Colorado School of Mines

Financial Audit – Years Ended June 30, 2010 and 2009

Colorado School of Mines
Years Ended June 30, 2010 and 2009

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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 component unit of the State of Colorado, as of and for the years ended June 30, 2010 and 2009, 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 the Colorado School of Mines Foundation, Incorporated (the Foundation), the discretely presented component unit of the Colorado School of Mines. Those statements were audited by other accountants whose report thereon has been furnished to us, and our opinions, insofar as they relate to the amounts included for the Colorado School of Mines Foundation, Incorporated, are 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 the other accountants, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the discretely presented component unit of the Colorado School of Mines as of June 30, 2010 and 2009, 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.

As discussed in Note 16, in 2010 the School changed its method of accounting for derivatives by retroactively restating prior years' financial statements.

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 11, 2010

Management's Discussion and Analysis

We are pleased to present this financial discussion and analysis of the Colorado School of Mines (the School). It is intended to make the School's financial statements easier to understand and communicate our financial situation in an open and accountable manner. It provides an objective analysis of the School's position and results of operations as of and for the years ended June 30, 2010 and 2009 (Fiscal Years 2010 and 2009, respectively) with comparative information for Fiscal Year 2008. School management is responsible for the completeness and fairness of this discussion and analysis and the financial statements, as well as the underlying system of internal controls.

Understanding the Financial Statements

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

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

- **Statements of Net Assets** present the assets, deferred outflows, liabilities and net assets of the School at a point in time (June 30, 2010 and 2009). Their purpose is to present a financial snapshot of the School. They aid readers in determining the assets available to continue the School's operations; how much the School owes to employees, vendors and investors; and a picture of net assets and their availability for expenditure by the School.

- **Statements of Revenues, Expenses and Changes in Net Assets** present the total revenues earned and expenses incurred by the School for operating, nonoperating and other related activities during a period of time (the years ended June 30, 2010 and 2009). Their purpose is to assess the School's operating and nonoperating activities.

- **Statements of Cash Flows** present the cash receipts and disbursements of the School during a period of time (the years ended June 30, 2010 and 2009). Their purpose is to assess the School's ability to generate net cash flows and meet its obligations as they come due.

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

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

Financial Highlights

Sustained increases in net assets over time is one indicator of financial health. For the past two years, the School has had increases in its total net assets. For Fiscal Years 2010 and 2009, the School's net assets have increased by approximately $19,334,000 and $9,275,000, respectively. For Fiscal Year 2010, the net increase is primarily due to a 65% increase in the School's unrestricted net assets arising from an increase in the School's Income Before Other Revenues. This increase resulted from the School's positive operating performance in addition to realized and unrealized investment income of $5,684,000. The increase in Fiscal Year 2009 is also due primarily to nonoperating sources including contributions from the Foundation and capital related revenues.

The School's total operating revenues increased 4.0% and 8.0% for Fiscal Years 2010 and 2009, respectively. Tuition and fees remain a major source of revenue to the School representing 49.3% and 46.9% of total operating revenues for Fiscal Years 2010 and 2009, respectively. The increase in overall tuition resulted from the School having a larger incoming class for the past two years, combined with an increase in tuition rates and resident and non-resident enrollment in each of the past two years as shown in Tables 9 and 10. The tuition and fee increase from Fiscal Year 2009 to Fiscal Year 2010 was also impacted by the State's reduction in student stipends funded by the College Opportunity Fund (COF) from $92 per credit hour in Fiscal Year 2009 to $68 per credit hour in Fiscal Year 2010. The student stipend decreased further to $44 per credit hour during Fiscal Year 2010, but under State statutes, the School is not permitted to bill students for mid-year decreases in COF funding. For Fiscal Year 2010, this decrease in student stipends resulted in $3,725,000 less in State funding for the School.

Fiscal Year 2010 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 $6,420,000, or 48.4%, as a result of overall State cuts in funding to higher education. This decrease, along with the decrease in the COF funding, was backfilled by Federal State Fiscal Stabilization Funds which increased in Fiscal Year 2010 in the amount of $8,199,000.

Funding of the School's research enterprise increased by 11.3% primarily as a result of increased funding from federal agencies. The School achieved record research award volume in Fiscal Years 2010 and 2009 of $53,600,000 and $51,400,000, respectively, which surpassed the School's Strategic Plan goal of $50 million by Fiscal Year 2014.

Operating expenses increased by 7.3% in Fiscal Year 2010 with the majority of that increase coming from increases in research and operation and maintenance of plant which is primarily due to certain renovations and necessary land improvements. The remainder of the School's operating expenses remained relatively flat; this is in line with the management's cost containment efforts. Recognizing the state of the national and State of Colorado economies, in early Fiscal Year 2009 and continuing into Fiscal Year 2010, the School put in place cost containment measures in order to protect the School's financial position from the ensuing budget cuts. These measures included a hiring freeze, salary freezes, travel restrictions, as well as restrictions on any non-mandatory spending.

Funding from the School's Foundation declined slightly in 2010 with $9,212,000 in gifts coming to the School; a 12.1% decrease from the prior year. Donations made directly to the School, however increased from the prior year by $286,454 or 95.6%. The state provided support to the School for capital and deferred maintenance funds in 2010 at $6,060,000 compared to $4,696,000 in the prior year, an increase of 29.0%. This increase is primarily associated with state certificates of participation, which is funding approximately 20% of the Brown Hall addition.

Statements of Net Assets

Table 1 - Condensed Statements of Assets, Deferred Outflows, Liabilities and Net Assets demonstrates that the School has grown over the past two years. Analysis of the School's deferred outflows, capital assets and related debt is included in the section Capital Assets and Debt Management, while this section provides analysis of the School's noncapital assets and other liabilities.

Table 1 - Condensed Statements of Assets, Deferred Outflows. Liabilities and Net Assets as of June 30, 2010, 2009 and 2008

				Increase (Decrease)			
				2010 vs 2009		2009 vs 2008	
	2010	2009	2008	Amount	Percent	Amount	Percent
Assets							
Current Assets	$ 72,052,181	50,408,295	44,913,807	$ 21,643,886	42.9%	$ 5,494,488	12.2%
Noncurrent, Noncapital Assets	110,385,214	66,555,901	66,663,932	43,829,313	65.9%	(108,031)	(0.2%)
Net Capital Assets	184,871,224	175,437,150	165,761,561	9,434,074	5.4%	9,675,589	5.8%
Total Assets	**$ 367,308,619**	**292,401,346**	**277,339,300**	**$ 74,907,273**	**25.6%**	**$ 15,062,046**	**5.4%**
Deferred Outflows	**$ 7,778,274**	**7,462,279**	**-**	**$ 315,995**	**4.2%**	**$ 7,462,279**	**-**

				Increase (Decrease)			
				2010 vs 2009		2009 vs 2008	
	2010	2009	2008	Amount	Percent	Amount	Percent
Liabilities							
Current Liabilities	$ 42,343,432	30,570,643	27,673,589	$ 11,772,789	38.5%	$ 2,897,054	10.5%
Noncurrent Liabilities	171,710,777	127,594,274	117,241,709	44,116,503	34.6%	10,352,565	8.9%
Total Liabilities	**$ 214,054,209**	**158,164,917**	**144,915,298**	**$ 55,889,292**	**35.3%**	**$ 13,249,619**	**9.1%**
Net Assets							
Invested in Capital Assets Net of Related Debt	$ 102,273,700	102,095,339	92,016,447	$ 178,361	0.2%	$ 10,078,892	11.0%
Restricted for Nonexpendable Purposes	1,506,498	1,386,274	1,644,331	120,224	8.7%	(258,057)	(15.7%)
Restricted for Expendable Purposes	10,864,768	8,658,968	8,657,181	2,205,800	25.5%	1,787	0.02%
Unrestricted	46,387,718	29,558,127	30,106,043	16,829,591	56.9%	(547,916)	(1.8%)
Total Net Assets	**$ 161,032,684**	**141,698,708**	**132,424,002**	**$ 19,333,976**	**13.7%**	**$ 9,274,706**	**7.0%**

In analyzing the School's noncapital assets, unrestricted cash comprises approximately 73.4% and 69.1% of the School's current assets and restricted cash comprises approximately 82.9% and 75.9% of noncurrent, noncapital assets as of June 30, 2010 and 2009, respectively. The majority of the School's cash and restricted cash are held at the State Treasurer. The restricted cash primarily represents unspent revenue bond proceeds that will be used for capital related activity. The Statements of Cash Flows provide additional information on where cash is received and used by the School. The School's non-debt related liabilities comprise 24.5% and 27.2% of the total liabilities, which equals $52,293,000 and $42,959,000 as of June 30, 2010 and 2009, respectively. The largest three categories of non-debt related liabilities are deferred grants and contracts revenue, accrued salaries and benefits, and payables to vendors. Accrued salaries and benefits represent amounts earned by School employees, primarily for June payroll, but not paid as of fiscal year-end.

Deferred grants and contracts revenue represents amounts paid by grantors and contractors for which the School has not met all of the requirements for revenue recognition. These amounts will be recognized as revenue in future periods after all requirements have been satisfied. See Notes 5 and 6 for additional information.

The School's net assets may have restrictions imposed by external parties, such as donors, or by their nature are invested in capital assets (property, plant and equipment). To help understand these restrictions, the School's net assets are shown in three categories.

- The largest category of the net assets relates to the School's investment in capital assets, net of the related debt issued to fund the purchase or construction of those assets. This category comprises 63.5% and 72.1% of net assets for Fiscal Years 2010 and 2009, respectively. These net capital assets represents investment in campus facilities and equipment, net of related accumulated depreciation, necessary to carry out the baccalaureate and graduate research mission of the School.

- Restricted nonexpendable net assets represent gift funds received from donors whereby the donor has specified the original principal be set aside for perpetual investment (endowment). The majority of the endowment assets benefiting the School are held and managed by the Colorado School of Mines Foundation, Incorporated (the Foundation), which is a discretely presented component unit (Note 1) and are not included in the above table.

- Restricted expendable net assets represent funds received for specific purposes, but allow the School to fully expend those funds in accordance with the purposes identified by the entity providing the funds. These net assets also include investment earnings on endowments. Over the past three fiscal years, the School's nonexpendable and expendable net assets have remained fairly constant. The $2,206,000 increase in restricted for expendable purposes in Fiscal Year 2010 was primarily the result of one large estate gift received for $1,387,000.

The unrestricted net assets represents the amount available for spending for any lawful purpose and under the full discretion of management. In some instances, management or the board has placed internal designations on the use of these funds.

Statements of Revenues, Expenses and Changes in Net Assets

Table 2 - Condensed Statements of Revenues, Expenses and Changes in Net Assets present the financial activity of the School during the fiscal year. A key component of these statements is the differentiation between operating and nonoperating activities. Operating revenues are earned by providing goods and services to the various students and constituencies of the School. Operating expenses are paid to acquire or produce goods and services necessary to carry out the mission of the School for which the School earns operating revenues. Nonoperating revenues are received when goods and services are not provided.

