Colorado School of Mines Development Corporation

(A Component Unit of Colorado School of Mines)
Independent Accountants' Report
and Financial Statements

Years Ended June 30, 2006 and 2005

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Colorado School of Mines
Development Corporation
(A Component Unit of Colorado School of Mines)
June 30, 2006 and 2005

TABLE OF CONTENTS

Independent Accountants' Report on Financial Statements and Supplementary Information

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 blended component unit of the Colorado School of Mines (the School), as of and for the year ended June 30, 2006, 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 audit. The financial statements of the Corporation as of and for the year ended June 30, 2005, before they were retroactively restated for the matter discussed in Note 6, were audited by other accountants whose report dated December 20, 2005, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 audit provides a reasonable basis for our opinion.

In our opinion, the 2006 financial statements referred to above present fairly, in all material respects, the financial position of the Corporation, as of June 30, 2006, and its changes in financial position and cash flows thereof for the year 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 September 29, 2006 on our consideration of the Corporation's internal control over financial reporting and on 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

September 29, 2006

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, 2006 and 2005, 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 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 accounting principles generally accepted in the United States of America, including Governmental Accounting Standards Board Statement No. 34.

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.

A summarized comparison of the Corporation's assets, liabilities and net assets at June 30, 2006, 2005 and 2004 is as follows:

Condensed Statements of Net Assets

	June 30, 2006	June 30, 2005 (as restated)	June 30, 2004
Assets			
Cash and cash equivalents	$ 292,764	$ 119,078	$ 141,101
Accounts receivable	—	22,043	—
Restricted cash and cash equivalents	—	34	34
Capital assets, net	10,694,686	10,988,851	11,283,016
Other noncurrent assets	71,572	75,232	259,360
Total assets	11,059,022	11,205,238	11,683,511
Liabilities			
Current liabilities	399,481	399,481	399,481
Noncurrent liabilities	10,319,018	10,307,316	10,860,000
Total liabilities	10,718,499	10,706,797	11,259,481
Net Assets	$ 340,523	$ 498,441	$ 424,030

Construction of the Corporation's 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 fiscal year 2004.

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, 2006, 2005 and 2004 is as follows:

Condensed Statements of Revenues, Expenses and Changes in Net Assets

	Years ended June 30, 2006	2005 (as restated)	2004
Operating Income (Loss)	$ 301,014	$ 364,187	$ (101,258)
Nonoperating Expenses	(458,932)	(289,776)	(225,476)
Increase (Decrease) in Net Assets	(157,918)	74,411	(326,734)
Net Assets, Beginning of Year	498,441	424,030	750,764
Net assets, End of Year	$ 340,523	$ 498,441	$ 424,030

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.

The research building is fully operational and the operating revenues are sufficient to cover the expenses associated with debt service on the bonds. The fiscal year 2006 decrease in net assets is attributed principally to the recognition of depreciation expense of $294,165.

The **Statements of Cash Flows** present cash receipts and payments of the Corporation during the years presented. A comparative summary of the statements of cash flows for the years ended June 30, 2006, 2005 and 2004 is as follows:

Condensed Statements of Cash Flows

	Years ended June 30, 2006	2005	2004
Cash flows provided (used) by			
Operating activities	$ 617,222	$ 645,673	$ 194,466
Capital and related financing activities	(443,570)	(667,696)	(438,084)
Net increase (decrease) in cash	173,652	(22,023)	(243,618)
Cash and cash equivalents, beginning of year	119,112	141,135	384,753
Cash and cash equivalents, end of year	$ 292,764	$ 119,112	$ 141,135

Cash flows from operating activities represent rental payments, net of maintenance and other operating payments, designed to cover the debt service payments. The negative cash flow related to capital and related financing activities is related to the completion of the construction of the building, debt service 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 Space Resources (CSR), Colorado Fuel Cell Center, Photonics Ultra Fast Laser Laboratory (PULSE) and the Center of Advanced Water Systems and other organized research components are currently utilizing the space.

