Colorado School of Mines

Financial Statements and Independent Auditors' Report
Financial Audit
Years Ended June 30, 2012 and 2011

Colorado School of Mines
Years Ended June 30, 2012 and 2011

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Independent Auditors' 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 the Colorado School of Mines, State of Colorado (the School), as of and for the years ended June 30, 2012 and 2011, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's 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 discretely presented component unit of the School. Those statements were audited by other auditors 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 auditors.

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 auditors provide a reasonable basis for our opinions.

As discussed in Note 1, the financial statements of the Colorado School of Mines, State of Colorado, are intended to present the financial position, and the changes in financial position and, where applicable, cash flows of only that portion of the business-type activities and the discretely presented component unit of the State of Colorado that is attributable to the transactions of the School. They do not purport to, and do not, present fairly the financial position of the State of Colorado as of June 30, 2012, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with the accounting principles generally accepted in the United States of America.

In our opinion, based on our audits and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the Colorado School of Mines, State of Colorado as of June 30, 2012 and 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Members of the Legislative Audit Committee:

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

BKD, LLP

November 16, 2012

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 the School's financial situation in an open and accountable manner. It provides an objective analysis of the School's financial position (Statement of Net Assets) and results of operations (Statement of Revenues, Expenses and Changes in Net Assets) as of and for the years ended June 30, 2012 and 2011 (Fiscal Years 2012 and 2011, respectively) with comparative information for Fiscal Year 2010. 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 parts:

- **Independent Auditors' 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, deferred inflows, and net assets of the School at a point in time (June 30, 2012 and 2011). 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 creditors; 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, 2012 and 2011). 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, 2012 and 2011). Their purpose is to assess the School's ability to generate net cash flows to meet its obligations as they come due.

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

We suggest that you combine this financial discussion and analysis with relevant nonfinancial indicators to assess the overall health of the 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 Public Relations and Marketing 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

Selected financial highlights for Fiscal Year 2012 include:

- School assets totaled $427,512,000, with liabilities of $213,955,000 and net assets of $218,562,000. Of the $218,562,000 in net assets, $123,223,000 is invested in capital assets net of related debt, $2,391,000 is nonexpendable gifts, $21,229,000 is restricted but expendable, and $71,719,000 is unrestricted and may be used to meet ongoing School obligations.

- For the past three years, the School has had increases in its net assets. For Fiscal Years 2012, 2011, and 2010 the School's total net assets increased by $21,982,000, $35,547,000, and $19,334,000, respectively. The increases are primarily due to higher operating revenues generated by tuition and fees, sponsored project activity, and auxiliary operations, as well as nonoperating contributions from the Colorado School of Mines Foundation.

- Cash and cash equivalents as of June 30, 2012 totaled $118,003,000. Net cash provided by operating activities was $18,270,000, net cash provided by noncapital financing activities was $16,049,000, net cash used by capital and related financing activities was $52,869,000 and net cash provided by investing activities was $1,249,000 for a net decrease in cash and cash equivalents for the fiscal year of $17,301,000.

- Renovations on Weaver Hall student housing were completed; the first full year of operations for the new Maple Hall student housing and Brown Hall academic building addition.

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

Statements of Net Assets

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

Table 1 - Condensed Statements of Net Assets as of June 30, 2012, 2011 and 2010 *(all dollars in thousands)*

				Increase (Decrease)			
				2012 vs 2011		2011 vs 2010	
	2012	2011	2010	Amount	Percent	Amount	Percent
Assets							
Cash and Restricted Cash	$ 118,003	135,304	144,461	(17,301)	(12.8%)	$ (9,157)	(6.3%)
Other Noncapital Assets	39,265	43,655	37,977	(4,390)	(10.1%)	5,678	15.0%
Net Capital Assets	270,244	232,546	184,871	37,698	16.2%	47,675	25.8%
Total Assets	**$ 427,512**	**411,505**	**367,309**	**16,007**	**3.9%**	**$ 44,196**	**12.0%**
Deferred Outflows	**$ 5,005**	**-**	**7,778**	**5,005**	**100.0%**	**$ (7,778)**	**(100.0%)**
Liabilities							
Non-debt Liabilities	$ 45,905	49,255	44,515	(3,350)	(6.8%)	$ 4,740	10.6%
Debt Liabilities	168,050	163,664	169,539	4,386	2.7%	(5,875)	(3.5%)
Total Liabilities	**$ 213,955**	**212,919**	**214,054**	**1,036**	**0.5%**	**$ (1,135)**	**(0.5%)**
Deferred Inflows	**$ -**	**2,006**	**-**	**(2,006)**	**(100%)**	**$ 2,006**	**100%**
Net Assets							
Invested in Capital Assets Net of Related Debt	$ 123,223	117,322	102,274	5,901	5.0%	$ 15,048	14.7%
Restricted:							
Nonexpendable Purposes	2,391	2,493	2,025	(102)	(4.1%)	468	23.1%
Expendable Purposes	21,229	19,616	11,860	1,613	8.2%	7,756	65.4%
Unrestricted	71,719	57,149	44,874	14,570	25.5%	12,275	27.4%
Total Net Assets	**$ 218,562**	**196,580**	**161,033**	**21,982**	**11.2%**	**$ 35,547**	**22.1%**

Assets

In analyzing the School's noncapital assets, cash and restricted cash comprises approximately 75.0 percent and 75.6 percent of the School's total noncapital assets as of June 30, 2012 and 2011, respectively. Restricted cash of $38,324,000 primarily consists of unspent revenue bond proceeds that will be used for capital related activity as well as unspent gifts, grants and contract revenues. Total cash and restricted cash has decreased in each of the last three years as the School has spent bond proceeds on various capital projects. The Statements of Cash Flows provide additional information on where cash is received and how it is used by the School. The decrease in other noncapital assets from Fiscal Year 2011 to 2012 is due to collections on outstanding receivables from sponsored project activity of $2,579,000 and a decrease in the amount due from the Foundation of $602,000. The increase in other noncapital assets from Fiscal Year 2010 to 2011 resulted primarily from a $2,584,000 change in the reporting of the School's fringe benefit pool and $2,314,000 increase in School-owned endowments that are reported as noncurrent investments.

Non-Debt Liabilities

The School's non-debt related liabilities totaling $45,905,000 and $49,255,000 as of June 30, 2012 and 2011, respectively, comprise 21.5 percent and 23.1 percent, respectively, of the total liabilities. The largest three categories of non-debt related liabilities are payables to vendors, accrued salaries and benefits, and deferred grants and contracts revenue. Accrued salaries and benefits represent amounts earned by School employees, primarily for June payroll and compensated absences, 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 primary cause of the change in non-debt related liabilities from Fiscal Year 2011 to 2012 is a decrease of $2,648,000 in deferred revenue on grants and contracts. The primary cause of the increase in non-debt related liabilities from Fiscal Year 2010 to 2011 is $3,753,000 in accounts payable to vendors and is primarily related to construction retainage held on capital projects.

Net Assets

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 four 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 56.4 percent and 59.7 percent of net assets for Fiscal Years 2012 and 2011, respectively. These net capital assets represent investments in campus facilities and equipment, net of related accumulated depreciation and capital debt, necessary to carry out the teaching and research mission of the School. The increases over the past two years reflect the School's commitment to improving the student on campus experience and infrastructure improvements including new and renovated student housing and new and renovated academic facilities.

- 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 Foundation, which is a discretely presented component unit (Note 1). The Foundation's net assets 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.

- Unrestricted net assets represent the amount available for spending for any lawful purpose and are at the full discretion of management. In some instances, management or the Board has placed internal designations on the use of these funds.

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, such as tuition and auxiliary enterprises, are earned by providing goods and services to the various students and constituencies of the School. Operating expenses are incurred 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 and include contributions, investment income, federal interest subsidies and Pell grant revenue.

Nonoperating expenses include interest on long-term debt, amortization of bond issue costs, and losses on disposals of assets.

Table 2 - Condensed Statements of Revenues, Expenses and Changes in Net Assets for Years Ended June 30, 2012, 2011 and 2010
(all dollars in thousands)

				Increase (Decrease)			
				2012 vs 2011		2011 vs 2010	
	2012	2011	2010	Amount	Percent	Amount	Percent
Operating Revenues	$ 178,860	166,090	137,536	12,770	7.7%	$ 28,554	20.8%
Operating Expenses	178,031	163,516	156,579	14,515	8.9%	6,937	4.4%
Operating Income (Loss)	829	2,574	(19,043)	(1,745)	(67.8%)	21,617	113.5%
Net Nonoperating Revenues	10,568	15,117	26,290	(4,549)	(30.1%)	(11,173)	(42.5%)
Income before Other Revenues	11,397	17,691	7,247	(6,294)	(35.6%)	10,444	144.1%
Other Revenues	10,585	17,856	12,087	(7,271)	(40.7%)	5,769	47.7%
Increase in Net Assets	21,982	35,547	19,334	(13,565)	(38.2%)	16,213	83.9%
Net Assets, Beginning of Year	196,580	161,033	141,699	35,547	22.1%	19,334	13.6%
Net Assets, End of Year	**$ 218,562**	**196,580**	**161,033**	**21,982**	11.2%	**$ 35,547**	22.1%

Table 3 - Operating and Nonoperating Revenues for the Years Ended June 30, 2012, 2011 and 2010 provides gross operating and nonoperating (noncapital) revenues by major sources. As Table 3 shows, the School's total operating revenues increased 7.7 percent and 20.8 percent for Fiscal Years 2012 and 2011, respectively. The School has experienced increases in all sources of operating revenues for the past three years except for the fee-for-service contracts. The increase in student tuition and fees reflects a combination of increases in enrollment and tuition rates as shown in Tables 11 and 12 below.

