than five years of service but 60 payroll postings.

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

- Hired before July 1, 2005 – age 55 with age plus service equal to 80 or more.
- Hired between July 1, 2005 and December 31, 2006 – age 55 with age plus years of service equal to 80 or more.
- Hired on or after January 1, 2007 – age 55 with a minimum of five years of service credit and age plus years of service equals 85 or more.

State troopers and judges comprise a small percentage of plan members but have higher contribution rates and state troopers are eligible for retirement benefits at different ages and years of service.

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

Retiree benefits are increased annually based on their original hire date as follows:

- Hired before July 1, 2005 – 3.5 percent, compounded annually.
- Hired between July 1, 2005 and December 31, 2006 – the lesser of 3 percent or the actual change in the national Consumer Price Index, compounded annually.
- Hired on or after January 1, 2007 – the lesser of 3 percent or the actual change in the national Consumer Price Index, compounded annually. Annual increases are limited to 10 percent of the total funds available in the Annual Increase Reserve in the Division from which they retired or were a member before death.

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

Funding Policy

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

Most employees contribute 8.0% of their salary, as defined in CRS 24-51-101(42), to an individual account in the plan. From July 1, 2008, to December 31, 2008, the State contributed 12.05% of the employee's salary. From January 1, 2009, through June 30, 2009, the State contributed 12.95%. During all fiscal year 2008-09, 1.02% of the employees' total salary was allocated to the Health Care Trust Fund.

Per Colorado Revised Statutes, an amortization period of 30 years is deemed actuarially sound. At December 31, 2008, the division of PERA in which the state participates was under funded with an infinite amortization period, which means that the unfunded actuarially accrued liability would never be fully funded at the current contribution rate.

In the 2004 legislative session, the General Assembly authorized an Amortization Equalization Disbursement (AED) to address a pension-funding shortfall. The AED requires PERA employers to pay an additional .5 percent of salaries beginning January 1, 2006, another .5 percent of salary in 2007, and subsequent year increases of .4 percent of salary until the additional payment reaches 3.0 percent in 2012.

In the 2006 legislative session, the General Assembly authorized a Supplemental Amortization Equalization Disbursement (SAED) that requires PERA employers to pay an additional one half percentage point of total salaries paid beginning January 1, 2008. The SAED is scheduled to increase by one-half percentage point through 2013 resulting in a cumulative increase of three percentage points. For state employers, each year's one-half percentage point increase in the SAED will be deducted from the amount of changes to state employees' salaries, and used by the employer to pay the SAED. Both the AED and SAED will terminate when funding level reach 100 percent.

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

The School contributions to the three programs described above for the fiscal years ended June 30, 2009, 2008 and 2007 were $7,272,745, $6,111,872 and $5,404,265, respectively, equal to its required contributions for those years.

Note 14: Volunteer Tax-Deferred Retirement Plans (Voluntary Investment Program)

PERA offers a voluntary 401(k) defined contribution plan and the Colorado PERA Defined Contribution Plan entirely separate from the defined benefit pension plan and, beginning on July 1, 2009, will administer the 457 deferred compensation plan previously administered by the State. Certain agencies and institutions of the state also offer 403(b) or 401(a) plans.

Note 15: Other Post-employment Benefits and Life Insurance

Health Care Plan

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

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

Employees are not required to contribute to the Health Care Trust Fund, which is maintained by employer's contributions as discussed above in Note 13. Beginning July 1, 2004, CSM is required to contribute 1.02 percent of gross covered wages to the Health Care Trust Fund. The CSM contributed $593,446, $537,423 and $505,720 as required by statute in fiscal years 2008-09, 2007-06, and 2006-05, respectively. In each year the amount contributed was 100 percent of the required contribution.

The Health Care Trust Fund offers two general types of plans: fully-insured plans offered through health care organizations and self-insured plans administered for PERA by third-party vendors. As of December 31, 2008, there were 45,888 enrolled participants, including spouses and dependents, from all contributors to the plan. At December 31, 2008, the Health Care Trust Fund had an unfunded actuarial accrued liability of $1.11 billion, a funded ratio of 18.7 percent, and a 39-year amortization period.

