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

Independent Accountants' Report
and Financial Statements

Years Ended June 30, 2007 and 2006

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Colorado School of Mines
Development Corporation
(A Component Unit of Colorado School of Mines)
Years Ended June 30, 2007 and 2006

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Development Corporation
(A Component Unit of Colorado School of Mines)
Recommendation Locator
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All recommendations are addressed to the Colorado School of Mines Development Corporation

Recommendation Number	Page Number	Recommendation Summary	Response	Implementation Date
1	2	Ensure all receivables and payables are accurately reported on both the Corporation's and the School's financial records.	Agree	June 30, 2007

Colorado School of Mines
Development Corporation
(A Component Unit of Colorado School of Mines)
Auditor's Findings and Recommendations
Year Ended June 30, 2007

Component Unit Operating Lease

The Colorado School of Mines (the School) leases a building adjacent to the School from Colorado School of Mines Development Corporation (Development Corporation), a component unit of the School. Accounting personnel of the School are responsible for monitoring the provisions of the lease and for the proper accounting of lease transactions on the accounting records of both the School and the Development Corporation. Under the lease agreement, the School is required to pay annual rent to the Development Corporation through June 30, 2012, at a base amount of $435,000 plus debt service on the Development Corporation's Refunding Variable Rate Demand Bonds, Series 2005 (the Bonds), which for Fiscal Year 2006 would have required a total payment of $865,568 (base rent of $435,000 and debt service of $430,568). For Fiscal Year 2006, the School recorded rent expense of $595,568 and did not accrue on its books an additional rent payable liability of approximately $270,000 for the total amount due for Fiscal Year 2006, nor did it record rent receivable on the Development Corporation's books for an equal amount. The School did not believe any additional amounts were due under the lease to the Development Corporation as of June 30, 2006, but subsequent to year-end determined that the additional amount was due. While the amount due to the Development Corporation and the amount due from the School are eliminated for purposes of the School's financial statement presentation and thus had no effect on the School's 2006 financial statements, the receivable amount required to be reported on the Development Corporation's financial statements would not be eliminated, thereby understating 2006 income of the Development Corporation by $270,000. A passed adjustment was proposed and accepted by the Development Corporation for Fiscal Year 2007 for the unrecorded receivable as of June 30, 2006.

Holders of the Bonds may use the Development Corporation's financial statements as a basis for assessing its ability to make future debt service payments on the Bonds. Additionally, Colorado School of Mines Foundation, Incorporated (the Foundation), also a component unit of the School, has guaranteed the Bonds. Contributors to the Foundation may use the Development Corporation's financial statements in assessing the possibility that the Foundation may become liable under the guarantee in determining the extent of their contributions. Thus, accurate reporting of lease transactions is important to these financial statement users.

Recommendation No. 1

The School should ensure all receivables and payables are accurately reported on both the Corporation's and the School's financial records.

Colorado School of Mines Development Corporation Response

Agree. Implementation Date: June 30, 2007.

The School changed its procedures during the year to ensure accuracy in recording and reporting; through this change, the School identified the matter and properly resolved it during the year.

BKD LLP

Independent Accountants' Report on Financial Statements

Members of the Legislative Audit Committee:

We have audited the accompanying basic financial statements of the Colorado School of Mines Development Corporation (the Corporation), a component unit of the Colorado School of Mines (the School), as of and for the years ended June 30, 2007 and 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation, as of June 30, 2007 and 2006, and its changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2007 on our consideration of the Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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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

December 17, 2007

Colorado School of Mines Development Corporation
(A Component Unit of Colorado School of Mines)
Management's Discussion and Analysis (Unaudited)
Years Ended June 30, 2007 and 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, 2007 and 2006, with prior year data for comparative purposes. This discussion has been prepared by management along with the financial statements and related footnote disclosures and should be read in conjunction with the financial statements and footnotes. The discussion and analysis is designed to focus on current activities, resulting changes and currently known facts. The financial statements, footnotes and this discussion are the responsibility of management.

