

Independent Accountant's Report on Bond Compliance

Members of the Legislative Audit Committee:

We have audited the financial statements of the business-type activities and the discretely presented component unit of the Colorado State University System (the System), a component unit of the State of Colorado, as of and for the year ended June 30, 2011, which collectively comprise its basic financial statements and have issued our report thereon dated November 30, 2011, 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. We did not audit the financial statements of the Colorado State University Foundation, the discretely presented component unit, as described in our report on the System's financial statements. The financial statements of the Colorado State University Foundation, the discretely presented component unit, were not audited in accordance with *Government Auditing Standards*.

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 compliance.

In accordance with the respective bond resolutions discussed above, revenue bonds' earnings requirement schedules (Schedules) are shown on pages 99-101. We have not audited the Schedules and express no opinion on them.

This report is intended solely for the information and use of the Legislative Audit Committee, the Office of the State Auditor, the Colorado University System 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.

BKD, LLP

November 30, 2011

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Colorado State University System
Revenue Bonds' Earnings Requirement Schedules
(Unaudited)
Year Ended June 30, 2011

Colorado State University (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. 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, which report the earnings of the entire Enterprise System net of the revenues and expenses earned and expensed between the Auxiliary Facilities; b) CSU-Pueblo Auxiliary Facilities Enterprise Refunding and Improvement Revenue Bonds, Series 2003; and c) System Enterprise Revenue Bonds, Series 2007A, B and C, 2008A, 2009A and 2010A, B and C, which include the earnings of 10% tuition, CSU 80% facilities fees, CSU-Pueblo 100% facilities fees, CSU Research Building Revolving Fund, and the remaining Auxiliary pledged revenues after debt service requirements on the 2003A, 2003B, and 2005B bonds.

- 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 Recreational Facilities bonds. For the purposes of determining compliance with the bond resolution, earnings are computed as follows:

Auxiliary revenues	\$	85,920,583
Add:		
Auxiliary fee revenue		17,927,888
Investment income		1,470,197
		105,318,668
Auxiliary expenses		
Unrestricted expenses		81,762,941
Less:		
Excluded equipment expenditures		(1,459,773)
Compensated absences adjustment		(42,390)
		80,260,778
Student sports recreational facilities		
Unrestricted expenses		4,015,567
Less:		
Excluded equipment expenditures		(235,928)
Compensated absences adjustment		(7,697)
		3,771,942
Net income to meet the earnings requirement under the bond resolution	\$	21,285,948
Net income required under the bond resolution:		
Current year principal and interest payments	\$	5,239,321
Minimum earnings ratio required by bond resolution		100%
Net income required under the bond resolution	\$	5,239,321

The net income to meet the earnings requirement under the bond resolution shown above exceeds the required amount.

Unaudited -- See accompanying independent accountants' report.

Colorado State University System
Revenue Bonds' Earnings Requirement Schedules
(Unaudited)
Year Ended June 30, 2011

b) For the purposes of determining compliance with the bond resolution, earnings for the 2003 CSU-Pueblo Auxiliary Facility Enterprise Refunding and Improvement Revenue Bonds:

Auxiliary revenues	\$	11,617,590
Add:		
Auxiliary fee revenue		194,140
Investment income		398,814
		12,210,544
Unrestricted expenses		8,630,157
Less:		
Excluded equipment expenditures		(115,207)
Compensated absences adjustment		22,499
		8,537,449
Net income to meet the earnings requirement under the bond resolution	\$	3,673,095
Net income required under the bond resolution:		
Current year principal and interest payments	\$	497,456
Minimum earnings ratio required by bond resolution		125%
Net income required under the bond resolution	\$	621,820

The net income to meet the earnings requirement under the bond resolution shown above exceeds the required amount.

Unaudited – See accompanying independent accountants' report.

Colorado State University System
Revenue Bonds' Earnings Requirement Schedules
(Unaudited)
Year Ended June 30, 2011

c) For the purposes of determining compliance with the bond resolution, earnings for the System Enterprise Revenue earnings are computed as follows:

	Tuition and Facilities Fee	Research Building Revolving Fund	Total
Pledged revenues	\$ 38,351,982	45,662,155	84,014,137
Pledged investment income	<u>54,019</u>	<u>63,124</u>	<u>117,143</u>
	38,406,001	45,725,279	84,131,280
Operating expenses	<u>9,005</u>	<u>587,552</u>	<u>596,557</u>
Total tuition, facilities fee and Research Building Revolving Fund, net of operating expenses	38,396,996	45,137,727	<u>83,534,723</u>
Auxiliary revenues			
Net available revenues			24,959,043
FY 2011 debt service requirements for 2003A, 2003B and 2005B bonds			<u>(5,736,777)</u>
Total available for enterprise system			<u>19,222,266</u>
Total net enterprise system revenue			<u><u>\$ 102,756,989</u></u>
Net income required under the bond resolution:			
Current year principal and interest payments			\$ 23,248,510
Minimum earnings ratio required by bond resolution			<u>100%</u>
Net income required under the bond resolution			<u><u>\$ 23,248,510</u></u>

The net enterprise system revenue shown above exceeds the required amount.

Unaudited – See accompanying independent accountants' report.