Table 2 - Condensed Statements of Revenues, Expenses and Changes in Net Assets for Years Ended June 30, 2010, 2009 and 2008

				Increase (Decrease)			
				2010 vs 2009		2009 vs 2008	
	2010	2009	2008	Amount	Percent	Amount	Percent
Operating Revenues	$ 139,227,020	133,908,814	123,945,746	$ 5,318,206	4.0%	$ 9,963,068	8.0%
Operating Expenses	156,578,734	145,869,124	131,979,775	10,709,610	7.3%	13,889,349	10.5%
Operating Loss	(17,351,714)	(11,960,310)	(8,034,029)	(5,391,404)	45.1%	(3,926,281)	48.9%
Nonoperating Revenues (net of expenses)	26,289,700	12,620,157	9,491,265	13,669,543	108.3%	3,128,892	33.0%
Income before Other Revenues, Expenses, Gains, or Losses	8,937,986	659,847	1,457,236	8,278,139	1254.6%	(797,389)	(54.7%)
Other Revenues	10,395,990	8,614,859	3,974,098	1,781,131	20.7%	4,640,761	116.8%
Increase in Net Assets	19,333,976	9,274,706	5,431,334	10,059,270	108.5%	3,843,372	70.8%
Net Assets, Beginning of Year	141,698,708	132,424,002	126,992,668	9,274,706	7.0%	5,431,334	4.3%
Net Assets, End of Year	**$ 161,032,684**	**141,698,708**	**132,424,002**	**$ 19,333,976**	13.6%	**$ 9,274,706**	7.0%

Table 3 - Operating and Nonoperating Revenues for the Years Ended June 30, 2010, 2009 and 2008 provide gross operating and nonoperating (noncapital) revenues by major sources. As Table 3 shows, the School has experienced increases in all sources of operating revenues for the past two years except the fee-for-service contract. The increase in student tuition and fees reflects a combination of increases in enrollment and tuition rates. The increase in Grants and Contracts revenue of 11.3% and 7.3% in the last two years reflects the School's commitment to increase its focus and national role as a research institution. Revenue from the Federal government represents approximately 63.5% and 59.8% of total grants and contracts revenue for Fiscal Years 2010 and 2009, respectively. These sources also benefit the School in that the contracts generally allow for reimbursement of most of its related administrative and facility overhead costs. In Fiscal Years 2010 and 2009, the School received approximately $9,712,000 and $8,447,000, respectively, of such administrative and facility overhead costs reimbursements. The School pledges this reimbursement along with other auxiliary revenues to satisfy it bond obligations, which are commonly referred to as pledged revenues.

COF provides stipends to qualified undergraduate students; the receiving students then use the stipends to pay a portion of their tuition. The anticipated COF funding is incorporated into the School's student tuition and fees rates. In Fiscal Years 2010 and 2009, the School applied $3,746,000 and $7,413,000, respectively, of COF stipends against student bills. The decrease from 2009 to 2010 represented the state reduction of the per credit hour stipend allotted per student. In addition, the Colorado Department of Higher Education purchased $6,420,000 less in services, in the form of the fee-for-service contract, from the School in Fiscal Year 2010 compared to Fiscal Year 2009.

Table 3 - Operating and Nonoperating Revenues for Years Ended June 30, 2010, 2009 and 2008

				Increase (Decrease)			
				2010 vs 2009		2009 vs 2008	
	2010	2009	2008	Amount	Percent	Amount	Percent
Operating Revenues							
Student Tuition and Fees	$ 68,613,109	62,775,981	56,588,166	$ 5,837,128	9.3%	$ 6,187,815	10.9%
Grants and Contracts	48,284,986	43,399,697	40,432,277	4,885,289	11.3%	2,967,420	7.3%
Fee for Service	6,847,859	13,267,682	14,658,014	(6,419,823)	(48.4%)	(1,390,332)	(9.5%)
Auxiliary Enterprises, Net	13,144,782	12,544,504	11,669,976	600,278	4.8%	874,528	7.5%
Other Operating	2,336,284	1,920,950	597,313	415,334	21.6%	1,323,637	221.6%
Total Operating Revenues	139,227,020	133,908,814	123,945,746	5,318,206	4.0%	9,963,068	8.0%
Nonoperating Revenues							
Gifts	9,798,445	10,774,980	11,270,277	(976,535)	(9.1%)	(495,297)	(4.4%)
Investment Income (Loss), Net	5,684,354	(103,893)	1,608,323	5,788,247	5571.4%	(1,712,216)	106.5%
State Fiscal Stabilization Funds	12,643,073	4,443,761	-	8,199,312	184.5%	4,443,761	-
Federal Nonoperating	3,148,801	1,639,659	1,437,331	1,509,142	92.0%	202,328	14.1%
Additions to Permanent Endowments	664,567	1,759,808	-	(1,095,241)	(62.2%)	1,759,808	-
Other Nonoperating, net	51,606	357,942	(216,408)	(306,336)	(85.6%)	574 ,350	265.4%
Total Nonoperating Revenues	31,990,846	18,872,257	14,099,523	13,118,589	69.5%	4,772,734	33.9%
Total Revenues (noncapital)	**$ 171,217,866**	**152,781,071**	**138,045,269**	**$ 18,436,795**	12.1%	**$ 14,735,802**	10.7%

The School has seen declines in it gift revenues of approximately 9.1% and 4.4% in the last two fiscal years. Gifts primarily include amounts received through distributions from the School's supporting foundation. The decrease in nonoperating gift revenue for Fiscal Year 2010 is offset by an increase in capital gifts of $1,512,000, or 70%, over the prior year. In Fiscal Year 2010, the School received a $1,387,000 capital gift to be used towards the construction of the School's new petroleum engineering building, Marquez Hall. The School also experienced declines in investment revenue from Fiscal Year 2008 to 2009 of $1,712,000, while experiencing an increase from Fiscal Year 2009 to 2010 of $5,788,000. These significant changes are primarily the result of the ongoing changes in the fair market value of the School's investments held by the Foundation and amounts held by the State Treasurer. The School experienced unrealized gains of $3,695,000 and unrealized losses of $1,656,000 in Fiscal Years 2010 and 2009, respectively. The unrealized activity is offset by realized investment earnings in Fiscal Years 2010 and 2009 of $1,989,000 and $1,552,000, respectively.

On February 17, 2009, the American Recovery and Reinvestment Act of 2009 (ARRA) was signed into law. The act is a $787 billion economic package designed to stimulate the national economy out of a continued recession. Included in the package was $144 billion of federal funds allocated to State governments, via the State Fiscal Stabilization Fund (SFSF) to mitigate the impacts of cuts to their budgets as a result of the recession. The State of Colorado received $760 million from SFSF over a three year period, of which $622 million was allocated for education stabilization. For Fiscal Years 2010 and 2009, the School received $12,643,000 and $4,444,000, respectively, to replace an equal amount of State funding cuts from COF in the form of reduced student stipends and reduced fee-for-service contracts.

The functional uses of resources displayed in Table 4 - Operating Expenses by Function demonstrate that the focus of the School has not changed over the past three years. Total operating expenses have increased by 7.3% and 10.5% during Fiscal Years 2010 and 2009, respectively.

Table 4 - Operating Expenses by Function for Years Ended June 30, 2010, 2009 and 2008

				Increase (Decrease)			
				2010 vs 2009		2009 vs 2008	
	2010	2009	2008	Amount	Percent	Amount	Percent
Instruction	$ 48,524,251	48,228,445	43,282,483	$ 295,806	0.6%	$ 4,945,962	11.4%
Research	39,173,790	34,335,012	31,848,176	4,838,778	14.1%	2,486,836	7.8%
Academic Support	10,048,260	10,418,180	10,121,649	(369,920)	(3.6%)	296,531	2.9%
Student Services	3,790,635	3,456,363	3,216,608	334,272	9.7%	239,755	7.4%
Institutional Support	10,552,500	11,498,493	8,968,066	(945,993)	(8.2%)	2,530,427	28.2%
Auxiliary Enterprises	16,316,239	15,445,315	13,968,737	870,924	5.6%	1,476,578	10.6%
Operation and Maintenance of Plant	17,299,077	12,079,295	10,642,778	5,219,782	43.2%	1,436,517	13.5%
Scholarships and Fellowships	441,568	549,197	790,004	(107,629)	(19.6%)	(240,807)	(30.5%)
Depreciation and amortization	10,432,414	9,858,824	9,141,274	573,590	5.8%	717,550	7.9%
Total Operating Expenses	**$ 156,578,734**	**145,869,124**	**131,979,775**	**$ 10,709,610**	**7.3%**	**$ 13,889,349**	**10.5%**

Instruction increased only 0.6% in Fiscal Year 2010 compared to 11.4% in Fiscal Year 2009 which reflects the School's cost containment efforts in anticipation of further cuts in the State's support of higher education in Fiscal Year 2012. Research expenses (excluding capital purchases) increased 14.1% and 7.8% in each of the past two fiscal years which was a direct result of increased research activity on campus. Institutional support decreased in Fiscal Year 2010 by $945,993, or 8.2%, compared to an increase in Fiscal Year 2009 by 28.2%. This also reflects the School's cost containment measures undertaken in Fiscal Year 2010. The increase in Fiscal Year 2009 was a result of increased legal, insurance and audit costs, work study expenses, health benefits and other centrally related expenses. Auxiliary enterprises increased 5.6% and 10.6% in each of the past two fiscal years primarily due to increased repairs and maintenance and utilities costs. Operation and maintenance of plant increased 43.2% and 13.5% for several factors. In Fiscal Year 2010, the School recorded $1,779,000 of expenses associated with the environmental assessment and response at the Colorado School of Mines Research Institute (CSMRI) site south of Clear Creek and the remainder is primarily associated with various campus funded controlled maintenance projects. For Fiscal Year 2009, the increase was primarily the result of an increase in utility costs. The decrease of 19.6% and 30.5% in scholarships and fellowships for Fiscal Years 2010 and 2009, respectively, does not reflect the actual resources dedicated to student aid. This trend indicates that more of the School's student aid resources are being applied to students' accounts and netted against tuition and fee revenue as scholarship allowance and less is being disbursed out to students. The School's scholarship allowance was $16,723,000 and $13,276,000 in Fiscal Years 2010 and 2009, respectively.

Capital Assets and Debt Management

As indicated in Table 5 - Capital Asset Categories, the School's capital assets consist of land, construction in progress, buildings and improvements, equipment, library materials, and intangible assets with a gross book value of $313,096,000 and $294,271,000 at June 30, 2010 and 2009, respectively, offset by accumulated depreciation of $128,224,000 and $118,834,000, respectively. The Fiscal Year 2010 increase in construction in progress of $11,265,000 is primarily due to planning and construction costs incurred for several large construction projects that are either underway or due to break ground in Fiscal Year 2011 as detailed in Table 6 - Current Capital Construction Projects. The increase in buildings and improvements of $5,641,000 in Fiscal Year 2010 is the result of the completion of 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. Further detail regarding capital asset activity can be found in Note 4.

