

Colorado School of Mines Development Corporation
(A Component Unit of Colorado School of Mines)

Independent Accountants' Report
and Financial Statements

Years Ended June 30, 2008 and 2007

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**Colorado School of Mines Development Corporation
(A Component Unit of Colorado School of Mines)**

June 30, 2008 and 2007

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**Colorado School of Mines Development Corporation
(A Component Unit of Colorado School of Mines)**

Audit Findings

Years Ended June 30, 2008 and 2007

Current Year Audit Findings

There were no audit findings resulting from the current year's audit.

Summary of Progress in Implementing Prior Audit Recommendations

The audit report for the year ended June 30, 2007 included one recommendation. The disposition of that audit recommendation, as of November 25, 2008, was as follows:

Recommendation Number	Recommendation	Disposition
1	Ensure all receivables and payables are accurately reported on both the Corporation's and the School's financial records.	Implemented.



Independent Accounts' Report on Financial Statements

Members of the Legislative Audit Committee:

We have audited the accompanying basic financial statements of the Colorado School of Mines Development Corporation (the Corporation), a component unit of the Colorado School of Mines (the School), as of and for the years ended June 30, 2008 and 2007, as listed in the table of contents. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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. 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 provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation, as of June 30, 2008 and 2007, and its changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2008 on our consideration of the Corporation's 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

Colorado School of Mines Development Corporation (A Component Unit of Colorado School of Mines)

Management's Discussion and Analysis (Unaudited)

Years Ended June 30, 2008 and 2007

Management's Discussion and Analysis

This section of the Colorado School of Mines Development Corporation's (The Corporation) annual report presents a discussion and analysis of the financial performance of the Corporation for the Fiscal Years Ended June 30, 2008 and 2007, with prior year data for comparative purposes. 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.

Financial Highlights

- The assets of the Corporation exceeded its liabilities as of June 30, 2008, the close of the most recent fiscal year, by \$896,944 (net assets).
- The Corporation's total net assets increased by \$205,468 for the year ended June 30, 2008.
- Net assets as of June 30, 2008, are comprised of a deficit of \$406,313 in invested in capital assets, net of related debt and \$1,303,257 in unrestricted net assets. Unrestricted net assets may be used to meet the Corporation's ongoing obligations to creditors.

Using the Annual Financial Report

The Corporation's financial report includes three financial statements: the Statements of Net Assets, the Statements of Revenues, Expenses and Changes in Net Assets, and the Statements of Cash Flows. These financial statements are presented in accordance with the Governmental Accounting Standards Board Statements No. 34 and 35.

The **Statements of Net Assets** include all assets and liabilities using the accrual basis of accounting. All current year's revenues and expenses are taken into account regardless of when cash is received or paid. Net assets, the difference between total assets and total liabilities, are one indicator of the current financial position of the Corporation.

Colorado School of Mines Development Corporation
(A Component Unit of Colorado School of Mines)

Management's Discussion and Analysis (continued)
(Unaudited)

Years Ended June 30, 2008 and 2007

A summarized comparison of the Corporation's assets, liabilities and net assets at June 30, 2008, 2007 and 2006 is as follows:

Condensed Statements of Net Assets

	June 30,		
	2008	2007	2006
Assets			
Current assets			
Cash and cash equivalents	\$ 1,303,257	\$ 598,195	\$ 292,764
Accounts receivable	—	190,058	—
Noncurrent assets			
Capital assets	10,106,356	10,400,521	10,694,686
Bond issuance costs, net	<u>64,234</u>	<u>67,903</u>	<u>71,572</u>
Total assets	<u>11,473,847</u>	<u>11,256,677</u>	<u>11,059,022</u>
Liabilities			
Current liabilities	399,481	399,481	399,481
Noncurrent liabilities	<u>10,177,422</u>	<u>10,165,720</u>	<u>10,319,018</u>
Total liabilities	<u>10,576,903</u>	<u>10,565,201</u>	<u>10,718,499</u>
Net Assets			
Invested in capital assets, net of related debt	(406,313)	(96,777)	47,759
Unrestricted	<u>1,303,257</u>	<u>788,253</u>	<u>292,764</u>
Total net assets	<u>\$ 896,944</u>	<u>\$ 691,476</u>	<u>\$ 340,523</u>

Capital assets, net represent 88.1%, 92.4%, and 96.7% of total assets of the Corporation as of June 30, 2008, 2007 and 2006, respectively. Noncurrent liabilities, which are comprised of bonds payable and net reacquisition price of refunded debt, net of accumulated amortization, represent 96.2%, 96.2% and 96.3% of total liabilities of the Corporation as of June 30, 2008, 2007 and 2006, respectively.

