Colorado School of Mines

Auxiliary Bonds

Report of Independent Certified Public

Accountants and Financial Statements

Years Ended June 30, 2005 and 2004

LEGISLATIVE AUDIT COMMITTEE
2006 MEMBERS

Senator Jack Taylor
Chair

Senator Stephanie Takis
Vice-Chair

Representative Fran Coleman
Senator Deanna Hanna
Representative David Schultheis
Senator Nancy Spence
Representative Val Vigil
Representative Al White

Office of the State Auditor Staff

Joanne Hill
State Auditor

Sally Symanski
Deputy State Auditor

Lou Skull
Legislative Auditor

Grant Thornton LLP
Contract Auditors

Colorado School of Mines
Auxiliary Bonds
Years Ended June 30, 2005 and 2004

TABLE OF CONTENTS

Accountants and Business Advisors

Grant Thornton

Report of Independent Certified Public Accountants

Members of the Legislative Audit Committee:

We have audited the accompanying special-purpose financial statements of the Auxiliary Bonds of the Colorado School of Mines (the School), a blended component unit of the State of Colorado, as of and for the year ended June 30, 2005, 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 an opinion on these financial statements based on our audit. The financial statements of the Auxiliary Bonds of the Colorado School of Mines as of and for the year ended June 30, 2004 were audited by other auditors whose report dated October 15, 2004 (except for Note 7 as to which the date is October 27, 2004), expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America as established by the Auditing Standards Board of the American Institute of Certified Public Accountants. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of complying with the provisions of certain bond indentures as described in Note 5 and are not intended to be a complete presentation of the School's assets, liabilities, revenues and expenses.

707 Seventeenth Street, Suite 3200
Denver, CO 80202
T 303.813.4000
F 303.839.5711 Audit
F 303.839.5701 Tax
W www.grantthornton.com

Grant Thornton LLP
US member of Grant Thornton International

In our opinion, the 2005 special-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Auxiliary Bonds of the Colorado School of Mines as of June 30, 2005 and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

As discussed in Note 6, the School adopted Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures*, effective July 1, 2004.

Grant Thornton LLP

Denver, Colorado
December 20, 2005

Colorado School of Mines
Auxiliary Bonds
Statements of Net Assets
June 30, 2005 and 2004

Assets

	2005	2004
Current Assets		
Cash and cash equivalents	$ 2,807,952	$ 3,936,143
Accounts receivable	304,260	59,410
Total current assets	3,112,212	3,995,553
Noncurrent Assets		
Restricted cash	15,455,086	7,533,138
Bond issuance costs, net	1,068,268	707,675
Capital assets, net	43,314,463	37,779,284
Total noncurrent assets	59,837,817	46,020,097
Total assets	62,950,029	50,015,650

Liabilities

	2005	2004
Current Liabilities		
Vouchers payable	570,652	792,704
Accrued liabilities	209,918	166,559
Deferred revenue	161,147	127,864
Bonds payable, current portion	845,000	255,278
Other liabilities	226,176	845,212
Total current liabilities	2,012,893	2,187,617
Noncurrent Liabilities		
Accrued interest payable	1,387,596	1,551,226
Bonds payable	59,527,326	46,946,032
Total noncurrent liabilities	60,914,922	48,497,258
Total liabilities	62,927,815	50,684,875

Net Assets

	2005	2004
Invested in capital assets, net of related debt	(1,602,777)	(1,450,983)
Restricted		
Expendable		
Debt service	1,624,991	480,210
Capital projects	—	269,590
Unrestricted	—	31,958
Total net assets (deficit)	$ 22,214	$ (669,225)

See Notes to Financial Statements

Colorado School of Mines
Auxiliary Bonds
Statements of Revenues, Expenses and Changes in Net Assets
Years Ended June 30, 2005 and 2004

	2005	2004
Operating Revenues		
Tuition and fees	$ 958,169	$ 948,507
Rent	7,451,960	5,421,499
Other operating revenues	132,283	968,275
Total operating revenues	8,542,412	7,338,281
Operating Expenses		
Depreciation	1,105,951	969,810
Auxiliary enterprises	5,360,809	5,734,368
Total operating expenses	6,466,760	6,704,178
Operating Income	2,075,652	634,103
Nonoperating Revenues (Expenses)		
Investment income	506,886	105,758
Other nonoperating income (expenses)	927,479	(22,385)
Interest on capital asset-related debt	(2,789,813)	(1,283,405)
Net nonoperating expenses	(1,355,448)	(1,200,032)
Income (Loss) Before Transfers	720,204	(565,929)
Transfers out	(28,765)	(42,081)
Increase (Decrease) in Net Assets	691,439	(608,010)
Net Assets (Deficit), Beginning of Year	(669,225)	(61,215)
Net Assets (Deficit), End of Year	$ 22,214	$ (669,225)