Table 5 - Capital Asset Categories (before depreciation) as of June 30, 2010, 2009 and 2008

				Increase (Decrease)			
				2010 vs 2009		2009 vs 2008	
	2010	2009	2008	Amount	Percent	Amount	Percent
Land	$ 3,257,449	3,224,144	3,224,144	$ 33,305	1.0%	$ -	0.0%
Construction in Progress	21,420,708	10,155,263	5,347,088	11,265,445	110.9%	4,808,175	89.9%
Buildings and Improvements	238,191,989	232,551,473	224,548,168	5,640,516	2.4%	8,003,305	3.6%
Equipment	37,213,637	35,435,669	30,965,665	1,777,968	5.0%	4,470,004	14.4%
Library and Other Collections	12,411,906	12,304,688	12,109,846	107,218	0.9%	194,842	1.6%
Intangible	600,000	600,000	-	-	-	600,000	-
Total Capital Assets (gross)	**$ 313,095,689**	**294,271,237**	**276,194,911**	**$ 18,824,452**	**6.4%**	**$ 18,076,326**	**6.5%**

Table 6 - Current Capital Construction Projects as of June 30, 2010

Project Description	Financing Sources	Value
Brown Hall	Bond proceeds, State Certificates of Participation	$ 31,400,000
Marquez Hall	Gifts	26,600,000
Marquez classroom	Student Fees	11,000,000
New residence hall	Bond proceeds	27,488,000
Weaver Towers renovation	Bond proceeds	10,000,000
Green Center improvements	State capital appropriations	3,397,000
Student Health & Wellness Center	Bond proceeds	2,800,000
Ford parking lot	Parking fee revenues	1,246,000
Campus fire safety improvements	State capital appropriations	1,015,000
Replace failed corroded piping	State capital appropriations	953,000
Brooks Field turf replacement	Campus cash resources	950,000
Volk Gym wind tunnel and wrestling	Campus cash resources/ Grants	932,000
Hill Hall REMRSEC renovation	Campus cash resources	803,000
USGS data center remodel	Campus cash resources	438,000

The School's long-term obligations are comprised principally of various revenue bonds issued to finance construction of capital assets discussed above. As of June 30, 2010 and 2009, net revenue bonds payable of $160,950,000 and $109,811,000, respectively, were outstanding. During Fiscal Year 2010, the School issued $68,005,000 of new and refunding debt. The proceeds of the debt issuance are being used to finance construction activity across the campus and to refinance existing variable rate debt to fixed rate debt and terminate an interest rate swap agreement associated with the variable rate debt. Of the debt issued in Fiscal Year 2010, $42,860,000 qualified as Taxable Build America Bonds (BAB) under ARRA. As qualified BAB, the School expects to receive a cash subsidy payment from the United States Treasury, referred to as Federal Direct Payments, equal to 35% of the interest payable on the bonds on or around each interest payment date.

In accordance with new accounting standards, the School is required to separately identify the change in the fair market value of derivative instruments in a new section called Deferred Outflows. As discussed more fully in Note 8, the School had entered into two interest rate swap agreements associated with the Series 2008A and 2008B variable rate debt to hedge against possible future increases in debt service cash flow requirements resulting from interest rate increases. During Fiscal Year 2010, the School issued new fixed rate revenue bonds and a portion of the proceeds were used to make a $2,444,000 swap termination payment to terminate the swap associated with the Series 2008B bonds. As of June 30, 2010 and 2009, the remaining swap agreement had a fair market value of ($7,778,000) and ($7,462,000), respectively. Further detail regarding the School's long-term liabilities can be found in Note 8.

Factors Impacting Future Periods

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

The challenges facing the State's budget will continue to impact the School in Fiscal Years 2011, 2012 and likely beyond. While the School's total appropriated budget increased by $6,840,000 from Fiscal Year 2010 to 2011, actual state funding, in the form of student stipends, a fee-for-service revenue contract, and State Fiscal Stabilization Funds, decreased by $1,781,000, as shown in Table 7 - State Operating Support.

Table 7 - State Operating Support

Fiscal Year	Amount of State Support *	State Fiscal Stabilization Funds	Total State Operating Support	Total Operating Revenues	% of Total State Operating Support to Total Operating Revenues
2011**	$ 18,793,625	2,662,620	21,456,245	-	-
2010	10,594,313	12,643,073	23,237,386	139,227,020	17%
2009	20,680,349	4,443,761	25,124,110	133,908,814	19%
2008	21,723,922	-	21,723,922	123,945,746	18%

* State support includes student stipends and fee-for-service contract funded from the College Opportunity Fund.
**Fiscal Year 2011 based on amounts included in the State's Long Appropriation Act (Long Bill).

To offset the continued and anticipated further decreases in State funding, the School increased tuition in Fiscal Year 2011 by 9% for residents and 5% for non-residents. Table 8 - Full Time Tuition and Room and Board Charges per Year provides a trend of tuition and room and board charges for the past four academic years.

Table 8 - Full Time Tuition and Room and Board Charges per Year

Academic Year	Annual Full-time Tuition Rates: Residents	Annual Full-time Tuition Rates: Non-residents	Annual Room and Board (avg.): Double	Annual Room and Board (avg.): Single	Annual Room and Board (avg.): Meal Plan
2011	$ 11,550	25,980	4,385	5,192	3,926
2010	10,590	24,750	4,176	4,945	3,775
2009	9,810	23,820	3,996	4,732	3,630
2008	8,765	21,750	3,880	4,595	3,455

The increase in tuition rates combined with enrollment changes have a significant impact on the School's ability to provide the quality of education expected by our students. Table 9 - Fall Enrollment Trends presents undergraduates, graduate and combined enrollments for each of the last three years. Table 10 - Fall Semester Undergraduate Admissions Trends highlights the School's ability to attract freshmen students. As demonstrated by the two tables below, the School has been successful in attracting new students and retaining existing students.

Table 9 - Fall Enrollment Trends

	Undergraduates			Graduate Studies			Combined		
Academic Year	Residents	Non-residents	Total	Residents	Non-residents	Total	Residents	Non-residents	Total
2010	2,866	1,043	3,909	473	293	766	3,339	1,336	4,675
2009	2,744	936	3,680	400	245	645	3,144	1,181	4,325
2008	2,683	840	3,523	402	211	613	3,085	1,051	4,136

Table 10 - Fall Semester Undergraduate Admissions Trends

Fall of Year	Number of Applicants	Number Accepted	Percent Accepted	Number Committed	Percent Committed
2010	10,436	4,709	45.1%	957	20.3%
2009	7,710	4,704	61.0%	975	20.7%
2008	7,072	4,305	60.9%	905	21.0%

The School is preparing and planning for additional cuts in the State's budget for Fiscal Year 2011, for Fiscal Year 2012 when the ARRA funding expires, and beyond. It is possible that the School will be facing a dramatic shortfall in revenue due to the potential 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 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 and freshmen enrollment for the previous and current academic year. Also, the School is experiencing record growth in research awards. Fiscal Year 2009 had been the School's highest research award volume at $51,400,000. That was surpassed in Fiscal Year 2010 by $2,200,000 to $53,600,000. 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, however, the School is not utilizing tuition revenue to repay 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 ability to attract high quality students by providing high quality academic programs. To that end, management 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 its 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

Statements of Net Assets

June 30, 2010 and 2009

	2010		2009	
	School	Component Unit	School	Component Unit
Assets				
Current Assets				
Cash and cash equivalents	$ 52,914,451	10,666,151	34,822,459	8,344,092
Investments	-	142,062	-	125,833
Accounts & loans receivable, net	18,862,588	7,890,307	15,442,174	7,762,820
Inventories	103,896	-	108,340	-
Other assets	171,246	-	35,322	-
Total Current Assets	**72,052,181**	**18,698,520**	**50,408,295**	**16,232,745**
Noncurrent Assets				
Restricted cash and cash equivalents	91,546,594	951,822	50,503,934	451,678
Investments	12,314,284	182,011,184	9,926,292	161,766,546
Loans receivable	5,105,775	11,808,258	5,120,536	17,501,949
Other assets	1,418,561	355,560	1,005,139	280,450
Capital assets, net	184,871,224	39,905	175,437,150	26,633
Total Noncurrent Assets	**295,256,438**	**195,166,729**	**241,993,051**	**180,027,256**
Total Assets	**$ 367,308,619**	**213,865,249**	**292,401,346**	**196,260,001**
Total Deferred Outflows	**$ 7,778,274**	**-**	**7,462,279**	**-**
Liabilities				
Current Liabilities				
Accounts payable and accrued liabilities	$ 16,878,578	1,283,576	12,486,972	776,526
Accrued compensated absences	429,387	-	392,359	-
Deferred revenue	18,221,372	-	15,211,648	-
Bonds, notes, & leases payable	4,482,899	-	1,793,154	4,285,000
Other liabilities	2,331,196	-	686,510	-
Total Current Liabilities	**42,343,432**	**1,283,576**	**30,570,643**	**5,061,526**
Noncurrent Liabilities				
Accrued compensated absences	4,273,343	-	4,202,066	-
Deferred revenue	-	-	458,333	-
Bonds, notes, & leases payable	157,277,829	-	113,412,630	-
Other liabilities	10,159,605	23,407,728	9,521,245	21,595,223
Total Noncurrent Liabilities	**171,710,777**	**23,407,728**	**127,594,274**	**21,595,223**
Total Liabilities	**$ 214,054,209**	**24,691,304**	**158,164,917**	**26,656,749**
Net Assets				
Invested in capital assets, net of related debt	$ 102,273,700	39,905	102,095,339	26,633
Restricted for nonexpendable purposes				
Scholarships and fellowships	866,134	65,250,142	793,564	58,756,714
Other	640,364	55,618,430	592,710	51,924,974
Total restricted for nonexpendable purposes	1,506,498	120,868,572	1,386,274	110,681,688
Restricted for expendable purposes				
Scholarships and fellowships	2,348,655	7,444,993	1,889,577	6,891,223
Loans	4,820,951	1,177,810	4,807,324	1,165,152
Research	267,668	1,176,788	366,549	748,068
Capital projects	1,806,713	10,171,492	378,798	6,595,854
Other	1,620,781	30,249,826	1,216,720	30,164,679
Total restricted for expendable purposes	10,864,768	50,220,909	8,658,968	45,564,976
Unrestricted	46,387,718	18,044,559	29,558,127	13,329,955
Total Net Assets	**$ 161,032,684**	**189,173,945**	**141,698,708**	**169,603,252**

