



KPMG LLP
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Independent Auditors' Report

Members of the Legislative Audit Committee:

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the business-type activities and the discretely presented component unit of the Colorado State University System (the System), a blended component unit of the State of Colorado, as of and for the years then ended June 30, 2007 and 2006, and have issued our report thereon dated November 14, 2007. We did not audit the financial statements of the Colorado State University Foundation, the discretely presented component unit. Those financial statements were audited by other auditors.

In connection with our audit, nothing came to our attention that caused us to believe that the System failed to comply with the terms, covenants, provisions, or conditions of the respective Authorizing Bond Resolutions and the Official Statements (collectively, bond resolutions) insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

In accordance with the respective bond resolutions discussed above, a calculation of each bond's earnings requirement is shown on pages 81 through 85.

This report is intended solely for the information and use of the Legislative Audit Committee, the Office of the State Auditor, the Colorado State University Board of Governors, the Colorado State University Board of Governors' Audit Committee, and the Colorado State University System's management, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

November 14, 2007

COLORADO STATE UNIVERSITY SYSTEM
Revenue Bonds' Earnings Requirements Schedules
Year ended June 30, 2007

Colorado State University (CSU) Research Building Revolving Fund Enterprise Revenue Bonds

The following information is presented in accordance with the bond resolutions of the 1997, 2001, and 2005A Series Research Building Revolving Fund Enterprise Revenue Bonds.

For the purposes of determining compliance with the bond resolution, earnings are computed as follows:

| | |
|--|---------------|
| Auxiliary revenues | \$ 3,746,766 |
| Add interest from the Research Building Revolving Fund | 130,586 |
| Net auxiliary revenues | 3,877,352 |
| Indirect cost recoveries not credited to bond fund | 36,453,614 |
| Total pledged revenue | 40,330,966 |
| Operating expenses | 1,154,997 |
| Add back: | |
| Noncapital plant facilities expenses | (117,821) |
| Depreciation expense | (41,141) |
| Net income to meet requirement under the bond resolution | \$ 39,334,931 |
| Net income required under the bond resolution: | |
| Current year principal and interest payments | \$ 2,295,803 |
| Minimum earnings ratio required by bond resolution and parity obligation | 150% |
| Net income required under the bond resolution | \$ 3,443,705 |

The earnings requirement shown above exceeds the required amount by the bond resolution and parity obligations. Per the bond resolution, pledged revenues include to the extent necessary, amounts accruing to CSU from indirect cost recoveries on research contracts and grants performed under the auspices of CSU within all facilities of CSU.

CSU Enterprise System Revenue and Refunding Bonds

The following information is presented in accordance with the bond resolutions of the Enterprise System Refunding and Improvement Revenue Bonds (including Auxiliary Facilities Refunding and Improvement Revenue Bonds and Student Sports Recreational Facilities Revenue Bonds). Below are calculations of the earnings requirement for meeting the following bond resolutions: a) CSU Enterprise System Refunding and Revenue Bonds, Series 2003A, 2003B, and 2005B that reports the earnings of the entire Enterprise System net of the revenues and expenses earned and expensed between the Auxiliary Facilities and the Student Sports Recreational Facilities; b) Auxiliary Facilities Revenue Bonds, Series 1996 and 1997; and c) Student Sports Recreational Facilities Revenue Bonds, Series 1998.

Unaudited – See accompanying independent auditors' report

COLORADO STATE UNIVERSITY SYSTEM

Revenue Bonds' Earnings Requirements Schedules

Year ended June 30, 2007

- a) The bond resolutions require that earnings be calculated after the payment of the bond maturities for the prior year of the Auxiliary Facilities and the Student Sports Recreational Facilities bonds. For the purposes of determining compliance with the bond resolution, earnings for CSU Enterprise System are computed as follows:

| | |
|--|---------------------|
| Auxiliary revenues | \$ 80,804,847 |
| Add: | |
| Investment income from investment funds | 1,013,736 |
| Transferable interest income from plant funds | 291,293 |
| | <u>82,109,876</u> |
| Less old series bond obligations and new bonds operating expenses: | |
| Operating expenses | 76,087,975 |
| Less plant facilities expenses | (744,191) |
| Less depreciation expense | (3,355,635) |
| Less excluded equipment expenditures | (446,684) |
| Less compensated absences adjustment | (118,761) |
| | <u>71,422,704</u> |
| Principal and interest payments on old bond series | 3,147,518 |
| | <u>74,570,222</u> |
| Net income to meet requirement under the bond resolution | \$ <u>7,539,654</u> |
| Net income required under the bond resolution: | |
| Current year principal and interest payments | \$ 4,592,721 |
| Minimum earnings ratio required by bond resolution | <u>100%</u> |
| Net income required under the bond resolution | \$ <u>4,592,721</u> |

The net income for earnings requirement shown above exceeds the required amount.