Colorado Higher Education Insurance Benefits Alliance (CHEIBA)

Retired faculty and exempt-administrative staff are eligible to participate in the Colorado Higher Education Insurance Benefits Alliance Trust (CHEIBA). CHEIBA is a cost-sharing multiple-employer insurance purchasing pool, which allows for post employment health coverage until the retiree is eligible for Medicare. As of June 30, 2009 there were 44 participants in post retirement coverage from the eight member higher education institutions. For fiscal year 2009, CSM had 6 retired faculty administrative participants under CHEIBA.

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

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

In addition, the School has a Health Insurance Assistance Program for tenured faculty. This program was initiated in 1993 and was stopped July 1, 2004. The program was provided in conjunction with a Retirement Agreement negotiated between eligible faculty members and CSM. For fiscal year 2008-09, CSM had started the year with 11 faculty members and by the end of the fiscal year the faculty members were reduced to 9 under this program with a total payment of $7,469.

Note 16: Commitments and Contingencies

Claims and Litigation

In November 1992, the School and numerous other potentially responsible parties (PRP's) were notified by the United States Environmental Protection Agency (EPA) of potential liability pursuant to the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (CERCLA). Such potential liability results from costs associated with the cleanup of hazardous substances at a site owned by the School and leased to the Colorado School of Mines Research Institute (CSMRI), which performed research for a variety of private and governmental entities. Negotiations with the EPA, the enforcement agency related to past costs for cleanup, have been resolved. The Colorado Department of Public Health and Environment and EPA have reserved their rights as to future costs of cleanup. Remediation of the site has been completed. Ground water monitoring is continuing to verify cleanup effectiveness.

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

The State of Colorado Department of Public Health and Environment (CDPHE) issued Radioactive Materials License Number 617-01 Amendment Number 7 (Amendment No. 7) to CSMRI. Amendment No. 7 contains a provision requiring an enforceable financial instrument be provided to CDPHE within sixty days of issuance of the license. The financial instrument must allow CDPHE access to a School bank account and/or other financial assets necessary to complete decommissioning of the site discussed above in an amount not less than $2,780,000. On January 12, 2007, the School filed a notice of appeal and request for hearing which objects to the issuance of Amendment No. 7. The appeal was tabled while remediation of the site continued. Subsequent to year end, CSMRI filed a plan to decommission the radioactive license. This plan includes a plan to engage in investigative process in response to ground water monitoring results.

By letter dated March 16, 2007, the School was notified by an attorney for Consolidation Coal Company that the School is considered to be a PRP at the Ward Transformer Superfund Site located in Raleigh, North Carolina. The School has entered into a tolling agreement in relation to the ward transformer superfund site. The School has been named as a potentially responsible party under CERCLA. The School's potential liability results from the costs associated with the cleanup of polychlorinated biphenyls (PCB'S), some of which are alleged to have originated from the School. Consolidation Coal Company has stated that it will sue the School if there is no settlement by March 16, 2009. The parties reached what the School believed was a settlement. Consolidation Coal Company has claimed that a material disagreement has arisen with regard to the scope of the release in the settlement. The parties have not resolved the issue. The tolling agreement terminated. Consolidation Coal Company filed suit against other entities, but not against the School. The School will seek to negotiate a reasonable settlement; it is not possible to estimate the School's liability at this time.

Government Grants

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

Note 17: Risk Management

The School is subject to risks of loss from liability for accident, property damage and personal injury. These risks are managed by the State Division of Risk Management, an agency formed by statute and funded by the Long Appropriations Bill. Therefore, the School is not required to purchase insurance for such risk of loss. Commercial insurance coverage is purchased for employee health benefits. There has been no reduction in coverage nor have any settlements exceeded coverage in any of the three preceding years. The School does not retain risk of loss except for damage incurred to property belonging to the state, limited to a $1,000 deductible per incident.

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

Note 18: Legislative Appropriations

The Colorado State Legislature establishes spending authority to the School in its annual Long Appropriations Bill. The Long Bill appropriated funds may include an amount from the State of Colorado's General Fund, as well as certain cash funds. Cash funds include tuition, certain fees and certain other revenue sources.

For the years ended June 30, 2009 and 2008, appropriated expenses were within the authorized spending authority. For the years ended June 30, 2009 and 2008, the School had a total appropriation of $82,960,295 and $71,704,980, respectively. All other revenues and expenses reported by the School represent non-appropriated funds and are excluded from the annual appropriations bill. Non-appropriated funds include certain grants and contracts, gifts, indirect cost recoveries, certain auxiliary revenues and other revenue sources.

