State of Colorado
Colorado School of Mines Development Corporation

A Component Unit of Colorado School of Mines

Independent Accountants' Report and Financial Statements

Years Ended June 30, 2004 and 2003

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Segregation of Duties

The Colorado School of Mines (the School) provides various accounting, purchasing and banking services to the Corporation. These services are provided by a limited number of personnel within the School's accounting department. In last year's audit, we recommended that the Corporation review employee tasks to identify incompatible duties and where possible, establish management oversight to compensate for any lack of segregation of duties. The Corporation completed the review during fiscal year 2004 and implemented mitigating procedures and increased management oversight as recommended. However, due to the limited number of personnel involved, a complete segregation of duties is difficult to achieve. While management must consider the cost versus benefits of the addition of new personnel, it is important for management of the Corporation and the Board of Directors to be aware of the risk of improper financial reporting and misappropriation of assets.

Recommendation No. 1

Management of the Colorado School of Mines Development Corporation should continue to re-evaluate the costs versus benefits of additional control procedures or the addition of new personnel. Management also should ensure that the Board of Directors is aware of the conflicting duties and is considering the potential risks when reviewing financial statements, transactions or other internal reports.

Corporation's Response

The Colorado School of Mines Development Corporation agrees.

In addition to the changes made in fiscal year 2004, management will provide monthly financial statements to the Board of Directors.

Summary of Progress in Implementing Prior Audit Recommendations

The audit report for the year ended June 30, 2003 included five recommendations. The disposition of these five audit recommendations as of October 15, 2004 was as follows:

	Recommendation	Disposition
1	The Corporation should improve internal controls within the Corporation by reviewing employee tasks to identify incompatible duties, segregating the incompatible duties where possible and establishing adequate management oversight to compensate for any lack of segregation of duties.	Implemented
2	The Corporation should restrict physical access to checks.	Implemented
3	The Corporation should implement a process to review invoices prior to payment to see if they have been previously paid and to reduce the chance of duplicate payments.	Implemented
4	The Corporation should prepare minutes of Board of Directors' meetings to document significant matters discussed. Minutes should be formally approved at the subsequent Board meeting and maintained as part of the permanent records.	Implemented
5	The Corporation and the School should sign a formal lease to document the terms under which the School leases space in the Corporation's building.	Implemented

Independent Accountants' Report

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, as of and for the years ended June 30, 2004 and 2003, 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 for 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, 2004 and 2003, 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 October 15, 2004, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

October 15, 2004

State of Colorado
Colorado School of Mines
Development Corporation
Management's Discussion and Analysis
Years Ended June 30, 2004 and 2003

Management's Discussion and Analysis

This section of the Colorado School of Mines Development Corporation's annual report presents a discussion and analysis of the financial performance of the Corporation for the fiscal year ended June 30, 2004 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.

Using the Annual Financial Report

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

The **Statement of Net Assets** includes 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.

A summarized comparison of the Corporation's assets, liabilities and net assets at June 30, 2004, 2003 and 2002 is as follows:

Condensed Statements of Net Assets

	2004	2003	2002
Assets			
Cash and cash equivalents	$ 141,101	$ 42,008	$ —
Accounts receivable	—	704,165	—
Restricted cash and cash equivalents	34	342,745	6,938,064
Capital assets	11,283,016	11,577,567	4,347,234
Other noncurrent assets	259,360	276,936	237,982
Total assets	11,683,511	12,943,421	11,523,280
Liabilities			
Current liabilities	399,481	1,332,657	592,995
Noncurrent liabilities	10,860,000	10,860,000	10,860,000
Total liabilities	11,259,481	12,192,657	11,452,995
Net Assets	$ 424,030	$ 750,764	$ 70,285

Construction of the research building was completed during fiscal year 2003, and tenants began occupying it in late 2002. Final close-out of the project with the payment of retainage took place in the current fiscal year. As a result accounts payable and accounts receivable were significantly reduced. The remaining balance in accounts payable will be satisfied as the building moves to full occupancy and additional research contracts are secured.

The **Statement of Revenues, Expenses and Changes in Net Assets** presents the revenues earned and the expenses incurred for operating, nonoperating and other related activities during the year. Its purpose is to assess the Corporation's operating results. A summarized comparison of the Corporation's revenues, expenses and changes in net assets for the years ended June 30 is as follows:

Condensed Statements of Revenues, Expenditures and Changes in Net Assets

	2004	2003	2002
Net Operating Revenues (Loss)	$ (101,258)	$ (5,647)	$ —
Net Nonoperating Revenues (Expenses)	(225,476)	686,126	70,285
(Decrease) Increase in Net Assets	(326,734)	680,479	70,285
Net Assets, Beginning of Year	750,764	70,285	—
Net assets, End of Year	$ 424,030	$ 750,764	$ 70,285

Colorado School of Mines has entered into a long-term operating lease with the Development Corporation for the space within the building. The rental income from this lease is expected to cover debt service.

