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

Financial and Compliance Audit

Years Ended June 30, 2006 and 2005

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2007 MEMBERS

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January 19, 2007

Members of the Legislative Audit Committee:

We have completed the financial statement audit of the Colorado School of Mines as of and for the year ended June 30, 2006. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America.

We were engaged to conduct our audit pursuant to Section 2-3-103, C.R.S., which authorizes the State Auditor to conduct or cause to be conducted audits of all departments, institutions and agencies of state government. The reports which we have issued as a result of this engagement are set forth in the table of contents which follows.

BKD, LLP

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

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Colorado School of Mines
(A Component Unit of the State of Colorado)
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AUDIT REPORT DISTRIBUTION SUMMARY

Colorado School of Mines
(A Component Unit of the State of Colorado)
Report Summary
Years Ended June 30, 2006 and 2005

Purposes and Scope of Audit

The purposes and scope of this audit were to:

- Express an opinion on the financial statements of the Colorado School of Mines (the School) as of and for the year ended June 30, 2006, including consideration of internal control over financial reporting as required by auditing standards generally accepted in the United States of America and *Government Auditing Standards.*

- Express an opinion on the special-purpose financial statements of the following auxiliary bond funds as of and for the year ended June 30, 2006, including consideration of compliance with certain bond indenture provisions.

  - Auxiliary Facilities Enterprise Revenue Bonds, Series 1997A and 1997B
  - Auxiliary Facilities Enterprise Revenue Bonds, Series 1999
  - Auxiliary Facilities Enterprise Refunding and Improvement Revenue Bonds, Series 2002
  - Auxiliary Facilities Enterprise Refunding and Improvement Revenue Bonds, Series 2004

  The report for the auxiliary bond funds is issued under a separate cover.

- Express an opinion on the separately issued financial statements of Colorado School of Mines Development Corporation as of and for the year ended June 30, 2006, issued under separate cover.

- Evaluate compliance with certain provisions of laws, regulations, contracts and grants governing the expenditures of Federal and state funds for the year ended June 30, 2006.

- Issue a report on the School's internal control over financial reporting and on compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters based on our audit of the financial statements performed in accordance with *Government Auditing Standards.*

- Express an opinion on the Statement of Appropriations, Expenditures, Transfers and Reversions of State-Funded Student Assistance Programs of the School for the year ended June 30, 2006.

- Evaluate progress in implementing prior audit recommendations.

Audit Opinions and Reports

The Independent Accountants' Reports expressed unqualified opinions on the School's financial statements, special-purpose financial statements of the School's auxiliary bond funds (under a separate cover), financial statements of Colorado School of Mines Development Corporation (under a separate cover) and the Statement of Appropriations, Expenditures, Transfers and Reversions of the State-Funded Student Assistance Programs as of and for the year ended June 30, 2006.

No instances of noncompliance considered material to the financial statements were disclosed by the audit.

We did note certain areas in which the School could improve its internal controls and compliance procedures. These areas are discussed in the Auditor's Findings and Recommendations section of this report and the most significant of these findings are summarized below.

Significant Audit Adjustments and Waived Adjustments

There were eleven audit adjusting entries, of those entries eight related to the School and three related to the Colorado School of Mines Development Corporation. Eight of the entries were proposed by **BKD, LLP** and three were proposed by the School. All adjusting entries proposed by **BKD, LLP** were accepted and recorded by the School. The most significant of these adjustments were to reclassify the accreted interest of $2.2 million on deep-discount debt from accrued interest payable to bonds payable and decrease accounts receivable and deferred revenue for $1.2 million for grant payments received prior to year end.

The net effect of these entries was to increase the change in net assets for the year ended June 30, 2006 by approximately $55,000 and to decrease beginning net assets as of July 1, 2005 by $190,000.

Five uncorrected financial statement misstatements were waived because management believes the amounts to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The waived adjustments, had they been recorded, would have decreased both total assets and liabilities as of June 30, 2006 by approximately $399,500. Revenue and expense would have decreased by approximately $31,700 and $33,600, respectively, resulting in an increase in change in net assets for the year ended June 30, 2006 of $1,900 and beginning net assets would have decreased by $1,900.

Summary of Major Audit Comments

Audit Findings and Recommendations Section

Colorado School of Mines made significant progress in implementing changes to policies and procedures during the last year that strengthened its internal controls and financial reporting process. The Associate Vice President for Finance and Operations and Controller is to be commended for this progress, particularly in light of the additional time required for the School's systems implementation.

The Auditor's Findings and Recommendations Section includes, in part, the following:

As of June 30, 2006 the School had not reconciled certain employee insurance pool liability and employer's workers compensation liability accounts, respectively. These accounts, while not requiring other than reclassification adjustments, included several significant debit balances that had not been researched. While the detail included in most of the general ledger accounts had been reviewed by School personnel prior to the close of the books, the detail of these accounts had not been reviewed.

Expenditures of Federal Awards

There were three findings related to our testing of Federal expenditures. The findings related principally to the timely disbursement of loan funds to the students, using Federal award monies only for allowable costs and the adequacy of subreceipent monitoring.

Summary of Progress in Implementing Prior Audit Recommendations

The audit for the year ended June 30, 2005, included sixteen recommendations. The disposition of these sixteen audit recommendations as of September 29, 2006, was as follows:

Status	Number
Implemented	15
Partially implemented	1
Not implemented	0
Total	16

The audit for the year ended June 30, 2005 also noted that three recommendations from the audit for the year ended June 30, 2004 were partially implemented. The disposition of these three audit recommendations as of September 29, 2006, was as follows:

Status	Number
Implemented	1
Partially implemented	2
Not implemented	0
Total	3

Colorado School of Mines
(A Component Unit of the State of Colorado)
Recommendation Locator
Year Ended June 30, 2006

All recommendations are addressed to the Colorado School of Mines

Recommendation Number	Page Number	Recommendation Summary	Response	Implementation Date
1	8	Reconcile all general ledger accounts to supporting detail on a periodic basis to help assure each account's accuracy, both in dollar amount and appropriate account classification.	Agree	January 31, 2007
2	9	Monitor the assignment of duties of School personnel to assure that incompatible duties are not created.	Agree	January 31, 2007
3	9	Assure that adequate review is performed of Colorado Student Grant (CSG) awards to verify that its procedures for awarding CSG assistance are being followed in all instances.	Agree	July 1, 2006
4	10	Assure that adequate review procedures are in place to verify that its policies are adhered to with respect to disbursing Federal Family Education Loans (FFEL) program funds within the federally mandated time frame.	Agree	July 1, 2006

Colorado School of Mines
(A Component Unit of the State of Colorado)
Recommendation Locator (continued)
Year Ended June 30, 2006

Recommendation Number	Page Number	Recommendation Summary	Response	Implementation Date
5	11	Review all costs charged to federal programs to assure that they are allowable under federal regulations and specific grant provisions.	Agree	January 31, 2007
6	13	Assure that the School's expanded procedures for the monitoring of subrecipients to include review of the Federal Audit Clearinghouse (FAC) database and the monitoring of for-profit subrecipients are consistently followed and documented.	Agree	June 30, 2006
7	14	Focus on meeting all deadline items set forth in the calendar drafted during the planning phase of each year's audit to help assure that the financial and compliance audit is completed by October 31.	Agree	July 1, 2007

Colorado School of Mines
(A Component Unit of the State of Colorado)
Description of Colorado School of Mines
Years Ended June 30, 2006 and 2005

The Colorado School of Mines (the School) was founded on February 9, 1874. The School came under state control with statehood in 1876. The first diploma was granted in 1882. The authority under which the School operates is Article 40 of Title 23, C.R.S.

The Board of Trustees is the governing body of the School and is composed of seven members appointed by the Governor, with consent of the Senate, for four-year terms and one nonvoting student member elected by the student body.

Financial support comes from student tuition and fees and from the State through a fee-for-service contract and student stipends. Funds are augmented by government and privately sponsored research, private support from alumni and support from industry and friends through the Colorado School of Mines Foundation, Incorporated.

The primary emphasis of the Colorado School of Mines is engineering and science education and research. The full-time equivalent (FTE) for student enrollment and faculty and staff of the School has been as follows:

	Student FTE Enrollment		
	Resident Student FTE	Non-resident Student FTE	Total Student FTE
2003	2,485	846	3,331
2004	2,615	830	3,445
2005	2,807	820	3,627
2006	3,009	849	3,858

	Faculty and Staff FTE		
	Faculty FTE	Staff FTE	Total Faculty and Staff FTE
2003	223	356	579
2004	227	338	565
2005 *	248	332	580
2006	259	343	602

* As corrected in 2006

Reconciliation of General Ledger Accounts to Detail of Accounts

In performing testing of accounts payable and accrued liabilities, we noted a debit balance of approximately $1.1 million in a payroll fringe benefits pool account. Prior to our request for the School to research the debit balance, it had not performed sufficient analysis to determine if the debit balance was appropriate. Upon its research, the School determined that certain amounts in the account required reclassification to correct account postings for payments.

While the School has made significant progress in reconciling a majority of its balance sheet accounts, the effects of not performing sufficient analysis of all balance sheet accounts include the possible recognition of expense in the incorrect accounting period, the possible misstatement of changes in net assets for the period and the possible understatement/overstatement of net asset balances at the end of a reporting period.

Recommendation No. 1

The School should reconcile all general ledger accounts to supporting detail on a periodic basis to help assure each account's accuracy, both in dollar amount and appropriate account classification.

Colorado School of Mines Response

Agree. All balance sheet accounts were reconciled for the fiscal year 2006 year end except for fringe benefit pool accounts which by nature carry an ongoing balance that do not represent specific items. The School has a negotiated fringe benefit rate with the Office of Naval Research (ONR), the School's cognizant agent, which is considered *fixed with carry-forward*. This OMB Circular A-21 allowed methodology permits the School to charge an estimated fringe benefit rate in any given year with the difference between the actual charge and the estimate being carried forward into the subsequent year's rate negotiation. The fringe benefit pool accounts account for the over- or under-recovery. Because the accounts are classified in the system as fringe pool accounts, they were not specifically reconciled at the end of the fiscal year. These accounts were then reviewed during audit by staff and certain reclassification entries were required. Staff continues to reconcile all general ledger accounts on a monthly basis and the fringe benefit pool account is reviewed monthly for reasonableness. Additionally, annually when the School performs its incurred cost analysis for ONR, we will review the carry-forward amount in conjunction with the amount recorded in the fringe benefit pool account to ensure reasonableness. The School will begin its annual review of these accounts effective January 31, 2007.

Cash Disbursements

Prior to June 2006, certain of the School's personnel involved with the cash disbursement function had both the access ability to generate a payment and the recording ability to record accounts payable entries and change computer master files affecting accounts payable vendors. While certain mitigating controls were in place prior to June 2006, these duties represented a lack of proper segregation of duties that could result in erroneous or unauthorized disbursements being made. Effective June 2006, the School changed the security in its accounting system to correct these incompatible duties.

Recommendation No. 2

The School should continually monitor the assignment of duties of its personnel to assure that incompatible duties are not created either through changes in personnel or through changes in systems or processes.

Colorado School of Mines Response

Agree. As discussed above, in June 2006, the School changed its security in its computer system to improve its segregation of duties over the cash disbursement function. We have processes in place to evaluate the impact on segregation of duties of any planned changes in the assignment of duties effective January 31, 2007.

Colorado Student Grant Program Awards

The School had expenditures under the Colorado Student Grant (CSG) state-funded student assistance program of $696,036 for the Fiscal Year Ended June 30, 2006. Per the Colorado Commission on Higher Education (CCHE) Audit Guide, the CSG has three tiers of awarding grant funds. For students with an Expected Family Contribution (EFC) greater than $7,700, the maximum award limit is $500.

We noted one student tested who was over-awarded the CSG by $200. We tested 30 student files totaling $69,150 of CSG awards. Failure to comply with the three tiers of awarding grant funds could result in the over-awarding of grants.

Recommendation No. 3

The School should assure that adequate review is performed of CSG grant awards to verify that its procedures for awarding CSG assistance are being followed in all instances.

Colorado School of Mines Response

Agree. Effective July 1, 2006, the new financial aid computer system has been used to establish rules of awarding that will prohibit any Colorado Student Grant over award. As a double check, a computer report is run twice a semester and award amounts for recipients are manually verified.

Receipt and Use of Federal Funds

The School participates in numerous federal grant programs throughout the year. These grants are largely for research and development programs within the School and for student financial aid. Research and development and student financial aid were tested as major programs under the Office of Management and Budget (OMB) Circular A-133 for the year ended June 30, 2006. During the year, the School had expenditures under these federal grants of $14,777,819 for the student financial aid cluster and $20,545,515 for the research and development grant cluster. Our testing noted instances of noncompliance with the requirements of Federal grants or OMB Circular A-133 as follows in Recommendations Nos. 4 through 6.

Disbursement of Federal Family Education Loans (FFEL) (CFDA #84.032)

Per the Student Financial Aid Handbook, if a school receives Federal Family Education Loans (FFEL) program funds from the lender by Electronic Funds Transfer, it must disburse the funds within three business days. The School has an additional ten days to disburse the funds if the student is deemed to be temporarily ineligible. We noted two instances out of thirty students tested in which the FFEL funds were not applied within three business days and in neither case did we note temporary ineligibility. The funds were applied 10 days and 111 days, respectively, after receipt of the funds for the two students. Failure to disburse the funds within three business days results in noncompliance with Federal regulations.

Recommendation No. 4

The School should assure that adequate review procedures are in place to verify that its policies are adhered to with respect to disbursing FFEL program funds within the federally mandated time frame.