Funding of the School's research activities increased by 3.4 percent and 18.0 percent over the last two years and reflects the School's commitment to increase its focus and national role as a research institution. Revenue from the Federal government represents approximately 58.3 percent and 61.9 percent of total grants and contracts revenue for Fiscal Years 2012 and 2011, 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 2012 and 2011, the School received approximately $10,797,000 and $10,238,000, respectively, of such administrative and facility overhead costs reimbursements. The School pledges this reimbursement along with other auxiliary revenues to satisfy its bond obligations, which are commonly referred to as pledged revenues. The School's research awards of $55,700,000 in Fiscal Year 2012 represent a new record in research at the School surpassing the previous record in FY 2009 of $53,600,000. This is significant since the Fiscal Year 2009 awards were supplemented by the American Recovery and Reinvestment Act (ARRA). Privately funded research awards increased by nearly 50 percent over the previous year.

The School receives funding from the College Opportunity Fund (COF) in two ways; (1) fee-for-service contracts with the Department of Higher Education and (2) stipends to qualified undergraduate students used to pay a portion of tuition. Funding in Fiscal Year 2012 related to fee-for-service contracts decreased by $4,359,000, or 28.0 percent. The decrease is a result of the State's continuing budget shortfalls. Funding in Fiscal Year 2011 increased by $8,699,000, or

127.0 percent, as a result of a change in the source of dollars used to fund fee-for-service contracts compared to Fiscal Year 2010. In Fiscal Year 2010, the State used federal State Fiscal Stabilization Funds (SFSF) to backfill decreases in available State general funds to fund the fee-for-service contracts. The School stopped receiving SFSF from the State in Fiscal Year 2011.

The anticipated COF funding related to student stipends is incorporated into the School's student tuition and fees rates. In Fiscal Years 2012, 2011 and 2010, the School applied $5,066,000, $5,039,000 and $3,746,000, respectively, of COF stipends against student bills. The per credit hour stipend allotted per student approved by the State Legislature for Fiscal Years 2012 , 2011 and 2010 were $62, $62, and $44. The number of COF eligible hours students applied for during Fiscal Years 2012, 2011 and 2010 were 81,676.5, 81,948.0 and 83,765.5, respectively. Over the past four years, the COF per credit hour stipend allotted per student has decreased from $92 to $62. Under State statutes, the School is not permitted to bill students for mid-year decreases in COF funding.

The fluctuations in total State funding from COF each year corresponds with fluctuations in funding from the SFSF. On February 17, 2009, ARRA was signed into law. ARRA 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 SFSF to mitigate the impacts of cuts to the State's 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 2012, 2011 and 2010, the School received $0, $870,000 and $12,643,000, respectively, to replace an equal amount of State funding cuts from COF in the form of student stipends and fee-for-service contracts. State funding from COF and SFSF totaled $16,254,000, $21,456,000 and $23,237,000 for Fiscal Years 2012, 2011 and 2010, respectively.

During Fiscal Year 2012, gifts for noncapital purposes, received primarily from the School's Foundation, totaled $12,354,000 which was an increase of 19.8 percent from Fiscal Year 2011. This compares to an increase of 5.2 percent between Fiscal Year 2010 and Fiscal Year 2011.

Federal nonoperating revenues consist of interest subsidies received for taxable Build America Bonds (BAB) issued by the School and financial aid received under the Pell program. The School received $1,297,000 in federal interest subsidies in Fiscal Year 2012 compared to $1,080,000 received in Fiscal Year 2011 and $500,000 received in Fiscal Year 2010. The increase is due to receiving a full year's worth of interest subsidy on the three related bond issues in Fiscal Year 2012. In Fiscal Year 2011, the School received a full year of subsidy related to two bond issues and received a half year subsidy on a BAB taxable bond issued during Fiscal Year 2011. Revenues from the Pell program for Fiscal Years 2012, 2011 and 2010 were $2,938,000, $3,066,000 and $2,649,000, respectively.

Table 3 - Operating and Nonoperating Revenues for Years Ended June 30, 2012, 2011 and 2010 *(all dollars in thousands)*

				Increase (Decrease)			
				2012 vs 2011		2011 vs 2010	
	2012	2011	2010	Amount	Percent	Amount	Percent
Operating Revenues							
Student Tuition and Fees	$ 88,322	76,937	66,431	11,385	14.8%	$ 10,506	15.8%
Grants and Contracts	58,917	56,955	48,285	1,962	3.4%	8,670	18.0%
Fee-for-Service	11,188	15,547	6,848	(4,359)	(28.0%)	8,699	127.0%
Auxiliary Enterprises, Net	17,384	13,805	13,145	3,579	25.9%	660	5.0%
Other Operating	3,049	2,846	2,827	203	7.1%	19	0.7%
Total Operating Revenues	178,860	166,090	137,536	12,770	7.7%	28,554	20.8%
Nonoperating Revenues							
Gifts	12,354	10,312	9,798	2,042	19.8%	514	5.2%
Investment Income, Net	1,204	4,350	5,684	(3,146)	(72.3%)	(1,334)	(23.5%)
State Fiscal Stabilization Funds	-	870	12,643	(870)	(100%)	(11,773)	(93.1%)
Federal Nonoperating	4,235	4,145	3,149	90	2.2%	996	31.6%
Other Nonoperating, net	1,061	85	52	976	1,148.2%	33	63.5%
Total Nonoperating Revenues	18,854	19,762	31,326	(908)	4.6%	(11,564)	(36.9%)
Total Revenues (noncapital)	**$ 197,714**	**185,852**	**168,862**	**11,862**	6.4%	**$ 16,990**	10.1%

The School continues to experience fluctuations in investment income due primarily to the ongoing uncertainty in the financial markets resulting in changes in the fair market value of the School's investments held by the Foundation and amounts held by the State Treasury. The School experienced unrealized losses of $373,000 in Fiscal Year 2012 compared to unrealized gains of $606,000 and $3,695,000 in Fiscal Years 2011 and 2010, respectively. The realized investment income in Fiscal Years 2012, 2011 and 2010 were $1,820,000, $3,744,000, and $1,989,000, respectively.

The programmatic uses of School resources are displayed in Table 4 - Operating Expenses by Function. Table 5 – Operating Expenses by Natural Classification summarizes operating expenses into three categories. Operating expenses increased overall by 8.9 percent from Fiscal Year 2011 to 2012 and 4.4 percent from Fiscal Year 2010 to 2011. The increase in Fiscal Year 2012 is attributed to the following:

- Increases in salaries and benefits supporting the teaching and research missions of the School;
- Increase in financial aid awarded to students including $206,000 of graduate tuition assistance and $899,000 of fellowship stipend and tuition assistance. The amounts shown for scholarships and fellowships do not reflect the actual resources dedicated to student aid. The majority of the School's student aid resources are being applied to the student's accounts and netted against tuition and fee revenue as scholarship allowance. The School's scholarship allowance was $19,464,000, $18,092,000 and $16,723,000 in Fiscal Years 2012, 2011 and 2010, respectively;

- Increase in auxiliary enterprise operating expenses associated with residence hall operations and increased student medical claims of $1,400,000;
- Increase in expenses to address deferred maintenance on campus facilities;
- Increase in depreciation expense associated with new campus facilities placed into service.

Table 4 - Operating Expenses by Function for Years Ended June 30, 2012, 2011 and 2010 *(all dollars in thousands)*

				Increase (Decrease)			
				2012 vs 2011		2011 vs 2010	
Functional Expense	**2012**	**2011**	**2010**	**Amount**	**Percent**	**Amount**	**Percent**
Education and General							
Instruction	$ 53,970	51,288	48,356	2,682	5.2%	$ 2,932	6.1%
Research	42,442	40,962	38,970	1,480	3.6%	1,992	5.1%
Public Service	56	119	69	(63)	(52.9%)	50	72.5%
Academic Support	12,479	11,508	10,498	971	8.4%	1,010	9.6%
Student Services	5,048	4,067	3,755	981	24.1%	312	8.3%
Institutional Support	10,955	9,610	9,854	1,345	14.0%	(244)	(2.5%)
Operation and Maintenance of Plant	18,961	17,351	17,998	1,610	9.3%	(647)	(3.6%)
Scholarships and Fellowships	2,146	1,008	833	1,138	112.9%	175	21.0%
Total Education and General	146,057	135,913	130,333	10,144	7.5%	5,580	4.3%
Auxiliary Enterprises	18,489	15,483	15,814	3,006	19.4%	(331)	(2.1%)
Depreciation and amortization	13,485	12,120	10,432	1,365	11.3%	1,688	16.2%
Total Operating Expenses	**$ 178,031**	**163,516**	**156,579**	**14,515**	**8.9%**	**$ 6,937**	**4.4%**

Table 5 – Operating Expenses by Natural Classification for Years Ended June 30, 2012, 2011 and 2010 *(all dollars in thousands)*

				Increase (Decrease)			
				2012 vs 2011		2011 vs 2010	
Natural Classification	**2012**	**2011**	**2010**	**Amount**	**Percent**	**Amount**	**Percent**
Salaries and Benefits	$ 113,624	107,293	99,991	6,331	5.9%	$ 7,302	7.3%
Operating Expenses	50,922	44,103	46,156	6,819	15.5%	(2,053)	(4.4%)
Depreciation	13,485	12,120	10,432	1,365	11.3%	1,688	16.2%
Total Operating Expenses	**$ 178,031**	**163,516**	**156,579**	**14,515**	**8.9%**	**$ 6,937**	**4.4%**

Capital Assets and Debt Management

As indicated in Table 6 - Capital Asset Categories, the School's capital assets consist of land, construction-in-progress, land improvements, buildings and improvements, software, equipment, library materials, and intangible assets with a gross book value of $420,505,000, $370,507,000 and $313,095,000 at June 30, 2012, 2011 and 2010, respectively, offset by accumulated depreciation of $150,261,000, $137,961,000 and $128,224,000, respectively. The School continues to invest in academic and auxiliary facilities to enhance the educational experience for students. During the construction of a project, costs are accumulated in construction-in-progress. Upon completion of the project, the costs are moved out of construction-in-progress into buildings and improvements.

