COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
Denver, Colorado

FINANCIAL AND COMPLIANCE AUDITS
Fiscal Years Ended June 30, 2008 and 2007

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Members of the Legislative Audit Committee:

We have completed the financial statement audits of the Colorado Student Loan Program dba College Assist, Department of Higher Education, State of Colorado as of and for the years ended June 30, 2008 and 2007. Our audits were conducted 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 were engaged to conduct our audits pursuant to Section 23-3.1-109, C.R.S., which authorizes the State Auditor to conduct an annual audit of the Colorado Student Loan Program dba College Assist, Department of Higher Education, State of Colorado. The reports we have issued as a result of this engagement are set forth in the table of contents which follows.

Clifton Gunderson LLP

Denver, Colorado
December 17, 2008

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Authority, Purpose, and Scope

This audit was conducted under Section 23-3.1-109, C.R.S., which authorizes the State Auditor to conduct an annual audit of the Colorado Student Loan Program dba College Assist, Department of Higher Education, State of Colorado. The State Auditor contracted with Clifton Gunderson LLP to perform this audit.

The audit was conducted in accordance with auditing standards generally accepted in the United States of America as promulgated by the American Institute of Certified Public Accountants in *Statements on Auditing Standards;* the standards for financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Single Audit Act of 1996, as amended; and the provisions of Office of Management and Budget ("OMB") Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations,* as amended.

The purpose of the audit was to express an opinion on the financial statements and present the results of the financial and compliance audits of the Colorado Student Loan Program dba College Assist, Department of Higher Education, State of Colorado, and to report on current year findings and on the implementation status of the prior year recommendations.

Audit Opinions and Reports

The independent auditor's reports, included herein, state that the financial statements of the Colorado Student Loan Program dba College Assist (the "Enterprise") and aggregate remaining fund information are fairly stated, in all material respects, in accordance with accounting principles generally accepted in the United States of America, and that no material weaknesses in internal controls were discovered during the course of our audits.

Summary of Major Audit Findings and Recommendations

Current Year Audit Findings and Recommendations

There were no findings identified during our audit for the fiscal year ended June 30, 2008.

Summary of Progress in Implementing Prior Year Audit Recommendations

The audit report for the year ended June 30, 2007 contained two recommendations for fiscal year 2007. All recommendations from fiscal year June 30, 2007 have been implemented. The disposition of prior year audit recommendations begins on page 8.

Auditor's Communication to the Legislative Audit Committee

The auditor's communication to the Legislative Audit Committee describes the auditor's responsibility under auditing standards generally accepted in the United States of America and significant management judgments and estimates. It also notes that there were no significant audit adjustments for the fiscal year ended June 30, 2008. This communication is located on page 63.

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Recommendation Number	Page Number	Recommendation Summary	Response	Implementation Date

There were no findings identified during our audit for the fiscal year ended June 30, 2008.

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Proprietary Funds

Colorado Student Loan Program dba College Assist ("Enterprise" aka "guaranty agency"), was created by an act of the Colorado Legislature in June 1979. During the 2004 legislative session, House Bill 04-1350 allowed the Enterprise, formerly the Colorado Student Loan Program, to change its name to College Access Network, effective July 1, 2004. During the 2006 legislative session, House Bill 06-1260 reversed this name change and returned the agency to its formal legal name of Colorado Student Loan effective July 1, 2006. The Enterprise retained College Access Network as its "doing business as" name until December 31, 2006; thereafter it changed the dba to College Assist.

The Enterprise is a self-supporting enterprise and receives no State appropriation. The primary mission of the Enterprise is to assist Colorado residents with planning for college and supporting lenders and Colorado institutions of higher education by administering the Federal Family Education Loan program ("FFEL") for the U.S. Department of Education ("DE").

On November 1, 2005, the Enterprise entered into an amendment to the original contract with Nelnet, Inc., ("Nelnet" aka "service provider") with its principal offices located in Lincoln, Nebraska, to sell to Nelnet the Enterprise's student loan servicing division and to expand the administrative and support services related to such guarantee operations performed by Nelnet. Nelnet, acting as a service provider, performs loan origination services on behalf of the Enterprise, assists with Enterprise activities in accordance with the Lender Participation Agreements, the Voluntary Flexible Agreement ("VFA"), maintenance of the guarantee computer system, data exchange, and other agreed upon services. As part of this agreement, Nelnet and the Enterprise shared revenue receipts with 70% credited to Nelnet and 30% to the Enterprise. Effective January 1, 2008, the VFA was terminated by the DE. As a result, the contractual agreement with the DE reverted back to the standard guaranty agency agreement and related fee structure. Additionally, upon termination of the VFA, the revenue sharing agreement with Nelnet changed to 80% credited to Nelnet and 20% to the Enterprise. The Nelnet agreement is for ten years, expiring on October 30, 2015. The agreement can be cancelled after seven years if revenues or expenses change, and can be renewed for a second ten year term if both parties agree.

The Enterprise represents a partnership between Nelnet and lenders, schools, and the Federal government. The loan capital is provided by approximately 49 private lenders including banks, savings and loan associations, credit unions, pension funds, insurance companies, and secondary markets. With the support of Nelnet, the Enterprise administers FFEL and guarantees the loans made to students and parents in accordance with Federal regulations established pursuant to *Title IV, Part B, of the Higher Education Act of 1965 (P.L. 89-329) as amended,* (20 U.S.C. 1071 *et seq).* Student borrowers attend 70 participating Colorado schools, and any federally eligible school located outside of Colorado – including colleges, universities, community colleges, career schools (proprietary), graduate, and professional. The school certifies both student enrollment and financial costs.

The Enterprise insures the lender against financial loss from default, disability, death, or bankruptcy. Through its partnership with Nelnet, the Enterprise also provides needed technical and training assistance to schools and lenders to assure that both schools and lenders are performing in accordance with applicable laws, regulations, and policies. Nelnet also assists borrowers through default prevention activities, and pursues collection of defaulted loans on behalf of the Enterprise.

The Federal government serves as the reinsurer. If the Enterprise must reimburse a lender for an uncollectible loan, it files a claim for reimbursement to the DE pursuant to §428(c)(1) and §682.404(a), the VFA through December 31, 2007, and thereafter under the standard guaranty agency agreement. Fiscal year 2005 was the first year under which the VFA existed between the Enterprise and the DE. Claims paid by the Enterprise are reimbursed by the DE at 100% and 95% under the VFA and standard guaranty agency agreement, respectively.

Federal Family Education Loan Program

As previously mentioned, the Enterprise administers the FFEL program for the DE. Since inception of the Enterprise in 1979, approximately $20.5 billion of net loans have been guaranteed. The total net outstanding loan portfolio at June 30, 2008 is $13.1 billion. The FFEL program consists of Stafford, PLUS, and Consolidation Loans as described below.

Federal Stafford Loans (Subsidized and Unsubsidized)

Any student, regardless of income, may receive a Federal Stafford Loan. This program makes low-interest rate loans to students enrolled at participating colleges and universities up to certain maximum loan amounts. The interest rates were variable, and are fixed effective July 1, 2007. Subsidized Stafford Loans are those in which the Federal government pays the interest on the loan as long as the student is in school, in grace period, or in loan deferment. If the student does not qualify financially for federal interest subsidy, the student can still borrow but will be responsible for interest payments (Unsubsidized Stafford Loan). The interest may be paid while in school, during the grace period or loan deferment, or it may accrue and be added to the loan balance.

Since the creation of the Enterprise in 1979, net guaranteed Stafford loans totaling over $6.8 billion have been made to students. Students borrowed a total of $585 million in net Stafford Loans in fiscal year 2008.

Federal PLUS Loans

Parents of dependent undergraduate students are eligible to borrow under another Federal loan program called the Parent Loans for Undergraduate Students ("PLUS"). PLUS loans are not based on financial need, and have a variable interest rate that is adjusted on July 1st of each year. The maximum amount that can be borrowed is limited only by the cost of school attendance minus any other financial aid. The school financial aid office and/or the lender make the final determination on the amount.

Since 1979, parents participating in the PLUS program have received over $530 million in net guaranteed loans. In fiscal year 2008, the net PLUS loans totaled $51 million.

Federal Consolidation Loans

Students attending a college or university may have more than one loan. The Federal Loan Consolidation program allows student borrowers to combine their Stafford, Perkins, Federally Insured Student Loans ("FISL"), Health Professional Student Loans ("HPSL"), or Federal Supplemental Loans for Students ("SLS") into one loan. PLUS loans made after October 17, 1986, can be consolidated by parent borrowers. Effective January 1, 1993, defaulted loans may be consolidated provided certain conditions are met. Consolidating loans may result in a lower payment, longer repayment period, and no insurance premium is charged. In addition, the interest rate for loan consolidations is fixed for the life of the loan.

Since inception of this program, net guaranteed loan consolidations total $13.1 billion. In fiscal year 2008, $638 million in net loan consolidations were generated.

College Opportunity Fund (Fiduciary Fund)

The College Opportunity Fund is a private purpose trust fund with the financial operations managed by College Assist. The College Opportunity Fund's activities are accounted for in a fund that resides with the State. On an annual basis, the General Assembly appropriates funds to the Department of Higher Education for purposes of supporting the College Opportunity Fund.

Background

The College Opportunity Fund ("COF") was established in Fall 2005 to increase the number of Coloradans pursuing education beyond high school. The fundamental belief is that a post secondary education experience for Coloradans is essential for the State to compete in the new global economy and to develop a new generation of leaders and active participants in State and local affairs. This new funding system should encourage access and student enrollment for undergraduate students while maintaining distinctive missions of universities and colleges and encouraging geographical access. It is intended to fundamentally change the process by which the State finances postsecondary education from funding institutions to funding individuals in form of a stipend. While the intent is to change the process of funding for postsecondary education, funding for postsecondary education is not an entitlement. During periods of revenue shortfalls, the General Assembly may use a variety of mechanisms to balance the State's budget, including reducing appropriations to institutions of higher education, decreasing the value of the stipend, or placing a limit on the number of stipends funded under this act based upon the overall budgetary needs of the State.

Stipends are set annually by the General Assembly during the State's budget process. The allocation is defined on a per-credit-hour basis where the advertised amount is representative of a full-time student taking 30 credit hours each year. For the 2007-08 academic year, the State provided each participating student with a $2,670 stipend or $89 per credit hour.

Each student receives an account of 145 lifetime credit hours that may be applied toward the cost of total in-state tuition for undergraduate degree programming. Caps do not exist on the number of credit hours that a student may take in any given academic year. Students who are unable to complete a baccalaureate degree within 145 credit hours may apply through either

their institution or the Colorado Department of Higher Education for a one-time waiver of their lifetime-credit-hour allocation. Those students who exhaust their lifetime credit hour cap and are not provided a waiver will be required to pay the full cost of in-state tuition for the completion of their degree.

Students who receive a baccalaureate degree following July 1, 2005 will be provided an additional 30 credit hours that can be applied toward continuing education conducted at the undergraduate level. Any undergraduate course that is cash or fee-for-service funded is ineligible to receive stipend reimbursement.

Financial Aid

The COF is not considered financial aid. The COF is a way of delivering funding to institutions as stated in the statute. The stipend is not classified as student financial aid. The stipend is not included in calculating a student's cost of attendance nor is it a resource to the student for financial aid purposes. When the State's budget for higher education is appropriated, funding for financial aid and the stipend are made through separate budget allocations.

Students Attending Private Institutions

A portion of the COF was established to provide Pell-eligible students attending selected private institutions the ability to receive a half stipend or $44 per credit hour. For participation purposes, these students must have graduated from a Colorado high school and be considered an in-state resident.

Performance Contracts

Under the COF, all public and participating private institutions are required to enter into a performance contract with the Colorado Department of Higher Education. For the public colleges and universities, the intent of the contracts is to eliminate the current one-size-fits-all practice of quality control while enforcing a system of program accountability.

Legislative provisions within the COF established essential goals that are included in each institution's contract. This language states that institutions will continue to focus on improving student access and success, advancing institutional quality and operation, and developing the State's workforce. Additionally, the contracts aim to strengthen statewide efficiency programs that were designed to help students graduate in a timely manner.

Contracts with participating private institutions differ from those signed with the State's public institutions. The quality assurance reporting that is developed with these institutions focuses specifically on the graduation, retention, and success rates of participating Pell-eligible students.

Fee-for-Service Contracts

In addition to the funding that public institutions receive from the student stipends, the institutions also collect State General Fund dollars by entering into a fee-for-service contract with the Colorado Department of Higher Education. These contracts allow the State to purchase "specified educational services and facilities required for the full development of Colorado's educational and economic opportunities". Institutional programs that receive fee-for-service funding may not collect stipend reimbursement from participating students. The fee-for-service contracts are funded form the State's general fund separately from the COF.

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Current Year Findings and Recommendations

There were no findings identified during our audit for the fiscal year ended June 30, 2008.

Disposition of Prior Year Audit Recommendations

The following is a summary of audit recommendations made as part of the financial audits for the years ended June 30, 2007 and the current disposition of these recommendations.

2007 Recommendations:

Recommendation No. 1	Disposition
The Enterprise should implement and strengthen controls over its reporting to the U.S. Department of Education.	Implemented

Recommendation No. 2	Disposition
The Enterprise should improve their timeliness of the year-end financial reporting process and audit support efforts needed to meet State deadlines.	Implemented

Clifton Gunderson LLP
Certified Public Accountants & Consultants

Independent Auditor's Report

Members of the Legislative Audit Committee:

We have audited the accompanying financial statements of the business-type activities (Proprietary Funds referred to as the “Enterprise”) and the aggregate remaining fund information (Fiduciary Fund referred to as “COF”) of the Colorado Student Loan Program dba College Assist, Department of Higher Education, State of Colorado as of and for the years ended June 30, 2008 and 2007, which collectively comprise the Enterprise and COF’s basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Enterprise and COF’s management. Our responsibility is to express opinions on these financial statements based on our audits.

