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

Financial Audit – Years Ended June 30, 2008 and 2007

Compliance Audit – Year Ended June 30, 2008

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November 25, 2008

Members of the Legislative Audit Committee:

We have completed the financial statement audit of the Colorado School of Mines as of and for the years ended June 30, 2008 and 2007. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

We were engaged to conduct our audit pursuant to Section 2-3-103, C.R.S., which authorizes the State Auditor to conduct or cause to be conducted audits of all departments, institutions and agencies of state government. The reports which we have issued as a result of this engagement are set forth in the table of contents which follows.

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Colorado School of Mines
(A Component Unit of the State of Colorado)
Years Ended June 30, 2008 and 2007

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Report Summary
Year Ended June 30, 2008

Purposes and Scope of Audit

The purposes and scope of this audit were to:

- Express an opinion on the financial statements of the Colorado School of Mines (the School) as of and for the year ended June 30, 2008, including consideration of internal control over financial reporting as required by auditing standards generally accepted in the United States of America and *Government Auditing Standards.*
- Express an opinion on the separately issued financial statements of Colorado School of Mines Development Corporation as of and for the year ended June 30, 2008, issued under separate cover.
- Evaluate compliance with certain provisions of laws, regulations, contracts and grants governing the expenditures of Federal and state funds for the year ended June 30, 2008.
- Issue a report on the School's internal control over financial reporting and on compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters based on our audit of the financial statements performed in accordance with *Government Auditing Standards.*
- Express an opinion on the Statement of Appropriations, Expenditures, Transfers and Reversions of State-Funded Student Assistance Programs of the School for the year ended June 30, 2008.
- Express an opinion on compliance, and report on internal control over compliance, with requirements applicable to each state-funded student assistance program.
- Evaluate progress in implementing prior audit recommendations.

Audit Opinions and Reports

The Independent Accountants' Reports expressed unqualified opinions on the School's financial statements, financial statements of Colorado School of Mines Development Corporation (under a separate cover) and the Statement of Appropriations, Expenditures, Transfers and Reversions of the State-Funded Student Assistance Programs as of and for the year ended June 30, 2008.

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

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

Summary of Audit Comments

Auditor's Findings and Recommendations Section

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

Exclusive of the findings with respect to our testing of expenditures of Federal awards and state-funded student assistance discussed below, our findings and recommendations a.) address the School's need to accrue interest expense on its Series 2008A and 2008B Bonds at year-end and its deferral of interest expense related to its Series 2007 Bond debt refunding and b.) address the School's need to make a year-end accrual for certain construction costs and related receivables (See Recommendation Nos. 1 and 2).

Expenditures of Federal Awards

There were three findings related to our testing of Federal expenditures under OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* (Single Audit). The findings related to a.) the School's need to perform suspension and debarment verification procedures required for covered transactions to determine that contracting entities are not suspended or debarred (Research and Development Grant Cluster), b.) the School's Office of Research Administration's need to consistently document approval of cost transfers to research and development grants (Research and Development Grant Cluster) and c.) the School's need to ensure that the National Student Loan Data System is properly updated for student status changes in accordance with compliance requirements of the Federal Family Education Loans (FFEL) program (Student Financial Assistance Cluster). (See Recommendation Nos. 3, 4 and 5).

State-Funded Student Assistance Programs

There was one finding related to our testing of state-funded student assistance expenditures. The finding related to the over-award to one student under the Colorado Student Grant Program because of the School's incorrect award limitation level determination for the student. (See Recommendation No. 6).

Summary of Progress in Implementing Prior Audit Recommendations

The audit for the year ended June 30, 2007, included seven recommendations. The disposition of those seven audit recommendations as of November 25, 2008, was as follows:

Status	Number
Implemented	6
Partially implemented	-
Not implemented	1
Total	7

Colorado School of Mines
(A Component Unit of the State of Colorado)
Recommendation Locator
Year Ended June 30, 2008

All recommendations are addressed to the Colorado School of Mines

Recommendation Number	Page Number	Recommendation Summary	Response	Implementation Date
1	7	Implement procedures for the review of interest expense during the reporting period to ensure that interest expense is recognized for the entire period the applicable debt is outstanding during the fiscal year, regardless of when the interest is paid.	Agree	January 1, 2009
2	8	Ensure that the existing year-end closing procedure for the review and evaluation of all unpaid invoices at year-end is consistently followed so that all valid costs incurred and related revenues, if applicable, are recorded in the proper accounting period.	Agree	January 1, 2009
3	9	Verify that entities are not suspended or debarred or otherwise excluded from contracting for work involving Federal funds and maintain documentation to support such verification procedures.	Agree	July 1, 2008
4	10	Ensure that the School's existing policy for documenting approval of cost transfers to Federal R&D projects be strictly adhered to prior to recording accounting entries for such cost transfers.	Agree	January 1, 2009
5	11	Ensure proper policies and procedures are in place to determine that data reported in the National Student Loan Data System (NSLDS) Enrollment Timeline matches the students' academic files and if discrepancies are noted, that such discrepancies are reported timely.	Agree	June 30, 2009
6	12	Ensure that an adequate review is performed for Colorado Student Grant Program awards to verify that the School's procedures for awarding in accordance with award limitation levels are being followed in all instances. The School should also provide additional training for staff to reinforce the requirements for awarding these grants.	Agree	October 31, 2008

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

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

Financial support comes from student tuition and fees and from the state through a fee-for-service contract and student stipends. Funds are augmented by government and privately sponsored research, private support from alumni and support from industry and friends through the Colorado School of Mines Foundation, Incorporated.

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

	Student FTE Enrollment		
	Resident Student FTE	Non-resident Student FTE	Total Student FTE
2004	2,615	830	3,445
2005	2,807	820	3,627
2006	3,009	849	3,858
2007	3,056	917	3,973
2008	3,085	1,051	4,136

	Faculty and Staff FTE		
	Faculty FTE	Staff FTE	Total Faculty and Staff FTE
2004	227	338	565
2005	248	332	580
2006	259	343	602
2007	276	396	672
2008	315	433	748

In planning and performing our audit of the financial statements of the Colorado School of Mines (the School) as of and for the year ended June 30, 2008 in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, we considered the School's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control. As such, our consideration of internal control would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

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

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

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

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

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

Material Weaknesses – Internal Control Over Financial Reporting

No matters are reportable.

Significant Deficiencies – Internal Control Over Financial Reporting

Interest Expense

As of June 30, 2008, the School did not accrue approximately $140,000 of interest expense on its Series 2008A and Series 2008B Bonds that was incurred during Fiscal Year Ended June 30, 2008, but was paid subsequent to year-end. While the School routinely accrues interest expense on its outstanding debt, the accrual of interest expense for these two debt issuances was overlooked in the School's year-end closing process.

Additionally, the School incorrectly deferred, rather than expensed, approximately $610,000 of interest expense incurred during Fiscal Year Ended June 30, 2008 on debt refunded with its Enterprise Refunding and Improvement Revenue Bonds, Series 2007. The School incorrectly interpreted Governmental Accounting Standards Board Statement No. 23, *Accounting and Financial Reporting for Refunding of Debt Reported by Proprietary Activities,* to require deferral of all amounts placed in escrow that, with interest earnings, is necessary to pay interest and principal on the debt being refunded. Under the accrual basis of accounting, interest expense accrued but unpaid at the time of a refunding remains an expense of the period when incurred and is not deferred.

The financial statements of the School are prepared on the accrual basis of accounting. Under the accrual basis of accounting, interest expense is recognized in the financial statements for the entire period the applicable debt is outstanding during the fiscal year, regardless of when the interest is paid. The above errors were corrected through audit adjusting journal entries that resulted in an increase in interest expense for the year ended June 30, 2008 of approximately $750,000, an increase in accrued interest payable as of June 30, 2008 of approximately $140,000 and a decrease in the deferred amount from refundings as of June 30, 2008 of approximately $610,000. Because the adjustments increased interest expense for the year ended June 30, 2008 by approximately $750,000, change in net assets decreased by the same amount for the year.

Proper accrual and recognition of interest expense in the proper accounting period is necessary to prevent financial statement misstatements.

Recommendation No. 1

The School should implement procedures for the review of interest expense during the reporting period to ensure that interest expense is recognized for the entire period the applicable debt is outstanding during the fiscal year, regardless of when the interest is paid.

Colorado School of Mines Response

Agree, Implementation Date; January 1, 2009

The School will ensure that an in-depth review process for interest expense will take place to ensure proper recording.

In addition, during the School's recording of the refinancing of the 2007 bonds, the Accounting Department fully reviewed the guiding standard, Governmental Accounting Standards Board Statement (GASB) No. 23, *Accounting and Financial Reporting for Refunding of Debt Reported by Proprietary Activities* to ensure proper recording of the transaction. The School will establish stronger review analysis for its financing transactions including direct consultation with GASB.

Control Deficiencies – Internal Control Over Financial Reporting

Year-end Accrual of Construction-In-Progress Costs

As of June 30, 2008, the School did not accrue approximately $103,000 of construction costs that were incurred during Fiscal Year Ended June 30, 2008, but were paid subsequent to year-end and also did not accrue a receivable from the state of $103,000 related to the transaction. Under the accrual basis of accounting, construction costs incurred but unpaid at year-end and related receivables that are expected to be received subsequent to year-end require accrual for financial reporting purposes. The School had not completed its approval processes for the invoice at the time of its year-end closing of financial transactions, thus it did not accrue the costs and related receivable. An audit entry to correct the error was passed (not recorded because of immateriality) as of June 30, 2008 to increase construction-in-progress and receivables and increase accounts payable and revenue by approximately $103,000. The passed entry would have increased change in net assets by $103,000 for the year ended June 30, 2008 had it been recorded.

Proper accrual and recognition of construction costs and revenues in the proper accounting period is necessary to prevent financial statement misstatements.

Recommendation No. 2

The School should ensure that its existing year-end closing procedure for the review and evaluation of all unpaid invoices at year-end is consistently followed so that all valid costs incurred and related revenues, if applicable, are recorded in the proper accounting period.

Colorado School of Mines Response

Agree, Implementation Date; January 1, 2009

The School has year-end closing procedures for financial transactions that include a review and evaluation of all unpaid invoices at year-end to determine that all valid costs incurred and related revenues, if applicable, are recorded in the proper accounting period. The School prepares a detailed fiscal year end schedule every year. The Controller's Office will ensure appropriate assessment of materiality for all the documents received after June 30 closing.

OMB Circular A-133 (Single Audit) Findings

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

The School does not currently perform suspension and debarment verification procedures required for covered transactions to determine that contracting entities are not suspended or debarred. The School entered into approximately 225 covered transactions during Fiscal Year 2008 totaling approximately $2.3 million.

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

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

The School was not familiar with the Federal requirements with respect to suspension and debarment verification procedures.

Recommendation No. 3

For covered transactions, the School should verify that entities are not suspended or debarred or otherwise excluded from contracting for work involving Federal funds and documentation should be maintained to support such verification procedures.

Colorado School of Mines Response

Agree, Implementation Date; July 1, 2008

The School does include certification clauses in its subaward and subcontracts; the subrecipients are required to certify that they are not on the debarred or suspended list prior to execution of a subaward or subcontract. In addition, the School has determined that none of the contractors in the list of covered transactions were on the debarred or suspended list. The School will add to its procedures the review of all covered transactions by the Purchasing Office.

Allowable Costs/Cost Principles-Cost Transfers (Research and Development Grant (R&D) Cluster)

We noted during our testing of cost transfers to Federal R&D projects that two cost transfers out of 30 items tested lacked evidence of approval by the School's Office of Research Administration (ORA). Documenting approval by the ORA of cost transfers to Research and Development Grants is an important internal control to help ensure that such costs meet the Federal requirement that funds be used only for activities that further the objectives of individual R&D projects. While the School has a policy in place to document approval by the ORA of cost transfers, it failed to do so on the two items noted as exceptions during our testing. The dollar amount of the two items totaled $1,079 and the dollar amount of the sample was $49,011.

Failure to approve cost transfers to a Federal R&D project could result in costs being improperly charged to the project and in the disallowance of those costs by the granting agency or department. Documentation of such approvals is important to provide evidence that the approval control function is operating as designed.

Recommendation No. 4

The School should ensure that its existing policy for documenting approval of cost transfers to Federal R&D projects be strictly adhered to prior to recording accounting entries for such cost transfers.