The accompanying notes are an integral part of the financial statements

Colorado School of Mines

Statements of Revenues, Expenses and Changes in Net Assets

Years Ended June 30, 2010 and 2009

	2010		2009	
	School	Component Unit	School	Component Unit
Operating Revenues				
Tuition and fees, (net of scholarship allowance of $16,445,436 in 2010 and $13,066,480 in 2009)	$ 68,613,109	-	62,775,981	-
Fee for Service	6,847,859	-	13,267,682	-
Federal grants and contracts	30,650,981	-	25,956,735	-
State grants and contracts	2,583,977	-	2,487,015	-
Nongovernmental grants and contracts	15,050,028	-	14,955,947	-
Auxiliary enterprises, (net of scholarship allowance of $278,058 in 2010 and $209,955 in 2009)	13,144,782	-	12,544,504	-
Contributions	-	13,605,141	-	36,929,805
Other operating revenues	2,336,284	250,320	1,920,950	218,208
Total Operating Revenues	**139,227,020**	**13,855,461**	**133,908,814**	**37,148,013**
Operating Expenses				
Instruction	48,524,251	-	48,228,445	-
Research	39,173,790	-	34,335,012	-
Academic support	10,048,260	-	10,418,180	-
Student services	3,790,635	-	3,456,363	-
Institutional support	10,552,500	13,591,730	11,498,493	15,108,833
Auxiliary enterprises	16,316,239	-	15,445,315	-
Operation and maintenance of plant	17,299,077	-	12,079,295	-
Scholarships and fellowships	441,568	-	549,197	-
Depreciation and amortization	10,432,414	25,127	9,858,824	22,959
Total Operating Expenses	**156,578,734**	**13,616,857**	**145,869,124**	**15,131,792**
Operating Income (Loss)	**(17,351,714)**	**238,604**	**(11,960,310)**	**22,016,221**
Nonoperating Revenues (Expenses)				
Contributions from the Foundation	9,212,382	-	10,475,371	-
Contributions	586,063	-	299,609	-
Investment income (loss)	5,684,354	19,332,089	(103,893)	(25,967,317)
Interest on capital asset-related debt	(5,006,503)	-	(4,356,341)	-
Loss on disposal of assets	(30,076)	-	(135,951)	-
Federal state fiscal stabilization funds	12,643,073	-	4,443,761	-
Federal nonoperating revenue	3,148,801	-	1,639,659	-
Other nonoperating revenue	51,606	-	357,942	-
Net Nonoperating Revenues (Expenses)	**26,289,700**	**19,332,089**	**12,620,157**	**(25,967,317)**
Income (Loss) Before Other Revenues	**8,937,986**	**19,570,693**	**659,847**	**(3,951,096)**
Capital appropriations from state	800,509	-	3,510,345	-
Capital contributions from state	5,259,608	-	1,185,615	-
Capital grants and gifts	3,671,306	-	2,159,091	-
Additions to permanent endowments	664,567	-	1,759,808	-
Total Other Revenues	**10,395,990**	**-**	**8,614,859**	**-**
Increase (Decrease) in Net Assets	**19,333,976**	**19,570,693**	**9,274,706**	**(3,951,096)**
Net Assets, Beginning of Year	**141,698,708**	**169,603,252**	**132,424,002**	**173,554,348**
Net Assets, End of Year	**$ 161,032,684**	**189,173,945**	**141,698,708**	**169,603,252**

Colorado School of Mines

Statements of Cash Flows

Years Ended June 30, 2010 and 2009

	2010	2009
Cash Flows from Operating Activities:		
Tuition and fees	$ 69,254,798	63,364,964
Grants and contracts	53,198,302	56,660,375
Collection of loans to students	1,098,387	988,780
Sales of services from auxiliary enterprises	13,052,302	12,769,368
Rental income	1,468,713	1,211,196
Other operating receipts	931,547	603,146
Payments to suppliers	(28,932,490)	(25,631,026)
Scholarships disbursed	(567,830)	(406,245)
Payments to employees	(73,923,174)	(71,302,138)
Payments for employee benefits	(28,179,981)	(24,597,083)
Loans issued to students	(1,025,437)	(1,480,902)
Payments for auxiliary enterprises	(12,888,735)	(11,973,685)
Net cash provided by (used for) operating activities	**(6,513,598)**	**206,750**
Cash Flows from Noncapital Financing Activities:		
Receipts from the Foundation	8,791,704	10,857,154
Gifts and grants for other than capital purposes	1,523,238	410,622
Additions to permanent endowments	664,567	1,759,808
Endowment funds invested with the Foundation	(2,115,910)	-
Federal state fiscal stabilization funds	12,643,073	4,443,761
Federal nonoperating revenue	2,648,983	1,639,659
Direct lending receipts	16,529,141	12,848,672
Direct lending disbursements	(16,546,076)	(12,800,084)
Agency inflows	3,147,050	3,438,787
Agency outflows	(3,196,590)	(3,370,695)
Other payments	-	357,941
Net cash provided by noncapital financing activities	**24,089,180**	**19,585,625**
Cash Flows from Capital & Related Financing Activities:		
Capital gifts	3,624,736	1,257,451
Bond issuance and other loan costs	(575,967)	(638,821)
Acquisition and construction of capital assets	(8,346,555)	(15,319,860)
Proceeds from capital debt and refinancing	68,540,022	28,493,244
Principal payments on capital debt and leases	(20,306,854)	(24,799,892)
Interest payments on capital debt and leases	(3,764,003)	(3,211,071)
Federal subsidy on Build America Bonds	499,818	-
Swap termination payment	(2,444,000)	(1,693,000)
Proceeds from insurance recovery	30,560	107,376
Net cash provided by (used for) capital and related financing activities	**37,257,757**	**(15,804,573)**
Cash Flows from Investing activities:		
Interest and dividends on investments	4,301,313	1,872,953
Net cash provided by investing activities	**4,301,313**	**1,872,953**
Net Increase in cash and cash equivalents	59,134,652	5,860,755
Cash and cash equivalents, July 1	85,326,393	79,465,638
Cash and cash equivalents, June 30	**$ 144,461,045**	**85,326,393**

The accompanying notes are an integral part of the financial statements

Colorado School of Mines

Statements of Cash Flows

Years Ended June 30, 2010 and 2009

	2010	2009
Reconciliation of Operating Loss to Net Cash Provided by (Used for) Operating Activities:		
Operating loss	$ (17,351,714)	(11,960,310)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities		
Depreciation expense	10,432,414	9,858,823
Insurance recoveries	(30,560)	(107,376)
Rent revenue	-	200,000
Investment administration fees	173,784	-
Receipts of items classified as non-operating revenues	51,605	-
Changes in assets and liabilities		
Accounts and loans receivables	(2,870,113)	(2,155,254)
Inventories	4,444	6,012
Other assets	(135,924)	(31,800)
Accounts payable and accrued liabilities	218,369	1,069,583
Deferred revenue	2,551,391	2,404,956
Accrued compensated absences	108,305	921,197
Other liabilities	334,401	919
Net cash provided by (used for) operating activities	**$ (6,513,598)**	**206,750**
Noncash Investing, Capital and Financing Activities:		
Capital assets acquired by donations, state funded, and payable increases	$ 12,170,695	5,729,579
Fair value change in interest rate swap	2,208,507	7,462,279
Unrealized gains (losses) on investments	1,383,042	(1,976,846)
Accretion of interest on deep discount debt	458,557	459,224
Amortization of debt financing costs	490,269	518,057

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

Governance

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

Financial Reporting Entity and Basis of Presentation

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

- Colorado School of Mines Building Corporation was established in June 1976 as a separate corporation under the laws of the State of Colorado. The purpose of the corporation was to build a facility that would house the United States Geological Survey. Upon dissolution, subject to certain provisions, any assets remaining shall be transferred to the School. Separate financial statements are not prepared.

- Colorado School of Mines Development Corporation 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. Upon dissolution, subject to certain provisions, any assets remaining shall be transferred to the School. Separate financial statements are not prepared.

- Mines Applied Technology Transfer Inc (MATTI) was established in 2002 as a separate corporation under the laws of the State of Colorado. The purpose of MATTI, a not-for-profit 501(c)(3), is to further the education, research, development and public services objectives of the School and to further the transfer of newly created technologies from the School to the private sector. The corporation shall be operated exclusively for the benefit of the School. Upon dissolution, subject to certain provisions, any assets remaining shall be transferred to the School. Separate financial statements are not prepared.

Discretely Presented Component Unit

The School's financial statements include one supporting organization as a discretely presented component unit (DPCU) of the School. The majority of the resources, or income thereon that the supporting organization holds and invests are restricted to the activities of the School by the donors. Because these restricted resources held by the supporting organization can only be used by, or for the benefit of, the School, the following supporting organization is considered a DPCU of the School:

- Colorado School of Mines Foundation, Incorporated (the Foundation) is a legally separate entity incorporated under Article 40, Title 7 of the Colorado Revised Statutes of 1973. The Foundation was established in 1928 to promote the welfare, development and growth of the School. The Foundation has a determination letter from the Internal Revenue Service stating it qualifies under Section 501(c)(3) of the Internal Revenue Code as a public charity. Although the School does not control the timing of receipts 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. Separately issued financial statements are available by contacting the Foundation at PO Box 4005, Golden, Colorado, 80401-0005 or telephone (303) 273-3275.

Relationship to State of Colorado

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

Basis of Accounting and Presentation

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

The School applies all applicable Governmental Accounting Standards Board (GASB) pronouncements. The 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 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. Modifications have been made to the Foundation's financial information in the School's financial reporting entity for these differences.

Significant Accounting Policies

Cash and Cash Equivalents

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

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents include amounts whose use is constrained either through external party restrictions or imposition by law. Restricted purposes include gifts, endowments, debt funded project construction and 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. Investments include, but are not limited to, funds managed by the Foundation on behalf of the School.

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

Accounts and Loans Receivables

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

Inventories

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

Bond Issuance Costs

Bond issuance costs incurred on the revenue bond issues have been deferred and are being amortized on a straight-line basis over the life of the bonds.

Capital Assets

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

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

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

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

Assets recorded under capital lease agreements are recorded at the present value of future minimum lease payments and are amortized over either the term of the lease or the estimated useful life of the asset, whichever period is shorter. Such amortization is included as depreciation expense in the accompanying financial statements.

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

Compensated Absences

School policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time-off or, in limited circumstances, as a cash payment. Expense and the related liabilities that are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time-off or in cash. Expense and the related liability for sick leave benefits are recognized when earned to the extent the employee is expected to realize the benefit in cash determined using the termination payment method. Sick leave benefits expected to be realized as paid time-off are recognized as expense when the time-off occurs and no liability is accrued for such benefits employees have earned but not yet realized. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect 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 and fees, for which the School has not provided the associated services, and advances on grants and contract awards for which the School has not met all of the applicable eligibility requirements or services provided.

Bonds, Notes and Leases

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.

The School has 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 (Note 8).

Classification of Revenues

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

> Operating revenues – Operating revenues include activities that have the characteristics of exchange or exchange like transactions, program-specific, or government-mandated non-exchange transactions, such as (1) student tuition and fees, (2) sales and services of auxiliary enterprises, (3) contracts and grants for research activities and (4) interest on student loans.
>
> Nonoperating revenues – Nonoperating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions and other revenue sources that are not deemed operating revenues, including Federal State Fiscal Stabilization Fund (SFSF), Federal Pell revenue, and interest subsidy payments associated with Build America Bonds.

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.

Donor Restricted Endowments

Disbursements of the net appreciation (realized and unrealized) of investments of endowment gifts are permitted by state law, except where a donor has specified otherwise. The amount of earnings and net appreciation available for spending by the School and the Foundation is based on a spending rate set by the Foundation board on an annual basis. For the years ended June 30, 2010 and 2009, the authorized spending rate was equal to the 4.5% of the rolling 36-month average market value of the endowment investments. Earnings in excess of the amount authorized for spending are available in future years and are included in the value of the related investment. Earnings authorized to be spent are recognized in the School's financial statements as investment or gift revenue for School or Foundation-owned endowments, respectively.

Application of Restricted and Unrestricted Resources

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.

Income Taxes

As a state institution of higher education, the income of the School is generally exempt from federal and state income taxes under Section 115(a) of the Internal Revenue Code and a similar provision of state law. However, the School is subject to Federal income tax on any unrelated business taxable income. There was no tax liability related to income generated from activities unrelated to the School's exempt purpose as of June 30, 2010 and 2009.