During the past three years, the School has completed or is near completion on the following capital projects:

- Completion of the Brown Hall academic building addition. This was a $35,000,000 bond funded project financed in large part through a student academic facility fee and to a lesser degree by $6,748,000 of certificates of participation issued by the State of Colorado.

- Completion of Maple Hall, a 291 bed residence hall. This was a $28,500,000 bond funded project that will be repaid by revenues generated by the School's housing operations.

- Completion of the Weaver Towers renovation, a 224 bed residence hall originally built in 1978. This was an $11,900,000 bond funded project that will be repaid by revenues generated by the School's housing operations.

- Near completion of Marquez Hall and Wing. Marquez Hall (the Hall) is a $25,000,000 project financed entirely through private contributions. The Hall will house the School's Petroleum Engineering program. The Wing is an $11,000,000 academic addition to the Hall that is a bond funded project financed by student academic facility fee. The Hall and Wing were placed in service in August 2012 for the fall term.

- Near completion of the new W. Lloyd Wright Student Wellness Center. This is a $3,200,000 bond funded project to replace the School's aging student health center. The bonds will be repaid from student health fees. The Wellness Center was placed in operation in August 2012.

- Near completion of $2,800,000 of energy conservation improvements throughout campus funded by taxable qualified energy conservation bonds that will be repaid through energy savings.

Table 6 - Capital Asset Categories (before depreciation) as of June 30, 2012, 2011 and 2010 *(all dollars in thousands)*

				Increase (Decrease)			
				2012 vs 2011		2011 vs 2010	
	2012	2011	2010	Amount	Percent	Amount	Percent
Land	$ 4,274	4,274	3,257	0	0.0%	$ 1,017	31.2%
Construction-in-Progress	36,962	12,741	21,421	24,221	190.1%	(8,680)	(40.5%)
Land Improvements	18,900	17,477	15,007	1,423	8.1%	2,470	16.5%
Buildings & Improvements	299,415	281,847	223,185	17,568	6.2%	58,662	26.3%
Software	1,378	1,409	1,283	(31)	(2.2%)	126	9.8%
Equipment	46,525	39,751	35,930	6,774	17.0%	3,821	10.6%
Library materials	12,451	12,408	12,412	43	0.3%	(4)	0.0%
Intangible	600	600	600	0	0.0%	0	0.0%
Total Capital Assets	**$ 420,505**	**370,507**	**313,095**	**49,998**	**13.5%**	**$ 57,412**	**18.3%**

Numerous other projects are continuing into Fiscal Year 2013 as detailed in Table 7 - Current Capital Construction Projects. Further detail regarding capital asset activity can be found in Note 4.

Table 7 - Current Capital Construction Projects *(in thousands)*

Project Description	Financing Sources	Budget
Marquez Hall and Wing	Gifts and bond proceeds	$ 36,600
W. Lloyd Wright Student Wellness Center	Bond proceeds	3,200
High Performance Computing - Computer	Campus cash resources	1,000
Lab Clean Room Expansion	Campus cash resources	750
Utilities Infrastructure	Campus cash resources	716
Fiber Optic Connection	Campus cash resources	658
Aspen Residence Hall	Campus cash resources	650
Steam Infrastructure Improvements	Campus cash resources	536
Campus Electronic Locks	Campus cash resources	510
Parking Management Plan	Campus cash resources	491
Banner Workflow & Document Imaging	Campus cash resources	473
Coolbaugh Roof Replacement	Campus cash resources	471
Wind Tunnel Climate Control	Campus cash resources	402

In addition to operating and nonoperating revenues, the School received capital revenues in the amount shown in Table 8 – Capital Revenues. The variances in capital contributions from the State over the past three years are primarily related to the construction of Brown Hall. In Fiscal Year 2008, the State issued certificates of participation, for the benefit of several institutions of higher education. The School received a total of $6,748,000 from the State towards the construction of Brown Hall. The variances in capital grants and gifts in Fiscal Years 2012, 2011 and 2010 are attributed to $5,180,000, $11,938,000 and $1,387,000, respectively, in capital gifts, received primarily from the Foundation, to be used towards the construction of the School's new petroleum engineering building, Marquez Hall.

Table 8 – Capital Revenues for the Years Ended June 30, 2012, 2011 and 2010 *(all dollars in thousands)*

				Increase (Decrease)			
				2012 vs 2011		2011 vs 2010	
Natural Classification	**2012**	**2011**	**2010**	**Amount**	**Percent**	**Amount**	**Percent**
Capital Appropriations from the State	$ 1,476	818	800	658	80.4%	$ 18	2.3%
Capital Contributions from the State	53	811	5,260	(758)	(93.5%)	(4,449)	(84.6%)
Capital Grants and Gifts	5,660	13,367	3,671	(7,707)	(57.7%)	9,696	264.1%
Academic Facility Fee	3,019	2,826	1,691	193	6.8%	1,135	67.1%
Total Capital Revenues	**$ 10,208**	**17,822**	**11,422**	**(7,614)**	**(42.7%)**	**$ 6,400**	**56.0%**

The School's long-term obligations, as shown in Table 9 – Long-Term Debt Categories, are comprised principally of various revenue bonds issued to finance construction of the capital assets discussed above. As of June 30, 2012, 2011 and 2010, net revenue bonds payable of $154,186,000, $156,731,000 and $160,951,000, respectively, were outstanding. The School did not issue any new, or refund any existing, debt during Fiscal Year 2012. During Fiscal Year 2011, the School had the following long-term debt activity:

- Refinanced $42,860,000 of variable rate debt, backed with a letter of credit that was due to expire, with an equal amount of new variable rate debt through a direct purchase by a financial institution.
- Issued $11,195,000 of taxable bonds used to construct, improve, renovate and equip a new academic wing to Marquez Hall.
- Issued $2,800,000 of taxable Qualified Energy Conservation Bonds (QECB) to be used to finance one or more qualified energy conservation improvement projects.

Three of the School's outstanding bond issues qualify as Build America Bonds (BAB) under the American Recovery and Reinvestment Act (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 a percentage of the interest payable on the bonds on or around each interest payment date.

Table 9 – Long-Term Debt Categories at June 30, 2012, 2011 and 2010 *(all dollars in thousands)*

				Increase (Decrease)			
				2012 vs 2011		2011 vs 2010	
Debt Type	**2012**	**2011**	**2010**	**Amount**	**Percent**	**Amount**	**Percent**
Revenue Bonds	$ 154,186	156,731	160,951	(2,545)	(1.6%)	$ (4,220)	(2.6%)
Capital Leases	870	319	98	551	172.7%	221	225.5%
Note Payable	-	432	712	(432)	(100%)	(280)	(39.3%)
Total Long-Term Debt	**$ 155,056**	**157,482**	**161,761**	**(2,426)**	**(1.5%)**	**$ (4,279)**	**(2.6%)**

The School's Variable Rate Demand Refunding Series 2010A has an interest rate derivative instrument, referred to as an interest rate swap, associated with it. As discussed more fully in Note 8, the School had entered into an interest rate swap agreement associated with the Series 2008A variable rate debt to hedge against possible future increases in debt service cash flow requirements resulting from interest rate increases. When the School refinanced the Series 2008A Bonds in Fiscal Year 2011, the swap agreement associated with the Series 2008A bonds was reassigned to the new Series 2010A Bonds. There was no cost to the School to change the association of the swap agreement to the new bonds. At the time of the refunding, the swap had a fair market value of ($8,301,000). In accordance with applicable accounting standards, the fair market value of the swap at the time of the refunding of the Series 2008A bonds was included in the calculation of the deferred gain or loss on refunding of the 2008A bonds and is being amortized over the life of the 2010A bonds.

In accordance with accounting standards, the School is required to separately disclose the change in the fair market value of the interest rate swap in the Statement of Net Assets in sections labeled Deferred Outflows or Deferred Inflows, depending on the change in the fair market value. As of June 30, 2012, 2011 and 2010, the outstanding swap had a fair market value of ($12,994,000),

($6,182,000) and ($7,778,000), respectively. The change in fair market value of the interest rate swap as of June 30, 2012 resulted in $5,005,000 being recorded as a deferred outflow in the Statement of Net Assets. As of June 30, 2011, the change in fair value of the interest rate swap resulted in $2,006,000 being recorded as a deferred inflow in the Statement of Net Assets.

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 Year 2013 and likely beyond. While the School's total operating revenue continues to increase each year, actual State funding, in the form of student stipends and fee-for-service revenues, has decreased in each of the last three fiscal years and is expected to decrease further in Fiscal Year 2013 as shown in Table 10 - State Operating Support.

Table 10 - State Operating Support *(all dollars in thousands)*

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
2013**	$ 15,773	-	15,773	204,028	7.7%
2012	16,254	-	16,254	178,860	9.1%
2011	20,586	870	21,456	168,916	12.7%
2010	10,594	12,643	23,237	139,227	16.7%

* State support includes student stipends and a fee-for-service contract funded from the College Opportunity Fund.
**Fiscal Year 2013 Amount of State Support is based on amounts included in the State's Long Appropriation Act (Long Bill). Total Operating Revenues is based on the School's 2013 projected revenues.