Colorado School of Mines Response

Agree. Effective July 1, 2006, with the new financial aid computer system, all federal funds have been set to disburse no earlier than three business days prior to the beginning of classes for all academic terms. In addition, a computer report is run daily to identify funds that have been received but not disbursed within the allowed period of time.

Allowable Costs – Research and Development Grants (State Assigned Fed Org Code 43.NASA)

Per OMB Circular A-21, "Cost Principles for Educational Institutions," funds must be used in accordance with the award documents (*i.e.* grant agreement) and expenses must be reasonable and necessary for the performance and administration of Federal awards as described in section C.3 of *Circular A-21*. Per section J.32 of *Circular A-21*, costs of meetings and conferences, the primary purpose of which is the dissemination of technical information, are allowable. This includes cost of meals, rental of facilities, and speaker's fees, however per section J.17, costs of entertainment including diversion and social activities are unallowable. The School used grant money to purchase awards (an IPOD and portable hard drive) to give away at a grant meeting.

Actual nonpayroll unallowable costs were $214 out of our nonpayroll sample tested of $57,326. The total nonpayroll population of research and development expenditures was $11,453,544. Failure to expend federal award monies on costs allowed under federal regulations and specific grant provisions may result in the requirement to repay any questioned costs.

Recommendation No. 5

The School should review all costs charged to federal programs to assure that they are allowable under federal regulations and specific grant provisions.

Colorado School of Mines Response

Agree. The School has removed the questioned cost from the grant. The School will implement procedures by January 31, 2007, where the Office of Research Administration staff will review the final costs on the grants before preparing the final report cost report to ensure allowability. In addition, the School will provide training to the campus on the allowability of costs on federal projects by June 30, 2007.

Monitoring Subrecipients

Fiscal Year 2005 Recommendation No. 14 addressed certain suggested enhancements to the School's procedures for monitoring subrecipients which the School implemented June 30, 2006. Because of the timing of the implementation of this recommendation, the procedural weaknesses identified in that finding existed throughout Fiscal Year 2006. The following is the background information contained in the prior year finding:

> U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement requires monitoring a subrecipient's "use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are met". The School's procedures to monitor subrecipients after the initial authorization of the grant agreement are comprised principally of sending an "audit letter" to the subrecipient asking verification of the status of the subrecipient's audit compliance. If the subrecipient indicates that its audit is complete and no material instances of non-compliance, material weaknesses and/or reportable conditions were found related to any sub-awards for the School, then no follow-up is required by the School. Additionally, if the subrecipient indicates it is not subject to OMB Circular A-133 because it is a for-profit organization, then no follow-up is required by the School. The OMB Circular A-133 compliance supplement states the following: "For subrecipients that are not required to submit a copy of the reporting package to a pass-through entity because there were "no audit findings" (i.e., because the schedule of findings and questioned costs did not disclose audit findings relating to the Federal awards that the pass-through entity provided and the summary schedule of prior audit findings did not report the status of audit findings relating to Federal awards that the pass-through entity provided, as prescribed in OMB Circular A-133 §.320(e)), the pass-through entity may use the information in the Federal Audit Clearinghouse (FAC) database (available on the Internet at http://harvester.census.gov/sac) as evidence to verify that the subrecipient had "no audit findings" and that the required audit was performed. This FAC verification would be in lieu of reviewing submissions by the subrecipient to the pass-through entity when there are no audit findings". Additionally, OMB Circular A-133, §.210(e), requires establishing requirements to ensure compliance by for-profit subrecipients and that such requirements "may include pre-award audits, monitoring during the contract, and post-award audits". The School does not perform FAC verification procedures and its policies do not provide for for-profit subrecipient monitoring. Failure to monitor subrecipients in compliance with Federal guidelines could result in the misuse of funds by subrecipients or the subrecipients' failure to comply with compliance requirements going undetected and unreported.

Procedures will be performed during the Fiscal Year Ending 2007 audit to test the adequacy of the procedures implemented by the School.

Recommendation No. 6

The School should assure that its expanded procedures for the monitoring of subrecipients to include review of the FAC database and the monitoring of for-profit subrecipients are consistently followed and documented.

Colorado School of Mines Response

Agree. The School enhanced its subrecipient monitoring procedures which included, but was not limited to, review of the FAC dataset as well as monitoring for-profit subrecipients. The enhancements as documented were effective June 30, 2006.

Timely Completion of the Financial and Compliance Audit

The Colorado School of Mines is an institution of the State of Colorado and its financial statements are included in the state's basic financial statements. Per contract with the Office of the State Auditor (OSA), the contract auditor is required to issue the School's financial and compliance audit report by October 31, which includes an opinion on the School's basic financial statements as well as any findings and recommendations resulting from the audit. Therefore, it is important that the School's audit be completed on time to provide necessary information about the School's financial activities for the OSA's audit of the statewide financial statements. The completion of this year's financial and compliance audit of Colorado School of Mines, while substantially ahead of the Fiscal Year Ended June 30, 2005 audit, was still approximately two months behind the required completion date.

With the Fiscal Year Ending June 30, 2007 required implementation of Statement on Auditing Standards No. 103, *Audit Documentation*, issued by the Auditing Standards Board of the American Institute of Certified Public Accountants, delays in finalizing any agency's financial statements will put increased pressure on meeting the completion date for the Statewide Audit and will require additional audit procedures by the contract auditors and possibly by OSA staff for the Statewide Audit. These pressures and potential additional audit procedures are created by the fact that SAS 103 requires that the auditor's report should not be dated earlier than the date on which the auditor has obtained sufficient appropriate audit evidence to support the opinion. Sufficient appropriate audit evidence includes evidence that the audit documentation has been reviewed and that the entity's financial statements, including disclosures, have been prepared and that management has asserted that it has taken responsibility for them. This will ordinarily result in a report date that is close to the date the auditor grants the School permission to use the auditor's report in connection with the financial statements (report release date). SAS 103 requires that the review process will need to be completed (in this case, the contract auditor's review and the OSA review of the financial statements and work papers) and that a representation letter be obtained prior to the auditor's report date. Legal representation letters will need to be updated to within seven days of the audit report date and subsequent event testing will need to be performed to the audit report date. Delays in releasing the report may require the auditor to perform additional procedures to comply with the requirements of SAS No. 1, *Codification of Auditing Standards and Procedures*, "Subsequent Events", as amended. In an effort to assure that all audit documentation is complete prior to the documentation completion date (report release date), substantial additional documentation is required under SAS 103 for all changes to the audit documentation subsequent to the documentation completion date.

Factors contributing to the delay in completing this year's audit included:

- Receipt of the audited financial statements of Colorado School of Mines Foundation, Incorporated on November 6, 2006.
- Delays in the commencement of the audit in order to finalize the contract auditor selection process.
- Auditing and reporting procedures related to several prior period adjustments.
- Delays in receiving the draft financial statements beyond the mutually agreed to date.

Additionally, while significant improvements were noted in the timeliness of receiving requested schedules and documents from Colorado School of Mines staff, certain of the information provided required modifications to its detail to improve the accuracy and completeness of the schedules.

Failure to complete all aspects of the financial and compliance audit of the Colorado School of Mines could result in a delay in issuing the Statewide Audit and the incurrence of additional time by both contract auditors and the Statewide Audit team.

Recommendation No. 7

The School, in cooperation with its contract auditors, should continue to focus on meeting all deadline items set forth in the calendar drafted during the planning phase of each year's audit. This will include monitoring the timely submission of the Foundation's audited financial statements that are required to not only be incorporated into the School's financial statements, but also reconciled to the School's records prior to finalization of its financial statements.

Colorado School of Mines Response

Agree. The School, in cooperation with the contract auditors, will continue to focus on meeting all deadline items set forth in the calendar drafted during the planning phase of each year's audit effective July 1, 2007.

Colorado School of Mines
(A Component Unit of the State of Colorado)
Disposition of Prior Audit Recommendations
Years Ended June 30, 2006 and 2005

Summary of Progress in Implementing Prior Audit Recommendations

The audit report for the year ended June 30, 2005 included sixteen recommendations. The disposition of these audit recommendations, as of September 29, 2006, was as follows:

Recommendation Number	Recommendation	Disposition
1	Maintain Federal, state and private grant accounts receivable and deferred revenue subsidiary ledgers in sufficient detail to allow aging of the receivables and preparation of roll forwards for the accounts.	Implemented
2	Compare net assets at the beginning of each fiscal year to net assets at the end of the immediately preceding year to determine if there are any discrepancies between ending and beginning net assets and timely resolve any such discrepancies.	Implemented
3	Conduct periodic training with respect to the School's policies over P-cards for card holders and make an evaluation as to whether or not a lesser number of issued P-cards would be feasible.	Implemented
4	Modify the financial reporting process so that financial statements are prepared by one or more people within the Finance and Operations Department, other than the Controller, with a detail review of the financial statements performed by the Controller.	Implemented
5	Review entries to capitalize costs as capital assets for compliance with the School's capitalization policy and approve the entries prior to their being posted to the general ledger. Perform a physical inventory of capital assets at least annually.	Implemented
6	Perform reconciliations of all bank accounts on a timely basis, with proper review and approval by someone other than the preparer. Periodically review and reconcile petty cash accounts.	Implemented
7	Research for any donor restrictions that might have been placed on the $230,000 of investments, held by the Foundation on the School's behalf that currently do not have documentation of the existence of donor restrictions, if any.	Implemented

Recommendation Number	Recommendation	Disposition
8	Capture a detail of balances at year-end supporting general ledger balances necessary to facilitate the audit process and for School file maintenance purposes.	Implemented
9	Perform reconciliations of all amounts due to/from the Foundation at least quarterly and resolve any differences timely.	Implemented
10	Include in the respective student's file documentation supporting professional judgment changes when professional judgment is used to adjust the cost of attendance.	Implemented
11	Implement a procedure to assure that Title IV funds are not being credited to a student's account prior to ten calendar days before the first day of classes of a payment period.	Implemented
12	Implement a procedure to assure that the School reports Federal Pell Grant disbursements to the U.S. Department of Education's Common Origination and Disbursement (COD) System within the 30-day required reporting period.	Implemented
13	Perform a detailed review and approval of the FISAP to assure its accuracy. Include separate accounts in the general ledger to track Perkins activity.	Implemented
14	Expand procedures for the monitoring of subrecipients to include review of the FAC database and the monitoring of for-profit subrecipients in order to be in compliance with Federal requirements.	Partially Implemented. See Current Year Recommendation No. 6
15	Establish and implement procedures to review Federal SF 272 reports prior to submission to ensure the reports are accurate and that supporting documentation agrees with the reported amounts.	Implemented
16	Implement procedures to assure that the requirements for determining Federal awards expended as defined under OMB Circular A-133 be reviewed and followed in reporting Federal awards to the State Controller's Office.	Implemented

Colorado School of Mines
(A Component Unit of the State of Colorado)
Disposition of Prior Audit Recommendations
Years Ended June 30, 2006 and 2005

Summary of Progress in Implementing Prior Audit Recommendations.

Comments from June 30, 2004 audit that were not fully implemented during Fiscal Year Ended June 30, 2005:

Recommendation Number	Recommendation Summary	Status
1	The School should ensure that the accounting records and accounts are properly reconciled throughout the year and are appropriately monitored. This includes evaluating thresholds for review of journal entries and ensuring that all reconciliations and journal entries are adequately reviewed by management as prescribed by accounting policies.	Partially Implemented. See current year Recommendation No. 1.
2	The School should closely evaluate all gifts for restrictions to ensure that nonexpendable net assets are properly reported in the future.	Implemented.
4	The School should develop an accounting policies and procedures manual tailored to the School's specific transaction flows and accounts to ensure financial information is reported in an accurate, consistent and timely manner.	Partially Implemented. In process – procedures being redrafted due to conversion of system.

LLP

Independent Accountants' Report on Financial Statements and Supplementary Information

Members of the Legislative Audit Committee:

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Colorado School of Mines (the School), a blended component unit of the State of Colorado, as of and for the year ended June 30, 2006, which collectively comprise the School's basic financial statements 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 opinions on these financial statements based on our audit. We did not audit the financial statements of Colorado School of Mines Foundation, Incorporated (the Foundation), the discretely presented component unit of the School. Those statements were audited by other accountants whose report has been furnished to us and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other accountants. The financial statements of Colorado School of Mines as of and for the year ended June 30, 2005, before they were retroactively restated for the matters discussed in Note 16, 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. The financial statements of Colorado School of Mines Foundation, Incorporated, the discretely presented component unit of the School, were not audited in accordance with *Government Auditing Standards*. 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 and the report of other accountants provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other accountants, the 2006 financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the Colorado School of Mines, as of June 30, 2006, and the respective 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.

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In accordance with *Government Auditing Standards,* we have also issued our report dated September 29, 2006, on our consideration of the Colorado School of Mines' 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.

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, except for Note 17 as to
which the date is January 12, 2007

Management's Discussion and Analysis

This section of the Colorado School of Mines annual financial report presents management's discussion and analysis of the financial performance of the School during the fiscal year ended June 30, 2006 and 2005, with prior year data presented for comparative purposes. The activities of the Colorado School of Mines Building Corporation and the Colorado School of Mines Development Corporation, blended component units, have also been incorporated. The financial statements focus on the financial position and changes in financial position for the School as a whole.

In 2004, the School adopted the provisions of Governmental Accounting Standards Board Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and as a result, the financial statements for the Colorado School of Mines Foundation, Incorporated (the Foundation), a legally separate organization whose operations benefit the School, is discretely presented within the School's financial statements.

Unless otherwise noted, the information and financial data included in management's discussion and analysis relate solely to the School. 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.