Colorado School of Mines Response

Agree, Implementation Date; January 1, 2009

The School has added to its labor redistribution form identification as to whether the transaction involves a research grant or contract to provide better internal controls. If the transaction involves a research grant or contract the transaction requires approval of the Office of Research Administration.

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

We noted during our testing of 30 students with Federal Family Education Loans (FFEL) under Student Financial Assistance Programs who either graduated, withdrew, dropped out, or enrolled but never attended during the year, that the National Student Loan Data System (NSLDS) did not contain the proper student status change for any of the eight students tested who graduated in May 2008 (spring graduation). Additionally, no information was included in the NSLDS for another student tested in our sample of 30 who had withdrawn during the year. While the School's policy is to report student status changes monthly, it failed to report student status changes during the summer months of 2008, thereby causing the reporting problems with the spring graduates. For the student who had withdrawn, the guarantor of the loan provided incorrect information on the student's name and date of birth, thus causing the lack of student information in the NSLDS.

Under the FFEL and Direct Loans programs, schools must complete and return within 30 days of receipt the Student Status Confirmation Reports (SSCR) sent by the Department of Education or a guaranty agency (OMB No. 1845-0035). The SSCR is transmitted electronically. The institution determines how often it receives the SSCR, but the minimum is twice a year. Once received, the institution must update for changes in student status, report the date the enrollment status was effective, enter the new anticipated completion date, and submit the changes electronically through the batch method or the NSLDS web site.

For the School to ensure that it is meeting the requirements to notify the NSLDS of changes in student status in a timely and accurate manner, it must have procedures in place to compare the data in the NSLDS Enrollment Timeline to the students' academic files, and report discrepancies in the Enrollment Timeline data on a timely basis.

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

Recommendation No. 5

The School should ensure proper policies and procedures are in place to determine that data reported in the NSLDS Enrollment Timeline matches the students' academic files and if discrepancies are noted, that such discrepancies are reported timely.

Colorado School of Mines Response

Agree, Implementation Date; June 30, 2009

The School will implement proper policies and procedures to ensure data reported in the NSLDS Enrollment Timeline is accurate and matches the students' academic file and any discrepancies are reported timely.

State-Funded Student Assistance Program Finding

Determination of Funding Levels (Colorado Student Grant Program)

The Colorado School of Mines had expenditures of $912,415 under the Colorado Student Grant Program for the Fiscal Year Ended June 30, 2008. In our testing of this program one student tested was over-awarded by $3,950 because the student was awarded under an incorrect funding level. The School's initial determination of the funding level for the student was based on a professional judgment made by the Student Financial Aid Office. Subsequently, a verification of income was performed that resulted in a lower Expected Family Contribution (EFC) but the award was not modified to reflect the change. We tested twenty-two students who received the Colorado Student Grant totaling $81,583.

The Colorado Student Grant Program was established to assist undergraduate or graduate students who cannot otherwise afford to attend college and is designed for students with demonstrated financial need. To ensure that state need-based dollars are directed to eligible, Colorado resident students who have the least ability to pay for their education; CCHE policy (5.01.04) defines three funding levels. Using the EFC, institutions award need-based dollars to Level 1 applicants (students with the least ability to pay). Level 2 applicants (students with documented need and moderate ability to pay) will be considered after meeting the need of Level 1 applicants. All other students who demonstrate financial need as calculated by the federal methodology are considered Level 3 applicants (students with documented need and average ability to pay). All levels have award limitations as follows:

- Level 1 – EFC between $0 and $5,775; the minimum award is $700 and $1,000 for undergraduate and graduate students, respectively, or the maximum amount of unmet need up to a maximum of $5,000.
- Level 2 – EFC between $5,775 and $7,700; the maximum award for this category is $2,500 or the maximum amount of unmet need, whichever is less.
- Level 3 – EFC greater than $7,700; the maximum award is $500.

Failure to comply with the three levels for awarding grant funds could result in the over-awarding of grants to students with more than the least ability to pay.

Recommendation No. 6

The School should ensure that an adequate review is performed for Colorado Student Grant Program awards to verify that its procedures for awarding in accordance with award limitation levels are being followed in all instances. The School should also provide additional training for staff to reinforce the requirements for awarding these grants.

Colorado School of Mines Response

Agree, Implemented; October 31, 2008

Training has already been done with staff to ensure that all personnel are aware of the requirements for awarding a Colorado Student Grant. In addition, procedures have been instituted such that all Colorado Student Grant awards will be reviewed mid-year, and during the account closing in June, to ensure that awards have been made properly.

Colorado School of Mines
(A Component Unit of the State of Colorado)
Disposition of Prior Audit Recommendations
Year Ended June 30, 2008

Summary of Progress in Implementing Prior Audit Recommendations

The audit report for the year ended June 30, 2007 included seven recommendations. The disposition of those audit recommendations, as of November 25, 2008, was as follows:

Recommendation Number	Recommendation	Disposition
1	Assure that adequate review is performed for Governor's Opportunity Scholarship Program (GOS) grant awards to verify the School is following State requirements.	Implemented
2	Reconcile all capital asset general ledger accounts to supporting detail on a periodic basis to help ensure the accounts' accuracy, both in dollar amount and appropriate account classification.	Implemented
3	Reconcile all due to/from balances and activity between the Foundation's records and the School's records at least quarterly and resolve any differences timely.	Implemented
4	Implement school-wide policies and procedures for the collection of cash receipts and ensure all departments have proper segregation of duties in order to minimize the chance of an error or fraud occurring.	Implemented
5	Perform a detailed review of financial statement drafts prior to commencement of the external audit process and require periodic training for all accounting personnel that would include a review of Governmental Accounting Standards Board (GASB) statements and implementation guidance.	Implemented
6	Ensure proper policies and procedures are in place to report all student status changes to NSLDS within the proper timeframe.	Not Implemented. See current year Recommendation No. 5.
7	Continue to focus on meeting all deadline items set forth in the calendar drafted during the planning phase of each year's audit. Ensure that items requested are provided timely and in the format requested by the contract auditors.	Implemented

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Independent Accountants' Report on Financial Statements and Supplementary Information

Members of the Legislative Audit Committee:

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Colorado School of Mines (the School), a blended component unit of the State of Colorado, as of and for the years ended June 30, 2008 and 2007, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Colorado School of Mines' management. Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of Colorado School of Mines Foundation, Incorporated (the Foundation), the discretely presented component unit of the School. Those statements were audited by other accountants whose report has been furnished to us and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other accountants.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of Colorado School of Mines Foundation, Incorporated, the discretely presented component unit of the School, were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of the other accountants provide a reasonable basis for our opinions.

In our opinion, based on our audits and the report of other accountants, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the Colorado School of Mines, as of June 30, 2008 and 2007, and the respective changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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In accordance with *Government Auditing Standards,* we have also issued our report dated November 25, 2008, on our consideration of the Colorado School of Mines' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

BKD, LLP

November 25, 2008

Management's Discussion and Analysis

This section of the Colorado School of Mines annual financial report presents management's discussion and analysis of the financial performance of the School during the fiscal years ended June 30, 2008 and 2007, with prior year data presented for comparative purposes. The activities of the Colorado School of Mines Building Corporation and the Colorado School of Mines Development Corporation, blended component units, have also been incorporated. The financial statements focus on the financial position and changes in financial position for the School as a whole.

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

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

Executive Summary

Fiscal year 2008 marked the fifth year of the School's implementation of its Strategic Plan: *to optimize, consolidate, and align institutional resources in support of key programmatic areas such as earth, energy, materials and environment.* The School has been successful in its progress towards achieving many of the initiatives outlined in the strategic plan and a recalibration of "the Plan" has begun in order to confirm strategic direction.

The School's total operating revenues increased 13.9% for fiscal year 2008 compared to 2007. Tuition and fees remain a major source of revenue to the School representing 45.7% of total operating revenues. The School implemented the fourth year of a five year plan to increase full time undergraduate resident tuition to fifteen credit hours. The School experienced a strong freshman class along with an increase in resident graduate and non-resident enrollment which, with an increase in tuition rates, contributed to the increase in overall tuition and fees revenue.

Fiscal year 2008 represented the third year of the School's Fee-for-Service agreement with the Department of Higher Education; funding from that agreement increased by 11.1%. Funding of the School's research enterprise increased by 10.0% mainly as a result of increased funding from federal agencies and private industry.

Operating expenses increased 12.1% from the prior year with the majority of that increase coming from increases in research, academic support, auxiliary enterprises and institutional support.

Funding from the School's Foundation remained strong in 2008 with $11.0 million in gifts coming to the School; a 7.3% increase from the prior year. The state provided support to the School for capital and deferred maintenance funds in 2008 at $3.2 million compared to $5.2 million in the prior year.

Overall, total net assets increased 4.3% for the year with a 21.7% increase in the School's unrestricted net assets.

Statement of Net Assets

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

Condensed Statements of Net Assets (in thousands)

June 30, 2008, 2007 and 2006

	2008	2007	2006
Assets			
Current assets	$ 44,914	$ 37,956	$ 37,428
Noncurrent assets			
Capital, net	165,762	162,944	152,268
Other	66,663	31,442	32,290
Total assets	277,339	232,342	221,986
Liabilities			
Current liabilities	27,674	26,976	23,653
Noncurrent liabilities	117,241	78,373	78,067
Total liabilities	144,915	105,349	101,720
Net Assets			
Invested in capital assets, net of related debt	92,016	91,425	94,003
Restricted			
Nonexpendable	1,645	1,878	1,640
Expendable	8,657	8,947	8,270
Unrestricted	30,106	24,743	16,353
Total net assets	$ 132,424	$ 126,993	$ 120,266

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

	2008	2007	2006
Current Assets to Current Liabilities	1.62:1	1.41:1	1.58:1
Total Assets to Total Liabilities	1.91:1	2.21:1	2.18:1

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

2008

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

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

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

2007

The School's capital assets consist of land, land improvements, buildings and improvements, equipment, library materials and construction in progress collectively totaling $162.9 million at June 30, 2007. This amount is net of accumulated depreciation of $102.5 million. New construction and capital projects accounted for the addition of $12.6 million in net capital assets. Two construction projects capitalized this year include the Student Recreation Center and the addition to the Center for Technology and Learning Media building which were completed in May 2007. Financing for the Student Recreation Center came from various sources; primarily bonds issued in November 2002 and in October 2004, private donations and the state appropriated funding to support the addition to the Center for Technology and Learning Media building. Further detail regarding capital asset activity can be found in Footnote 3 to the financial statements.

The School's long-term obligations are comprised principally of various revenue bonds payable issued to finance construction of capital assets. As of June 30, 2007 net revenue bonds payable of $71.1 million were outstanding. Further detail regarding long-term liabilities can be found in Footnotes 4, 5 and 6 to the financial statements.

The decrease in cash and cash equivalents, short-term investments and restricted cash and cash equivalents is due primarily to the construction of the capital projects referenced above.

Statements of Revenues, Expenses and Changes in Net Assets

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

The fiscal year 2008 financial statements reported herein reflect an increase in net assets of $5.4 million.

Condensed Statements of Revenues, Expenses and Changes in Net Assets (in thousands)
Years Ended June 30, 2008, 2007 and 2006

	2008	2007	2006
Operating Revenues			
Tuition and fees, net	$ 56,588	$ 47,213	$ 41,628
Grants and contracts	55,090	50,099	49,534
Auxiliary enterprises	11,670	10,885	10,429
Other operating revenues	598	640	677
Total operating revenues	123,946	108,837	102,268
Operating Expenses	132,105	117,806	113,686
Operating Loss	(8,159)	(8,969)	(11,418)
Nonoperating Revenues (Expenses)			
Contributions from the Foundation	10,981	10,237	13,682
Other nonoperating revenues (expenses)	(1,365)	229	2,380
Net nonoperating revenues	9,616	10,466	16,062
Income Before Other Revenues, Expenses, Gains or Losses	1,457	1,497	4,644
State appropriations – capital	3,187	5,230	1,687
Capital grants and gifts	787	—	—
Increase in Net Assets	5,431	6,727	6,331
Net Assets, Beginning of Year	126,993	120,266	113,935
Net Assets, End of Year	$ 132,424	$ 126,993	$ 120,266

Operating revenues increased 13.9% for fiscal year 2008. Funding from the state under the School's Fee-for-Service agreement increased by 11.1%, net tuition and fees increased by 19.9% and research contracts and grants increased by 10.0% compared to previous year.