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

As discussed in Note 1, the basic financial statements of the Enterprise and COF are intended to present the financial position, results of operations and, where applicable, cash flows for only that portion of the financial reporting entity, the State of Colorado, that is attributable to the transactions of the Enterprise and COF. They do not purport to, and do not present fairly, the financial position of the State of Colorado as of June 30, 2008 and 2007, and the changes in its financial position and its cash flows, where applicable, for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the Enterprise and COF as of June 30, 2008 and 2007, and the respective changes in financial position and, where applicable, cash flows for the years 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 December 17, 2008, on our consideration of the Enterprise and COF's internal control over financial reporting and on 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 audits.

The management's discussion and analysis on pages 11 through 22 and pages 45 through 47 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Enterprise and COF's basic financial statements. The accompanying supplementary information for the Enterprise listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the Enterprise's basic financial statements taken as a whole.

Clifton Gunderson LLP

Denver, Colorado
December 17, 2008

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The Management Discussion and Analysis ("MD&A") is required by Governmental Accounting Standards. It was prepared by the Colorado Student Loan Program dba College Assist ("Enterprise") management and is designed to provide an analysis of the Enterprise's financial condition and operating results for the fiscal years ended June 30, 2008 and 2007. The MD&A also informs the reader of the financial issues and activities related to the Enterprise. It should be read in conjunction with the Enterprise's financial statements, which begin on page 23. The Enterprise is a state agency that provides origination and collection services on behalf of private and non-profit lenders participating in the Federal Family Education Loan program ("FFEL") pursuant to the *Higher Education Act as amended*.

Basic Financial Statements – Colorado Student Loan Program dba College Assist

The financial report includes the report of independent auditors, the management discussion and analysis, and the basic financial statements. The financial statements are interrelated and represent the financial status of the Enterprise.

The Combined Statements of Net Assets includes the assets, liabilities, and net assets at the end of the fiscal years. Over time, increases or decreases in the net assets continue to serve as a useful indicator of whether the financial position of the Enterprise is improving or deteriorating.

The Combined Statements of Revenues, Expenses, and Changes in Net Assets presents the revenues earned and expenses incurred during the fiscal years. Revenues and expenses are reported on the accrual basis. Thus, revenues and expenses are reported in the statement for some items that will result in cash flows in future fiscal periods.

The Combined Statements of Cash Flows presents information related to cash inflows and outflows summarized by operating, noncapital financing, investing, and capital and related financing activities. Operating activities represent the day-to-day activities of the Enterprise. Non-capital financing activities represent transfers to other agencies. Capital and related financing activities represent acquisitions of capital assets and payments on capital debt and capitalized leases. Investing activities represent investment earnings on temporary cash investments.

Financial Overview

Colorado Student Loan Program dba College Assist is an Enterprise Fund of the State of Colorado. The Enterprise's activities are accounted for in two separate funds residing with the State Treasurer – the Agency Operating Fund and the Federal Reserve Fund. The Agency Operating Fund is the property of the guaranty agency, except for funds that have been transferred from the Federal Reserve Fund. During periods in which the Agency Operating Fund contains funds transferred from the Federal Reserve Fund, the Agency Operating Fund may be used only as permitted by the Higher Education Act. The Agency Operating Fund does not currently contain funds transferred from the Federal Reserve Fund. Assets of the Federal

Reserve Fund are designated for paying lender claims, transfer of default aversion fees to the Agency Operating Fund, transfer of account maintenance fees to the Agency Operating Fund (if so designated by the U.S. Department of Education ("DE")), refund appropriate payments made by or on behalf of a borrower, pay DE's share of borrower payments, refund insurance premiums related to loans cancelled or refunded, return to the DE portions of the Federal Reserve Fund required to be returned by the Act, and for any other purpose authorized by the DE. The Federal Reserve Fund is the property of the federal government.

Management Highlights

The Enterprise's largest source of revenue in the Federal Reserve Fund is reinsurance from the DE on claims paid to lenders on defaulted loans. For fiscal year 2007, the Enterprise claims were reimbursed at 100% reflecting the Voluntary Flexible Agreement ("VFA") entered into between the Enterprise and DE, effective July 1, 2004. Effective January 1, 2008 the VFA was terminated by DE; as a result in fiscal year 2008, claims were reimbursed at 100% for the first six months of the year and at 95% for the last six months of the year. For fiscal years 2008 and 2007 this represented a 72% and 48% increase, $274,850,607 and $160,242,209 in revenue for the Federal Reserve Fund, respectively. Total claims paid to lenders for the fiscal years 2008, 2007, and 2006 from the Federal Reserve Fund were $280,503,150, $159,744,253, and $108,752,315, respectively. This represents a 76% increase from fiscal year 2007 to 2008 and a 47% increase from fiscal year 2006 to 2007. The total Federal Reserve Fund assets decreased 25% between fiscal years 2007 and 2008. The decrease was primarily due to changes resulting from termination of the VFA to the standard guaranty agency agreement and fee structure. Specifically, the change resulted in a decrease in the reinsurance rate from 100% to 95%, and default aversion fees being paid and transferred from the Federal Reserve Fund instead of directly from DE as was dictated by the VFA. Effective July 1, 2006, the Higher Education Act, as amended, established a 1% default fee that was to be either collected by the Enterprise from lenders or borrowers or on behalf of borrowers. Prior to the default fee, a 1% guarantee fee was in effect. Both the default fee and the guarantee fee were established for the purpose of sustaining the Federal Reserve Fund. For fiscal years 2008 and 2007, the Enterprise decided to pay the default fees on behalf of borrowers in the amounts of $5,206,273 and $5,164,319, respectively.

On November 1, 2005, the Enterprise entered into an agreement with a third party service provider, Nelnet, Inc. (Nelnet) to provide administrative and support services related to guaranty agency operations. Nelnet performs loan origination services and activities in accordance with Lender Participation Agreements and the VFA. Nelnet also provides services including maintenance of the guaranty computer system, data exchange, and other agreed upon services on behalf of the Enterprise. As part of this agreement, Nelnet and the Enterprise shared revenue receipts with 70% paid to Nelnet and 30% to the Enterprise prior to termination of the VFA. Effective January 1, 2008, Nelnet and the Enterprise share revenue receipts at 80% and 20%, respectively.

The Enterprise is in the business of guaranteeing student loans and performing collection efforts on defaulted loans. During fiscal year 2008, the new gross loan volume guaranteed totaled $1,397,147,819. The new gross loan volume guaranteed in fiscal year 2007 was $4,378,688,911. The difference, $2,981,541,092, represents a 68% decrease in new loans guaranteed.

The decrease in new loan guarantees resulted primarily from a significant decrease in consolidation loan volume. In fiscal year 2008, new consolidation loans guaranteed totaled $645,710,610, compared to $3,535,755,086 in consolidation loan guarantees in fiscal year 2007. The significant decrease of new consolidations guaranteed in fiscal year 2008 over fiscal year 2007 resulted in a decrease of 82%. Consolidation volume is created when borrowers combine all outstanding loans into a single loan that is often repaid over a longer term. Due to the changes to the Higher Education Act implemented in October 2007, substantially all lenders discontinued originating consolidation loans resulting in the significant decrease in loan guarantees.

The Enterprise's net loan portfolio (net outstanding loans guaranteed) on June 30, 2008, was $13,081,223,566. The net outstanding loans are computed by subtracting loan cancellations, loans paid in full, claims paid, and uninsured loans from gross loan volume. The total loan portfolio increased 3% or $428,688,869 in fiscal year 2008. The fiscal year 2007 net outstanding loans were $12,652,534,697. The growth in the total loan portfolio decreased substantially from 28% to 3% for fiscal years 2007 and 2008, respectively. This decrease was due primarily to a significant reduction in new consolidation loan volume; due in large part to legislation enacted in October 2007 as part of the College Cost Reduction Act causing a reduction in the profitability of consolidation loan originations. As a result, the number of lenders originating consolidation loans was significantly reduced.

For fiscal year 2007, the Enterprise operated under the VFA with DE, while in fiscal year 2008 the VFA was only in effect for six months. Upon termination of the VFA, the Nelnet agreement calls for a revenue sharing change from 70% to 80%. As such, federal grants and contracts revenue less the amount paid to Nelnet decreased approximately $5 million due primarily to reduced revenues upon termination of the VFA and decreased revenue retained by the Enterprise under the revenue sharing arrangement with Nelnet.

Net assets grew by 3% from $46,662,238 in fiscal year 2007 to $48,011,222 in fiscal year 2008. The increase in net assets for the Agency Operating Fund is primarily due to a reduction in required intergovernmental transfers. Revenue changes for all funds, including the Federal Reserve Fund, resulting from the termination of the VFA on January 1, 2008 include:

- Reinsurance from DE to the Enterprise for claim payments to lenders at 100% under the VFA was reduced to 95% under the standard guaranty agency agreement fee structure. Claims are paid to lenders from the Federal Reserve Fund and the reinsurance reimbursement receipts offset those payments.
- Collections reimbursement was at variable rates of 17% to 25% under the VFA for fiscal year 2007 and the first three months of fiscal year 2008. Effective October 1, 2007, the collections reimbursement changed to a fixed rate of 16%.
- Payment of the default aversion fee at a variable rate with 1.01% being the floor and rising to 1.10% under the VFA. Under the standard guaranty agency agreement fee structure, the rate is a flat 1% on all eligible default aversion requests subject to a 1% refund/reduction for each request that subsequently defaults.

  In addition, under the VFA, the Enterprise may rebill DE for default aversion requests on eligible loans older than 12 months. Default aversion payments are made directly to the Enterprise by DE rather than as a transfer from the Federal Reserve Fund. However, under the standard guaranty agency agreement fee structure, rebills are not allowed and default aversion fees less the refunds are paid to the Enterprise via a transfer of funds from the Federal Reserve Fund.

- Account maintenance fees under the VFA are paid at 10%. However, effective October 1, 2007, this fee was reduced to 6%. Furthermore, account maintenance fees and loan processing issuance fees are invoiced to DE monthly under the VFA. Under the standard guaranty agency agreement, these fees are not invoiced to DE, but rather paid and reconciled by DE quarterly.

A delinquency prevention fee is received based on how successful the Enterprise is in preventing delinquencies. Under the VFA, this fee is invoiced to DE on a monthly basis. Effective October 1, 2007, the delinquency prevention fee was eliminated.

In October 1998, legislation was passed re-authorizing the Higher Education Act. One of the provisions of reauthorization required the guaranty agencies to pay back reserves to the Federal Treasury of $250 million by September 30, 2007. The Enterprise's share of this recall was $4,641,050. The Enterprise paid DE $1,531,546 and $1,577,957 in fiscal years 2007 and 2003, respectively. The final payment of $1,531,547 was paid in fiscal year 2008.

CONDENSED SCHEDULE OF NET ASSETS

June 30,	Agency Operating Fund 2008	Agency Operating Fund 2007	Agency Operating Fund 2006	Federal Reserve and Drawdown Funds 2008	Federal Reserve and Drawdown Funds 2007	Federal Reserve and Drawdown Funds 2006
ASSETS						
Current Assets	$ 51,780,935	$ 52,343,362	$ 45,619,365	$ -	$ -	$ -
Restricted Assets	-	-	-	37,551,835	49,856,619	34,847,223
Capital Assets	374,887	628,082	918,393	-	-	-
Total Assets	$ 52,155,822	$ 52,971,444	$ 46,537,758	$ 37,551,835	$ 49,856,619	$ 34,847,223
LIABILITIES						
Current Liabilities	$ 3,926,301	$ 5,961,713	$ 2,526,466	$ -	$ -	$ -
Noncurrent Liabilities	218,299	347,493	125,754	-	-	-
Liabilities Payable from Restricted Assets	-	-	-	106,585	10,586,685	8,117,240
Total Liabilities	$ 4,144,600	$ 6,309,206	$ 2,652,220	$ 106,585	$ 10,586,685	$ 8,117,240
NET ASSETS						
Invested in Capital A	$ 374,887	$ 628,082	$ 918,393	$ -	$ -	$ -
Restricted Assets	-	-	-	37,445,250	39,269,934	26,729,983
Unrestricted	47,636,335	46,034,156	42,967,145	-	-	-
Total Net Assets	$ 48,011,222	$ 46,662,238	$ 43,885,538	$ 37,445,250	$ 39,269,934	$ 26,729,983

Net Assets Analysis

Agency Operating Fund – Fiscal Year 2008

Unrestricted net assets of the Agency Operating Fund increased from $46,034,156 to $47,636,335 or 3% in fiscal year 2008. Significant revenue and expense changes affecting fiscal year 2008 included a $5 million reduction in federal fee and collections revenue, net of amounts paid to Nelnet, and a $1.2 million increase in operating expenses offset by a significant reduction of account maintenance fee interfund transfers in non-operating expenses of $4.6

million. The reduction in federal fee and collections revenue is attributable to reduced fees and elimination of certain fees paid under the standard guaranty agency agreement fee structure, and the increased revenue sharing percentage (from 70% to 80%) paid to Nelnet which became effective upon termination of the VFA. Total liabilities decreased 34% primarily due to a reduction in federal fee revenue due and payable to Nelnet at year-end.

Agency Operating Fund – Fiscal Year 2007

Unrestricted net assets of the Agency Operating Fund increased from $42,967,145 to $46,034,156 or 7% in fiscal year 2007. With the amended Nelnet agreement in place for a full operating year, both the Enterprise revenue and expenses were affected. New origination and consolidation volume increased the Enterprise's gross overall loan portfolio. Normally, this would have increased total operating expenses. However, under the provisions of the amended Nelnet agreement, 70% of the revenue was shared with Nelnet and, along with decreased loan servicing fees offset by decreased operating expenses, resulted in an insignificant net change in operating income. Total liabilities increased 138% primarily because of revenue sharing fees due and payable to Nelnet as of year-end.