Colorado School of Mines Development Corporation
(A Component Unit of Colorado School of Mines)

Management's Discussion and Analysis (continued)
(Unaudited)

Years Ended June 30, 2008 and 2007

The **Statements of Revenues, Expenses and Changes in Net Assets** present the revenues earned and the expenses incurred for operating, nonoperating and other related activities during the years presented. Its purpose is to assess the Corporation's financial activities for each fiscal year presented. A summarized comparison of the Corporation's revenues, expenses and changes in net assets for the years ended June 30, 2008, 2007 and 2006 is as follows:

Condensed Statements of Revenues, Expenses and Changes in Net Assets

	Years ended June 30,		
	2008	2007	2006
Operating Revenues	\$ 886,825	\$ 1,086,000	\$ 595,568
Operating Expenses	<u>294,604</u>	<u>294,500</u>	<u>294,554</u>
Operating Income	592,221	791,500	301,014
Nonoperating Expenses	<u>(386,753)</u>	<u>(440,547)</u>	<u>(458,932)</u>
Increase (Decrease) in Net Assets	205,468	350,953	(157,918)
Net Assets, Beginning of Year	<u>691,476</u>	<u>340,523</u>	<u>498,441</u>
Net Assets, End of Year	<u>\$ 896,944</u>	<u>\$ 691,476</u>	<u>\$ 340,523</u>

Colorado School of Mines has a long-term operating lease with the Development Corporation for the space within the research building. The rental income from this lease is expected to cover debt service and is the Corporation's sole source of operating revenues.

The research building is fully operational and the operating revenues for the years ended June 30, 2008, 2007 and 2006 were sufficient to cover the expenses associated with debt service on the bonds.

Colorado School of Mines Development Corporation (A Component Unit of Colorado School of Mines)

Management's Discussion and Analysis (continued) (Unaudited)

Years Ended June 30, 2008 and 2007

Capital Assets and Debt Administration

Capital Assets

The Corporation's investment in capital assets as of June 30, 2008 amounts to \$10,106,356, net of accumulated depreciation of \$1,616,258. The only change in capital assets, net as of June 30, 2008 compared to June 30, 2007 was \$294,165 of depreciation expense recognized during the year ended June 30, 2008.

Additional information on the Corporation's capital assets can be found in note 3 to the financial statements.

Debt Administration

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 purpose of the Series 2001 issue was to finance the construction and acquisition of educational facilities at the Colorado School of Mines.

Principal on the 2005 bonds is payable at maturity in 2026. Interest is payable semi-annually through maturity 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).

As of June 30, 2008, bonds payable outstanding were \$10,390,000 and the deferred amount from refunding, net of accumulated amortization of \$39,982, was (\$212,578). No principal payments on the bonds payable were made by the Corporation during the year ended June 30, 2008.

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).

Additional information on the Corporation's bonds payable can be found in note 4 to the financial statements.

Factors Impacting Future Periods

Revenues of the Development Corporation are derived solely from rents received from the School. Accordingly, future revenues of the Development Corporation are largely dependent on the terms of the lease agreement between the Development Corporation and the School.

Colorado School of Mines Development Corporation
(A Component Unit of Colorado School of Mines)

Statements of Net Assets
June 30, 2008 and 2007

Assets

	2008	2007
Current Assets		
Cash	\$ 1,303,257	\$ 598,195
Accounts receivable, Colorado School of Mines	—	190,058
Total current assets	1,303,257	788,253
Noncurrent Assets		
Bond issuance costs, net of accumulated, amortization; 2008 – \$12,621 and 2007 – \$8,952	64,234	67,903
Capital assets, net of accumulated depreciation; 2008 – \$1,616,258 and 2007 – \$1,322,093	10,106,356	10,400,521
Total noncurrent assets	10,170,590	10,468,424
Total assets	11,473,847	11,256,677

Liabilities

Current Liabilities		
Advance from Colorado School of Mines Building Corporation	399,481	399,481
Noncurrent Liabilities		
Bonds payable, net	10,177,422	10,165,720
Total liabilities	10,576,903	10,565,201