Operating expenses in 2008 increased 12.1% from the prior year. Research expenses increased by 20.2% as a result of increased sponsored research activity. Funding from the School's Foundation in 2008 was $11.0 million in gifts coming to the School.

Overall, total net assets reflects an increase of 4.3% for the year with a 21.7% increase to the School's unrestricted net assets.

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

	Undergraduates			Graduate Studies			Combined		
Fiscal Year	Residents	Non-residents	Total	Residents	Non-residents	Total	Residents	Non-residents	Total
2007-08	2,683	840	3,523	402	211	613	3,085	1,051	4,136
2006-07	2,686	745	3,431	370	172	542	3,056	917	3,973
2005-06	2,656	679	3,335	353	170	523	3,009	849	3,858
2004-05	2,468	638	3,106	339	182	521	2,807	820	3,627
2003-04	2,303	626	2,929	312	204	516	2,615	830	3,445
2002-03	2,156	628	2,784	329	218	547	2,485	846	3,331
2001-02	2,123	661	2,784	234	197	431	2,357	858	3,215

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

	Annual Full-time Tuition Rates		Annual Room and Board (avg.)		
Fiscal Year	Residents	Non-residents	Double	Single	Board
2007-08	$8,764	$21,750	$3,880	$4,595	$3,455
2006-07	$8,047	$20,340	$3,695	$4,375	$3,290
2005-06	$7,248	$19,830	$3,520	$4,170	$3,132
2004-05	$6,336	$19,240	$3,420	$4,050	$3,028
2003-04	$5,700	$19,030	$3,300	$3,925	$2,912
2002-03	$5,246	$17,516	$3,200	$3,783	$2,800
2001-02	$4,940	$16,070	$2,996	$3,544	$2,632

Undergraduate admissions data, outlined below, show another aspect of the School's basis for student enrollment. The 2006, 2007, and 2008 increases in applications reflect a new marketing program, which resulted in a higher quality and larger entering freshman class for each year.

Fall Semester Undergraduate Admissions

Fall of Year	Number of Applicants	Number Accepted	Percent Accepted	Number Committed *	Percent Committed *
2008	7,072	4,305	60.9%	905	21.0%
2007	6,063	3,692	60.9%	899	24.3%
2006	3,931	2,791	71.0%	898	32.2%
2005	3,444	2,722	79.0%	971	35.7%
2004	3,323	2,802	84.3%	868	31.0%
2003	3,250	2,566	79.0%	771	30.1%
2002	2,910	1,960	67.4%	670	34.2%
2001	1,910	1,542	80.7%	695	45.1%

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

2008

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

Net nonoperating revenues (expenses) of $9.6 million include $11.0 million of gifts from the Colorado School of Mines Foundation, Incorporated, $1.6 million of investment income, $(3.5) million of interest expense on capital debt, and other net non-operating revenues of $.5 million.

2007

Revenue received from sponsored grants and contracts was flat from the prior year with funding from federal agencies reflecting a decline while funding from private sponsors reflected an increase. The School experienced a 4.0% increase in its revenue from the fee-for-service agreement.

Net nonoperating revenues (expenses) of $10.5 million include $10.2 million of gifts from the Colorado School of Mines Foundation, Incorporated, $3.4 million of investment income, $(1.4) million of interest expense on capital debt, $(2.0) million of loss on disposal of assets and $.3 million of other items, net.

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

Years Ended June 30, 2008, 2007 and 2006

	2008		2007		2006	
Function						
Instruction	$ 41,356	31.3%	$ 37,798	32.1%	$ 38,093	33.5%
Research	31,848	24.1%	26,502	22.5%	24,674	21.7%
Academic support	10,122	7.7%	8,319	7.1%	6,585	5.8%
Student services	3,217	2.4%	2,926	2.5%	3,433	3.0%
Institutional support	8,703	6.6%	7,251	6.1%	8,667	7.6%
Operation and maintenance of plant	10,643	8.0%	9,641	8.2%	10,093	8.9%
Scholarships and fellowships	1,180	1.0%	1,537	1.3%	966	0.9%
Auxiliary enterprises	15,895	12.0%	13,481	11.4%	12,967	11.4%
Depreciation	9,141	6.9%	10,351	8.8%	8,208	7.2%
Total operating expenses	$ 132,105	100.0%	$ 117,806	100.0%	$ 113,686	100.0%
Classification						
Wages and benefits						
Faculty wages	$ 47,360	53.4%	$ 42,319	54.6%	$ 41,591	56.8%
Classified wages	13,341	15.0%	12,570	16.2%	12,000	16.4%
Student wages	2,441	2.8%	2,207	2.9%	2,218	3.0%
Benefits	21,043	23.8%	17,096	22.1%	14,881	20.4%
	84,185	95.0%	74,192	95.8%	70,690	96.6%
Personal service contracts	4,394	5.0%	3,256	4.2%	2,517	3.4%
	$ 88,579	100.0%	$ 77,448	100.0%	$ 73,207	100.0%
Total wages and benefits	$ 88,579	67.1%	$ 77,448	65.7%	$ 73,207	64.4%
Scholarships and fellowships	460	0.3%	889	0.8%	966	0.9%
Utilities	3,332	2.5%	2,772	2.3%	3,196	2.8%
Supplies and other	30,593	23.2%	26,346	22.4%	28,109	24.7%
Depreciation	9,141	6.9%	10,351	8.8%	8,208	7.2%
Total operating expenses	$ 132,105	100.0%	$ 117,806	100.0%	$ 113,686	100.0%

Operating expenses increased by 12.1% from 2007 to 2008 and 3.6% from 2006 to 2007. Part of the increase from 2007 to 2008 is due to increases in wages and benefits over the same time period. Also, expenses related to research activities increased by 20.2%. In addition, expenses such as, utility, travel and non-capitalized equipment increased from the prior year. Increases from 2006 to 2007 were due to wages and benefits and expenses related to campus infrastructure, maintenance, and depreciation expenses.

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 principally by the level of state support, compensation costs, student enrollment and resulting tuition and fee revenues, and growing research volume. As tuition and fees revenue is the School's largest revenue source, it continues to be vital for the School to have the ability to set tuition at a level which will support the cost of educating a Colorado School of Mines' student. As the state continues their attempt to identify additional funding sources for higher education, it will be important for the School to assess the implications on the long term health and maintenance of the School and its continued ability to provide high quality academic programs that continue to attract a high quality of students. To that end, the School's goal is to develop its own strategy for how to strengthen the School's financial position and obtain more operating and financial flexibility.

As enrollment is planned to continue to grow pursuant to the Strategic Plan, the School must ensure that the physical infrastructure can not only accommodate the growth but also is utilized to optimize the academic and social life of the student, foster growth in research and support a world-class institution. The ability to obtain and devote resources to support the physical infrastructure will be a high priority of the School. During 2008, the School exercised its ability to pledge tuition for the repayment of debt. The School intends to utilize the broader pledge base to support any future debt obligations. Given that the School's debt capacity is limited even with the expanded pledge ability, state support of capital construction will be critical to meet our growing infrastructure needs.

The School continues to position itself to fully implement the Strategic Plan and in doing so must work to secure the financial and human resources needed to fulfill the mission.

Colorado School of Mines
(A Component Unit of the State of Colorado)
Statements of Net Assets
June 30, 2008 and 2007

	2008	2007
Assets		
Current Assets		
Cash and cash equivalents	$ 30,260,088	$ 23,422,183
Accounts receivable, net of allowance; 2008 - $570,226 and 2007 - $589,978	3,562,258	2,899,617
Federal and state grants receivable, net of allowance; 2008 - $531,095 and 2007 - $132,629	4,727,233	4,928,143
Other receivables (includes amounts due from the Foundation; 2008 - $1,247,927 and 2007 - $851,857)	5,765,996	6,129,935
Inventories	114,352	114,358
Loans to students, net of allowance; 2008 and 2007 - $5,154	480,357	444,872
Prepaid expenses	3,523	17,025
Total current assets	44,913,807	37,956,133
Noncurrent Assets		
Restricted cash and cash equivalents	49,205,550	13,055,230
Restricted investments	6,040,575	6,229,188
Other noncurrent investments	5,973,575	6,815,504
Loans to students, net of allowance; 2008 - $99,973 and 2007 - $181,485	4,595,437	4,273,698
Capital assets, net	165,761,561	162,944,406
Bond issuance costs, net	848,795	1,067,665
Total noncurrent assets	232,425,493	194,385,691
Total assets	277,339,300	232,341,824
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	12,997,408	13,101,702
Deferred revenue	12,306,692	11,581,004
Bonds payable – current portion	1,475,000	1,415,000
Other current liabilities (includes amounts due to the Foundation; 2008 - $23,559 and 2007 - $88,097	894,489	877,996
Total current liabilities	27,673,589	26,975,702
Noncurrent Liabilities		
Accrued compensated absences	3,287,621	3,137,283
Deferred revenue	958,333	1,458,333
Bonds payable	105,466,310	69,696,606
Capital leases payable	4,285,000	—
Student loan funds administered for the Foundation	2,010,964	1,858,896
Note payable	1,233,481	2,222,336
Total noncurrent liabilities	117,241,709	78,373,454
Total liabilities	144,915,298	105,349,156
Net Assets		
Invested in capital assets, net of related debt	92,016,447	91,424,843
Restricted		
Nonexpendable		
Scholarships and fellowships	941,824	1,150,776
Other	702,507	726,829
Expendable		
Scholarships and fellowships	2,333,767	2,285,772
Loans	4,553,084	4,474,277
Other	1,320,604	1,689,522
Capital projects	449,726	497,889
Unrestricted	30,106,043	24,742,760
Total net assets	$ 132,424,002	$ 126,992,668

Colorado School of Mines Foundation, Incorporated
(A Component Unit of Colorado School of Mines)
Statements of Financial Position
June 30, 2008 and 2007

	June 30, 2008	June 30, 2007
Assets		
Assets		
Cash and cash equivalents	$ 3,785,737	$ 1,119,844
Restricted cash	1,677,567	1,440,473
Intermediate-term investments	308,190	306,746
Contributions receivable	3,303,000	4,940,000
Colorado School of Mines receivable		
Revolving loan fund - Colorado School of Mines	933,343	913,300
Direct student loans	1,086,267	994,722
Loan receivable – Recreation Center	1,259,534	1,331,177
Investment in direct financing leases	4,285,000	—
Contributions receivable from trusts held by others	3,805,100	3,674,940
Assets held under split-interest agreements	12,224,883	12,760,496
Assets held under gift annuity agreements	5,926,745	5,751,747
Beneficial interest in endowments held by others	7,873,213	8,972,462
Beneficial interest in long-term trusts held by others	1,705,367	2,014,594
Long-term investment pool	155,043,405	159,200,921
Real estate held for future use	284,194	290,481
Equipment, net of accumulated depreciation of 2008 - $648,103 and 2007- $638,618	32,716	30,251
Other assets	330,872	285,791
Restricted net assets held by Property Management Corp.	73,703	72,772
Total assets	$ 203,938,836	$ 204,100,717
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities	$ 1,113,948	$ 549,363
Obligations under split-interest agreements	6,377,168	6,590,368
Obligations under gift annuity agreements	4,198,912	3,635,014
Assets held for others	12,649,272	13,684,572
Refundable advances	1,668,237	714,822
Notes payable	4,285,000	—
Other liabilities	91,951	83,992
Total liabilities	30,384,488	25,258,131
Net assets		
Unrestricted		
Undesignated	5,410,918	3,320,689
Board designated	15,381,683	16,415,043
Total unrestricted	20,792,601	19,735,732
Temporarily restricted	48,020,330	52,624,582
Permanently restricted	104,741,417	106,482,272
Total net assets	173,554,348	178,842,586
Total liabilities and net assets	$ 203,938,836	$ 204,100,717

Colorado School of Mines
(A Component Unit of the State of Colorado)
Statements of Revenues, Expenses and Changes in Net Assets
Years Ended June 30, 2008 and 2007