Executive Summary

Fiscal 2006 was a year of significant change for the School. The School's 15th President resigned after a long career with the School and in June 2006, the Board of Trustees appointed Mines' 16th President. This year also marked the third year of the School's implementation of its Strategic Plan; to *optimize, consolidate, and align institutional resources in support of key programmatic areas such as earth, energy, materials and environment.*

Fiscal year 2006 also signified major changes in the funding mechanism for higher education through the implementation of fee-for-service contracts and the College Opportunity Fund. In 2006, the School entered into a fee-for-service agreement with the Department of Higher Education (DOHE). Under the terms of the agreement, DOHE purchases from the School specialized engineering and graduate education services. Additionally, new legislation under Senate Bill 04-189, shifted state support for undergraduate education from the institution to the student. The College Opportunity Fund (COF) redirected state support to the School by awarding resident undergraduate students a stipend that can be applied by the School for tuition assistance. The revenue generated from both the fee-for-service agreement and COF are reflected in the accompanying financial statements as operating revenue.

The impact of this shift in the delivery of state funds lowered the level of state support, allowing the School to achieve TABOR-exempt enterprise status more easily. Subsequent to the fiscal 2005 year end, the Legislative Audit Committee approved the School's enterprise status for fiscal 2006.

The fiscal policy and economic conditions in Colorado saw a slight recovery in 2006 with the passage of Referendum C. The School received additional state support of $1.3 million which represented one third of the total appropriated to the School because of additional monies becoming available from the Referendum.

Because of the shift in the delivery of state funds for the fiscal year ended June 30, 2006, revenue from contracts and grants represents the largest factor of total overall operating revenue at 48%. Revenue from Federal sponsored contracts and grants increased 14% and State of Colorado sponsored contracts and grants increased 41% primarily due to state funds received for the Colorado Energy Research Institute. Although revenue from private sponsored grants and contracts reflected a decline, private grants awarded to the School increased 40% from the previous year, the revenue from which will be recognized subsequent to June 30, 2006 once allowable expenditures are made under the grants. Pursuant to the DOHE fee-for-service agreement, the School received $12.7 million from the state.

Tuition remains a major source of revenue to the School representing 41% of total operating revenues. The increase of 35% over 2005 is primarily due to the COF tuition assistance program. However, the School did experience a strong freshman class along with an increase in part time graduate enrollment which along with an increase in tuition rates contributed to the increase in overall tuition revenue.

Statement of Net Assets

The statement of net assets includes all assets and liabilities of the School as of the end of the fiscal year. It is prepared under the accrual basis of accounting whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service regardless of when cash is exchanged.

Condensed Statements of Net Assets (in thousands)

Comparative Statements
June 30, 2006, 2005 and 2004

	2006	2005 (As Restated)	2004
Assets			
Current assets	$ 37,428	$ 39,305	$ 33,568
Noncurrent assets			
Capital	152,268	142,332	137,193
Other	32,290	31,694	29,998
Total assets	221,986	213,331	200,759
Liabilities			
Current liabilities	23,653	19,915	20,650
Noncurrent liabilities	78,067	79,481	66,521
Total liabilities	101,720	99,396	87,171
Net Assets			
Invested in capital assets, net of related debt	93,301	85,132	87,261
Restricted			
Nonexpendable	1,640	1,685	1,319
Expendable	7,836	7,594	8,511
Unrestricted	17,489	19,524	16,497
Total net assets	$ 120,266	$ 113,935	$ 113,588

The Colorado School of Mines has the following general ratios as of June 30;

	2006	2005	2004
Current Assets to Current Liabilities	1.58:1	1.97:1	1.63:1
Total Assets to Total Liabilities	2.18:1	2.15:1	2.30:1

These ratios continue to remain strong and indicate that the School is positioned well for covering both current and long-term obligations.

2006

The School's capital assets consist of land, land improvements, buildings and improvements, equipment, library materials and construction in progress collectively totaling $152.3 million at June 30, 2006. This amount is net of accumulated depreciation of $95.6 million. New construction and capital projects accounted for the addition of slightly under $10 million in net capital assets. Construction in progress includes construction projects; the construction for the recreation center scheduled to be completed in January 2007, and the addition to the Center for Technology and Learning Media building. Financing for the student recreation center came from various sources; primarily bonds issued in November 2002 and in October 2004, and private donations. The state appropriated funding to support the addition to the Center for Technology and Learning Media building. Further detail regarding capital asset activity can be found in Footnote 3 to the financial statements.

Restricted cash balances included funds from the 2002 and 2004 bond proceeds. The decrease in cash, short-term investments and restricted cash and cash equivalents is due primarily to the construction of the capital projects referenced above.

2005

The primary changes during fiscal year 2005 on the statement of net assets are attributed to activity related to the construction projects funded by the issuance of revenue bonds in November 2002 and October 2004. New construction and capital projects accounted for the addition of slightly over $5 million in net capital assets. The projects included the start up of construction for the recreation center and the campus one-card system.

Restricted cash balances included funds from the 2002 and 2004 bond proceeds. The slight increase in restricted cash and cash equivalents was due to the proceeds from the issuance of the 2004 bonds reduced by the above referenced capital expenditures. Current cash and short-term investments grew by approximately $6 million. Increased tuition revenues in the amount of $4.3 million, $2 million of capital funding and gifts and a $3 million receipt from the Petroleum Institute contributed to this increase in cash and cash equivalents.

Statements of Revenues, Expenses and Changes in Net Assets

The statement of revenues, expenses and changes in net assets presents revenues earned and expenses incurred during the fiscal year. Activities are reported as either operating or nonoperating, in accordance with Governmental Accounting Standards Board (GASB) Statements 34 and 35. Under these guidelines, state appropriations and gifts are classified as nonoperating revenues. Because the School depends so significantly on contributions from the Foundation, a nonoperating revenue, this results in an operating loss. The use of capital assets is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

The fiscal year 2006 financial statements reported herein reflect an increase in net assets of $6.3 million.

Condensed Statements of Revenues, Expenses and Changes in Net Assets (in thousands) Comparative Statements Years Ended June 30, 2006, 2005 and 2004

	2006	2005 (As Restated)	2004
Operating Revenues			
Tuition and fees, net	$ 41,628	$ 30,736	$ 26,395
Grants and contracts	49,534	34,793	33,849
Auxiliary enterprises	10,429	9,417	9,568
Other operating revenues	677	606	865
Total operating revenues	102,268	75,552	70,677
Operating Expenses	113,686	99,816	98,835
Operating Loss	(11,418)	(24,264)	(28,158)
Nonoperating Revenues (Expenses)			
State appropriations	—	17,188	17,188
Contributions from the Foundation	13,682	7,926	8,137
Other nonoperating revenues (expenses)	2,380	(3,219)	1,260
Net nonoperating revenues	16,062	21,895	26,585
Income (Loss) Before Contributions	4,644	(2,369)	(1,573)
Contributions			
State capital contributions	1,687	2,716	1,574
Capital grants and gifts	—	—	421
Increase in Net Assets	6,331	347	422
Net Assets, Beginning of Year	113,935	113,588	113,166
Net Assets, End of Year	$ 120,266	$ 113,935	$ 113,588

2006

The large increase in operating revenues for 2006 is due to the shift in the delivery of funds from the state which shifted the nature of the revenue from nonoperating to operating. Previous to 2006, the primary funding from the state came in the form of appropriations; in 2006, the primary funding from the state came in the form of a fee-for-service contract and student stipends.

Tuition revenue increased by $10.9 million, or 35%. The primary factor was $6 million in College Opportunity Fund (COF) stipends passed along to resident undergraduate students by the state. The remaining increase was due to a large freshman class in the fall of 2005, an increase in part-time graduate students combined with an average 14.3% increase in tuition rates (including the COF stipend).

Tuition revenues depend directly on student enrollment; recent enrollment has been increasing, as shown below. The overall trend in enrollment is positive, with the non-resident undergraduate population regaining enrollment in fiscal year 2004-2005 followed by a strong increase in 2005-2006. Graduate non-resident enrollments however, have experienced a continued decline since a high in 2002-2003. The School continues to seek ways to increase the number of non-resident graduate students and to continue the growth in non-resident undergraduate students.

	Undergraduates			Graduate Studies			Combined		
Fiscal Year	Residents	Non-residents	Total	Residents	Non-residents	Total	Residents	Non-residents	Total
2005-06	2,656	679	3,335	353	170	523	3,009	849	3,858
2004-05	2,468	638	3,106	339	182	521	2,807	820	3,627
2003-04	2,303	626	2,929	312	204	516	2,615	830	3,445
2002-03	2,156	628	2,784	329	218	547	2,485	846	3,331
2001-02	2,123	661	2,784	234	197	431	2,357	858	3,215
2000-01	2,017	678	2,695	234	186	420	2,251	864	3,115

Tuition rates, shown below, support the School's tuition and fee revenues. Reasonable rates of growth, along with stable student enrollment levels, indicate the School's current and continued ability to attract students interested in the degree programs offered. Room and board charges, also shown below, contribute to the affordability of attendance at the Colorado School of Mines. Revenue from room and board charges, along with other specified student fees, support maintenance of student life facilities and bond payments outstanding for past, current and planned improvements and additions to these facilities.

	Annual Full-time Tuition Rates		Annual Room and Board (avg.)		
Fiscal Year	Residents	Non-residents	Double	Single	Board
2005-06	$7,248	$19,830	$3,520	$4,170	$3,132
2004-05	$6,336	$19,240	$3,420	$4,050	$3,028
2003-04	$5,700	$19,030	$3,300	$3,925	$2,912
2002-03	$5,246	$17,516	$3,200	$3,783	$2,800
2001-02	$4,940	$16,070	$2,996	$3,544	$2,632
2000-01	$4,750	$15,304	$2,913	$3,434	$2,519

Undergraduate admissions data, outlined below, show another aspect of the School's basis for student enrollment. The 2004, 2005, and 2006 increases in applications reflect a new marketing program, which resulted in a higher quality and larger entering freshman class for each year.

Fall Semester Undergraduate Admissions

Fall of Year	Number of Applicants	Number Accepted	Percent Accepted	Number Committed	Percent Committed
2006	3,931	2,791	71.0%	898	32.2%
2005	3,444	2,722	79.0%	971	35.7%
2004	3,323	2,802	84.3%	868	31.0%
2003	3,250	2,566	79.0%	771	30.1%
2002	2,910	1,960	67.4%	670	34.2%
2001	1,910	1,542	80.7%	695	45.1%
2000	2,176	1,721	79.1%	740	43.0%

Grants and Contracts revenue increased by $14.7 million, or 42%. The primary factor was the new fee-for-service agreement. Revenue received under that contract accounted for $12.7 million of the increase or 36.5%.

Revenue from Federal sponsored contracts and grants increased 14% and State of Colorado sponsored contracts and grants increased 41% primarily due to state funds received for the Colorado Energy Research Institute. Revenue from privately sponsored contracts and grants decreased 14.2%; the School continues to receive funds from the Petroleum Institute pursuant to a long-term contract whereby the School provides services to support the Institute; $2 million was received in 2006.

Contracts and grants awarded to the School in fiscal year 2006 increased approximately 8%. Privately funded awards increased over 35% with both Federal and State awards reflecting a decline.

Net nonoperating revenues (expenses) of $16 million include $13.7 million of gifts from the Colorado School of Mines Foundation, Incorporated, $2.6 million of investment income, $(1.7) million of interest expense on capital debt, and $1.4 million of other items, net. The increase in gifts from the Foundation includes a large gift made to support the funding of the construction of the student recreation center. Additionally, the School received two pieces of real property from the Foundation.

<u>2005</u>

Total operating revenues for fiscal year 2005 were $75.5 million compared to $70.7 million in fiscal year 2004 and $70.1 million in fiscal year 2003. A large freshman class in the fall of 2004 led to a 3.4% increase in the student body. The increase in student population combined with a tuition increase of 12% for resident undergraduate students led to an increase in net tuition revenues of $4.3 million in fiscal year 2005.

Although the School's research revenues increased slightly, the number of awards increased by 8.3% in fiscal year 2005. Federal awards increased by 15.3% and state research awards increased by 40%. The School had 22 state-funded grants in Fiscal Year 2005, a slight increase over Fiscal Year 2004. Nongovernmental grants remained steady in terms of the number of grants and contracts but the revenues were down by approximately 7.6%.

Net operating revenues (expenses) of $21.9 million include state appropriations of $17.2 million, $8.0 million of gifts, $1.9 million of investment income, $(3.7) million of interest payments on capital debt, a $(3.5) million loss on removal of library capital assets and $2.0 million of other items, net.

