

**Colorado School of Mines
Auxiliary Bonds**

Independent Accountants' Report
and Financial Statements

Years Ended June 30, 2007 and 2006

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Colorado School of Mines
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Independent Accountants' Report on Financial Statements

Members of the Legislative Audit Committee:

We have audited the accompanying 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 years ended June 30, 2007 and 2006, 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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.

The accompanying 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.

In our opinion, the 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, 2007 and 2006 and the changes in financial position thereof for the years 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 School, 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.

BKD, LLP

December 17, 2007

Colorado School of Mines Auxiliary Bonds

Statements of Net Assets June 30, 2007 and 2006

Assets

	2007	2006
Current Assets		
Cash and cash equivalents	\$ 3,877,560	\$ 1,621,963
Accounts receivable	<u>269,160</u>	<u>262,153</u>
Total current assets	<u>4,146,720</u>	<u>1,884,116</u>
Noncurrent Assets		
Restricted cash	—	12,705,041
Restricted investments held by Colorado School of Mines Foundation, Inc.	497,889	433,613
Bond issuance costs, net of accumulated amortization; 2007 – \$134,446 and 2006 – \$100,193	999,762	1,034,015
Capital assets, net	<u>65,463,123</u>	<u>54,388,272</u>
Total noncurrent assets	<u>66,960,774</u>	<u>68,560,941</u>
Total assets	<u>71,107,494</u>	<u>70,445,057</u>

Liabilities

Current Liabilities		
Accounts payable	121,933	1,226,784
Accrued interest payable	228,928	207,111
Deferred revenue	80,631	26,676
Bonds payable, current portion	1,415,000	1,380,000
Note payable, current portion	204,974	—
Other liabilities	<u>1,174,435</u>	<u>1,155,102</u>
Total current liabilities	<u>3,225,901</u>	<u>3,995,673</u>
Noncurrent Liabilities		
Note payable	2,222,336	—
Bonds payable	<u>59,530,886</u>	<u>60,490,118</u>
Total noncurrent liabilities	<u>61,753,222</u>	<u>60,490,118</u>
Total liabilities	<u>64,979,123</u>	<u>64,485,791</u>

Net Assets

Invested in capital assets, net of related debt	4,512,498	7,261,442
Restricted for capital projects	497,889	433,613
Unrestricted (deficit)	<u>1,117,984</u>	<u>(1,735,789)</u>
Total net assets	<u>\$ 6,128,371</u>	<u>\$ 5,959,266</u>

Colorado School of Mines Auxiliary Bonds

Statements of Revenues, Expenses and Changes in Net Assets Years Ended June 30, 2007 and 2006

	2007	2006
Operating Revenues		
Student fees	\$ 2,034,195	\$ 1,623,153
Rent	8,127,937	7,809,512
Other operating revenues	365,361	299,359
Total operating revenues	10,527,493	9,732,024
Operating Expenses		
Depreciation	2,130,520	1,444,553
Auxiliary enterprises	6,106,032	6,301,242
Total operating expenses	8,236,552	7,745,795
Operating Income	2,290,941	1,986,229
Nonoperating Revenues (Expenses)		
Investment income	312,655	726,917
Amortization of bond issuance costs	(34,253)	(34,253)
Interest on capital asset-related debt	(1,037,082)	(1,359,380)
Other nonoperating revenues (expenses)	380,595	24,294
Net nonoperating revenues (expenses)	(378,085)	(642,422)
Income Before Transfers	1,912,856	1,343,807
Transfers	(1,743,751)	4,944,747
Increase in Net Assets	169,105	6,288,554
Net Assets (Deficit), Beginning of Year	5,959,266	(329,288)
Net Assets, End of Year	\$ 6,128,371	\$ 5,959,266

Colorado School of Mines
Auxiliary Bonds
Notes to Financial Statements
Years Ended June 30, 2007 and 2006

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

The accompanying financial statements include the separate accounts of the 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.

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).

Colorado School of Mines
Auxiliary Bonds
Notes to Financial Statements
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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.

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.