	2008	2007
Operating Revenues		
Tuition and fees, net	$ 56,588,166	$ 47,212,605
Federal grants and contracts	22,223,585	20,636,967
State grants and contracts	1,969,992	3,426,058
State grants - Fee-For-Service	14,658,014	13,194,321
Nongovernmental grants and contracts	16,238,700	12,842,377
Interest on student loans receivable	68,514	59,184
Auxiliary enterprises	11,669,976	10,885,164
Other operating revenues	528,799	580,571
Total operating revenues	123,945,746	108,837,247
Operating Expenses		
Instruction	41,355,899	37,797,796
Research	31,848,176	26,501,823
Academic support	10,121,649	8,318,592
Student services	3,216,608	2,926,378
Institutional support	8,702,783	7,251,419
Auxiliary enterprises	15,895,320	13,481,593
Operation and maintenance of plant	10,642,778	9,640,887
Scholarships and fellowships	1,180,004	1,536,874
Depreciation	9,141,274	10,351,076
Total operating expenses	132,104,491	117,806,438
Operating Loss	(8,158,745)	(8,969,191)
Nonoperating Revenues (Expenses)		
Contributions from Colorado School of Mines Foundation, Incorporated	10,980,847	10,236,810
Contributions	289,430	247,297
Investment income	1,608,323	3,356,032
Rental income	805,129	799,756
Interest on capital asset-related debt	(3,480,497)	(1,442,507)
Amortization of bond issuance cost and other loan costs	(177,597)	(69,375)
Loss on disposal of assets	(193,246)	(1,960,449)
Other nonoperating expenses	(216,408)	(701,939)
Net nonoperating revenues	9,615,981	10,465,625
Income Before Other Revenues, Expenses, Gains or Losses	1,457,236	1,496,434
Capital appropriations – State	3,187,378	5,230,116
Capital grants and gifts	786,720	—
Increase in Net Assets	5,431,334	6,726,550
Total Net Assets, Beginning of Year	126,992,668	120,266,118
Total Net Assets, End of Year	$ 132,424,002	$ 126,992,668

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

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

Colorado School of Mines Foundation, Incorporated
(A Component Unit of Colorado School of Mines)
Statement of Activities
Year Ended June 30, 2007

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains and Support				
Contributions	$ 1,693,009	$ 6,458,482	$ 2,191,843	$ 10,343,334
Interest and dividends	572,225	1,321,332	239,681	2,133,238
Net realized and unrealized gains	4,214,877	18,116,340	650,723	22,981,940
Changes in net present values of split-interest agreements	(346,177)	(435,376)	(270,774)	(1,052,327)
Changes in interest in net assets of Property Management Corp.	—	4,360	(104,000)	(99,640)
Other income	116,552	35,797	56,717	209,066
Total revenues, gains and support	6,250,486	25,500,935	2,764,190	34,515,611
Net Assets Released from Restrictions				
Satisfaction of program restrictions	9,976,633	(9,976,633)	—	—
Administration fees	886,309	(886,309)	—	—
Realization of promises to give	29,601	(29,601)	—	—
Cancellation of pledges	52,734	(32,234)	(20,500)	—
Other reclassifications	(8,197)	(5,159,397)	5,167,594	—
Total net assets released	10,937,080	(16,084,174)	5,147,094	—
Expenses				
School support	11,860,486	—	—	11,860,486
Fundraising	1,879,807	—	—	1,879,807
Alumni Association	120,000	—	—	120,000
Management and general	461,558	—	—	461,558
Presidential search	4,782	—	—	4,782
Cancellation of pledges	52,734	—	—	52,734
Total expenses	14,379,367	—	—	14,379,367
Change in Net Assets	2,808,199	9,416,761	7,911,284	20,136,244
Net Assets at Beginning of Year	16,927,533	43,207,821	98,570,988	158,706,342
Net Assets at End of Year	$ 19,735,732	$ 52,624,582	$ 106,482,272	$ 178,842,586

Colorado School of Mines
(A Component Unit of the State of Colorado)
Statements of Cash Flows
Years Ended June 30, 2008 and 2007

	2008	2007
Cash Flows from Operating Activities		
Tuition and fees	$ 55,789,988	$ 46,559,428
Grants and contracts	53,562,347	49,877,967
Collection of loans from students	525,413	1,224,288
Sales and services of auxiliary enterprises	11,680,577	10,885,164
Other operating receipts	937,832	580,572
Payments to suppliers	(21,832,557)	(21,306,284)
Scholarships disbursed	(456,683)	(1,536,874)
Payments to or for employees	(82,082,259)	(69,390,344)
Loans issued to students	(777,386)	(1,171,250)
Payments for Auxiliary Enterprises	(16,002,184)	(13,797,120)
Net cash provided by operating activities	1,345,088	1,925,547
Cash Flows from Noncapital Financing Activities		
Receipts from the Foundation	10,703,468	10,236,810
Student loan funds administered for the Foundation	(31,161)	(176,978)
Gifts and grants for other than capital purposes	269,474	222,462
Rental income	804,710	799,756
Other receipts/payments	(416,407)	(711,651)
Net cash provided by noncapital financing activities	11,330,084	10,370,399
Cash Flows from Capital and Related Financing Activities		
Capital appropriations – state	3,187,378	5,230,116
Bond issuance and other loan costs	(91,621)	—
Acquisition and construction of capital assets	(6,128,213)	(19,309,641)
Proceeds from capital debt	37,471,706	—
Note payable proceeds	—	2,427,310
Principal payments on capital debt	(2,015,000)	(1,545,000)
Interest paid on capital asset-related debt and leases	(2,959,498)	(2,916,372)
Note payable payments	(78,898)	—
Payment of prior year payables for capital assets	(1,711,666)	(1,937,084)
Net cash provided by (used in) capital and related financing activities	27,674,188	(18,050,671)
Cash Flows from Investing Activities		
Interest and dividends on investments	1,608,323	3,356,032
Purchase of investments	—	(1,335,683)
Proceeds from sales and maturities of investments	1,030,542	12,705,042
Net cash provided by investing activities	2,638,865	14,725,391
Increase in Cash and Cash Equivalents	42,988,225	8,970,666
Cash and Cash Equivalents, Beginning of Year	36,477,413	27,506,747
Cash and Cash Equivalents, End of Year	$ 79,465,638	$ 36,477,413

(continued)

Colorado School of Mines
(A Component Unit of the State of Colorado)
Statements of Cash Flows (continued)
Years Ended June 30, 2008 and 2007

	2008	2007
Reconciliation of Cash and Cash Equivalents to the Statements of Net Assets		
Cash and cash equivalents	$ 30,260,088	$ 23,422,183
Restricted cash and cash equivalents – noncurrent	49,205,550	13,055,230
Total cash and cash equivalents	$ 79,465,638	$ 36,477,413
Reconciliation of Operating Loss to Net Cash Provided By Operating Activities		
Operating loss	$ (8,158,745)	$ (8,969,191)
Depreciation expense	9,141,274	10,351,076
Changes in operating assets and liabilities		
Receivables, net	498,696	(2,074,341)
Inventories	6	(36,424)
Prepaid expenses	13,502	915
Loans to students	(357,224)	(6,146)
Accounts payable and other liabilities	(115,139)	1,689,952
Deferred revenue	225,688	1,199,408
Accrued compensated absences	201,002	85,825
Other current liabilities	(103,972)	(315,527)
Net Cash Provided By Operating Activities	$ 1,345,088	$ 1,925,547

Supplemental Cash Flows Information
Noncash Capital and Related Financing Activities

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

	2008	2007
Accounts payable incurred for capital asset purchases	$ 1,718,506	$ 1,711,666
Amortization of bond discounts	$ 8,298	$ 65,514
Amortization of bond issuance costs	$ 18,476	$ 37,922
Accretion of interest on deep discount debt	$ 411,205	$ 390,254
Amortization of deferred amount from refunding	$ 86,389	$ 11,702
Contributions received from Foundation applied against note payable	$ 786,720	$ —
Noncash payment of bond issuance costs	$ 132,894	$ —
Capital lease	$ 4,285,000	$ —
Contributed capital assets	$ 19,956	$ 24,835

Colorado School of Mines Foundation, Incorporated
A Component Unit of Colorado School of Mines
Statements of Cash Flows
Years Ended June 30, 2008 and 2007

	June 30, 2008	June 30, 2007
Cash Flows from Operating Activities		
Change in net assets	$ (5,288,238)	$ 20,136,244
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Change in net assets held by Property Management Corporation	(931)	99,640
Depreciation and amortization	28,151	28,097
Net realized and unrealized losses (gains)	4,733,732	(22,981,940)
Cancellation of pledges	2,794	52,734
Changes in net present values of split-interest agreements	93,559	1,052,327
Contributions restricted for long-term investment	(2,097,090)	(2,191,843)
Accrued interest on loan receivable	(11,276)	(24,067)
Changes in assets and liabilities		
Contributions receivable	1,634,206	(743,734)
Receivables from trust	1,631,276	(2,049,159)
Other assets	(45,081)	(21,155)
Accounts payable and other liabilities	572,544	(499,936)
Assets held for others	(1,035,300)	1,470,240
Refundable advances	953,415	714,822
Net cash provided by (used in) operating activities	1,171,761	(4,957,730)
Cash Flows from Investing Activities		
Change in restricted cash	(237,094)	(725,811)
Purchases of investments	(39,591,872)	(41,282,504)
Sales of investments	40,451,594	46,875,756
Net student loan activity	(111,588)	35,039
Net recreation center loan activity	82,919	(1,307,110)
Purchase of property and equipment	(24,329)	(12,342)
Proceeds from the sale of real estate held for future use	—	22,613
Net cash provided by (used in) investing activities	569,630	3,605,641
Cash Flows from Financing Activities		
Proceeds from contributions restricted for long-term investment	2,097,090	2,191,843
Payment of split-interest agreement and gift annuity obligations	(1,172,588)	(1,003,868)
Net cash provided by financing activities	924,502	1,187,975
Net Increase (Decrease) in Cash and Cash Equivalents	2,665,893	(164,114)
Cash and Cash Equivalents at Beginning of Year	1,119,844	1,283,958
Cash and Cash Equivalents at End of Year	$ 3,785,737	$ 1,119,844

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

Colorado School of Mines
(A Component Unit of the State of Colorado)
Notes to Financial Statements
June 30, 2008 and 2007

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

Nature of Operations

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

Reporting Entity and Component Units

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

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

Basis of Accounting and Presentation

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

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

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The School considers all highly liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2008 and 2007, cash equivalents consisted primarily of funds invested through the State Treasurer's Cash Management Program, funds managed by the Foundation on behalf of the School, money market funds with brokers and certificates of deposit.

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 purpose include project construction and bond debt service reserves.

Investments and Investment Income

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

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

Receivables: Accounts, Federal and state grants and Other

Receivables consists of tuition and fee charges to students, charges for auxiliary enterprise services provided to students, faculty and staff and reimbursements outstanding on research contracts and grants. Receivables are recorded net of estimated uncollectible amounts.

Inventories

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

Loans to Students

The School makes loans to students under various federal and other loan programs. Such loans receivable are recorded net of estimated uncollectible amounts. The allowance for uncollectible loans netted against loans to students was $105,127 and $186,639 at June 30, 2008 and 2007, respectively.

Bond Issuance Costs

Bond issuance costs incurred on the revenue bond issues have been deferred and are being amortized on a straight-line basis over the life of the bonds. Total amortization expense for the years ended June 30, 2008 and 2007, was $18,476 and $37,922, respectively.

Capital Assets

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

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

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

	2008	2007
Interest capitalized	$ —	$ 1,931,699
Interest charged to expense	3,480,497	1,442,507
Total interest incurred	$ 3,480,497	$ 3,374,206

Interest charged to expense includes amortization of bond discounts, amortization of deferred amounts from refunding of bonds and accretion of deep discount debt. These amounts are $8,298, $86,389 and $411,205 for 2008 and $65,514, $11,702 and $390,254 for 2007, respectively

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at June 30, 2008 and 2007 are as follows:

	2008	2007
Accounts payable	$ 3,508,172	$ 4,002,857
Accrued interest payable	208,693	228,928
Salaries and benefits payable	9,280,543	8,869,917
Total	$ 12,997,408	$ 13,101,702

Compensated Absences

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

Deferred Revenue – Tuition, Fees and Grants

Deferred revenue represents unearned student tuition, fees and advances on grants and contract awards for which the School has not met all of the applicable eligibility requirements. Deferred revenue for tuition, fees and grants totaled $11,806,692 and $9,247,671 at June 30, 2008 and 2007, respectively.

