

**COLORADO STUDENT OBLIGATION BOND AUTHORITY
d/b/a COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
Denver, Colorado**

**FINANCIAL AND COMPLIANCE AUDIT
June 30, 2003 and 2002**

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COLORADO STUDENT OBLIGATION BOND AUTHORITY
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FINANCIAL AND COMPLIANCE AUDIT
June 30, 2003

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Members of the Legislative Audit Committee:

This report contains the results of the financial and compliance audit of the Student Loan Program Fund of the Colorado Student Obligation Bond Authority d/b/a CollegeInvest as of June 30, 2003. The audit was conducted pursuant to Section 2-3-103, C.R.S., which authorizes the State Auditor to conduct audits of the departments, institutions and agencies of State government. The report represents our findings and recommendations and the responses of the Student Loan Program Fund of the Colorado Student Obligation Bond Authority d/b/a CollegeInvest.

Clifton Gunderson LLP

Greenwood Village, Colorado
October 8, 2003

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REPORT SUMMARY

**COLORADO STUDENT OBLIGATION BOND AUTHORITY
d/b/a COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
FINANCIAL AUDIT
FISCAL YEAR ENDED JUNE 30, 2003**

Purpose and Scope

The Office of the State Auditor, State of Colorado engaged Clifton Gunderson LLP to conduct the financial and compliance audit of the Colorado Student Obligation Bond Authority d/b/a CollegeInvest (CollegeInvest) Student Loan Program Funds (Student Loan Program Funds) for the Fiscal Year ended June 30, 2003. Clifton Gunderson LLP performed this audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

The purpose and scope of our audit was to express an opinion on the Student Loan Program Funds financial statements as of the Fiscal Year ended June 30, 2003.

Audit Opinions and Reports

We expressed an unqualified opinion on the Student Loan Program Funds financial statements as of June 30, 2003.

Summary of Key Findings and Recommendations

FINDING NO. 1 – Special Allowance Payments

CollegeInvest receives special allowance payments (SAP) on eligible loans for a certain percentage of the average unpaid principal balance of a loan. Loans made from bond proceeds originally issued prior to October 1, 1993 receive a higher percentage of reimbursement for SAP in lower interest rate environments than loans made from bond proceeds issued after that date. This higher level of special allowance payments is referred to as Floor SAP.

In August 2002, CollegeInvest refunded three series of bonds issued prior to October 1, 1993. CollegeInvest had been receiving Floor SAP on the loans financed from these bonds (the existing loans). CollegeInvest carried over the pre-October 1, 1993 bond characteristics to the 2002 refunding bond series as its proceeds were used to refund pre-October 1, 1993 bonds. The existing loans were not initially transferred to this series. At the time of the refunding, CollegeInvest also used reserves, initially set aside to repay the refunded bonds, to purchase new student loans (the new loans) within the 2002 refunding bond series. CollegeInvest discussed billing and collecting Floor SAP on both the existing loans and the new loans with third party consultants at the time of the August 2002 refunding. Written documentation regarding the consultation with third party consultants was not maintained by CollegeInvest. At the time of management's decision regarding this issue, CollegeInvest did not require that decisions of this nature be presented to the Board of Directors for approval. At the conclusion of Fiscal Year 2003, this treatment of billing Floor SAP on both the existing loans and the new loans was revisited. CollegeInvest decided to take a more conservative approach. CollegeInvest modified the transaction by transferring loans, as of the date of the refunding, between bond series and determined that \$766,000 would be refunded to the federal government. As a result of this change, CollegeInvest reduced the special allowance payments billed for the quarter ended June 30, 2003 and its receivable from the federal government as of June 30, 2003 by the estimated Floor SAP in the amount of \$766,000.

We recommend that CollegeInvest adopt a policy requiring that certain safeguards be in place for changes in interpretations of the federal regulations prior to implementation. The policy should include:

1. Requiring that adequate research be performed and written documentation obtained such as opinions from third party consultants to support the interpretation.
2. Obtaining formal documented approval from management and the Board of Directors on new interpretations and procedures.

FINDING NO. 2 – Bond Identification Numbers (Bond IDs)

Bond identification numbers are assigned to the various bond issues of CollegeInvest. The Bond IDs are used by the third party servicers to “group” loans for purposes of determining the special allowance payments due from the federal government. In April 2002, CollegeInvest requested a change in one Bond ID that was thought to be incorrect. During CollegeInvest's annual review of Bond IDs, it determined that the change requested in April 2002 to the Bond ID was not correct. A retroactive correction has been made that has resulted in additional special allowance payments in the amount of \$450,000 due from the federal government.

Although a compensating control is in place to identify errors during the annual review of Bond IDs, CollegeInvest should strengthen internal controls and minimize the risk of errors by implementing a policy that requires changes/transfers of groups of loans within each of the existing bond indentures or any new Bond IDs created or changed be in writing and approved at a higher level within management than the employee requesting the change.

FINDING NO. 3 – Cash Flow Statements

As part of the State of Colorado, it is necessary for the information within CollegeInvest's accounting system to be comparable with the State's accounting system (COFRS) in order to provide consistent reporting in the financial statements. During the Fiscal Years ending June 30, 2003 and 2002, the State Controller's Office, which is responsible for compiling the statewide financial statements, had difficulty reconciling the information needed for the preparation of the Statement Cash Flows.

CollegeInvest and the State Controller's Office should work together to resolve discrepancies between the Statement of Cash Flows prepared by CollegeInvest and by the State Controller's Office.

In order to reduce the time spent by CollegeInvest reconciling the Statement of Cash Flows at year end, CollegeInvest will prepare an internal Statement of Cash Flows periodically and compare the internal Statement of Cash Flows to the State Controller's Office automated Statement of Cash Flows. We have worked out a process with the State Controller's Office to make adjustments as necessary.

We identified no findings or recommendations for the Fiscal Year ended June 30, 2002.

Required Communication

Management Judgements and Accounting Estimates. There were no significant accounting estimates of financial data which would be particularly sensitive and require substantial judgement by management.

Significant Audit Adjustments

Four audit adjustments were made during the completion of audit fieldwork as follows:

- An adjustment of \$766,000 was made to reduce interest and other receivables for special allowance payments and interest and special allowance on student loans.
- An adjustment was made to change the allocation of salaries and indirect costs charged to the Student Loan Program Funds. This resulted in a decrease to salaries expense and indirect costs in the Borrower Benefit Fund in the amount of \$179,200, an increase to salaries expense in the Bond Funds in the amount of \$134,900, an increase in salaries and indirect costs in the Prepaid Tuition Fund of \$26,600, an increase to salaries expense and indirect costs in Scholars Choice in the amount of \$6,300 and an increase to salaries and indirect costs in the Stable Value Plus Fund in the amount of \$11,400.
- An adjustment was made to increase arbitrage rebate payable and rebate tax expense by \$746,971 due to revised arbitrage calculations prepared by a third party.
- An adjustment was made to record a transfer to the Stable Value Plus Fund from the Borrower Benefit Fund of approximately \$240,690 which represents start up costs and operating costs incurred on behalf of the Stable Value Plus Fund that were in excess of the 99 basis points funded through participant charges.

Disagreements with Management. There were no disagreements with management on financial accounting and reporting matters, auditing matters, auditing procedures or other matters which would be significant to the Fund's financial statements or our report on those financial statements.

RECOMMENDATION LOCATOR

Rec. No.	Page No.	Recommendation Summary	Agency Addressed	Agency Response	Implementation Date
1	8	Establish a policy requiring that changes in interpretation on special allowance billings be supported by appropriate documentation and management approval.	CollegeInvest	Partially agree	February 2004
2	9	Establish a policy requiring that changes in or creation of new bond identification numbers receive prior written approval.	CollegeInvest	Agree	February 2004
3	10	Work with State Controller's Office to resolve discrepancies in preparation of the Statewide Statement of Cash Flows.	CollegeInvest	Agree	February 2004

**DESCRIPTION OF THE
COLORADO STUDENT OBLIGATION BOND AUTHORITY
d/b/a COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS**

Organization

The Colorado General Assembly established a student obligation bond program (Student Loan Program Funds), a post secondary education expense program (Prepaid Tuition Fund), and a Section 529 college savings program (Scholars Choice Fund and Stable Value Plus Fund), which are administered by the Colorado Student Obligation Bond Authority d/b/a CollegeInvest. The programs assist residents in meeting the expenses incurred in availing themselves of higher education opportunities. The Executive Director of the Colorado Department of Higher Education has responsibility for oversight and management of CollegeInvest. In addition, CollegeInvest has a nine-person Board of Directors (Board) designated by the Governor and approved by the State Senate to serve four-year terms.

Student Loan Program Funds

Primary operations of the student obligation bond program commenced in 1981. In meeting its legislative mandate, CollegeInvest issues tax-exempt and taxable financings. The amount of tax-exempt financing authority is limited by federal volume caps allocated to Colorado and by Colorado's allocation of these caps among state and local governments that issue debt. The proceeds from such financings are used to originate and purchase student loans. CollegeInvest is authorized to issue its own revenue bonds, notes and other obligations in the aggregate amount of \$1.3 billion. The bonds do not constitute an indebtedness, debt or liability of the State of Colorado.

The financial statements present the activities of the Bond Funds and the Authority's Borrower Benefit Fund. Each Bond Fund represents bond proceeds that are restricted by the financing documents of each individual bond issue. Each Bond Fund is accounted for separately and is a separate trust estate.

The Borrower Benefit Fund consists of assets and revenue that are not pledged as collateral to the Bond Funds. These monies are available for the administration of CollegeInvest and for use in other programs in accordance with CRS 23-3.1-201 that are authorized by the General Assembly.