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

Statements of Net Assets

June 30, 2006 and 2005

Assets

		2006		2005 (as restated)
Current Assets				
Cash	$	292,764	$	119,078
Accounts receivable, Colorado School of Mines		—		22,043
Total current assets		292,764		141,121
Noncurrent Assets				
Restricted cash and cash equivalents		—		34
Bond issuance costs, net of accumulated amortization; 2006 – $5,283 and 2005 – $1,623		71,572		75,232
Capital assets, net of accumulated depreciation; 2006 – $1,027,928 and 2005 – $733,763		10,694,686		10,988,851
Total noncurrent assets		10,766,258		11,064,117
Total assets		11,059,022		11,205,238

Liabilities

		2006		2005 (as restated)
Current Liabilities				
Advance from Colorado School of Mines Building Corporation		399,481		399,481
Total current liabilities		399,481		399,481
Noncurrent Liabilities				
Bonds payable		10,555,000		10,555,000
Net reacquisition price of refunded debt, net of accumulated amortization; 2006 – $16,578 and 2005 – $4,876		(235,982)		(247,684)
Total noncurrent liabilities		10,319,018		10,307,316
Total liabilities		10,718,499		10,706,797

Net Assets

		2006		2005 (as restated)
Invested in capital assets, net of related debt		47,759		357,286
Restricted – expendable				
Capital projects		—		34
Unrestricted		292,764		141,121
Total net assets	$	340,523	$	498,441

See Notes to Financial Statements

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, 2006 and 2005

	2006	2005 (as restated)
Operating Revenues		
Rent income	$ 595,568	$ 658,916
Total operating revenues	595,568	658,916
Operating Expenses		
Depreciation	294,165	294,165
Maintenance and other	389	564
Total operating expenses	294,554	294,729
Operating Income	301,014	364,187
Nonoperating Expenses		
Amortization of bond issuance costs	(3,660)	(1,623)
Amortization of refunded bond issuance costs	—	(6,800)
Bond fees	(106,829)	(60,028)
Interest on capital-asset related debt	(348,443)	(221,345)
Interest income	—	20
Nonoperating expenses	(458,932)	(289,776)
Increase (Decrease) in Net Assets	(157,918)	74,411
Net Assets, Beginning of Year	498,441	424,030
Net Assets, End of Year	$ 340,523	$ 498,441

See Notes to Financial Statements

Colorado School of Mines
Development Corporation
(A Component Unit of Colorado School of Mines)
Statements of Cash Flows
For the Years Ended June 30, 2006 and 2005

	2006	2005
Cash Flows From Operating Activities		
Payments from tenants for rent	$ 617,611	$ 646,237
Maintenance and other operating payments	(389)	(564)
Net cash provided by operating activities	617,222	645,673
Cash Flows From Capital and Related Financing Activities		
Bond issuance costs	—	(76,855)
Proceeds from Issuance of Bonds	—	10,555,000
Repayment of Bonds	—	(10,860,000)
Bond fees	(106,829)	—
Interest and fees paid on capital debt	(336,741)	(285,841)
Net cash used in capital and related financing activities	(443,570)	(667,696)
Increase (Decrease) in Cash and Cash Equivalents	173,652	(22,023)
Cash and Cash Equivalents, Beginning of Year	119,112	141,135
Cash and Cash Equivalents, End of Year	$ 292,764	$ 119,112
Reconciliation of Cash and Cash Equivalents to the Statements of Net Assets		
Cash	$ 292,764	$ 119,078
Restricted cash and cash equivalents – noncurrent	—	34
	$ 292,764	$ 119,112
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	$ 301,014	$ 364,187
Change in accounts receivable	22,043	(12,679)
Depreciation expense	294,165	294,165
Net Cash Provided by Operating Activities	$ 617,222	$ 645,673

See Notes to Financial Statements

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

Notes to Financial Statements

Years Ended June 30, 2006 and 2005

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 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. 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.

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:

Buildings and improvements	20 – 40 years

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, 2006 and 2005, was $3,660 and $8,423, respectively.

Debt

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

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 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, 2006 and 2005.

Reclassifications

Certain 2005 amounts have been reclassified to conform to the 2006 presentation.