Total interest expense for the years ended June 30, 2007 and June 30, 2006 of \$1,037,082 and \$1,359,380 includes \$65,514 and \$69,692, respectively of amortization of discounts and premiums on revenue bonds outstanding.

Debt

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

Colorado School of Mines
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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*.

Transfers

Transfers represent monies transferred between the School and the Bond Funds.

Reclassifications

Certain 2006 balances have been reclassified to conform to the 2007 presentation.

Note 2: Cash and Cash Equivalents and Restricted Cash

At June 30, 2007 and 2006, the Auxiliary Bonds had \$3,875,480 and \$1,619,913, respectively, on deposit with the State Treasurer. Detailed information on the State Treasurer’s pooled cash and investments is available from that office.

Cash and cash equivalents as of June 30, 2007 and 2006 is comprised of the following:

	2007	2006
Deposits held by the State Treasurer	\$ 3,875,480	\$ 1,619,913
Petty cash and change funds	2,080	2,050
	\$ 3,877,560	\$ 1,621,963

Restricted cash as of June 30, 2007 and 2006 of \$0 and \$12,705,041, respectively, represents unspent bond proceeds held in a money market mutual fund that are restricted for capital projects. The money market fund is 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 recognized statistical rating organization (NRSRO). The money market mutual fund has a maturity of 21 days and is rated AAA by Standard & Poor’s.

Colorado School of Mines Auxiliary Bonds

Notes to Financial Statements Years Ended June 30, 2007 and 2006

Note 3: Investments with Colorado School of Mines Foundation, Inc.

Investments with Colorado School of Mines Foundation, Inc. (Foundation) (a component unit of Colorado School of Mines) of \$497,889 and \$433,613 as of June 30, 2007 and 2006, respectively, represent investments restricted for capital projects that are managed by the Foundation on behalf of the School and that are reported as noncurrent restricted investments on the School's financial statements.

Note 4: Capital Assets

Capital assets activity for the year ended June 30 was:

	2007				
	Beginning Balance	Additions	Disposals	Transfers from Construction in Progress	Ending Balance
Land and improvements	\$ 51,460	\$ —	\$ —	\$ —	\$ 51,460
Building and improvements	52,388,440	13,205,371	—	13,629,830	79,223,641
Equipment	231,675	—	—	—	231,675
Construction in progress	<u>13,629,830</u>	<u>—</u>	<u>—</u>	<u>(13,629,830)</u>	<u>—</u>
Total capital assets	66,301,405	13,205,371	—	—	79,506,776
Less accumulated depreciation	<u>11,913,133</u>	<u>2,130,520</u>	<u>—</u>	<u>—</u>	<u>14,043,653</u>
Net capital assets	<u>\$ 54,388,272</u>	<u>\$ 11,074,851</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 65,463,123</u>
	2006				
	Beginning Balance	Additions	Disposals	Transfers from Construction in Progress	Ending Balance
Land and improvements	\$ 51,460	\$ —	\$ —	\$ —	\$ 51,460
Building and improvements	52,388,440	—	—	—	52,388,440
Equipment	231,675	—	—	—	231,675
Construction in progress	<u>1,111,468</u>	<u>12,518,362</u>	<u>—</u>	<u>—</u>	<u>13,629,830</u>
Total capital assets	53,783,043	12,518,362	—	—	66,301,405
Less accumulated depreciation	<u>10,468,580</u>	<u>1,444,553</u>	<u>—</u>	<u>—</u>	<u>11,913,133</u>
Net capital assets	<u>\$ 43,314,463</u>	<u>\$ 11,073,809</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 54,388,272</u>

Colorado School of Mines
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Note 5: Bonds Payable