FINDINGS AND RECOMMENDATIONS

We have completed our audit of the financial statements of CollegeInvest for the period ended June 30, 2003. In connection with our audit, we have the following comments and recommendations for improvement

FINDING NO. 1 – Special Allowance Payments

The Student Loan Program Funds issue bonds in order to originate and purchase student loans under the Federal Family Education Loan Program (FFEL) reported under CFDA No. 84.032. The FFEL program was created and is managed under Title 34, Chapter VI, Part 682 of the Code of Federal Regulations (CFR). Pursuant to Title 34, CollegeInvest is eligible to receive special allowance payments (SAP) from the federal government. CollegeInvest receives special allowance payments on eligible loans for a certain percentage of the average unpaid principal balance of a loan. Loans made from bond proceeds originally issued prior to October 1, 1993 receive a higher percentage of reimbursement for SAP in lower interest rate environments than loans made from bond proceeds issued after that date. This higher level of special allowance payments is referred to as Floor SAP. It is crucial for an entity to track the proceeds available to make loans from bond issues prior to October 1993 so that the entity receives the appropriate reimbursement for SAP from the federal government to which the entity is entitled.

In August 2002, CollegeInvest refunded three series of bonds issued prior to October 1, 1993. CollegeInvest had been receiving Floor SAP on the loans financed from these bonds (the existing loans). CollegeInvest carried over the pre-October 1, 1993 bond characteristics to the 2002 refunding bond series as its proceeds were used to refund pre-October 1, 1993 bonds. The existing loans were not initially transferred to this series. At the time of the refunding, CollegeInvest also used reserves, initially set aside to repay the refunded bonds, to purchase new student loans (the new loans) within the 2002 refunding bond series that assumed the pre-October 1, 1993 characteristics. CollegeInvest billed and collected Floor SAP on the new loans and the existing loans in accordance with the U.S. Department of Education policy. This practice of billing and collecting Floor SAP on both the existing loans and the new loans, although used by some entities, had not been used by CollegeInvest prior to this transaction. CollegeInvest discussed this transaction with third party consultants at the time of the August 2002 refunding. Written documentation regarding the consultation with third party consultants was not maintained by CollegeInvest. At the time of management's decision regarding this issue, CollegeInvest did not require that decisions of this nature be presented to the Board of Directors for approval. During the year-end calculation of CollegeInvest's excess earnings for fiscal year 2003, this practice of billing Floor SAP on the existing loans and the new loans was revisited. Subsequent to the date of the refunding, the United States General Accounting Office recommended that the U.S. Department of Education amend its regulations to disallow this practice. Accordingly, CollegeInvest decided to take a more conservative approach.

CollegeInvest modified the transaction by transferring the existing loans, as of the date of the refunding, into the 2002 refunding bond series and retained the Floor SAP collected on these loans. CollegeInvest then transferred the new student loans, which had previously been issued within the 2002 refunding bond series, to a post-October 1, 1993 bond series and determined that the Floor SAP that had been collected on the new loans would be refunded to the federal government. As a result of this change, CollegeInvest reduced the special allowance payments billed for the quarter ended June 30, 2003 and its receivable from the federal government as of June 30, 2003 by the estimated Floor SAP in the amount of \$766,000.

RECOMMENDATION NO. 1

CollegeInvest should adopt a policy requiring that certain safeguards be in place for changes in interpretations of the federal regulations prior to implementation. The policy should include:

- a. Requiring that adequate research be performed and written documentation obtained such as opinions from third party consultants to support the interpretation.
- b. Obtaining formal documented approval from management and the Board of Directors on new interpretations and procedures.

COLLEGEINVEST'S RESPONSE

Partially agree. CollegeInvest does formal research and follows recommendations from industry experts, including bond counsel, underwriters, and financial advisors. It will formally document that research in the future.

However, CollegeInvest and the Board believe that the appropriate support and discussion occurred in conjunction with both the initial decision and the subsequent decision to change how Floor SAP was handled. Material changes in facts and circumstances occurred after the initial decision had been made that caused the organization to revisit its initial decision. The refunding of the Floor SAP was a result of a philosophical change in how CollegeInvest believed it should bill for these loans, and not as a result of a dispute over the appropriateness of such billing.

Auditor's Addendum:

As described in the narrative, CollegeInvest did not discuss the initial decision with the Board of Directors, even though this was a departure from the way CollegeInvest had previously billed and collected Floor SAP on existing and new loans. CollegeInvest should obtain formal documented approval from management and the Board of Directors for departures that can result in a change of \$766,000.

FINDING NO. 2 – Bond Identification Numbers

CollegeInvest utilizes Nelnet and the Colorado Student Loan Program (CSLP), third party servicers, to process student loan transactions. Each student loan issued is assigned a bond identification number (Bond ID) which corresponds to a particular bond issue. These Bond IDs are used by the third party servicers to “group” loans for purposes of determining the special allowance payments (SAP). On January 1, 2002, Nelnet implemented a new servicing system.

In April 2002, CollegeInvest reviewed all of the Bond IDs established and determined that one particular Bond ID was incorrect and requested a change. The change was authorized verbally by an employee of CollegeInvest without a higher level of approval for the changes. The change resulted in a lower rate of SAP being collected by CollegeInvest on the changed Bond ID. During CollegeInvest's annual review of Bond IDs, it was discovered that the change requested by CollegeInvest in April 2002 to the Bond ID was not correct. CollegeInvest has requested the correction be made in both Nelnet and CSLP's systems to retroactively correct the misclassification. CollegeInvest calculated the additional amount that should have been received from the federal government at \$450,000. Approximately \$33,000 is attributable to the Fiscal Year ended June 30, 2002. The remaining \$417,000 is attributable to the Fiscal Year ended June 30, 2003. As a result, at June 30, 2003, CollegeInvest increased the receivable from the federal government for special allowance and interest benefit payments by \$450,000.

RECOMMENDATION NO. 2

CollegeInvest should strengthen internal controls and minimize the risk of errors by implementing a policy that requires changes/transfers of groups of loans within each of the existing bond indentures or any new Bond IDs created or changed be in writing and approved at a higher level within management than the employee requesting the change.

COLLEGEINVEST'S RESPONSE

Agree. Compensating controls were in place and identified this problem. However, CollegeInvest will implement a written policy that requires any changes, transfers or additions of bond IDs to be in writing and approved by a higher level within management than the employee requesting the change. A template of proper Bond ID treatment will be created and utilized to document the proper treatment of Bond IDs. CollegeInvest will obtain written documentation from the Servicer that they are treating Bond IDs in accordance with CollegeInvest's directions.

FINDING NO. 3 – Cash Flow Statements

Pursuant to Section 23-3.1-202, C.R.S., on May 26, 2000 the Colorado Student Obligation Bond Authority d/b/a CollegeInvest (CollegeInvest) became a division of the Colorado Department of Higher Education. As part of the State, the CollegeInvest accounting system must be compatible with the State accounting system, the Colorado Financial Reporting System (COFRS), to provide consistent reporting between the State and CollegeInvest and ensure that financial statements can be reconciled. CollegeInvest provides a specialized service within the State government and therefore has unique types of transactions. This creates difficulties in "mapping" CollegeInvest's accounts to COFRS accounts for the Statement of Cash Flows, which is one of the required financial statements under governmental accounting standards. In addition, CollegeInvest prepares its Statement of Cash Flows on the basis of individual transactions; however the State Controller's Office prepares the Statement of Cash Flows at the statewide level on the basis of account balances. As a result, the State Controller's Office, which is responsible for compiling the statewide financial statements, has had difficulty reconciling the Statement of Cash Flows prepared by CollegeInvest with the statewide Statement of Cash Flows.

In preparing the fiscal year 2002 financial statements, the State Controller’s Office discussed the discrepancies with CollegeInvest and created procedures that CollegeInvest should follow to correct the differences and avoid similar problems in fiscal year 2003. Part of these procedures involved creating new accounts in the CollegeInvest system to more closely parallel the COFRS system. In preparing the fiscal year 2003 Statement of Cash Flows, CollegeInvest followed the procedures but certain new types of transactions not mapped to COFRS created problems with the reconciliation. For example, the following are differences between the 2003 CollegeInvest Statement of Cash Flows, before any changes, and the Statement of Cash Flows from the State Controller’s Office:

<u>Classification on CollegeInvest Statement</u>	Over (under) State Controller’s Statements
Cash received from fees for services	(13,547,000)
Cash received from grants and contracts	12,288,000
Cash payments for suppliers	(3,292,000)
Cash flows from investing activities:	
Proceeds from sale/maturity of investments	(10,475,000)

Once the differences were initially identified, CollegeInvest and the State Controller’s Office made adjustments to the classification of amounts to bring the two statements into agreement.

RECOMMENDATION NO. 3

CollegeInvest should work with the State Controller’s Office to resolve discrepancies between the Statement of Cash Flows prepared by CollegeInvest and by the State Controller’s Office by:

- a. Determining what additional accounts need to be created on the CollegeInvest accounting system to facilitate the mapping of accounts to COFRS.
- b. Utilizing the new accounts in the development of the Statement of Cash Flows.
- c. Testing the procedures by preparing and reconciling the Statement of Cash Flows for an interim period agreed upon with the State Controller’s Office.
- d. Upon resolution of discrepancies, document the procedures that should be used to prepare the Statement of Cash Flows, including information on how accounts map to COFRS.

COLLEGEINVEST’S RESPONSE

Agree. CollegeInvest agrees that it should continue to refine its mapping of internal general ledger accounts to the COFRS system. Each time CollegeInvest identifies a discrepancy, the accounts are corrected as soon as possible. As a result of the fiscal year 2003 compilation of financial statements, additional discrepancies were noted due to changes in the both the State’s and CollegeInvest’s treatment of certain line items. These discrepancies were corrected as of the December 31, 2003 COFRS entries.

In order to reduce the time spent by CollegeInvest reconciling the Statement of Cash Flows at year end, CollegeInvest will prepare an internal Statement of Cash Flows periodically and compare the internal Statement of Cash Flows to the State Controller’s Office automated Statement of Cash Flows. We have worked out a process with the State Controller’s Office to make adjustments as necessary.



Independent Auditor's Report

Members of the Legislative Audit Committee:

We have audited the accompanying statement of net assets of the Colorado Student Obligation Bond Authority d/b/a CollegeInvest, (a division of the Department of Higher Education, State of Colorado) Student Loan Program Funds, as of June 30, 2003 and 2002, and the related statement of revenues, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of Colorado Student Obligation Bond Authority d/b/a CollegeInvest, Student Loan Program Funds' management. Our responsibility is to express an opinion 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 opinion.