Net Assets

Invested in capital assets, net of related debt	(406,313)	(96,777)
Unrestricted	1,303,257	788,253
Total net assets	\$ 896,944	\$ 691,476

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

	2008	2007
Operating Revenues		
Rent income	\$ 886,825	\$ 1,086,000
Total operating revenues	886,825	1,086,000
Operating Expenses		
Depreciation	294,165	294,165
Maintenance and other	439	335
Total operating expenses	294,604	294,500
Operating Income	592,221	791,500
Nonoperating Expenses		
Amortization of bond issuance costs	(3,669)	(3,669)
Bond fees	(50,318)	(49,743)
Interest on capital-asset related debt	(332,766)	(387,135)
Nonoperating expenses	(386,753)	(440,547)
Increase in Net Assets	205,468	350,953
Net Assets, Beginning of Year	691,476	340,523
Net Assets, End of Year	\$ 896,944	\$ 691,476

Colorado School of Mines Development Corporation
(A Component Unit of Colorado School of Mines)

Statements of Cash Flows

For the Years Ended June 30, 2008 and 2007

	2008	2007
Cash Flows From Operating Activities		
Payments from tenant for rent	\$ 1,076,883	\$ 895,942
Maintenance and other operating payments	<u>(439)</u>	<u>(335)</u>
Net cash provided by operating activities	<u>1,076,444</u>	<u>895,607</u>
Cash Flows From Capital and Related Financing Activities		
Repayment of bonds	—	(165,000)
Bond fees	(50,318)	(49,743)
Interest paid on capital debt	<u>(321,064)</u>	<u>(375,433)</u>
Net cash used in capital and related financing activities	<u>(371,382)</u>	<u>(590,176)</u>
Increase in Cash and Cash Equivalents	705,062	305,431
Cash and Cash Equivalents, Beginning of Year	<u>598,195</u>	<u>292,764</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,303,257</u>	<u>\$ 598,195</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	\$ 592,221	\$ 791,500
Depreciation expense	294,165	294,165
Change in accounts receivable	<u>190,058</u>	<u>(190,058)</u>
Net cash provided by operating activities	<u>\$ 1,076,444</u>	<u>\$ 895,607</u>
Noncash Capital and Related Financing Activities		
Amortization to interest expense of deferred amount from refunding	\$ 11,702	\$ 11,702
Amortization of bond issuance costs	\$ 3,669	\$ 3,669

Colorado School of Mines Development Corporation (A Component Unit of Colorado School of Mines)

Notes to Financial Statements Years Ended June 30, 2008 and 2007

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

Nature of Operations

Colorado School of Mines Development Corporation (the Corporation) was established on September 7, 2001 for the purpose of issuing obligations for and assisting in the financing of capital expenditures on behalf of the Colorado School of Mines (the School). The Corporation is a component unit of the School. The Corporation's revenues are derived solely from rents received from the School.

Basis of Accounting and Presentation

The financial statements of the Corporation 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 are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Government-mandated nonexchange transactions that are not program specific, investment income and interest on capital asset-related debt are included in nonoperating revenues and expenses. The Corporation 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 Corporation prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB). The Corporation 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 Corporation has elected not to apply FASB pronouncements issued after the applicable date.

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

Cash Equivalents

The Corporation considers all liquid investments with original maturities of three months or less to be cash equivalents.

Colorado School of Mines Development Corporation (A Component Unit of Colorado School of Mines)

Notes to Financial Statements Years Ended June 30, 2008 and 2007

Note 1: Nature of Operations and Summary of Significant Accounting Policies (Continued)

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 Corporation:

Buildings and improvements	20 – 40 years
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Bond Issue Costs

Bond issue costs are being amortized on a straight-line basis over the term of the bonds. Total amortization for each of the years ended was June 30, 2008 and 2007 was \$3,669.

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.

Classification of Revenues

The Corporation classifies 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, such as rents received on the research facility.

Nonoperating revenues – Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions and other revenue sources that are defined as nonoperating revenues.

Income Taxes

The Corporation is a not-for-profit organization and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. However, the Corporation is subject to federal income tax on any unrelated business taxable income. The Corporation had no material unrelated business income for the years ended June 30, 2008 and 2007.

Reclassifications

Certain 2007 amounts have been reclassified to conform to the 2008 presentation.