Unaudited – See accompanying independent auditors' report

COLORADO STATE UNIVERSITY SYSTEM
Revenue Bonds' Earnings Requirements Schedules
Year ended June 30, 2007

(b) For the purposes of determining compliance with the bond resolution, earnings for the Auxiliary Facilities are computed as follows:

| | |
|--|---------------|
| Auxiliary revenues | \$ 76,404,222 |
| Add: | |
| Investment income from investment funds | 964,938 |
| Transferable interest income from plant funds | 161,971 |
| | 77,531,131 |
| Unrestricted expenses | 68,558,704 |
| Less: | |
| Excluded equipment expenditures | (341,839) |
| Compensated absences adjustment | (106,856) |
| | 68,110,009 |
| Net income to meet requirement under the bond resolution | \$ 9,421,122 |
| Net income required under the bond resolution: | |
| Current year principal and interest payments | \$ 2,917,965 |
| Minimum earnings ratio required by bond resolution | 125% |
| Net income required under the bond resolution | \$ 3,647,456 |

The net income for earnings requirement shown above exceeds the required amount.

Unaudited – See accompanying independent auditors' report

COLORADO STATE UNIVERSITY SYSTEM
Revenue Bonds' Earnings Requirements Schedules
Year ended June 30, 2007

c) For the purposes of determining compliance with the bond resolution, earnings for the Student Sports Recreational Facilities are computed as follows:

| | | |
|--|----|-----------|
| Auxiliary revenues | \$ | 4,400,625 |
| Add: | | |
| Investment income from investment funds | | 48,798 |
| Transferable interest income from plant funds | | 129,322 |
| | | 4,578,745 |
| Unrestricted expenses | | 3,429,445 |
| Less: | | |
| Excluded equipment expenditures | | (104,845) |
| Compensated absences adjustment | | (11,905) |
| | | 3,312,695 |
| Net income to meet requirement under the bond resolution | \$ | 1,266,050 |
| Net income required under the bond resolution: | | |
| Current year principal and interest payments | \$ | 229,553 |
| Minimum earnings ratio required by bond resolution | | 125% |
| Net income required under the bond resolution | \$ | 286,941 |

The net income for earnings requirement shown above exceeds the required amount.

Unaudited – See accompanying independent auditors' report

COLORADO STATE UNIVERSITY SYSTEM

Revenue Bonds' Earnings Requirements Schedules

Year ended June 30, 2007

Colorado State University – Pueblo (CSUP) Auxiliary Facilities Enterprise Refunding and Improvement Revenue Bonds

The following information is presented in accordance with the 2003 Series CSUP Auxiliary Facility Enterprise Refunding and Improvement Revenue Bonds. Determination of debt service coverage, as specified in the bond resolutions, requires certain adjustments from amounts reported in accordance with accounting principles generally accepted in the United States of America. The minimum excess requirements are computed as 125% of the combined principal and interest payments on the Series 2003 bonds due during the fiscal year.

| | |
|---|---------------------|
| Gross revenue | \$ 10,098,408 |
| Less general operating expenses | <u>(5,606,323)</u> |
| Available net revenue | <u>4,492,085</u> |
| Debt service requirement | 507,563 |
| | <u>125%</u> |
| Minimum excess requirement | <u>634,454</u> |
| Excess of available net revenue over minimum excess requirement | <u>\$ 3,857,631</u> |

Unaudited – See accompanying independent auditors' report

COLORADO STATE UNIVERSITY SYSTEM
State-Funded Student Financial Assistance Programs

Introduction

Year ended June 30, 2007

Introduction

Colorado State University System (the System) comprises two state-supported institutions of higher education:

- Colorado State University (CSU) located in Fort Collins
- Colorado State University – Pueblo (CSUP) located in Pueblo.

The financial and compliance audit of the state-funded student financial assistance programs at the System for the fiscal year ended June 30, 2007 was directed toward the objectives and criteria set forth in the Colorado Commission on Higher Education (CCHE) Financial Aid Policy, adopted in April 2002. The state-funded student financial assistance programs were examined simultaneously with the federal aid programs for the year ended June 30, 2007.

State-Funded Student Financial Assistance Programs

Institutional participation in the various state-funded student financial assistance programs is illustrated as follows:

| <u>State-Funded Student Assistance Program</u> | <u>CSU</u> | <u>CSUP</u> |
|---|------------|-------------|
| Colorado Leverage Education Assistance Program | X | X |
| Colorado Student Grant Program | X | X |
| Colorado Work-Study Program | X | X |
| Merit Award Program | X | X |
| Perkins and Health Professionals Student Loans Matching Program | X | X |
| Governor's Opportunity Scholarship | X | X |

The state-funded student financial assistance awards made by the institutions during fiscal years 2007 and 2006 and total state-funded matching funds transferred to Perkins Student Loan Fund were as follows:

| | <u>Fiscal year ended June 30</u> | |
|--|----------------------------------|-------------|
| | <u>2007</u> | <u>2006</u> |
| State-Funded Student Financial Assistance Awards: | | |
| Colorado State University | \$ 6,859,935 | 6,650,000 |
| Colorado State University – Pueblo | 3,239,294 | 2,961,000 |
| Perkins and Health Professionals Student Loans Matching Program: | | |
| Colorado State University | 149,000 | 1,000 |
| Colorado State University – Pueblo | — | — |