As discussed in Note 1 – Organization and Summary of Significant Accounting Policies, the financial statements of the Student Loan Program Funds are intended to present the financial position, and results of operations and cash flows for only that portion of the financial reporting entity, the State of Colorado, that is attributable to the transactions of the Colorado Student Obligation Bond Authority d/b/a CollegeInvest, Student Loan Program Funds. They do not purport to, and do not present fairly, the financial position of the State of Colorado as of June 30, 2003 and the changes in its financial position and its cash flows, where applicable, for the year 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 financial position of Colorado Student Obligation Bond Authority d/b/a CollegeInvest, Student Loan Program Funds, as of June 30, 2003 and 2002, and the results of its operations and the 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 October 8, 2003 on our consideration of Colorado Student Obligation Bond Authority d/b/a CollegeInvest, Student Loan Program Funds' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis (MD&A) on pages 13 to 21, is not a required part of the financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this supplemental information. However, we did not audit the information and express no opinion on it.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental information 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 audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Clifton Henderson LLP

Greenwood Village, Colorado
October 8, 2003

COLORADO STUDENT OBLIGATION BOND AUTHORITY
d/b/a COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2003 AND 2002

This section of the Student Loan Program Funds' (Funds') financial statements is a discussion and analysis of the financial performance of the Student Loan Program Funds for the years ended June 30, 2003 and 2002. The Colorado Student Obligation Bond Authority d/b/a CollegeInvest (CollegeInvest), a division of the Department of Higher Education (Department) of the State of Colorado administers the Student Loan Program Funds, the Prepaid Tuition Fund, the Scholars Choice Fund and the Stable Value Plus Fund. The Student Loan Program Funds' financial results are presented as a proprietary fund in the State of Colorado Comprehensive Annual Financial Report. Management of CollegeInvest is responsible for the financial statements, footnotes and this discussion. The management's discussion and analysis should be read in conjunction with the Fund's financial statements.

Overview of the Financial Statements:

This annual report contains two sections – management's discussion and analysis (this section) and the basic financial statements. The basic financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets and a Statement of Cash Flows.

The Statement of Net Assets presents information on all of the Funds' assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in the net assets may serve as a useful indicator of whether the financial position of the Fund is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Assets presents information that reflects how the Fund's net assets changed during the past year. All changes in the net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.

The Statement of Cash Flows reports the Funds' cash flows from operating, investing, non-capital, and capital and related financing.

Analysis of Financial Activities:

The Borrower Benefit and Bond Funds are accounted for as separate enterprise funds within the State of Colorado's financial reporting system. However, for financial statement purposes they are presented as a single enterprise fund in a combined financial statement.

In meeting its legislative mandate, Student Loan Program Funds issue tax-exempt and taxable financings. The proceeds from such financings are used to originate and purchase student loans or to make loans to institutions of higher education for their graduate lending programs. These financial activities are recorded within the Bond Funds in funds and accounts established under the financing documents. The financing documents for each Bond Fund restrict assets held in each respective trust estate for the payment of the outstanding obligations.

COLORADO STUDENT OBLIGATION BOND AUTHORITY
d/b/a COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2003 AND 2002

Analysis of Financial Activities (continued):

Under certain agreements, the Student Loan Program Funds provide a line of credit to an institution of higher education to make loans to their graduate students. Student Loan Program Funds and the institution also enter into a loan purchase agreement providing that Student Loan Program Funds shall purchase the student loans from the institution each year at an agreed upon price. The proceeds from the sale are to be used by the institution to pay principal and interest due on the line of credit and to enhance financial aid to the student. As of June 30, 2003, Student Loan Program Funds had such agreements with three institutions of higher education.

Student Loan Program Funds utilize the Borrower Benefit Fund for payment of general and administrative expenses and other activities of the Bond Funds, the Prepaid Tuition Fund, the Scholars Choice Fund and the Stable Value Plus Fund necessary to fulfill their purposes. The general and administrative expenses and activities have been allocated to the respective Funds. Additionally, cash in the Borrower Benefit Fund has been committed by CollegeInvest's Board of Directors (Board) to fund issuance costs of certain Bond Funds, to pay for operating expenses of the Borrower Benefit Fund and capital expenditures, to fund the Loan Incentives For Teachers program (a loan forgiveness program), and to fund a portion of certain lines of credit to Colorado institutions of higher education.

The Executive Director of the Department and CollegeInvest's Board approve the annual budget and exercise financial oversight responsibilities of the Student Loan Program Funds.

Comparison of Current Year Results to Prior Year:

Condensed Statement of Net Assets as of June 30,

	2003			2002		
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
	(dollar amounts expressed in thousands)					
<i>Assets:</i>						
Cash and investments	\$ 27,718	\$ 228,685	\$ 256,403	\$ 11,578	\$ 94,636	\$106,214
Student loans, interest, other receivables	238	789,226	789,464	23,914	680,355	704,269
Bond and note issuance costs, net	-	5,190	5,190	-	3,390	3,390
Capital assets, net	<u>1,575</u>	<u>-</u>	<u>1,575</u>	<u>1,804</u>	<u>-</u>	<u>1,804</u>
<i>Total assets</i>	<u>29,531</u>	<u>1,023,101</u>	<u>1,052,632</u>	<u>37,296</u>	<u>778,381</u>	<u>815,677</u>

COLORADO STUDENT OBLIGATION BOND AUTHORITY
d/b/a COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2003 AND 2002

Comparison of Current Year Results to Prior Year (continued):

	2003			2002		
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
	(dollar amounts expressed in thousands)					
<i>Liabilities:</i>						
Accounts payable and due to other funds	818	806	1,624	472	978	1,450
Interest payable	-	1,257	1,257	-	1,077	1,077
Arbitrage rebate payable	-	18,840	18,840	-	13,425	13,425
Bonds and notes payable	<u>-</u>	<u>921,487</u>	<u>921,487</u>	<u>-</u>	<u>697,743</u>	<u>697,743</u>
<i>Total liabilities</i>	<u>818</u>	<u>942,390</u>	<u>943,208</u>	<u>472</u>	<u>713,223</u>	<u>713,695</u>
Interfund receivable (payable)	8,929	(8,929)	-	7,418	(7,418)	-
<i>Net assets:</i>						
Invested in capital assets	1,575	-	1,575	1,804	-	1,804
Restricted	-	71,782	71,782	-	57,740	57,740
Unrestricted	<u>36,067</u>	<u>-</u>	<u>36,067</u>	<u>42,438</u>	<u>-</u>	<u>42,438</u>
<i>Total net assets</i>	<u>\$ 37,642</u>	<u>\$ 71,782</u>	<u>\$ 109,424</u>	<u>\$ 44,242</u>	<u>\$ 57,740</u>	<u>\$ 101,982</u>

Cash and investments have increased since 2002 due to the issuance of \$251 million (net of current refunding of \$44.4 million) of additional bonds and notes in August 2002 and April 2003. The additional cash is being used to fund increased acquisitions of student loans and borrowings by Colorado institutions of higher education. The Bond Funds originate student loans to borrowers in school, purchase student loans from other financial institutions, and consolidate existing loans.

Student loans, interest and other receivables increased by \$85.2 million from Fiscal Year end 2002 to 2003. Student loans, including premiums and borrower benefits, increased by \$105.1 million due to the acquisition of \$238.8 million in student loans during 2003 and decreased as a result of student loan principal repayments \$133.7 million. Originations of \$45.2 million were greater than last year's origination volume by \$15.4 million. Purchases of student loans from other lending institutions and schools' undergraduate lending agreements increased from 2002 by \$55.4 million from \$68.4 million to \$121.8 million. This increase was due in part to higher volume as well as the timing of purchases of \$54.1 million in total from one school, which resulted in two years of origination volume recorded in the current year. Additionally, CollegeInvest increased its consolidation loan volume by \$27.2 million from \$39.1 million in 2002 to \$66.3 million in 2003. Interest and other receivables have decreased by \$19.6 million primarily due to the timing of student loan purchases from Colorado institutions of higher education, which was the primary reason for a \$16.2 million increase in unrestricted cash and investments.

Capital assets decreased by \$229,000 in 2003. This was due to a combination of additions and deletions of assets that netted to an increase of \$173,000 and depreciation and amortization of \$402,000. Bond and note issuance costs increased due to the two debt issuances noted above.

COLORADO STUDENT OBLIGATION BOND AUTHORITY
d/b/a COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2003 AND 2002

Comparison of Current Year Results to Prior Year (continued):

The increase in accounts payable of \$174,000 is due to timing differences and increased activity in the student loan business. The increase in interest payable of \$180,000 from June 30, 2002 is due to the additional debt issuance noted above.

The increase in arbitrage rebate payable of approximately \$5.4 million from June 30, 2002 is due primarily to an increase in the spread between the permitted investment yield or student loan yield and the bond yield. U.S. Treasury regulations limit the amount of interest income from investments to the bond yield on certain tax-exempt bond issues which is "rebate". Additionally, U.S. Treasury regulations limit the amount of interest income from student loans to 1.5% or 2.0% over bond yield of certain bond issues which is "excess interest". Student loan rates are set each July 1st for the next year based on the 91 day U.S. Treasury Bill rate plus a factor applicable to the disbursement date of the student loan. Variable rates on the outstanding tax-exempt bonds change every 7 and 35 days, depending on the obligation. Since interest rates on tax-exempt financings continued to decrease from July 1, 2002 through the end of the year 2003, the spread between student loan yield and the bond yield increased. Most of this increase was in excess of the 1.5% or 2.0% allowed, and therefore increased the excess interest liability.

Bonds and notes payable increased by \$223.7 million dollars. This was due to a combination of issuing \$295.0 million in new debt, current refunding of \$44.4 million and payment of principal during the year of \$26.9 million.

Total net assets increased by \$7.4 million due to a combination of positive operating income that was offset by transfers to other funds within CollegeInvest.