See Notes to Financial Statements

Colorado School of Mines
Auxiliary Bonds
Notes to Financial Statements
June 30, 2005 and 2004

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

The accompanying financial statements include the separate accounts of the Auxiliary Facilities Refunding and Improvement Revenue Bonds, Series 1993, Auxiliary Facilities Enterprise Revenue Bonds, Series 1996, Auxiliary Facilities Enterprise Revenue Bonds, Series 1997A and 1997B, Auxiliary Facilities Enterprise Revenue Bonds, Series 1999, Auxiliary Facilities Enterprise Refunding and Improvement Bonds, Series 2002 and Auxiliary Facilities Enterprise Refunding and Improvement Bonds, Series 2004, collectively identified as Auxiliary Bonds.

Basis of Accounting and Presentation

The financial statements of the Auxiliary Bonds of the Colorado School of Mines (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 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 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 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 Governmental Accounting Standards Board (GASB) pronouncement. The School 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The School considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2005 and 2004, cash equivalents consisted primarily of money market funds with brokers.

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
Building and improvements	20-40 years
Equipment	3-10 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. Due to the minimal amount of construction related to the bonds in 2005, the School did not capitalize interest.

Total interest expense for the year ended June 30, 2005 and June 30, 2004 of $ 2,789,813 and $1,283,405 includes $15,248 and $29,336 respectively of amortization of discounts and deferred gains on refundings.

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

Revenues are classified 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 (1) student fees, net of allowances, (2) rental income of auxiliary enterprises and (3) other operating revenues.

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 by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

Note 2: Consideration of Deficit Net Assets

The financial statements of the Auxiliary Bonds are prepared only for the purpose of complying with the provisions of certain bond indentures and are not a complete presentation of the School's assets, liabilities, revenues and expenses. The Auxiliary Bond provisions require the School to impose student fees relating to the applicable auxiliary facilities to provide sufficient gross revenues to pay general operating expenses, annual principal, interest and required reserve and replacement funds. Such fees, rates and charges are required to be sufficient to produce, in each fiscal year, gross revenues to pay the annual general operating expenses, excluding depreciation, and 110% of both principal and interest on the Bonds, excluding any reserves. Management of the School annually monitors fees, rental rates and other charges to ensure that the bond requirements, cash flows and liquidity needs of the auxiliary facilities are met. The School is currently in compliance with the bond debt service requirements (see Note 5).

Note 3: Cash and Cash Equivalents

At June 30, 2005 and 2004, the Auxiliary Bonds had $2,806,672 and $-0-, respectively, on deposit with the State Treasurer. Detailed information on the State Treasurer's pooled cash and investments is available from that office.

At June 30, 2005, cash of $2,807,952 included petty cash and change funds of $1,280. Restricted cash included money market mutual funds of $15,455,086. At June 30, 2004, cash and restricted cash included petty cash and change funds of $1,280, money market mutual funds of $13,885,724 and bank accounts of ($2,417,723).

The Money Market Funds are subject to credit 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 statistical rating organization (NRSRO). The Money Market Mutual Funds have a maturity of 21 days and are rated AAA by Standard & Poor's.

Note 4: Capital Assets

Capital assets activity for the year ended June 30 was:

2005

	Beginning Balance	Additions	Disposals	Transfers from Construction in Progress	Ending Balance
Land and improvements	$ 51,460	$ —	$ —	$ —	$ 51,460
Building and improvements	28,618,196	5,695,955	1,261,367	19,335,656	52,388,440
Equipment	231,675	—	—	—	231,675
Construction in progress	19,501,949	945,175	—	(19,335,656)	1,111,468
Total capital assets	48,403,280	6,641,130	1,261,367	—	53,783,043
Less accumulated depreciation	10,623,996	1,105,951	(1,261,367)	—	10,468,580
Net capital assets	$ 37,779,284	$ 5,535,179	$ —	$ —	$ 43,314,463