The accompanying financial statements contain revenues and expenses from both appropriated and non-appropriated funds.

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 Colorado School of Mines received $6,748,298 million for support in the construction of an addition to the Brown Hall building.

Note 19: Adoption of Accounting Principles

During fiscal year ended June 30, 2009, the School adopted Governmental Accounting Standards Board Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations.* GASB 49 requires the School to disclose the nature and source of pollution remediation obligations, the amount of the estimated liability (if not apparent from the financial statements); the methods and assumptions used in calculating the estimate, the potential for changes in estimates, and estimated recoveries that reduce the measurement of the liability. Governments are required to disclose a general description of the nature of pollution remediation activities for liabilities (or components thereof) that are not reasonably estimable. GASB 49 had no effect on beginning net assets or change in net assets for 2009. As of June 30, 2009 the School cannot reasonably estimate any liabilities resulting from pollution remediation. (Note 16).

Note 20: Subsequent Events

Grant Audit Notification

In a letter dated October 22, 2009, from the Department of the Navy, Office of Naval Research (ONR), the School was notified that the Department of Health and Human Services' (DHHS) review of a grant between the U.S. Department of the Navy, Office of Naval Research, and the School, had determined a disallowance of $484,284 in costs reimbursed to the School under the grant. The total amount of the grant, as modified, was $4,839,871 for the grant period of May 17, 2002 to April 30, 2008. The School has until November 30, 2009 to respond to DHHS' findings, but has requested an extension of time to respond beyond November 30, 2009. The actual amount the School may be required to reimburse the United States Treasurer, if any, is not currently determinable, however the letter requests a refund check from the School for the full amount of $484,284. The School is discussing DHHS' findings with ONR in an attempt to reduce the amount to be refunded, if any.

Debt Issuance

On November 19, 2009, the School issued three series of bonds totaling $68,005,000. Proceeds from the $42,860,000 Series 2009B, Taxable Build America Bonds – Direct Payment to the Board, will be used to finance certain capital projects such as new student housing, a new student health center, and renovations to Weaver Towers. The proceeds from the $16,745,000 Series 2009C, Tax-Exempt Refunding Bonds, will be used to current refund $14.4 million of Series 2008B bonds and pay for the termination payment to remove the swap on the entire series. The proceeds from the $8,400,000 Series 2009D, Tax-Exempt Bonds, will be used to finance a portion of the construction for Marquez Hall, which will be the new home to the Petroleum Engineering Department. Interest rates range from 3% to 6.290% with principal repayments ranging from $670,000 to $8,875,000 beginning in fiscal year 2011 with final maturity in fiscal year 2040.

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

Members of the Legislative Audit Committee:

We have audited the financial statements of the business-type activities and the discretely presented component unit of Colorado School of Mines (the School) as of and for the year ended June 30, 2009, which collectively comprise its basic financial statements and have issued our report thereon dated November 20, 2009, which contained a reference to the report of other accountants. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Colorado School of Mines Foundation, Incorporated (Foundation), the discretely presented component unit of the School, were not audited in accordance with *Government Auditing Standards.*

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our auditing procedures 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 School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the School's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the School's financial statements that is more than inconsequential will not be prevented or detected by the School's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the School's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of 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*.

We noted certain matters that we reported in the Auditor's Findings and Recommendations section of this document.

The School's responses to the findings identified in our audit are described in the Auditor's Findings and Recommendations section of this document. We did not audit the School's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Legislative Audit Committee, the Board of Trustees and the management of the School and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

November 20, 2009

Colorado School of Mines
(A Component Unit of the State of Colorado)
State-Funded Student Assistance Programs
Year Ended June 30, 2009

INTRODUCTION

The Colorado School of Mines (the School) is a public institution of higher education located in Golden, Colorado.

The financial and compliance audit of the various state-funded student assistance programs at the School for the year ended June 30, 2009, was directed toward the objectives and criteria set forth in the 2008-09 *Audit Guide, Colorado Funded Student Aid,* issued by the Department of Higher Education (DHE). The state-funded student assistance programs were audited simultaneously with the federal financial aid programs for the year ended June 30, 2009.