Operating Expenses by Function Compared with Operating Expenses by Natural Classification (in thousands)

Years Ended June 30, 2006, 2005 and 2004

	2006		2005 (As Restated)		2004	
Function						
Instruction	$ 38,093	33.5%	$ 34,815	34.9%	$ 35,005	35.4%
Research	24,674	21.7%	21,461	21.5%	20,365	20.6%
Academic support	6,585	5.8%	6,561	6.5%	5,680	5.8%
Student services	3,433	3.0%	3,601	3.6%	4,289	4.3%
Institutional support	8,667	7.6%	6,567	6.6%	6,973	7.1%
Operation and maintenance of plant	10,093	8.9%	8,698	8.7%	9,782	9.9%
Scholarships and fellowships	966	0.9%	902	0.9%	818	0.8%
Auxiliary enterprises	12,967	11.4%	11,841	11.9%	7,980	8.1%
Depreciation	8,208	7.2%	5,370	5.4%	7,943	8.0%
Total operating expenses	$ 113,686	100.0%	$ 99,816	100.0%	$ 98,835	100.0%
Classification						
Wages and benefits						
Faculty wages	$ 41,591	56.8%	$ 38,445	56.2%	$ 30,914	50.6%
Classified wages	12,000	16.4%	11,320	16.5%	10,614	17.4%
Student wages	2,218	3.0%	1,821	2.7%	6,997	11.5%
Benefits	14,881	20.4%	13,976	20.4%	9,532	15.6%
	70,690	96.6%	65,562	95.8%	58,057	95.1%
Personal service contracts	2,517	3.4%	2,861	4.2%	2,980	4.9%
	$ 73,207	100.0%	$ 68,423	100.0%	$ 61,037	100.0%
Total wages and benefits	$ 73,207	64.4%	$ 68,423	68.6%	$ 61,037	61.8%
Scholarships and fellowships	966	0.9%	902	0.9%	3,659	3.7%
Utilities	3,196	2.8%	3,243	3.2%	3,018	3.1%
Supplies and other	28,109	24.7%	21,878	21.9%	23,178	23.4%
Depreciation	8,208	7.2%	5,370	5.4%	7,943	8.0%
Total operating expenses	$ 113,686	100.0%	$ 99,816	100.0%	$ 98,835	100.0%

Operating expenses increased by 13.9% from 2005 to 2006 and 1.0% from 2004 to 2005. Much of the increase from 2005 to 2006 is due to a 15.0% increase in research expenses over the same time period. Pursuant to the School's strategic plan, research activity is growing. This growth is directly reflective in the level of expenditures that are made on research grants. The 9.4% of instruction expense increase from 2005 to 2006 was in response to the growth in student enrollment. Also, expenses related to campus infrastructure, operations and maintenance, increased 16.0% from the prior year. Due to the loosening up of some state funds in fiscal year 2006, the School was able to expend funds on deferred infrastructure needs that had been delayed due to funding constraints in previous years.

Statements of Cash Flow

The statement of cash flows presents the School's major sources and uses of cash. It portrays information related to cash in-flows and out-flows summarized by operating, capital and related financing, noncapital financing and investing activities.

Condensed Statements of Cash Flows (in thousands)

Years Ended June 30, 2006, 2005 and 2004

	2006	2005 (As Restated)	2004
Cash and cash equivalents provided/(used) by			
Operating activities	$ (7,065)	$ (19,548)	$ (21,997)
Noncapital financing activities	15,147	27,905	26,686
Capital and related financing activities	(17,312)	(2,156)	(20,211)
Investing activities	4,259	(946)	6,578
Net (decrease) increase in cash and cash equivalents	(4,971)	5,255	(8,944)
Cash and cash equivalents, beginning of year	$ 32,478	27,223	36,167
Cash and cash equivalents, end of year	$ 27,507	$ 32,478	$ 27,223

2006

Major sources of cash from operating activities include tuition and fees ($50.7 million) and grants and contracts ($45.5 million). Major uses of funds go to employees for salaries and benefits ($66.7 million) and to suppliers of goods and services ($24.4 million).

The major source of noncapital financing activities represents the gifts received from the Colorado School of Mines Foundation, Incorporated.

Capital and related financing activities reflect the construction of the campus projects; student recreation center and the addition to the Center for Technology and Learning Media building and debt service on the School's bonds.

Cash in-flows related to investing activities include earnings on deposits with the State Treasurer, earnings on funds held with the Foundation and cash from investment income on the portion of the bond proceeds invested while not yet needed to pay for construction-related costs.

2005

Major sources of cash from operating activities include tuition and fees ($39.4 million) and grants, contracts and gifts ($32.9 million). Major uses of funds go to employees for salaries and benefits ($60.1 million) and to suppliers of goods and services ($20.2 million). The state appropriation of $17.2 million is the major source of noncapital financing activities.

Capital and related financing activities reflect the construction of the campus projects related to the 2002 and 2004 Revenue Bonds, as stated elsewhere in this report.

Cash in-flows related to investing activities include proceeds from a trust payout and earnings on deposits with the State Treasurer, and cash from investment income on that portion of the housing bond issue invested while not yet needed to pay for construction-related costs.

Factors Impacting Future Periods

As the School embarks on its fourth year of implementing the Strategic Plan, the resources needed to effectively execute the plan are critical to its success. The level of state support, compensation costs, student enrollment and resulting tuition and fee revenues, and growing research volume are the major factors that impact the School's ability to maintain and improve the quality of academic programs, undertake new initiatives and meet its core mission and ongoing operational needs.

With the School obtaining Enterprise status comes implied flexibility in setting tuition rates. It will be vital for the School to have the ability to set tuition at a level which will support the cost of educating a Colorado School of Mines' student. In 2006, higher education experienced a shift in the state's funding methodology with the fee-for-service agreement and College Opportunity Fund. An additional impact resulted from Colorado voters' passage of Referendum C in November 2005. This allows the State to keep all revenues collected for five years beginning in fiscal year 2006. The School did receive increased State support in 2006 from the Referendum which represented one-third of the total appropriated. The remaining two-thirds will be necessary for the School to replenish the losses incurred when resident student enrollment was not funded by the State and the School experienced cuts in its base funding. As the state continues to analyze further funding mechanisms, it will be important for the School to assess the implications on the long term health and maintenance of the School and its continued ability to provide high quality academic programs that continue to attract a high quality of students.

As enrollment is planned to continue to grow pursuant to the Strategic Plan, the School must ensure that the physical infrastructure can not only accommodate the growth but is utilized to optimize the academic and social life of the student, foster growth in research and support a world-class institution. The ability to obtain and devote resources to support the physical infrastructure will be a high priority of the School. Previously, the School was limited in its ability to pledge certain revenues to issue debt which has reduced the School's ability to proceed with some planned building improvements and expansions. With the status of a TABOR-exempt Enterprise, the School now has the ability to pledge tuition revenue to issue debt which can provide additional capacity and flexibility. This ability will be key coupled with continued funding from the State to meet our capital needs.

The School continues to position itself to fully implement the Strategic Plan and in doing so must work to secure the financial and human resources needed to fulfill the mission.

Colorado School of Mines
(A Component Unit of the State of Colorado)
Statements of Net Assets
June 30, 2006 and 2005

	2006	2005 (As Restated)
Assets		
Current Assets		
Cash and cash equivalents	$ 12,621,892	$ 16,705,733
Short-term investments	12,785,822	15,535,901
Accounts receivable, net of allowance; 2006 – $479,887; 2005 – $292,361	1,936,341	1,632,266
Federal and state grants receivable, net of allowance; 2006 – $0; 2005 – $318,657	5,713,798	2,120,708
Other receivables, net of allowance; 2006 – $184,717; 2005 – $497,341	4,233,215	2,653,802
Inventories	77,934	90,540
Loans to students, net of allowance; 2006 – $5,309; 2005 – $5,309	40,900	514,540
Prepaid expenses	17,940	51,244
Total current assets	37,427,842	39,304,734
Noncurrent Assets		
Restricted cash and cash equivalents	14,884,855	15,772,063
Restricted investments	5,692,594	5,276,461
Other noncurrent investments	5,935,636	5,245,608
Loans to students, net of allowance; 2006 – $188,397; 2005 – $166,240	4,671,524	4,256,842
Capital assets, net	152,268,378	142,332,508
Bond issuance costs, net	1,105,587	1,143,500
Total noncurrent assets	184,558,574	174,026,982
Total assets	221,986,416	213,331,716
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	11,609,135	10,223,185
Deferred revenue	9,740,668	8,149,697
Bonds payable – current portion	1,380,000	845,000
Other current liabilities	923,509	697,652
Total current liabilities	23,653,312	19,915,534
Noncurrent Liabilities		
Accrued compensated absences	3,263,643	3,171,535
Deferred revenue	1,958,333	2,458,333
Student loan funds administered for the Foundation	2,035,874	2,113,559
Bonds payable, net	70,809,136	71,737,370
Total noncurrent liabilities	78,066,986	79,480,797
Total liabilities	101,720,298	99,396,331
Net Assets		
Invested in capital assets, net of related debt	93,300,877	85,132,053
Restricted		
Nonexpendable		
Scholarships and fellowships	987,982	762,192
Other	652,283	922,438
Expendable		
Scholarships and fellowships	1,993,846	1,754,975
Loans	4,348,009	4,190,748
Other	1,494,187	1,648,918
Unrestricted	17,488,934	19,524,061
Total net assets	$ 120,266,118	$ 113,935,385

Colorado School of Mines Foundation, Incorporated
(A Component Unit of Colorado School of Mines)
Statements of Financial Position
June 30, 2006 and 2005

	June 30, 2006	June 30, 2005
Assets		
Assets		
Cash and cash equivalents	$ 1,283,958	$ 441,362
Restricted cash	714,662	—
Intermediate-term investments	484,994	4,921,191
Contributions receivable	4,281,974	2,857,185
Student loans receivable		
Revolving loan fund - Colorado School of Mines	893,257	1,044,886
Direct student loans	1,049,804	1,117,984
Contributions receivable from trusts held by others	3,306,804	3,031,031
Assets held under split-interest agreements	16,903,756	16,273,236
Beneficial interest in endowments held by others	8,006,028	7,722,255
Beneficial interest in long-term trusts held by others	1,921,231	1,942,549
Long-term investment pool	142,517,514	122,995,253
Real estate held for future use	321,455	680,469
Equipment, net of accumulated depreciation of $622,138 – 2006; $620,166 – 2005	37,645	49,067
Other assets	264,636	250,382
Restricted net assets held by Property Management Corp.	172,412	72,696
Total assets	$ 182,160,130	$ 163,399,546
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities	$ 1,047,047	$ 745,008
Obligations under split-interest agreements	6,641,680	6,783,346
Obligations under gift annuity agreements	3,464,485	3,132,737
Assets held for others	12,214,332	10,883,677
Other liabilities	86,244	73,168
Total liabilities	23,453,788	21,617,936
Net assets		
Unrestricted		
Undesignated	3,312,050	2,770,617
Board designated	13,615,483	12,505,050
Total unrestricted	16,927,533	15,275,667
Temporarily restricted	43,207,821	38,632,857
Permanently restricted	98,570,988	87,873,086
Total net assets	158,706,342	141,781,610
Total liabilities and net assets	$ 182,160,130	$ 163,399,546

Colorado School of Mines
(A Component Unit of the State of Colorado)
Statements of Revenues, Expenses and Changes in Net Assets
Years Ended June 30, 2006 and 2005

	2006	2005 (As Restated)
Operating Revenues		
Tuition and fees, net	$ 41,627,871	$ 30,735,523
Federal grants and contracts	23,023,250	20,237,858
State grants and contracts	3,411,181	2,418,243
Fee-For-Service	12,690,425	—
Nongovernmental grants and contracts	10,409,083	12,136,204
Interest on student loans receivable	52,984	43,109
Auxiliary enterprises, net	10,429,298	9,417,488
Other operating revenues	623,798	563,894
Total operating revenues	102,267,890	75,552,319
Operating Expenses		
Instruction	38,092,631	34,814,780
Research	24,673,764	21,461,072
Academic support	6,584,527	6,560,714
Student services	3,432,845	3,601,066
Institutional support	8,667,194	6,566,573
Auxiliary enterprises	12,966,841	11,841,301
Operation and maintenance of plant	10,093,178	8,698,767
Scholarships and fellowships	966,395	901,979
Depreciation	8,208,546	5,370,321
Total operating expenses	113,685,921	99,816,573
Operating Loss	(11,418,031)	(24,264,254)
Nonoperating Revenues (Expenses)		
State appropriations	—	17,187,980
Contributions from Colorado School of Mines Foundation, Incorporated	13,682,472	7,926,440
Contributions - other	101,430	125,330
Investment income	2,603,941	1,868,778
Rental income	1,389,212	1,442,967
Interest on capital asset-related debt	(1,707,823)	(3,662,119)
Amortization of bond issuance cost	(37,913)	(21,551)
Loss on disposal of assets	(32,202)	(3,509,009)
Other nonoperating revenues	62,779	536,875
Net nonoperating revenues	16,061,896	21,895,691
Income (Loss) Before Contributions	4,643,865	(2,368,563)
Capital Appropriations – State	1,686,868	2,716,281
Increase in Net Assets	6,330,733	347,718
Total Net Assets, Beginning of Year	113,935,385	113,587,667
Total Net Assets, End of Year	$ 120,266,118	$ 113,935,385

Colorado School of Mines Foundation, Incorporated
(A Component Unit of Colorado School of Mines)
Statement of Activities
Year Ended June 30, 2006

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains and Support				
Contributions	$ 1,367,025	$ 7,781,715	$ 6,657,293	$ 15,806,033
Interest and dividends	530,781	1,320,668	227,930	2,079,379
Net realized and unrealized gains	2,341,030	12,619,739	269,547	15,230,316
Changes in net present values of split-interest agreements	(349,205)	(103,320)	(169,099)	(621,624)
Changes in interest in net assets of Property Management Corp.	—	(4,284)	104,000	99,716
Other income (loss)	(184,379)	31,675	5,630	(147,074)
Total revenues, gains and support	3,705,252	21,646,193	7,095,301	32,446,746
Net Assets Released from Restrictions				
Satisfaction of program restrictions	12,120,658	(12,120,658)	—	—
Administration fees	831,768	(831,768)	—	—
Realization of promises to give	79,708	(79,708)	—	—
Cancellation of pledges	56,405	(55,405)	(1,000)	—
Other reclassifications	380,089	(3,983,690)	3,603,601	—
Total net assets released	13,468,628	(17,071,229)	3,602,601	—
Expenses				
School support	12,969,451	—	—	12,969,451
Fundraising	1,924,144	—	—	1,924,144
Alumni Association	100,000	—	—	100,000
Management and general	387,873	—	—	387,873
Presidential search	84,141	—	—	84,141
Cancellation of pledges	56,405	—	—	56,405
Total expenses	15,522,014	—	—	15,522,014
Change in Net Assets	1,651,866	4,574,964	10,697,902	16,924,732
Net Assets at Beginning of Year	15,275,667	38,632,857	87,873,086	141,781,610
Net Assets at End of Year	$ 16,927,533	$ 43,207,821	$ 98,570,988	$ 158,706,342