Financial Highlights

- The assets of the Corporation exceeded its liabilities as of June 30, 2007, the close of the most recent fiscal year, by $691,476 (net assets).
- The Corporation's total net assets increased by $350,953 for the year ended June 30, 2007, resulting principally from increased rent income.
- Net assets as of June 30, 2007 are comprised of a deficit of $(96,777) in invested in capital assets, net of related debt and $788,253 in unrestricted net assets. Unrestricted net assets may be used to meet the Corporation's ongoing obligations to creditors.

Using the Annual Financial Report

The Corporation's financial report includes three financial statements: the Statements of Net Assets, the Statements of Revenues, Expenses and Changes in Net Assets, and the Statements of Cash Flows. These financial statements are presented in accordance with all applicable Governmental Accounting Standards Board statements and Financial Accounting Standards Board statements.

The **Statements of Net Assets** include all assets and liabilities using the accrual basis of accounting. 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, 2007, 2006 and 2005 is as follows:

Condensed Statements of Net Assets

	June 30,		
	2007	2006	2005
Assets			
Cash and cash equivalents	$ 598,195	$ 292,764	$ 119,078
Accounts receivable	190,058	—	22,043
Restricted cash and cash equivalents	—	—	34
Capital assets, net	10,400,521	10,694,686	10,988,851
Other noncurrent assets	67,903	71,572	75,232
Total assets	11,256,677	11,059,022	11,205,238
Liabilities			
Current liabilities	399,481	399,481	399,481
Noncurrent liabilities	10,165,720	10,319,018	10,307,316
Total liabilities	10,565,201	10,718,499	10,706,797
Net Assets			
Invested in capital assets, net of related debt	(96,777)	47,759	357,286
Restricted – expendable Capital projects	—	—	34
Unrestricted	788,253	292,764	141,121
Total net assets	$ 691,476	$ 340,523	$ 498,441

Capital assets, net represent 92.4%, 96.7% and 98.1% of total assets of the Corporation as of June 30, 2007, 2006 and 2005, respectively. Noncurrent liabilities, which is comprised of bonds payable and net reacquisition price of refunded debt, net of accumulated amortization, represent 96.2%, 96.3% and 96.3% of total liabilities of the Corporation as of June 30, 2007, 2006 and 2005, respectively.

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, 2007, 2006 and 2005 is as follows:

Condensed Statements of Revenues, Expenses and Changes in Net Assets

	Years ended June 30,		
	2007	2006	2005
Operating Revenues	$ 1,086,000	$ 595,568	$ 658,916
Operating Expenses	294,500	294,554	294,729
Operating Income	791,500	301,014	364,187
Nonoperating Expenses	(440,547)	(458,932)	(289,776)
Increase (Decrease) in Net Assets	350,953	(157,918)	74,411
Net Assets, Beginning of Year	340,523	498,441	424,030
Net assets, End of Year	$ 691,476	$ 340,523	$ 498,441

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

The research building is fully operational and the operating revenues are currently sufficient to cover the expenses associated with debt service on the bonds.

Capital Asset and Debt Administration

Capital assets. The Corporation's investment in capital assets as of June 30, 2007 amounts to $10,400,521, net of accumulated depreciation of $1,322,093. The only change in capital assets, net as of June 30, 2007 compared to June 30, 2006 was $294,165 of depreciation expense recognized during the year ended June 30, 2007.

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

Debt administration. On January 20, 2005, the Corporation issued $10,555,000 in Refunding Variable Rate Demand Bonds, Series 2005. The proceeds from the bonds were used to refund the Series 2001 revenue bonds. The purpose of the Series 2001 issue was to finance the construction and acquisition of educational facilities at the Colorado School of Mines.

Principal 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 (3.9 % at June 30, 2007). As of June 30, 2007, bonds payable outstanding were $10,390,000 and the net reacquisition price of refunded debt, net of accumulation amortization of $28,280, was $(224,280). Principal payments on the bonds payable of $165,000 were made by the Corporation during the year ended June 30, 2007.