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.

Reclassifications

Certain 2009 amounts have been reclassified to conform to the 2010 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:

Type		2010	2009
School			
Cash on hand	$	14,568	20,190
Cash with U.S. financial institutions		6,447,779	47,014,188
Cash with State Treasurer		137,998,698	38,292,015
Total Cash and Cash Equivalents-School	**$**	**144,461,045**	**85,326,393**
Discretely Presented Component Unit			
Cash with U.S. financial institutions	$	11,617,973	8,795,770
Total Cash and Cash Equivalents-DPCU	**$**	**11,617,973**	**8,795,770**

Deposits

The School deposits the majority of its cash with the Colorado State Treasurer pursuant to Colorado Revised Statutes (C.R.S.). The State Treasurer pools these deposits and invests them in securities authorized by Section 24-75-601.1, C.R.S. The State Treasury (Treasury) acts as a bank for all state agencies and most state supported institutions of higher education. Moneys deposited in the Treasury are invested until the cash is needed. As of June 30, 2010, the School had cash on deposit with the Treasury of $137,998,698, which represented approximately 2.3% of the total $5,977.9 million fair value of deposits in the State Treasury Pool (Pool).

For financial reporting purposes all of the Treasury's investments are reported at fair value, which is determined based on quoted market prices at fiscal year-end. On the basis of the School's participation in the Pool, the School reports as an increase or decrease in cash for its share of the Treasury's unrealized gains and losses on the Pool's underlying investments. The State Treasurer does not invest any of the Treasury Pool's resources in any external investment pool, and there is no assignment of income related to participation in the Pool. The unrealized gains/losses included in income reflect only the change in fair value for the fiscal year.

Investments in the Treasury's Pool are exposed to custodial credit risk if the securities are uninsured, are not registered in the State's name, and are held by either the counterparty to the investment purchase or the counterparty's trust department or agent but not in the State's name. As of June 30, 2010, none of the investments in the Treasury's Pool are subject to custodial credit risk.

Credit quality risk is the risk that the issuer or other counterparty to a debt security will not fulfill its obligations. This risk is assessed by national rating agencies that assign a credit quality rating for many investments. Credit quality ratings for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not reported; however, credit quality ratings are reported for obligations of U.S. government agencies that are not explicitly guaranteed by the U.S. government. Based on these parameters, as of

June 30, 2010, approximately 88.1% of investments of the Treasury's Pool are subject to credit quality risk reporting. Except for $25,573,200 of corporate bonds rated lower medium and $14,533,750 of corporate bonds rated as speculative, and $14,218,750 of corporate bonds rated as very speculative, these investments are rated from upper medium to the highest quality, which indicates that the issuer has strong capacity to pay principal and interest when due.

Interest rate risk is the risk that changes in the market rate of interest will adversely affect the value of an investment. In addition to statutory limitations on the types of investments, the State Treasurer's investment policy mitigates interest rate risk through the use of maturity limits set to meet the needs of the individual fund if the Treasurer is investing for a specific fund rather than the Pool. The Treasurer actively manages the time to maturity in reacting to changes in the yield curve, economic forecasts, and liquidity needs of the participating funds. The Treasurer further limits investment risk by setting a minimum/maximum range for the percentage of investments subject to interest rate risk and by laddering maturities and credit ratings. As of June 30, 2010, the weighted average maturity of investments in the Treasurer's Pool is 0.04 years for Commercial Paper (3.7% of the Pool), .01 years for Money Market Funds (3.2% of the Pool), 1.3 years for U.S. Government Securities (73.8% of the Pool), 1.36 years for Asset Backed Securities (12.6% of the Pool), and 2.05 years for Corporate Bonds (6.7% of the Pool).

The Treasury's Pool was not subject to foreign currency risk or concentration of credit risk in Fiscal Year 2009-10.

Additional information on investments of the Treasury's Pool may be obtained in the State's Comprehensive Annual Financial Report for the year ended June 30, 2010.

Deposits not with the State Treasury are exposed to custodial credit risk (the risk that, in the event of the failure of a depository financial institution, the government would not be able to recover deposits or would not be able to recover collateral securities that are in the possession of an outside party), if they are not covered by depository insurance (FDIC) and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, except for deposits collateralized by certain types of collateral pools including a single financial institution collateral pool where the fair value of the pool is equal to or exceeds all uninsured public deposits held by the financial institution (The Public Deposit Protection Act) or collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor – government's name. Accordingly, none of the School's deposits as of June 30, 2010 and 2009 are deemed to be exposed to custodial credit risk.

Investments

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

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

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

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. At June 30, 2010 and 2009, no single investment of the School exceeded 5% of the total investments.

Investments at June 30, 2010 and 2009 consisted of the following:

Investment Type	2010	2009
School		
Cash	$ 400,554	5,351
Corporate equity securities	4,258,402	3,749,626
Hedge funds	2,916,220	2,121,650
Private equity	2,059,301	1,924,929
Corporate bonds	2,679,807	2,124,736
Total Investments-School	**$ 12,314,284**	**9,926,292**

Investment Type	2010	2009
Discretely Presented Component Unit		
Cash	$ 5,392,914	2,660,189
Corporate equity securities	52,973,590	50,566,134
Hedge funds	38,228,620	29,241,792
Private equity	26,995,290	26,530,475
Corporate bonds	35,129,492	29,284,334
Split-interest agreements	10,243,619	10,873,466
Gift annuity agreements	5,206,835	5,147,450
Beneficial interest investments	7,723,436	7,311,594
Real estate held for future use	259,450	276,945
Total Investments-DPCU	**$ 182,153,246**	**161,892,379**

The majority of the investments are managed by the Colorado School of Mines Foundation, Incorporated, on behalf of the School and is reflected in its Long-term Investment Pool. 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.

The following table presents the School's rating and duration for its debt securities:

Investment Type	2010	2009
Corporate bonds		
Fair Value	$ 2,679,807	2,124,736
Standard & Poors Rating	AA	AA+
Duration (yrs)	5	2.5 - 7

Note 3: Accounts, Contributions and Loans Receivable

The following table segregates receivables as of June 30, 2010 and 2009, by type:

	2010			
Type of Receivable	Gross Receivables	Allowance	Net Receivable	Net Current Portion
School				
Student accounts	$ 4,177,798	1,027,885	3,149,913	3,149,913
Student loans	5,735,720	144,117	5,591,603	485,828
Federal government	8,784,915	63,211	8,721,704	8,721,704
Other governments	301,127	-	301,127	301,127
Private sponsors	4,715,738	532,077	4,183,661	4,183,661
DPCU	1,430,391	-	1,430,391	1,430,391
Other	589,964	-	589,964	589,964
Total Receivable-School	**$ 25,735,653**	**1,767,290**	**23,968,363**	**18,862,588**
Discretely Presented Component Unit				
Contributions*	$ 16,878,623	-	16,878,623	7,347,467
Due from School	2,819,942	-	2,819,942	542,840
Total Receivable-DPCU	**$ 19,698,565**	**-**	**19,698,565**	**7,890,307**

2009

Type of Receivable		Gross Receivables	Allowance	Net Receivable	Net Current Portion
School					
Student accounts	$	3,801,017	651,272	3,149,745	3,149,745
Student loans		5,746,043	135,935	5,610,108	489,572
Federal government		7,161,410	63,211	7,098,199	7,098,199
Other governments		292,367	-	292,367	292,367
Private sponsors		3,389,738	532,077	2,857,661	2,857,661
DPCU		896,437	-	896,437	896,437
Other		658,193	-	658,193	658,193
Total Receivable-School	**$**	**21,945,205**	**1,382,495**	**20,562,710**	**15,442,174**

Type of Receivable		Gross Receivables	Allowance	Net Receivable	Net Current Portion
Discretely Presented Component Unit					
Contributions*	$	17,896,698	-	17,896,698	3,228,530
Due from School		7,368,071	-	7,368,071	4,534,290
Total Receivable-DPCU	**$**	**25,264,769**	**-**	**25,264,769**	**7,762,820**

*The allowance on the contributions receivable is comprised of uncollectible and unamortized discounts of $370,460 and $461,607, respectively, for June 30, 2010, and $664,010 and $811,217, respectively, as of June 30, 2009.

Note 4: Capital Assets

The following table presents the changes in capital assets and accumulated depreciation by major asset category for the years ended June 30, 2010 and 2009:

Category	Balance 2009	Additions	Deletions	Transfers	Balance 2010
Nondepreciable capital assets					
Land	$ 3,224,144	33,305	-	-	3,257,449
Construction in progress	10,155,263	18,780,291	867,460	(6,647,386)	21,420,708
Total nondepreciable assets	13,379,407	18,813,596	867,460	(6,647,386)	24,678,157
Depreciable capital assets					
Land improvements	9,771,143	-	-	5,236,171	15,007,314
Buildings and improvements	222,780,330	634,063	1,450,044	1,220,326	223,184,675
Equipment	35,435,669	3,328,550	1,741,471	190,889	37,213,637
Library materials	12,304,688	108,923	1,705	-	12,411,906
Intangible assets	600,000	-	-	-	600,000
Total depreciable capital assets	280,891,830	4,071,536	3,193,220	6,647,386	288,417,532
Less accumulated depreciation					
Land improvements	6,128,845	404,433	-	-	6,533,278
Buildings	78,730,466	7,723,713	96,882	-	86,357,297
Equipment	23,187,448	2,785,137	1,674,395	-	24,298,190
Library materials	10,787,328	216,744	1,705	-	11,002,367
Intangible assets	-	33,333	-	-	33,333
Total accumulated depreciation	118,834,087	11,163,360	1,772,982	-	128,224,465
Net depreciable assets	162,057,743	(7,091,824)	1,420,238	6,647,386	160,193,067
Total Net Capital Assets	**$ 175,437,150**	**11,721,772**	**2,287,698**	**-**	**184,871,224**

Category	Balance 2008	Additions	Deletions	Transfers	Balance 2009
Nondepreciable capital assets					
Land	$ 3,224,144	-	-	-	3,224,144
Construction in progress	5,347,088	13,472,755	-	(8,664,580)	10,155,263
Total nondepreciable assets	8,571,232	13,472,755	-	(8,664,580)	13,379,407
Depreciable capital assets					
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
Intangible assets	-	-	-	600,000	600,000
Total depreciable capital assets	267,623,679	6,197,609	1,594,038	8,664,580	280,891,830
Less accumulated depreciation					
Land improvements	5,857,633	271,212	-	-	6,128,845
Buildings	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
Total accumulated depreciation	110,433,350	9,858,824	1,458,087	-	118,834,087
Net depreciable assets	157,190,329	(3,661,215)	135,951	8,664,580	162,057,743
Total Net Capital Assets	**$ 165,761,561**	**9,811,540**	**135,951**	**-**	**175,437,150**

The total interest costs related to capital asset debt incurred by the School during the years ended June 30, 2010 and 2009, was $7,475,929 and $5,710,243, respectively. The School capitalizes interest costs as a component of construction in progress during the period of construction, based on interest costs of borrowing specifically for the project, net of interest earned on investments acquired with the proceeds of the borrowing. The total amount of interest costs capitalized as part of construction in progress during the years ended June 30, 2010 and 2009, was $2,469,426 and $1,353,902, respectively.