Colorado School of Mines Foundation, Incorporated
(A Component Unit of Colorado School of Mines)
Statement of Activities
Year Ended June 30, 2005

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains and Support				
Contributions	$ 1,439,367	$ 7,732,610	$ 2,371,011	$ 11,542,988
Interest and dividends	337,057	1,055,586	219,698	1,612,341
Net realized and unrealized gains	1,675,786	6,956,990	480,719	9,113,495
Changes in net present values of split-interest agreements	100,320	662,132	315,834	1,078,286
Changes in interest in net assets of Property Management Corp.	—	7,957	(13,160)	(5,203)
Other income (loss)	(523,351)	42,246	5,003	(476,102)
Total revenues, gains and support	3,029,179	16,457,521	3,379,105	22,865,805
Net Assets Released from Restrictions				
Satisfaction of program restrictions	6,947,625	(6,947,625)	—	—
Administration fees	736,923	(736,923)	—	—
Realization of promises to give	623,285	(623,285)	—	—
Cancellation of pledges	56,241	(49,450)	(6,791)	—
Other reclassifications	277,426	(1,769,727)	1,492,301	—
Total net assets released	8,641,500	(10,127,010)	1,485,510	—
Expenses				
School support	8,036,513	—	—	8,036,513
Fundraising	1,828,486	—	—	1,828,486
Alumni Association	100,000	—	—	100,000
Management and general	372,393	—	—	372,393
Cancellation of pledges	56,241	—	—	56,241
Total expenses	10,393,633	—	—	10,393,633
Change in Net Assets	1,277,046	6,330,511	4,864,615	12,472,172
Net Assets at Beginning of Year	13,998,621	32,302,346	83,008,471	129,309,438
Net Assets at End of Year	$ 15,275,667	$ 38,632,857	$ 87,873,086	$ 141,781,610

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

	2006	2005 (As Restated)
Cash Flows from Operating Activities		
Tuition and fees	$ 50,747,741	$ 39,415,892
Grants and contracts	45,452,407	32,937,167
Payments to suppliers	(24,416,296)	(20,209,000)
Scholarships disbursed	(10,577,865)	(9,030,884)
Payments to employees	(66,662,647)	(60,115,793)
Loans issued to students	(172,205)	(63,838)
Collection of loans to students	231,163	84,541
Sales and services of auxiliary enterprises	10,429,298	9,719,220
Payments for auxiliary enterprises	(12,740,984)	(12,892,750)
Other receipts	644,579	607,003
Net cash used by operating activities	(7,064,809)	(19,548,442)
Cash Flows from Noncapital Financing Activities		
State appropriations	—	17,187,980
Receipts from the Colorado School of Mines Foundation, Incorporated	13,682,472	7,926,440
Student loan funds administered by the Foundation	(77,685)	938,656
Gifts & grants for other than capital purposes	101,430	125,329
Rental income	1,389,212	1,442,967
Other receipts	51,076	284,315
Net cash provided by noncapital financing activities	15,146,505	27,905,687
Cash Flows from Capital and Related Financing Activities		
Proceeds from issuance of revenue bonds payable	—	28,056,558
Cash paid for bond issuance costs	—	(388,896)
Capital appropriations – state	1,686,868	2,716,281
Acquisition and construction of capital assets	(14,659,759)	(13,139,983)
Payment for bond defeasements	—	(4,410,102)
Refinance of debt	—	(10,555,000)
Principal paid on capital leases and revenue bonds payable	(845,000)	(750,000)
Interest paid on capital asset-related debt	(2,855,748)	(2,976,280)
Payment of prior year payables for capital assets	(638,668)	(708,541)
Net cash used by capital and related financing activities	(17,312,307)	(2,155,963)
Cash Flows from Investing Activities		
Interest and dividends on investments	2,615,644	1,868,778
Purchase of investments	(1,878,990)	(13,273,168)
Proceeds from sales and maturities of investments	3,522,908	10,458,290
Net cash provided (used) by investing activities	4,259,562	(946,100)
Increase (Decrease) in Cash and Cash Equivalents	(4,971,049)	5,255,182
Cash and Cash Equivalents, Beginning of Year	32,477,796	27,222,614
Cash and Cash Equivalents, End of Year	$ 27,506,747	$ 32,477,796

(continued)

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

	2006	2005 (As Restated)
Reconciliation of Cash and Cash Equivalents to the Statements of Net Assets		
Cash and cash equivalents	$ 12,621,892	$ 16,705,733
Restricted cash and cash equivalents – non current	14,884,855	15,772,063
Total cash and cash equivalents	$ 27,506,747	$ 32,477,796
Reconciliation of Operating Loss to Net Cash Used by Operating Activities		
Operating loss	$ (11,418,031)	$ (24,264,254)
Depreciation expense	8,208,546	5,370,321
Allowance for doubtful accounts	(443,755)	859,307
Changes in operating assets and liabilities		
Receivables	(5,032,823)	(747,777)
Inventories	12,606	99,600
Prepaid expenses	33,304	(1,994)
Loans to students	58,958	(63,838)
Accounts payable and other liabilities	107,450	603,870
Deferred revenue	1,090,971	(1,415,205)
Accrued compensated absences	92,108	142,175
Other current liabilities	225,857	(130,647)
Net Cash Used by Operating Activities	$ (7,064,809)	$ (19,548,442)
Supplemental Cash Flows Information		
Accounts payable incurred for capital asset purchases	$ 1,917,168	$ 638,668

Colorado School of Mines Foundation, Incorporated
A Component Unit of Colorado School of Mines
Statements of Cash Flows
Year Ended June 30, 2006 and 2005

	June 30, 2006	June 30, 2005
Cash Flows from Operating Activities		
Change in net assets	$ 16,924,732	$ 12,472,172
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Change in net assets held by property management corporation	(99,716)	5,203
Depreciation and amortization	46,022	64,143
Net realized and unrealized gains	(15,230,316)	(9,113,495)
Cancellation of pledges	56,405	56,241
Loss on the sale of real estate held for future use	334,420	622,367
Changes in net present values of split-interest agreements	621,624	(1,078,286)
Contributions restricted for long-term investment	(6,657,293)	(2,371,011)
Split-interest trust agreements	(416,000)	—
Gift of beneficial interest in long-term trust	—	(403,599)
Changes in assets and liabilities		
Contributions receivable	(1,481,194)	1,806,435
Receivables from trust	137,281	(272,349)
Other assets	(14,254)	(30,809)
Accounts payable and other liabilities	315,115	377,297
Assets held for others	1,330,655	516,935
Net cash provided (used) by operating activities	(4,132,519)	2,651,244
Cash Flows from Investing Activities		
Change in restricted cash	(714,662)	—
Purchases of investments	(33,573,960)	(12,352,907)
Sales of investments	33,335,530	7,567,656
Net student loan activity	219,809	101,963
Purchase of property and equipment	(10,006)	(18,869)
Proceeds from the sale of real estate held for future use	—	2
Net cash used by investing activities	(743,289)	(4,702,155)
Cash Flows from Financing Activities		
Proceeds from contributions restricted for long-term investment	6,657,293	2,371,011
Payment of split-interest agreement and gift annuity obligations	(938,889)	(876,838)
Net cash provided by financing activities	5,718,404	1,494,173
Net (Decrease) Increase in Cash and Cash Equivalents	842,596	(556,738)
Cash and Cash Equivalents at Beginning of Year	441,362	998,100
Cash and Cash Equivalents at End of Year	$ 1,283,958	$ 441,362

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

Nature of Operations

Colorado School of Mines (the School) is a public institution of higher education with a primary emphasis in engineering and science education and research. The School is an institution of the State of Colorado. Operations are funded largely through student tuition and fees and revenues under a fee-for-service agreement with the Department of Higher Education. Funds are augmented by government and private sponsored research, private support from alumni and support from industry and friends, through the Colorado School of Mines Foundation, Incorporated (the Foundation). The School extends unsecured credit to its students.

Reporting Entity and Component Units

The financial statements of the School include all of the integral parts of the School's operations. The School applied various criteria to determine if it is financially accountable for any organization that would require that organization to be included in the School's reporting entity. These criteria include fiscal dependency, financial benefit/burden relationship, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

In accordance with accounting principles generally accepted in the United States of America, the financial statements present the School (primary government), its discretely presented component unit – the Colorado School of Mines Foundation, Incorporated (see Note 6), and its blended component units – the Colorado School of Mines Building Corporation and the Colorado School of Mines Development Corporation (see Note 7). The blended component units are included in the School's reporting entity because they provide services entirely, or almost entirely, to the School or otherwise exclusively, or almost exclusively, benefit the School, in accordance with Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity.* The discretely presented component unit is included because it meets all three of the criteria included in Statement No. 39 of the Governmental Accounting Standards Board - *Determining Whether Certain Organizations Are Component Units, an amendment of GASB Statement No. 14.* Financial statements of the Colorado School of Mines Foundation, Incorporated and the Colorado School of Mines Development Corporation can be obtained from their administrative offices. Separate financial statements of the Colorado School of Mines Building Corporation are not prepared.

Basis of Accounting and Presentation

The financial statements of 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 (principally certain federal and state grants and state appropriations) 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 (such as state appropriations), 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 prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB). 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 GASB pronouncement. The School has elected not to apply FASB pronouncements issued after the applicable date.

The Colorado School of Mines Foundation, Incorporated (the Foundation) reports under FASB standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the School's financial reporting entity for these differences. Because the Foundation uses a GAAP reporting model that is different from the School's reporting model, the School has chosen to report the Foundation's financial statements on separate pages as permitted by GASB No. 39.

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 and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The School considers all highly liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2006 and 2005, cash equivalents consisted primarily of funds invested through the State Treasurer's Cash Management Program, funds managed by the Foundation on behalf of the School, money market funds with brokers and certificates of deposit.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents include amounts restricted for project construction and bond debt service reserves.

Investments and Investment Income

Investments in equity and debt securities are carried at fair value. Fair value is determined using quoted market prices. Investments in nonnegotiable certificates of deposit and repurchase agreements are carried at cost.

Investment income consists of interest and dividend income and the net change for the year in the fair value of investments carried at fair value.

Accounts Receivable

Accounts receivable consists of tuition and fee charges to students, charges for auxiliary enterprise services provided to students, faculty and staff and reimbursements outstanding on research contracts and grants. Accounts receivable is recorded net of estimated uncollectible amounts.

Inventories

Inventories are stated at the lower of cost, determined using the FIFO (first-in, first-out) method, or market.

Loans to Students

The School makes loans to students under various federal and other loan programs. Such loans receivable are recorded net of estimated uncollectible amounts. The allowance for uncollectible loans netted against loans to students was $193,706 and $171,549 at June 30, 2006 and 2005, respectively.

Bond Issuance Costs

Bond issuance costs incurred on the revenue bond issues have been deferred and are being amortized on a straight-line basis over the life of the bonds. Total amortization expense for the years ended June 30, 2006 and 2005, was $37,913 and $21,551, respectively.

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
Buildings and improvements	20 – 40 years
Equipment	3 – 10 years
Library materials	10 years

The School capitalizes interest costs as a component of construction in progress, based on interest costs of borrowing specifically for the project, net of interest earned on investments acquired with the proceeds of the borrowing. Due to the minimal amount of construction related to the bonds in fiscal year 2005, the School did not capitalize interest in 2005.

	2006	2005
Interest capitalized	$ 1,599,693	$ —
Interest charged to expense	1,707,823	3,662,119
Total interest incurred	$ 3,307,516	$ 3,662,119

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at June 30, 2006 and 2005 are as follows:

	2006	2005
Accounts payable	$ 3,442,329	$ 2,996,667
Salaries and benefits payable	8,166,806	7,226,518
Total	$ 11,609,135	$ 10,223,185

Compensated Absences

School policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time-off or, in limited circumstances, as a cash payment. Expense and the related liabilities that are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time-off or in cash. Expense and the related liability for sick leave benefits are recognized when earned to the extent the employee is expected to realize the benefit in cash determined using the termination payment method. Sick leave benefits expected to be realized as paid time-off are recognized as expense when the time-off occurs and no liability is accrued for such benefits employees have earned but not yet realized. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the statements of net assets date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

Deferred Revenue – Tuition, Fees and Grants

Deferred revenue represents unearned student tuition, fees and advances on grants and contract awards for which the School has not met all of the applicable eligibility requirements. Deferred revenue for tuition, fees and grants totaled $7,407,335 and $5,816,364 at June 30, 2006 and 2005, respectively.

Deferred Revenue – Development Assistance and Trademark License

The School entered into a ten-year agreement to provide development assistance and other planning activities in connection with the development of a foreign school. Additionally, the School received a nonrefundable up-front fee for a non-exclusive license to use its trademarks for the term of the agreement. Development assistance fees and trademark license fees are recognized as revenue over the term of the agreement. Deferred revenue for development assistance and the trademark license totaled $4,291,666 and $4,791,666 at June 30, 2006 and 2005, 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 School 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 or program specific, government mandated nonexchange transactions, such as (1) student tuition and fees, net of scholarship allowances, (2) sales and services of auxiliary enterprises, (3) contracts and grants for research activities and (4) interest on student loans.

Nonoperating revenues – Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions and other revenue sources that are not deemed operating revenues.