The building is now fully operational and the operating revenues are sufficient to cover the expenses associated with debt service on the bonds. The fiscal year 2004 operating loss is attributed to the recognition of depreciation expense of $294,165.

The **Statement of Cash Flows** presents cash receipts and payments of the Corporation during the year. A comparative summary of the statements of cash flows for the years ended June 30, 2004, 2003 and 2002 is as follows:

Condensed Statements of Cash Flows

	2004	2003	2002
Cash flows provided (used) by			
Operating activities	$ 194,466	$ 139,786	$ —
Capital and related financing activities	(438,084)	(6,693,097)	6,938,064
Net (decrease) increase in cash	(243,618)	(6,553,311)	6,938,064
Cash and cash equivalents, beginning of year	384,753	6,938,064	—
Cash and cash equivalents, end of year	$ 141,135	$ 384,753	$ 6,938,064

Cash flows from operating activities should represent rental income to cover the debt service payment. The negative cash flow related to capital and financing activities is related to the completion of the construction of the building and settling of outstanding payables and receivables.

Factors Impacting Future Periods

Revenue sources that support the bond repayment and debt service are expected to increase with increased occupancy of the research building. The facilities in the building will be used to promote additional major research projects on campus, which is expected to increase the amount of indirect cost recoveries for the School. The growth in research projects is anticipated to make the School more attractive to faculty and graduate students further supporting continued growth in research activity.

The building space is partially occupied. The Colorado School of Mines Geology Museum, the Center for Commercial Applications of Combustion in Space (CCACS) and other organized research components are currently utilizing the space.

State of Colorado
Colorado School of Mines
Development Corporation
Statements of Net Assets
June 30, 2004 and 2003

Assets

	2004	2003
Current Assets		
Cash	$ 141,101	$ 42,008
Accounts receivable, Colorado School of Mines Building Corporation	—	704,165
Total current assets	141,101	746,173
Noncurrent Assets		
Restricted cash and cash equivalents	34	342,745
Bond issuance costs, net of accumulated amortization; 2004 – $32,056 and 2003 – $26,980	259,360	276,936
Capital assets, net of accumulated depreciation; 2004 – $439,598 and 2003 – $145,433	11,283,016	11,577,567
Total noncurrent assets	11,542,410	12,197,248
Total assets	11,683,511	12,943,421

Liabilities

	2004	2003
Current Liabilities		
Advance from Colorado School of Mines Building Corporation	399,481	849,481
Retainage payable	—	483,176
Total current liabilities	399,481	1,332,657
Noncurrent Liabilities		
Bonds payable	10,860,000	10,860,000
Total noncurrent liabilities	10,860,000	10,860,000
Total liabilities	11,259,481	12,192,657

Net Assets

	2004	2003
Invested in capital assets, net of related debt	682,376	1,060,312
Restricted – expendable		
Capital projects	34	342,745
Unrestricted	(258,380)	(652,293)
Total net assets	$ 424,030	$ 750,764

Colorado School of Mines
Development Corporation
Statements of Revenues, Expenses and Changes in Net Assets
For the Years Ended June 30, 2004 and 2003

	2004	2003
Operating Revenues		
Rent income	$ 220,557	$ 161,662
Total operating revenues	220,557	161,662
Operating Expenses		
Depreciation	294,165	145,433
Maintenance and other	27,650	21,876
Total operating expenses	321,815	167,309
Operating Loss	(101,258)	(5,647)
Nonoperating Revenues (Expenses)		
Amortization of bond issuance costs	(5,076)	(20,006)
Interest on capital-asset related debt	(117,718)	(161,662)
Capital asset-related debt remarketing fees	(102,682)	46,547
Contribution revenue	—	821,247
Net nonoperating revenues (expenses)	(225,476)	686,126
(Decrease) Increase in Net Assets	(326,734)	680,479
Net Assets, Beginning of Period	750,764	70,285
Net Assets, End of Period	$ 424,030	$ 750,764

Colorado School of Mines
Development Corporation
Statements of Cash Flows
For the Years Ended June 30, 2004 and 2003