Federal Reserve Fund – Fiscal Year 2008

Total assets decreased in fiscal year 2008 by 25% primarily due to increased claims paid to lenders coupled with a reduction in the reinsurance reimbursement rate paid by DE from 100% under the VFA to 95% under the standard guaranty agency agreement fee structure. Additionally, under the standard guaranty agency agreement effective January 1, 2008, payment of the default aversion fee, net of refunds, is made to the Enterprise via a transfer of funds from the Federal Reserve Fund to the Agency Operating Fund. Transfer of the federal default aversion fee to the Federal Reserve Fund continues to be required.

Total liabilities decreased by $10,480,100 or 99% in fiscal year 2008. This decrease was primarily caused by: first a reduction of claims payable due to lenders by $3.7 million due to changes in the billing processing and timing as a result of the termination of the VFA. Second, a reduction of $3.4 million due to timing of payments to the DE for collections due and payable to DE. And finally, a reduction of $1.5 million due to the final payment for the recall reserves was paid in fiscal year 2007.

Federal Reserve Fund – Fiscal Year 2007

Total assets increased in fiscal year 2007 by 43% primarily due to transfers of the federal default fee and account maintenance fees from the Agency Operating Fund. Effective July 1, 2006, the Enterprise was required to transfer to the Federal Reserve Fund the federal default aversion fee equal to 1% of net loan disbursements.

CONDENSED SCHEDULE OF REVENUES

	Agency Operating Fund			Federal Reserve and Drawdown Funds		
Years Ended June 30,	**2008**	**2007**	**2006**	**2008**	**2007**	**2006**
OPERATING REVENUES						
Federal Grants and Contracts	$ 10,863,004	$ 15,900,953	$ 18,115,491	$ 274,850,607	$ 160,242,209	$ 108,536,977
Charges for Goods and Services	-	85,208	2,594,108	-	-	102,578
Interest on Purchased Loans	687,081	421,081	402,842	-	-	-
Other	174,431	337,057	16,762	120,984	-	1,078,204
Total Operating Revenues	11,724,516	16,744,299	21,129,203	274,971,591	160,242,209	109,717,759
Nonoperating Revenues	2,645,912	2,384,757	1,018,332	2,395,475	2,102,890	781,764
Interfund Transfers	-	-	-	5,382,923	9,939,298	16,200,035
Specialization	-	-	41,200,000	-	-	-
TOTAL REVENUES	$ 14,370,428	$ 19,129,056	$ 63,347,535	$ 282,749,989	$ 172,284,397	$ 126,699,558

Revenue Analysis

Agency Operating Fund – Fiscal Year 2008

Net Federal Grants and Contracts revenue decreased in fiscal year 2008 from $15,900,953 to $10,863,004 or 32% in the Agency Operating Fund. The decrease was due primarily to the reduction of federal fee and collections revenue paid by DE. Effective October 1, 2007, with the enactment of the College Cost Reduction and Access Act, account maintenance fees were reduced from 10% to 6% and the retention percentage on collections of defaulted loans were reduced from 23% to 16%. Additionally, upon termination of the VFA; the delinquency prevention fee was eliminated along with other performance based fees subject to the VFA. Additional reductions in revenue were due to revenue sharing with Nelnet. A total of about $34 million of both collections and federal fee revenue was shared directly with Nelnet at 70% and 80% for the first six and last six months of the year, respectively. The overall Enterprise cash flow continued to improve at 3%, down from the prior year rate of improvement of 11%. The current year improvement was primarily due to monthly invoicing of fees due from DE for the first six months; whereas upon termination of the VFA, payment by DE of the fees reverted back to quarterly payments. Non-operating revenues consisted of earnings on pooled cash investments. Investment earnings increased 11% from $2,384,757 in fiscal year 2007 to $2,645,912 in fiscal year 2008. The increase reflects interest earned on a larger balance of cash flow available on a monthly basis in the Agency Operating Fund. Available cash is invested by the State Treasurer.

Agency Operating Fund – Fiscal Year 2007

Net Federal Grants and Contracts revenue decreased in fiscal year 2007 from $18,115,491 to $15,900,953 or 12% in the Agency Operating Fund. As previously discussed, most changes in guarantee-related revenue resulted from decreased revenue due to the revenue sharing with Nelnet. About $33 million of both collections and VFA federal fee revenue was shared directly with Nelnet. Additionally, contractual service fees related to loan servicing are no longer generated as a result of the provisions in the Nelnet agreement. Total operating revenues decreased 21%, primarily due to the revenue sharing between the Enterprise and Nelnet. The overall Enterprise cash flow continued to improve due to monthly invoicing of fees due from DE compared to previous quarterly payment of those revenues. Non-operating revenues in the

Agency Operating Fund consist of earnings on pooled cash investments. Investment earnings increased 134% from $1,018,332 in fiscal year 2006 to $2,384,757 in fiscal year 2007 – a reflection of larger cash flow available on a monthly basis in the Enterprise funds invested by the State Treasurer and somewhat higher interest rates.

Federal Reserve Fund – Fiscal Year 2008

Federal Grants and Contracts revenue increased in fiscal year 2008 by 72%, from $160,242,209 in 2007 to $274,850,607 in 2008. The increase reflects both a significant increase in the number of default claims paid to lenders and an increase in the average principal amount of individual lender claims. The latter results from borrowers with larger-balance consolidation loans entering default, while the former may be primarily due to a downturn in the economy. Reimbursement of claims by DE at 100% for the first six months of the fiscal year also impacted the increase in this revenue element, as during the latter half of the fiscal year the reimbursement rate dropped to 95%.

Federal Reserve Fund – Fiscal Year 2007

Federal Grants and Contracts revenue increased in fiscal year 2007 by 48%, from $108,536,977 in 2006 to $160,242,209 in 2007. The increase reflects both an increase in the number of default claims paid to lenders and a slight increase in the size of some individual lender claims. The latter results from borrowers with larger-balance consolidation loans entering default. Reimbursement of claims by DE at 100% also impacted the increase in this revenue element.

CONDENSED SCHEDULE OF EXPENSES

	Agency Operating Fund			Federal Reserve and Drawdown Funds		
Years Ended June 30,	**2008**	**2007**	**2006**	**2008**	**2007**	**2006**
OPERATING EXPENSES						
Guarantee Claims Paid to Lending Institutions	$ -	$ -	$ -	$ 280,503,150	$ 159,744,253	$ 108,752,315
Salaries and Fringe Benefits	3,019,001	2,917,798	5,564,503	-	-	-
Contracted Collection Costs	-	-	522,183			-
Other Operating and Travel	4,238,985	3,112,566	4,273,699	-		37,222
Default Aversion transfers	-	-	-	4,071,523		-
Depreciation	253,195	302,657	309,162	-	-	-
Total Operating Expenses	7,511,181	6,333,021	10,669,547	284,574,673	159,744,253	108,789,537
NON OPERATING EXPENSES						
Loss on Sale of Equipment	-	-	85,204	-	-	-
Intergovernmental non-operating expenses to other agencies	127,340	80,230	-	-	-	-
TOTAL EXPENSES	$ 7,638,521	$ 6,413,251	$ 10,754,751	$ 284,574,673	$ 159,744,253	$ 108,789,537

Expense Analysis

Agency Operating Fund – Fiscal Year 2008

Salaries and fringe benefits increased approximately 3% from $2,917,798 in 2007 to $3,019,001 in fiscal year 2008. The increase is primarily due to achievement of full staffing needs in accounting and finance, increased student outreach activity, salary allocations for internally developed software, and litigation consulting expenses.

Operating and travel increased approximately 36% from $3,112,566 in 2007 to $4,238,985 in 2008 primarily due to increased contract commitments for website maintenance and enhancements, outreach educational efforts, and write off of uncollectible accounts.

Agency Operating Fund – Fiscal Year 2007

Salaries and fringe benefits decreased from $5,564,503 in 2006 to $2,917,798 (48%) in fiscal year 2007. The decrease is primarily due to the difference between operating under the Nelnet agreement for the full year in 2007 versus a partial year (4 months) in 2006. Employees previously employed by the Enterprise became employees of Nelnet upon finalization of the agreement between the Enterprise and Nelnet effective November 1, 2005.

Contracted collection costs decreased 100% from $522,183 in fiscal year 2006 to $0 in fiscal year 2007 due to the agreement between the Enterprise and Nelnet. Under the agreement, Nelnet is responsible for all collection costs and is reimbursed for their cost by the sharing of collection revenue.

Operating and travel decreased from $4,273,699 in 2006 to $3,112,566 in 2007 (27%) primarily due the difference between operating under the Nelnet agreement for the full year in 2007 versus a partial year (4 months) in 2006. Non-operating expenses due to other agencies decreased from $25,079,979 in 2006 to $80,230 in 2007. The 2007 amount was the transfer to the Colorado Commission on Higher Education for reimbursement for the Enterprise's share of higher education indirect cost allocation.

Federal Reserve Fund – Fiscal Year 2008

Guarantee claims paid to lending institutions increased approximately 76% from $159,744,253 in fiscal year 2007 to $280,503,150 in fiscal year 2008 due to factors noted under the revenue analysis above. In attempts to prevent a default claim, the Enterprise, by way of services provided by Nelnet, provides default aversion assistance to lenders when a borrower falls at least sixty days behind on their student loan payment. Additionally, assistance is provided to students and parents to understand their rights, responsibilities and options available to avoid default.

Federal Reserve Fund – Fiscal Year 2007

Guarantee claims paid to lending institutions increased approximately 47% from $108,752,315 in fiscal year 2006 to $159,744,253 in fiscal year 2007 due to factors noted under the revenue analysis above.

Budget versus Actual

The Enterprise prepared an annual budget for fiscal year 2008, based on fiscal year projected revenues and expenses that was reviewed and approved by the Executive Director of the Department of Higher Education. As a result of the termination of the VFA and enactment of the College Cost Reduction and Access Act, the budget was revised and approved to reflect federal fee revenue, collection revenue and related expenses under the standard guaranty agency agreement fee structure.

Agency Operating Fund – Fiscal Year 2008

There was a significant budget decrease in net revenue and expenses between original and final budget of $9.4 million and $1.8 million, respectively. The significant decrease in anticipated revenues was primarily due to the reduced federal fee revenue and related reduction of anticipated revenue sharing fees paid to Nelnet caused by the termination of the VFA; offset by anticipated increased collections revenue. The decrease in expense of $1.8 million was due primarily to reductions in anticipated reinsurance complement transfers to the Federal Reserve Fund and operating costs. The actual change in net assets was an increase of $1.3 million. The change in net assets is due to a $5 million reduction in federal fee and collections revenue, net of amounts paid to Nelnet, and a $1.2 million increase in operating expenses offset by a significant reduction of account maintenance fee interfund transfers in non-operating expenses of $4.6 million. The remaining variance has no significant effect.

Agency Operating Fund – Fiscal Year 2007

There was a budget increase in expenses between the original and final budget of $4.8 million in the Agency Operating Fund primarily due to transfers of account maintenance fee to the Federal Reserve Fund from the Agency Operating Fund. The actual change in net assets was $2.8 million. The change in net assets is due to a $2 million increase in actual operating revenues. The remaining variance has no significant effect.

Federal Reserve Fund – Fiscal Year 2008

There was a significant budget increase in net revenue and expenses between the original and final budget of $94.3 million and $97.5 million, respectively. The increase in anticipated federal reinsurance revenues and related claims paid to lenders is primarily due to increased borrower loan defaults. The final budgeted net gain for the Federal Reserve Fund was $641,878. The actual change in net assets was a decrease of $1,824,684, resulting in a budget to actual variance of $2,466,562. The variance is due primarily to transfers of federal default fee budgeted at $7.5 million, but resulting in an actual transfer of $5.2 million. The remaining variance is due to various net operating and non-operating revenues and expenses over/under budget. The remaining variance has no significant effect when taken individually.

Federal Reserve Fund – Fiscal Year 2007

The final budgeted net gain for the Federal Reserve Fund was $706,230. The actual change in net assets was an increase of $12,540,144, resulting in a budget to actual variance of $11,833,914. The variance is due primarily to reinsurance revenue net of claims paid to lenders resulting in a budget decrease of over $9.1 million as compared to actual increase of $500,000. The additional variance is due to various net non-operating revenues and expenses as well as transfers over/under budget. The remaining variance has no significant effect when taken individually.

Intergovernmental Non-Operating Expenses and Inter-fund Transfers – Fiscal Year 2008

Inter-fund transfers are made to reclassify revenues and expenditures that have been classified to a particular fund during the fiscal year and are now owed to another fund. In fiscal year 2008, the Enterprise made required transfers from the Agency Operating Fund. Transfers to the Federal Reserve Fund to satisfy regulatory requirements included the complement on collections and the federal default fee. The Enterprise is required to deposit a default fee of 1% of net loans disbursed after July 1, 2006 into the Federal Reserve Fund in compliance with the Higher Education Act ("HEA") of 2005. The complement on collections is the portion of collections received from a borrower on a defaulted loan that the guaranty agency must return to the DE.

The Enterprise made the following payments and transfers during fiscal year 2008:

Transfers from Agency Operating Fund to Federal Reserve Fund:	
Federal Default Fee	$ (5,206,273)
Complement on Collections	(176,650)
Net Transfers from Agency Operating Fund to Federal Reserve Fund	$ (5,382,923)
Intergovernmental Non-operating Expense from Transfer from Agency Operating Fund to CCHE Indirect Cost Allocation	$ (127,340)
Net non-operating expenses to other agencies	$ (127,340)

Intergovernmental Non-Operating Expenses and Inter-fund Transfers – Fiscal Year 2007

Inter-fund transfers are made to reclassify revenues and expenditures that have been classified to a particular fund during the fiscal year and are now owed to another fund. In fiscal year 2007, the Enterprise made several transfers from the Agency Operating Fund. There were transfers to the Federal Reserve Fund to satisfy its Federal Reserve Fund requirement and transfers to satisfy the requirements for the complement on collections. In addition, for a number of years, DE has required the Enterprise to pay itself the account maintenance fee from the Federal Reserve Fund. In fiscal year 2007, the Enterprise was required to transfer back into the Federal Reserve Fund the $4,152,671 it was allowed to transfer to the Agency Operating Fund in fiscal year 2006.