Scholarship Discounts and Allowances

Student tuition, fee revenues and certain other revenues from students are reported net of scholarship allowances in the statements of revenues, expenses and changes in net assets. Scholarship allowances are the difference between the stated charge for goods and services provided by the School and the amount that is paid by students and/or third-parties making payments on the students' behalf. Certain governmental grants, such as Pell grants and other federal, state or nongovernmental programs are recorded as either operating or nonoperating revenues in the School's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the School has recorded a scholarship allowance. The scholarship allowances on tuition and fees and on housing for the year ended June 30, 2006 were $9,416,291 and $195,179, respectively, and for the year ended June 30, 2005, were $8,128,906 and $301,732, respectively.

Income Taxes

As a state institution of higher education, the income of the School is generally exempt from federal and state income taxes under Section 115(a) of the Internal Revenue Code and a similar provision of state law. However, the School is subject to federal income tax on any unrelated business taxable income. The School had no material unrelated business income for the years ended June 30, 2006 and 2005.

Reclassifications

Certain 2005 balances have been reclassified to conform with the 2006 presentation.

Note 2: Deposits, Investments and Investment Return

Deposits

At June 30, the School had bank balances as follows:

	2006	2005
Insured (FDIC insured)	$ 190,276	$ 286,351
Collateralized by securities held by the pledging financial institution's trust department or agent in the School's name	10,783,990	7,904,418
Total	$ 10,974,266	$ 8,190,769
Carrying amount	$ 8,030,261	$ 10,700,304

Additionally, the School had $13,349 and $26,523 respectively at June 30, 2006 and 2005 in cash on hand.

Deposits are exposed to custodial credit risk (the risk that, in the event of the failure of a depository financial institution, the government would not be able to recover deposits or would not be able to recover collateral securities that are in the possession of an outside party), if they are not covered by depository insurance and are collateralized with securities held by the pledging financial institution, except for deposits collateralized by certain types of collateral pools including a single financial institution collateral pool where the fair value of the pool is equal to or exceeds all uninsured public deposits held by the financial institution ((*e.g.,* deposits insured by The Public Deposit Protection Act (PDPA)). Accordingly, none of the School's deposits as of June 30, 2006 are deemed to be exposed to custodial credit risk.

Additionally, at June 30, 2006 and 2005, the School had $19,463,137 (net of $236,463 unrealized loss) and $21,750,969 (net of $86,076 unrealized loss) respectively, on deposit with the State Treasurer. Detailed information on the State Treasurer's pooled cash and investments is available from that office. State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities or the state of Colorado; bonds of any city, county, school district or special road district of the state of Colorado bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits.

Investments

In Fiscal Year 2005, the School implemented Governmental Accounting Standards Board Statement No. 40 – *Deposit and Investment Risk Disclosures*. The standard primarily changes the required disclosures of investment custodial risk and adds disclosures of credit quality risk and interest rate risk.

The School has authority to invest institutional funds in any investment deemed advisable by the governing board per section 15-1-1106, C.R.S. The School may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities and in bank repurchase agreements. It may also invest, to a limited extent, in equity securities.

Credit and Interest Rate Risk – Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally statistical rating organization (NRSRO). Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Interest rate risk inherent in the School's investments is measured by monitoring the modified duration of the overall investments portfolio. Modified duration estimates the sensitivity of the School's investments to changes in the interest rates. The following table presents the applicable investment type by rating and the modified duration.

Investments at June 30, 2006 and 2005 consisted of the following:

Investment	Fair Value 2006	Fair Value 2005	Maturity	Credit Rating	Rating Agency
Money Market Mutual Fund	$ 12,705,042	$ 15,660,573	21 days	AAA	Standard & Poor's
Corporate Equities	80,780	80,780	N/A	Not rated	
Investment Pool					
Corporate Bonds	1,400,538	1,565,202	2.5 – 7 years	AA +	Standard & Poor's
Corporate Equities	10,227,692	8,751,415	N/A	Not Rated	
Total	$ 24,414,052	$ 26,057,970			

The investment pool consists of investments managed by the Colorado School of Mines Foundation, Incorporated, on behalf of the School and is reflected in Long-Term Investment Pool on the Foundation's Statement of Financial Position.

Summary of Carrying Values

The carrying values of deposits and investments shown above are included in the statements of net assets as follows:

	2006	2005 (As Restated)
Cash and cash equivalents	$ 12,621,892	$ 16,705,733
Short-term investments	12,785,822	15,535,901
Restricted cash and cash equivalents	14,884,855	15,772,063
Restricted investments	5,692,594	5,276,461
Other noncurrent investments	5,935,636	5,245,608
	$ 51,920,799	$ 58,535,766

Investment Income

Investment income for the year ended June 30 consisted of:

	2006	2005 (As Restated)
Interest and dividend income	$ 1,432,814	$ 1,300,154
Net increase in fair value of investments	1,171,127	568,624
	$ 2,603,941	$ 1,868,778

Note 3: Capital Assets

Capital assets activity for the year ended June 30 was:

	2006				
	Beginning Balance	Additions	Disposals	Transfers from Construction in Progress	Ending Balance
Land	$ 3,224,144	$ —	$ —	$ —	$ 3,224,144
Land improvements	7,385,839	—	—	1,218,175	8,604,014
Buildings and improvements	172,706,287	695,000	—	1,066,526	174,467,813
Equipment	29,622,281	2,417,112	1,907,588	766,554	30,898,359
Library materials	11,598,687	171,492	91,062	—	11,679,117
Construction in progress	7,154,600	14,893,014	—	(3,051,255)	18,996,359
	231,691,838	18,176,618	1,998,650	—	247,869,806
Less accumulated depreciation					
Land improvements	5,168,793	183,976	—	—	5,352,769
Buildings and improvements	52,077,461	5,610,698	—	—	57,688,159
Equipment	22,242,018	2,180,835	1,875,386	—	22,547,467
Library materials	9,871,058	233,037	91,062	—	10,013,033
	89,359,330	8,208,546	1,966,448	—	95,601,428
Net capital assets	$ 142,332,508	$ 9,968,072	$ 32,202	$ —	$ 152,268,378

	2005				
	Beginning Balance	Additions	Disposals	Transfers from Construction in Progress	Ending Balance
Land	$ 3,134,144	$ 90,000	$ —	$ —	$ 3,224,144
Land improvements	7,362,138	—	—	23,701	7,385,839
Buildings and improvements	148,933,537	213,010	2,180,154	25,739,894	172,706,287
Equipment	28,216,112	1,960,083	553,914	—	29,622,281
Library materials	16,014,155	286,598	4,702,066	—	11,598,687
Construction in progress	21,689,235	11,228,960	—	(25,763,595)	7,154,600
	225,349,321	13,778,651	7,436,134	—	231,691,838
Less accumulated depreciation					
Land improvements	5,024,741	144,052	—	—	5,168,793
Buildings and improvements	49,769,666	2,486,944	179,149	—	52,077,461
Equipment	20,946,293	1,754,889	459,164	—	22,242,018
Library materials	12,415,987	984,436	3,529,365	—	9,871,058
	88,156,687	5,370,321	4,167,678	—	89,359,330
Net capital assets	$ 137,192,634	$ 8,408,330	$ 3,268,456	$ —	$ 142,332,508

Note 4: Long-term Liabilities

The following is a summary of long-term obligation transactions for the School for the year ended June 30:

	2006					
	Beginning Balance	Additions	Deductions	Ending Balance	Amounts Due Within One Year	
Bonds and Capital Leases						
Revenue bonds payable						
Series 1997A (C)	$ 2,940,000	$ —	$ —	$ 2,940,000	$ —	
Series 1997B (C)	460,000	—	—	460,000	—	
Series 1999 (D)	9,697,061	370,372	—	10,067,433	—	
Series 2002 (E)	32,040,000	—	—	32,040,000	—	
Series 2004 (F)	17,450,000	—	845,000	16,605,000	1,380,000	
Series 2005 (G)	10,555,000	—	—	10,555,000	—	
	73,142,061	370,372	845,000	72,667,433	1,380,000	
Unamortized bond discounts	(312,007)	—	(69,692)	(242,315)	—	
Deferred amount from refunding	(247,684)	—	(11,702)	(235,982)	—	
Total bonds	72,582,370	370,372	763,606	72,189,136	1,380,000	
Other Noncurrent Liabilities						
Accrued compensated absences	3,348,547	37,854	—	3,386,401	122,758	(1)
Deferred revenue						
Tuition, fees and grants	5,816,364	1,590,971	—	7,407,335	7,407,335	(2)
Development assistance and trademark license	4,791,666	—	500,000	4,291,666	2,333,333	(2)
Student loan funds administered for the Foundation	2,113,559	—	77,685	2,035,874	—	
Total other noncurrent liabilities	16,070,136	1,628,825	577,685	17,121,276	9,863,426	
Total noncurrent liabilities	$ 88,652,506	$ 1,999,197	$ 1,341,291	$ 89,310,412	$ 11,243,426	

(1) Included in other current liabilities;
(2) Included in current deferred revenue

The following is a summary of long-term obligation transactions for the School for the year ended June 30:

	2005 (As Restated)					
	Beginning Balance	Additions	Deductions	Ending Balance	Amounts Due Within One Year	
Bonds and Capital Leases						
Revenue bonds payable						
Series 1993 (A)	$ 3,465,000	$ —	$ 3,465,000	$ —	$ —	
Series 1996 (B)	1,285,000	—	1,285,000	—	—	
Series 1997A (C)	2,940,000	—	—	2,940,000	—	
Series 1997B (C)	460,000	—	—	460,000	—	
Series 1999 (D)	9,345,559	351,502	—	9,697,061	—	
Series 2001 (G)	10,860,000	—	10,860,000	—	—	
Series 2002 (E)	32,040,000	—	—	32,040,000	—	
Series 2004 (F)	—	17,450,000	—	17,450,000	845,000	
Series 2005 (G)	—	10,555,000	—	10,555,000	—	
	60,395,559	28,356,502	15,610,000	73,142,061	845,000	
Unamortized bond (discounts) premium	(452,583)	156,004	15,428	(312,007)	—	
Deferred amount from refunding	—	(252,560)	(4,876)	(247,684)	—	
Less deferred call premium on defeased bonds	(329,461)	—	(329,461)	—	—	
	59,613,515	28,259,946	15,291,091	72,582,370	845,000	
Capital lease obligations	100,000	—	100,000	—	—	
Total bonds and capital leases	59,713,515	28,259,946	15,391,091	72,582,370	845,000	
Other Noncurrent Liabilities						
Accrued compensated absences	3,198,437	150,110	—	3,348,547	177,012	(1)
Deferred revenue:						
Tuition, fees and grants	6,731,570	—	915,206	5,816,364	5,816,364	(2)
Development assistance and trademark license	5,291,666	—	500,000	4,791,666	2,333,333	(2)
Student loan funds administered for the Foundation	1,174,903	938,656	—	2,113,559	—	
Total other noncurrent liabilities	16,396,576	1,088,766	1,415,206	16,070,136	8,326,709	
Total noncurrent liabilities	$ 76,110,091	$ 29,348,712	$ 16,806,297	$ 88,652,506	$ 9,171,709	

(1) Included in other current liabilities
(2) Included in current deferred revenue

Auxiliary Housing Services Revenue Bonds

The School had the following Auxiliary Housing Services Revenue Bonds outstanding at June 30, 2006 and/or 2005:

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

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

C. 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.

D. 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%.

E. 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.

F. 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 in amounts ranging from $235,000 to $1,415,000 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 and term obligations ranging from 2.5% to 5.0%. The bonds are secured by a non-exclusive first lien upon the net pledged revenues, as defined, and a financial guaranty insurance policy.

The 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.

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.

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

Revenue Bonds Issued by Colorado School of Mines Development Corporation (See Note 7)

G. 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 revenues, a letter of credit and a guarantee by the Colorado School of Mines Foundation, Inc. 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 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 adjusted weekly and the interest rate at June 30, 2006 was 4.13%.

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.

Debt Service Requirements on Revenue Bonds

The debt service requirements as of June 30, 2006, are as follows:

Year Ending June 30	Total to be Paid	Principal	Interest
2007	$ 4,307,118	$ 1,380,000	$ 2,927,118
2008	4,307,181	1,415,000	2,892,181
2009	4,305,749	1,450,000	2,855,749
2010	4,306,580	1,495,000	2,811,580
2011	4,304,413	1,545,000	2,759,413
2012 – 2016	21,523,608	8,635,000	12,888,608
2017 – 2021	21,523,703	9,875,000	11,648,703
2022 – 2026	21,527,650	10,780,000	10,747,650
2027 – 2031	29,973,549	22,975,000	6,998,549
2032 – 2036	18,805,429	15,300,000	3,505,429
2037 – 2041	6,650,500	6,330,000	320,500
	$ 141,535,480	81,180,000	$ 60,355,480
Unaccreted interest on 1999 Bonds		(8,512,567)	
		$ 72,667,433	

Defeased Bonds

The School has in prior years 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. Amounts outstanding as of June 30, 2006 for debt in-substance defeased are for the Auxiliary Facilities Enterprise Revenue Bonds, Series 1997A at $835,000.

Student Loan Funds Administered for the Foundation

The School administers student loans on behalf of the Foundation that revert back to the Foundation when repaid by the student. The student loans administered by the School are recorded as a receivable from the student, included with school loans to students in the statement of net assets, and a liability to the Foundation.

Note 5: Related Party Transactions

Colorado School of Mines Research Institute

The Colorado School of Mines Research Institute (CSMRI), a not-for-profit corporation, was established in 1949 as a separate corporation under the laws of the State of Colorado. The purpose of CSMRI is to promote, encourage and aid scientific and technological investigation and research.

CSMRI ceased active operations during 1987 and sold most of its real estate in 1988. As of December 31, 2006 and 2005, CSMRI had net assets of $74,598. CSMRI once held a lease on property owned by the School. Funds remaining from the proceeds of the sales and satisfaction of indebtedness are to be applied to rehabilitation costs of the property leased to CSMRI and the remaining property owned by CSMRI. Upon dissolution, subject to certain provisions, any assets remaining shall be transferred to the Colorado School of Mines.