STATE-FUNDED ASSISTANCE PROGRAMS

The various state-funded student assistance programs at the School include the Colorado Leveraging Educational Assistance (CLEAP) Program, Colorado Student Grant Program (which includes the Colorado Graduate Grant and Colorado Need-based Grant programs), Governor's Opportunity Scholarship Program, Colorado Work-Study Program, Colorado Merit Award Program, and the Colorado Pre-collegiate Academic Competitiveness Grant.

The state-funded student assistance awards made by the School were $1,741,199 during the fiscal year ended June 30, 2009.

The School's 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 School in federal and state financial aid programs. The School's Controller is responsible for the programs' financial management, general ledger accounting, payments and collections.

In addition to the student assistance awards made during the year, the School obtained authorizations to award federal student financial aid of $1,639,067 in the Pell Grant Program, $111,810 in the Supplemental Educational Opportunity Grant Program, $133,975 in the College Work-Study Program, $895,704 in the Perkins Student Loan Program, $111,700 in the Academic Competitiveness Grant and $192,000 in the Smart Grant.

During the year ended June 30, 2009, the School was authorized to award Colorado student financial aid funds of $48,315 in the CLEAP Grant Program; $1,092,311 in the Colorado Student Grant Program; $101,000 in the Governor's Opportunity Scholarship Program; $401,076 in the Colorado Work-Study Program; $51,265 in the Colorado Merit Award Program; and $47,232 in the Colorado Pre-collegiate Academic Competitiveness Grant (PACG).

CURRENT YEAR FINDING

There was one finding related to State-Funded Assistance Programs for the year ended June 30, 2009. The finding addressed the absence of certain required student signatures on their timesheets under the Colorado Work-Study Program. A discussion regarding the finding is located in the Auditor's Findings and Recommendations (No. 7), section of this document.

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Independent Accountants' Report on the Statement of Appropriations, Expenditures, Transfers, and Reversions of the State-Funded Student Assistance Programs

Members of the Legislative Audit Committee:

We have audited the accompanying statement of appropriations, expenditures, transfers, and reversions of the State-Funded Student Assistance Programs of Colorado School of Mines (the School), a blended component unit of the State of Colorado, for the year ended June 30, 2009. This statement is the responsibility of the School's management. Our responsibility is to express an opinion on this statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of appropriations, expenditures, transfers and reversions is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the statement of appropriations, expenditures, transfers and reversions. We believe that our audit provides a reasonable basis for our opinion.

As described in the notes to the statement of appropriations, expenditures, transfers and reversions of the State-Funded Student Assistance Programs of Colorado School of Mines (the Statement), the Statement was prepared in accordance with the format as set forth in the *2008-09 Audit Guide, Colorado Funded Student Aid* issued by the Department of Higher Education (DHE), and in conformity with the provisions of the Colorado Commission on Higher Education (CCHE) State-Funded Student Financial Aid Policy. The Statement is a summary of cash activity of the state-funded 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 the state-funded student assistance programs if it was presented on the accrual basis of accounting, as prescribed by generally accepted accounting principles. Accordingly, the accompanying statement is not intended to, and does not, present the financial position, changes in financial position or cash flows of the School in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the accompanying statement of appropriations, expenditures, transfers and reversions of the State-Funded Student Assistance Programs of Colorado School of Mines presents fairly, in all material respects, the appropriations, expenditures, transfers and reversions of the state-funded student assistance programs of Colorado School of Mines for the year ended June 30, 2009, pursuant to the *2008-09 Audit Guide, Colorado Funded Student Aid* issued by the Department of Higher Education, and in conformity with the provisions of the CCHE State-Funded Student Financial Aid Policy.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 20, 2009 on our consideration of the School's internal control over financing reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the Statement in conformity with the provisions of the *CCHE Financial Aid Policy.* The introduction section is presented for purposes of additional analysis and is not a required part of the Statement. The introduction section has not been subjected to the auditing procedures applied in the audit of the Statement, and accordingly, we express no opinion on it.