To offset the continued and further anticipated decreases in State funding, the School increased tuition in Fiscal Year 2013 by 8.0 percent for residents and 5.0 percent for non-residents. In Fiscal Years 2012 and 2011 tuition was increased by 9.0 percent for residents and 5.0 percent for non-residents in each year. Table 11 - 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 11 - Full Time Tuition and Room and Board Charges per Year

	Annual Full-time Tuition Rates		Annual Room and Board (avg.)		
Academic Year	Residents	Non-residents	Double	Single	Meal Plan
2013	$ 13,590	28,620	4,720	5,870	4,632
2012	12,585	27,270	4,638	5,486	4,250
2011	11,550	25,980	4,385	5,192	3,926
2010	10,590	24,750	4,176	4,945	3,775

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 12 - Fall Enrollment Trends presents undergraduates, graduate and combined enrollments for each of the last three years. Table 13 - Fall Semester Undergraduate Admissions Trends highlights the School's ability to attract freshmen students and transfer students. As demonstrated by the two tables below, the School has been successful in attracting new students.

Table 12 - Fall Enrollment Trends

	Undergraduates			**Graduate Studies**			**Total**		
Academic Year	**Residents**	**Non-residents**	**Total**	**Residents**	**Non-residents**	**Total**	**Residents**	**Non-residents**	**Total**
2012	2,873	1,312	4,185	519	354	873	3,392	1,666	5,058
2011	2,867	1,141	4,008	513	323	836	3,380	1,464	4,844
2010	2,866	1,043	3,909	473	293	766	3,339	1,336	4,675

Table 13 - Fall Semester Undergraduate Admissions Trends

Fall of Year	**Number of Applicants**	**Number Accepted**	**Percent Accepted**	**Number Committed**	**Percent Committed**
2012	12,517	4,616	36.9%	1,066	23.1%
2011	11,117	4,730	42.5%	969	20.5%
2010	10,436	4,709	45.1%	957	20.3%

The School continues to plan for additional cuts in the State's budget in future years as the State continues to experience budget shortfalls. The School, even in this time of economic volatility, is financially well-positioned. Over the past few years, the School has ended the year with an operating surplus primarily due to strong enrollment, increased research activity, consistent contributions 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. Fiscal Year 2012 set a new record for research award volume at $55,700,000 and the School anticipates award volume will remain strong in Fiscal Year 2013. 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. The School could be impacted by the impending "fiscal cliff" at the federal level. The School's anticipated federal interest subsidies related to the BAB could be reduced if the federal government does not reach agreement on the federal budget by December 31, 2012.

Additionally, because of the continued strong enrollment, the School must ensure that the physical infrastructure accommodates student needs, optimizes the academic and social life of the student, fosters growth in research, and supports 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 when 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. 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 the goal of strengthening the School's financial position and obtaining additional operating and financial flexibility in this environment of limited state support. The School continues to position itself to fully implement its strategic plan and in doing so must continually work to secure the financial and human resources needed to fulfill the School's 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.

Colorado School of Mines
Statements of Net Assets
June 30, 2012 and 2011 (*in thousands*)

	2012		2011	
	School	Component Unit	School	Component Unit
Assets				
Current Assets				
Cash and cash equivalents	$ 79,679	2,387	61,925	6,049
Short term investments	-	152	-	148
Accounts & loans receivable, net	15,626	6,862	19,167	3,129
Inventories	100	-	110	-
Other assets	347	-	870	-
Total Current Assets	**95,752**	**9,401**	**82,072**	**9,326**
Noncurrent Assets				
Restricted cash and cash equivalents	38,324	113	73,379	146
Investments	14,444	220,234	14,628	216,059
Loans receivable	4,924	11,244	4,932	10,958
Deferred charges and other assets	3,824	341	3,948	536
Capital assets, net	270,244	23	232,546	26
Total Noncurrent Assets	**331,760**	**231,955**	**329,433**	**227,725**
Total Assets	**$ 427,512**	**241,356**	**411,505**	**237,051**
Total Deferred Outflows	**$ 5,005**	**-**	**-**	**-**
Liabilities				
Current Liabilities				
Accounts payable and accrued liabilities	$ 23,098	1,354	23,180	1,967
Accrued compensated absences	458	-	441	-
Deferred revenue	14,370	-	16,786	-
Bonds, notes & leases payable	5,188	-	4,155	-
Other liabilities	1,463	-	1,467	-
Total Current Liabilities	**44,577**	**1,354**	**46,029**	**1,967**
Noncurrent Liabilities				
Accrued compensated absences	4,758	-	4,401	-
Bonds, notes & leases payable	149,868	-	153,327	-
Interest rate swap agreement	12,994	-	6,182	-
Other liabilities	1,758	24,949	2,980	25,754
Total Noncurrent Liabilities	**169,378**	**24,949**	**166,890**	**25,754**
Total Liabilities	**$ 213,955**	**26,303**	**212,919**	**27,721**
Total Deferred Inflows	**$ -**	**-**	**2,006**	-
Net Assets				
Invested in capital assets, net of related debt	$ 123,223	23	117,322	26
Restricted for nonexpendable purposes				
Scholarships and fellowships	1,554	59,788	1,623	75,430
Other	837	66,790	870	62,857
Total restricted for nonexpendable purposes	2,391	126,578	2,493	138,287
Restricted for expendable purposes				
Scholarships and fellowships	2,635	34,965	2,806	11,460
Loans	5,251	1,757	5,441	1,481
Research	5,934	1,089	5,098	1,415
Capital projects	4,956	1,137	4,409	5,067
Other	2,453	28,178	1,862	27,844
Total restricted for expendable purposes	21,229	67,126	19,616	47,267
Unrestricted	71,719	21,326	57,149	23,750
Total Net Assets	**$ 218,562**	**215,053**	**196,580**	**209,330**

Colorado School of Mines

Statements of Revenues, Expenses and Changes in Net Assets

Years Ended June 30, 2012 and 2011 *(in thousands)*

	2012		2011	
	School	Component Unit	School	Component Unit
Operating Revenues				
Tuition and fees, (net of scholarship allowance of $19,199 in 2012 and $17,858 in 2011)	$ 88,322	-	76,937	-
Fee-for-service	11,188	-	15,547	-
Federal grants and contracts	34,332	-	35,233	-
State grants and contracts	3,897	-	2,996	-
Nongovernmental grants and contracts	20,688	-	18,726	-
Auxiliary enterprises, (net of scholarship allowance of $265 in 2012 and $234 in 2011)	17,384	-	13,805	-
Contributions	-	31,146	-	11,384
Other operating revenues	3,049	169	2,846	194
Total Operating Revenues	**178,860**	**31,315**	**166,090**	**11,578**
Operating Expenses				
Education and general				
Instruction	53,970	-	51,288	-
Research	42,442	-	40,962	-
Public service	56	-	119	-
Academic support	12,479	-	11,508	-
Student services	5,048	-	4,067	-
Institutional support	10,955	21,419	9,610	26,658
Operation and maintenance of plant	18,961	-	17,351	-
Scholarships and fellowships	2,146	-	1,008	-
Total education and general	146,057	21,419	135,913	26,658
Auxiliary enterprises	18,489	-	15,483	-
Depreciation and amortization	13,485	18	12,120	23
Total Operating Expenses	**178,031**	**21,437**	**163,516**	**26,681**
Operating Income (Loss)	**829**	**9,878**	**2,574**	**(15,103)**
Nonoperating Revenues (Expenses)				
Contributions from the Foundation	11,347	-	9,837	-
Contributions	1,187	-	475	-
Investment income	1,204	(4,155)	4,350	35,259
Interest on debt	(7,217)	-	(4,282)	-
Amortization of bond costs	(110)	-	(252)	-
Loss on disposal of assets	(1,139)	-	(111)	-
Federal state fiscal stabilization funds	-	-	870	-
Federal nonoperating revenue	4,235	-	4,145	-
Other nonoperating revenue	1,061	-	85	-
Net Nonoperating Revenues	**10,568**	**(4,155)**	**15,117**	**35,259**
Income Before Other Revenues	**11,397**	**5,723**	**17,691**	**20,156**
Capital appropriations from State	1,476	-	818	-
Capital contributions from State	53	-	811	-
Academic facility fee	3,019	-	2,826	-
Capital grants and gifts	5,660	-	13,367	-
Additions to permanent endowments	377	-	34	-
Total Other Revenues	**10,585**	**-**	**17,856**	**-**
Increase in Net Assets	**21,982**	**5,723**	**35,547**	**20,156**
Net Assets, Beginning of Year	**196,580**	**209,330**	**161,033**	**189,174**
Net Assets, End of Year	**$ 218,562**	**215,053**	**196,580**	**209,330**

The accompanying notes are an integral part of the financial statements

Colorado School of Mines

Statements of Cash Flows

Years Ended June 30, 2012 and 2011 *(in thousands)*

	2012	2011
Cash Flows from Operating Activities:		
Tuition and fees	$ 88,181	77,671
Grants and contracts	70,313	70,242
Collection of loans to students	996	1,280
Sales of services from auxiliary enterprises	17,566	13,796
Rental income	1,307	1,318
Other operating receipts	2,697	1,532
Payments to suppliers	(30,817)	(30,386)
Scholarships disbursed	(1,529)	(773)
Payments to employees	(80,574)	(76,606)
Payments for employee benefits	(32,242)	(30,655)
Loans issued to students	(970)	(1,135)
Payments for auxiliary enterprises	(16,658)	(13,090)
Net cash provided by operating activities	**18,270**	**13,194**
Cash Flows from Noncapital Financing Activities:		
Receipts from the Foundation	11,427	9,590
Gifts and grants for other than capital purposes	1,703	846
Additions to permanent endowments	377	34
Proceeds from noncapital debt	-	2,800
Interest payments on noncapital debt	(156)	-
Endowment funds invested with the Foundation	(377)	(302)
Federal state fiscal stabilization funds	-	870
Federal nonoperating revenue	3,058	3,066
Direct lending receipts	26,489	22,241
Direct lending disbursements	(26,466)	(22,290)
Agency inflows	8,329	7,579
Agency outflows	(8,335)	(7,499)
Net cash provided by noncapital financing activities	**16,049**	**16,935**
Cash Flows from Capital & Related Financing Activities:		
Capital gifts	5,180	13,314
Academic facility fees	3,019	2,826
Bond issuance and other loan costs	(9)	(313)
Acquisition and construction of capital assets	(50,258)	(50,003)
Proceeds from capital debt and refinancing	-	53,974
Principal payments on capital debt and leases	(4,268)	(53,995)
Interest payments on capital debt and leases	(7,787)	(7,932)
Federal subsidy on Build America Bonds	1,177	1,080
Proceeds from insurance recovery	77	22
Net cash used in capital and related financing activities	**(52,869)**	**(41,027)**
Cash Flows from Investing activities:		
Interest and dividends on investments	1,249	1,741
Net cash provided by investing activities	**1,249**	**1,741**
Net decrease in cash and cash equivalents	(17,301)	(9,157)
Cash and Cash Equivalents, Beginning of Year	135,304	144,461
Cash and Cash Equivalents, End of Year	**$ 118,003**	**135,304**