Colorado School of Mines Development Corporation (A Component Unit of Colorado School of Mines)

Notes to Financial Statements Years Ended June 30, 2008 and 2007

Note 2: Deposits

Deposits as of June 30, 2008 and 2007 are held in a financial institution as follows:

	Bank Balance	Carrying Amount
June 30, 2008	\$ <u>1,303,257</u>	\$ <u>1,303,257</u>
June 30, 2007	\$ <u>598,195</u>	\$ <u>598,195</u>

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by PDPA. Accordingly, as of June 30, 2008 and 2007 deposits of \$1,203,257 and \$498,195, respectively, are collateralized under PDPA, representing the amounts in excess of FDIC insurance.

Note 3: Capital Assets

Capital assets activity for the years ended June 30, 2008 and 2007 was:

	2008			
	Beginning Balance	Additions	Disposals	Ending Balance
Buildings and improvements	\$ 11,722,614	\$ —	\$ —	\$ 11,722,614
Less accumulated depreciation				
Buildings and improvements	<u>1,322,093</u>	<u>294,165</u>	<u>—</u>	<u>1,616,258</u>
Net capital assets	<u>\$ 10,400,521</u>	<u>\$ (294,165)</u>	<u>\$ —</u>	<u>\$ 10,106,356</u>
	2007			
	Beginning Balance	Additions	Disposals	Ending Balance
Buildings and improvements	\$ 11,722,614	\$ —	\$ —	\$ 11,722,614
Less accumulated depreciation				
Buildings and improvements	<u>1,027,928</u>	<u>294,165</u>	<u>—</u>	<u>1,322,093</u>
Net capital assets	<u>\$ 10,694,686</u>	<u>\$ (294,165)</u>	<u>\$ —</u>	<u>\$ 10,400,521</u>

Colorado School of Mines Development Corporation (A Component Unit of Colorado School of Mines)

Notes to Financial Statements Years Ended June 30, 2008 and 2007

Note 4: Bonds Payable

The following is a summary of long-term obligation transactions for the Corporation for the years ended June 30, 2008 and 2007:

	2008				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Bonds					
Revenue bonds payable Series 2005	\$ 10,390,000	\$ —	\$ —	\$ 10,390,000	\$ —
Deferred amount from refunding	(224,280)	—	(11,702)	(212,578)	—
Total noncurrent liabilities	<u>\$ 10,165,720</u>	<u>\$ —</u>	<u>\$ (11,702)</u>	<u>\$ 10,177,422</u>	<u>\$ —</u>
	2007				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Bonds					
Revenue bonds payable Series 2005	\$ 10,555,000	\$ —	\$ 165,000	\$ 10,390,000	\$ —
Deferred amount from refunding	(235,982)	—	(11,702)	(224,280)	—
Total noncurrent liabilities	<u>\$ 10,319,018</u>	<u>\$ —</u>	<u>\$ 153,298</u>	<u>\$ 10,165,720</u>	<u>\$ —</u>

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 purpose of the Series 2001 issue was to finance the construction and acquisition of educational facilities at the Colorado School of Mines.

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.

Colorado School of Mines Development Corporation (A Component Unit of Colorado School of Mines)

Notes to Financial Statements Years Ended June 30, 2008 and 2007

Note 4: Bonds Payable (Continued)

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.

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

Years Ending	Total to be Paid	Principal	Interest
2009	\$ 1,034,696	\$ 870,000*	\$ 164,696
2010	164,696	—	164,696
2011	164,696	—	164,696
2012	164,696	—	164,696
2013	164,696	—	164,696
2014 - 2018	823,480	—	823,480
2019 - 2023	823,480	—	823,480
2024 - 2027	<u>10,178,784</u>	<u>9,520,000</u>	<u>658,784</u>
	<u>\$ 13,519,224</u>	<u>\$ 10,390,000</u>	<u>\$ 3,129,224</u>

*An elective principal payment was made on July 1, 2008

Colorado School of Mines Development Corporation (A Component Unit of Colorado School of Mines)

Notes to Financial Statements Years Ended June 30, 2008 and 2007

Note 4: Bonds Payable (Continued)

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, Colorado School of Mines Development 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. 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.