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

Factors Impacting Future Periods

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

Colorado School of Mines
Development Corporation
(A Component Unit of Colorado School of Mines)
Statements of Net Assets
June 30, 2007 and 2006

Assets

	2007	2006
Current Assets		
Cash	$ 598,195	$ 292,764
Accounts receivable, Colorado School of Mines	190,058	—
Total current assets	788,253	292,764
Noncurrent Assets		
Bond issue costs, net of accumulated amortization; 2007 – $8,952 and 2006 – $5,283	67,903	71,572
Capital assets, net of accumulated depreciation; 2007 – $1,322,093 and 2006– $1,027,928	10,400,521	10,694,686
Total noncurrent assets	10,468,424	10,766,258
Total assets	11,256,677	11,059,022

Liabilities

	2007	2006
Current Liabilities		
Advance from Colorado School of Mines Building Corporation	399,481	399,481
Noncurrent Liabilities		
Bonds payable, net	10,165,720	10,319,018
Total liabilities	10,565,201	10,718,499

Net Assets

	2007	2006
Invested in capital assets, net of related debt	(96,777)	47,759
Unrestricted	788,253	292,764
Total net assets	$ 691,476	$ 340,523

Colorado School of Mines Development Corporation

(A Component Unit of Colorado School of Mines)

Statements of Revenues, Expenses and Changes in Net Assets

Years Ended June 30, 2007 and 2006

	2007	2006
Operating Revenues		
Rent income	$ 1,086,000	$ 595,568
Total operating revenues	1,086,000	595,568
Operating Expenses		
Depreciation	294,165	294,165
Maintenance and other	335	389
Total operating expenses	294,500	294,554
Operating Income	791,500	301,014
Nonoperating Expenses		
Amortization of bond issue costs	(3,669)	(3,660)
Bond fees	(31,453)	(106,829)
Interest on capital-asset related debt	(405,425)	(348,443)
Nonoperating expenses	(440,547)	(458,932)
Increase (Decrease) in Net Assets	350,953	(157,918)
Net Assets, Beginning of Year	340,523	498,441
Net Assets, End of Year	$ 691,476	$ 340,523

Colorado School of Mines Development Corporation
(A Component Unit of Colorado School of Mines)
Statements of Cash Flows
Years Ended June 30, 2007 and 2006

	2007	2006
Cash Flows From Operating Activities		
Payments from tenants for rent	$ 895,942	$ 617,611
Maintenance and other operating payments	(335)	(389)
Net cash provided by operating activities	895,607	617,222
Cash Flows From Capital and Related Financing Activities		
Repayment of bonds	(165,000)	—
Bond fees	(31,453)	(106,829)
Interest and fees paid on capital debt	(393,723)	(336,741)
Net cash used in capital and related financing activities	(590,176)	(443,570)
Increase in Cash and Cash Equivalents	305,431	173,652
Cash and Cash Equivalents, Beginning of Year	292,764	119,112
Cash and Cash Equivalents, End of Year	$ 598,195	$ 292,764
Reconciliation of Cash and Cash Equivalents to the Statements of Net Assets		
Cash	$ 598,195	$ 292,764
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	$ 791,500	$ 301,014
Change in accounts receivable	(190,058)	22,043
Depreciation expense	294,165	294,165
Net Cash Provided by Operating Activities	$ 895,607	$ 617,222
Noncash Capital and Related Financing Activities		
Amortization to interest expense of reacquisition price of refunded debt	$ 11,702	$ 11,702
Amortization of bond issue costs	3,669	3,660

Colorado School of Mines Development Corporation
(A Component Unit of Colorado School of Mines)
Notes to Financial Statements
Years Ended June 30, 2007 and 2006

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 rents received from the School.

Basis of Accounting and Presentation

The financial statements of the Corporation have been prepared on the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions are recognized when all applicable eligibility requirements are met. Internal activity and balances are eliminated in preparation of the financial statements unless they relate to services provided and used internally. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Government-mandated nonexchange transactions that are not program specific, investment income and interest on capital asset-related debt are included in nonoperating revenues and expenses. The Corporation first applies restricted net assets when an expense or outlay is incurred for purposes for which both restricted and unrestricted net assets are available.

The Corporation prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB). The Corporation has the option to apply all Financial Accounting Standards Board (FASB) pronouncements that were issued after November 30, 1989, unless the FASB pronouncement conflicts with or contradicts a GASB pronouncement. The Corporation has elected not to apply FASB pronouncements issued after the applicable date.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

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

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 years ended June 30, 2007 and 2006, was $3,669 and $3,660, 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, 2007 and 2006.