Deferred Revenue – Development Assistance and Trademark License

The School entered into a ten-year agreement to provide development assistance and other planning activities in connection with the development of a foreign school. Additionally, the School received a nonrefundable up-front fee for a non-exclusive license to use its trademarks for the term of the agreement. Development assistance fees and trademark license fees are recognized as revenue over the term of the agreement. The Development assistance fee portion of this agreement is under negotiation; consequently the School did not defer any revenue in fiscal year 2008 related to this section of agreement. Deferred revenue development assistance and the trademark license totaled $1,458,333 and $3,791,666 at June 30, 2008 and 2007, respectively.

Debt

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

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

Classification of Revenues

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

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

Nonoperating revenues – Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions and other revenue sources that are not deemed operating revenues.

Scholarship Discounts and Allowances

Student tuition, fee revenues and certain other revenues from students are reported net of scholarship allowances in the statements of revenues, expenses and changes in net assets. Scholarship allowances are the difference between the stated charge for goods and services provided by the School and the amount that is paid by students and/or third-parties making payments on the students' behalf. Certain governmental grants, such as Pell grants and other federal, state or nongovernmental programs are recorded as either operating or nonoperating revenues in the School's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the School has recorded a scholarship allowance. The scholarship allowances on tuition and fees and on housing for the year ended June 30, 2008 were $11,229,601 and $189,238, respectively, and for the year ended June 30, 2007, were $10,132,020 and $195,986, respectively.

Income Taxes

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

Reclassifications

Certain 2007 balances have been reclassified to conform with the 2008 presentation.

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

Cash and Cash Equivalents

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

	2008	2007
Cash on hand	$ 13,058	$ 12,139
Insured (FDIC insured)	334,413	155,479
Cash with U.S. financial institutions	38,967,977	1,415,803
Cash with the State Treasury	39,962,469	35,092,600
Unrealized Gain(Loss) - Cash with State Treasury	187,721	(198,608)
Total cash and cash equivalents (including restricted)	$ 79,465,638	$ 36,477,413

Deposits

Deposits are exposed to custodial credit risk (the risk that, in the event of the failure of a depository financial institution, the government would not be able to recover deposits or would not be able to recover collateral securities that are in the possession of an outside party), if they are not covered by depository insurance and are collateralized with securities held by the pledging financial institution, except for deposits collateralized by certain types of collateral pools including a single financial institution collateral pool where the fair value of the pool is equal to or exceeds all uninsured public deposits held by the financial institution ((*e.g.,* deposits insured by The Public Deposit Protection Act (PDPA)). Accordingly, none of the School's deposits as of June 30, 2008 are deemed to be exposed to custodial credit risk.

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

Investments

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

Credit and Interest Rate Risk – Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization (NRSRO). Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Interest rate risk inherent in the School's investments is measured by monitoring the modified duration of the overall investments portfolio. Modified duration estimates the sensitivity of the School's investments to changes in the interest rates. The following table presents the applicable investment type by rating and the modified duration.

Investments at June 30, 2008 and 2007 consisted of the following:

Investment	Fair Value 2008	Fair Value 2007	Maturity	Credit Rating	Rating Agency
Corporate Equities	$ 80,780	$ 80,780	N/A	Not rated	
Investment Pool					
Corporate Bonds	1,395,517	1,496,705	2.5 – 7 years	AA +	Standard & Poor's
Corporate Equities	10,537,853	11,467,207	N/A	Not Rated	
Total	$ 12,014,150	$ 13,044,692			

The investment pool consists of investments managed by the Colorado School of Mines Foundation, Incorporated, on behalf of the School and is reflected in Long-Term Investment Pool on the Foundation's Statement of Financial Position.

Summary of Carrying Values

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

	2008	2007
Cash and cash equivalents	$ 30,260,088	$ 23,422,183
Restricted cash and cash equivalents	49,205,550	13,055,230
Restricted investments	6,040,575	6,229,188
Other noncurrent investments	5,973,575	6,815,504
	$ 91,479,788	$ 49,522,105

Investment Income

Investment income for the year ended June 30 consisted of:

	2008	2007
Interest and dividend income	$ 1,619,645	$ 1,639,596
Net increase (decrease) in fair value of investments	(11,322)	1,716,436
	$ 1,608,323	$ 3,356,032

Note 3: Capital Assets

Capital assets activity for the year ended June 30 was:

2008

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

2007

	Beginning Balance	Additions	Disposals	Transfers from Construction in Progress	Ending Balance
Land	$ 3,224,144	$ —	$ —	$ —	$ 3,224,144
Land improvements	8,604,014	899,204	—	53,966	9,557,184
Buildings and Improvements	174,467,813	18,303,718	2,008,737	18,556,810	209,319,604
Equipment	30,898,359	2,222,682	2,898,271	—	30,222,770
Library materials	11,679,117	302,887	62,415	—	11,919,589
Construction in progress	18,996,359	1,249,350	385,582	(18,610,776)	1,249,351
	247,869,806	22,977,841	5,355,005	—	265,492,642
Less accumulated depreciation					
Land improvements	5,352,769	239,001	—	—	5,591,770
Buildings and improvements	57,688,159	7,693,315	582,442	—	64,799,032
Equipment	22,547,467	2,082,038	2,759,411	—	21,870,094
Library materials	10,013,033	336,722	62,415	—	10,287,340
	95,601,428	10,351,076	3,404,268	—	102,548,236
Net capital assets	$ 152,268,378	$ 12,626,765	$ 1,950,737	$ —	$ 162,944,406

Note 4: Long-term Liabilities

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

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

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

Colorado School of Mines
(A Component Unit of the State of Colorado)
Notes to Financial Statements (continued)
June 30, 2008 and 2007

	2007					
	Beginning Balance	Additions	Deductions	Ending Balance	Amounts Due Within One Year	
Bonds						
Revenue bonds payable						
Series 1997A (A)	$ 2,940,000	$ —	$ —	$ 2,940,000	$ —	
Series 1997B (A)	460,000	—	—	460,000	—	
Series 1999 (B)	10,067,433	390,254	—	10,457,687	—	
Series 2002 (C)	32,040,000	—	—	32,040,000	—	
Series 2004 (D)	16,605,000	—	1,380,000	15,225,000	1,415,000	
Series 2005 (H)	10,555,000	—	165,000	10,390,000	—	
	72,667,433	390,254	1,545,000	71,512,687	1,415,000	
Unamortized bond discounts	(242,315)	—	(65,514)	(176,801)	—	
Deferred amount from refunding	(235,982)	—	(11,702)	(224,280)	—	
Total bonds	72,189,136	390,254	1,467,784	71,111,606	1,415,000	
Other Noncurrent Liabilities						
Accrued compensated absences	3,386,401	85,825	—	3,472,226	334,943	(1)
Deferred revenue						
Tuition, fees and grants	7,548,263	1,699,408	—	9,247,671	9,247,671	(2)
Development assistance and trademark license	4,291,666	—	500,000	3,791,666	2,333,333	(2)
Student loan funds administered for the Foundation	2,035,874	—	176,978	1,858,896	—	
Note payable	—	2,427,310	—	2,427,310	204,974	(1)
Total other noncurrent liabilities	17,262,204	4,212,543	676,978	20,797,769	12,120,921	
Total Noncurrent Liabilities	$ 89,451,340	$ 4,602,797	$ 2,144,762	$ 91,909,375	$ 13,535,921	

(1) Included in other current liabilities

(2) Included in current deferred revenue

Auxiliary Housing Services Revenue Bonds

The School had the following Auxiliary Housing Services Revenue Bonds outstanding at June 30, 2008 and/or 2007:

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

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

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

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

C. Auxiliary Facilities Enterprise Refunding and Improvement Revenue Bonds, Series 2002 – Serial and Term obligations maturing in fiscal years ending June 30, 2009 to 2038; due in annual installments ranging from $115,000 to $1,385,000 with interest payable semi-annually ranging from 3.25% to 5.25%. The bonds were issued for the purpose of refunding a portion of the Series 1993 and 1997A revenue bonds and to finance the construction, acquisition and equipping of student housing and dining facilities and improving and equipping other auxiliary facilities at the School. The 2007 series bonds advance refunded a portion of the series 2002 bonds.

D. On October 27, 2004, the School issued $17,450,000 in Auxiliary Facilities Enterprise Refunding and Improvement Revenue Bonds, Series 2004. Proceeds from the bonds were used to in-substance defease the Auxiliary Facilities Refunding and Improvement Revenue Bonds, Series 1993 and the Auxiliary Facilities Enterprise Revenue Bonds, Series 1996 and for constructing and equipping recreational and health facilities at the School. Principal is paid annually in amounts ranging up to $1,285,000 and interest on the bonds is payable semi-annually on June 1 and December 1 of each year through maturity in 2035 with interest rates on the serial and term obligations ranging from 2.5% to 5.0%. The bonds are secured by a non-exclusive first lien upon the net pledged revenues, as defined, and a financial guaranty insurance policy. The 2007 series bonds advance refunded a portion of the series 2004 bonds.

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

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

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

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

The School entered into a floating to fixed interest rate swap agreement to lock in the prevailing interest rate. The 2007 Swap Agreement has a notional amount of $43,800,000 and a market value of $(2,150,889) at June 30, 2008, which provides for certain payments to or from Morgan Stanley equal to the difference between the fixed rate of 3.59% payable by the School under the 2007 Swap Agreement and 67% of one month USD-LIBOR-BBA payable by Morgan Stanley. Market value as of June 30, 2008 was determined by Morgan Stanley, counterparty to the Swap Agreement. This swap agreement has an effective date of September 27, 2007 and termination date of December 1, 2037.

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

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

The swap agreement related to the Series 2007 was transferred to the Series 2008A bonds. The terms of the swap remained the same as identified above in letter E, except for the effective date and the notional amount which changed to March 4, 2008 and $43,200,000, respectively.

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

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

No amounts have been disbursed by Dexia Credit Local under the Letter of Credit Agreement as of June 30, 2008 or 2007.

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

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

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

The School entered into a floating to fixed interest rate swap agreement in connection with the 2008B issuance. The purpose of the 2008B swap agreement was to lock in the prevailing interest rate. The 2008B Swap Agreement has a notional amount of $34,075,000 and a market value of ($1,747,193) at June 30, 2008, which provides for certain payments to or from Morgan Stanley equal to the difference between the fixed rate of 4.21% payable by the School and 100% of the USD-SIFMA Municipal Swap Index payable by Morgan Stanley under the 2008B Swap Agreement. Market value as of June 30, 2008 was determined by Morgan Stanley, counterparty to the Swap Agreement. This swap agreement has an effective date of July1, 2008 and termination date of December 1, 2037.

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

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

No amounts have been disbursed by Dexia Credit Local under the Letter of Credit Agreement as of June 30, 2008 or 2007.

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

Interest Rate SWAP Agreements

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

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

Credit Risk – The School shall consider the risk that positions swap agreement counterparty (Morgan Stanley) credit quality rating and whether the company withstands continuing credit market turmoil. As of October 20, 2008 Morgan Stanley's credit rating is A1 by Moody's, A+ Standards & Poors and A by Fitch.

For both swap agreements mentioned above in E, F and G, Colorado School of Mines has a maximum possible loss equivalent to the swaps' fair market value at June 30, 2008 related to the credit risk. However, the School was not exposed to this loss because of the negative fair market value of both swaps as of June 30, 2008. 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, 2008, debt service requirements of the variable rate debt and net swap payments, assuming current interest rates remain the same, for their term are reflected in the following tables.