	2004	2003
Operating Activities		
Payments from tenants for rent	$ 222,116	$ 161,662
Maintenance and other operating payments	(27,650)	(21,876)
Net cash provided by operating activities	194,466	139,786
Capital and Related Financing Activities		
Bond issuance costs	—	(58,960)
Construction of capital assets	(483,176)	(6,668,821)
Contributions	702,606	117,082
Repayment of advance	(450,000)	—
Interest income received	386	72,903
Other cash received	12,500	—
Interest and fees paid on capital debt	(220,400)	(155,301)
Net cash used in capital and related financing activities	(438,084)	(6,693,097)
Decrease in Cash and Cash Equivalents	(243,618)	(6,553,311)
Cash and Cash Equivalents, Beginning of Year	384,753	6,938,064
Cash and Cash Equivalents, End of Year	$ 141,135	$ 384,753
Reconciliation of Cash and Cash Equivalents to the Statements of Net Assets		
Cash	$ 141,101	$ 42,008
Restricted cash and cash equivalents – noncurrent	34	342,745
	$ 141,135	$ 384,753
Reconciliation of Operating Income to Net Cash Used in Operating Activities		
Operating loss	$ (101,258)	$ (5,647)
Change in accounts receivable	1,559	—
Depreciation expense	294,165	145,433
Net Cash Provided by Operating Activities	$ 194,466	$ 139,786
Supplemental Cash Flows Information		
Accounts and retainage payable incurred for capital asset purchases	$ 0	$ 1,332,657

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 or assisting in the financing of capital expenditures on behalf of or for the benefit of the Colorado School of Mines (the School). The Corporation is a component unit of the School. The Corporation's revenues are derived principally from contributions and 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. 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, 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. At June 30, 2004 and 2003, cash equivalents consisted primarily of U.S. Government money market funds with a broker.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents include amounts restricted for project construction.

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:

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

The Corporation 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. Total interest capitalized was:

	2004	2003
Interest expense incurred on borrowings for project	$ —	$ 161,662
Less: Interest income from investment of proceeds of borrowings for project	—	72,903
Net interest cost capitalized	$ 0	$ 88,759

Bond Issue Costs

Bond issue costs are being amortized on a straight-line basis over the term of the bonds. Total amortization for the year ended June 30, 2004 and 2003, was $5,076 and $20,006, respectively.

Classification of Revenues

The Corporation 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, such as rents received on 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.

Reclassifications

Certain reclassifications have been made to the 2003 financial statements to conform to the 2004 financial statement presentation. These reclassifications had no effect on the change in net assets.

Note 2: Capital Assets

Capital assets activity for the years ended June 30, 2004 and 2003 was:

	2004				
	Beginning Balance	Additions	Disposals	Transfers from Construction in Progress	Ending Balance
Buildings and improvements	$ 11,723,000	$ —	$ 386	$ —	$ 11,722,614
Construction in progress	—	—	—	—	0
	11,723,000	—	386	—	11,722,614
Less accumulated depreciation Buildings and improvements	145,433	294,165	—	—	439,598
Net capital assets	$ 11,577,567	$ (294,165)	$ 386	$ 0	$ 11,283,016

	2003				
	Beginning Balance	Additions	Disposals	Transfers from Construction in Progress	Ending Balance
Buildings and improvements	$ —	$ 875,177	$ —	$ 10,847,823	$ 11,723,000
Construction in progress	4,347,234	6,500,589	—	(10,847,823)	0
	4,347,234	7,375,766	—	—	11,723,000
Less accumulated depreciation Buildings and improvements	—	145,433	—	—	145,433
Net capital assets	$ 4,347,234	$ 7,230,333	$ 0	$ 0	$ 11,577,567

Note 3: Bonds Payable

The following is a summary of long-term obligation transactions for the Corporation for the years ended June 30, 2004 and 2003:

	2004				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Bonds					
Revenue bonds payable Series 2001	$ 10,860,000	$ —	$ —	$ 10,860,000	$ 0
Total noncurrent liabilities	$ 10,860,000	$ 0	$ 0	$ 10,860,000	$ 0

	2003				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Bonds					
Revenue bonds payable Series 2001	$ 10,860,000	$ —	$ —	$ 10,860,000	$ 0
Total noncurrent liabilities	$ 10,860,000	$ 0	$ 0	$ 10,860,000	$ 0

On September 15, 2001, the Corporation issued $10,860,000 of revenue bonds. The purpose of the issue was to finance the construction and acquisition of educational facilities at the University.

The bonds mature on September 1, 2026 with interest payable at varying 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 using the weekly interest rate of 1.15% at June 30, 2004.

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 the net pledged revenues, as defined in the trust agreement, a letter of credit with a bank totaling $10,961,162 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 letter of credit terminates on October 4, 2006. If the Corporation does not secure a substitute letter of credit, the bonds are subject to mandatory tender prior to the termination of the letter of credit.

The trust indenture allows the Corporation the right, subject to certain conditions, to issue additional bonds which are payable from net pledged revenues. However, additional bonds, if any, may only have a lien on parity with, not superior to, the existing lien.