The Enterprise made the following payments and transfers during fiscal year 2007:

Transfers from Agency Operating Fund to Federal Reserve Fund:	
Account Maintenance Fee Payback	$ (4,152,671)
Federal Default Aversion Fee	(5,165,420)
Federal Reserve Requirement	(316,882)
Complement on Collections	(304,325)
Net Transfers from the Agency Operating Fund to the Federal Reserve Fund	$ (9,939,298)

Intergovernmental non-operating expense from Transfer from Agency Operating Fund to CCHE Indirect Cost Allocation	$ (80,230)
Net non-operating expenses to other agencies	$ (80,230)

Capital Assets

There were no significant purchases of capital assets in 2008 or 2007.

Economic Facts and Conditions for the Future

Effective July 1, 2004, the DE granted the Enterprise a three-year contract with the DE known as the VFA. As of the end of fiscal year 2007, the Enterprise continued to operate under the terms of the VFA. Provisions within the contract entitle either the DE or the Enterprise to terminate the agreement with 90 days notice. The VFA was terminated effective January 1, 2008 by DE. As a result, the Enterprise experienced a substantial decrease in federal fee revenue in 2008. The Enterprise and DE continue to re-negotiate a cost neutral VFA as required by law. The Enterprise expects federal fee revenues to continue to decrease for fiscal year 2009 as it operates without a new VFA. Should a VFA be renegotiated, revenue and cash flow projections could change substantially.

The VFA termination also affects the revenue share rate with Nelnet. Under the agreement with Nelnet dated November 1, 2005, the revenue share due to Nelnet increases from 70% to 80% if there is not a VFA.

In addition to the revenue impacts of the VFA termination, the College Cost Reduction and Access Act (CCRAA) became effective October 1, 2007 which further eroded federal fee revenues. Without the VFA, the Enterprise reverts to the standard fee structure for guaranty agencies, which means elimination of the delinquency prevention fee, a return to flat fees for collections instead of performance-based collection fees, a single 1% default aversion fee per loan instead of supplemental increases based upon performance, the loss of eligibility for re-billing default aversion fees for subsequent delinquencies, and the reintroduction of a 1% rebate of the default aversion fee if a loan subsequently defaults. Furthermore, reinsurance paid to the Enterprise's Federal Reserve Fund on defaulted loans reverts to the standard rate of 95% for the majority of defaults instead of the 100% rate under the VFA. Additionally, in accordance with the provisions in the CCRAA, termination of the VFA reduced account maintenance fees from 10% to 6%, and the guaranty agency collection retention rate for defaulted loans from 23% to 16%. Generally, other financial implications of CCRAA included increased costs for processing claims due to elimination of the exceptional performer status for lenders and elimination of simplified claims review.

In fiscal year 2008, credit liquidity in the student loan capital markets caused banks and lenders to tighten lending standards which created market instability and disruptions. As a result, several major banks and lenders were forced to scale back lending activity in the federally guaranteed student loan program or exit the marketplace entirely. In an effort to ensure stability in the federal loan markets and encourage eligible FFEL lenders to provide students and parents access to loans, the Ensuring Continued Access to Student Loans Act (ECASLA) was signed into law on May 7, 2008. Generally, ECASLA raises various loan limits, establishes new optional repayment terms for parent PLUS loans and easing of credit criteria, gives the DE authority to advance funds to lenders and temporary authority to purchase FFEL loans, and loosens restrictions on who is eligible for Lender of Last Resort loans.

Furthermore, legislation was enacted to extend portions of ECASLA that grants authority to the DE to purchase guaranteed student FFEL loans for an additional year and for other purposes. The expiration date in the original law was changed from June 1, 2009 to September 30, 2010. In addition, it includes an extension provision to designate lenders for the Lender of Last Resort program.

The HEA act of 1965, as amended, was reauthorized through the HEA Opportunity Act of 2008 (HEOA) enacted on August 14, 2008. Significant changes affecting guaranty agencies and/or FFEL loans include but not limited to: 1) code of conduct requirements, 2) prohibited inducement provisions which prohibit guarantors from offering various gifts in order to secure loan applications or to secure the designation of the guarantor as insurer, and 2) various requirements on disclosures and providing information to schools, students and borrowers.

While Congress has passed legislation to provide federal short-term funding of FFEL, if lenders continue to reduce or discontinue FFEL lending activities or sell the majority of their loans to the federal government due to continued credit market issues, revenues of the guaranty agency could be significantly reduced. In addition, revenues could also be materially reduced if a significant number of schools currently served by the Enterprise decide to convert from FFEL to the Federal Direct Loan program.

In compliance with the HEA of 2005, the Enterprise began depositing a 1% default aversion fee for loans disbursed after July 1, 2006 into the Federal Reserve Fund. The fee is based on the net loan disbursement multiplied by 1% and is intended to increase the assets of the Federal Reserve Fund. The Enterprise decided to not charge the borrower this fee for fiscal year 2009 as well as 2008 and 2007; but instead to fund the default aversion fee from its Agency Operating Fund. The decision to continue funding the default aversion fee from the Agency Operating Fund or charging the borrower the 1% default aversion fee or any combination thereof will be made on an annual basis. Depending on market conditions, the Enterprise may reconsider funding the default aversion fee or any portion thereof for the remaining fiscal year 2009.

Financial Contact

If you have any questions about this report, please contact

College Assist
1560 Broadway, Suite 1700
Denver, Colorado 80202
Attention: Chief Financial Officer

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
PROPRIETARY FUNDS
COMBINED STATEMENTS OF NET ASSETS
June 30, 2008 and 2007

ASSETS

	2008	2007
CURRENT ASSETS		
Cash and pooled cash investments	$ 49,203,792	$ 47,732,987
Federal fees receivable	2,177,486	4,016,504
Other receivables, net	186,999	398,184
Supplies inventory	-	4,767
Prepaid expenses	212,658	190,920
Total current assets	51,780,935	52,343,362
RESTRICTED ASSETS		
Restricted cash and pooled cash investments	30,640,426	43,632,113
Federal reinsurance receivable	6,911,409	6,224,506
Total restricted assets	37,551,835	49,856,619
CAPITAL ASSETS		
Office furniture and equipment	1,616,182	1,616,182
Computer hardware and software	3,626,434	3,626,434
Leasehold improvements	97,946	97,946
	5,340,562	5,340,562
Less accumulated depreciation	(4,965,675)	(4,712,480)
Capital assets, net	374,887	628,082
TOTAL ASSETS	$ 89,707,657	$ 102,828,063

LIABILITIES AND NET ASSETS

	2008	2007
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 722,104	$ 358,521
Accrued compensated absences	33,033	24,971
Other current liabilities	3,171,164	5,578,221
Total current liabilities	3,926,301	5,961,713
LIABILITIES PAYABLE FROM RESTRICTED ASSETS		
Recall reserves due to U.S. Department of Education	-	1,531,547
Loan collections and other liabilities due to federal government	106,585	5,342,060
Claims due to lenders	-	3,713,078
Total liabilities payable from restricted assets	106,585	10,586,685
NONCURRENT LIABILITIES		
Accrued compensated absences	100,555	113,756
Other long term liabilities	117,744	233,737
Total noncurrent liabilities	218,299	347,493
Total liabilities	4,251,185	16,895,891
NET ASSETS		
Invested in capital assets	374,887	628,082
Restricted	37,445,250	39,269,934
Unrestricted	47,636,335	46,034,156
Total net assets	85,456,472	85,932,172
TOTAL LIABILITIES AND NET ASSETS	$ 89,707,657	$ 102,828,063

The accompanying notes are an integral part of these financial statements.

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
PROPRIETARY FUNDS
COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Years Ended June 30, 2008 and 2007

	2008	2007
OPERATING REVENUES		
Federal grants and contracts		
Collections on loans and bankruptcies	$ 16,064,976	$ 13,722,754
Federal fee revenue	28,725,889	35,226,237
Amount paid to service provider	(33,927,861)	(33,048,038)
Federal reinsurance	274,850,607	160,242,209
Charges for goods and services		
Contractual service fees	-	85,208
Interest on purchased loans and other	687,081	421,081
Other revenues	295,415	337,057
Total operating revenues	286,696,107	176,986,508
OPERATING EXPENSES		
Guarantee claims paid to lending institutions	280,503,150	159,744,253
Salaries and fringe benefits	3,019,001	2,917,798
Operating and travel	4,238,985	3,112,566
Federal fee expense	4,071,523	-
Depreciation	253,195	302,657
Total operating expenses	292,085,854	166,077,274
OPERATING INCOME (LOSS)	(5,389,747)	10,909,234
NON-OPERATING REVENUES		
Earnings on pooled cash investments	5,041,387	4,487,647
Income (loss) before non-operating expenses to other agencies	(348,360)	15,396,881
INTERGOVERNMENTAL NON-OPERATING EXPENSES TO OTHER AGENCIES	(127,340)	(80,230)
CHANGE IN NET ASSETS	(475,700)	15,316,651
NET ASSETS, BEGINNING OF YEAR	85,932,172	70,615,521
NET ASSETS, END OF YEAR	$ 85,456,472	$ 85,932,172

The accompanying notes are an integral part of these financial statements.

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
PROPRIETARY FUNDS
COMBINED STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2008 and 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from:		
Fees for service	$ 211,185	$ 153,669
Federal grants and contracts	311,845,034	208,995,173
Amount paid to service provider	(33,927,861)	(33,048,038)
Interest on purchased loans and other	687,081	421,081
Other sources	295,415	337,057
	279,110,854	176,858,942
Cash disbursed for:		
Guarantee claims paid to lending institutions	(280,503,150)	(159,720,309)
Employees	(3,140,133)	(2,698,315)
Suppliers	(6,299,430)	(156,089)
Federal fee expense	(4,071,523)	-
Recall reserves paid to U.S. Department of Education	(1,531,547)	(1,531,546)
	(295,545,783)	(164,106,259)
Net cash provided by (used in) operating activities	(16,434,929)	12,752,683
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Intergovernmental payment	(127,340)	(80,230)
Net cash used in noncapital activities	(127,340)	(80,230)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	-	(12,346)
Net cash used in capital and related financing activities	-	(12,346)
CASH FLOWS FROM INVESTING ACTIVITIES		
Earnings on pooled cash investments	5,041,387	4,487,647
Net cash used in investing activities	5,041,387	4,487,647
NET CHANGE IN CASH AND POOLED CASH INVESTMENTS	(11,520,882)	17,147,754
CASH AND POOLED CASH INVESTMENTS, BEGINNING OF YEAR	91,365,100	74,217,346
CASH AND POOLED CASH INVESTMENTS, END OF YEAR	$ 79,844,218	$ 91,365,100

	2008	2007
RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Net operating income (loss)	$ (5,389,747)	$ 10,909,234
Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	253,195	302,657
Receivables	1,363,300	(4,441,533)
Supplies inventory	4,767	-
Prepaid expenses	(21,738)	(144,106)
Accounts payable and accrued liabilities	363,583	58,280
Other current liabilities	(2,407,057)	3,390,392
Recall reserves due to U.S. Department of Education	(1,531,547)	(1,531,546)
Loan collections and other liabilities due to federal government	(5,235,475)	2,937,712
Claims due to lenders	(3,713,078)	1,063,279
Accrued compensated absences	(5,139)	(14,254)
Interfund payable - other agencies	-	(11,169)
Other long term liabilities	(115,993)	233,737
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ (16,434,929)	$ 12,752,683

The accompanying notes are an integral part of these financial statements.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity – Colorado Student Loan Program dba College Assist

Colorado Student Loan Program dba College Assist ("Enterprise"), is a self-supporting Enterprise Fund of the State of Colorado. It was established as an entity of the Colorado Department of Higher Education pursuant to *Title 23, Article 3.1, Part 1, Colorado Revised Statutes, 1973,* as amended, and was created July 1, 1979. The Enterprise administers the Federal Family Education Loan Program ("FFEL"), which consists of Stafford, Parent Loans for Undergraduate Students ("PLUS"), Supplemental Loans for Students ("SLS"), and Consolidation Loans Programs ("CLP"). The Enterprise guarantees loans by lending institutions to students attending post-secondary schools, in compliance with operating agreements ("Agreements") with the U.S. Department of Education ("DE"), pursuant to *Section 428 of the Higher Education Act of 1965* as amended ("Act").

The financial statements of the Enterprise include all integral parts of its operations. The Enterprise's legal name is Colorado Student Loan Program which became effective July 1, 2006 per C.R.S. 23-3.1-106 (1)(b), as amended.

The Enterprise entered into a new funding agreement known as the Voluntary Flexible Agreement ("VFA") with the DE effective July 1, 2004. The VFA allowed the Enterprise to receive compensation performance incentives based on its success at preventing student loan delinquencies and defaults. Instead of receiving a majority of its fees for collections of defaulted loans, fees were primarily earned by implementing strategies to prevent delinquencies and defaults. The Enterprise was required to prove to the DE that the VFA benefits student borrowers, is cost effective (cost neutral) to Federal taxpayers, and saves the DE resources. Effective January 1, 2008, the VFA was terminated by the DE citing the VFA was no longer cost neutral with the enactment of the College Cost Reduction and Access Act ("CCRAA"). Cost neutrality to the Federal government is required for a VFA under 428A of the Higher Education Act of 1965, as amended.

Basis of Accounting and Presentation

The Enterprise uses the accrual basis of accounting to summarize its activities. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when an obligation is incurred.