Reclassifications

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

Colorado School of Mines
Development Corporation
(A Component Unit of Colorado School of Mines)
Notes to Financial Statements
Years Ended June 30, 2007 and 2006

Note 2: Deposits

Deposits as of June 30, 2007 and 2006 are held in a financial institution as follows:

	Bank Balance	Carrying Amount
June 30, 2007	$ 598,195	$ 598,195
June 30, 2006	$ 292,764	$ 292,764

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, 2007 and 2006, deposits of $498,195 and $192,764, 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, 2007 and 2006 was:

	2007			
	Beginning Balance	Additions	Disposals	Ending Balance
Buildings and improvements	$ 11,722,614	$ —	$ —	$ 11,722,614
Less accumulated depreciation Buildings and improvements	1,027,928	294,165	—	1,322,093
Net capital assets	$ 10,694,686	$ (294,165)	$ —	$ 10,400,521

	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

Colorado School of Mines Development Corporation
(A Component Unit of Colorado School of Mines)
Notes to Financial Statements
Years Ended June 30, 2007 and 2006

Note 4: Bonds Payable

The following is a summary of long-term obligation transactions for the Corporation for the years ended June 30, 2007 and 2006:

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

	2006				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
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	$ —

On January 20, 2005, the Corporation issued $10,555,000 in Refunding Variable Rate Demand Bonds, Series 2005. The proceeds from the bonds were used to refund the Series 2001 revenue bonds. The purpose of the Series 2001 issue was to finance the construction and acquisition of educational facilities at the Colorado School of Mines.

Principal 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 (3.9% at June 30, 2007).

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, 2007, are as follows:

Years Ending	Total to be Paid	Principal	Interest
2008	$ 405,210	$ —	$ 405,210
2009	405,210	—	405,210
2010	405,210	—	405,210
2011	405,210	—	405,210
2012	405,210	—	405,210
2013 – 2017	2,026,050	—	2,026,050
2018 – 2022	2,026,050	—	2,026,050
2023 – 2027	12,078,375	10,390,000	1,688,375
	$ 18,156,525	$ 10,390,000	$ 7,766,525

Note 5: Invested in Capital Assets, Net

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

	2007	2006
Bond issuance costs, net	$ 67,903	$ 71,572
Capital assets, net	10,400,521	10,694,686
Advance from Colorado School of Mines Building Corporation	(399,481)	(399,481)
Bonds payable	(10,390,000)	(10,555,000)
Net reacquisition price of refunded debt	224,280	235,982
	$ (96,777)	$ 47,759

Note 6: Related Party Transactions

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

The Corporation leases the building located at 1310 Maple Street, Golden, Colorado to the School under a lease agreement that expires on June 30, 2012. Under the lease agreement, the School is required to pay annual rents through June 30, 2012 equal to the debt service on the Series 2005 Revenue Bonds. Annual lease payments for periods July 1, 2005 through the expiration of the lease agreement are payable at a base rent amount of $435,000 plus debt service on the bonds not to exceed $1,086,000. Pursuant to this lease agreement, the School owes the Corporation $190,058 as of June 30, 2007. Rent income for the years ended June 30, 2007 and 2006 was $1,086,000 and $595,568, respectively.

The Corporation has outstanding capital construction advances payable on demand of $399,481 at June 30, 2007 and 2006, from the Colorado School of Mines Building Corporation, a blended component unit of the School.

Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance With *Government Auditing Standards*

Members of the Legislative Audit Committee:

We have audited the financial statements of the Colorado School of Mines Development Corporation (the Corporation), a component unit of the Colorado School of Mines (the School), as of and for the year ended June 30, 2007, and have issued our report thereon dated December 17, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Corporation's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Corporation's financial statements that is more than inconsequential will not be prevented or detected by the Corporation's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted a matter that we reported in the Auditor's Findings and Recommendations section of this document.