The accompanying notes are an integral part of the financial statements

Colorado School of Mines

Statements of Cash Flows

Years Ended June 30, 2012 and 2011 *(in thousands)*

	2012	2011
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating income	$ 829	2,574
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization expense	13,485	12,120
Insurance recoveries	(77)	(22)
Other noncash operating expenses	1,476	1,037
Receipts of items classified as nonoperating revenues	1,061	85
Changes in assets and liabilities		
Accounts and loans receivables	2,947	170
Inventories	9	(6)
Other assets	545	(3,283)
Loans to students	(8)	179
Accounts payable and accrued liabilities	748	2,212
Deferred revenue	(2,415)	(1,435)
Accrued compensated absences	374	140
Other liabilities	(704)	(577)
Net cash provided by operating activities	**$ 18,270**	**13,194**
Noncash Investing, Capital and Financing Activities:		
Capital assets acquired by donations, state funded, and payable increases	$ 10,384	11,227
Deferred loss on refunding	-	8,499
Fair value change in interest rate swap	6,812	1,596
Unrealized gains/losses on investments	(45)	2,383
Accretion of interest on deep discount debt	470	483
Amortization of premiums/discounts	104	153
Amortization of bond issue costs	101	174
Amortization of deferred losses and swap termination	471	605

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 with a December 31 year-end. The purpose of MATTI, a not-for-profit 501(c)(3), is to further the education, research, development and public services objectives of the 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.

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 P.O. Box 4005, Golden, Colorado 80401-0005.

Related Organizations

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

CSMRI ceased active operations during 1987 and sold most of its real estate in 1988. CSMRI once held a lease on property owned by the School. Funds remaining from the proceeds of the sales and satisfaction of indebtedness are to be applied to rehabilitation costs of the property leased to CSMRI and the remaining property owned by CSMRI. Although CSMRI is not controlled by the School, upon dissolution, subject to certain provisions, any assets remaining shall be transferred to the School.

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. 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 DPCU. 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 an effective interest 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 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 School's 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, 2012 and 2011, the authorized spending rate was equal to the 4.5 percent of the rolling 36-month average market value of the endowment investments. Earnings in excess of the amount authorized for spending are available in future years and are included in the value of the related investment. 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, 2012 and 2011.

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 2011 amounts have been reclassified to conform to the 2012 presentation.

Note 2: Cash and Cash Equivalents and Investments

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

TABLE 2.1 Cash and Cash Equivalents *(in thousands)*

Type	2012	2011
School		
Cash on hand	$ 15	15
Cash with U.S. financial institutions	10,696	6,398
Cash with State Treasurer	107,292	128,891
Total Cash and Cash Equivalents-School	**$ 118,003**	**135,304**
Discretely Presented Component Unit		
Cash with U.S. financial institutions	$ 2,500	6,195
Total Cash and Cash Equivalents-DPCU	**$ 2,500**	**6,195**

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, 2012, the School had cash on deposit with the

Treasury of $107,292,000 which represented approximately 1.6 percent of the total $6,541.7 million fair value of deposits in the State Treasury 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, 2012, 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, 2012, approximately 89.0 percent of investments of the Treasury's Pool are subject to credit quality risk reporting. Except for $12,085,710 of corporate bonds rated lower medium, 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, 2012, the weighted average maturity of investments in the Treasurer's Pool is 0.090 years for Commercial Paper (2.1 percent of the Pool), 0.803 years for U.S. Government Securities (75.2 percent of the Pool), 2.379 years for Asset Backed Securities (6.6 percent of the Pool), and 3.252 years for Corporate Bonds (16.1 percent of the Pool).

The Treasury's Pool was not subject to foreign currency risk or concentration of credit risk in Fiscal Year 2011-12.

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, 2012.

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, 2012 and 2011 are deemed to be exposed to custodial credit risk. As of June 30, 2012, the DPCU had no deposits in excess of federally insured limits.

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, 2012 and 2011, no single investment of the School exceeded 5 percent of the total investments.

The School's and DPCU Investments at June 30 are shown in Table 2.2 Investments.

TABLE 2.2 Investments *(in thousands)*

Investment Type	2012	2011
School		
Cash	$ 931	604
Corporate equity securities	4,937	6,001
Hedge funds	3,665	3,268
Private equity	2,627	2,556
Corporate bonds	2,284	2,199
Total Investments-School	**$ 14,444**	**14,628**

TABLE 2.2 Investments (continued) *(in thousands)*

Investment Type	2012	2011
Discretely Presented Component Unit		
Cash	$ 11,514	8,048
Corporate equity securities	62,854	75,450
Hedge funds	50,090	43,513
Private equity	38,443	34,024
Corporate bonds	32,658	29,274
Split-interest agreements	10,912	10,929
Gift annuity agreements	4,871	5,673
Beneficial interest investments	8,892	9,148
Total Investments-DPCU	**$ 220,234**	**216,059**

The School's investments are managed by the Foundation on behalf of the School and are reflected in its Long-term Investment Pool. The School's investments are under the Foundation's 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.

Table 2.3, Debt Investments, Interest Rate Risk and Credit Quality Risk, presents the School's rating and duration for its debt securities.

TABLE 2.3 Debt Investments, Interest Rate and Credit Quality Risk *(in thousands)*

Investment Type	2012	2011
School		
Corporate Bonds		
Fair Value	$ 2,284	2,199
% of Rated Value by Credit Rating	36%- AA+	52% - AA
	46% - A-	48% - A+
	18% - BAA	-
Duration (yrs)	2.39-8.56	1.4-4.8
Discretely Presented Component Unit		
Corporate Bonds		
Fair Value	$ 32,658	29,274
% of Rated Value by Credit Rating	36%- AA+	52% - AA
	46% - A-	48% - A+
	18% - BAA	-
Duration	2.39-8.56	1.4-4.8

Note 3: Accounts, Contributions and Loans Receivable

Table 3.1, Accounts Receivable, segregates receivables as of June 30, 2012 and 2011, by type.

TABLE 3.1 Accounts Receivable *(in thousands)*

	2012			
Type of Receivable	**Gross Receivables**	**Allowance**	**Net Receivable**	**Net Current Portion**
School				
Student accounts	$ 4,144	1,018	3,126	3,126
Student loans	5,606	185	5,421	497
Federal government	6,786	-	6,786	6,786
Other governments	210	-	210	210
Private sponsors	3,724	749	2,975	2,975
DPCU	1,363	-	1,363	1,363
Other	669	-	669	669
Total Receivable-School	**$ 22,502**	**1,952**	**20,550**	**15,626**
Discretely Presented Component Unit				
Contributions*	$ 17,232	884	16,348	6,862
Due from School	1,758	-	1,758	-
Total Receivable-DPCU	**$ 18,990**	**884**	**18,106**	**6,862**

	2011			
Type of Receivable	**Gross Receivables**	**Allowance**	**Net Receivable**	**Net Current Portion**
School				
Student accounts	$ 4,287	1,030	3,257	3,257
Student loans	5,567	154	5,413	481
Federal government	8,536	-	8,536	8,536
Other governments	143	-	143	143
Private sponsors	4,620	271	4,349	4,349
DPCU	1,965	-	1,965	1,965
Other	436	-	436	436
Total Receivable-School	**$ 25,554**	**1,455**	**24,099**	**19,167**
Discretely Presented Component Unit				
Contributions*	$ 11,783	532	11,251	2,008
Due from School	2,836	-	2,836	462
Total Receivable-DPCU	**$ 14,619**	**532**	**14,087**	**2,470**

*The allowance on the contributions receivable is comprised of uncollectible and unamortized discounts of $403 and $481, respectively, for June 30, 2012, and $233 and $299 respectively, as of June 30, 2011.

Note 4: Capital Assets

Table 4.1, Capital Assets, presents the changes in capital assets and accumulated depreciation by major asset category for the years ended June 30, 2012 and 2011.