The financial statements of the Enterprise have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), Financial Accounting Standards Board (FASB) and other applicable guidelines or pronouncements. The Enterprise uses self-balancing accounting funds to record its financial accounting transactions. However, GASB reporting guidelines require the Enterprise to report its assets, liabilities, net assets, revenues, expenses, changes in net assets and cash flows from an entity-wide perspective, rather than by accounting fund.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The guidelines further require that intra-fund accounting transactions be eliminated. The Enterprise has the option to apply all FASB pronouncements issued after November 30, 1989, unless those pronouncements conflict with GASB standards. The Enterprise has elected not to apply FASB pronouncements after the applicable date.

Use of Estimates in Preparation of Financial Statements

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 and expenses during the reporting periods. Actual results could differ from those estimates.

Cash and Pooled Cash Investments

Cash and pooled cash investments consist of cash on deposit with the State Treasurer, cash on hand, and cash on deposit with financial institutions. For purposes of the statement of cash flows, cash and pooled cash investments are defined as instruments with maturities of three months or less at date of acquisition, and pooled cash held by the Colorado State Treasurer. Cash and pooled cash investments that are restricted in nature are distinguished as such in the financial statements.

Receivables

Amounts owed from the DE are reported as due from other governments. Loans purchased from lenders are reported as other receivables. Other receivables are reported net of the estimated allowance for uncollectible accounts. Receivables that are restricted in nature are reported as such in the financials.

Supplies Inventory

Prior to July 1, 2007, supply commodities were carried in an inventory account at cost, which approximates market and were subsequently charged to expense when consumed. In fiscal year 2008, the determination was made to expense supplies as used rather than to carry as inventory due to the change in quantity consumed.

Capital Assets

Depreciable capital assets are recorded at cost on the date of acquisition, or fair market value on the date of donation, in the case of gifts. The Enterprise's capitalization policy is $5,000 or more, per individual piece of equipment, with an estimated useful life of greater than one year. Renovation cost to leased property in excess of $5,000 is also capitalized. Cost to renovated leased property is reported as leasehold improvements.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Depreciation is charged using a straight-line method over the estimated useful lives of the assets. Generally, furniture, equipment, and software are depreciated over 3 to 10 years. Leasehold improvements are depreciated over the lesser of 5 years, or the life of the lease in which the renovation was made. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and resulting gains or losses are recognized in current operations.

Impairment of Long-Lived Assets

The Enterprise reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell. There were no impairment losses recorded for the years ended June 30, 2008 and 2007.

Liabilities

Amounts due to suppliers and others within one year are reported as current liabilities. Amounts owed after one year are reported as noncurrent liabilities. Liabilities restricted in nature are distinguished as such in the financial statements.

Compensated Absences

Employees of the Enterprise are entitled to paid vacations, sick days, and personal days off, depending on job classification, length of service, and other factors. The Enterprise has recorded the amount of compensation for future absences as an accrued liability in the accompanying financial statements. The estimated liability is based on hours earned up to assigned maximums. Unused vacation days are paid to employees leaving the Enterprise. One-fourth of unused sick days may be paid to employees upon retirement or death.

Loan Processing and Issuance Fee

Under the *Higher Education Act as amended*, the DE pays the Enterprise a loan processing and issuance fee of .40% on net loans guaranteed by the Enterprise, effective October 1, 2003.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Account Maintenance Fee

Under the *Higher Education Act as amended*, the DE pays the Enterprise an account maintenance fee of 10% of the original principal amount of outstanding loans. Effective October 1, 2007 with the enactment of the CCRAA, the fee was reduced to 6%.

Net Assets

The net assets of the Enterprise are classified as follows:

Invested in capital assets: This balance represents the Enterprise's total investment in capital assets.

Restricted net assets: Restricted net assets represent resources in which the Enterprise is contractually obligated to spend or reserve in accordance with restrictions imposed by external parties.

Unrestricted net assets: Unrestricted net assets represent resources derived from services provided to borrowers, lenders, and collection activities. These resources are used to pay the operating costs of the Enterprise.

Classification of Revenues and Expenses

The Enterprise has classified its revenues and expenses as either operating or non-operating. Operating revenues and expenses generally result from providing services or incurring expenses in connection with the Enterprise's principal activities. Non-operating revenues and expenses include transactions such as interest revenue earned on deposits and interest expense on capital debt.

Loan Defaults

Student loans guaranteed by the Enterprise that subsequently fall into default status are purchased by the Enterprise. This occurs after a claim is paid to the lending institution. Once a claim is paid to a lender, the Enterprise becomes the holder of the loan and seeks to collect on the loan. Although claim payments are made on defaults, deaths, disabilities and bankruptcies, only loans in default and loans included under Chapter 7 and Chapter 13 bankruptcies are collectible by the Enterprise. A guaranty agency may charge a borrower reasonable costs incurred to collect on defaulted loans per CFR 682.410(b)(2). In fiscal year 2008 and 2007, the Enterprise charged a collection cost rate of 15.64% on regular default borrower payments (excluding federal consolidations of FFEL default loans and rehabilitations).

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Federal consolidations of FFEL default loans and rehabilitations are subject to a rate charge limit equal to the lesser of the rate computed per the formula in 34 CFR 30.60 or the rate assessed if the loan is held by the DE. For these loans, the Enterprise charges a one time consolidation and rehabilitation fee of 18.5% as allowed per federal regulations.

Defaulted Loans

The Enterprise subrogates or assigns loans that meet certain criteria to the DE. In addition, the Enterprise uses the U.S. Treasurer's Offset Program to pursue collections of defaulted loans. Under this program, Federal income tax refunds are applied or offset against student loans in default.

Federal Reinsurance

Under the agreement with the DE, in accordance with Section 428 of the Act, the Enterprise was reimbursed by the DE for 100% of claims under the VFA. Upon termination of the VFA, the Enterprise is subject to the applicable statutorily defined federal reinsurance rates. Statutory Federal reinsurance on defaulted loans is paid according to the following schedule:

Rate of Annual Losses (Defaults)	Federal Reinsurance on Loans Made Prior to October 1, 1993	Federal Reinsurance on Loans Made October 1, 1993 Through September 30, 1998	Federal Reinsurance on Loans Made October 1, 1998 Through September 30, 2010 (VFA)
0% to 5%	100%	98%	95% (100%)
More than 5% but less than or equal to 9%	90%	88%	85% (85%)
Over 9%	80%	78%	75% (75%)

The rate of annual losses (defaults) for purposes of the application for Federal reinsurance is a result of the year-to-date incurred losses divided by the original amount of guaranteed loans in repayment status at the beginning of the year. The annual rate of default for the Federal years ended September 30, 2008 and September 30, 2007 did not exceed 5% in either period.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and Budgetary Accounting

The Enterprise prepares an annual operating budget. By statute, the Enterprise is continuously funded through user service charges. Therefore, the budget is not legislatively adopted and a Budget to Actual Statement of Revenues and Expenses is not a required part of these financial statements. However, the operating budget and revisions thereto are reviewed by the Enterprise Director, and approved by the Executive Director of the Department of Higher Education.

In summary, the total budgeted operating revenues of the Enterprise were $289.9 million as compared with actual operating revenues of about $286.7 million for the fiscal year ended June 30, 2008. The total budgeted operating expenses were $294.9 million compared to actual operating expenses of approximately $292.1 million.

NOTE 2 – CASH AND POOLED CASH INVESTMENTS

The Enterprise deposits cash with the Colorado State Treasurer as required by the Colorado Revised Statutes (CRS). The State Treasurer pools these deposits and invests them in securities approved by CRS 24-75-601.1. The Enterprise reports its share of the Treasurer's unrealized gains and losses based on its participation in the State Treasurer's pooled cash investments. All of the investments are reported at fair value, which is determined based on quoted market prices at June 30, 2008 and 2007. The State Treasurer will not invest pooled resources in external investments, and there is no assignment of income related to participation in the pool. Detailed information on the State Treasurer's pooled cash and investments is available from that office. It may also be obtained in the State of Colorado's Comprehensive Annual Financial Report.

Including restricted amounts, the Enterprise had $79,844,018 and $91,324,234 on deposit with the State Treasurer at June 30, 2008 and 2007, respectively. Cash on hand, including petty cash funds was $200 at June 30, 2008 and 2007.

At June 30, 2007, the Enterprise had cash deposited in banks with a book or carrying value of $40,666 and a bank balance of $41,034. These balances are federally insured deposits, or deposits fully collateralized with securities held by the State, or the banks' trust department or its agent, in the name of the Enterprise. The Enterprise had no uninsured or uncollateralized deposits in the bank.

NOTE 2 – CASH AND POOLED CASH INVESTMENTS (CONTINUED)

The following summarizes cash and pooled cash investments:

	2008	2007
Cash on deposit with State Treasurer	$ 79,416,965	$ 91,877,803
State Treasurer pooled cash investments – unrealized gain (loss)	427,053	(553,569)
Cash on hand and in transit to bank	79,844,018	91,324,234
Petty cash	200	200
Cash on deposit with banks	-	40,666
Total	$79,844,218	$ 91,365,100

Cash and pooled cash investments are presented in the accompanying combined statement of net assets as follows:

	2008	2007
Cash and pooled cash investments	$ 49,203,792	$ 47,732,987
Restricted cash and pooled cash investments	30,640,426	43,632,113
Total	$ 79,844,218	$ 91,365,100

The Colorado Public Deposit Protection Act ("PDPA") requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral determined by the PDPA. The institution is allowed to create a single collateral pool for all public funds held. The pool is maintained by another institution or held in trust for all the uninsured public deposits as a group. The fair value of the collateral must be at least equal to 102% of the uninsured deposits.

Custodial Credit Risk – Cash Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the Enterprise will not be able to recover their deposits or will not be able to recover collateral securities that are in the possession of an outside party. Monies in the demand deposit accounts are insured by federal depository insurance for the first $250,000. Deposits in excess of the $250,000 limit are collateralized subject to the provisions of the State's Public Deposit Protection Act for monies held within the State.

NOTE 3 – OTHER RECEIVABLES – NET

Other receivables – net, includes purchased student loans. Purchased student loans represent loan balances not reinsured by the DE that are the property of the Enterprise. Since the loans are purchased by the Enterprise and become an asset of the Enterprise, they do not fall within the scope of reinsurance from the DE. An allowance for uncollectible loans equaled 93% of the purchased loans receivable, for a balance of $1,190,227 and $785,443 at June 30, 2008 and 2007, respectively. These rates are based on historical collection activity for purchased student loans. The net purchased loans receivable included on the accompanying combined statements of net assets in Other receivables – net at June 30, 2008 and 2007 is $89,587 and $59,120, respectively.

NOTE 4 – ACCRUED PAYROLL

Under Senate Bill 03-197, salaries and wages for June 2008 and 2007 that were earned at the end of the month were paid at the beginning of July. This created an accrued liability at June 30, 2008 and 2007 of $175,106 and $173,786, respectively, for incurred but unpaid salaries and wages which is included in accounts payable and accrued liabilities on the accompanying combined statements of net assets.

NOTE 5 – CAPITAL ASSETS

A summary of changes in capital assets is as follows for the years ended June 30, 2008 and 2007:

	Balance July 1, 2007	Additions	Disposals	Balance June 30, 2008
Office furniture and equipment	$ 1,616,182	$ -	$ -	$ 1,616,182
Computer hardware	3,626,434	-	-	3,626,434
Leasehold improvements	97,946	-	-	97,946
Total	5,340,562	-	-	5,340,562
Less accumulated depreciation	(4,712,480)	(253,195)	-	(4,965,675)
Capital assets, net	$ 628,082	$ (253,195)	$ -	$ 374,887

NOTE 5 – CAPITAL ASSETS (CONTINUED)

	Balance July 1, 2006	Additions	Disposals	Balance June 30, 2007
Office furniture and equipment	$ 1,616,182	$ -	$ -	$ 1,616,182
Computer hardware	3,614,088	12,346	-	3,626,434
Leasehold improvements	97,946	-	-	97,946
Total	5,328,216	12,346	-	5,340,562
Less accumulated depreciation	(4,409,823)	(302,657)	-	(4,712,480)
Capital assets, net	$ 918,393	$ (290,311)	$ -	$ 628,082

NOTE 6 – LEASES AND NONCURRENT LIABILITIES

The Enterprise leases office space under an Intra-Department Memorandum of Understanding ("MOU") with CollegeInvest, a related party. Under the agreement, the Enterprise is required to pay rent of approximately $23,000 per month. The MOU expires on June 30, 2009, unless the parties enter into a written amendment extending the term of the agreement. Total rent expense for the years ended June 30, 2008 and 2007 was $253,116 and $229,939, respectively.

During the fiscal years ended June 30, 2008 and 2007, the following changes occurred with noncurrent liabilities:

	Balance July 1, 2007	Increases	Decreases	Balance June 30, 2008	Amounts Due Within One Year
Accrued compensated absences	$ 138,727	$ 196,635	$ (201,774)	$ 133,588	$ 33,033
Other liabilities	233,737	-	(115,993)	117,744	-
Total	$ 372,464	$ 196,635	$ (317,767)	$ 251,332	$ 33,033

	Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007	Amounts Due Within One Year
Accrued compensated absences	$ 152,981	$ 181,842	$ (196,096)	$ 138,727	$ 24,971
Other liabilities	-	233,737	-	233,737	-
Total	$ 152,981	$ 415,579	$ (196,096)	$ 372,464	$ 24,971

NOTE 7 – RELATED PARTY TRANSACTIONS

In addition to the lease transaction with CollegeInvest under the MOU as discussed in Note 6, the Enterprise also shares the cost of human resources personnel, information systems personnel, information systems operating expenses, and other administrative operating expenses under the terms of two separate MOU's. The MOU's expire on June 30, 2009, unless the parties enter into a written amendment extending the term of the agreement.

Loans to be insured by the Enterprise may only be originated by eligible institutions, which include CollegeInvest. Although CollegeInvest and the Enterprise are both divisions of the Department of Higher Education, they are each constituted and operated as separate enterprises of the State under the direction of the same Director, and each (CollegeInvest and the Enterprise) retains the ability to enforce contractual obligations against the other.