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

BKD, LLP

November 20, 2009

Colorado School of Mines
(A Component Unit of the State of Colorado)
Statement of Appropriations, Expenditures, Transfers, and Reversions of the State-Funded Student Assistance Programs
Year Ended June 30, 2009

	Colorado Leveraging Educational Assistance Program	Colorado Student Grant Program	Governor's Opportunity Scholarship Program	Colorado Work-Study Program	Colorado Merit Award Program	Colorado Pre-collegiate Academic Competitiveness Grant	Total State-Funded Assistance
Appropriations							
Original	$ 48,315	$ 1,092,311	$ 101,000	$ 401,076	$ 51,265	$ 47,232	$ 1,741,199
Adjustments/transfers	-	-	-	-	-	-	-
Total	48,315	1,092,311	101,000	401,076	51,265	47,232	1,741,199
Expenditures	48,315	1,092,311	101,000	401,076	51,265	47,232	1,741,199
Reversions to State general fund	$ -	$ -	$ -	$ -	$ -	$ -	$ -

See Notes to Statement of Appropriations, Expenditures, Transfers, and Reversions of the State-Funded Student Assistance Programs

Colorado School of Mines
(A Component Unit of the State of Colorado)
Notes to Statement of Appropriations, Expenditures, Transfers, and Reversions of the State-Funded Student Assistance Programs
Year Ended June 30, 2009

Note 1: Summary of Significant Accounting Policies

The School's accounting system is structured and administered in accordance with the accounting principles promulgated by the National Association of College and University Business Officers in their revised publication, *College & University Business Administration,* as supplemented by the American Institute of Certified Public Accountants Audit and Accounting Guide, *Not-for-Profit Organizations*.

All student aid is expensed on a cash basis, except for the Colorado Work-Study Program (CWS). The CWS is on the accrual basis in that the expense is recognized when the services are performed.

Note 2: Student Incentive Grants

CLEAP Grant Program consists of state funds and federal funds. The amount shown is the combined total.

Note 3: Other – Required Statements, Comments and Recommendations

The School's packaging priority for need-based financial aid applicants is required to give the highest priority to the neediest students. Students with the lowest expected family contribution and the earliest date of filing a completed application are given top priority for available funds. Priority is not given on the basis of new or continuing student status, but on the date the application is completed. The student catalog further outlines additional eligibility requirements set forth for specific federal and state assistance programs including U.S. citizenship, Colorado residency, and meeting satisfactory academic progress guidelines.

CCHE's Financial Aid Policy and Guidelines for State Financial Assistance Programs issued by the Colorado Commission on Higher Education (CCHE) does not allow institutions receiving allocations for financial aid programs to transfer funds between those programs.

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Independent Accountants' Report on Compliance and Internal Control Over Compliance with Requirements Applicable to Each State-Funded Student Assistance Program

Members of the Legislative Audit Committee:

Compliance

We have audited the compliance of Colorado School of Mines (the School), a blended component unit of the State of Colorado with the types of compliance requirements described in the *2008-09 Audit Guide, Colorado Funded Student Aid,* issued by the Department of Higher Education (DHE) that are applicable to each of its state-funded student assistance programs for the year ended June 30, 2009. The School's state-funded student assistance programs are identified in the accompanying statement of appropriations, expenditures, transfers and reversions. Compliance with the requirements of laws, regulations, terms of agreements and Colorado Commission on Higher Education (CCHE) directives applicable to each of its state-funded student assistance programs is the responsibility of the School's management. Our responsibility is to express an opinion on the School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the *2008-09 Audit Guide, Colorado Funded Student Aid,* issued by the DHE. Those standards and audit guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a state-funded student assistance program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School's compliance with those requirements.

In our opinion, Colorado School of Mines complied, in all material respects, with the requirements referred to above that are applicable to each of its state-funded student assistance programs for the year ended June 30, 2009. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements which is described in the Auditor's Findings and Recommendations section of this document.

Internal Control Over Compliance

The management of the School is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, terms of agreements and CCHE directives applicable to state-funded student assistance programs. In planning and performing our audit, we considered the School's internal control over compliance with requirements of laws, regulations, terms of agreements and CCHE directives applicable to state-funded student assistance programs. In planning and performing our audit, we considered the School's internal control over compliance with requirements which could have a direct and material effect on a state-funded student assistance program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the audit requirements of the DHE.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a state-funded student assistance program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School's ability to administer a state-funded student assistance program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a state-funded student assistance program that is more than inconsequential will not be prevented or detected by the School's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a state-funded student assistance program will not be prevented or detected by the School's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

BKD, LLP

November 20, 2009

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Members of the Legislative Audit Committee:

As part of our audit of the financial statements of Colorado School of Mines as of and for the year ended June 30, 2009, we wish to communicate the following to you.