TABLE 4.1 Capital Assets *(in thousands)*

Category	Balance 2011	Additions	Deletions	Transfers	Balance 2012
Nondepreciable capital assets					
Land	$ 4,274	-	-	-	4,274
Construction-in-progress	12,741	44,892	30	(20,641)	36.962
Total nondepreciable assets	17,015	44,892	30	(20,641)	41,236
Depreciable capital assets					
Land improvements	17,477	-	-	1,423	18,900
Buildings and improvements	281,847	270	1,374	18,672	299,415
Software	1,409	171	202	-	1,378
Equipment	39,751	6,934	706	546	46,525
Library materials	12,408	195	152	-	12,451
Intangible assets	600	-	-	-	600
Total depreciable capital assets	353,492	7,570	2,434	20,641	379,269
Less accumulated depreciation					
Land improvements	7,101	695	(29)	-	7,825
Buildings	93,844	8,989	321	-	102,512
Software	578	203	(42)	-	823
Equipment	25,320	3,388	789	-	27,919
Library materials	11,052	176	146	-	11,082
Intangible assets	66	34	-	-	100
Total accumulated depreciation	137,961	13,485	1,185	-	150,261
Net depreciable assets	215,531	(5,915)	1,249	20,641	229,008
Total Net Capital Assets	**$ 232,546**	**38,977**	**1,279**	**-**	**270,244**

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

Category	Balance 2010	Additions	Deletions	Transfers	Balance 2011
Nondepreciable capital assets					
Land	$ 3,257	1,050	33	-	4,274
Construction-in-progress	21,421	53,924	362	(62,242)	12,741
Total nondepreciable assets	24,678	54,974	395	(62,242)	17,015
Depreciable capital assets					
Land improvements	15,007	-	77	2,547	17,477
Buildings and improvements	223,185	641	918	58,939	281,847
Software	1,283	126	-	-	1,409
Equipment	35,930	4,775	1,710	756	39,751
Library materials	12,412	146	150	-	12,408
Intangible assets	600	-	-	-	600
Total depreciable capital assets	288,417	5,688	2,855	62,242	353,492
Less accumulated depreciation					
Land improvements	6,533	568	-	-	7,101
Buildings	86,357	8,121	634	-	93,844
Software	557	21	-	-	578
Equipment	23,742	3177	1,599	-	25,320
Library materials	11,002	200	150	-	11,052
Intangible assets	33	33	-	-	66
Total accumulated depreciation	128,224	12,120	2,383	-	137,961
Net depreciable assets	160,193	(6,432)	472	62,242	215,531
Total Net Capital Assets	**$ 184,871**	**48,542**	**867**	**-**	**232,546**

The total interest costs related to capital asset debt incurred by the School during the years ended June 30, 2012 and 2011, was $8,195,000 and $8,011,000, 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 tax-exempt debt. The total amount of interest costs capitalized as part of construction-in-progress during the years ended June 30, 2012 and 2011 was $1,671,000 and $4,649,000, respectively.

Note 5: Accounts Payable and Accrued Liabilities

Table 5.1, Accounts Payable and Accrued Liabilities, details the accounts payable and accrued expenses as of June 30, 2012 and 2011.

TABLE 5.1 Accounts Payable and Accrued Liabilities *(in thousands)*

Type	2012	2011
Accounts payable – vendors	$ 12,340	12,956
Accrued salaries and benefits	10,088	9,671
Accrued interest payable	670	553
Total Accounts Payable and Accrued Liabilities	**$ 23,098**	**23,180**

The School leases various buildings and equipment under operating lease rental agreements. Operating leases do not give rise to property rights or meet other capital lease criteria, and therefore, the related assets and liabilities are not recorded in the accompanying financial statements. For Fiscal Years 2012 and 2011, total rent expense under these agreements was $185,000 and $55,000, respectively. Table 5.2, Future Minimum Operating Lease Payments, details the future minimum operating lease payments.

TABLE 5.2 Future Minimum Operating Lease Payments
(in thousands)

Years Ending June 30	Minimum Lease Payment
2013	$ 174
2014	159
2015	137
2016	54
2017	9
Total Operating Lease Payments	**$ 533**

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 $1,287,000 is paid in monthly installments and is recorded as other operating revenue.

Note 6: Deferred Revenue

Table 6.1, Deferred Revenue, details the types and amounts of deferred revenue as of June 30, 2012 and 2011.

TABLE 6.1 Deferred Revenue *(in thousands)*

Type	2012	2011
Tuition and fees	$ 4,687	4,876
Grants and contracts	8,837	11,485
Miscellaneous	846	425
Total Deferred Revenue	**$ 14,370**	**16,786**

Note 7: Compensated Absences

Table 7.1, Compensated Absences, presents the changes in compensated absences for the years ended June 30, 2012 and 2011.

TABLE 7.1 Compensated Absences *(in thousands)*

	2012	2011
Beginning of the year	$ 4,842	4,702
Additions	836	625
Adjustments/reductions	462	485
End of the year	**$ 5,216**	**4,842**
Current Portion	**$ 458**	**441**

Note 8: Bonds, Notes and Leases

As of June 30, 2012 and 2011, the categories of long-term obligations are detailed in Table 8.2, Bonds, Notes and Leases Payable. Table 8.3, Changes in Bonds, Notes, and Leases Payable, presents the changes in bonds, notes, and capital leases payable for the years ended June 30, 2012 and 2011.

Revenue Bonds

A general description of each revenue bond issue, original issuance amount, and the amount outstanding as of June 30, 2012 and 2011 is detailed in Table 8.4, Revenue Bond Detail.

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, 2012 and 2011, net auxiliary pledged revenues, total net pledged revenues, and the associated debt service coverage are shown in Table 8.1, Net Pledged Revenues. The School's net pledged revenues will continue to be pledged for the life of the associated revenue bonds as detailed in Table 8.2, Bonds, Notes, and Leases Payable. The outstanding principal and interest of the related pledged debt is detailed in Table 8.5, Revenue Bonds Future Minimum Payments. The School believes it is in compliance with all existing pledged revenue requirements of its outstanding bonds.

TABLE 8.1 Net Pledged Revenue *(in thousands)*

Source of Net Pledged Revenue	**2012**	**2011**
Auxiliary Revenue Bonds		
Net auxiliary facilities	$ 8,445	5,951
Student fees	3,654	3,586
Renewal and replacement fund	493	493
Net auxiliary pledged revenues	12,592	10,030
Prior obligation auxiliary debt service	2,165	2,030
Prior obligation auxiliary debt service coverage	5.82	4.94

TABLE 8.1 Net Pledged Revenue (continued) *(in thousands)*

Source of Net Pledged Revenue	**2012**	**2011**
Institutional Enterprise Revenue Bonds		
Student tuition	$ 12,639	11,179
Student facility fees	3,019	2,826
Federal indirect cost recovery	10,797	10,238
Federal interest subsidy	1,297	1,080
Capital gifts	-	760
Institutional Enterprise Pledged Revenues	27,752	26,083
Total Net Pledged Revenues	38,179	34,083
Total Parity Debt Service	9,918	9,855
Total Parity Debt Service Coverage	3.85	3.46
% of Pledged Revenue to Total Revenue	87%	87%

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

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

The Series 2009B, 2010B, and 2011 bonds qualify as Build America Bonds for purposes of ARRA signed into law on February 17, 2009. Pursuant to ARRA, for the Series 2009B and 2010B bonds, the School expects to receive a cash subsidy payment from the United States Treasury, referred to as Federal Direct Payments, equal to 35 percent of the interest payable on the bonds on or around each interest payment date. For the Series 2011 bonds, the School expects to receive Federal Direct Payments equal to 70 percent 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 Years 2012 and 2011, the School received $1,297,000 and $1,080,000, respectively, 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 Years 2012 and 2011, 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, 2012 and 2011 (in thousands):

TABLE 8.2 Bonds, Notes, and Leases Payable *(in thousands)*

Type	Interest Rates	Final Maturity	Balance 2012	Balance 2011
Auxiliary Facilities Enterprise Revenue Bonds	2.5% - 5.4%	2038	$ 19,608	20,409
Institutional Enterprise Revenue Bonds				
Variable Rate Demand Bonds	0.163%*	2038	30,995	31,169
Fixed Rate Bonds	3% - 6.29%	2041	103,583	105,153
Capital Leases Payable	3.25% - 7.5%	2014	870	319
Notes Payable	4.5%	2012	-	432
Total Bonds, Notes and Leases Payable			**$ 155,056**	**157,482**

* Variable rate demand bonds are set at an adjustable rate as discussed below. The rates reflected in the table are as of June 30, 2012.

The interest rate on the Series 2010A variable rate demand bonds is calculated weekly based on 67 percent of the London interbank offered rate (LIBOR). In addition, the School pays a support fee of 0.65. The interest rate on the Series 2010A as of June 30, 2012 was 0.163 percent.

Table 8.3, Changes in Bonds, Notes, and Leases payable presents the changes in bonds, notes and leases for the years ended June 30, 2012 and 2011.

TABLE 8.3 Changes in Bonds, Notes, and Leases Payable *(in thousands)*

Type	Balance 2011	Additions	Deductions	Balance 2012	Current Portion
Revenue bonds payable	$ 171,515	470	3,580	168,405	4,350
Plus unamortized premiums	797	-	112	685	-
Less unamortized discounts	105	-	7	98	-
Less deferred loss	15,476	-	670	14,806	-
Total revenue bonds	156,731	470	3,015	154,186	4,350
Notes payable	432	-	432	-	-
Capital leases payable	319	807	256	870	838
Total Bonds, Notes and Leases Payable	**$ 157,482**	**1,277**	**3,703**	**155,056**	**5,188**

TABLE 8.3 Changes in Bonds, Notes, and Leases Payable **(continued)** ***(in thousands)***

Type	Balance 2010	Additions	Deductions	Balance 2011	Current Portion
Revenue bonds payable	$ 167,747	57,338	53,570	171,515	3,580
Plus unamortized premiums	958	-	161	797	-
Less unamortized discounts	114	-	9	105	-
Less deferred loss	7,640	8,499	663	15,476	-
Total revenue bonds	160,951	48,839	53,059	156,731	3,580
Notes payable	712	-	280	432	432
Capital leases payable	98	366	145	319	143
Total Bonds, Notes and Leases Payable	**$ 161,761**	**49,205**	**53,484**	**157,482**	**4,155**