COLORADO STUDENT OBLIGATION BOND AUTHORITY
d/b/a COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2003 AND 2002

Comparison of Current Year Results to Prior Year (continued):

Condensed Statement of Revenues, Expenses and Changes in Net Assets for the Years Ended June 30,

	2003	2002
	(dollar amounts expressed in thousands)	
Interest and special allowance on student loans	\$ 46,559	\$ 50,178
Net investment income	4,325	4,399
Reimbursement of operating expenses	<u>202</u>	<u>361</u>
Total operating revenues	<u>51,086</u>	<u>54,938</u>
Interest expense	15,690	19,217
Rebate tax expense, net	8,432	8,097
Loan servicing costs and bond fees	6,403	6,492
Depreciation and amortization	2,271	1,957
Salaries and benefits	1,275	1,096
General and administrative expenses	<u>1,381</u>	<u>734</u>
Total operating expenses	<u>35,452</u>	<u>37,593</u>
Operating income	15,634	17,345
Transfer to Stable Value Plus Fund	(240)	-
Transfer to Prepaid Tuition Fund	<u>(7,952)</u>	<u>(3,868)</u>
Net change in net assets	7,442	13,477
Net assets, beginning of year	<u>101,982</u>	<u>88,505</u>
Net assets, end of year	<u>\$109,424</u>	<u>\$101,982</u>

Detail of the Funds' interest and special allowance on student loans is as follows:

Borrower interest	\$ 38,668	\$ 44,406
Special allowance payments	<u>7,891</u>	<u>5,772</u>
Total interest and special allowance as student loans	<u>\$ 46,559</u>	<u>\$50,178</u>

Borrower interest decreased by \$5.7 million due to lower interest rates set by the U.S. Department of Education on July 1, 2002. All variable rate student loans in Student Loan Program Fund's portfolio are reset July 1st and remain fixed for one year.

The decrease in borrower interest income was partially offset by an increase over last year of approximately \$2.1 million in special allowance payments. Special allowance is a subsidy paid to lenders by the federal government. It is the difference between the borrower interest rate and a subsidy rate defined by the Higher Education Act of 1965, as amended. On approximately thirty percent of Student Loan Program Fund's loan portfolio, the subsidy rate is fixed at 9.5%. Thus, when student loan rates are lower, special allowance payments increase such that the total return is 9.5% on those loans.

In total, interest and special allowance payments on student loans generated a 6.6% and 7.9% average return for the years ending June 30, 2003 and 2002, respectively.

COLORADO STUDENT OBLIGATION BOND AUTHORITY
d/b/a COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2003 AND 2002

Comparison of Current Year Results to Prior Year (continued):

The decrease in net investment income of approximately \$74,000 for the year ended June 30, 2003 from the previous year was due primarily to reduced rates of return during the year. The average cash and investment balance in the Fiscal Year ending 2003 was \$181.0 million with an average return of 2.4% while the average cash and investment balance for the fiscal year ending 2002 was \$168.2 million with an average rate of return of 2.6%.

Reimbursement of operating expenses represents recovery of prior year expenses expended in the Borrower Benefit Fund related to an agreement between the Scholars Choice Fund and Citigroup Asset Management.

The decrease in interest expense of approximately \$3.5 million for the year ended June 30, 2003 from 2002 was due to the reduction in the market interest rates. Interest expense decreased even though Student Loan Program Funds issued additional debt during the year due to these low market rates. As of June 30, 2003 and 2002, average balances and returns on debt were as follows:

	Weighted Average Debt Outstanding 2003	% of Debt	Weighted Average Interest Rate	Weighted Average Debt Outstanding 2002	% of Debt	Weighted Average Interest Rate
	(dollar amounts expressed in thousands)					
Taxable	\$406,144	51.8%	2.3%	\$360,404	50.5%	3.1%
Tax-exempt	<u>377,547</u>	48.2%	1.7%	<u>352,926</u>	49.5%	2.1%
Total	<u>783,691</u>	100.0%	2.0%	<u>713,330</u>	100.0%	2.6%
Variable	692,891	88.4%	1.5%	627,774	88.0%	2.2%
Fixed	<u>90,800</u>	11.6%	5.8%	<u>85,556</u>	12.0%	5.5%
Total	<u>\$783,691</u>	100.0%	2.0%	<u>\$713,330</u>	100.0%	2.6%

Average debt outstanding for the Fiscal Year ending 2003 was \$783.7 million compared to \$713.3 million for the Fiscal Year ending 2002, while the average interest rate decreased from 2.6% to 2.0%.

COLORADO STUDENT OBLIGATION BOND AUTHORITY
d/b/a COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2003 AND 2002

Comparison of Current Year Results to Prior Year (continued):

Rebate tax expense includes excess interest, rebate and consolidation rebate expenses. The increase in excess interest expense of approximately \$192,000 for the year ended June 30, 2003 from the previous year was due to the excess spread between student loan yield and bond yield as discussed above in arbitrage rebate payable. The rebate expense is the amount of excess spread between income from investments and bond yield. The decrease in rebate expense of \$283,000 for the year ended June 30, 2003 from 2002 was due to a narrowing of the spread between investment income and the bond cost as market rates decreased throughout the year. Consolidation rebate expense is a fee paid quarterly to the U.S. Department of Education on any loans consolidated by the Authority after October 1, 1993. Consolidation rebate fees increased during the Fiscal Year ended June 30, 2003 over the Fiscal Year ended June 30, 2002 by approximately \$426,000. This was due to a much higher dollar amount of loans consolidated by the Student Loan Program Funds during the Fiscal Year ended June 30, 2003. The balance of consolidation loans in the Student Loan Program Funds' portfolio increased by \$40.2 million during the Fiscal Year ending 2003.

Loan servicing costs and bond fees were \$89,000 lower in the Fiscal Year ended June 30, 2003 than for the Fiscal Year ended June 30, 2002. Even though the dollar amount of loans serviced was higher, there were fewer loans serviced and therefore costs were lower by approximately \$174,000. Additionally, the Student Loan Program Funds negotiated lower servicing fees on a portion of its student loan portfolio. Bond fees increased by approximately \$85,000 due primarily to increases in broker dealer fees which resulted from the increase in auction rate debt.

Depreciation and amortization was \$314,000 higher during the year ended June 30, 2003 than for the year ended June 30, 2002. This was due to a combination of a reduction in bond issuance amortization and higher amortization of premiums paid to purchase student loans. During the year ended June 30, 2002, the Student Loan Program Funds expensed approximately \$837,000 of bond issuance costs due to the refinancing that was completed during that year.

Salaries and benefits increased by \$179,000 (16.3%) during the year ended June 30, 2003 which was a result of more direct time allocated to the Student Loan Program Funds due to the increased activity noted above. Total assets under management increased 29.1% from June 30, 2002 to June 30, 2003.

General and administrative expenses were \$647,000 higher in the Fiscal Year ended June 30, 2003 than for the Fiscal Year ended June 30, 2002. This was primarily due to marketing expenses incurred in an effort to increase student loan acquisitions and to increase the entity's visibility in the marketplace.

The Borrower Benefit Fund transferred \$7.7 million and \$3.75 million in cash during the Fiscal Years ended June 30, 2003 and 2002, respectively, as well as forgave \$252,000 and \$118,000, respectively, of general and administrative expenses and computer utilization charges of the Prepaid Tuition Fund.

During the Fiscal Year ended June 30, 2003, the Borrower Benefit Fund paid for \$240,000 of start up costs and excess operating costs on behalf of the Stable Value Plus Fund.

COLORADO STUDENT OBLIGATION BOND AUTHORITY
d/b/a COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2003 AND 2002

Capital Assets and Debt Administration:

Capital Assets:

The Funds' investment in capital assets at June 30, 2003 amounts to \$1.6 million, net of accumulated depreciation. The capital assets consist of furniture, equipment, software and leasehold improvements.

The changes in capital assets were as follows:

	June 30, <u>2002</u>	Additions (Deletions)	Depreciation & <u>Amortization</u>	June 30, <u>2003</u>
	(dollar amounts expressed in thousands)			
Software	\$ 1,729	\$ (12)	\$ 282	\$ 1,435
Furniture and equipment	62	185	107	140
Leasehold improvements	<u>13</u>	<u>-</u>	<u>13</u>	<u>-</u>
Total capital assets, net	<u>\$ 1,804</u>	<u>\$ 173</u>	<u>\$ 402</u>	<u>\$ 1,575</u>

Long-term Debt:

As of June 30, 2003, the Funds had \$921.5 million in bonds and notes payable. The increase in bonds and notes payable was due to the issuance of \$295.0 million in new debt, the current refunding and redemption of \$44.4 million and scheduled redemptions of \$26.9 million. Additionally, the Funds amortized \$10,000 of loss on defeasance on bonds and notes and \$2,000 of discount on bonds and notes.

Restricted Net Assets:

Restricted net assets include net assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The Student Loan Program Funds had restricted net assets of \$71.8 million and \$57.7 million as of June 30, 2003 and 2002, respectively. The Bond Funds restrict net assets to uses prescribed in the respective financing documents. All financings are revenue bonds or notes that are collateralized as provided in the financing agreements, by an assignment and pledge to a Trustee of all CollegeInvest's rights, title and interest in the investments, student loans, and loans purchased from Colorado institutions of higher education and the revenues and receipts derived there from.

Economic Factors and Future Years' Rates:

- ❖ Every five years the U.S. Department of Education must reintroduce the Reauthorization Bill of the Higher Education Act of 1965 (Act), as amended, to Congress. The next Reauthorization Bill will likely be reintroduced in calendar year 2004. Significant changes to the Act could impact the overall program.

COLORADO STUDENT OBLIGATION BOND AUTHORITY
d/b/a COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2003 AND 2001

Economic Factors and Future Years' Rates (continued):

- ❖ Every July 1st in accordance with the Higher Education Act of 1965, as amended, the borrower's interest rate on Stafford loans is reset. Stafford loans make up 53.4% of CollegeInvest's portfolio as of June 30, 2003. These borrower rates decreased by approximately .64 percentage points as of July 1, 2003. If student loan balances remain at the same level, next year's borrower interest may be lower than this year's borrower interest.
- ❖ For the Fiscal Year ending June 30, 2003, 88.4% of CollegeInvest's weighted average debt outstanding was variable. If debt levels remain at the same level, economic conditions that cause variances in interest rates may have a positive or negative effect on interest expense.
- ❖ Under the terms of federal grants, periodic audits are required and certain costs may be questioned as not being appropriate expenses under the terms of the grants. Such audits could lead to reimbursement to the grantor agency or the U.S. Department of Education. There are no such audits currently in process as of the date of this report.