**Colorado School of Mines Development Corporation
(A Component Unit of Colorado School of Mines)**

**Notes to Financial Statements
Years Ended June 30, 2008 and 2007**

Note 5: Invested In Capital Assets, Net of Related Debt

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

	2008	2007
Bond issuance costs, net	\$ 64,234	\$ 67,903
Capital assets, net	10,106,356	10,400,521
Advance from Colorado School of Mines Building Corporation	(399,481)	(399,481)
Bonds payable	(10,390,000)	(10,390,000)
Deferred amount from refunding	212,578	224,280
	\$ (406,313)	\$ (96,777)

Note 6: Related Party Transactions

The School provides certain administrative and accounting functions at no cost to the Corporation.

The Corporation leases the building located at 1310 Maple Street, Golden, Colorado to the School under a lease agreement that expires on June 30, 2012. Under the lease agreement, the School is required to pay annual rents through June 30, 2012 equal to the debt service on the Series 2005 Revenue Bonds. Annual lease payments for periods July 1, 2005 through the expiration of the lease agreement are payable at a base rent amount of \$435,000 plus debt service on the bonds not to exceed \$1,086,000. Pursuant to this lease agreement, the School owes the Corporation \$0 as of June 30, 2008 and \$190,058 as of June 30, 2007. Rent income for the years ended June 30, 2008 and 2007 was \$886,825 and \$1,086,000, respectively.

The Corporation has outstanding capital construction advances payable on demand of \$399,481 at June 30, 2008 and 2007, payable to and advanced from the Colorado School of Mines Building Corporation, a blended component unit of the School.



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 Colorado School of Mines Development Corporation (the Corporation), a component unit of the Colorado School of Mines (the School), as of and for the year ended June 30, 2008, and have issued our report thereon dated November 25, 2008. 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.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Corporation'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 Corporation's financial statements that is more than inconsequential will not be prevented or detected by the Corporation's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation'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*.

This report is intended solely for the information and use of the Legislative Audit Committee, the Board of Directors of the Corporation, the Board of Trustees of the School and the management of the Corporation and 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



Members of the Legislative Audit Committee:

As part of our audit of the financial statements of the Colorado School of Mines Development Corporation (the Corporation), 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 Corporation's significant accounting policies are described in Note 1 of the audited financial statements.

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:

- No matters are reportable

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:

- Estimated useful lives of capital assets

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
- Demand debt

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 Not Recorded

- Recognition of rental revenue in the correct period

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 Corporation's application of accounting principles:

- No matters are reportable

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 Directors of the Corporation, the Board of Trustees of the School and management 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 Development Corporation
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	1,303,257		1,303,257	
Non-Current Assets	10,170,590		10,170,590	
Current Liabilities	(399,481)		(399,481)	
Non-Current Liabilities	(10,177,422)		(10,177,422)	
Current Ratio	3.262		3.262	
Total Assets	11,473,847		11,473,847	
Net Assets	(896,944)		(896,944)	
Revenues & Income	(886,825)	79,942	(806,883)	-9.01%
Expenditures	681,357		681,357	
Net Increase	(205,468)	79,942	(125,526)	-38.91%

Client: Colorado School of Mines Development Corporation

SCHEDULE OF UNCORRECTED MISSTATEMENTS (ADJUSTMENTS PASSED)

Period Ending: June 30, 2008

Description	Type of Adjustment (Known or Likely)	Assets				Liabilities		(X)	Revenues & Expenditures		Net Assets		Net Effect on Following Year		
		Current	Non-Current	Current	Non-Current	Non	Income	Expenditures	(Beg. of year)	Net Increase	Net Assets	Net Increase	Net Assets		
		DR	(CR)	DR	(CR)	DR	(CR)	Tax	DR	(CR)	DR	(CR)	DR	(CR)	
Prior Year															
Record effect of rental income that should have been recognized in the PY but wasn't due to max amount of rental income.	Known								79,942			(79,942)			
Taxable passed adjustments									79,942				(79,942)		
Times (1 - estimated tax rate of 00%)									100%	100%			100%		
Taxable passed adjustments net of tax impact									79,942				(79,942)		
Nontaxable passed adjustments															
Total passed adjustments, net of tax impact (if any)									79,942				(79,942)		
									Impact on Net Increase				79,942		
									Impact on Net Assets						

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**Colorado School of Mines Development Corporation
(A Component Unit of Colorado School of Mines)**

**Audit Report Distribution Summary
Years Ended June 30, 2008 and 2007**

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