Note 5: Accounts Payable and Accrued Liabilities

The following table details the accounts payable and accrued expenses as of June 30, 2010 and 2009:

Type	2010	2009
Accounts payable - vendors	$ 9,202,220	2,800,514
Accrued salaries and benefits	7,193,165	9,413,223
Accrued interest payable	483,193	273,235
Total Accounts Payable and Accrued Liabilities	**$ 16,878,578**	**12,486,972**

The School leases building space under operating lease rental agreements. Operating leases do not give rise to property rights or meet other capital lease criteria, and therefore, the related assets and liabilities are not recorded in the accompanying financial statements. The School entered into the operating lease at the end of Fiscal Year 2010 and no rent costs were paid in the fiscal year. The following table details the future minimum operating lease payments.

Future Minimum Operating Lease Payments

Years Ending June 30	Minimum Lease Payment
2011	$ 57,720
2012	72,988
2013	77,513
2014	82,038
2015	72,136
Total operating lease payments	**$ 362,395**

The School leases office space to an unrelated single tenant. The lease term is 10 years and expires in July 2018. The annual rent payment of $1,292,265 is paid in monthly installments and is recorded as other operating revenue in the Statement of Revenues, Expenses and Changes in Net Assets.

Note 6: Deferred Revenue

The following table details the types and amounts of deferred revenue as of June 30, 2010 and 2009:

	2010		2009	
Type	**Total**	**Current Portion**	**Total**	**Current Portion**
Tuition and fees	$ 4,253,931	4,253,931	2,793,781	2,793,781
Grants and contracts	13,444,998	13,444,998	11,767,867	11,767,867
Miscellaneous	522,443	522,443	1,108,333	650,000
Total Deferred Revenue	**$ 18,221,372**	**18,221,372**	**15,669,981**	**15,211,648**

In June 2001, 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. Deferred revenue for the trademark license totaled $458,333 and $958,333 at June 30, 2010 and 2009, respectively.

Note 7: Compensated Absences

The following table presents the changes in compensated absences for the years ended June 30, 2010 and 2009:

	2010	2009
Beginning of the year	$ 4,594,425	3,673,228
Additions	550,157	1,318,055
Adjustments/reductions	441,852	396,858
End of the year	**$ 4,702,730**	**4,594,425**
Current portion	**$ 429,387**	**392,359**

Note 8: Bonds, Notes and Leases

The School's fixed rate revenue bonds are payable semi-annually, have serial maturities, contain sinking fund requirements and contain optional redemption provisions. The School's variable rate demand bonds are payable annually, contain sinking fund requirements and contain optional redemption provisions. The optional redemption provisions allow the School to redeem, at various dates, portions of the outstanding revenue bonds at varying prices. All School revenue bonds are special limited obligations of the Board. The revenue bonds are not secured by any encumbrance mortgage, or other pledge of property, except pledged revenues and do not constitute general obligations of the Board or School. The revenue bonds are secured by a pledge of all net revenues as defined by the bond documents. As of June 30, 2010 and 2009, net auxiliary pledged revenues, total net pledged revenues, and the associated debt service coverage are shown in the following table. The School's net pledged revenues will continue to be pledged for the life of the associated revenue bonds. The School believes it is in compliance with all existing pledged revenue requirements of its outstanding bonds.

Source of Net Pledged Revenue	**2010**	**2009**
Auxiliary Revenues		
Net auxiliary facilities	$ 5,691,754	4,443,504
Student fees	3,183,736	2,736,722
Renewal and replacement fund	419,662	378,798
Net auxiliary pledged revenues	9,295,152	7,559,024
Auxiliary debt service	2,037,542	2,636,228
Auxiliary debt service coverage	4.56%	2.87%

Source of Net Pledged Revenue	2010	2009
Institutional Enterprise Revenues		
Student tuition	$ 7,376,271	6,670,663
Student facility fees	1,690,995	901,219
Federal indirect cost recovery	9,712,099	8,447,104
Federal interest subsidy	499,818	-
Capital gifts	1,387,051	-
Net Institutional Enterprise Pledged Revenues	20,666,234	16,018,986
Total Net Pledged Revenues	**$ 29,961,386**	**23,578,010**
Total debt service	$ 6,220,765	5,542,993
Total debt service coverage	4.82%	4.25%

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

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

The Series 2009B bonds qualify as Build America bonds for purposes of the American Recovery and Reinvestment Act of 2009 (ARRA) signed into law on February 17, 2009. Pursuant to ARRA, the School expects to receive a cash subsidy payment from the United States Treasury, referred to as Federal Direct Payments, equal to 35% of the interest payable on the bonds on or around each interest payment date. Pursuant to the Colorado Recovery Act, the Board may pledge any Federal Direct Payments received to the payments of the bonds. The Board has pledged such payments to the payment of the Series 2009B bonds. In Fiscal Year 2010, the School received $499,818 in Federal Direct Payments.

The Series 2009A, 2009B, 2009C and 2009D revenue bonds qualify for the State Intercept Program established pursuant to Section 23-5-139 CRS. The State Intercept Program provides for the payment by the State Treasurer of principal and interest due with respect to the revenue bonds issued by state supported institutions of higher education if such institution will not make the payment by the date on which it is due. For Fiscal Year 2010, the School did not invoke the State Intercept Program.

The following table provides a summary of the School's long-term debt obligations as of June 30, 2010 and 2009:

Type	Interest Rates	Final Maturity	Balance 2010	Balance 2009
Auxiliary Facility Enterprise Revenue Bonds	2.5% - 5.4%	2038	$ 21,183,600	21,911,425
Institutional Enterprise Revenue Bonds				
Variable Rate Demand Bonds	0.18% - 0.28%*	2037	46,685,734	61,283,020
Fixed Rate Bonds	3% - 6.29%	2039	93,081,144	26,616,185
Capital Leases Payable	7.5%	2013	98,109	4,402,052
Notes Payable	4.5%	2012	712,141	993,102
Total Bonds, Notes and Leases Payable			**$ 161,760,728**	**115,205,784**

* Variable rate demand bonds are set at an adjustable rate as discussed below. The rates reflected in the table are as of June 30, 2010.

The interest rate on the Series 2008A variable rate demand bonds is calculated weekly and the interest rate on the Series 2008B variable rate demand bonds is calculated daily based on the Securities Industry and Financial Markets Association (SIFMA). The interest rate on the Series 2008A as of June 30, 2010 and 2009, was 0.28% and 0.4%, respectively. The interest rate on the Series 2008B as of June 30, 2010 and 2009, was 0.18% and 0.35%, respectively.

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

			2010		
Type	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Revenue bonds payable	$ 115,188,116	68,463,557	15,905,000	167,746,673	4,180,000
Plus unamortized premiums	82,229	921,158	45,156	958,231	-
Less unamortized discounts	122,895	-	8,890	114,005	-
Less deferred loss	5,336,820	2,561,726	258,125	7,640,421	-
Total revenue bonds	109,810,630	66,822,989	15,683,141	160,950,478	4,180,000
Notes payable	993,102	-	280,961	712,141	282,485
Capital leases payable	4,402,052	-	4,303,943	98,109	20,414
Total Bonds, Notes and Leases Payable	**$ 115,205,784**	**66,822,989**	**20,268,045**	**161,760,728**	**4,482,899**

	2009				
Type	**Beginning Balance**	**Additions**	**Deductions**	**Ending Balance**	**Current Portion**
Revenue bonds payable	$ 110,548,892	29,179,224	24,540,000	115,188,116	1,505,000
Plus unamortized premiums	85,518	-	3,289	82,229	-
Less unamortized discounts	70,828	59,471	7,404	122,895	-
Less deferred loss	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
Notes payable	1,561,692	-	568,590	993,102	269,211
Capital leases payable	4,285,000	131,979	14,927	4,402,052	18,943
Total Bonds, Notes and Leases Payable	**$ 112,788,002**	**27,187,701**	**24,769,919**	**115,205,784**	**1,793,154**

Issuance Description	**Original Issuance Amount**	**Outstanding Balance 2010**	**Outstanding Balance 2009**
Auxiliary Facilities Enterprise Revenue Bonds:			
Capital Appreciation, Series 1999 - Used to fund capital improvements for residence halls, residential housing, student center and fraternity housing facilities	$ 7,794,333	9,001,673	8,543,116
Refunding and Improvement Series 2002 - Used to refund a portion of the Auxiliary Facilities Refunding and Improvement Series 1993, Auxiliary Facilities Enterprise Series 1997, and acquire and equip certain auxiliary facilities	32,040,000	6,350,000	6,420,000
Refunding and Improvement, Series 2004 - Used to refund the Auxiliary Facilities Refunding and Improvement Series 1993, Auxiliary Facilities Series 1996, and construct and equip recreational and health facilities	17,450,000	5,810,000	6,930,000
Total Auxiliary Facilities Enterprise Revenue Bonds	57,284,333	21,161,673	21,893,116
Institutional Enterprise Revenue Bonds:			
Variable Rate Demand Refunding Series 2008A - Used to current refund the Refunding and Improvement Series 2007	43,200,000	42,860,000	43,175,000
Variable Rate Demand Improvement Series 2008B - Used to fund capital improvements to Brown Hall and other campus capital projects	34,075,000	7,000,000	21,400,000
Refunding and Improvement Series 2009A - Used to refund the Colorado School of Mines Development Corporation Refunding Variable Rate Demand Bonds, Series 2005, refund a portion of the Variable Rate Demand Improvement Series 2008B, make a payment in connection with modifying a portion of an existing swap agreement for the Series 2008B Bonds, and acquire certain real properties located in Golden, Colorado	28,720,000	28,720,000	28,720,000

Issuance Description	Original Issuance Amount	Outstanding Balance 2010	Outstanding Balance 2009
Series 2009B -			
Used to fund construction or renovation of certain campus capital projects including Marquez Hall, a new residence hall, Weaver Towers, wellness center and other capital improvements	$ 42,860,000	42,860,000	-
Refunding Series 2009C -			
Used to refund a portion of the Series 2008B and terminate an existing swap agreement for the Series 2008B bonds	16,745,000	16,745,000	-
Series 2009D -			
Used to fund construction of Marquez Hall	8,400,000	8,400,000	-
Total Institutional Enterprise Revenue Bonds	174,000,000	146,585,000	93,295,000
Total Revenue Bonds	$ 231,284,333	167,746,673	115,188,116
Plus Premiums		958,231	82,229
Less Discounts		114,005	122,895
Less Deferred Loss		7,640,421	5,336,820
Total Outstanding Revenue Bonds		**$ 160,950,478**	**109,810,630**

Letter of Credit for Series 2008A

Under an irrevocable Letter of Credit issued by Dexia, a European financial institution, through its New York branch 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 could not 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. During Fiscal Years 2010 and 2009, the School paid a total of $191,342 and $191,573, 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, 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 under the Letter of Credit Agreement as of June 30, 2010 or 2009.

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.

Letter of Credit for Series 2008B

Under an irrevocable Letter of Credit issued by Dexia, through its New York branch, 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 could not terminate the Letter of Credit agreement prior to June 19, 2009, 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. During Fiscal Years 2010 and 2009, the School paid a total of $73,274 and $177,497, 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, 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.