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

	2007				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Revenue bonds payable					
Series 1997A	\$ 2,940,000	\$ —	\$ —	\$ 2,940,000	\$ —
Series 1997B	460,000	—	—	460,000	—
Series 1999	10,067,433	390,254	—	10,457,687	—
Series 2002	32,040,000	—	—	32,040,000	—
Series 2004	<u>16,605,000</u>	<u>—</u>	<u>1,380,000</u>	<u>15,225,000</u>	<u>1,415,000</u>
	62,112,433	390,254	1,380,000	61,122,687	1,415,000
Less unamortized bond (discounts) premiums	<u>(242,315)</u>	<u>—</u>	<u>(65,514)</u>	<u>(176,801)</u>	<u>—</u>
	<u>\$ 61,870,118</u>	<u>\$ 390,254</u>	<u>\$ 1,314,486</u>	<u>\$ 60,945,886</u>	<u>\$ 1,415,000</u>
	2006				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Revenue bonds payable					
Series 1997A	\$ 2,940,000	\$ —	\$ —	\$ 2,940,000	\$ —
Series 1997B	460,000	—	—	460,000	—
Series 1999	9,697,061	370,372	—	10,067,433	—
Series 2002	32,040,000	—	—	32,040,000	—
Series 2004	<u>17,450,000</u>	<u>—</u>	<u>845,000</u>	<u>16,605,000</u>	<u>1,380,000</u>
	62,587,061	370,372	845,000	62,112,433	1,380,000
Less unamortized bond (discounts) premiums	<u>(312,007)</u>	<u>—</u>	<u>(69,692)</u>	<u>(242,315)</u>	<u>—</u>
	<u>\$ 62,275,054</u>	<u>\$ 370,372</u>	<u>\$ 775,308</u>	<u>\$ 61,870,118</u>	<u>\$ 1,380,000</u>

Colorado School of Mines
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Series 1997 Bonds

Auxiliary Facilities Enterprise Revenue Bonds, Series 1997A and 1997B. Series 1997A – Serial and Term obligations mature in fiscal years ending June 30, 2010 to 2017; due in annual installments ranging from \$305,000 to \$435,000 with interest payable semi-annually ranging from 4.875% to 5.125%. Series 1997B – Term 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 4.875% – 5.125%	\$	2,940,000
Series 1997B, with interest at 5.3%		<u>460,000</u>
		3,400,000
Less unamortized discount		<u>(34,292)</u>
		<u>\$ 3,365,708</u>

Required annual principal and interest payments on the Series 1997 Bonds at June 30, 2007 are:

Year Ending June 30,	Total to be Paid	Principal	Interest
2008	\$ 171,868	\$ —	\$ 171,868
2009	171,868	—	171,868
2010	469,433	305,000	164,433
2011	468,998	320,000	148,998
2012	472,286	340,000	132,286
2013-2017	2,353,997	1,975,000	378,997
2018	<u>472,190</u>	<u>460,000</u>	<u>12,190</u>
	<u>\$ 4,580,640</u>	<u>\$ 3,400,000</u>	<u>\$ 1,180,640</u>

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

The 1999 revenue bonds outstanding as of June 30, 2006 consist of the following:

Auxiliary Facilities Enterprise Revenue Bonds, Series 1999		
Current Interest Bonds; interest at 5%	\$	2,785,000
Capital Appreciation Bonds; interest at 5.14% – 5.4%		5,009,333
Accreted Interest on 1999 Bonds		<u>2,663,354</u>
		10,457,687
Less unamortized discount		<u>(45,952)</u>
	\$	<u>10,411,735</u>

Required annual principal and interest payments on Series 1999 Bonds at June 30, 2007 are:

Year Ending June 30,	Total to be Paid	Principal	Interest
2008	\$ 139,250	\$ —	\$ 139,250
2009	139,250	—	139,250
2010	139,250	—	139,250
2011	139,250	—	139,250
2012	139,250	—	139,250
2013-2017	3,016,250	2,320,000	696,250
2018-2022	7,146,250	6,450,000	696,250
2023-2027	7,606,250	6,910,000	696,250
2028-2029	<u>3,043,875</u>	<u>2,900,000</u>	<u>143,875</u>
	\$ <u>21,508,875</u>	18,580,000	\$ <u>2,928,875</u>
Unaccreted Interest on 1999 Bonds		<u>(8,122,313)</u>	
		<u>\$ 10,457,687</u>	