TABLE 8.4 Revenue Bond Detail *(in thousands)*

Issuance Description	Original Issuance Amount	Outstanding Balance 2012	Outstanding Balance 2011
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	9,955	9,485
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	6,015	6,245
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	3,655	4,690
Total Auxiliary Facilities Enterprise Revenue Bonds	**57,284**	**19,625**	**20,420**

TABLE 8.4 Revenue Bond Detail (continued) *(in thousands)*

Issuance Description	Original Issuance Amount	Outstanding Balance 2012	Outstanding Balance 2011
Institutional Enterprise Revenue Bonds:			
Refunding and Improvement Series 2009A - Used to refund the Colorado School of Mines Development Corporation Refunding Variable Rate Demand Bonds, Series 2005, refund a portion of the Variable Rate Demand Improvement Series 2008B, make a payment in connection with modifying a portion of an existing swap agreement for the Series 2008B Bonds, and acquire certain real properties located in Golden, Colorado	28,720	26,940	27,815
Series 2009B - Used to fund construction or renovation of certain campus capital projects including a new residence hall, Weaver Towers, wellness center and other capital improvements	42,860	42,860	42,860
Refunding Series 2009C - Used to refund a portion of the Series 2008B and terminate an existing swap agreement for the Series 2008B bonds	16,745	15,785	16,275
Series 2009D - Used to fund construction of Marquez Hall	8,400	7,240	7,640
Variable Rate Demand Refunding Series 2010A - Used to current refund the Refunding Series 2008A	42,860	41,960	42,510
Series 2010B - Taxable Direct Payment Build America Bonds - Used to construct, improve, renovate and equip new academic wing to Marquez Hall and provide additional facilities	11,195	11,195	11,195
Series 2011 - Taxable Qualified Energy Conservation Bonds - Used to finance one or more qualified conservation improvement projects	2,800	2,800	2800
Total Institutional Enterprise Revenue Bonds	**153,580**	**148,780**	**151,095**
Total Revenue Bonds	**$ 210,864**	**168,405**	**171,515**
Plus Premiums		685	797
Less Discounts		98	105
Less Deferred Loss		14,806	15,476
Total Outstanding Revenue Bonds		**$ 154,186**	**156,731**

Refunding Revenue Bond Activity

In November 2010, the School issued $42,860,000 in Variable Rate Demand Institutional Enterprise Revenue Refunding Bonds Series 2010A to refund the Variable Rate Demand Refunding 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 demand feature of the bonds applies at the end of an interest rate mode period. This period can range from weekly to long-term. As a result of the agreement with Wells Fargo the demand feature is not applicable until October 2015.

The Swap Agreement associated with the Series 2008A bonds remains in effect and is now associated with the Series 2010A bonds. The refunding resulted in no change in the cash flows to service the debt, there was no economic gain or loss and because of the associated swap, the variable rate Series 2010A refunding bonds have a synthetic fixed rate of 3.59 percent and therefore there are no risks associated with interest rate fluctuations. The deferred loss on refunding recorded when the Series 2008A bonds were issued was included in the calculation of the loss on refunding with the issuance of the Series 2010A bonds and a total deferred loss on refunding of $3,333,000 is being amortized over the life of Series 2010A bonds.

Debt Service Requirements on Revenue Bonds

The future minimum revenue bonds debt service requirements as of June 30, 2012, are shown in Table 8.5, Revenue Bonds Future Minimum Payments.

TABLE 8.5 Revenue Bonds Future Minimum Payments *(in thousands)*

Years Ending June 30	Principal	Interest	Total
2013	$ 4,350	7,576	11,926
2014	4,505	7,426	11,931
2015	4,645	7,283	11,928
2016	4,755	7,134	11,889
2017	4,945	6,959	11,904
2018 – 2022	24,740	32,175	56,915
2023 – 2027	24,115	28,636	52,751
2028 – 2032	29,305	23,439	52,744
2033 – 2037	39,390	18,579	57,969
2038 – 2042	33,495	11,334	44,829
Subtotal	174,245	150,541	324,786
Unaccreted interest -1999 Bonds	(5,840)		
Total Debt Service	**$ 168,405**		

Interest Rate SWAP Agreements

In Fiscal Year 2008, 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. With the issuance of the Series 2010A refunding bonds, the swap agreement was not terminated and was associated with the Series 2010A refunding bonds. The Swap Agreement has an original notional amount of $43,200,000, which amortizes in accordance with the associated debt, and a fair value of ($12,994,000) and ($6,182,000) at June 30, 2012 and 2011, respectively. The Swap Agreement provides for certain payments to or from Morgan Stanley equal to the difference between the fixed rate of 3.59 percent payable by the School and 67 percent of one month USD-LIBOR-BBA, 0.163 percent at June 30, 2012, payable by Morgan Stanley. The fair value of the swap is classified as a noncurrent liability and the change in fair value of the swap is classified as either a deferred outflow or deferred inflow at June 30, 2012 and 2011. On the date of the refunding of the Series 2008A bonds, the fair market value of the swap was ($8,301,000) and was included in the calculation of deferred loss on refunding and is being amortized over the life of the Series 2010A refunding bonds. Accumulated amortization of the deferred loss as of June 30, 2012 and 2011 was $312,000 and $113,000, respectively. Morgan Stanley, counterparty to the Swap Agreement, determined the fair value as of June 30, 2012 and 2011, using a discounted forecasted cash flows;

however, the actual method and significant assumptions used are proprietary. The Swap Agreement has an effective date of March 5, 2008 and a termination date of December 1, 2037.

There can be risks inherent to interest rate swaps that the 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.
>
> 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, 2012, Morgan Stanley's credit rating is Baa1 by Moody's, A- by Standards & Poor's and A by Fitch.
>
> For the outstanding swap agreement the School has a maximum possible loss equivalent to the swaps' fair market value at June 30, 2012 and 2011 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, 2012 and 2011. 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, 2012, the aggregate debt service payments and net swap cash payments, assuming current interest rates remain the same, for their term are reflected in Table 8.6, Future Revenue Bonds and Net Swap Minimum Payments.

TABLE 8.6 Future Revenue Bonds and Net Swap Minimum Payments *(in thousands)*

Years Ending June 30	Principal	Interest	Interest Swap (net)	Support Fee	Total
2013	$ 575	68	1,428	271	2,342
2014	600	67	1,408	267	2,342
2015	625	66	1,387	263	2,341
2016	625	65	1,365	259	2,314
2017	675	64	1,343	255	2,337
2018 – 2022	3,525	302	6,349	1,204	11,380
2023 – 2027	5,025	268	5,637	1,069	11,999
2028 – 2032	12,900	195	4,111	780	17,986
2033 – 2037	14,335	83	1,755	333	16,506
2038 – 2042	3,075	3	53	10	3,141
Total Debt Service	**$ 41,960**	**1,181**	**24,836**	**4,711**	**72,688**

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 as of June 30, 2012 and 2011.

Note Payable

As of June 30, 2011, 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. The note was paid in full during Fiscal Year 2012.

Capital Leases

As of June 30, 2012 and 2011, the School had an outstanding liability for capital leases approximating $870,000 and $319,000, respectively, with underlying gross capitalized asset cost approximating $1,304,000 and $498,000, respectively. Accumulated amortization as of June 30, 2012 and 2011 is $197,000 and $84,000 respectively.

Future minimum payments on the capital leases are shown in Table 8.7 Future Minimum Capital Lease Payments.

Table 8.7 Future Minimum Capital Lease Payments *(in thousands)*

Year Ending June 30,	Principal	Interest	Total
2013	$ 838	34	872
2014	32	1	33
Total Capital Lease Payments	**$ 870**	**35**	**905**

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 $6,748,000 for a portion of the support in the construction of an addition to the Brown Hall building. The State of Colorado is responsible for making the principal and interest payments on the COP.

Note 9: Other Liabilities

Table 9.1, Other Liabilities, details other liabilities as of June 30, 2012 and 2011.

TABLE 9.1 Other Liabilities *(in thousands)*

	2012		2011	
Type	**Total**	**Current Portion**	**Total**	**Current Portion**
School				
Amounts due to the Foundation	$ 1,937	179	2,476	81
Funds held for others	101	101	115	115
Pollution remediation	206	206	1,190	605
Student deposits	598	598	536	536
Miscellaneous	379	379	130	130
Total Other Liabilities - School	**$ 3,221**	**1,463**	**4,447**	**1,467**
Discretely Presented Component Unit				
Colorado School of Mines	$ 13,844	-	14,482	-
Other trust funds	950	-	966	-
Obligations under split-interest agreements	5,168	-	5,257	-
Obligations under gift annuity agreements	4,715	-	4,801	-
Refunded advances	113	-	120	-
Other liabilities	159	-	128	-
Total Other Liabilities - DPCU	**$ 24,949**	**-**	**25,754**	**-**

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. Lending activity during the years ended June 30, 2012 and 2011 under these programs were $26,466,000 and $22,290,000, 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 P.O. 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 11).

Non-higher education employees hired by the State after January 1, 2006 are allowed 60 days to elect to participate in a defined contribution retirement plan administered by the State Deferred Compensation Committee rather than becoming a member of PERA. If that election is not made, the employee becomes a member of PERA, and the member is allowed 60 days from commencing employment to elect to participate in a defined contribution plan administered by PERA rather than the defined benefit plan.

Prior to legislation passed during the 2006 session, higher education employees may have participated in social security, PERA's defined benefit plan, or the institution's optional retirement plan. Currently, higher education employees, except for community college employees, are required to participate in their institution's optional plan, if available unless they are active or inactive members of PERA with at least one year of service credit. In that case they may elect either PERA or their institution's optional plan. Community college employees hired after January 1, 2010, are required to become members of PERA and must elect either PERA's defined benefit or defined contribution plan within 60 days, unless they have been a PERA member within the prior twelve months. In that case, they are required to remain in the PERA plan in which they participated previously.