Note 6: Colorado School of Mines Foundation, Incorporated

The Colorado School of Mines Foundation, Incorporated is a legally separate, tax-exempt component unit of the School incorporated under Article 40, Title 7 of the Colorado Revised Statutes of 1973. The Foundation was established in 1928 to promote the welfare, development and growth of the School and also to permit the Foundation to engage in activities as may be beyond the scope of the Trustees of the School. Although the School does not control the timing of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the School by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the School, the Foundation is considered a component unit of the School and is discretely presented in the School's financial statements.

In 1992, the Foundation's Board of Directors approved a $1,915,000 revolving loan to the School for funding student loan needs. As of June 30, 2006 and 2005, the Foundation had advanced $893,257 and $1,044,886, respectively, to the School, which is included in student loan funds administered for the Foundation on the School's statement of net assets of $2,035,874 and $2,113,559 as of June 30, 2006 and 2005, respectively. The outstanding loan balance bears interest at 9% per annum.

Contributions Receivable

Contributions receivable as of June 30 are as follows:

	2006	2005
Due in less than one year	$ 2,326,545	$ 1,552,038
Due in one to five years	2,404,640	1,635,413
	4,731,185	3,187,451
Less: Allowance for uncollectible contributions	(114,000)	(76,000)
Unamortized discount	(335,211)	(254,266)
	$ 4,281,974	$ 2,857,185

Discount rates were 4% for both 2006 and 2005.

Approximately 47% and 45% of the Foundation's contributions receivable as of June 30, 2006 and 2005, respectively, consist of pledges from two donors in 2006 and three donors in 2005.

The Foundation is the beneficiary of certain irrevocable remainder trusts administered by others. The net present value of the Foundation's beneficial interest has been included in the statement of financial position as contributions receivable from trusts held by others in the amount of $3,306,804 and $3,031,031 at June 30, 2006 and 2005, respectively.

Investments

Intermediate-term investments consisted of certificates of deposit and cash equivalents of $484,994 and $4,921,191 at June 30, 2006 and 2005, respectively.

Assets Held Under Split-interest Agreements and Long-term Investment Pool

Assets held under split-interest agreements and the long-term investment pool at June 30 consisted of the following:

	2006		2005	
	Split-interest Agreements	Long-term Investment Pool	Split-interest Agreements	Long-term Investment Pool
Cash equivalents	$ 514,660	$ 2,068,902	$ 487,209	$ 2,871,664
Bonds and bond mutual funds	9,236,008	17,085,697	9,160,493	18,660,428
Stocks and stock mutual funds	6,512,099	77,790,967	6,431,802	63,923,389
Investments in limited partnerships and real estate	640,989	45,571,948	193,732	37,539,772
	$ 16,903,756	$ 142,517,514	$ 16,273,236	$ 122,995,253

Split-interest Agreements

The Foundation is the trustee for various split-interest arrangements including charitable remainder trusts, charitable gift annuity contracts and a pooled income fund. A charitable remainder trust provides for the payment of distributions to the grantor or other designated beneficiaries over the trust's term (usually the designated beneficiary's lifetime). The terms of certain trusts and the pooled income fund specify that payments to the beneficiaries are limited to total trust income. Other trusts require that the Foundation make fixed payments or payments based on a fixed percentage of the fair market value of the trusts' assets to designated beneficiaries for their lifetimes.

At the end of the trust's term, the remaining assets are available for the Foundation's use. The portion of the trust attributable to the future interest of the Foundation is recorded in the statement of activities as temporarily restricted contributions in the period the trust is established. Assets held under these various split-interest arrangements are recorded at fair value in the Foundation's statements of financial position. On an annual basis, the Foundation revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The present value of the estimated future payments is calculated using the IRS discount rate and applicable mortality tables. The Foundation recorded contributions totaling $259,097 and $0 under split-interest agreements during the years ended June 30, 2006 and 2005, respectively.

Assets held in trust by the Foundation, and their associated liabilities, at June 30 are as follows:

	2006	2005
Assets held in trust	$ 16,903,756	$ 16,273,236
Less associated liabilities	(6,641,680)	(6,783,346)
Net present value of annuity trust agreements	$ 10,262,076	$ 9,489,890

Gift Annuity Agreements

The Foundation has been the recipient of several gift annuities which require future payments to the donor or their named beneficiaries. The assets received from the donor are recorded at fair value. The Foundation has recorded a liability at June 30, 2006 and 2005, of $3,464,485 and $3,132,737, respectively, which represents the present value of the future annuity obligations. During the years ended June 30, 2006 and 2005, the Foundation received gifts under charitable gift annuity contracts valued at $300,811 and $196,725, respectively, which are included in contributions in the statements of activities.

Assets Held for Others

Assets held in trust for others represent various trusts that revert to other parties in the future as stipulated in the respective trust documents and certain School assets held for long-term investment purposes. The fair market value of these assets as of June 30, are as follows:

	2006	2005
School funds	$ 11,628,297	$ 10,316,683
Trust funds	586,035	566,994
	$ 12,214,332	$ 10,883,677

Commitments

The Foundation has guaranteed the debt of the Colorado School of Mines Development Corporation, an affiliate of the Colorado School of Mines, formed for the purpose of purchasing, constructing, otherwise acquiring, extending or improving educational facilities for the benefit of the Colorado School of Mines. Under the terms of the guarantee, the Foundation may be called upon to repay principal, not to exceed $10,860,000, in the event of default of the Development Corporation. At June 30, 2006, $10,555,000 of these bonds was outstanding.

Significant Estimates and Concentrations – Investments

As of June 30, 2006 and 2005, 32% and 24%, respectively, of the Foundation's investment portfolio is invested in limited partnerships and venture capital organizations, some of which are offshore entities and some of which include derivative investments. There is no ready market value for these investments. The values reported in the Foundations' financial statements are the market values reported by the entities in audited financial statements, federal tax Form K-1 or other internal valuations. These values could be volatile and could be significantly different on a subsequent valuation date.

Note 7: Blended Component Units

Colorado School of Mines Building Corporation

The Colorado School of Mines Building Corporation (the Building Corporation) was established in June of 1976 as a separate corporation under the laws of the State of Colorado. The purpose of the corporation was to build a facility that would house the United States Geological Survey. The net assets of the Building Corporation at June 30, 2006 and 2005 were $2,408,807 and $3,261,729, respectively.

Upon dissolution, subject to certain provisions, any assets remaining shall be transferred to the Colorado School of Mines.

Colorado School of Mines Development Corporation

The Colorado School of Mines Development Corporation (the Corporation) was established in September 2001 as a separate corporation under the laws of the State of Colorado. The Corporation was formed for the purpose of issuing obligations for or assisting in the financing of capital expenditures on behalf of or for the benefit of the Colorado School of Mines. The net assets of the Corporation at June 30, 2006 and 2005 were $340,523 and $498,441, respectively.

Upon dissolution, subject to certain provisions, any assets remaining shall be transferred to the Colorado School of Mines.

Note 8: Operating Leases

The Colorado School of Mines Building Corporation, a blended component unit, leases 50,000 square feet of office space to an unrelated single tenant. The lease term is 10 years, from August 1998 to July 2008, at an annual rent of $765,500. Additionally, the Colorado School of Mines Development Corporation, a blended component unit, leases a building to the Colorado School of Mines. Annual rental income is based on actual expenses incurred by the Development Corporation to operate the building; rental income for Years Ended June 30, 2006 and 2005 was $595,568 and $658,916, respectively.

Note 9: Pension Plan

Plan Description

Virtually all the School employees participate in a defined benefit pension plan. The plan's purpose is to provide income to members and their families at retirement or in case of death or disability. The plan is a cost sharing multiple employer plan, administered by the Public Employees' Retirement Association (PERA). PERA was established by state statute in 1931. Responsibility for the organization and administration of the plan is placed with the Board of Trustees of PERA. Changes to the plan require legislation by the General Assembly. The State plan and other divisions' plans are included in PERA's financial statements which may be obtained by writing PERA at 1300 Logan Street, Denver, Colorado, 80203 or by calling PERA at 303-832-9550 or 800-729-PERA (7372), or by visiting www.copera.org.

Plan members vest after five years of service and are eligible for retirement benefits at age 50 with 30 years of service, age 60 with 20 years of service or at age 65 with five years of service. Members are also eligible for retirement benefits without a reduction for early retirement if they are at least 55 and have a minimum of five years of service credit and their age plus years of service equals 80 or more. State troopers and judges comprise a small percentage of plan members but have higher contribution rates and state troopers are eligible for retirement benefits at different ages and years of service. Monthly benefits are calculated as a percentage of highest average salary (HAS). HAS is one-twelfth of the average of the highest salaries on which contributions were paid, associated with three periods of 12 consecutive months of service credit.

Members disabled, who have five or more years of service credit, six months of which has been earned since the most recent period of membership, may receive retirement benefits if determined to be permanently disabled. If a member dies before retirement, their spouse or their eligible children under the age of 18 (23 if a full-time student) are entitled to monthly benefit payments. If there is no eligible spouse, financially dependent parents will receive a survivor's benefit.

Funding Policy

Most employees contribute 8.0% of their gross covered wages to an individual account in the plan. During fiscal year 2005 the State contributed 10.15% and in 2006 they contributed 10.65% of the employee's gross covered wages. Effective January 1, 2004, 1.02% of the total contribution was allocated to the Health Care Trust Fund.

The annual gross wages subject to PERA are the gross earnings less any reduction in pay to offset employer contributions to the state sponsored IRC 125 plan established under Section 125 of the Internal Revenue Code. The contribution requirements of plan members and their employers are established and may be amended, by the General Assembly.

The School contributions to the three programs described above for the fiscal years ended June 30, 2006, 2005 and 2004 were $4,874,491, $4,252,844 and $4,077,821, respectively, equal to its required contributions for those years.

Note 10: Volunteer Tax-Deferred Retirement Plans

Beginning on January 1, 2001, the Matchmaker Program established a state match for PERA member's voluntary contributions to tax-deferred retirement plans. The PERA Board sets the level of the match annually based on the actuarial funding of the defined benefit pension plan. The match is only available when the actuarial value of the defined benefit plan asset is 110 percent of actuarially accrued plan liabilities. This condition was not met during Fiscal Year 2006.

PERA offers a voluntary 401(k) plan entirely separate from the defined benefit pension plan. The State offers a 457 deferred compensation plan and certain agencies and institutions of the State offer a 403(b) plan. Members who contribute to any of these plans also receive the State match.

Note 11: Post Retirement Health Care and Life Insurance Benefits

Health Care Program

PERACare (formerly known as the PERA Health Care Program) began covering benefit recipients and qualified dependents on July 1, 1986. This benefit was developed after legislation in 1985 established the Program and the Health Care Fund. Under this program, PERA subsidizes a portion of the monthly premium for health care coverage. The benefit recipient pays any remaining amount of that premium through an automatic deduction from the monthly retirement benefit. During fiscal years 2004 and 2005, the premium subsidy was $115 for those with 20 years of service credit ($230 for members under age 65 and not eligible for Medicare), and it was reduced by 5% for each year of service fewer than 20.

The Health Care Trust Fund is maintained by an employer's contribution as discussed above in Note 9.

Monthly premium costs for participants depend on the health care plan selected, the number of persons covered, Medicare eligibility and the number of years of service credit. PERA contracts with a major medical indemnity carrier to administer claims for self-insured medical and prescription benefit plans and with health maintenance organizations providing services within Colorado. As of December 31, 2005 there were 41,080 enrollees in the plan.

Life Insurance Program

PERA provides its members access to two group life insurance plans offered by Prudential Insurance Company and Rocky Mountain Life (formerly known as Rocky Mountain Life Insurance Company). Members may join one or both plans and they may continue coverage into retirement. Premiums are paid monthly by payroll deduction or other means.

Note 12: Commitments and Contingencies

Claims and Litigation

In November 1992, the School and numerous other potentially responsible parties (PRP's) were notified by the United States Environmental Protection Agency (EPA) of potential liability pursuant to the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (CERCLA). Such potential liability results from costs associated with the cleanup of hazardous substances at a site owned by the School and leased to the Colorado School of Mines Research Institute (CSMRI), which performed research for a variety of private and governmental entities. Negotiations with the EPA, the enforcement agency related to past costs for cleanup, have been resolved. The Colorado Department of Health and EPA have reserved their rights as to future costs of cleanup. Investigation and Remediation of the site is continuing. A claim filed by a remediation contractor in 2004 has been settled.

In the normal course of its operations, the School is involved in various litigation matters. Management believes that any future liability that it may incur as a result of these matters, including the EPA matter discussed above, will not have a material effect on the School's financial statements.

Government Grants

The School is currently participating in numerous grants from various departments and agencies of the federal and state governments. The expenditures of grant proceeds must be for allowable and eligible purposes. Single audits and audits by the granting department or agency may result in requests for reimbursement of unused grant proceeds or disallowed expenditures. Upon notification of final approval by the granting department or agency, the grants are considered closed. Management believes that any future liability that it may incur as a result of audits by the granting department or agency will not have a material effect on the School's financial statements.

Note 13: Risk Management

The School is subject to risks of loss from liability for accident, property damage and personal injury. These risks are managed by the State Division of Risk Management, an agency formed by statute and funded by the Long Appropriations Bill. Therefore, the School is not required to purchase insurance for such risk of loss. Commercial insurance coverage is purchased for employee health benefits. There has been no reduction in coverage nor have any settlements exceeded coverage in any of the three preceding years. The School does not retain risk of loss except for damage incurred to property belonging to the State, limited to a $1,000 deductible per incident.