Certain student loans of CollegeInvest are serviced under an origination and servicing agreement with the Enterprise and Nelnet, Inc. ("Consortium Agreement"). Under the Consortium Agreement, the Enterprise originated loans and serviced loans following disbursement until the loan entered repayment. At that point, Nelnet, Inc. ("Nelnet") provided the servicing. In addition certain CollegeInvest loans were serviced exclusively by the Enterprise. In October 2005, the Enterprise assigned its rights and obligations under the Consortium Agreement to Nelnet, and engaged Nelnet to carry out certain services on its behalf.

Significant related party transactions incurred for fiscal years 2008 and 2007 include:

	2008	2007
Rehabilitated Loan Sales to CollegeInvest	$ 25,518,417	$21,927,025
Default Claims paid to CollegeInvest	46,824,624	11,041,686
Lease Expenses paid to CollegeInvest	253,116	229,939
Employee Labor Costs paid to CollegeInvest	341,538	392,261
Employee Labor Costs billed to CollegeInvest	(44,644)	(90,461)
Information Technology Equipment paid to CollegeInvest	106,729	30,514

NOTE 8 – COMMITMENTS

Statutory Federal Reserve Fund Requirements

The Enterprise is required by Federal and State statute to maintain a minimum Federal Reserve Fund reserve of 25% of the unpaid balance of outstanding loans. The Enterprise has met this requirement and believes it will continue to meet the reserve requirement. DE assesses the required reserve amount at September 30 of each year.

NOTE 8 – COMMITMENTS (CONTINUED)

Commitment

The Enterprise entered into a long-term contract for systems operations and maintenance.

Future minimum payments required under this agreement consist of the following:

Year Ending June 30:	
2009	$ 874,182
2010	926,633
2011	982,230
2012	1,041,164
2013	1,103,635
Thereafter	665,768
Total	$ 5,593,612

NOTE 9 – CONTINGENCIES

Loan Guarantees

The outstanding principal balance of student loans guaranteed by the Enterprise through June 30, 2008 is more than $13.1 billion. As disclosed in Note 1, the Federal government reinsured new loans guaranteed at a VFA minimum rate of 100% until the Enterprise's rate of annual losses (defaults) exceeds 5%. Effective January 1, 2008, upon termination of the VFA, the Federal government reinsures new loans guaranteed at a minimum rate of 95%. If the Enterprise exceeds the 5% threshold (the trigger rate), it may be liable for up to a maximum 25% of the outstanding balance of loans in repayment at the beginning of each year. The Enterprise did not exceed its trigger rate for the fiscal year ended June 30, 2008, or in prior years. The Enterprise's average historical trigger rate for the years 2008 and 2007 was 1.67%. Additionally, any liability that may result would be capped at the Enterprise's total net assets.

NOTE 10 – EMPLOYEE PENSION PLAN

Plan Description

Most of the Enterprise's 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.

NOTE 10 – EMPLOYEE PENSION PLAN (CONTINUED)

Responsibility for the organization and administration of the plan is placed with the Board of Trustees of PERA. Changes to the plan require an actuarial assessment and 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 PO Box 5800, Denver, Colorado 80217, by calling PERA at 1-800-759-PERA (7372), or by visiting www.copera.org.

Non-higher education employees hired by the state after January 1, 2006, are allowed 60 days to elect to participate in a defined contribution retirement plan administered by the state's Deferred Compensation Committee rather than becoming a member of PERA. If that election is not made, the employee becomes a member of PERA, and the member is allowed 60 days from commencing employment to elect to participate in a defined contribution plan administered by PERA rather than the defined benefit plan.

Prior to legislation passed during the 2006 session, higher education employees may have participated in social security, PERA's defined benefit plan, or the institution's optional retirement plan. Currently, higher education employees, except for community college employees, are required to participate in their institution's optional plan, if available, unless they are active or inactive members of PERA with at least one year of service credit. In that case they may elect either PERA or their institution's optional plan. Community college employees hired after January 1, 2008, are required to become members of PERA and must elect either PERA's defined benefit or defined contribution plan with 60 days, unless they had been a PERA member within the prior twelve months. In that case they are required to remain in the PERA plan in which they participated previously.

PERA members electing the defined contribution plan are allowed an irrevocable election between the second and fifth year to use their defined contribution account to purchase service credit and be covered under the defined benefit retirement plan. However, making this election subjects the member to the rules in effect for those hired on or after January 1, 2007, as discussed below. Employer contributions to both defined contribution plans are the same as the contributions to the PERA defined benefit plan.

Defined benefit plan members (except state troopers) vest after five years of service and are eligible for full retirement based on their original hire date as follows:

- Hired before July 1, 2005 – age 50 with 30 years of service, age 60 with 20 years of service, or age 65 with 5 years of service.
- Hired between July 1, 2005 and December 31, 2006 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 20 years of service, or age 65 with 5 years of service.
- Hired on or after January 1, 2007 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 25 years of service or age 65 with 5 years of service.

NOTE 10 – EMPLOYEE PENSION PLAN (CONTINUED)

Members are also eligible for retirement benefits without a reduction for early retirement based on their original hire date as follows:

- Hired before January 1, 2007 – age 55 with a minimum of 5 years of service credit and age plus years of service equals 80 or more.
- Hired on or after January 1, 2007 – age 55 with a minimum of 5 years of service credit and age plus years of service equals 85 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.

Members automatically receive the higher of the defined retirement benefit or money purchase benefit at retirement. Defined benefits are calculated as 2.5 percent times the number of years of service times the highest average salary (HAS). For retirements before January 1, 2009, HAS is calculated as 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 and limited to a 15 percent increase between periods. For retirements after January 1, 2009 or persons hired on or after January 1, 2007, more restrictive limits are placed on salary increases between periods used in calculating HAS.

Retiree benefits are increased annually based on their original hire date as follows:

- Hired before July 1, 2005 – 3.5 percent, compounded annually.
- Hired between July 1, 2005 and December 31, 2006 – the lesser of 3 percent or the actual increase in the national Consumer Price Index.
- Hired on or after January 1, 2007 – the lesser of 3 percent or the actual increase in the national Consumer Price Index, limited to a 10 percent reduction in a reserve established for cost of living increases related strictly to those hired on or after January 1, 2007. (The reserve is funded by 1 percentage point of salaries contributed by employers for employees hired on or after January 1, 2007).

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 eligible children under the age of 18 (23 if a full time student) or their spouse may be entitled to a single payment or monthly benefit payments. If there is no eligible child or spouse, then financially dependent parents, beneficiaries, or the member’s estate may be entitled to a survivor’s benefit.

NOTE 10 – EMPLOYEE PENSION PLAN (CONTINUED)

Funding Policy

The contribution requirements of plan members and their employers are established, and may be amended, by the General Assembly. Salary subject to PERA contribution is 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.

Most employees contribute 8.0 percent (10.0 percent for state troopers) of their salary, as defined in CRS 24-51-101(42), to an individual account in the plan. From July 1, 2007, to December 31, 2007, the state contributed 11.15 percent (13.85 percent for state troopers and 14.66 percent for the Judicial Branch) of the employee's salary. From January 1, 2008, through June 30, 2008, the state contributed 12.05 (14.75 percent for state troopers and 15.56 percent for the Judicial Branch). During all of Fiscal Year 2007-08, 1.02 percent of the employees total salary was allocated to the Health Care Trust Fund.

Per Colorado Revised Statutes, an amortization period of 30 years is deemed actuarially sound. At December 31, 2007, the division of PERA in which the state participates was underfunded with an infinite amortization period, which means that the unfunded actuarially accrued liability would never be fully funded at the current contribution rate.

In the 2004 legislative session, the general assembly authorized an Amortization Equalization Disbursement (AED) to address a pension-funding shortfall. The AED requires PERA employers to pay an additional .5 percent of salary beginning January 1, 2006, an additional .5 percent of salary in 2007, and subsequent year increases of .4 percent of salary until the additional payment reaches 3.0 percent in 2012.

In the 2006 legislative session, the general assembly authorized a Supplemental Amortization Equalization Disbursement (SAED) that requires PERA employers to pay an additional one half percentage point of total salaries paid beginning January 1, 2008. The SAED is scheduled to increase by one half percentage point through 2013 resulting in a cumulative increase of three percentage points. For state employers, each year's one half percentage point increase in the SAED will be deducted from the amount of changes to state employees' salaries, and used by the employer to pay the SAED. Both the AED and SAED will terminate when funding levels reach 100 percent.

Historically members have been allowed to purchase service credit at reduced rates. However, legislations passed in the 2006 session required, that future agreements to purchase service credit be sufficient to fund the related actuarial liability.

The Enterprise's contributions to the three programs described above for the years ended June 30, 2008, 2007 and 2006 were $201,081, $189,957, and $395,280, respectively. These contributions met the contribution requirement for each year.

NOTE 11 – VOLUNTARY TAX-DEFERRED RETIREMENT PLANS

PERA offers a voluntary 401k 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 403b or 401(a) plans.

NOTE 12 – POSTRETIREMENT HEALTH CARE

Health Care Program

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; the program was converted to a trust fund in 1999. The plan is a cost-sharing multiple-employer plan under which PERA subsidizes a portion of the monthly premium for health care coverage. The benefits and employer contributions are established in statute and may be amended by the General Assembly. PERA includes the Health Care Trust Fund in its Comprehensive Annual Financial Report, which may be obtained by writing PERA at PO Box 5800, Denver, Colorado 80217, by calling PERA at 1-800-759-PERA (7372), or by visiting http://www.copera.org.

After the PERA subsidy, the benefit recipient pays the balance of the premium through an automatic deduction from the monthly retirement benefit. Monthly premium costs for participants depend on the health care plan selected, the PERA subsidy amount, Medicare eligibility, and the number of persons covered. Effective July 1, 2000, the maximum monthly subsidy is $230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare and $115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The maximum subsidy is based on the recipient having 20 years of service credit, and is subject to reduction by 5 percent for each year less than 20 years.

Employees are not required to contribute to the Health Care Trust Fund, which is maintained by employer's contributions as discussed above in Note 9. Beginning July 1, 2004, state agencies/institutions are required to contribute 1.02 percent of gross covered wages to the Health Care Trust Fund. College Assist contributed $17,021, $17,377, and $37,858 as required by statute in Fiscal Years 2007-08, 2006-07, and 2005-06, respectively. In each year the amount contributed was 100 percent of the required contribution.

The Health Care Trust Fund offers two general types of plans: fully-insured plans offered through health care organizations and self-insured plans administered for PERA by third party vendors. As of December 31, 2007, there were 44,214 enrolled participants, including spouses and dependents, from all contributors to the plan. At December 31, 2007, the Health Care Trust Fund had an unfunded actuarial accrued liability of $1.045 billion, a funded ratio of 19.9 percent, and a 38-year amortization period.

NOTE 13 – FEDERAL AND STATE LEGISLATIVE IMPACTS ON THE ENTERPRISE

1998 Reauthorization of Higher Education Act

In October 1998, legislation was passed re-authorizing the Higher Education Act. One of the provisions of reauthorization requires the guaranty agencies to pay back reserves to the Federal Treasury of $250 million by September 30, 2007. The Enterprise's share of this recall was $4,641,050. The Enterprise paid DE $1,531,546 and $1,577,957 in fiscal years 2007 and 2003, respectively. The final payment of $1,531,547 was paid in fiscal year 2008.

NOTE 14 – RISK MANAGEMENT

The State of Colorado currently self-insures its agencies, officials, and employees for the risks of losses to which they are exposed. That includes general liability, motor vehicle liability, worker's compensation, and medical claims. Property claims are not self-insured; rather the State has purchased insurance.

The Enterprise participates in the Risk Management Fund of the State of Colorado. Agency premiums are based on an assessment of risk exposure and historical experience. Liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount of claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. There were no significant reductions or changes in insurance coverage from the prior year in any of the above mentioned risk management arrangements. Settlements did not exceed insurance coverage in any of the past three fiscal years.

NOTE 15 – TAX, SPENDING AND DEBT LIMITATIONS

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The amendment excludes from its provision Enterprise operations. Enterprises are defined as government-owned businesses authorized to issue revenue bonds, which receive less than 10% of their annual revenue in grants from all state and local governments combined. Colorado Student Loan Program qualifies as an Enterprise pursuant to *Title 23, Article 3.1, Part 103.5, Colorado Revised Statutes, 1998,* as amended.

NOTE 16 – NELNET AGREEMENT

On November 1, 2005, the Enterprise announced an agreement to expand its existing relationship with Nelnet as their service provider. Under this expanded agreement, Nelnet operates all aspects of the guarantee servicing operations for the agency. This represents the majority of the agency's business operations.

The agreement also requires that Nelnet be responsible for all operating expenses associated with this expanded servicing contract. This includes, but is not limited to, personnel, operating, rent, and other expenses normally associated with running a government agency. Nelnet received seventy percent of the Enterprise fees included in operating revenues under the expanded agreement to pay for these operating expenses. The Enterprise itself retained thirty percent of these fees to pay for contract monitoring and related activities under the agreement. The agreement further specifies that upon termination of the VFA, the fees will be split 80 percent to Nelnet, while the Enterprise retains 20 percent to compensate Nelnet for reduced fee revenue. The VFA was terminated effective January 1, 2008.

The term of the contract is for ten years, cancelable after seven by the agency if revenues or expenses change, and can be renewed for a second ten year term if both parties agree.

NOTE 17 – SUBSEQUENT EVENTS

On December 17, 2008, the Enterprise entered into an interagency revolving financing agreement with CollegeInvest, a related party. The Enterprise will provide to College Invest a secured working capital loan(s), evidenced by a nonrecourse note, for an aggregate amount of and not to exceed $30 million. The proceeds of the working capital loan(s) will be used to originate or acquire eligible student loans or to originate subsequent disbursements on eligible loans. The loan(s) mature on September 30, 2009, with interest due and payable monthly. The interest rate shall be equal to the rate the Enterprise would otherwise earn while the monies are invested with the State Treasurer. The Enterprise may at any time and for any reason in its sole discretion declare the loan(s) including principal and interest due and payable in full upon fifteen days written notice.