Auditor's Responsibility Under Auditing Standards Generally Accepted in the United States of America

An audit performed 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 is designed to obtain reasonable, rather than absolute, assurance about the financial statements. In performing auditing procedures, we establish scopes of audit tests in relation to the financial statements taken as a whole. Our engagement does not include a detailed audit of every transaction. Our engagement letter more specifically describes our responsibilities.

These standards require communication of significant matters related to the financial statement audit that are relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. Such matters are communicated in the remainder of this letter or have previously been communicated during other phases of the audit. The standards do not require the auditor to design procedures for the purpose of identifying other matters to be communicated with those charged with governance.

An audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Qualitative Aspects of Significant Accounting Policies and Practices

Significant Accounting Policies

The School's significant accounting policies are described in Note 1 of the audited financial statements. With respect to unusual accounting policies or accounting methods used by the School for unusual transactions, we call your attention to the following topics:

- No matters are reportable

Alternative Accounting Treatments

We had discussions with management regarding alternative accounting treatments within accounting principles generally accepted in the United States of America for policies and practices for material items, including recognition, measurement and disclosure considerations related to the accounting for specific transactions as well as general accounting policies, as follows:

- The Governmental Accounting Standards Board's implementation guide issued in 2008 clarified that Pell grants should be recorded as nonoperating revenues since they are nonexchange revenues and entities generally have administrative requirements for theses funds. Historically, Colorado School of Mines has recorded this Pell grant activity as operating revenue. The Colorado State Controller's Office also recommended that public institutions in the State continue to reflect Pell grant activity as operating revenue. Consequently, since implementation guidance and industry practice are both level D GAAP and there are differences in practice, Colorado School of Mines has decided to continue reporting Pell grant activity as operating revenue in its 2009 financial statements. For the fiscal year ended June 30, 2009, the Colorado School of Mines recorded approximately $1.64 million of Pell grant revenue.

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of financial statement preparation by management, based on its judgments. The following areas involve significant areas of such estimates for which we are prepared to discuss management's estimation process and our procedures for testing the reasonableness of those estimates:

- Allowance for doubtful accounts for accounts receivable, federal and state grants receivable, other receivables and loans to students
- Accrued compensated absences
- Estimated useful lives of capital assets
- Fair value of investments
- Accrued pollution remediation obligations

Financial Statement Disclosures

The following areas involve particularly sensitive financial statement disclosures for which we are prepared to discuss the issues involved and related judgments made in formulating those disclosures:

- Revenue recognition

Audit Adjustments

During the course of any audit, an auditor may propose adjustments to financial statement amounts. Management evaluates our proposals and records those adjustments which, in its judgment, are required to prevent the financial statements from being materially misstated. Some adjustments proposed were not recorded because their aggregate effect is not currently material; however, they involve areas in which adjustments in the future could be material, individually or in the aggregate.

Areas in which adjustments were proposed include:

Proposed Audit Adjustments Recorded

- Receivable from Foundation for administration of student loans of approximately $241,000.

Proposed Audit Adjustments Not Recorded

- Attached is a summary of uncorrected misstatements we aggregated during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements as a whole. The effect on the financial statements had these adjustments been recorded would have been to decrease assets as of June 30, 2009 by approximately $622,000, to increase liabilities as of June 30, 2009 by approximately $302,000, to decrease net assets as of June 30, 2009 by approximately $924,000, to increase beginning net assets as of July 1, 2008 by approximately $458,000, and to decrease the change in net assets for the year ended June 30, 2009 by approximately $1,382,000.