The State Division of Risk Management is deemed to be a public entity risk pool; therefore, under the Governmental Immunity Act, the School is protected from suit by the Doctrine of Sovereign Immunity except under certain circumstances in which immunity is waived.

Note 14: Legislative Appropriations

The Colorado State Legislature establishes spending authority to the School in its annual Long Appropriations Bill. The Long Bill appropriated funds may include an amount from the State of Colorado's General Fund, as well as certain cash funds. Cash funds include tuition, certain fees and certain other revenue sources.

For the years ended June 30, 2006 and 2005, appropriated expenses were within the authorized spending authority. For the years ended June 30, 2006 and 2005, the School had a total appropriation of $55,275,033 and $51,982,603, respectively. All other revenues and expenses reported by the School represent non-appropriated funds and are excluded from the annual appropriations bill. Non-appropriated funds include certain grants and contracts, gifts, indirect cost recoveries, certain auxiliary revenues and other revenue sources.

The accompanying financial statements contain revenues and expenses from both appropriated and non-appropriated funds.

Note 15: Changes in Accounting Principles

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

Note 16: Adjustments to Prior Year Financial Statements

The School's 2005 financial statements have been restated to a.) adjust cash and cash equivalents and investment income for the 2005 unrealized loss on investments held by the State on behalf of the School b.) adjust bonds payable and interest on capital asset-related debt to correct the accretion of interest expense on the School's Series 1999 Capital Appreciation Bonds not accreted in 2005 c.) recognize the difference between the reacquisition price and the net carrying amount of the old debt (2001 Bonds) for the 2005 Bonds d.) reclassify amortization of bond issuance costs from interest expense to amortization of bond issuance costs and e.) reclassify accrued interest payable on Capital Appreciation Bonds to bonds payable. The impact of the entries is as follows:

Statement of Net Assets

	2005 (As Previously Reported)	Adjustment or Reclassification		2005 (As Restated)
Current Assets				
Cash and cash equivalents	$ 16,791,809	$ (86,076)	(a)	$ 16,705,733
Current Liabilities				
Other current liabilities	(861,282)	163,630	(e)	(697,652)
Noncurrent Liabilities				
Accrued interest payable	(1,387,596)	1,387,596	(e)	—
Bonds payable	(70,082,326)	(351,502)	(b)	(71,737,370)
		247,684	(c)	
		(163,630)	(e)	
		(1,387,596)	(e)	
Net Assets – Unrestricted	(19,713,955)	86,076	(a)	(19,524,061)
		351,502	(b)	
		(247,684)	(c)	

Statements of Revenues, Expenses and Changes in Net Assets

Nonoperating (Revenues) Expenses				
Investment income	(1,954,854)	86,076	(a)	(1,868,778)
Interest on capital asset-related debt	3,327,292	351,502	(b)	3,662,119
		(21,551)	(d)	
		4,876	(c)	
Other nonoperating revenues	(284,315)	(4,876)	(c)	(536,875)
		(247,684)	(c)	
Amortization of bond issuance costs	—	21,551	(d)	21,551
(Increase) Decrease in Net Assets	$ (537,612)	$ 189,894		$ (347,718)

The adjustments had no effect on beginning net assets as of July 1, 2004.

Note 17: Subsequent Event

On December 15, 2006, the State of Colorado Department of Public Health and Environment (CDPHE) issued Radioactive Materials License Number 617-01 Amendment Number 7 (Amendment No. 7) to CSMRI. Amendment No. 7 contains a provision requiring an enforceable financial instrument be provided to CDPHE within sixty days of issuance of the license. The financial instrument must allow CDPHE access to a School bank account and/or other financial assets necessary to complete decommissioning of the site discussed in Note 12 in an amount not less than $2,780,000. On January 12, 2007, the School filed a notice of appeal and request for hearing which objects to the issuance of Amendment No. 7. The ultimate outcome of this appeal cannot be determined at this time.

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 (the School), a blended component unit of the State of Colorado, and its discretely presented component unit, as of and for the year ended June 30, 2006, and have issued our report thereon dated September 29, 2006 (except for Note 17 as to which the date is January 12, 2007) which contained a reference to the report of other accountants. 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. The financial statements of the Colorado School of Mines Foundation, Incorporated (Foundation), the discretely presented component unit of the School, were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions 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 School'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 certain matters that we reported in the Auditor's Findings and Recommendations section of this report.

This report is intended solely for the information and use of the Legislative Audit Committee, the Board of Trustees and the management of 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
(A Component Unit of the State of Colorado)
State-Funded Student Assistance Programs
Year Ended June 30, 2006

INTRODUCTION

The Colorado School of Mines (the School) is a public institution of higher education located in Golden, Colorado.

The financial and compliance audit of the various state-funded student assistance programs at the School for the year ended June 30, 2006, was directed toward the objectives and criteria set forth in the *2005-06 Audit Guide, Colorado Funded Student Aid*, issued by the Colorado Commission on Higher Education (CCHE). The state-funded student assistance programs were audited simultaneously with the federal financial aid programs for the year ended June 30, 2006.

STATE-FUNDED ASSISTANCE PROGRAMS

The various state-funded student assistance programs at the School include the Colorado Student Incentive Grant Program, Colorado Student Grant Program, Colorado Merit Award Program, Colorado Work-Study Program, Governor's Opportunity Scholarship Program and the Perkins Loan Matching Program.

The state-funded student assistance awards made by the School were $1,388,782 during the fiscal year ended June 30, 2006.

The School's Director of Financial Aid is responsible for administration of these programs. This responsibility includes application processing, eligibility determination and financial aid packaging, as well as ensuring compliance with regulations governing the participation of the School in federal and state financial aid programs. The School's Controller is responsible for the programs' financial management, general ledger accounting, payments and collections.

In addition to the student assistance awards made during the period, the School obtained authorizations to award federal student financial aid of $1,364,579 in the Pell Grant Program, $132,475 in the Supplemental Educational Opportunity Grant Program and $148,546 in the College Work-Study Program.

During the year ended June 30, 2006, the School was authorized to award Colorado student financial aid funds of $696,036 in the Colorado Student Grant Program; $51,265 in the Colorado Merit Award Program; $398,232 in the Colorado Work-Study Program; $194,934 in the Governor's Opportunity Scholarship Program; and $48,315 in Student Incentive Grants.

BKD LLP

Independent Accountants' Report on the Statement of Appropriations, Expenditures, Transfers and Reversions of the State-Funded Student Assistance Programs

Members of the Legislative Audit Committee:

We have audited the accompanying statement of appropriations, expenditures, transfers and reversions of the State-Funded Student Assistance Programs of Colorado School of Mines (the School), a blended component unit of the State of Colorado, for the year ended June 30, 2006. This statement is the responsibility of the School's management. Our responsibility is to express an opinion on this statement based on our audit.

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 statement of appropriations, expenditures, transfers and reversions is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the statement of appropriations, expenditures, transfers and reversions. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accompanying statement of appropriations, expenditures, transfers and reversions of the State-Funded Student Assistance Programs of Colorado School of Mines presents fairly, in all material respects, the appropriations, expenditures, transfers and reversions of the State-Funded Student Assistance Programs of Colorado School of Mines for the year ended June 30, 2006, pursuant to the *2005-06 Audit Guide, Colorado Funded Student Aid* issued by the Colorado Commission on Higher Education, 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, board of trustees and management of Colorado School of Mines and the Colorado Commission on Higher Education and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

September 29, 2006

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Colorado School of Mines
(A Component Unit of the State of Colorado)
Statement of Appropriations, Expenditures, Transfers and Reversions of the State-Funded Student Assistance Programs
Year Ended June 30, 2006

	CSIG Student Incentive Grants	CSG Student Grant Program	Governor's Opportunity Scholarship	CWS Work-Study Program	Under-Graduate Merit	Total State-Funded Student Assistance
Appropriations						
Original	$ 47,953	$ 634,036	$ 215,974	$ 368,232	$ 51,265	$ 1,388,782
Adjustments/transfers	362	62,000	(21,040)	30,000	—	0
Total	48,315	696,036	194,934	398,232	51,265	1,388,782
Expenditures	48,315	696,036	194,934	398,232	51,265	1,388,782
Reversions to State general fund	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0

See Notes to Statement of Appropriations, Expenditures, Transfers and Reversions of the State-Funded Student Assistance Programs

Colorado School of Mines
(A Component Unit of the State of Colorado)
Notes to Statement of Appropriations, Expenditures, Transfers and Reversions of the State-Funded Student Assistance Programs
Year Ended June 30, 2006

Note 1: Summary of Significant Accounting Policies

The School's accounting system is structured and administered in accordance with the accounting principles promulgated by the Governmental Accounting Standards Board.

The Perkins Student Loan matching requirement from general funds, as approved by the Colorado Commission on Higher Education, is recorded as a transfer from general funds to loan funds and not as a general fund expense and loan fund revenue.

All student aid is expensed on a cash basis, except for Perkins Student Loan and the Colorado Work-Study Program (CWS). The Perkins Student Loans are recorded as loans receivable when the funds are disbursed. The CWS is on the accrual basis in that the expense is recognized when the services are performed.

Note 2: Description of Programs

In addition to the student assistance awards made during the period, the School obtained authorizations to award federal student financial aid of $1,364,579 in the Pell Grant Program, $132,475 in the Supplemental Educational Opportunity Grant Program and $148,546 in the College Work-Study Program.

The Director of Financial Aid is responsible for administration of these programs. This responsibility includes application processing, eligibility determination and financial aid packaging, as well as ensuring compliance with regulations governing the participation of the School in federal and state financial aid programs. The School's Controller is responsible for the programs' financial management, general ledger accounting, payments and collections.

Note 3: Student Incentive Grants

Student Incentive Grants consist of $48,315 of state funds.

Note 4: Other – Required Statements, Comments and Recommendations

The School's packaging priority for need-based financial aid applicants is required to give the highest priority to the neediest students. Students with the lowest expected family contribution and the earliest date of filing a completed application are given top priority for available funds. Priority is not given on the basis of new or continuing student status, but on the date the application is completed. The student catalog further outlines additional eligibility requirements set forth for specific federal and state assistance programs including U.S. citizenship, Colorado residency, and meeting satisfactory academic progress guidelines.

CCHE's Financial Aid Policy and Guidelines for State Financial Assistance Programs issued by the Colorado Commission on Higher Education (CCHE) does not allow institutions receiving allocations for financial aid programs to transfer funds between those programs.

Members of the Legislative Audit Committee:

As part of our audit of the financial statements of Colorado School of Mines 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 School'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 School 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:

- Allowance for doubtful accounts for accounts receivable, federal and state grants receivable, other receivables and loans to students
- Accrued compensated absences
- Estimated useful lives of capital assets
- Fair value of investments

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.

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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 School's application of accounting principles:

- There were no new accounting policies adopted during the year
- There were no unusual transactions noted during the year

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. See Recommendation No. 7 Under "Auditor's Findings and Recommendations" for suggested improvements for the timely completion of the audit.

This letter is intended solely for the information and use of the Legislative Audit Committee, the Board of Trustees and management of 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
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	37,427,842	(399,481)	37,028,361	-1.07%
Non-Current Assets	184,558,574	0	184,558,574	0.00%
Current Liabilities	(24,760,558)	399,481	(24,361,077)	-1.61%
Non-Current Liabilities	(78,066,986)	0	(78,066,986)	0.00%
Current Ratio	1.512	[redacted]	1.520	0.53%
Total Assets	221,986,416	(399,481)	221,586,935	-0.18%
Net Assets	(119,158,872)	0	(119,158,872)	0.00%
Total Equity	(135,220,768)	0	(135,220,768)	0.00%
Revenues & Income	(102,267,890)	31,720	(102,236,170)	-0.03%
Expenses	96,235,673	(33,589)	96,202,084	-0.03%
Net Income	(6,032,217)	(1,869)	(6,034,086)	0.03%
Net Income - Three-Year Average	(2,241,718)	(1,869)	(2,243,587)	0.08%

Client: Colorado School of Mines
Period Ending: June 30, 2006

SCHEDULE OF UNCORRECTED MISSTATEMENTS

Description	Assets Current DR (CR)	Assets Non-Current DR (CR)	Liabilities Current DR (CR)	Liabilities Non-Current DR (CR)	(X) Non Tax	Revenues & Income DR (CR)	Expenses DR (CR)	Net Assets (Beg. of year) DR (CR)	Non-Operating DR (CR)	Net Effect on Following Year Net Income DR (CR)	Net Effect on Following Year Equity DR (CR)
Reverse PY PAJES											
Deferred Revenue								(72,951)			
State Grants and Contracts							72,951				
Federal Grant						(39,701)					
Federal and State Grants Receivable								39,701			
Capital Assets								(71,421)			
Additions to Plant						71,421					
Current Year Entries											0
To record PY paje for amounts relating to FY05											
CIP additions expensed in FY06. - no effect of											
following year											
Fund Balance								106,540			
Operation & Maintenance Expense							(106,540)				
To eliminate payable/receivable											
of blended component units											
Dr. Other Current Liabilities			399,481								
Cr. A/R other	(399,481)										
Taxable passed adjustments	[redacted]	[redacted]	[redacted]	[redacted]		31,720	(33,589)	1,869		0	0
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]		31,720	(33,589)	1,869			
Nontaxable passed adjustments	(399,481)	0	399,481	0		0	0	0	0		
Total passed adjustments, net of tax impact (if any)	(399,481)	0	399,481	0		31,720	(33,589)	1,869	0		

Impact on Net Income	(1,869)
Impact on Equity	0

Colorado School of Mines
(A Component Unit of the State of Colorado)
Audit Report Distribution Summary
Years Ended June 30, 2006 and 2005

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