The debt service requirements as of June 30, 2004 and 2003 are as follows:

Years Ending	Total to be Paid	Principal	Interest
2005	$ 124,890	$ —	$ 124,890
2006	124,890	—	124,890
2007	124,890	—	124,890
2008	124,890	—	124,890
2009	124,890	—	124,890
2010 – 2014	624,450	—	624,450
2015 – 2019	624,450	—	624,450
2020 – 2024	624,450	—	624,450
2025 – 2027	11,130,595	10,860,000	270,595
	$ 13,628,395	$ 10,860,000	$ 2,768,395

Note 4: Related Party Transactions

The Corporation received $-0- and $777,367 ($702,606 passed through from the Foundation) in contributions from the School for capital construction during the year ending June 30, 2004 and 2003, respectively. Additionally, 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 Colorado School of Mines 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, 2004 equal to the debt service on the Series 2001 Revenue Bonds. Annual lease payments for periods July 1, 2004 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.

The Corporation has outstanding capital construction advances payable of $399,481 and $849,481 at June 30, 2004 and 2003, respectively, from the Colorado School of Mines Building Corporation, a component unit of the School.

Note 5: Subsequent Event

Bond Issue

On January 20, 2005, the Corporation issued $10,555,000 in refunding variable rate demand bonds. The proceeds from the bonds are to be used to refund the Series 2001 revenue bonds. Principal and interest on the bonds are payable semi-annually through maturity in 2026 with interest rates on the obligations at variable rates. The bonds are secured by a non-exclusive first lien upon net pledged revenues, a standby bond purchase agreement and are guaranteed by the Foundation.

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

Members of the Legislative Audit Committee:

We have audited the financial statements of Colorado School of Mines Development Corporation (the Corporation) as of and for the year ended June 30, 2004, and have issued our report thereon dated October 15, 2004. 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.

Compliance

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 grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Corporation's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the Auditor's Finding and Recommendations section of this report as Recommendation No. 1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness.

Members of the Legislative Audit Committee

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

BKD, LLP

October 15, 2004

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), a component unit of the Colorado School of Mines, as of and for the year ended June 30, 2004, we wish to communicate the following to you.

Auditor's Responsibility Under Generally Accepted Auditing Standards

An audit performed in accordance with generally accepted auditing standards (GAAS) is designed to obtain reasonable, rather than absolute, assurance about the financial statements. In performing GAAS 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.

Significant Accounting Policies

The Corporation's significant accounting policies are described in Note 1 of the audited financial statements.

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:

Depreciation on capital assets and useful life of assets

Audit Adjustments

During the course of any audit, an auditor may propose adjustments of 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.

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.

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

BKD, LLP

October 15, 2004

Colorado School of Mines Development Corp.
ATTACHMENT

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

Business-Type Activities (Government-Wide Statements)

QUANTITATIVE ANALYSIS

	Before Misstatements	Misstatements	Adjusted for Misstatements	% Change
Current Assets	141,101		141,101	
Non-Current Assets	11,542,410		11,542,410	
Current Liabilities	399,481	(10,236)	389,245	-2.56%
Non-Current Liabilities	(11,658,962)		(11,658,962)	
Current Ratio	-0.353		-0.362	2.55%
Total Assets	11,683,511		11,683,511	
ed in capital assets, net of related debt	(682,376)		(682,376)	
Restricted Net Assets	(34)		(34)	
Unrestricted Net Assets	258,380	10,236	268,616	3.96%
Total Net Assets	(424,030)	10,236	(413,794)	-2.41%
Operating Revenues	(220,557)		(220,557)	
Operating Income/loss	(101,258)	432	(100,826)	-0.43%
Change in Net Assets	326,734	432	327,166	0.13%
Change in Net Assets - Three Year Avg	(359,166)	432	(358,734)	-0.12%

Client: Colorado School of Mines Development Corp.

Period Ending: June 30, 2004

SCHEDULE OF UNCORRECTED MISSTATEMENTS

Business-Type Activities (Government-Wide Statements)

Description	Assets: *Current* DR (CR)	Assets: *Non-Current* DR (CR)	Liabilities: *Current* DR (CR)	Liabilities: *Non-Current* DR (CR)	Operating Revenues DR (CR)	Operating Income/loss DR (CR)	Net Assets *(Beg. of year)* DR (CR)	Invested in Capital Assets, Net DR (CR)	Restricted Net Assets DR (CR)	Unrestricted Net Assets DR (CR)	Net Effect on Following Year: *Change in Net Assets* DR (CR)	Net Effect on Following Year: *Net Assets* DR (CR)
Prior period - turnaround affect - accrue bond interest												
						(9,804)	9,804					
To accrue interest on 2002 bond issue.			(10,236)									
						10,236				10,236	(10,236)	10,236
Total passed adjustments			(10,236)			432	9,804			10,236	(10,236)	10,236

Impact on Change in Net Assets	432
Impact on Net Assets	10,236

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AWP271-GV-GASB34
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