Note 2: Deposits

Deposits as of June 30, 2006 and 2005 are held in a financial institution as follows:

	Bank Balance	Carrying Amount
June 30, 2006	$ 292,764	$ 292,764
June 30, 2005	$ 119,112	$ 119,112

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, 2006 and 2005, deposits of $192,764 and $19,112, 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, 2006 and 2005 was:

	2006			
	Beginning Balance	Additions	Disposals	Ending Balance
Buildings and improvements	$ 11,722,614	$ —	$ —	$ 11,722,614
Less accumulated depreciation				
Buildings and improvements	733,763	294,165	—	1,027,928
Net capital assets	$ 10,988,851	$ (294,165)	$ —	$ 10,694,686

	2005			
	Beginning Balance	Additions	Disposals	Ending Balance
Buildings and improvements	$ 11,722,614	$ —	$ —	$ 11,722,614
Less accumulated depreciation				
Buildings and improvements	439,598	294,165	—	733,763
Net capital assets	$ 11,283,016	$ (294,165)	$ —	$ 10,988,851

Colorado School of Mines
Development Corporation
(A Component Unit of Colorado School of Mines)
Notes to Financial Statements
Years Ended June 30, 2006 and 2005

Note 4: Bonds Payable

The following is a summary of long-term obligation transactions for the Corporation for the years ended June 30, 2006 and 2005:

	2006				
	Beginning Balance	Additions	Deductions	Ending Balance	Amounts Due Within One Year
Bonds					
Revenue bonds payable Series 2005	$ 10,555,000	$ —	$ —	$ 10,555,000	$ —
Deferred amount from refunding	(247,684)	—	(11,702)	(235,982)	—
Total noncurrent liabilities	$ 10,307,316	$ —	$ (11,702)	$ 10,319,018	$ —

	2005 (as restated)				
	Beginning Balance	Additions	Deductions	Ending Balance	Amounts Due Within One Year
Bonds					
Revenue bonds payable Series 2005	$ —	$ 10,555,000	$ —	$ 10,555,000	$ —
Deferred amount from refunding	—	(252,560)	(4,876)	(247,684)	—
Series 2001	10,860,000	—	10,860,000	—	—
Total noncurrent liabilities	$ 10,860,000	$ 10,302,440	$ 10,855,124	$ 10,307,316	$ —

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. Interest was payable at varying rates, not to exceed 10%. The bonds were secured by net pledged revenue, a letter of credit and a guarantee by the Colorado School of Mines Foundation, Incorporated, a discretely presented component unit of the School. The debt service pursuant to the 2001 issue was $18,251,158; the debt service pursuant to the refunding is $16,505,182, a net savings of $1,745,976. The economic net present value gain to the School was $1,253,739.

Principal and interest on the Series 2005 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 Colorado School of Mines Foundation, Incorporated (the Foundation).

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 weekly using the annual interest rate (4.13 % at June 30, 2006).

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 guaranteed by 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, 2006 are as follows:

Years Ending	Total to be Paid	Principal	Interest
2007	$ 435,922	$ —	$ 435,922
2008	435,922	—	435,922
2009	435,922	—	435,922
2010	435,922	—	435,922
2011	435,922	—	435,922
2012 – 2016	2,179,610	—	2,179,610
2017 – 2021	2,179,610	—	2,179,610
2022 – 2026	2,179,610	—	2,179,610
2027	10,627,654	10,555,000	72,654
	$ 19,346,094	$ 10,555,000	$ 8,791,094

Note 5: 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, 2006 and $22,043 as of June 30, 2005. Rent income for the years ended June 30, 2006 and 2005 was $595,568 and $658,916, respectively.

The Corporation has outstanding capital construction advances payable on demand of $399,481 at June 30, 2006 and 2005, from the Colorado School of Mines Building Corporation, a blended component unit of the School.