2004

	Beginning Balance	Additions	Disposals	Transfers from Construction in Progress	Ending Balance
Land and improvements	$ 51,460	$ —	$ —	$ —	$ 51,460
Building and improvements	28,618,196	—	—	—	28,618,196
Equipment	231,675	—	—	—	231,675
Construction in progress	1,792,153	17,709,796	—	—	19,501,949
Total capital assets	30,693,484	17,709,796	—	—	48,403,280
Less accumulated depreciation	9,654,186	969,810	—	—	10,623,996
Net capital assets	$ 21,039,298	$ 16,739,986	$ —	$ —	$ 37,779,284

Colorado School of Mines
Auxiliary Bonds
Notes to Financial Statements
June 30, 2005 and 2004

Note 5: Bonds Payable

The following is a summary of Auxiliary Bonds transactions for the year ended June 30:

	2005				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Revenue bonds payable					
Series 1993	$ 3,465,000	$ —	$ 3,465,000	$ —	$ —
Series 1996	1,285,000	—	1,285,000	—	—
Series 1997A	2,940,000	—	—	2,940,000	—
Series 1997B	460,000	—	—	460,000	—
Series 1999	7,794,333	—	—	7,794,333	—
Series 2002	32,040,000	—	—	32,040,000	—
Series 2004	—	17,450,000	—	17,450,000	845,000
	47,984,333	17,450,000	4,750,000	60,684,333	845,000
Less unamortized bond (discounts) premium	(452,763)	156,004	15,248	(312,007)	
Less deferred call premium on defeased bonds	(330,260)	—	(330,260)	—	—
	$ 47,201,310	$ 17,606,004	$ 4,434,988	$ 60,372,326	$ 845,000

	2004				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Revenue bonds payable					
Series 1993	$ 3,925,000	$ —	$ 460,000	$ 3,465,000	$ 275,000
Series 1996	1,350,000	—	65,000	1,285,000	70,000
Series 1997A	3,170,000	—	230,000	2,940,000	—
Series 1997B	460,000	—	—	460,000	—
Series 1999	7,794,333	—	—	7,794,333	—
Series 2002	32,040,000	—	—	32,040,000	—
	48,739,333	—	755,000	47,984,333	345,000
Less unamortized bond discounts	(482,099)	—	(29,336)	(452,763)	(29,438)
Less deferred call premium on defeased bonds	(412,795)	—	(82,535)	(330,260)	(60,284)
	$ 47,844,439	$ —	$ 643,129	$ 47,201,310	$ 255,278

Series 1993 Bonds

Auxiliary Facilities Refunding and Improvement Revenue Bonds, Series 1993 –The purpose of the issue was to refund the Series 1988 Bonds; finance the construction, renovation, other acquisition and equipping of additional dining and recreational facilities at the Ben H. Parker Student Center and improve and equip other auxiliary facilities. The 1993 revenue bonds were in-substance defeased with the issuance of the 2004 Series Bonds.

Series 1996 Bonds

Auxiliary Facilities Enterprise Revenue Bonds, Series 1996 – The purpose of the issue was to finance the installation of a new telephone system along with the replacement of and additions to the television, data, telephone and electrical cabling for the residence halls. The 1996 revenue bonds were in-substance defeased with the issuance of the 2004 Series Bonds.

Series 1997 Bonds

Auxiliary Facilities Enterprise Revenue Bonds, Series 1997A and 1997B. Series 1997A – Serial obligations mature in fiscal years ending June 30, 2010 to 2017; due in annual installments ranging from $230,000 to $435,000 with interest payable semi-annually ranging from 4.2% to 5%. Series 1997B – Serial obligation bonds mature December 1, 2017. Interest is payable annually through 2017 at 5.3%. The purpose of this issue was to finance the construction, acquisition and equipping of Mines Park residential housing complex.

Auxiliary Facilities Enterprise Revenue Bonds	
Series 1997A, with interest at 4.2% – 5%	$ 2,940,000
Series 1997B, with interest at 5.3%	460,000
	3,400,000
Less unamortized discount	41,150
	$ 3,358,850

Required annual principal and interest payments on the Series 1997 Bonds at June 30, 2005 are:

Year Ending June 30,	Total to be Paid	Principal	Interest
2006	$ 166,003	$ —	$ 166,003
2007	166,003	—	166,003
2008	166,003	—	166,003
2009	166,003	—	166,003
2010	469,433	305,000	164,433
2010-2015	2,353,521	1,785,000	568,521
2016-2018	1,413,950	1,310,000	103,950
	$ 4,900,916	$ 3,400,000	$ 1,500,916

Series 1999 Bonds

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. These obligations mature on December 1, 2028 and are subject to mandatory sinking fund redemption on December 1, 2027 of $1,300,000. Interest is payable semi-annually on December 1 and June 1.