As of the writing of these statements, negotiations are in process to execute a VFA. If agreed upon, the plan could be effective by early 2009.

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
Fiscal Years Ended June 30, 2008 and 2007

The Management's Discussion and Analysis (MD&A) is required by Governmental Accounting Standards. The Management's Discussion and Analysis (MD&A) below was prepared by the Enterprise's management on behalf of the College Opportunity Fund ("COF") and is designed to provide an analysis of the COF's financial condition and operating results for the fiscal year ended June 30, 2008 and 2007. The MD&A also informs the reader of the financial issues and activities related to the COF. It should be read in conjunction with the COF's financial statements, which begin on page 48.

Basic Financial Statements – College Opportunity Fund

The financial report includes the report of independent auditors, the management's discussion and analysis, and the basic financial statements. The financial statements are interrelated and represent the financial status of the COF.

The Statements of Net Assets includes the assets, liabilities, and net assets at the end of the fiscal years. Over time, increases or decreases in the net assets continue to serve as a useful indicator of whether the financial position of the COF is improving or deteriorating.

The Statements of Revenues, Expenses, and Changes in Net Assets presents the revenues earned and expenses incurred during the fiscal years. Revenues and expenses are reported on the accrual basis. Thus, revenues and expenses are reported in the statement for some items that will result in cash flows in future fiscal periods.

Financial Overview

The COF is a private purpose trust fund with the financial operations administered by Colorado Student Loan Program dba College Assist, an Enterprise fund of the State of Colorado. The COF's activities are accounted for in a fund that resides with the State. On an annual basis, the General Assembly appropriates funds to the Colorado Commission on Higher Education for purposes of supporting the COF.

Management Highlights

Under C.R.S. Article 23, Section 18, Colorado changed its funding system for public higher education to a student-stipend program known as the COF in Fall 2005. Under the new system, the State no longer makes direct lump-sum financial transactions to its public institutions for undergraduate education. Instead, these funds are provided to public and private higher education institutions on behalf of resident undergraduate students in the form of a stipend.

Stipends are set annually by the General Assembly during the State's budget process. The allocation is defined on a per-credit-hour basis where the advertised amount is representative of a full-time student taking 30 credit hours each year. For the 2007-08 and 2006-07 academic year, the state provided each participating student with a $2,670 or $89 per credit hour stipend and $2,580 or $86 per credit hour stipend, respectively.

Inception Date

The COF was a new program for State fiscal year 2006 and continued to be funded through fiscal year 2008.

Schedule of Net Assets – Fiscal Year 2008

Restricted Net Assets of the COF at year-end were $1. During the fiscal year, there was $328,170,090 of trust revenues appropriated to the Colorado Commission on Higher Education for use under the COF statutes. Of the total amount appropriated for COF in the current year, 100% was used for stipends for Colorado students attending Colorado Higher Education Institutions in addition to accumulated restricted net assets from prior years. Total assets are $1. There were no outstanding liabilities at year-end.

Schedule of Net Assets – Fiscal Year 2007

Restricted Net Assets of the COF at year-end were $1,834,311. During the fiscal year, there was $315,642,120 appropriated to the Colorado Commission on Higher Education for use under the COF statutes. Of the total amount appropriated for COF, nearly 100% was used for stipends for Colorado students attending Colorado Higher Education Institutions. Total assets are $1,834,311. There were no outstanding liabilities at year-end.

Revenue and Expenditures – Fiscal Year 2008

During fiscal year 2008, the General Assembly appropriated $328,170,090 of trust revenues, of which $330,004,400 was paid to Colorado Higher Education Institutions for student stipends used to offset tuition costs. Included in the amount paid during the fiscal year 2008 was $1,834,310 from the remaining accumulated fund balance from prior years. All State universities and university systems are eligible to participate in the COF program per statute. In addition, two private colleges participate, which are Denver University and Regis University. Of the total amount appropriated for the COF, $1,065,330 was specifically provided to the two private institutions participating in the program.

Revenue and Expenditures – Fiscal Year 2007

During fiscal year 2007, the General Assembly appropriated $315,642,120 of which $313,860,810 was paid to Colorado Higher Education Institutions for student stipends used to offset tuition costs. The remaining $1,781,310 will be maintained in the fund to establish reserves or to be used during periods of shortfall. All state universities and university systems are eligible to participate in the COF program per statute. In addition, two private colleges participate, which are Denver University and Regis University. Of the total amount appropriated for the COF, $908,552 was specifically provided to the two private institutions participating in the program.

Budget versus Actual

The COF prepares an annual operating budget. By statute, the COF is continuously funded through appropriations authorized and approved by the General Assembly. The operating budget appropriations and revisions thereto are reviewed by the Colorado Commission on Higher Education and the Enterprise Director.

To administer the COF, the Enterprise supports the COF's operation as part of its budget on an annual basis. For fiscal year 2008 and 2007, the Enterprise budgeted administration expenses at $365,419 and $427,710, respectively. Administration expenses include data support, programming costs, direct contact with higher education institutions, and direct contact with all middle and high schools in the State of Colorado as required by statute. Actual expenses for fiscal year 2008 and 2007 were $372,914 and $318,086, respectively. Budget variance was insignificant at only 2%; due primarily to minimal increased costs associated with the conversion to a new software platform for administering COF.

Economic Facts and Conditions for the Future

On an annual basis, the General Assembly of the State of Colorado makes an appropriation in trust for eligible undergraduate students to the COF. Monies appropriated to the COF are for the sole purpose of disbursement on behalf of eligible undergraduate students and not for the general operation of the Enterprise. Any unexpended and unencumbered monies remaining in the COF at the end of a fiscal year are the property of the trust fund and shall remain in the fund and shall not be credited or transferred to the general fund or any other fund. The COF is statutory in nature; as such, changes to the program in terms and stipend amounts are regulated by the General Assembly.

In fiscal year 2008, the Department of Higher Education received numerous suggestions from legislators, officials at institutions and other interested parties that it would be useful to examine the COF system and program performance. Western Interstate Commission for Higher Education (WICHE) was contracted to conduct a study of the COF program. The COF program was intended to increase attendance at higher education institutions and achieve cost efficiencies by designating stipends on behalf of the individual eligible students, instead of making a direct lump sum financial payment to the institution. Preliminary study recommendations will be available in December 2008; with final recommendations available in Spring 2009.

Financial Contact

If you have any questions about this report, please contact

College Assist
1801 Broadway, Suite 360
Denver, Colorado 80202
Attention: Chief Financial Officer

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
FIDUCIARY FUND - PRIVATE PURPOSE TRUST FUND
STATEMENTS OF NET ASSETS
June 30, 2008 and 2007

ASSETS

	2008	2007
CURRENT ASSETS		
Operating cash	$ 1	$ 1,834,311
Total current assets	1	1,834,311
TOTAL ASSETS	$ 1	$ 1,834,311

LIABILITIES AND NET ASSETS

	2008	2007
LIABILITIES	$ -	$ -
NET ASSETS		
Restricted	1	1,834,311
Total net assets	1	1,834,311
TOTAL LIABILITIES AND NET ASSETS	$ 1	$ 1,834,311

The accompanying notes are an integral part of these financial statements.

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
FIDUCIARY FUND - PRIVATE PURPOSE TRUST FUND
STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS
For the Year Ended June 30, 2008 and 2007

	2008	2007
ADDITIONS		
Trust revenues	$ 328,170,090	$ 315,642,120
Total additions	328,170,090	315,642,120
DEDUCTIONS		
Trust expenses	330,004,400	313,860,810
Total deductions	330,004,400	313,860,810
CHANGE IN NET ASSETS	(1,834,310)	1,781,310
NET ASSETS, BEGINNING OF YEAR	1,834,311	53,001
NET ASSETS, END OF YEAR	$ 1	$ 1,834,311

The accompanying notes are an integral part of these financial statements.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity – College Opportunity Fund

College Opportunity Fund is a trust fund of the State of Colorado and is presented as a fiduciary fund in this report. It was established as a private purpose trust fund of the Colorado Department of Higher Education pursuant to and managed by Colorado Student Loan Program dba College Assist ("Enterprise"). The College Opportunity Fund ("COF") was established to forward stipend funds to higher education institutions on behalf of eligible students to subsidize tuition costs.

The financial statements of the COF include all integral parts of its operations.

Stipends are set annually by the General Assembly during the State's budget process. The allocation is defined on a credit hour basis where the advertised amount is representative of a full-time student taking 30 credit hours each year. For the 2007-08 and 2006-07 academic year, the State provided each participating student with a $2,670 or $89 per credit hour stipend and $2,580 or $86 per credit hour stipend, respectively.

Basis of Accounting and Presentation

The COF uses the accrual basis of accounting to summarize its activities. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when an obligation is incurred.

The financial statements of the COF have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), and other applicable guidelines or pronouncements. The COF uses self-balancing accounting funds to record its financial accounting transactions. However, GASB reporting guidelines require the entity to report its assets, liabilities, net assets, revenues, expenses, changes in net assets and cash flows from an entity-wide perspective, rather than by accounting fund. The guidelines further require that intra-fund accounting transactions be eliminated.

Use of Estimates in Preparation of Financial Statements

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 and expenses during the reporting periods. Actual results could differ from those estimates.

Cash

Cash consists of cash on deposit with the State Treasurer. Cash that is restricted in nature is distinguished as such in the financial statements.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables

Amounts owed from the higher education institutions are reported as loans receivable. Receivables that are restricted in nature are reported as such in the financial statements.

Liabilities

Amounts due to higher education institutions within one year are reported as current liabilities. Amounts owed after one year are reported as noncurrent liabilities.

Net Assets

The net assets of the COF are classified as follows:

Restricted net assets: Restricted net assets represent resources in which the COF is contractually obligated to spend or reserve in accordance with restrictions imposed by external parties.

Classification of Revenues and Expenses

The COF has classified its revenues and expenses as either additions or deductions, respectively. Additions include trust revenues which result from government appropriated funding, while deductions include trust expenses resulting from incurring expenses in connection with the entities' principal activities of providing tuition stipends to institutions of higher education on behalf of eligible students.

Budgets and Budgetary Accounting

By statute, the COF is continuously funded through appropriations authorized and approved by the General Assembly. The operating budget, its appropriations and revisions thereto are reviewed by the Colorado Commission on Higher Education, and the Enterprise Director. The appropriations, excluding other additions and/or reductions to the Long Bill, for fiscal years 2008 and 2007 were $327,066,990 and $319,465,920, respectively. Changes to the Long Bill initial appropriations were as follows: 1) an additional $20,826 was appropriated in 2008 to increase the funding for the COF per House Bill 07-1256 and 2) an additional $988,434 was appropriated in 2008 to increase the funding for the COF per House Bill 08-1375, and 3) an additional $2,685,272 was appropriated in 2008 to increase stipends.

NOTE 2 – CASH

The General Assembly deposits cash on behalf of the COF with the Colorado State Treasurer as required by the Colorado Revised Statutes ("CRS"). The COF is a non-interest bearing trust fund and thus does not receive interest earnings from the State Treasury Pooled Cash account nor does it participate in the unrealized gains/(losses) of the State Treasury.

The COF had $1 and $1,834,311 on deposit with the State Treasurer at June 30, 2008 and June 30, 2007, respectively. There was no cash on hand or petty cash attributable to the COF as of June 30, 2008 or June 30, 2007.

	2008	2007
Cash on deposit with State Treasurer	$ 1	$ 1,834,311

Cash is presented in the accompanying statement of net assets as follows:

	2008	2007
Operating cash	$ 1	$ 1,834,311

The Colorado Public Deposit Protection Act ("PDPA") requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral determined by the PDPA. The institution is allowed to create a single collateral pool for all public funds held. The pool is maintained by another institution or held in trust for all the uninsured public deposits as a group. The fair value of the collateral must be at least equal to 102% of the uninsured deposits.

Custodial Credit Risk – Cash Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the Enterprise will not be able to recover their deposits or will not be able to recover collateral securities that are in the possession of an outside party. Monies in the demand deposit accounts are insured by federal depository insurance for the first $250,000. Deposits in excess of the $250,000 limit are collateralized subject to the provisions of the State's Public Deposit Protection Act for monies held within the State.

NOTE 3 – OTHER RECEIVABLES – NET

As part of the COF, state higher education institutions may request temporary cash flow loans during the fiscal year. These loans must be paid back to the COF by June 30 of the fiscal year in which the funds are borrowed. There were no loans issued during fiscal year 2008. During fiscal year 2007, higher education institutions borrowed $1,200,000. All loans were repaid by the end of the 2007 fiscal year. These temporary cash flow loans are interest free.

NOTE 4 – FEDERAL AND STATE LEGISLATIVE IMPACTS

On an annual basis the General Assembly of the State of Colorado makes an appropriation, in trust for eligible undergraduate students, to the COF. Monies appropriated to the COF are for the sole purpose of disbursement on behalf of eligible undergraduate students and not for the general operation of the Enterprise. Any unexpended and unencumbered monies remaining in the COF at the end of a fiscal year are the property of the trust fund and shall remain in the fund and shall not be credited or transferred to the general fund or any other fund.

Annually, the Colorado Commission on Higher Education requests that the General Assembly adjust the amount appropriated to the COF for stipends to reflect at least inflation and enrollment growth in the state institutions of higher education. In fiscal year 2008, the stipend amount was increased by 3.5% over the prior year which fully funded both inflation and enrollment. Fully funded means that each student who applied for and was eligible received the stipend.

NOTE 5 – RISK MANAGEMENT

The State of Colorado currently self-insures its agencies, officials, and employees for the risks of losses to which they are exposed. That includes general liability, motor vehicle liability, worker's compensation, and medical claims. Property claims are not self-insured; rather the State has purchased insurance.