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 any years of service.
- Hired between January 1, 2007 and December 31, 2010 – 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. For members with less than five years of service credit as of January 1, 2011 age and service requirements increase to those required for members hired between January 1, 2007 and December 31, 2010.
- Hired between January 1, 2011 and December 31, 2016 – any age with 35 years of service, age 58 with 30 years of service, or age 65 with 5 years of service.
- Hired on or after January 1, 2017 – any age with 35 years of service, age 58 with 30 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.
- Hired between January 1, 2011 and December 31, 2016 – age 58 and age plus years of service equals 88 or more.
- Hired on or after January 1, 2017 – age 60 and age plus years of service equals 90.

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

Retiree benefits are increased annually in July after one year of retirement based on the member's original hire date as follows:

- Hired before July 1, 2007 – the lesser of 2 percent or the average of the monthly Consumer Price Index increases.
- Hired on or after January 1, 2007 – the lesser of 2 percent or the actual increase in the national Consumer Price Index, limited to a 10 percent 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.)
- The upper limits on benefits increase by one-quarter percentage point each year when the funded ratio of PERA equals or exceeds 103 percent and declines by one-quarter percentage point when the funded ratio drops below 90 percent after having exceeded 103 percent. The funded ratio increase does not apply for three years when a negative return on investment occurs.

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 are 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 eight percent of their salary, as defined in CRS 24-51-101(42), to an individual account in the plan. Effective July 1, 2011, Senate Bill 11-076 extended the requirement for members in the State and Judicial Divisions to pay 2.5 percent additional member contributions through June 30, 2012. Employer contributions for members in these two divisions will be reduced by 2.5 percent.

From July 1, 2011 to December 31 2011, the School contributed a total of 12.25 percent of the employee's salary. From January 1, 2012 through June 30, 2012, the School contributed a total of 13.15 percent. During all of Fiscal Year 2012, 1.02 percent 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, 2011, the division of PERA in which the State participates has a funded ratio of 57.7 percent and a 56 year amortization period based on current contribution rates. The funded ratio on the market value of assets is lower at 57.6 percent.

In the 2004 and 2010 legislative sessions, 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 percent of salary for calendar years 2006 and 2007, with subsequent year increases of 0.4 percent of salary through 2017, to a maximum of 5 percent (except for the Judicial Division whose AED contribution was frozen at the 2010 level).

In the 2006 and 2010 legislative sessions, the General Assembly authorized a Supplemental Amortization Equalization Disbursement (SAED) that requires PERA employers to pay additional one half percentage point of total salaries, for calendar years 2008 through 2017, to a maximum of 5 percent (except for the Judicial Division whose SAED contribution was frozen at the 2010 level). The SAED will be deducted from the amount otherwise available to increase State employees' salaries.

At a 103 percent funding ratio, both the AED and the SAED will be reduced by one-half percentage point, and for subsequent declines to below 90 percent funded both the AED and SAED will be increased by one-half percentage point. For the Judicial Division, if the funding ratio reaches 90 percent and subsequently declines, the AED and SAED will be increased by one-half percentage point.

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, 2012, 2011 and 2010 were $7,731,000, $7,136,000 and $7,892,000, 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 $82,000 and $91,000 for 2012 and 2011, 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. At July 1, 2009, the State's administrative functions for the defined contribution plan were transferred to PERA. New member contributions to the plan vest from 50 percent to 100 percent evenly over five years. Participants in the plan are required to contribute eight percent of their salary. For Fiscal Years 2012 and 2011 the legislature temporarily increased the required contribution rate to 10.5 percent. At December 31, 2011, the plan had 4,029 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 for the 457 plan were transferred to PERA, where all costs of administration and funding are borne by the plan participants. Participants are allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their eight percent PERA contribution with a temporarily increase to 10.5 percent for Fiscal Years 2012 and 2011) to a maximum of $16,500. Contributions and earnings are tax deferred. At December 31, 2011, the plan had 17,821 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 P.O. 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 five percent for each year less than 20 years.

Employees are not required to contribute to the Health Care Trust Fund, which is maintained by employer's contributions as discussed in Note 10 above. The School is required to contribute 1.02 percent of gross covered wages to the Health Care Trust Fund. The School contributed $621,000, $617,000 and $601,000 as required by statute in Fiscal Years 2012, 2011 and 2010, respectively. In each year the amount contributed was 100 percent of the required contribution.

The Health Care Trust Fund offers two general types of plans: fully-insured plans offered through health care organizations and self-insured plans administered for PERA by third party vendors. As of December 31, 2011, there were 50,217 enrolled participants, including spouses and dependents, from all contributors to the plan. At December 31, 2011, the Health Care Trust Fund had an unfunded actuarial accrued liability of $1.43 billion, a funded ratio of 16.5 percent, and a 49-year amortization period.

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, 2012, there were 21 participants in post-retirement coverage from the nine member higher education institutions. For Fiscal Year 2012, the School had two 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 CHEIBA'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: Discretely Presented Component Unit

Colorado School of Mines Foundation

Distributions made by the Foundation to the School during the years ended June 30, 2012 and 2011 were approximately $16,527,000 and $23,151,000, respectively. These amounts have been recorded as contributions from the Foundation and as capital grants and gifts and Component Unit operating expenses in the accompanying financial statements. As of June 30, 2012 and 2011, the School has recorded an accounts receivable from the Foundation of $1,363,000 and $1,965,000, respectively. As of June 30, 2012 and 2011, the School has recorded a payable to the Foundation of $1,937,000 and $2,476,000, respectively.

The School is the ultimate beneficiary of substantially all restricted and trust funds held by the Foundation and is the income beneficiary of the majority of endowment funds held by the Foundation. The Foundation also manages a portion of the School's endowments. The School has endowments and other assets held by the Foundation approximating $14,192,000 and $14,295,000 as of June 30, 2012 and 2011, respectively. The Foundation retains an investment management fee equal to two percent.

Note 14: 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 $7,299,000 as of June 30, 2012. 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. Negotiations with the EPA, the enforcement agency related to past costs, have been resolved. The School is presently working to resolve remaining regulatory issues related to the site. The Colorado Department of Public Health and Environment (CDPHE) and EPA have reserved their rights as to future costs of investigation and cleanup. Monitoring of the site is 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 expired February 11, 2010 but remains in effect until termination. CSMRI applied on June 6, 2012 to terminate RML #617-01. The School submitted an environmental covenant restricting use of the groundwater for the remaining upper terrace area covered by RMS #617-01. In addition, on July 26, 2012, the CDPHE issued RML #1206-01 for the lower terrace portion of the site granting the School the right to possess groundwater containing uranium. RML #1206-01 Amendment 1 was issued August 22, 2012. The CDPHE is expected to terminate RML #617-01 upon approval of the upper terrace groundwater environmental covenant. Monitoring of the site continues.

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 executed a contract, and recorded a liability at June 30, 2010, in the amount of $1.8 million to implement the plan. Work began in late 2010 and was completed by June 30, 2012. As of June 30, 2012, the liability was $206,000 and relates to on-going monitoring. 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.

Future Accounting Standards

The Governmental Accounting Standards Board (GASB) issued Statement No. 68 *Accounting and Financial Reporting for Pensions* (Statement No. 68), which revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. The School provides its employees with pension benefits through the state's multiple employer cost-sharing PERA defined benefit retirement program.

Statement No. 68 requires cost-sharing employers participating in the PERA program, such as the School, to record their proportionate share, as defined in Statement No. 68, of PERA's unfunded pension liability. The School has no legal obligation to fund this shortfall nor does it have any ability to affect funding, benefit, or annual required contribution decisions made by PERA. The requirement of Statement No. 68 to record a portion of PERA's unfunded liability will negatively impact the School's future unrestricted net position. Statement No. 68 is effective for Fiscal Year 2015. At this time, management is unable to estimate the magnitude of this impact. Information regarding PERA's current funding status can be found in their Comprehensive Annual Financial Report.

Note 15: 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 16: Legislative Appropriations

The Colorado State Legislature establishes spending authority to the School in its annual Long Appropriations Bill. The Long Bill appropriated funds include an amount from the State of Colorado's College Opportunity Fund. In prior years, through fiscal year 2011, the annual appropriations bill included certain cash revenues from the student share of tuition and fees.

For the years ended June 30, 2012 and 2011, appropriated expenses were within the authorized spending authority. For the years ended June 30, 2012 and 2011, the School had a total appropriation of $16,254,000 and $102,760,000, respectively. For years ended June 30, 2012 and 2011, the School's appropriated funds consisted of $5,066,000 and $5,039,000, respectively, received from students that qualified for stipends from the College Opportunity Fund, $11,188,000 and $15,547,000, respectively, as fee-for-service contract revenue, and $0 and $82,174,000, respectively, from the student share of tuition. 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 tuition and fees, grants and contracts, gifts, indirect cost recoveries, auxiliary revenues and other revenue sources.

Note 17: Subsequent Event

In November 2012, the School issued $47,345,000 of Institutional Enterprise Revenue Bonds, Series 2012B (Series 2012B). Proceeds are being used for the purpose of constructing, improving, renovating and equipping of new and existing campus facilities, current refunding of all of the Refunding and Improvement Series 2002 bonds, advance refunding of a portion of the Refunding and Improvement Series 2004 bonds, funding capitalized interest on a portion of the 2012B bonds, and paying costs of issuance of the 2012B bonds. Interest is payable semiannually with coupon rates ranging from 2.0% to 5.0%. Principal payments range from $745,000 to $2,385,000 with final maturity in December 2042. The current and advanced refunding portion of the Series 2012B resulted in a net present value savings of $879,000 and a decrease in the cash flows to service the new debt versus the old debt of $994,000. The book gain or loss on the refunding has not been determined.