Rates as of June 30, 2008

2008A		**2008B**	
Fixed rate	3.59%	Fixed rate	4.21%
Swap rate floating	(1.65%)	Swap rate floating	(1.55%)
Net interest rate swap payments	1.94%	Net interest rate swap payments	2.66%
Interest rate	1.40%	Interest rate	2.05%
Synthetic interest rate	3.34%	Synthetic interest rate	4.71%

Debt service requirement for the associated debt:

Fiscal Year Ending June 30,	Series 2008A Bonds				Series 2008B Bonds			
	Principal	Interest	Interest rate Swap, net	Total	Principal	Interest	Interest rate Swap, net	Total
2009	$ 25,000	$ 604,450	$ 838,372	$ 1,467,822	$ -	$ - *	$ 906,395	$ 906,395
2010	315,000	600,040	832,255	1,747,295	-	- *	906,395	906,395
2011	350,000	595,140	825,459	1,770,599	750,000	683,163	886,445	2,319,608
2012	550,000	587,440	814,779	1,952,219	650,000	669,838	869,155	2,188,993
2013	575,000	579,390	803,614	1,958,004	675,000	656,000	851,200	2,182,200
2014-2018	3,500,000	2,761,150	3,829,715	10,090,865	3,925,000	3,045,275	3,951,430	10,921,705
2019-2023	3,475,000	2,520,350	3,495,725	9,491,075	4,900,000	2,585,563	3,354,925	10,840,488
2024-2028	6,500,000	2,176,650	3,019,014	11,695,664	6,100,000	2,011,050	2,609,460	10,720,510
2029-2033	13,300,000	1,402,800	1,945,684	16,648,484	7,600,000	1,295,600	1,681,120	10,576,720
2034-2038	14,610,000	412,020	571,472	15,593,492	9,475,000	406,413	527,345	10,408,758
	$ 43,200,000	$ 12,239,430	$ 16,976,089	$ 72,415,519	$ 34,075,000	$ 11,352,902	$ 16,543,870	$ 61,971,772

* Interest is being paid out of the capitalized interest fund

During fiscal year 2008, net cash swap payments are presented in the following table:

Swap net cash flow during fiscal year 2008

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

Revenue Bonds Issued by Colorado School of Mines Development Corporation (See Note 9)

H. On January 20, 2005, the Corporation issued $10,555,000 in Refunding Variable Rate Demand Bonds, Series 2005. The proceeds from the bonds were used to refund the Series 2001 revenue bonds.

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

Principal on the 2005 bonds is payable at maturity on September 1, 2026. Interest is payable semi-annually through maturity in 2026 with interest rates on the obligations at variable rates, not to exceed 10%. Interest rates and payment periods are determined, as elected by the Corporation, using either (i) weekly, one month or three month interest rates, with interest payable monthly or (ii) six month, one year, five year, ten year or fixed interest rates, with interest payable semi-annually. The interest rate on variable rate bonds is calculated weekly using the annual interest rate (1.73 % at June 30, 2008).

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

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

Colorado School of Mines Development Corporation has a Remarketing Agreement with Wells Fargo Brokerage Services, LLC. For as long as Bonds bear interest at a weekly rate, Colorado School of Mines Development Corporation shall pay the Remarketing Agent an ongoing remarketing fee of 0.125% of the weighted average outstanding principal amount of Bonds for the prior year multiplied by a fraction the numerator for which is the actual number of days elapsed since the last payment date and the denominator of which is 365, payable quarterly in advance. For Fiscal Years 2008 and 2007, Colorado School of Mines Development Corporation paid $16,499 and $19,602, respectively, for remarketing fees. The remarketing agent is authorized to use its best efforts to sell the repurchased bonds at a price equal to 100 percent of the principal amount thereof plus accrued interest (if any).

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

The Corporation paid an up-front fee equal to 0.15% of $10,555,000 at closing. Additionally, the Corporation shall pay a commitment fee for each day at the rate of 0.25% per annum on the Combined Available Commitment at the close of business day. For Fiscal Years 2008 and 2007, total commitment fees paid to The Bank of New York were $33,819 and $30,141, respectively. To provide additional security for the repayment of the 2005 Bonds, the Colorado School of Mines Foundation has guaranteed this obligation with a Liquidity Facility Guaranty Agreement with the Bank of New York.

No amounts have been disbursed by The Bank of New York under the Standby Bond Purchase Agreement as of June 30, 2008 or 2007.

Debt Service Requirements on Revenue Bonds

The debt service requirements as of June 30, 2008, are as follows:

Year Ending June 30	Total to be Paid	Principal	Interest
2009*	$ 4,556,964	$ 2,345,000	$ 3,081,964
2010	4,539,704	1,505,000	3,034,704
2011	5,974,488	2,325,000	3,649,488
2012	6,024,325	2,465,000	3,559,325
2013	6,022,145	2,560,000	3,462,145
2014 – 2018	31,532,693	15,640,000	15,892,693
2019 – 2023	30,145,512	16,350,000	13,795,512
2024 – 2028	38,958,958	26,730,000	11,358,958
2029 – 2033	29,277,579	22,255,000	7,022,579
2034 – 2038	28,262,249	26,085,000	2,177,249
	$ 185,294,617	118,260,000	$ 67,034,617
Unaccreted interest on 1999 Bonds		(7,711,108)	
		$ 110,548,892	

*An elective principal payment of $870,000 was made on the series 2005 bonds on July 1, 2008.

Student Loan Funds Administered for the Foundation

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

Note 5: Pledged Revenues

Colorado School of Mines has pledged future revenues, net of operation and maintenance expenses, to repay $96,551,310 in revenue bonds issued in 1997, 1999, 2002, 2004, and 2008. Gross revenue includes, all income and revenues derived by the Institutional Enterprise from the Facilities; all revenues derived from the Student Services Fees; all revenues derived from the Recreation and Wellness Center Fees; all revenues derived from any special fee; all revenues accruing to the School of Mines from "overhead" charges on research contracts performed within the School of Mines facilities; 10% of Tuition Revenues; and all revenues derived from Facilities Construction Fees. Proceeds from the bonds provided financing for the (a) refunding part of the Board's outstanding Auxiliary and Improvement Revenue Bonds and (b) construct, equip or otherwise acquire certain student housing, student dining facilities, recreational and health facilities and the capital construction of the new academic building. Operation and Maintenance Expenses are defined as all reasonable and necessary current expenses of the School of Mines, paid or accrued for operating, maintaining and repairing the facilities excluding any allowance for depreciation and other non-cash non-accrual accounting adjustments. It is estimated that approximately 30% of the pledged revenues will be used for debt service annually over the duration of the bonds. The total principal and interest payments on the bonds are expected to be $171,775,393 payable through 2038. Principal and interest paid for the current year were $4,538,650. Total net revenue pledged for the current year was $18,646,604. The following table shows the comparative information for the Pledged Revenue.

Colorado School of Mines Historical Net Revenues for the Fiscal Year Ended June 30

	2008	2007
Gross Pledged Revenues		
Facilities	$ 10,228,545	$ 9,572,398
Student fees	2,590,188	2,034,195
Student tuition	5,992,847	5,154,212
ICR	7,465,511	6,128,722
Investment income	—	—
Total pledged revenues	26,277,091	22,889,527
Total Operation and Maintenance Expenses	7,630,487	6,945,147
Net pledged revenue	18,646,604	15,944,380
Prior Bond Obligations Principal and Interest	4,538,650	3,871,195
Net pledged revenue over bond obligations	$ 14,107,954	$ 12,073,185

Additionally, the Auxiliary Bonds specify debt service coverage requirements for the auxiliary facilities. The debt service coverage provisions require net pledged revenues to be equal to 110% of the combined principal and interest payments, excluding any reserves, on the Auxiliary Bonds and any additional bonds due during any subsequent fiscal year. The following combined debt service coverage calculation includes all Auxiliary Bonds since all bonds are payable from net pledged revenues on a parity with the other bonds and the 2007 Note Payable.

The calculation of the combined debt service coverage for the year ended June 30, 2008 is as follows:

	Series 2004 Bonds	Series 2002 Bonds	Series 1999 Bonds	Series 1997 Bonds	Rec Ctr Loan	Total
Debt Service						
Principal	$ 1,415,000	$ -	$ -	$ -	$ 865,618	$ 2,280,618
Interest	365,546	619,821	34,426	42,489	87,205	1,149,487
Total Debt Service	$ 1,780,546	$ 619,821	$ 34,426	$ 42,489	$ 952,823	$ 3,430,105
Operating Revenues						$ 11,773,893
Less: Operating expenditures, net of depreciation						(6,585,814)
Plus: Auxiliary renewal & replacement fund balance						449,726
Net pledged revenues available for debt service						$ 5,637,805
Ratio of amount available for debt service to total debt service						1.64

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

Note 6: Note Payable

On April 10, 2007, the Foundation and the State of Colorado, Department of Higher Education, acting by and through the Colorado School of Mines Board of Trustees, entered into an agreement whereby the Foundation loaned the School funds for the construction of the School's Student Recreation Center in the amount of $2,427,310. The School will repay the loan amount to the Foundation with interest of 4.5%, with payments on July 1 and December 1 each year beginning December 1, 2007 until the last payment is made on April 10, 2012. The amount due shall also be reduced by the amounts of any restricted gifts made by donors for the benefit of or use by the School's Student Recreation Center during the term of the agreement. The agreement is unsecured. Transactions for the note payable for 2008 are as follows:

Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
$ 2,427,310	$ —	$ 865,618	$ 1,561,692	$ 328,211

Of the $865,618 deductions for 2008, $78,898 was paid by the School and $786,720 represented gifts received by the Foundation that were applied to the note.

The note is due as follows, excluding any reductions for restricted gifts, as of June 30, 2008:

Year Ending June 30,	Total to be Paid	Principal	Interest
2009	$ 390,000	$ 328,211	$ 61,789
2010	390,000	337,564	52,436
2011	390,000	352,920	37,080
2012	566,617	542,997	23,620
	$ 1,736,617	$ 1,561,692	$ 174,925

Note 7: Related Party Transactions

Colorado School of Mines Research Institute

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

CSMRI ceased active operations during 1987 and sold most of its real estate in 1988. As of June 30, 2008 and 2007, CSMRI had net assets of $53,252 and $85,297. CSMRI once held a lease on property owned by the School. Funds remaining from the proceeds of the sales and satisfaction of indebtedness are to be applied to rehabilitation costs of the property leased to CSMRI and the remaining property owned by CSMRI. Upon dissolution, subject to certain provisions, any assets remaining shall be transferred to the Colorado School of Mines.

Note 8: Colorado School of Mines Foundation, Incorporated

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

In 1992, the Foundation's Board of Directors approved a $1,915,000 revolving loan to the School for funding student loan needs. As of June 30, 2008 and 2007, the Foundation had advanced $933,343 and $913,300, respectively, to the School, which is included in student loan funds administered for the Foundation on the School's statement of net assets of $2,010,964 and $1,858,896 as of June 30, 2008 and 2007, respectively. The outstanding loan balance bears interest at 9% per annum.

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

Contributions Receivable

Contributions receivable as of June 30 are as follows:

	2008	2007
Due in less than one year	$ 2,160,971	$ 3,204,651
Due in one to five years	1,483,646	2,219,879
	3,644,617	5,424,530
Less: Allowance for uncollectible contributions	(80,000)	(117,000)
Unamortized discount	(261,617)	(367,530)
	$ 3,303,000	$ 4,940,000

The discount rate was 5% for the years ended June 30, 2008 and 2007.

Approximately 41% and 45% of the Foundation's contributions receivable as of June 30, 2008 and 2007, respectively, consist of pledges from two donors in 2008 and two donors in 2007.

The Foundation is the beneficiary of certain irrevocable remainder trusts administered by others. The net present value of the Foundation's beneficial interest has been included in the statement of financial position as contributions receivable from trusts held by others in the amount of $3,805,100 and $3,674,940 at June 30, 2008 and 2007, respectively.

Investments

Intermediate-term investments consisted of certificates of deposit and cash equivalents of $308,190 and $306,746 at June 30, 2008 and 2007, respectively.

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

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

	2008		2007	
	Split-interest Agreements	Long-term Investment Pool	Split-interest Agreements	Long-term Investment Pool
Cash equivalents	$ 1,254,460	$ 6,834,431	$ 371,464	$ 4,604,822
Bonds and bond mutual funds	9,135,414	17,999,376	9,319,229	18,279,397
Stocks and stock mutual funds	7,715,416	66,475,611	8,568,887	79,517,071
Pledge receivable	12,642	—	32,974	—
Investments in limited partnerships and real estate	33,696	63,733,987	219,689	56,799,631
	$ 18,151,628	$ 155,043,405	$ 18,512,243	$ 159,200,921

Split-interest Agreements

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

At the end of the trust's term, the remaining assets are available for the Foundation's use. The portion of the trust attributable to the future interest of the Foundation is recorded in the statement of activities as temporarily restricted contributions in the period the trust is established. Assets held under these various split-interest arrangements are recorded at fair value in the Foundation's statements of financial position. On an annual basis, the Foundation revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The present value of the estimated future payments is calculated using the IRS discount rate and applicable mortality tables. The Foundation recorded contributions totaling $37,776 and $59,082 under split-interest agreements during the years ended June 30, 2008 and 2007, respectively.