Requests for Information:

This report is designed to provide a general overview of the Funds' finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Kenton J. Spuehler, Chief Financial Officer, CollegeInvest, 1801 Broadway, Suite 1300, Denver, CO 80202.

COLORADO STUDENT OBLIGATION BOND AUTHORITY
d/b/a COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2003 AND 2002
(dollar amounts expressed in thousands)

	<u>2003</u>	<u>2002</u>
Assets:		
Current assets:		
Unrestricted assets:		
Cash deposits	\$ 27,148	\$ 10,848
Investments	570	730
Interest and other receivables	216	23,550
Due from Prepaid Tuition Fund	-	347
Due from Bond Funds	770	419
Prepaid expenses	22	17
Total unrestricted assets	<u>28,726</u>	<u>35,911</u>
Restricted assets:		
Investments	228,685	94,636
Student loans, net	26,133	25,692
Interest and other receivables	25,106	21,205
Due from other agencies	357	524
Prepaid expenses	321	292
Total restricted assets	<u>280,602</u>	<u>142,349</u>
Total current assets	<u>309,328</u>	<u>178,260</u>
Noncurrent assets:		
Unrestricted noncurrent assets:		
Due from Bond Funds	8,159	6,999
Capital assets, net	1,575	1,804
Total unrestricted noncurrent assets	<u>9,734</u>	<u>8,803</u>
Restricted noncurrent assets:		
Student loans, net	737,309	632,642
Bond and note issuance costs, net	5,190	3,390
Total restricted noncurrent assets	<u>742,499</u>	<u>636,032</u>
Total noncurrent assets	<u>752,233</u>	<u>644,835</u>
Total assets	<u>1,061,561</u>	<u>823,095</u>

(Continued)

COLORADO STUDENT OBLIGATION BOND AUTHORITY
d/b/a COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
STATEMENT OF NET ASSETS (CONTINUED)
JUNE 30, 2003 AND 2002
(dollar amounts expressed in thousands)

	<u>2003</u>	<u>2002</u>
Liabilities:		
Current liabilities:		
Current liabilities payable from unrestricted assets:		
Accounts payable and accrued expenses	560	379
Due to Prepaid Tuition Fund	<u>164</u>	-
Total current liabilities payable from unrestricted assets	<u>724</u>	379
Current liabilities payable from restricted assets:		
Accounts payable and accrued expenses	672	677
Due to other agencies	134	301
Interest payable	1,257	1,077
Due to Borrower Benefit Fund	770	419
Bonds and notes payable	<u>29,032</u>	28,868
Total current liabilities payable from restricted assets	<u>31,865</u>	31,342
Total current liabilities	<u>32,589</u>	31,721
Long-term liabilities:		
Long-term liabilities payable from unrestricted assets:		
Accrued compensated absences	<u>94</u>	93
Total long-term liabilities payable from unrestricted assets	<u>94</u>	93
Long-term liabilities payable from restricted assets:		
Due to Borrower Benefit Fund	8,159	6,999
Arbitrage rebate payable	18,840	13,425
Bonds and notes payable	<u>892,455</u>	668,875
Total long-term liabilities payable from restricted assets	<u>919,454</u>	689,299
Total long-term liabilities	<u>919,548</u>	689,392
Total liabilities	<u>952,137</u>	721,113
Net assets:		
Invested in capital assets	1,575	1,804
Restricted	71,782	57,740
Unrestricted	<u>36,067</u>	42,438
Total net assets	<u>\$ 109,424</u>	<u>\$ 101,982</u>

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

COLORADO STUDENT OBLIGATION BOND AUTHORITY
d/b/a COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2003 AND 2002
(dollar amounts expressed in thousands)

	2003	2002
Operating revenues:		
Interest and special allowance on student loans	\$ 46,559	\$ 50,178
Net investment income	4,325	4,399
Reimbursement of operating expenses	202	361
Total operating revenues	51,086	54,938
Operating expenses:		
Interest expense	15,690	19,217
Rebate tax expense, net	8,432	8,097
Loan servicing costs	4,241	4,416
Bond fees	2,162	2,076
Depreciation and amortization	2,271	1,957
Salaries and benefits	1,275	1,096
General and administrative expenses	1,381	734
Total operating expenses	35,452	37,593
Operating income	15,634	17,345
Transfer to Stable Value Plus Fund from Borrower Benefit Fund unrestricted assets	(240)	-
Transfer to Prepaid Tuition Fund from Borrower Benefit Fund unrestricted assets	(7,952)	(3,868)
Change in net assets	7,442	13,477
Net assets, beginning of year	101,982	88,505
Net assets, end of year	\$ 109,424	\$ 101,982

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

COLORADO STUDENT OBLIGATION BOND AUTHORITY
d/b/a COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2003 AND 2002
(dollar amounts expressed in thousands)

	2003	2002
Cash Flows from Operating Activities:		
Cash received from student loans	\$ 166,782	\$ 141,308
Cash received from the federal government	12,288	11,169
Cash purchases of student loans	(239,400)	(139,524)
Cash received from educational institutions	79,937	19,083
Cash loaned to educational institutions	(61,790)	(41,370)
Cash payments to suppliers for goods and services	(7,856)	(10,739)
Cash payments to employees for service	(1,275)	(1,096)
Net cash used by operating activities	(51,314)	(21,169)
Cash Flows from Investing Activities:		
Proceeds from maturities of investments	1,668,400	498,886
Purchase of investments	(1,802,289)	(492,354)
Income received from investments	4,175	4,870
Net cash provided (used) by investing activities	(129,714)	11,402
Cash Flows from Non-Capital Financing Activities:		
Transfer to Prepaid Tuition Fund	(7,952)	(3,868)
Transfer to Stable Value Plus Fund	(240)	-
Payment of bond and note issuance costs	(2,168)	(746)
Issuance of bonds and notes	295,000	100,050
Repayment of bonds and notes	(71,268)	(88,528)
Interest paid on bonds and notes	(15,871)	(19,718)
Net cash provided (used) in non-capital financing activities	197,501	(12,810)
Cash Flows from Capital Financing Activities:		
Purchase of capital assets	(173)	-
Net cash (used) in capital financing activities	(173)	-
Increase (decrease) in cash and cash equivalents	16,300	(22,577)
Cash and cash equivalents, beginning of year	10,848	33,425
Cash and cash equivalents, end of year	\$ 27,148	\$ 10,848

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

COLORADO STUDENT OBLIGATION BOND AUTHORITY
d/b/a COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2003 AND 2002
(dollar amounts expressed in thousands)

	2003	2002
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 15,634	\$ 17,345
Items reflected as investing and non-capital financing activities:		
Income received from investments	(4,175)	(4,870)
Interest paid on bonds and notes	15,871	19,718
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Amortization of loss on defeasance	10	78
Amortization of bond discount	2	2
Amortization of bond and note issuance costs	368	843
Amortization of premium costs	1,502	743
Depreciation expense	402	371
Change in allowance for loan losses	(142)	(98)
Changes in operating assets and liabilities:		
Student loans	(106,468)	(35,390)
Interest and other receivables	19,600	(24,659)
Prepaid expenses	(34)	35
Interfund receivable	511	(194)
Accounts payable and accrued expenses	10	(104)
Interest payable	180	(501)
Amounts due to federal government	5,415	5,512
Net cash (used) provided by operating activities	\$ (51,314)	\$ (21,169)

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

COLORADO STUDENT OBLIGATION BOND AUTHORITY
d/b/a COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003 AND 2002

1. Organization and Summary of Significant Accounting Policies:

Pursuant to Colorado Revised Statutes 23-3.1-2 and 23-3.1-3, as amended, the Colorado Student Obligation Bond Authority d/b/a CollegeInvest (CollegeInvest) is a division of the Colorado Department of Higher Education. The Executive Director of the Department (Executive Director) has responsibility for oversight and management of CollegeInvest. In addition, CollegeInvest has a nine-person Board of Directors (Board) designated by the Governor and approved by the State Senate to serve four-year terms.

The Colorado General Assembly established a student obligation bond program (Student Loan Program Funds), a post secondary education expense program (Prepaid Tuition Fund), and a Section 529 college savings program (Scholars Choice Fund and Stable Value Plus Fund) which are administered by CollegeInvest. The mission of CollegeInvest is to provide innovative, quality financial resources and services that enable all Coloradans to pursue higher education. The financial statements presented here do not include operations of the post secondary education expense program or the college savings programs.

CollegeInvest receives no grants from, and is not otherwise financially assisted by, the State or any local government of the State. CollegeInvest is an enterprise under Section 20, Article X of the Colorado Constitution.

Primary operations of the student obligation bond program commenced in 1981. In meeting its legislative mandate, CollegeInvest issues tax-exempt and taxable financings. The proceeds from such financings are used to originate and purchase student loans and to make loans to institutions of higher education. Pursuant to Colorado Revised Statute 23-3.1-208, as amended, CollegeInvest is authorized to issue its own revenue bonds, notes and other obligations in the aggregate amount of \$1.3 billion, which are not deemed to constitute indebtedness, a debt or liability of the State of Colorado.

Reporting Entity:

The Student Loan Program Funds present the combined financial statements of the Borrower Benefit Fund and the Bond Funds. The Borrower Benefit and Bond Funds are accounted for as separate enterprise funds. An enterprise fund is established to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the fund be self-supporting.

The accompanying financial statements of the Student Loan Program Funds are not intended to present the financial position, results of operations, and cash flows of CollegeInvest as a whole in conformity with generally accepted accounting principles.

Borrower Benefit Fund

CollegeInvest utilizes a Borrower Benefit Fund for payment of general and administrative expenses and other activities of the Bond Funds, the Prepaid Tuition Fund, the Scholars Choice Fund, and the Stable Value Plus Fund necessary to fulfill their purposes. These expenses and activities have been allocated to the respective Funds.