Under the terms of the Series 2009A bonds, a portion of the proceeds were deposited into a Series 2008B Refunding Account, sufficient without investment thereof, to enable the Series 2008B paying agent to current refund a portion of the Series 2008B bonds. The paying agent was authorized to draw on the Letter of Credit for the payment of the principal and interest due on May 1, 2009 and then use the amounts deposited in the 2008B Refunding Account to reimburse the Letter of Credit. No amounts have been disbursed by Dexia under the Letter of Credit Agreement as of June 30, 2010.

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.

Revenue Bond Activity

On November 3, 2009, the School issued $16,745,000 in Institutional Enterprise Revenue Refunding Bonds, Series 2009C. The proceeds were used to current refund $14,400,000 of the School's Variable Rate Demand Enterprise Improvement Revenue Bonds, Series 2008B. The current refunding resulted in a decrease in the cash flows to service the new debt versus the old debt of $2,959,719, an economic loss of $1,148,080 and a book loss of $117,727 that is being amortized as an adjustment to interest expense over the remaining life of the new debt.

On March 30, 2009, the School issued $28,720,000 in Enterprise Refunding and Improvement Bonds, Series 2009A. The proceeds were used to current refund $10,390,000 in Colorado School of Mines Development Corporation Refunding Variable Rate Demand Bonds, Series 2005 and to current refund $12,675,000 in Variable Rate Demand Enterprise Improvement Revenue Bonds, Series 2008B. The current refunding resulted in an increase in the cash flows to service the new debt versus the old debt of $941,884, an economic gain of $402,657, and a book loss of $371,031 that is being amortized as an adjustment to interest expense over the shorter of either the remaining life of the old debt or new debt.

Debt Service Requirements on Revenue Bonds

The debt service requirements as of June 30, 2010, are as follows:

Years Ending June 30	Principal	Interest	Total
2011	$ 4,180,000	4,900,420	9,080,420
2012	3,990,000	5,175,768	9,165,768
2013	4,510,000	5,839,943	10,349,943
2014	5,465,000	5,700,751	11,165,751
2015	4,815,000	5,570,394	10,385,394
2016 – 2020	27,320,000	25,515,591	52,835,591
2021 – 2025	24,410,000	21,904,999	46,314,999
2026 – 2030	25,700,000	17,788,353	43,488,353
2031 – 2035	33,240,000	11,621,961	44,861,961
2036 – 2039	40,910,000	4,168,127	45,078,127
Subtotal	174,540,000	108,186,307	282,726,307
Unaccreted interest -1999 Bonds	(6,793,327)		
Total Debt Service	**$ 167,746,673**		

Interest Rate SWAP Agreements

The School entered into a floating to fixed interest rate swap agreement (Swap Agreement) in connection with the 2008A issuance. The Swap Agreement was entered into with the objective of protecting against the potential of rising interest rates. The Swap Agreement, with an original notional amount of $43,200,000 that amortizes in accordance with the associated debt, and a fair value of $(7,778,274) and $(5,569,767) at June 30, 2010 and 2009, respectively, provides for certain payments to or from Morgan Stanley equal to the difference between the fixed rate of 3.59% payable by the School and 67% of one month USD-LIBOR-BBA, 0.23% at June 30, 2010, payable by Morgan Stanley. The fair value and change in fair value are classified as an other liability and a deferred outflow, respectively, on the statement of net assets at June 30, 2010 and 2009. Morgan Stanley, counterparty to the Swap Agreement, determined the fair value as of June 30, 2010 and 2009, using a discounted forecasted cash flows; however, the actual method and significant assumptions used are proprietary. The Swap Agreement has an effective date of March 5, 2008 and a termination date of December 1, 2037.

The School entered into a floating to fixed interest rate swap agreement in connection with the 2008B issuance. The Swap Agreement was entered into with the objective of protecting against the potential of rising interest rates. The Swap Agreement, with an original notional amount of $34,075,000 that amortizes with the associated debt, and a fair 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 the USD-SIFMA Municipal Swap Index payable by Morgan Stanley under the 2008B Swap Agreement. The fair value and change in fair value are classified as an other liability and a deferred outflow, respectively, on the statement of net assets at June 30, 2009. Morgan Stanley, counterparty to the Swap Agreement, determined the fair value as of June 30, 2009, using discounted forecasted cash flows; however, the actual method and significant assumptions used are proprietary. In conjunction with the Series 2009A bonds, a $1,693,000 swap modification payment was made to Morgan Stanley to reduce the nominal amount of the original swap agreement by $12,675,000 to a nominal amount of $21,400,000. As part of the Series 2009C bonds, a swap termination payment of $2,444,000 was made to Morgan Stanley to terminate the 2008B swap agreement. The swap modification and termination payments are being amortized over the shorter of the life of the old or new debt issuance.

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 June 30, 2010, Morgan Stanley's credit rating is A2 by Moody's, and A by Standards & Poor's & Fitch.
>
> For the outstanding swap agreement the School has a maximum possible loss equivalent to the swaps' fair market value at June 30, 2010 and 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, 2010 and 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, 2010, the aggregate debt service payments and net swap cash payments, assuming current interest rates remain the same, for their term are reflected in the following table:

Years Ending June 30	Principal	Interest	Interest Rate Swap (net)	Total
2011	$ 350,000	119,028	1,426,557	1,895,585
2012	550,000	117,488	1,408,100	2,075,588
2013	575,000	115,878	1,388,804	2,079,682
2014	600,000	114,198	1,368,670	2,082,868
2015	625,000	112,448	1,347,696	2,085,144
2016 – 2020	3,400,000	533,050	6,388,635	10,321,685
2021 – 2025	4,325,000	481,040	5,765,292	10,571,332
2026 – 2030	9,675,000	385,420	4,619,281	14,679,701
2031 – 2035	14,125,000	202,930	2,432,128	16,760,058
2036 – 2039	8,635,000	25,508	305,715	8,966,223
Total Debt Service	**$ 42,860,000**	**2,206,988**	**26,450,878**	**71,517,866**

Note Payable

As of June 30, 2010 and 2009, the School had an outstanding note payable with the Foundation issued for the construction of the School's Student Recreation Center. In addition to principal payments made by the School, the outstanding 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.

Future minimum payments of the note payable to the Foundation are shown in the following table:

Year Ending June 30	Principal	Interest	Total
2011	$ 282,485	27,515	310,000
2012	429,656	18,594	448,250
Total Notes Payable	**$ 712,141**	**46,109**	**758,250**

For Fiscal Year 2010, of the $280,961 in principal payments, $266,911 was paid by the School and $14,050 represented gifts received by the Foundation that were applied to the note. For Fiscal Year 2009, of the $568,590 in payments, $244,965 was paid by the School and $323,625 represented gifts received by the Foundation that were applied to the note.

Capital Leases

The School 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 were $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. As of June 30, 2010, the principal and interest on both leases were paid in full.

Additionally, the School has entered into a lease agreement for an athletics' 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,	Principal	Interest	Total
2011	20,414	6,666	27,080
2012	21,999	5,081	27,080
2013	23,707	3,373	27,080
2014	31,989	722	32,711
Total capital lease payments	**$ 98,109**	**15,842**	**113,951**

The underlying gross capitalized asset costs for this capital lease is $131,979. Accumulated amortization as of June 30, 2010 and 2009 is $39,594 and $13,198, respectively.

State of Colorado Certificates of Participation

In Fiscal Year 2008, State of Colorado Senate Bill 08-218 made Federal Mineral Leasing (FML) monies available for capital construction at institutions of Higher Education. FML money is derived from ongoing leasing and production activities on federal lands within Colorado and approximately half of these payments go to the State of Colorado. The State used part of this money on November 6, 2008 and issued Certificates of Participation (COP) to support some Higher Education construction and maintenance projects. The School received $6,748,298 million for a portion of the support in the construction of an addition to the Brown Hall building.

Extinguishment of Debt

Previous revenue bond issues considered to be extinguished through in-substance defeasance under generally accepted accounting principles are not included in the accompanying financial statements. The amount of debt in this category, covered by assets placed in trust to be used solely for future payments, amounted to $23,800,000 and $33,835,000 as of June 30, 2010 and 2009, respectively.

Note 9: Other Liabilities

The following table details other liabilities as of June 30, 2010 and 2009:

	2010		2009	
Type	**Total**	**Current Portion**	**Total**	**Current Portion**
School				
Interest rate swap	$ 7,778,274	-	7,462,279	-
Amounts due to the Foundation	2,194,783	103,673	2,089,333	30,367
Funds held for others	28,161	28,161	77,702	77,702
Pollution remediation	1,848,583	1,558,362	-	-
Miscellaneous	641,000	641,000	578,441	578,441
Total Other Liabilities - School	**$ 12,490,801**	**2,331,196**	**10,207,755**	**686,510**
Discretely Presented Component Unit				
Colorado School of Mines	$ 12,096,904	-	9,845,511	-
Other trust funds	855,656	-	661,757	-
Obligations under split-interest agreements	5,258,310	-	5,795,976	-
Obligations under gift annuity agreements	4,983,031	-	5,083,717	-
Refunded advances	95,744	-	95,744	-
Other liabilities	118,083	-	112,518	-
Total Other Liabilities - DPCU	**$ 23,407,728**	**-**	**21,595,223**	**-**

Direct Lending

The School began participation in the Direct Student Loan program operated by the Federal government in the spring of Fiscal Year 2010. This program enables eligible students or parents to obtain a loan to pay for the student's cost of attendance directly through the School rather than through a private lender. The School is responsible for handling the complete loan process, including funds management, as well as promissory note functions. The School is not responsible for collection of these loans or for defaults by borrowers, and therefore these loans are not recognized as receivables in the accompanying financial statements. In Fiscal Year 2009 and part of Fiscal Year 2010, the School participated in the Federal Family Education Loans (FFEL). Under the FFEL program, students obtained loans from private lenders. Lending activity during the years ended June 30, 2010 and 2009 under these two programs was $16,546,076 and $12,800,084, respectively.

Note 10: 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 12).

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, excluding 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.

New employees, excluding four-year college and university employees, are allowed 60 days to elect to participate in PERA's defined contribution plan. If that election is not made, the employee is automatically enrolled in the plan to which he last contributed or, if there was no prior participation, to the defined benefit plan. PERA members electing the PERA defined contribution plan are allowed an irrevocable election between the second and fifth year of membership 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 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 amount as the contributions to the PERA defined benefit plan

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

- Hired before July 1, 2005 - age 50 with 30 years of service, age 60 with 20 years of service, or age 65 with 5 years of service.
- Hired between July 1, 2005 and December 31, 2006 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 20 years of service, or age 65 with 5 years of service.
- 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, or age 65 with 5 years of service.

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

- Hired before January 1, 2007 – age 55 with a minimum of 5 years of service credit and age plus years of service equals 80 or more.
- Hired on or after January 1, 2007 – age 55 with a minimum of 5 years of service credit and age plus years of service equals 85 or more.

Most members automatically receive the higher of the defined retirement benefit or money purchase benefit at retirement. Defined benefits are calculated as 2.5% 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% increase between periods.

For retirements after January 1, 2009, HAS is calculated based on original hire date as follows:

- Hired before January 1, 2007 – HAS is calculated based on three periods of service credit and is limited to a 15% increase between periods; the lowest salary of four periods is used as a base for determining the maximum allowable 15% increase.
- Hired on or after January 1, 2007 – HAS is calculated based on three periods of service credit and is limited to an 8% increase between periods; the lowest salary of four periods is used as a base for determining the maximum allowable 8% increase.