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

	2008	2007
Assets held in trust	$ 18,151,628	$ 18,512,243
Less associated liabilities	(10,576,080)	(10,225,382)
Net present value of annuity trust agreements	$ 7,575,548	$ 8,286,861

Gift Annuity Agreements

The Foundation has been the recipient of several gift annuities which require future payments to the donor or their named beneficiaries. The assets received from the donor are recorded at fair value. The Foundation has recorded a liability at June 30, 2008 and 2007, of $4,198,912 and $3,635,014, respectively, which represents the present value of the future annuity obligations. During the years ended June 30, 2008 and 2007, the Foundation received gifts under charitable gift annuity contracts valued at $385,980 and $326,388, respectively, which are included in contributions in the statements of activities.

Assets Held for Others

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

	2008	2007
School funds	$ 11,933,370	$ 12,977,952
Trust funds	715,902	706,620
	$ 12,649,272	$ 13,684,572

Commitments

The Foundation has guaranteed the debt of the Colorado School of Mines Development Corporation, an affiliate of the Colorado School of Mines, formed for the purpose of purchasing, constructing, otherwise acquiring, extending or improving educational facilities for the benefit of the Colorado School of Mines. Under the terms of the guarantee, the Foundation may be called upon to repay principal, not to exceed $10,860,000, in the event of default of the Development Corporation. At June 30, 2008, $10,390,000 of these bonds was outstanding.

Significant Estimates and Concentrations – Investments

As of June 30, 2008 and 2007, 41% and 36%, respectively, of the Foundation's investment portfolio is invested in limited partnerships and venture capital organizations, some of which are offshore entities and some of which include derivative investments. There is no ready market value for these investments. The values reported in the Foundations' financial statements are the market values reported by the entities in audited financial statements, federal tax Form K-1 or other internal valuations. These values could be volatile and could be significantly different on a subsequent valuation date.

Note 9: Blended Component Units

Colorado School of Mines Building Corporation

The Colorado School of Mines Building Corporation (the Building Corporation) was established in June of 1976 as a separate corporation under the laws of the State of Colorado. The purpose of the corporation was to build a facility that would house the United States Geological Survey. The net assets of the Building Corporation at June 30, 2008 and 2007 were $2,302,962 and $2,353,218 respectively.

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

Colorado School of Mines Development Corporation

The Colorado School of Mines Development Corporation (the Corporation) was established in September 2001 as a separate corporation under the laws of the State of Colorado. The Corporation was formed for the purpose of issuing obligations for or assisting in the financing of capital expenditures on behalf of or for the benefit of the Colorado School of Mines. The net assets of the Corporation at June 30, 2008 and 2007 were $896,944 and $691,476, respectively.

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

Note 10: Invested in Capital Assets, Net

Invested in capital assets, net, is comprised of the following as of June 30, 2008 and 2007:

	2008	2007
Capital assets, net	$ 165,761,561	$ 162,944,406
Bond issuance costs, net	848,795	1,067,665
Unspent bond proceeds	36,859,161	—
Note payable – current portion	(328,211)	(204,974)
Accounts payable incurred for capital asset purchases	(1,739,627)	(1,711,666)
Bonds payable – current portion	(1,475,000)	(1,415,000)
Note payable – noncurrent portion	(1,233,481)	(2,222,336)
Bonds payable, net noncurrent	(105,466,310)	(69,696,606)
Accreted interest on deep discount debt	3,074,559	2,663,354
Capital Lease Obligation	(4,285,000)	—
	$ 92,016,447	$ 91,424,843

Note 11: Operating Leases

The Colorado School of Mines Building Corporation, a blended component unit, leases 50,000 square feet of office space to an unrelated single tenant. The lease term is 10 years, from August 1998 to July 2008, at an annual rent of $765,500. Additionally, the Colorado School of Mines Development Corporation, a blended component unit, leases a building to the Colorado School of Mines. Annual rental income/expense is based on Development Corporation's debt services plus a fixed amount; rental income/expense for Years Ended June 30, 2008 and 2007 was $866,825 and $1,086,000, respectively. The minimum lease payment is base rent of $435,000 plus interest. The interest is at a variable rate and was 1.73% at June 30, 2008. Rental income and related expense have been eliminated in the statement of revenues, expenses and changes in net assets.

Note 12: Capital Leases

The Colorado School of Mines has entered into a three-year capital lease agreement with the Colorado School of Mines Foundation for two properties located in Golden, Colorado; one at 1031 19th Street and the other at 1920-1922 Jones Road. The monthly lease payments are $16,228 and $5,161, respectively, with a lump sum principal payment of $3,251,000 and $1,034,000, respectively, at the end of the lease term.

Year Ending June 30,	Interest	Principal	Total
2009	$ 256,672	$ —	$ 256,672
2010	256,671	—	256,671
2011	128,336	4,285,000	4,413,336
Total capital lease payments	$ 641,679	$ 4,285,000	$ 4,926,679

The assets acquired through capital leases are as follows:

Buildings	$ 4,285,000
Less: Accumulated depreciation	(53,563)
Total	$ 4,231,437

Depreciation expense of $53,563 was recognized during the fiscal year ended June 30, 2008 on the buildings under capital leases.

Note 13: Pension Plan

Plan Description

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

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

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

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

- Hired before July 1, 2005 - age 50 with 30 years of service, age 60 with 20 years of service or at age 65 with five 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 services, or age 65 with 5 years of service.
- Hired on or after January 1, 2007 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 25 years of service, or age 65 with 5 years of service.

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

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

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

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

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

- Hired before July 1, 2005 – 3.5 percent, compounded annually
- Hired between July 1, 2005 and December 31, 2006 – the lesser of 3 percent or the actual increase in the national Consumer Price Index.
- Hired on or after January 1, 2007 – the lesser of 3 percent or the actual increase in the national Consumer Price Index, limited to a 10 percent reduction I 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 percent of the employer contributions for this population.)

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

Funding Policy

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

Most employees contribute 8.0% of their salary, as defined in CRS 24-51-101(42), to an individual account in the plan. From July 1, 2007, to December 31, 2007, the State contributed 11.15% of the employee's salary. From January 1, 2008, through June 30, 2008, the State contributed 12.05%. During all Fiscal Year 2007-08, 1.02% of the employees' total salary was allocated to the Health Care Trust Fund.

Per Colorado Revised Statutes, an amortization period of 30 years is deemed actuarially sound. At December 31, 2007, the division of PERA in which the state participates was under funded with an infinite amortization period, which means that the unfunded actuarially accrued liability would never be fully funded at the current contribution rate.

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

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

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

The School contributions to the three programs described above for the fiscal years ended June 30, 2008, 2007 and 2006 were $6,111,872, $5,404,265 and $4,874,491, respectively, equal to its required contributions for those years.

Note 14: Volunteer Tax-Deferred Retirement Plans

PERA offers a voluntary 401(k) plan entirely separate from the defined benefit pension plan. The state offers a 457 deferred compensation plan and certain agencies and institutions of the state offer 403(b) or 401(a) plans.

Note 15: Other Post-employment Benefits and Life Insurance

Health Care Plan

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

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

Employees are not required to contribute to the Health Care Trust Fund, which is maintained by employer's contributions as discussed above in Note 13. Beginning July 1, 2004, CSM is required to contribute 1.02 percent of gross covered wages to the Health Care Trust Fund. The CSM contributed $537,423 $505,720 and $466,853 as required by statute in Fiscal Years 2007-08, 2006-07, and 2005-06, 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, 2007, there were 44,214 enrolled participants, including spouses and dependents, from all contributors to the plan. At December 31, 2007, the Health Care Trust Fund had an unfunded actuarial accrued liability of $1.045 billion, a funded ratio of 19.9 percent, and a 38-year amortization period.

Colorado Higher Education Insurance Benefits Alliance (CHEIBA)

Retired faculty and exempt-administrative staff are eligible to participate in the Colorado Higher Education Insurance Benefits Alliance Trust (CHEIBA). CHEIBA is a cost-sharing multiple-employer insurance purchasing pool, which allows for post employment health coverage until the retiree is eligible for Medicare. As of June 30, 2008 there were 41 participants in post retirement coverage from the eight member higher education institutions. For fiscal year 2008, CSM had 12 retired faculty administrative participants under CHEIBA.

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

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

In addition, the School has a Health Insurance Assistance Program for tenured faculty. This program was initiated in 1993 and was stopped July 1, 2004. The program was provided in conjunction with a Retirement Agreement negotiated between eligible faculty members and CSM. For fiscal year 2007-08, CSM had started the year with 16 faculty members and by the end of the fiscal year the faculty members were reduced to 11 under this program with a total payment of $15,213.

Note 16: Commitments and Contingencies

Claims and Litigation

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

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

The State of Colorado Department of Public Health and Environment (CDPHE) issued Radioactive Materials License Number 617-01 Amendment Number 7 (Amendment No. 7) to CSMRI. Amendment No. 7 contains a provision requiring an enforceable financial instrument be provided to CDPHE within sixty days of issuance of the license. The financial instrument must allow CDPHE access to a School bank account and/or other financial assets necessary to complete decommissioning of the site discussed above in an amount not less than $2,780,000. On January 12, 2007, the School filed a notice of appeal and request for hearing which objects to the issuance of Amendment No. 7. The appeal was tabled while remediation of the site continued and the issue became insignificant upon completion of remediation. Management believes that if CDPHE were to reopen the financial instrument requirement, the amount of the financial instrument necessary to cover the costs to complete the decommissioning would be less than $225,000 for two years. It is anticipated that such costs would largely include only those costs necessary to complete ground water monitoring.

The School has entered into a tolling agreement in relation to the ward transformer superfund site in Raleigh, North Carolina. The School has been named as a potentially responsible party under CERCLA. The School's potential liability results from the costs associated with the cleanup of polychlorinated biphenyls (PCB'S), some of which are alleged to have originated from the School. It is not possible to estimate the School's liability at this time. However, it is expected that the School will be named as a deminimus party, with less than 1% of the cleanup costs allocated to the School.

Government Grants

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

Note 17: Risk Management

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

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

Note 18: Legislative Appropriations

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

For the years ended June 30, 2008 and 2007, appropriated expenses were within the authorized spending authority. For the years ended June 30, 2008 and 2007, the School had a total appropriation of $71,704,980 and $62,145,318, respectively. All other revenues and expenses reported by the School represent non-appropriated funds and are excluded from the annual appropriations bill. Non-appropriated funds include certain grants and contracts, gifts, indirect cost recoveries, certain auxiliary revenues and other revenue sources.

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

Note 19: Adoption of Accounting Principles

During Fiscal Year Ended June 30, 2008, the School adopted Governmental Accounting Standards Board Statement Nos. 48 and 50, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues* and *Pension Disclosures – an Amendment of GASB Statements No. 25 and No. 27*, respectively. GASB 48, among other things, provides disclosure requirements related to future revenues that are pledged or sold. GASB 50 provides note disclosure requirements for defined benefit pension plans and sole and agent employers as well as certain note disclosures for cost-sharing employers. Neither GASB 48 or 50 had an effect on beginning net assets or change in net assets for 2008.

Note 20: Subsequent Events

The current financial market decline has affected the School's noncurrent investments subsequent to June 30, 2008. The School's restricted and other noncurrent investments are invested with the Colorado School of Mines Foundation, Incorporated (the Foundation) in its long-term investment pool. In the first fiscal quarter of 2009, the Foundation's long-term investment pool incurred a loss of about 10%; compared to the S&P 500 decline of 8.4%. It is anticipated that additional losses will be reported for the second fiscal quarter of 2009. There has been no loss of value in the School's cash and cash equivalents.

In fiscal year 2008, State of Colorado Senate Bill 08-218 made Federal Mineral Leasing (FML) monies available for capital construction at institutions of Higher Education. FML money is derived from ongoing leasing and production activities on federal lands within Colorado and approximately half of these payments go to the State of Colorado. The State used part of this money on November 6, 2008 and issued Certificates of Participation (COP) to support some Higher Education construction and maintenance projects. The Colorado School of Mines will receive $6.7 million for support in the construction of an addition to the Brown Hall building.