COLORADO STUDENT OBLIGATION BOND AUTHORITY
d/b/a COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2003 AND 2002

1. Organization and Summary of Significant Accounting Policies (continued):

Reporting Entity (continued):

Assets and revenues of the Borrower Benefit Fund are not pledged as collateral for the Bond Funds. As of June 30, 2003, the Borrower Benefit Fund had an outstanding loan balance of \$8.9 million to various Bond Funds to pay bond and note issuance costs and operating expenses. In addition, the Borrower Benefit Fund owes \$164,000 to the Prepaid Tuition Fund for reimbursement of operating expenses for the Fiscal Year ended June 30, 2003 that exceeded 1% of the contract value of the Prepaid Tuition Fund as limited by Colorado Revised Statutes 23-3.1-206.7(5)(e)(I).

Bond Funds

The financial activities of the Bond Funds are recorded in funds and accounts established under various financing documents. The financing documents for each Bond Fund restrict assets held in the respective trust estate for the payment of the outstanding obligations. Each Bond Fund is accounted for separately and is a separate trust estate. All obligations are revenue bonds or notes and are collateralized as provided in the bond or note indentures, by an assignment and pledge to the Trustee of all CollegeInvest's right, title and interest in the investments, student loans, and loans purchased from Colorado institutions of higher education and the revenues and receipts derived there from.

Budgets and Budgetary Accounting:

By statute, the Student Loan Program Funds are continuously appropriated through user charges. Therefore, the budget is not legislatively adopted and a Statement of Revenues and Expenses – Budget to Actual is not a required part of these financial statements. Total budgeted expenses for the Student Loan Program Funds for the Fiscal Year ended June 30, 2003 were \$40.9 million, compared with actual expenses of \$35.5 million. The total expenditures of \$5.4 million under budget is due primarily to decreases in bond interest expense of the Student Loan Program Funds. Total budgeted revenues of the Student Loan Program Funds were \$50.2 million as compared with actual revenues of \$51.1 million. The Executive Director and the Board exercise oversight responsibilities, including budgetary and financial oversight.

Basis of Accounting:

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles and standards of the Governmental Accounting Standards Board (GASB). CollegeInvest has applied pronouncements issued on or before November 30, 1989 by the Financial Accounting Standards Board, the Accounting Principles Board, and the Committee on Accounting Procedure except for pronouncements that conflict with or contradict the GASB. As enterprise activities, the Student Loan Program Funds use the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred.

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STUDENT LOAN PROGRAM FUNDS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2003 AND 2002

1. Organization and Summary of Significant Accounting Policies (continued):

Cash and Cash Equivalents:

CollegeInvest considers all cash, demand deposit accounts and State Treasurer's cash pool to be cash equivalents.

Investments:

Investments are carried at fair value, which is determined primarily based on quoted market prices at June 30, 2003.

Student Loans:

Student loans are carried at their uncollected principal balances net of an allowance for loan losses. The Bond Funds may purchase student loans from lenders at a premium or discount. The Bond Funds also originate student loans directly to borrowers. The Bond Funds provide a benefit to borrowers through a 1% reduction in the principal amount of the loan. Premiums, guarantee, and origination fees are capitalized and amortized over the estimated life of the loan using a method approximating the effective interest method. Unamortized premiums, guarantee, and origination fees collectively were \$8.3 million and \$3.9 million at June 30, 2003 and 2002, respectively.

Allowance for Loan Losses:

The provision for loan losses is included in general and administrative expenses and is determined by management's evaluation of the student loan portfolios. This evaluation considers such factors as historical loss experience, quality of student loan servicing and collection, and economic conditions. When this evaluation determines that an exposure to loss is probable and can be reasonably estimated, a provision against current operations net of student loan recoveries is recorded. Actual losses are charged against the allowance for loan losses as they occur. The allowance for loan loss was \$898,000 and \$760,000 at June 30, 2003 and 2002, respectively.

Due from Other Agencies:

Due from other agencies of \$357,000 and \$524,000 for the Fiscal Years ended June 30, 2003 and 2002, respectively, is for amounts collected from borrowers by the Colorado Student Loan Program as a servicer of CollegeInvest loans that have not been transferred to CollegeInvest by year end.

Capital Assets:

Equipment is carried at cost less accumulated depreciation. Costs of major additions and improvements are capitalized. Expenditures for maintenance and repairs are charged to operations as incurred. Depreciation of equipment is computed on the straight-line method over the estimated life of the equipment ranging from three to five years. Leasehold improvements are carried at cost, less accumulated amortization. Amortization is computed on the straight-line method over the office facility lease term.

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1. Organization and Summary of Significant Accounting Policies (continued):

Capital Assets (continued):

During Fiscal Year ended June 30, 2002, the Prepaid Tuition Fund of CollegeInvest transferred software development costs to the Borrower Benefit Fund for the unamortized cost of the software of \$1.9 million. The Borrower Benefit Fund eliminated a corresponding interfund receivable for the same dollar amount. The Borrower Benefit Fund will charge each fund for use of the software based on its corresponding computer utilization.

Software is carried at cost less accumulated amortization. Amortization is calculated on the straight-line method over the estimated life of the software ranging from five to ten years.

Bond and Note Issuance Costs:

Bond and note issuance costs are carried at cost, less accumulated amortization. Amortization of issuance costs is computed using a method approximating the effective interest method over the life of the bond or note issue, unless the bonds or notes are retired early, at which time the remaining issuance costs related to the retired bonds or notes are expensed.

Compensated Absences:

Compensated absences, known as general leave, includes vacation and is included in accrued compensated absences. Compensated absences are based on an employee's length of service and are earned ratably during the term of employment. Vested and accumulated vacation that is expected to be liquidated is accrued and charged against current operations.

Due to Other Agencies:

Due to other agencies of \$134,000 and \$301,000 as of June 30, 2003 and 2002, respectively, is for loan servicing fees charged to the Student Loan Program Funds by the Colorado Student Loan Program that were not paid as of year end.

Arbitrage Rebate Payable:

Interest income in the Bond Funds from investments is limited by U. S. Treasury regulations to the bond yield on tax-exempt bond issues. Interest income in excess of this limit has been deposited in rebate accounts in accordance with applicable financing documents. These rebate funds are remitted to the federal government as required by the applicable laws and regulations.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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1. Organization and Summary of Significant Accounting Policies (continued):

Arbitrage Rebate Payable (continued):

Interest income from student loans is limited to 1.5% or 2% over bond yield of the respective tax-exempt bond issue. Student loans, including principal and accrued interest, and cash have been deposited in Excess Earnings accounts in the amount of the interest income which exceeded the limit. The Bond Funds may utilize losses on non-performing, non-guaranteed student loans; reduction of principal on performing guaranteed loans; or pay the federal government to liquidate the liability for excess earnings as required by the applicable laws and regulations.

Transfers to Other Funds:

During the Fiscal Years ended June 30, 2003 and 2002, the Borrower Benefit Fund of the CollegeInvest transferred \$7.7 million and \$3.75 million, respectively, as a contribution to the Prepaid Tuition Fund and forgave \$252,000 and \$118,000, respectively of general and administrative expenses and computer utilization charges.

The Borrower Benefit Fund also paid for \$240,000 of start up expenses and excess operating costs incurred by the Stable Value Plus Fund.

Net Assets:

Borrower Benefit Fund has interfund loans of \$8.9 million and \$7.4 million as of June 30, 2003 and 2002, respectively, to the Bond Funds to pay bond and note issuance costs and operating expenses. Additionally, the Borrower Benefit Fund has an interfund loan of \$164,000 due to the Prepaid Tuition Fund as of June 30, 2003 related to the absorption of general and administrative expenses. As of June 30, 2002 the Borrower Benefit Fund had an interfund loan for \$1.9 million to the Prepaid Tuition Fund to pay software development costs and operating expenses. The \$1.9 million loan is reflected in the interest and other receivables amount on the statement of net assets.

Revenues:

Revenue consists of interest income on student loans, investment income and a special allowance on student loans. Pursuant to the Higher Education Act (Act), special allowance payments are intended to assure that the limitation on interest rates and other conditions imposed by the Act do not impede the carrying out of the purposes of the Act or cause the return to holders of loans made and insured under the Act to be less than equitable. The rate of special allowance payments for loans depends on the date of disbursement of the loan, and the source of the holder's funding to acquire the loan.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles 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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2003 AND 2002

Use of Estimates (continued):

of revenues and expenses during the reporting period. Actual results could differ significantly from these estimates.

2. Cash Deposits and Investments:

Cash Deposits:

All cash deposits are held by a bank, a trustee as agent for CollegeInvest, or the State Treasurer. Payments and cash receipts are deposited to demand deposit accounts daily. Monies in the demand deposit accounts are insured by federal depository insurance for the first \$100,000. Deposits in excess of the \$100,000 limit are collateralized subject to the provisions of the State's Public Deposit Protection Act (PDPA) for monies held within the State. Monies held by the trustee are collateralized with U.S. government securities. Collected balances are transferred daily into money market funds.

Cash deposits as of June 30 are as follows:

	2003	2002
	(dollar amounts expressed in thousands)	
Demand deposit account	\$ 1	\$ 2
State Treasurer's cash pool	27,147	10,846
Total cash deposits	\$ 27,148	\$ 10,848

The carrying amount and bank balance of demand deposit accounts of \$1,000 and \$1,000 as of June 30, 2003 and \$2,000 and \$2,000 as of June 30, 2002, were fully insured by the FDIC.

Investments:

In accordance with GASB Statement No. 3, as amended by GASB Statement No. 31, CollegeInvest's cash, cash equivalents, and investments have been categorized into the following three categories of credit risk:

Category 1 --- Investments that are insured or registered, or investments which are held by CollegeInvest's agent in CollegeInvest's name.

Category 2 --- Investments that are uninsured or unregistered which are held by an agent or trust department in CollegeInvest's name.

Category 3 --- Investments that are uninsured or unregistered which are held by an agent or trust department but not in CollegeInvest's name.

The Board approves the investment policy for CollegeInvest. The investment policy allows investment in direct obligations of the U.S. government and its agencies, demand deposits, certificates of deposit, bankers acceptances, commercial paper, money market funds, written reverse and repurchase agreements, general or revenue obligations of any state in the United States, and investment agreements as authorized

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2. Cash Deposits and Investments (continued):

Investments (continued):

by the Colorado Revised Statutes Section 24-75-6. With respect to these investments, CollegeInvest is subject to market risk, which represents the exposure to changes in the market, such as a change in interest rates or a change in price or principal value of a security. Credit risk is the exposure to the default of the issuer of the investment securities.