(2) $5,009,333, 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%.

The 1999 revenue bonds outstanding as of June 30, 2005 consist of the following:

Auxiliary Facilities Enterprise Revenue Bonds, Series 1999	
Current Interest Bonds; interest at 5%	$ 2,285,000
Capital Appreciation Bonds; interest at 5.14% – 5.4%	5,509,333
	7,794,333
Less unamortized discount	58,485
	$ 7,735,848

Required annual principal and interest payments on Series 1999 Bonds at June 30, 2005 are:

Year Ending June 30,	Total to be Paid	Principal	Interest
2006	$ 139,250	$ —	$ 139,250
2007	139,250	—	139,250
2008	139,250	—	139,250
2009	139,250	—	139,250
2010	139,250	—	139,250
2011-2014	1,476,250	354,635	1,121,615
2016-2020	5,916,250	1,966,632	3,949,618
2021-2025	7,616,250	2,006,373	5,609,877
2026-2029	6,082,373	3,466,693	2,615,680
	$ 21,787,373	$ 7,794,333	$ 13,993,040

Series 2002 Bonds

Auxiliary Facilities Enterprise Refunding and Improvement Revenue Bonds, Series 2002 – Serial obligations maturing in fiscal years ending June 30, 2009 to 2038; due in annual installments ranging from $70,000 to $3,245,000 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 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.

The 2002 revenue bonds outstanding as of June 30, 2005 consist of the following:

Auxiliary Facilities Enterprise Revenue Bonds, Series 2002, with interest at 3.25% – 5.25%	$ 32,040,000
Less unamortized discount	363,176
	$ 31,676,824

Required annual principal and interest payments on Series 2002 Bonds at June 30, 2005 are:

Year Ending June 30,	Total to be Paid	Principal	Interest
2006	$ 1,580,253	$ —	$ 1,580,253
2007	1,580,253	—	1,580,253
2008	1,580,253	—	1,580,253
2009	1,742,571	165,000	1,577,571
2010	1,643,700	70,000	1,573,700
2011-2015	9,315,096	1,575,000	7,740,096
2016-2020	9,140,854	1,800,000	7,340,854
2021-2025	9,008,738	2,160,000	6,848,738
2026-2030	10,543,500	4,350,000	6,193,500
2031-2035	16,616,375	12,655,000	3,961,375
2036-2038	9,975,373	9,265,000	710,373
	$ 72,726,966	$ 32,040,000	$ 40,686,966

Series 2004 Bonds

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 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 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 2004 revenue bonds outstanding as of June 30, 2005 consist of the following:

Auxiliary Facilities Enterprise Revenue Bonds, Series 2004, with interest at 2.5% – 5.0%	$ 17,450,000
plus unamortized premium	150,804
	$ 17,600,804

Required annual principal and interest payments on Series 2004 Bonds at June 30, 2005 are:

Year Ending June 30,	Total to be Paid	Principal	Interest
2006	$ 1,472,638	$ 845,000	$ 627,638
2007	1,979,825	1,380,000	599,825
2008	1,979,888	1,415,000	564,888
2009	1,816,138	1,285,000	531,138
2010	1,618,275	1,120,000	498,275
2011-2015	6,196,202	4,200,000	1,996,202
2016-2020	2,877,760	1,340,000	1,537,760
2021-2025	2,719,690	1,510,000	1,209,690
2026-2030	2,722,101	1,920,000	802,101
2030-2035	2,732,159	2,435,000	297,159
	$ 26,114,676	$ 17,450,000	$ 8,664,676

Defeased Bonds

During September 1984, Housing System Revenue Bonds, Series E was placed in trust with a paying agent. Income received by the trust will be used solely for the purpose of making the required interest payments. Accordingly, the Series E Bonds are considered to be in-substance defeased in 1984 and does not appear as a liability in the accompanying statements of net assets. At June 30, 2005 bonds in the amount of $2,450,000 are outstanding.