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

December 17, 2007

BKD LLP

Members of the Legislative Audit Committee:

As part of our audit of the financial statements of the Colorado School of Mines Development Corporation (the Corporation), a component unit of the Colorado School of Mines (the School), as of and for the year ended June 30, 2007, 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 Footnote 1 of the audited financial statements. We noted no unusual accounting policies or accounting methods used by the Corporation for unusual transactions.

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of financial statement preparation by management, based on its judgments. The following areas involve significant areas of such estimates for which we are prepared to discuss management's estimation process and our procedures for testing the reasonableness of those estimates:

Estimated useful lives of capital assets.

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:

Recognition of rental revenue in the correct period.

There were no audit adjustments proposed which management recorded and the uncorrected misstatements, had they been recorded by management, would have increased assets as of June 30, 2007, by approximately $80,000, decreased Fiscal Year 2007 revenues by approximately $230,000, increased beginning net assets as of July 1, 2006, by approximately $310,000 and decreased increase in net assets for Fiscal Year 2007 by $230,000.

Attached is a summary of uncorrected misstatements we aggregated during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements as a whole.

Auditor's Judgments About the Quality of the Entity's Accounting Principles

During the course of the audit we made the following observations regarding the Corporation's application of accounting principles:

- There were no new, or changes to existing, accounting policies adopted during the year
- No unusual transactions were noted during the year

Other Information in Documents Containing Audited Financial Statements

The audited financial statements are included in the Corporation's annual financial and compliance audit report. As part of our procedures, we read the entire report to determine if financial information discussed in sections outside the financial statements materially contradicts the audited financial statements. We noted no such matters.

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

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

December 17, 2007

Colorado School of the Mines Development Corp
ATTACHMENT

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

QUANTITATIVE ANALYSIS

	Before Misstatements	Misstatements	Adjusted for Misstatements	% Change
Current Assets	788,253	79,942	868,195	10.14%
Non-Current Assets	10,468,424		10,468,424	
Current Liabilities	(399,481)		(399,481)	
Non-Current Liabilities	(10,165,720)		(10,165,720)	
Current Ratio	1.973		2.173	10.14%
Total Assets	11,256,677	79,942	11,336,619	0.71%
Net Assets	(691,476)	(79,942)	(771,418)	11.56%
Total Equity	(691,476)	(79,942)	(771,418)	11.56%
Revenues & Income	(1,086,000)	229,984	(856,016)	-21.18%
Costs & Expenses	735,047		735,047	
Net Income	(350,953)	229,984	(120,969)	-65.53%
Net Income - Three-Year Average	(194,427)	229,984	35,557	-118.29%

Client: Colorado School of the Mines Development Corp

SCHEDULE OF UNCORRECTED MISSTATEMENTS

Period Ending: June 30, 2007

	Assets		Liabilities		(X)	Revenues &	Costs &	Net Assets		Net Effect on Following Year	
	Current	*Non-Current*	*Current*	*Non-Current*	Non	Income	Expenses	*(Beg. of year)*	NonOperating	*Net Income*	*Equity*
Description	DR (CR)	DR (CR)	DR (CR)	DR (CR)	Tax	DR (CR)	DR (CR)	DR (CR)	DR (CR)	DR (CR)	DR (CR)
1. Reverse of PY PAJE's - Development Corp						4,432		(4,432)			
Rental income not accrued for											
Current Year PAJEs											
2. To record PY effect of unrecorded rent receivable						270,000		(270,000)			
3. To recognize revenue in CY	79,942					(79,942)				79,942	(79,942)
4. To record PY effect of rental income recorded						35,494		(35,494)			
in wrong FY.											
Taxable passed adjustments						229,984		(309,926)		79,942	(79,942)
Times (1 - estimated tax rate of 00%)						100%	100%	100%			
Taxable passed adjustments net of tax impact						229,984		(309,926)			
Nontaxable passed adjustments	79,942										
Total passed adjustments, net of tax impact (if any)	79,942					229,984		(309,926)			

Impact on Net Income	229,984
Impact on Equity	(79,942)

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AWP335
10-2006

Colorado School of Mines
Development Corporation
(A Component Unit of Colorado School of Mines)
Years Ended June 30, 2007 and 2006

The electronic version of this report is available on the Web site of the
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