Auditor's Judgments About the Quality of the Entity's Accounting Principles

During the course of the audit, we made the following observations regarding the School's application of accounting principles:

- Adoption of Governmental Accounting Standards Board Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*

Disagreements with Management

The following matters involved disagreements which if not satisfactorily resolved would have caused a modified auditor's opinion on the financial statements:

- No matters are reportable

Consultation with Other Accountants

During our audit we became aware that management had consulted with other accountants about the following auditing or accounting matters:

- No matters are reportable

Significant Issues Discussed with Management

Prior to Retention

During our discussion with management prior to our engagement, the following issues regarding application of accounting principles or auditing standards were discussed:

- Debt refunding transactions

During the Audit Process

During the audit process, the following issues were discussed or were the subject of correspondence with management:

- No matters are reportable

Difficulties Encountered in Performing the Audit

Our audit requires cooperative effort between management and the audit team. During our audit, we found significant difficulties in working effectively on the following matters:

- No matters are reportable

Other Material Written Communications

Listed below are other material written communications between management and us related to the audit:

- Management representation letter

This letter is intended solely for the information and use of the Legislative Audit Committee, the Board of Trustees and management of the School and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

November 20, 2009

Colorado School of Mines
ATTACHMENT

This analysis and the attached "Schedule of Uncorrected Misstatements (Adjustments Passed)" reflects the effects on the financial statements if the uncorrected misstatements identified were corrected.

QUANTITATIVE ANALYSIS

	Before Misstatements	Misstatements	Subsequent to Misstatements	% Change
Current Assets	50,408,295	(216,534)	50,191,761	-0.43%
Non-Current Assets	241,993,051	(405,717)	241,587,334	-0.17%
Current Liabilities	(30,570,643)	(242,000)	(30,812,643)	0.79%
Non-Current Liabilities	(120,131,995)	(60,000)	(120,191,995)	0.05%
Current Ratio	1.649		1.629	-1.21%
Total Assets	292,401,346	(622,251)	291,779,095	-0.21%
Net Assets	(141,698,708)	924,251	(140,774,457)	-0.65%
Revenues & Income	(159,636,122)	211,916	(159,424,206)	-0.13%
Expenditures	150,361,416	1,170,587	151,532,003	0.78%
Net Increase	(9,274,706)	1,382,503	(7,892,203)	-14.91%

Client: Colorado School of Mines

Period Ending: June 30, 2009

SCHEDULE OF UNCORRECTED MISSTATEMENTS (ADJUSTMENTS PASSED)

Description	Type of Adjustment (Known or Likely)	Assets: Current DR (CR)	Assets: Non-Current DR (CR)	Liabilities: Current DR (CR)	Liabilities: Non-Current DR (CR)	(X) Non Tax	Revenues & Income DR (CR)	Expenditures DR (CR)	Net Assets (Beg. of year) DR (CR)	Net Effect on Following Year: Net Increase DR (CR)	Net Effect on Following Year: Net Assets DR (CR)
Prior Year PAJEs											
CIP completed in June 2008 but not recorded	Known					x	102,820		(102,820)		
CIP relates to state appropriation for											
construction thus creating a receivable as well											
Current Year PAJEs											
Unsupported tuition A/R balances resulting from	Known	(107,438)				x			107,438		
conversion problems in FY07											
Record effect of prior year capitalized interest	Known					x		51,235	(51,235)		
recorded in current year											
Record preferred stock at fair value in accordance	Known		278,107			x		245,546	(523,653)		
GASB 31.											
Record prior year effect for depreciation expense	Known					x		(57,408)	57,408		
recorded in the current year which should have											
been recorded as expense in the prior year											
Remove capitalized assets that were repair and	Known		(285,181)			x		230,571	54,610		
maintenance but capitalized in 2009. Entry includes	Likely		(398,643)			x		398,643			
related depreciation											
Remove unbilled accounts receivable that is	Known	(109,096)				x	109,096			(109,096)	109,096
overbudget and determined to be uncollectible											
Record liability in accordance with GASB 49 for	Likely				(60,000)	x		60,000			
estimated pollution remediation											
Record 50% of the proposed disallowed costs on	Likely			(242,000)		x		242,000			
an ONR grant due to DHHS audit											
Taxable passed adjustments		[redacted]								(109,096)	109,096
Times (1 - estimated tax rate of 00%)							100%	100%	100%		
Taxable passed adjustments net of tax impact											
Nontaxable passed adjustments		(216,534)	(405,717)	(242,000)	(60,000)		211,916	1,170,587	(458,252)		
Total passed adjustments, net of tax impact (if any)		(216,534)	(405,717)	(242,000)	(60,000)		211,916	1,170,587	(458,252)		

Impact on Net Increase	1,382,503
Impact on Net Assets	924,251

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Colorado School of Mines
(A Component Unit of the State of Colorado)
Audit Report Distribution Summary
Years Ended June 30, 2009 and 2008

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