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

Members of the Legislative Audit Committee:

We have audited the financial statements of the business-type activities and the discretely presented component unit of Colorado School of Mines (the School), a blended component unit of the State of Colorado, as of and for the year ended June 30, 2008, which collectively comprise its basic financial statements and have issued our report thereon dated November 25, 2008, which contained a reference to the report of other accountants. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. The financial statements of the Colorado School of Mines Foundation, Incorporated (Foundation), the discretely presented component unit of the School, were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the School's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the School's financial statements that is more than inconsequential will not be prevented or detected by the School's internal control. We consider the deficiency described as Finding No. 1 in the Auditor's Findings and Recommendations section of this document to be a significant deficiency in internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe that the significant deficiency described above is a material weakness.

Compliance and Other Matters

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

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

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

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

BKD, LLP

November 25, 2008

Colorado School of Mines
(A Component Unit of the State of Colorado)
State-Funded Student Assistance Programs
Year Ended June 30, 2008

INTRODUCTION

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

The financial and compliance audit of the various state-funded student assistance programs at the School for the year ended June 30, 2008, was directed toward the objectives and criteria set forth in the *2007-08 Audit Guide, Colorado Funded Student Aid*, issued by the Department of Higher Education (DHE). The state-funded student assistance programs were audited simultaneously with the federal financial aid programs for the year ended June 30, 2008.

STATE-FUNDED ASSISTANCE PROGRAMS

The various state-funded student assistance programs at the School include the Colorado Leveraging Educational Assistance Partnership (CLEAP) Grant Program, Colorado Student Grant Program, Colorado Merit Program, Colorado Work-Study Program, Governor's Opportunity Scholarship Program and the Colorado Academic Competitive Grant.

The state-funded student assistance awards made by the School were $1,589,167 during the fiscal year ended June 30, 2008.

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

In addition to the student assistance awards made during the period, the School obtained authorizations to award federal student financial aid of $1,437,141 in the Pell Grant Program, $97,779 in the Supplemental Educational Opportunity Grant Program, $121,511 in the College Work-Study Program, $965,587 in the Perkins Student Loan Program, $89,020 in the Academic Competitiveness Grant and $268,000 in the Smart Grant.

During the year ended June 30, 2008, the School was authorized to award Colorado student financial aid funds of $912,415 in the Colorado Student Grant Program; $51,265 in the Colorado Merit Award Program; $374,978 in the Colorado Work-Study Program; $165,494 in the Governor's Opportunity Scholarship Program; $48,315 in CLEAP Grant Program and $36,700 in Colorado Academic Competitive Grant.

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

Members of the Legislative Audit Committee:

We have audited the accompanying statement of appropriations, expenditures, transfers and reversions of the State-Funded Student Assistance Programs of Colorado School of Mines (the School), a blended component unit of the State of Colorado, for the year ended June 30, 2008. This statement is the responsibility of the School's management. Our responsibility is to express an opinion on this statement based on our audit.

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

As described in the notes to the statement of appropriations, expenditures, transfers and reversions of the State-Funded Student Assistance Programs of Colorado School of Mines (the Statement), the Statement was prepared in accordance with the format as set forth in the *2007-08 Audit Guide, Colorado Funded Student Aid* issued by the Department of Higher Education (DHE), and in conformity with the provisions of the Colorado Commission on Higher Education (CCHE) State-Funded Student Financial Aid Policy. The Statement is a summary of cash activity of the state-funded financial assistance programs with the exception of the Perkins Student Loan and the Colorado Work-Study programs and does not present certain transactions that would be included in the statement of the state-funded student assistance programs if it was presented on the accrual basis of accounting, as prescribed by generally accepted accounting principles. Accordingly, the accompanying statement is not intended to, and does not, present the financial position, changes in financial position or cash flows of the School in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the accompanying statement of appropriations, expenditures, transfers and reversions of the State-Funded Student Assistance Programs of Colorado School of Mines presents fairly, in all material respects, the appropriations, expenditures, transfers and reversions of the state-funded student assistance programs of Colorado School of Mines for the year ended June 30, 2008, pursuant to the *2007-08 Audit Guide, Colorado Funded Student Aid* issued by the Department of Higher Education, and in conformity with the provisions of the CCHE State-Funded Student Financial Aid Policy.

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

BKD, LLP

November 25, 2008

Colorado School of Mines
(A Component Unit of the State of Colorado)
Statement of Appropriations, Expenditures, Transfers and Reversions of the State-Funded Student Assistance Programs
Year Ended June 30, 2008

	Colorado Leveraging Education Assistance Partnership Grant Program	CSG Student Grant Program	Governor's Opportunity Scholarship	CWS Work-Study Program	Colorado Merit Award Merit	Co ACG Colorado Academic Competitive Grant	Total State-Funded Student Assistance
Appropriations							
Original	$ 48,315	$ 903,032	$ 175,707	$ 368,232	$ 51,265	$ 36,700	$ 1,583,251
Adjustments/transfers	—	9,383	(10,213)	6,746	—	—	5,916
Total	48,315	912,415	165,494	374,978	51,265	36,700	1,589,167
Expenditures	48,315	912,415	165,494	374,978	51,265	36,700	1,589,167
Reversions to State general fund	$ —	$ —	$ —	$ —	$ —	$ —	$ —

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

Colorado School of Mines
(A Component Unit of the State of Colorado)
Notes to Statement of Appropriations, Expenditures, Transfers and Reversions of the State-Funded Student Assistance Programs
Year Ended June 30, 2008

Note 1: Summary of Significant Accounting Policies

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

All student aid is expensed on a cash basis, except for Perkins Student Loan and the Colorado Work-Study Program (CWS). The Perkins Student Loans are recorded as loans receivable when the funds are disbursed. The CWS is on the accrual basis in that the expense is recognized when the services are performed.

Note 2: Student Incentive Grants

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

Note 3: Other – Required Statements, Comments and Recommendations

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

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

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

Members of the Legislative Audit Committee:

Compliance

We have audited the compliance of Colorado School of Mines (the School), a blended component unit of the State of Colorado with the types of compliance requirements described in the *2007-08 Audit Guide, Colorado-Funded Student Aid,* issued by the Department of Higher Education (DHE) that are applicable to each of its state-funded student assistance programs for the year ended June 30, 2008. The School's state-funded student assistance programs are identified in the accompanying statement of appropriations, expenditures, transfers and reversions. Compliance with the requirements of laws, regulations, terms of agreements and Colorado Commission on Higher Education (CCHE) directives applicable to each of its state-funded student assistance programs is the responsibility of the School's management. Our responsibility is to express an opinion on the School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the *2007-08 Audit Guide, Colorado Funded Student Aid,* issued by the DHE. Those standards and audit guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a state-funded student assistance program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School's compliance with those requirements.

In our opinion, Colorado School of Mines complied, in all material respects, with the requirements referred to above that are applicable to each of its state-funded student assistance programs for the year ended June 30, 2008. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements which is described in the Auditor's Findings and Recommendations section of this document.

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Internal Control Over Compliance

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

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a state-funded student assistance program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School's ability to administer a state-funded student assistance program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a state-funded student assistance program that is more than inconsequential will not be prevented or detected by the School's internal control.

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

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

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

BKD, LLP

November 25, 2008

Members of the Legislative Audit Committee:

As part of our audit of the financial statements of Colorado School of Mines as of and for the year ended June 30, 2008, we wish to communicate the following to you.

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

An audit performed in accordance with auditing standards generally accepted in the United States of America is designed to obtain reasonable, rather than absolute, assurance about the financial statements. In performing auditing procedures, we establish scopes of audit tests in relation to the financial statements taken as a whole. Our engagement does not include a detailed audit of every transaction. Our contract with the Legislative Audit Committee more specifically describes our responsibilities.

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

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

Qualitative Aspects of Significant Accounting Policies and Practices

Significant Accounting Policies

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

- No matters are reportable

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Alternative Accounting Treatments

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

- The Governmental Accounting Standards Board's implementation guide issued in 2008 clarified that Pell grants should be recorded as nonoperating revenues since they are nonexchange revenues and entities generally have administrative requirements for these funds. Historically, Colorado School of Mines has recorded this Pell grant activity as operating revenue. The Colorado State Controller's Office also recommended that public institutions in the State continue to reflect Pell grant activity as operating revenue. Consequently, since implementation guidance and industry practice are both level D GAAP and there are differences in practice, Colorado School of Mines has decided to continue reporting Pell grant activity as operating revenue in its 2008 financial statements. For the Fiscal Year Ended June 30, 2008, the Colorado School of Mines recorded approximately $1.44 million of Pell grant revenue.

Management Judgments and Accounting Estimates

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

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

Financial Statement Disclosures

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

- Revenue recognition
- Debt refundings
- Subsequent events
- Determination of fair values
- Derivatives
- Demand debt
- Commitments and contingencies

Audit Adjustments

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

Areas in which adjustments were proposed include:

Proposed Audit Adjustments Recorded
- Interest accrual
- Reversal of interest expense deferral on debt refunding

Proposed Audit Adjustments Not Recorded
- Accrual of construction in progress costs
- Loan funds administered for Foundation (effect of prior year waived entry)

Attached is a summary of uncorrected misstatements we aggregated during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements as a whole.

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

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

- Adoption of GASB 48 and 50
- Significant debt refundings and related disclosure

We discussed the accounting and reporting treatment of the above items with management and agree with the School's application of accounting principles related thereto.

Disagreements with Management

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

- No matters are reportable

Consultation with Other Accountants

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

- No matters are reportable

Significant Issues Discussed with Management

Prior to Retention

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

- No matters are reportable

During the Audit Process

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

- No matters are reportable

Difficulties Encountered in Performing the Audit

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

- No matters are reportable

Other Material Written Communications

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

- Management representation letter

* * * * *

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

BKD, LLP

November 25, 2008

Colorado School of Mines
ATTACHMENT

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

QUANTITATIVE ANALYSIS

	Before Misstatements	Misstatements	Subsequent to Misstatements	% Change
Current Assets	44,913,807	102,820	45,016,627	0.23%
Non-Current Assets	232,425,493	102,820	232,528,313	0.04%
Current Liabilities	(27,673,589)	(102,820)	(27,776,409)	0.37%
Non-Current Liabilities	(117,241,709)		(117,241,709)	
Current Ratio	1.623		1.621	-0.12%

Total Assets	277,339,300	205,640	277,544,940	0.07%
Net Assets	(132,424,002)	(102,820)	(132,526,822)	0.08%

Revenues & Income	(141,603,573)	(102,820)	(141,706,393)	0.07%
Expenditures	136,172,239	(40,479)	136,131,760	-0.03%
Net Increase	(5,431,334)	(143,299)	(5,574,633)	2.64%

Client: Colorado School of Mines

Period Ending: June 30, 2008

SCHEDULE OF UNCORRECTED MISSTATEMENTS (ADJUSTMENTS PASSED)

Description	Type of Adjustment (Known or Likely)	Assets *Current* DR (CR)	Assets *Non-Current* DR (CR)	Liabilities *Current* DR (CR)	Liabilities *Non-Current* DR (CR)	(X) Non Tax	Revenues & Income DR (CR)	Expenditures DR (CR)	Net Assets *(Beg. of year)* DR (CR)	Net Effect on Following Year *Net Increase* DR (CR)	Net Effect on Following Year *Net Assets* DR (CR)
PY PAJES											
To remove A/R balance from loan funds administered											
for Foundation so amounts agree between stmts.	Known							(40,479)	40,479		
CY PAJES											
1. CIP completed in June 2008 but not recorded	Known	102,820	102,820	(102,820)		x	(102,820)			102,820	(102,820)
CIP relates to state appropriation for construction											
thus creating a receivable as well.											
Taxable passed adjustments		[redacted]						(40,479)	40,479	102,820	(102,820)
Times (1 - estimated tax rate of 00%)							100%	100%	100%		
Taxable passed adjustments net of tax impact								(40,479)	40,479		
Nontaxable passed adjustments		102,820	102,820	(102,820)			(102,820)				
Expanded impact of passed adjustments		133,666	133,666	(133,666)			(133,666)	(52,623)	52,623		
									(102,820)		
							Impact on Net Increase		(186,289)		
									(186,289)		
							Impact on Net Assets		(133,666)		

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Colorado School of Mines
(A Component Unit of the State of Colorado)
Audit Report Distribution Summary
Years Ended June 30, 2007 and 2006

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