In connection with the issuance of the Series 2002 bonds, $4,191,171 was placed in escrow with a paying agent for the payment of certain Series 1993 and 1997A bonds. Accordingly, certain Series 1993 and 1997A bonds were considered in-substance defeased as of November 2002; the escrow account and in-substance defeased bonds are not recognized in the accompanying statements of net assets. At June 30, 2005 Series 1997A bonds in the amount of $2,940,000 are outstanding.

In connection with the issuance of the Series 2004 bonds, $4,410,102 was placed in escrow with a paying agent for the payment of the remainder of the Series 1993 bonds and the 1996 bonds. Accordingly, the Series 1993 and 1996 bonds were considered in-substance defeased as of October 2004; the escrow account and in-substance defeased bonds are not recognized in the accompanying statements of net assets. The debt service pursuant to the 1993 and 1996 issues was $5,768,216 collectively; the debt service pursuant to the refunding is $5,302,270, a net savings of $465,946. The economic net present value gain to the School was $360,666.

Pledge of Net Income and Required Reserves

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 minimum reserves for Series 1993, Series 1996, Series 1997, Series 1999, Series 2002 and Series 2004 auxiliary bonds are $773,411, $144,200, $473,296, $779,433, $2,737,397 and $1,100,454, respectively. The School is also required to maintain certain rate covenants related to the bonds. Management believes that they are in compliance with these covenants.

Service Coverage

The Auxiliary Bonds specify debt service coverage requirements for the auxiliary facilities. The debt service coverage provisions require net pledged revenues, as defined above, 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.

The calculation of the combined debt service coverage for the year ended June 30, 2005 is as follows:

	Series 2004 Bonds	Series 2002 Bonds	Series 1999 Bonds	Series 1997 Bonds	Series 1993 & 1996 Bonds	Total
Debt service						
Principal	$ —	$ —	$ —	$ —	$ 345,000	$ 345,000
Interest	379,375	1,580,253	139,250	171,868	122,322	2,393,068
Total debt service	$ 379,375	$ 1,580,253	$ 139,250	$ 171,868	$ 467,322	$ 2,738,068
Operating revenues						$ 8,542,412
Less: Operating expenditures, net of depreciation						5,360,809
Plus: Capitalized interest balance used						297,000
Plus: Auxiliary renewal & replacement fund balance						512,019
Net pledged revenues available for debt service						$ 3,990,622
Ratio of amount available for debt service to total debt service						1.46

As stated in the Auxiliary Bond resolutions, the Board has pledged to impose fees, rates and charges sufficient to pay all obligations required under the provisions of the Auxiliary Bond resolutions. The calculation also includes interest being paid from capitalized interest funds.

Additional Covenants

In addition to the other requirements listed in this footnote, the Auxiliary Bond resolutions require the Board to maintain compliance with various additional covenants while the Auxiliary Bonds are outstanding. These covenants, among other things, restrict the disposition of the auxiliary facilities under certain circumstances, require the Board to maintain adequate insurance on the auxiliary facilities, require the Board to continue to operate the auxiliary facilities and require an annual audit of the Auxiliary Bond Fund.

Events of Default

An event of default will have occurred under the Auxiliary Bond resolutions, in general, if (a) any payment of principal or interest on the Auxiliary Bonds is not made when due; (b) the Board is unable to fulfill its obligations under the Auxiliary Bond resolutions; or (c) the Board has defaulted in the performance of any covenant, condition, agreement or provision contained in any of the Auxiliary Bond resolutions. Management believes no events of default occurred under the auxiliary bank resolutions.

Note 6: Change in Accounting Principle

Effective July 1, 2004, the School adopted Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures*. GASB 40 establishes and modifies disclosure requirements related to investment risks: credit risk, interest rate risk, and foreign currency risk and establishes and modifies disclosure requirements for deposit risks: custodial credit risk and foreign currency risk. Adoption of GASB 40 had no effect on net assets as of July 1, 2004 or change in net assets for the year ended June 30, 2005.

Colorado School of Mines
Auxiliary Bonds
Notes to Financial Statements
June 30, 2005 and 2004

Audit Report Distribution Summary

The electronic version of this report is available on the Web site of the
Office of the State Auditor
www.state.co.us/auditor

A bound report may be obtained by calling the
Office of the State Auditor
303-869-2800

Please refer to the Report Control Number below when requesting this report.

Report Control Number 1728A