Series 2002 Bonds

Colorado School of Mines Auxiliary Bonds

Notes to Financial Statements Years Ended June 30, 2007 and 2006

Auxiliary Facilities Enterprise Refunding and Improvement Revenue Bonds, Series 2002 – Serial and Term obligations maturing in fiscal years ending June 30, 2009 to 2038; due in annual installments ranging from \$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 2002 revenue bonds outstanding as of June 30, 2007 consist of the following:

Auxiliary Facilities Enterprise Revenue Bonds, Series 2002, with interest at 3.25% – 5.25%	\$ 32,040,000
Less unamortized discount	<u>(236,961)</u>
	<u>\$ 31,803,039</u>

Required annual principal and interest payments on Series 2002 Bonds at June 30, 2007 are:

Year Ending June 30,	Total to be Paid	Principal	Interest
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	1,675,568	105,000	1,570,568
2012	1,794,313	230,000	1,564,313
2013-2017	9,578,726	1,985,000	7,593,726
2018-2022	9,011,331	1,855,000	7,156,331
2023-2027	9,015,625	2,395,000	6,620,625
2028-2032	13,578,250	8,000,000	5,578,250
2033-2037	16,620,000	13,990,000	2,630,000
2038	<u>3,326,125</u>	<u>3,245,000</u>	<u>81,125</u>
	<u>\$ 69,566,462</u>	<u>\$ 32,040,000</u>	<u>\$ 37,526,462</u>

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.

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The 2004 revenue bonds outstanding as of June 30, 2007 consist of the following:

Auxiliary Facilities Enterprise Revenue Bonds, Series 2004, with interest at 2.5% – 5.0%	\$ 15,225,000
plus unamortized premium	<u>140,404</u>
	<u>\$ 15,365,404</u>

Required annual principal and interest payments on Series 2004 Bonds at June 30, 2006 are:

Year Ending June 30,	Total to be Paid	Principal	Interest
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	1,584,675	1,120,000	464,675
2012	1,464,763	1,035,000	429,763
2013-2017	4,395,575	2,640,000	1,755,575
2018-2022	2,711,840	1,300,000	1,411,840
2023-2027	2,725,349	1,670,000	1,055,349
2028-2032	2,725,494	2,110,000	615,494
2033-2036	<u>1,640,216</u>	<u>1,530,000</u>	<u>110,216</u>
	<u>\$ 22,662,213</u>	<u>\$ 15,225,000</u>	<u>\$ 7,437,213</u>

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.

Defeased Bonds

The School has in prior year's in-substance defeased certain of its debt issuances by placing assets in irrevocable escrow to be used solely for the purpose of making principal and interest payments on the debt. While the chance of the School being required to make any additional future payments is remote, it remains contingently liable as the primary obligor for amounts outstanding. Because the debt is deemed to be in-substance defeased, it has been removed from the financial statements of the School. Principal amounts outstanding as of June 30, 2007 for debt in-substance defeased are for the Auxiliary Facilities Enterprise Revenue Bonds, Series 1997A at \$570,000.

Capitalized Interest

For 2007 and 2006, \$1,931,699 and \$1,599,693 of interest costs were capitalized during periods of construction.

Colorado School of Mines
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Notes to Financial Statements
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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 1997, Series 1999, Series 2002 and Series 2004 auxiliary bonds are \$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 and the 2007 Note Payable (Note 6).

The calculation of the combined debt service coverage for the year ended June 30, 2007 is as follows:

	<u>Series 2004</u> <u>Bonds</u>	<u>Series 2002</u> <u>Bonds</u>	<u>Series 1999</u> <u>Bonds</u>	<u>Series 1997</u> <u>Bonds</u>	<u>Note Payable</u> <u>2007</u>	<u>Total</u>
Debt service						
Principal	\$ 1,380,000	\$ —	\$ —	\$ —	\$ —	\$ 1,380,000
Interest	<u>599,825</u>	<u>1,580,253</u>	<u>139,250</u>	<u>171,868</u>	<u>24,240</u>	<u>2,515,436</u>
Total debt service	<u>\$ 1,979,825</u>	<u>\$ 1,580,253</u>	<u>\$ 139,250</u>	<u>\$ 171,868</u>	<u>\$ 24,240</u>	<u>\$ 3,895,436</u>
Operating revenues						\$ 10,527,493
Less: Operating expenditures, net of depreciation						6,106,032
Plus: Auxiliary renewal & replacement fund balance						<u>464,997</u>
Net pledged revenues available for debt service						<u>\$ 4,886,458</u>
Ratio of amount available for debt service to total debt service						<u>1.25</u>