Investment agreements are between the trustees as agent for the CollegeInvest, and various AAA or AA rated financial institutions. The agreements pay interest monthly at either a fixed rate or a rate of the London Inter Bank Offering Rate (LIBOR) between minus 0 and 26 basis points.

Investments in money market funds and investment agreements are not categorized because they are not evidenced by securities that exist in physical or book entry form. Investments are stated at fair value. Investments as of June 30 are as follows:

	2003		2002	
	Total Fair Value		Total Fair Value	
	Unrestricted Assets	Restricted Assets	Unrestricted Assets	Restricted Assets
	(dollar amounts expressed in thousands)			
Uncategorized investments				
Money market funds	\$ 570	\$ 41,770	\$ 730	\$ 32,865
Investment agreements	-	<u>186,915</u>	-	<u>61,771</u>
Total Investments	<u>\$ 570</u>	<u>\$ 228,685</u>	<u>\$ 730</u>	<u>\$ 94,636</u>

Net investment income as of June 30, 2003 and 2002 was comprised of the following:

	2003	2002
	(dollar amounts expressed in thousands)	
Interest and dividends	\$ 3,717	\$ 4,664
Change in fair value of investments	<u>608</u>	<u>(265)</u>
Net investment income	<u>\$ 4,325</u>	<u>\$ 4,399</u>

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JUNE 30, 2003 AND 2002

3. Student Loans:

The Bond Funds originate student loans directly to the borrower and purchase student loans from originating lenders in accordance with the provisions of the Higher Education Act (Act). The U. S. Department of Education administers and regulates the Federal Family Education Loan Program (FFELP). Student loans in the Bond Funds have been originated under the FFELP. The FFELP includes loans originated in the Federal Stafford Loan program, formerly the Guaranteed Student Loan Program, the Federal Parent Loan for Undergraduate Students program, and the Federal Consolidation Loan program. Loan terms and interest rates vary depending on the respective loan program and date of origination. Loan terms generally provide repayment of principal and interest on a monthly basis over a period of up to thirty years. Interest rates range from 2.8% to 12.0%. Interest to the borrower is either at a fixed or variable rate subject to a maximum rate. The loan yield to the Bond Funds is the maximum interest rate to the borrower or a rate indexed to the 91-day Treasury bill rate for each calendar quarter, for loans originated before January 1, 2000 or a rate indexed to the 91-day commercial paper rate for each calendar quarter for loans originated on or after January 1, 2000.

Principally, the Colorado Student Loan Program (CSLP) guarantees FFELP loans against the borrower's default, death, disability and bankruptcy. CSLP is reinsured under the Act. The loan guarantee is subject to applicable procedures relating to the origination and servicing of student loans. There are penalties up to loss of guarantee if the applicable procedures are not met. CollegeInvest can reinstate guarantees under certain circumstances. CollegeInvest also has recourse provisions with its lenders and its servicers for any loss of guarantee. Loans disbursed on or after October 1, 1993 are insured up to 98% of principal and accrued interest in the case of default. Management has provided an allowance for loan losses of principal and/or interest due to claim penalties, loss of guarantee and insurance below 100%.

4. Capital Assets:

Capital assets activity for the Fiscal Years ended June 30 was as follows:

	<u>Balance</u> <u>June 30, 2002</u>	<u>Additions</u> <u>(Deletions)</u>	<u>Depreciation</u>	<u>Balance</u> <u>June 30, 2003</u>
	(dollar amounts expressed in thousands)			
Software	\$ 1,729	\$ (12)	\$ 282	\$ 1,435
Furniture and equipment	62	185	107	140
Leasehold improvements	<u>13</u>	<u>-</u>	<u>13</u>	<u>-</u>
Total capital assets, net	<u>\$ 1,804</u>	<u>\$ 173</u>	<u>\$ 402</u>	<u>\$ 1,575</u>

Depreciation expense for the years ended June 30, 2003 and 2002 was \$402,000 and \$371,000, respectively and was charged to operations.

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JUNE 30, 2003 AND 2002

5. Bond and Note Issuance Costs:

Bond and note issuance costs as of June 30 are as follows:

	<u>2003</u>	<u>2002</u>
	(dollar amounts expressed in thousands)	
Bond and note issuance costs	\$ 7,550	\$ 5,382
Less accumulated amortization	<u>(2,360)</u>	<u>(1,992)</u>
Bond and note issuance costs, net	<u>\$ 5,190</u>	<u>\$ 3,390</u>

6. Bonds and Notes Payable:

CollegeInvest issues bonds and notes to originate and purchase student loans. Each bond or note payable is a separate financing. All financings are revenue bonds or notes that are collateralized as provided in the financing agreements, by an assignment and pledge to a Trustee of all CollegeInvest's rights, title and interest in the investments, student loans, and loans purchased from Colorado institutions of higher education and the revenues and receipts derived there from. CollegeInvest has issued bonds and notes in different series under master indentures which allows cross collateralizing, greater efficiency and the ability to issue additional bonds and notes.

Restrictive Covenants:

Certain indentures of trust and insurance policies include, among other requirements, covenants relative to restrictions on additional indebtedness, limits as to direct and indirect administrative expenses, restrictions to student loan portfolio mix, and requirements for maintaining certain financial ratios. Also, certain indentures of trust require the establishment of reserve accounts. CollegeInvest was in compliance with such covenants as of June 30, 2003 and 2002.

The serial bonds and notes may, at the option of CollegeInvest, be redeemed, without premium, from available surpluses in the respective Bond Funds. The term bonds and notes are subject to mandatory redemption at the principal amount plus accrued interest to the redemption date; to the extent monies are available in the respective Bond Funds.

Refunding:

In addition to the bond issues discussed on subsequent pages, other bonds previously issued by CollegeInvest have been defeased (debt legally satisfied) by the issuance of refunding bonds.

The refunding resulted in a deferred loss, which is the difference between the reacquisition price and the net carrying amount of the old debt, of \$2.5 million. This difference is reported as a deduction from notes and bonds payable and is charged to operations through the fiscal year 2003 using a method approximating the effective interest method. For the Fiscal Year ended June 30, 2003, \$10,000 was amortized against operations.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2003 AND 2002

6. Bonds and Notes Payable (continued):

Refunding (continued):

The refunding resulted in an economic gain (difference in the present values of the old and new debt service payments) of \$ 1.5 million, based on gross savings of \$312,000. All of the defeased bonds had been paid as of June 30, 2003.

The following bonds and notes payable are outstanding:

	Authorized and Issued	Outstanding June 30, 2002	Issued/Amortized (Redeemed) During 2003	Outstanding June 30, 2003	Due Within One Year
(dollar amounts expressed in thousands)					
1999 Series A Master Indenture, Variable Rate Notes/Bonds:					
<i>Weekly Adjustable Interest Rate Bonds</i>					
1989A, Jun. 8, 1989	\$ 80,000	\$ 80,000	\$ -	\$ 80,000	\$ -
1990A, Jan. 4, 1990	66,655	60,655	-	60,655	-
1999A-1, Mar. 24, 1999	16,950	10,200	(10,200)	-	-
1999A-2, Mar. 24, 1999	56,000	56,000	-	56,000	-
1999A-3, Mar. 24, 1999	32,300	32,300	-	32,300	-
<i>Monthly Adjustable Interest Rate Notes</i>					
1999A-4, Mar. 24, 1999	209,000	148,258	(26,868)	121,390	29,032
1999 Series IV Master Indenture, Variable Rate Notes/Bonds:					
<i>Monthly Adjustable Interest Rate Notes/Bonds</i>					
Series 1995III-A1, Nov. 29, 1995	32,000	12,400	(12,400)	-	-
Series 1999IV-A1, Nov. 1, 1999	96,800	64,900	-	64,900	-
Series 1999IV-A2, Nov. 1, 1999	96,800	64,900	-	64,900	-
Series 1999IV-A3, Nov. 1, 1999	21,800	21,800	(21,800)	-	-
Series 1999IV-A4, Nov. 1, 1999	19,300	19,300	-	19,300	-
Series 2001V-A, July 31, 2001	36,250	36,250	-	36,250	-
Series 2002VII-A1, August 20, 2002	32,000	-	32,000	32,000	-
Series 2002VII-A2, August 20, 2002	16,000	-	16,000	16,000	-
Series 2002VII-A3, August 20, 2003	62,000	-	62,000	62,000	-
Series 2003VIII-A1, April 24, 2003	65,000	-	65,000	65,000	-
<i>Quarterly Adjustable Interest Rate Notes</i>					
Series 2003VIII-A2, April 24, 2003	120,000	-	120,000	120,000	-
<i>Fixed Interest Rate Notes</i>					
Series 2001VI-A, July 31, 2001	63,800	63,800	-	63,800	-
<i>Fixed Interest Rate Subordinate Notes/Bonds</i>					
Series 1993I-B, Dec. 1, 1993	6,000	5,999	-	5,999	-
Series 1995II-B, Jun. 29, 1995	21,000	20,991	2	20,993	-
	1,149,655	697,753	223,734	921,487	29,032
Less Unamortized loss of defeasance on bonds and notes	-	10	(10)	-	
Bonds and notes payable	<u>\$ 1,149,655</u>	<u>\$ 697,743</u>	<u>\$ 223,744</u>	<u>\$ 921,487</u>	

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6. Bonds and Notes Payable (continued):

Liquidity and Insurance Agreements:

CollegeInvest has entered into agreements with two liquidity providers. Pursuant to the Standby Agreements, the Liquidity Providers agreed, subject to the terms and conditions therein, to purchase certain 1999 Series A-2 and A-3 Bonds, Series 1989A Bonds or Series 1990A Bonds which are tendered by the owners thereof to the Tender Agent or are subject to mandatory purchase but are not remarketed by the Remarketing Agents. The liquidity fees on principal and interest are paid quarterly.