Note 6: Restatement of 2005 Balances

The 2005 financial statements have been restated to defer and amortize the unamortized old (2001) bond issuance costs at date of refunding that was incorrectly written-off in 2005. Additionally, construction advances payable (note 5) has been included in invested in capital assets, net of related debt. The restatement had the following effect:

	2005 (As Previously Reported)	Adjustments	2005 (As Restated)
Net reacquisition price of refunded debt	$ —	$ 247,684	$ 247,684
Invested in capital assets, net of related debt	(509,083)	151,797	(357,286)
Unrestricted net assets	258,360	(399,481)	(141,121)
Amortization of refunded bond issuance costs	259,360	(252,560)	6,800
Interest on capital- asset related debt	216,469	4,876	221,345
Increase (decrease) in net assets	(173,273)	247,684	74,411
Net assets, end of year	(250,757)	(247,684)	(498,441)

LLP

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 blended component unit of the Colorado School of Mines (the School), as of and for the year ended June 30, 2006, and have issued our report thereon dated September 29, 2006. 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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 grants 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.*

111 S. Tejon Street, Suite 800 Colorado Springs, CO 80903-2286 719 471-4290 Fax 719 632-8087

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

September 29, 2006

Members of the Legislative Audit Committee:

As part of our audit of the financial statements of Colorado School of Mines Development Corporation (the Corporation), a blended component unit of the Colorado School of Mines (the School), as of and for the year ended June 30, 2006, 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 (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 area involves a significant area 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

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 including those which management recorded, include:

Rental income
Amortization of debt issuance costs
Deferred amount from refunding, including related amortization
Net asset classifications

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.

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.

Major 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.

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.

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 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

September 29, 2006

Colorado School of Mines Development Corporation
ATTACHMENT

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

QUANTITATIVE ANALYSIS

	Before Misstatements	Misstatements	Adjusted for Misstatements	% Change
Current Assets	292,764	4,432	297,196	1.51%
Non-Current Assets	10,766,258	0	10,766,258	0.00%
Current Liabilities	(399,481)	0	(399,481)	0.00%
Non-Current Liabilities	(10,319,018)	0	(10,319,018)	0.00%
Current Ratio	0.733		0.744	1.50%
Total Assets	11,059,022	4,432	11,063,454	0.04%
Net Assets	(340,523)	(4,432)	(344,955)	1.30%
Total Equity	118,409	(4,432)	113,977	-3.74%
Revenues & Income	(595,568)	(4,432)	(600,000)	0.74%
Expenses	753,486	0	753,486	0.00%
Net Loss	157,918	(4,432)	153,486	-2.81%
Net Loss - Three Year Average	186,354	(4,432)	181,922	-2.38%

Client: Colorado School of Mines Development Corporation

Period Ending: June 30, 2006

SCHEDULE OF UNCORRECTED MISSTATEMENTS

	Assets		Liabilities		(X)	Revenues &		Net Assets		Net Effect on Following Year	
	Current	Non-Current	Current	Non-Current	Non	Income	Expenses	(Beg. of year)	Non-Operating	Net Loss	Equity
Description	DR (CR)	DR (CR)	DR (CR)	DR (CR)	Tax	DR (CR)	DR (CR)	DR (CR)	DR (CR)	DR (CR)	DR (CR)
To increase revenue per BKD calculation in											
accordance with Agreement:											
Dr Accounts Receivable	4,432										(4,432)
Cr. Rental Income						(4,432)				4,432	
											0
Taxable passed adjustments	[redacted]	[redacted]	[redacted]	[redacted]		(4,432)	0	0		4,432	(4,432)
Times (1 - estimated tax rate of 00%)	[redacted]	[redacted]	[redacted]	[redacted]		100%	100%	100%			
Taxable passed adjustments net of tax impact	[redacted]	[redacted]	0	[redacted]		(4,432)	0	0			
Nontaxable passed adjustments	4,432	0	0	0		0	0	0	0		
Total passed adjustments, net of tax impact (if any)	4,432	0	0	0		(4,432)	0	0	0		

Impact on Net Loss	(4,432)
Impact on Equity	(4,432)

Colorado School of Mines
Development Corporation
(A Component Unit of Colorado School of Mines)
Years Ended June 30, 2006 and 2005

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