



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, 2008, which collectively comprise its basic financial statements and have issued our report thereon dated December 18, 2008. 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, a calculation of each bond's earnings requirement is shown on pages 107-109.

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

December 18, 2008

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Colorado State University System
(A Component Unit of the State of Colorado)
Revenue Bonds' Earnings Requirement Schedules
(Unaudited)
Year Ended June 30, 2008

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-P Auxiliary Facilities Enterprise Refunding and Improvement Revenue Bonds, Series 2003; and c) System Enterprise Revenue Bonds, Series 2007A,B, & C and 2008A, which include the earnings of 10% tuition, CSU 80% facilities fees, CSU-P 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		\$ 75,687,873
Add:		
Auxiliary fee revenue		14,162,034
Investment income		1,437,057
		<u>91,286,964</u>
Auxiliary expenses		
Unrestricted expenses		75,623,141
Less:		
Excluded equipment expenditures		(328,704)
Compensated absences adjustment		(121,477)
		<u>75,172,960</u>
Student sports recreational facilities		
Unrestricted expenses		3,630,381
Less:		
Excluded equipment expenditures		(11,310)
Compensated absences adjustment		(3,383)
		<u>3,615,688</u>
Net income to meet requirement under the bond resolution		<u>\$ 12,498,316</u>
Net income required under the bond resolution:		
Current year principal and interest payments		\$ 4,715,671
Minimum earnings ratio required by bond resolution		<u>100%</u>
Net income required under the bond resolution		<u>\$ 4,715,671</u>

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

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(Unaudited)
Year Ended June 30, 2008

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

Auxiliary revenues		\$ 6,055,000
Add:		
Auxiliary fee revenue		3,126,000
Investment income		4,539,943
		13,720,943
Unrestricted expenses		6,083,231
Less:		
Excluded equipment expenditures		(74,329)
Compensated absences adjustment		(5,159)
		6,003,743
Net income to meet requirement under the bond resolution		\$ 7,717,200
Net income required under the bond resolution:		
Current year principal and interest payments		\$ 503,156
Minimum earnings ratio required by bond resolution		125%
Net income required under the bond resolution		\$ 628,945

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

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(Unaudited)
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- 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	Revenue Bonds Revolving Fund	Total
Total pledged revenue	\$ 29,375,975	\$ 44,473,271	\$ 73,849,246
Operating expenses	<u>6,706</u>	<u>920,412</u>	<u>927,118</u>
Total tuition, facilities fee, and RBRF	<u>29,369,269</u>	<u>43,552,859</u>	<u>72,922,128</u>
Auxiliary revenues			
Net available revenues			20,215,516
FY 2008 debt service requirements for 2003A, 2003B, and 2005B bonds			<u>(5,218,827)</u>
Total available for enterprise system			<u>14,996,689</u>
Total net enterprise system revenue			\$ <u>87,918,817</u>
Net income required under the bond resolution:			
Current year principal and interest payments			\$ 9,260,990
Minimum earnings ratio required by bond resolution			<u>100%</u>
Net income required under the bond resolution			\$ <u>9,260,990</u>

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