The COF through the Enterprise participates in the Risk Management Fund of the State of Colorado. Agency premiums are based on an assessment of risk exposure and historical experience. Liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount of claims that have been incurred but not reported.

Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

NOTE 5 – RISK MANAGEMENT (CONTINUED)

There were no significant reductions or changes in insurance coverage from the prior year in any of the above mentioned risk management arrangements. Settlements did not exceed insurance coverage in any of the past three fiscal years.

NOTE 6 – TAX, SPENDING AND DEBT LIMITATIONS

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of State and local governments. The amendment excludes from its provision Enterprise operations. Enterprises are defined as government-owned businesses authorized to issue revenue bonds, which receive less than 10% of their annual revenue in grants from all State and local governments combined.

For purposes of the COF, "It is the intent of the General Assembly that the amount of a stipend received by a state institution of higher education on behalf of an eligible undergraduate student pursuant to this part 2 shall not constitute a grant from the State of Colorado pursuant to section 20(2)(d) of Article X of the State Constitution." By not including stipends as grants from the State of Colorado, institutions of higher education do not have to include the stipends as State of Colorado revenue for TABOR calculation purposes. This allows institutions to be designated as an enterprise for purposes of TABOR through a resolution by its governing board.

SUPPLEMENTARY INFORMATION

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
PROPRIETARY FUNDS
COMBINING SCHEDULES OF NET ASSETS
June 30, 2008
With Comparative Totals for June 30, 2007

ASSETS

	Agency Operating Fund	Federal Reserve and Drawdown Funds	Totals 2008	Totals 2007
CURRENT ASSETS				
Cash and pooled cash investments	$ 49,203,792	$ -	$ 49,203,792	$ 47,732,987
Federal fees receivable	2,177,486	-	2,177,486	4,016,504
Other receivables, net	186,999	-	186,999	398,184
Supplies inventory	-	-	-	4,767
Prepaid expenses	212,658	-	212,658	190,920
Total current assets	51,780,935	-	51,780,935	52,343,362
RESTRICTED ASSETS				
Restricted cash and pooled cash investments	-	30,640,426	30,640,426	43,632,113
Federal reinsurance receivable	-	6,911,409	6,911,409	6,224,506
Total restricted assets	-	37,551,835	37,551,835	49,856,619
CAPITAL ASSETS				
Office furniture and equipment	1,616,182	-	1,616,182	1,616,182
Computer hardware and software	3,626,434	-	3,626,434	3,626,434
Leasehold improvements	97,946	-	97,946	97,946
	5,340,562	-	5,340,562	5,340,562
Less accumulated depreciation	(4,965,675)	-	(4,965,675)	(4,712,480)
Capital assets, net	374,887	-	374,887	628,082
TOTAL ASSETS	$ 52,155,822	$ 37,551,835	$ 89,707,657	$ 102,828,063

LIABILITIES AND NET ASSETS

	Agency Operating Fund	Federal Reserve and Drawdown Funds	Totals 2008	Totals 2007
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	$ 722,104	$ -	$ 722,104	$ 358,521
Accrued compensated absences	33,033	-	33,033	24,971
Other current liabilities:	3,171,164	-	3,171,164	5,578,221
Total current liabilities	3,926,301	-	3,926,301	5,961,713
LIABILITIES PAYABLE FROM RESTRICTED ASSETS				
Recall reserves due to U.S. Department of Education	-	-	-	1,531,547
Loan collections and other liabilities due to federal government	-	106,585	106,585	5,342,060
Claims due to lenders	-	-	-	3,713,078
Total liabilities payable from restricted assets	-	106,585	106,585	10,586,685
NONCURRENT LIABILITIES				
Accrued compensated absences	100,555	-	100,555	113,756
Other long term liabilities	117,744	-	117,744	233,737
Total noncurrent liabilities	218,299	-	218,299	347,493
Total liabilities	4,144,600	106,585	4,251,185	16,895,891
NET ASSETS				
Invested in capital assets	374,887	-	374,887	628,082
Restricted	-	37,445,250	37,445,250	39,269,934
Unrestricted	47,636,335	-	47,636,335	46,034,156
Total net assets	48,011,222	37,445,250	85,456,472	85,932,172
TOTAL LIABILITIES AND NET ASSETS	$ 52,155,822	$ 37,551,835	$ 89,707,657	$ 102,828,063

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
PROPRIETARY FUNDS
COMBINING SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2008
With Comparative Totals for the Year Ended June 30, 2007

	Agency Operating Fund	Federal Reserve and Drawdown Funds	Totals 2008	Totals 2007
OPERATING REVENUES				
Federal grants and contracts				
Collections on loans and bankruptcies	$ 16,064,976	$ -	$ 16,064,976	$ 13,722,754
Federal fee revenue	28,725,889	-	28,725,889	35,226,237
Less: Amount paid to service provider	(33,927,861)	-	(33,927,861)	(33,048,038)
Federal reinsurance	-	274,850,607	274,850,607	160,242,209
Charges for goods and services				
Contractual service fees	-	-	-	85,208
Interest on purchased loans and other	687,081	-	687,081	421,081
Other revenues	174,431	120,984	295,415	337,057
Total operating revenues	11,724,516	274,971,591	286,696,107	176,986,508
OPERATING EXPENSES				
Guarantee claims paid to lending institutions	-	280,503,150	280,503,150	159,744,253
Salaries and fringe benefits	3,019,001	-	3,019,001	2,917,798
Operating and travel	4,238,985	-	4,238,985	3,112,566
Federal fee expense	-	4,071,523	4,071,523	-
Depreciation	253,195	-	253,195	302,657
Total operating expenses	7,511,181	284,574,673	292,085,854	166,077,274
OPERATING INCOME (LOSS)	4,213,335	(9,603,082)	(5,389,747)	10,909,234
NON-OPERATING REVENUES				
Earnings on pooled cash investments	2,645,912	2,395,475	5,041,387	4,487,647
Income (loss) before non-operating expenses to other agencies and transfers	6,859,247	(7,207,607)	(348,360)	15,396,881
Intergovernmental non-operating expenses to other agencies	(127,340)	-	(127,340)	(80,230)
Interfund transfers in/(out)	(5,382,923)	5,382,923	-	-
Total	(5,510,263)	5,382,923	(127,340)	(80,230)
CHANGE IN NET ASSETS	1,348,984	(1,824,684)	(475,700)	15,316,651
NET ASSETS, BEGINNING OF YEAR	46,662,238	39,269,934	85,932,172	70,615,521
NET ASSETS, END OF YEAR	$ 48,011,222	$ 37,445,250	$ 85,456,472	$ 85,932,172

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
PROPRIETARY FUNDS
COMBINING SCHEDULES OF CASH FLOWS
For the Year Ended June 30, 2008
With Comparative Totals for the Year Ended June 30, 2007

	Agency Operating Fund	Federal Reserve and Drawdown Funds	Totals 2008	Totals 2007
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from:				
Fees for service	$ 211,185	$ -	$ 211,185	$ 153,669
Federal grants and contracts	46,629,882	265,215,152	311,845,034	208,995,173
Amount paid to service provider	(33,927,861)	-	(33,927,861)	(33,048,038)
Interest on purchased loans and other	687,081	-	687,081	421,081
Other sources	174,432	120,983	295,415	337,057
	13,774,719	265,336,135	279,110,854	176,858,942
Cash disbursed for:				
Guarantee claims paid to lending institutions	-	(280,503,150)	(280,503,150)	(159,720,309)
Employees	(3,140,133)	-	(3,140,133)	(2,698,315)
Suppliers	(6,299,430)	-	(6,299,430)	(156,089)
Federal fee expense	-	(4,071,523)	(4,071,523)	-
Recall reserves paid to U.S. Department of Education	-	(1,531,547)	(1,531,547)	(1,531,546)
	(9,439,563)	(286,106,220)	(295,545,783)	(164,106,259)
Net cash provided by (used in) operating activities	4,335,156	(20,770,085)	(16,434,929)	12,752,683
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Intergovernmental payment	(127,340)	-	(127,340)	(80,230)
Net cash used in noncapital activities	(127,340)	-	(127,340)	(80,230)
INTERFUND TRANSFERS	(5,382,923)	5,382,923	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	-	-	-	(12,346)
Net cash used in capital and related financing activities	-	-	-	(12,346)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on pooled cash investments	2,645,912	2,395,475	5,041,387	4,487,647
NET CHANGE IN CASH AND POOLED CASH INVESTMENTS	1,470,805	(12,991,687)	(11,520,882)	17,147,754
CASH AND POOLED CASH INVESTMENTS, BEGINNING OF YEAR	47,732,987	43,632,113	91,365,100	74,217,346
CASH AND POOLED CASH INVESTMENTS, END OF YEAR	$ 49,203,792	$ 30,640,426	$ 79,844,218	$ 91,365,100

	Agency Operating Fund	Federal Reserve and Drawdown Funds	Totals 2008	Totals 2007
RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Net operating income (loss)	$ 4,213,335	$ (9,603,082)	$ (5,389,747)	$ 10,909,234
Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	253,195	-	253,195	302,657
Effects of changes in net assets and liabilities:				
Receivables	2,050,203	(686,903)	1,363,300	(4,441,533)
Supplies inventory	4,767	-	4,767	-
Prepaid expenses	(21,738)	-	(21,738)	(144,106)
Accounts payable and accrued liabilities	363,583	-	363,583	58,280
Other current liabilities	(2,407,057)	-	(2,407,057)	3,390,392
Recall reserves due to U.S. Department of Education	-	(1,531,547)	(1,531,547)	(1,531,546)
Loan collections and other liabilities due to federal government	-	(5,235,475)	(5,235,475)	2,937,712
Claims due to lenders	-	(3,713,078)	(3,713,078)	1,063,279
Accrued compensated absences	(5,139)	-	(5,139)	(14,254)
Interfund payable - other agencies	-	-	-	(11,169)
Other long term liabilities	(115,993)	-	(115,993)	233,737
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ 4,335,156	$ (20,770,085)	$ (16,434,929)	$ 12,752,683

Clifton Gunderson LLP
Certified Public Accountants & Consultants

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

Members of the Legislative Audit Committee

We have audited the financial statements of the accompanying business-type activities and the aggregate remaining fund information of the Colorado Student Loan Program dba College Assist (Proprietary Funds) and the College Opportunity Fund (Fiduciary Fund), collectively referred to as the Agency, as of and for the year ended June 30, 2008, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated December 17, 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.

Internal Control Over Financial Reporting

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

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

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

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency'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.*

This report is intended solely for the information and use of the Legislative Audit Committee and management and is not intended to be and should not be used by anyone other than these specified parties.

Clifton Gunderson LLP

Denver, Colorado
December 17, 2008

Required Communications to the Legislative Audit Committee

Members of the Legislative Audit Committee

This letter is to provide you with information about significant matters related to our audit of the financial statements of the Colorado Student Loan Program dba College Assist and the College Opportunity Fund for the year ended June 30, 2008.

The following are our observations arising from the audit that are relevant to your responsibilities in overseeing the financial reporting process.

Auditor's Responsibilities under Generally Accepted Auditing Standards. Our audit was performed for the purpose of forming and expressing an opinion about whether the financial statements, which we have assisted in the preparation with management oversight, are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit does not relieve management of its responsibilities.

Other Information in Documents Containing Audited Financial Statements. In connection with the Colorado Student Loan Program dba College Assist and College Opportunity Fund financial statements, we did not perform any procedures or corroborate other information included in the report. However, we read management's discussion and analysis of financial conditions and results of operations and considered whether the information or the manner in which it was presented was materially inconsistent with information or the manner of presentation of the financial statements. Based on our reading, we concluded that the information did not require revision.

Significant Issues Discussed with Management Prior to Retention. We discussed various matters with management prior to retention as the Colorado Student Loan Program dba College Assist and College Opportunity Fund auditors. These discussions occur in the normal course of our professional relationship. There were no significant issues, including the application of accounting principles and auditing standards, which were discussed with management prior to our retention as auditors.

Consultations with Other Accountants. We were informed by management that they made no consultations with other accountants on the application of generally accepted accounting principals or generally accepted auditing standards.

Qualitative Aspects of Accounting Practices.

Accounting Policies
Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Colorado Student Loan Program dba College Assist and College Opportunity Fund are described in Note 1 in each of the financial statements. There were no significant accounting policies or their application which were either initially selected or changed during the year.

We noted no transactions in controversial or emerging areas for which there is a lack of authoritative guidance or consensus. There were no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting Estimates
Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The Enterprise provides an allowance for loan losses of 93 percent of its purchased loans receivable. The allowance is determined based on historical collection experience of the related receivable. We reviewed management's methodology for estimating this allowance. There were no other significant accounting estimates of financial data which would be particularly sensitive and require substantial judgment by management.

Financial Statement Disclosures
Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

Difficulties Encountered in Performing the Audit. We encountered no significant difficulties in dealing with management related to the performance of our audit.

Corrected Misstatements. There were no material misstatements detected as a result of audit procedures and corrected by management that were material, either individually or in the aggregate to the financial statements taken as a whole.

Uncorrected Misstatements. There were no uncorrected misstatements detected as a result of our audit procedures, other than those the auditor believes to be trivial.

Representations from Management. We have requested and received certain representations from management that are included in the management representation letter dated December 17, 2008.

Disagreements with Management. There were no disagreements with management on financial accounting and reporting matters, auditing procedures, or other matters which would be significant to the Colorado Student Loan Program and College Opportunity Fund financial statements or our report on those financial statements.

Please contact Jim Comisky if you have any questions regarding the matters included in this letter.

Clifton Gunderson LLP

Denver, Colorado
December 17, 2008

The electronic version of this report is available on the Web site of the
Office of the State Auditor
www.state.co.us/auditor

A bound report may be obtained by calling the
Office of the State Auditor
303-869-2800

Please refer to the Report Control Number below when requesting this report.

Report Control Number 1947