Colorado School of Mines
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Years Ended June 30, 2007 and 2006

The calculation of the combined debt service coverage for the year ended June 30, 2006 is as follows:

	<u>Series 2004</u> <u>Bonds</u>	<u>Series 2002</u> <u>Bonds</u>	<u>Series 1999</u> <u>Bonds</u>	<u>Series 1997</u> <u>Bonds</u>	<u>Total</u>
Debt service					
Principal	\$ 845,000	\$ —	\$ —	\$ —	\$ 845,000
Interest	<u>627,638</u>	<u>1,580,253</u>	<u>139,250</u>	<u>171,868</u>	<u>2,519,009</u>
Total debt service	<u>\$ 1,472,638</u>	<u>\$ 1,580,253</u>	<u>\$ 139,250</u>	<u>\$ 171,868</u>	<u>\$ 3,364,009</u>
Operating revenues					\$ 9,732,024
Less: Operating expenditures, net of depreciation					6,301,242
Plus: Auxiliary renewal & replacement fund balance					<u>568,947</u>
Net pledged revenues available for debt service					<u>\$ 3,999,729</u>
Ratio of amount available for debt service to total debt service					<u>1.19</u>

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 of interest expense is as follows:

	<u>2007</u>	<u>2006</u>
Interest payments on bonds	\$ 2,491,196	\$ 2,519,009
Capitalized interest costs	(1,931,699)	(1,599,693)
Accreted interest on 1999 bonds	390,254	370,372
Amortization of bond discount	65,514	69,692
Interest on note payable	24,240	—
Change in accrued interest, exclusive of capitalized portion	<u>(2,423)</u>	<u>—</u>
Interest expense	<u>\$ 1,037,082</u>	<u>\$ 1,359,380</u>

**Colorado School of Mines
Auxiliary Bonds
Notes to Financial Statements
Years Ended June 30, 2007 and 2006**

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: Note Payable

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

Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
\$ —	\$ 2,427,310	\$ —	\$ 2,427,310	\$ 204,974

Colorado School of Mines
Auxiliary Bonds
Notes to Financial Statements
Years Ended June 30, 2007 and 2006

The note is due as follows, excluding any reductions for restricted gifts, as of June 30, 2007:

Year Ending June 30,	Total to be Paid	Principal	Interest
2008	\$ 308,849	\$ 204,974	\$ 103,875
2009	538,131	454,086	84,045
2010	537,594	474,745	62,849
2011	537,027	496,341	40,686
2012	<u>811,555</u>	<u>797,164</u>	<u>14,391</u>
	<u>\$ 2,733,156</u>	<u>\$ 2,427,310</u>	<u>\$ 305,846</u>

Note 7: Invested in Capital Assets, Net

Invested in capital assets, net, is comprised of the following as of June 30, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Unspent bond proceeds	\$ —	\$ 12,705,041
Bond issuance costs, net	999,762	1,034,015
Capital assets, net	65,463,123	54,388,272
Bonds payable, current portion	(1,415,000)	(1,380,000)
Note payable, current portion	(204,974)	—
Note payable, noncurrent portion	(2,222,336)	—
Bonds payable, noncurrent portion	(59,530,886)	(60,490,118)
Accreted interest on deep discount debt	2,663,354	2,273,100
Unamortized bond (discounts) premiums	(176,801)	(242,315)
Other liabilities incurred for capital asset purchases/acquisition	<u>(1,063,744)</u>	<u>(1,026,553)</u>
	<u>\$ 4,512,498</u>	<u>\$ 7,261,442</u>

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