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

- Hired before July 1, 2005 – 3.5%, compounded annually.
- Hired between July 1, 2005 and December 31, 2006 – the lesser of 3% or the actual increase in the national Consumer Price Index.
- Hired on or after January 1, 2007 – the lesser of 3% or the actual increase in the national Consumer Price Index, limited to a 10% reduction in a reserve established for cost of living increases related strictly to those hired on or after January 1, 2007. (The reserve is funded by 1 percentage point of salaries contributed by employers for employees hired on or after January 1, 2007.)

In the 2010 legislative session, the general assembly set the current increase as the lesser of 2% or the average of the monthly CPI amounts for calendar year 2009. The 2009 CPI was negative resulting in a calendar year 2010 increase of 0%. The 2010 legislation moved the payment date of all increases to July. New rules governing the annual increase amount will be in effect beginning January 1, 2011.

Members who are disabled, who have five or more years of service credit, six months of which has been earned since the most recent period of membership, may receive retirement benefits if determined to be permanently disabled. If a member dies before retirement, their eligible children under the age of 18 (23 if a full time student) or their spouse may be entitled to a single payment or monthly benefit payments. If there 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% (10.0% for state troopers) of their salary, as defined in CRS 24-51-101(42), to an individual account in the plan. From July 1, 2009 to December 31, 2009, the state contributed 12.95% (15.65% for state troopers and 16.46% for the Judicial Branch) of the employee's salary. From January 1, 2010 through June 30, 2010, the state contributed 13.85% (16.55% for state troopers and 17.36% for the Judicial Branch). During all of Fiscal Year 2009-10, 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, 2009, the division of PERA in which the state participates was underfunded with an amortization period of 43 years.

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 0.5% of salary beginning January 1, 2006, another 0.5% of salary in 2007, and subsequent year increases of 0.4% of salary until the additional payment reaches 3.0% 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.

In the 2010 legislative session, the general assembly extended both the AED and SAED. The AED will continue to increase at a rate of 0.4% of salary from calendar years 2013 through 2017. The SAED will continue to increase by one-half percentage point from calendar years 2014 through 2017. If the funding ratio reaches 103%, both the AED and the SAED will be reduced by one-half percentage point. Neither the AED nor the SAED may exceed 5%.

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

The School contributions to the three programs described above for the fiscal years ended June 30, 2010, 2009 and 2008 were $7,891,844, $7,272,745 and $6,111,872, respectively, equal to its required contributions for those years.

CSM Foundation Retirement Plan

The Foundation participates in a defined contribution pension plan covering substantially all of its employees. Contributions and costs are based on the number of years of service and a percentage of regular salary. Pension expense was $120,801 and $117,174 for 2010 and 2009, respectively.

Note 11: Volunteer Tax-Deferred Retirement Plans (Voluntary Investment Program)

Defined Contribution Plan

The PERA Defined Contribution Retirement Plan was established January 1, 2006, as an alternative to the defined benefit plan. All employees, with the exception of certain higher education employees, have the option of participating in the plan. On July 1, 2009, administration of the state's defined contribution plan was transferred to PERA and participants of the State's plan became participants of the PERA defined contribution plan. Existing State plan members at the time of the transfer became participants in the PERA defined contribution plan and retained their vesting schedule for employer contributions, while employer contributions for new members will vest from 50% to 100% evenly over 5 years. Participants in the plan are required to contribute 8% (10% for state troopers) of their salary. At December 31, 2009, the plan had 3,039 participants.

Deferred Compensation Plan

The PERA Deferred Compensation Plan (457) was established July 1, 2009, as a continuation of the State's deferred compensation plan which was established for State and local government employees in 1981. At July 1, 2009, the State's administrative functions were transferred to PERA, and all costs of administration and funding are borne by the plan participants. In calendar year 2009, participants were allowed to make contributions of up to 100% of their annual gross salary (reduced by their 8% PERA contribution) to a maximum of $16,500. Participants who are age 50 and older may contribute an additional $5,500 for total contributions of $22,000 in 2009. At December 31, 2009, the plan had 18,007 participants.

PERA also offers a voluntary 401(k) plan entirely separate from the defined benefit pension plan. Certain agencies and institutions of the state offer 403(b) or 401(a) plans.

Note 12: Other Postemployment Benefits and Life Insurance

Health Care Plan

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

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

The amount contributed to the health care fund can be calculated as 7.88% (1.02/12.95) of the total contribution from July 1, 2009 through December 31, 2009, and the residual amount 92.12% (11.93/12.95) was contributed to the defined pension plan. From January 1, 2010 through June 30, 2010, these amounts changed to 7.36% (1.02/13.85) and 92.64% (12.83/13.85), respectively, to reflect the increased state contribution from 12.95% to 13.85% for the increase in the Amortization Equalization Disbursement (AED) and the Supplemental Amortization Equalization Disbursement (SAED), as discussed in the Funding Policy section of the PERA note below.

Employees are not required to contribute to the Health Care Trust Fund, which is maintained by employer's contributions as discussed above. Beginning July 1, 2004, the School is required to contribute 1.02% of gross covered wages to the Health Care Trust Fund. The School contributed $619,741, $593,446 and $537,423 as required by statute in fiscal years 2010, 2009 and 2008, respectively. In each year the amount contributed was 100% 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. In addition, two of PERA's insurance carriers offered high deductible health care plans in 2009. As of December 31, 2009, there were 46,985 enrolled participants, including spouses and dependents, from all contributors to the plan. At December 31, 2009, the Health Care Trust Fund had an unfunded actuarial accrued liability of $1.50 billion, a funded ratio of 14.8%, and a 53-year amortization period.

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 the School. For Fiscal Year 2010, the School had four retired faculty members under this program with a total payment of $6,267. For Fiscal Year 2009, the total payment was $7,469.

Colorado Higher Education Insurance Benefits Alliance Trust (CHEIBA)

Retired faculty and exempt-administrative staff are eligible to participate in the Colorado Higher Education Insurance Benefits Alliance Trust (CHEIBA). CHEIBA is a cost-sharing multiple-employer insurance purchasing pool, which allows for post employment health coverage until the retiree is eligible for Medicare. As of June 30, 2010, there were 44 participants in post retirement coverage from the eight member higher education institutions.

For Fiscal Year 2010, the School had six 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 year's notice to the CHEIBA board.

Note 13: Commitments and Contingencies

Commitments

Contracts have been entered into for the purpose of planning, acquiring, constructing and equipping certain building additions and other projects, with outstanding amounts totaling approximately $47,607,000 as of June 30, 2010. These commitments will be funded or financed by donor contributions, state appropriations, existing revenue bonds, and other campus resources.

Claims and Litigation

In November 1992, the School and numerous other potentially responsible parties (PRP's) were notified by the United States Environmental Protection Agency (EPA) of potential liability pursuant to the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (CERCLA). Such potential liability results from costs associated with the investigation and cleanup of hazardous substances at a site owned by the School and leased to the Colorado School of Mines Research Institute (CSMRI), which performed mining research for a variety of private and governmental entities. CSMRI, a not-for-profit corporation, was established in 1949 as a separate corporation under the laws of the State of Colorado. CSMRI ceased active operations during 1987 and sold most of its real estate in 1988. Upon dissolution, subject to certain provisions, the net assets of CSMRI may be transferred to the School. Negotiations with the EPA, the enforcement agency related to past costs, have been resolved. The Colorado Department of Public Health and Environment (CDPHE) and EPA have reserved their rights as to future costs of investigation and cleanup. Investigation and remediation of the site are ongoing.

In relation to the site above, the CDPHE issued Radioactive Materials License Number 617-01 Amendment Number 7 (Amendment No. 7) to CSMRI in 2006. Amendment No. 7 contains a provision requiring CSMRI to provide an enforceable financial instrument to CDPHE within 60 days of issuance of Amendment No. 7. Amendment No. 7 states that the financial instrument must allow CDPHE access to a Colorado School of Mines 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, CSMRI filed a notice of appeal and request for hearing which objects to the Amendment No. 7 provision regarding provision of a financial instrument. The appeal was tabled while investigation and monitoring of the site continued.

CSMRI filed a Site Assessment and Characterization Plan to further license decommissioning. This plan describes an investigation in response to ground water monitoring results. The School has executed a contract, and recorded a liability, in the amount of $1.8 million to implement the plan with work beginning in late September 2010. As work on the plan progresses, the School will continue to monitor key benchmarks in the plan and adjust the pollution remediation liability as appropriate. The School is currently negotiating with PRP's regarding the cost of the remediation work. It is unknown at this time how much, if any, the School will be able to recover from other potential responsible parties.

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

Government Grants

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

Note 14: 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 15: 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, 2010 and 2009, appropriated expenses were within the authorized spending authority. For the years ended June 30, 2010 and 2009, the School had a total appropriation of $93,974,598 and $82,960,295, respectively. For years ended June 30, 2010 and 2009, the School's appropriated funds included $3,746,454 and $7,412,667, respectively, received from students that qualified for stipends from the College Opportunity Fund and $6,847,859 and $13,267,682, respectively, as fee-for-service contract revenue, as well as certain cash funds as specified in the State's annual appropriation bill. 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.

Note 16: Adoption of Accounting Principles

During fiscal year ended June 30, 2010, the School adopted Governmental Accounting Standards Board Statement (GASB) No. 51, *Accounting and Financial Reporting for Intangible Assets* and No. 53, *Accounting and Financial Reporting for Derivative Instruments.* GASB 51 requires the School to record qualified intangible assets as capital assets and amortize those assets over the useful life of the asset. Adoption of GASB 51 had no effect on beginning net assets or change in net assets. GASB 53 requires the School to recognize, measure, and disclose information regarding derivative instruments entered into by School. Amounts reported for Fiscal Year 2009 have been restated to reflect the adoption of GASB 53. Adoption of GASB 53 had no effect on net assets at July 1, 2008 or change in net assets for Fiscal Year 2009.

Note 17: Subsequent Events

In October 2010, the School issued $11,195,000 of Institutional Enterprise Revenue Bonds (Taxable Direct Payment Build America Bonds), Series 2010B. Proceeds are being used for the purpose of constructing, improving, renovating and equipping a new academic wing to Marquez Hall and providing additional facilities. Interest is payable semiannually with rates ranging from 6.064% to 6.164% and principal repayments of $2,400,000 in Fiscal Year 2036 and $8,795,000 in Fiscal Year 2141. The School will be receiving a 35% Federal subsidy, making the effective interest rates 3.94% and 4.01%.

In November 2010, the School issued Series 2010A Bonds to refund the Series 2008A bonds and entered into a three year agreement with Wells Fargo NA for the purchase of $42,860,000 in outstanding bonds associated with Series 2008A. The paying agent was authorized to draw $42,871,707 on the existing letter of credit agreement to provide for the purchase of the bonds. An equal amount of funds were received by the paying agent to reimburse the letter of credit. With the direct purchase, the letter of credit with Dexia was cancelled. The Swap Agreement associated with the Series 2008A Bonds remains in effect and unchanged and is now associated with the Series 2010A Bonds.

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