On March 24, 1999, CollegeInvest entered into an agreement to obtain municipal bond insurance on the Series 1999A-2, A-3, and A-4 Bonds, Series 1989A Bonds and Series 1990A Bonds. The policy insures payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. The term of the policy is for the life of the bonds and requires an annual fee.

Weekly Adjustable Interest Rate Bonds:

The weekly adjustable interest rate bonds are subject to purchase on demand of the holder at a price equal to principal plus accrued interest on seven days notice and delivery to CollegeInvest's Remarketing Agent and Trustee. The Remarketing Agent is authorized to sell the repurchased bonds at par by adjusting the interest rate. Interest is paid quarterly at a variable rate established weekly by the Remarketing Agent. The annual effective interest rate for such bonds was 1.32% for the year ended June 30, 2003. Under certain conditions, the bonds may be converted to a variable rate with varying interest rate periods or to a fixed rate. Bond principal matures on March 1, 2024; September 1, 2024; July 1, 2027; and September 1, 2034.

Monthly Adjustable Interest Rate Notes/Bonds:

CollegeInvest issued Taxable Senior Asset-Backed Notes that are subject to an auction every 28 days when the Auction Agent determines the interest rate for the subsequent period. The annual effective interest rate for such notes was 1.56% for the year ended June 30, 2003. Note principal matures on December 1, 2032, 2034 and 2037.

CollegeInvest issued Tax-Exempt Senior Asset-Backed Bonds that are subject to an auction every 35 days when the Auction Agent determines the interest rate for the subsequent period. The effective interest rate for such bonds was 1.27% for the year ended June 30, 2003. Bond principal matures on November 27, 2012, June 1, 2036 and June 1, 2037.

CollegeInvest issued Taxable Notes under a master indenture. Interest on such notes is paid monthly at a variable rate equal to a predetermined percentage above the LIBOR rate. The annual effective interest rate for such notes was 1.83% for the year ended June 30, 2003. Note principal matures on December 1, March 1, June 1 and September 1 through March 1, 2009.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2003 AND 2002

6. Bonds and Notes Payable (continued):

Quarterly Adjustable Interest Rate Notes:

CollegeInvest issued Taxable Senior Asset-Backed Floating Rate notes at an interest rate equal to Three-Month LIBOR plus 0.225%. The initial floating rate term is through June 1, 2008. Subsequent to the initial floating rate term, the notes will be subject to a quarterly auction. The annual effective interest rate for such notes was 1.53% for the year ended June 30, 2003. Note principal matures on December 1, 2032.

Fixed Interest Rate Notes:

CollegeInvest issued its Taxable Senior Asset-Backed Notes in accordance with the terms of the master indenture. Interest on the notes is paid on September 1, December 1, March 1 and June 1. The annual effective interest rate for such notes was 5.65% for the year ended June 30, 2003. Note principal matures on December 1, 2011.

Fixed Interest Rate Subordinate Notes/Bonds (net of discount):

CollegeInvest issued its Tax-Exempt Subordinate Asset-Backed Notes/Bonds concurrently with the issuance of the Taxable Senior Asset-Backed Notes/Bonds. The Subordinate Notes/Bonds are payable from the Trust Estate on a subordinate basis to the Senior Notes/Bonds in accordance with the terms of the master indenture. Interest on the subordinate notes/bonds is paid on June 1 and December 1. The annual effective interest rate for such notes/bonds was 6.09% for the year ended June 30, 2003. Note/bond principal matures on December 1, 2006 and 2008.

The scheduled principal and interest payments (based on interest rates at June 30, 2003) relating to CollegeInvest's bonds and notes is as follows:

	Principal	Interest	Total
	(dollar amounts expressed in thousands)		
2004	\$29,032	\$15,438	\$44,470
2005	26,988	14,941	41,929
2006	25,544	14,518	40,062
2007	29,851	13,914	43,765
2008	15,974	13,437	29,411
2009-2013	104,100	53,313	157,413
2014-2018	-	40,988	40,988
2019-2023	21,000	40,356	61,356
2024-2028	175,655	33,680	209,335
2029-2033	120,000	29,912	149,912
2034-2038	373,343	12,272	385,615
Total bonds and notes payable	\$ 921,487	\$ 282,769	\$ 1,204,256

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2003 AND 2002**

7. Commitments and Contingencies:

Grants and Other:

Under the terms of federal grants, periodic audits are required and certain costs may be questioned as not being appropriate expenses under the terms of the grants. Such audits could lead to reimbursement to the grantor agency or the U.S. Department of Education.

Cash Commitments:

As of June 30, 2003 and 2002, CollegeInvest has committed \$18.0 million and \$30.0 million, respectively, of cash and future collection of receivables in the Borrower Benefit Fund to provide for a portion of certain lines of credit to Colorado institutions of higher education and \$3.6 million and \$4.8 million as of June 30, 2003 and 2002, respectively, to provide for a Loan Incentives For Teachers program.

Purchase Commitments:

CollegeInvest has entered into agreements to purchase student loans from lenders throughout Colorado. Approximately \$103 million of remaining purchase commitments was outstanding as of June 30, 2003.

Lease Commitments:

CollegeInvest leases certain office facilities under an operating lease agreement which expires on February 29, 2008. The total rent expense for the Fiscal Years ended June 30, 2003 and 2002 was \$185,000 and \$188,000, respectively. Minimum future lease payments under the agreement are as follows:

2004	\$149,000
2005	149,000
2006	149,000
2007	149,000
2008	<u>99,000</u>
	<u>\$695,000</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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8. Retirement Plan:

Plan Description:

Virtually all of CollegeInvest's employees participate in the Combined State and School Division Trust Fund (CSSDTF), a defined benefit pension plan. The plan's purpose is to provide income to members and their families at retirement or in case of death or disability. The plan is a cost sharing multiple-employer plan administered by the Public Employees' Retirement Association (PERA). PERA was established by state statute in 1931. Responsibility for the organization and administration of the plan is placed with the Board of Trustees of PERA. Title 24, Article 51 of the Colorado Revised Statutes (CRS), as amended, assigns the authority to establish benefit provisions to the State Legislature. The state plan and other divisions' plans are included in PERA's financial statements, which may be obtained by writing PERA at 1300 Logan Street, Denver, Colorado 80203 or by calling PERA at 303-832-9550 or 1-800-729-PERA(7372).

Plan members vest after five years of service and are eligible for retirement benefits at age 50 with 30 years of service, age 60 with 20 years of service or at age 65 with 5 years of service. Members are also eligible for retirement benefits without a reduction for early retirement if they are at least 55 and have a minimum of 5 years of service credit, and their age plus years of service equals 80 or more. State troopers and judges comprise a small percentage of plan members but have higher contribution rates and are eligible for retirement benefits at different ages and years of service. Monthly benefits are calculated as a percentage of highest average salary (HAS). HAS is one-twelfth of the average of the highest salaries on which contributions were paid, associated with three periods of 12 consecutive months of service credit.

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

Funding Policy:

Plan members and the State are required to contribute to the CSSDTF at a rate set by statute. Most employees contribute 8.0 percent of their gross covered wages to an individual account in the plan. During fiscal year 2002-2003, the State contributed 10.04 percent of the employees' gross covered wages. Before January 1, 2003, 1.64 percent was allocated to the Health Care Trust Fund, and after January 1, 2003, 1.1 percent was allocated to the Health Care Trust Fund. Throughout the fiscal year, the amount needed to meet the match requirement established by the PERA Board was allocated to the Matchmaker program (See Note 9 below.) The balance remaining after allocations to the Matchmaker program and the Health Care Trust Fund was allocated to the defined benefit plan.

The annual gross covered wages subject to PERA is the gross earnings less any reduction in pay to offset employer contributions to the State sponsored IRC 125 plan established under Section 125 of the Internal Revenue Code. The contribution requirements of plan members and their employers are established under Title 24, Article 51, Part 4 of the CRS, as amended, and may be amended, by the General Assembly.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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8. Retirement Plan (continued):

Funding Policy (continued):

CollegeInvest's contributions to the three programs described above for the Fiscal Years ending June 30, 2003, 2002 and 2001 were \$111,000, \$91,000 and \$78,000, respectively. These contributions met the contribution requirement for each year.

9. Voluntary Tax-deferred Retirement Plans:

Beginning on January 1, 2001, the Matchmaker Program established a state match for PERA members' voluntary contributions to tax-deferred retirement plans. For calendar years 2001 and 2002, the match was 100 percent of up to 3 percent of the employees' gross covered wages paid during the month. For calendar year 2003, the match was 100 percent of up to 2 percent of employees' gross covered wages paid during the month. The PERA Board sets the level of the match annually based on the actuarial funding of the defined benefit pension plan. While the plan was not overfunded, the maximum one year change in the match rate is statutorily limited to one percent, and therefore, the match changed from 3 percent to 2 percent. 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 a 403b plan. Members who contribute to any of these plans also receive the State match.

10. Postretirement Health Care and Life Insurance Benefits:

Health Care Program

The Health Care Trust Fund (formerly known as the PERA Health Care Program) began covering benefit recipients and qualified dependents on July 1, 1986. This benefit was developed after legislation in 1985 established the Program and the Health Care Fund. Under this program, PERA subsidizes a portion of the monthly premium for health care coverage. Title 24, Article 51, Part 12 of the CRS, as amended, assigns the authority to establish the HCTF benefit provisions to the State Legislature. The benefit recipient pays any remaining amount of that premium through an automatic deduction from the monthly retirement benefit. During fiscal year 2003, the premium subsidy was \$115.00 for those with 20 years of service credit (\$230.00 for members under age 65), and it was reduced by 5 percent for each year of service fewer than 20. Medicare eligibility also affects the premium subsidy.

The Health Care Trust Fund is maintained by an employer's contribution as discussed above in Note 8.

Monthly premium costs for participants depend on the health care plan selected, the number of persons covered, Medicare eligibility, and the number of years of service credit. PERA contracts with a major medical indemnity carrier to administer claims for self-insured plans, and with health maintenance organizations providing services within Colorado. As of December 31, 2002 there were 35,418 enrollees in the plan.

COLORADO STUDENT OBLIGATION BOND AUTHORITY
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STUDENT LOAN PROGRAM FUNDS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2003 AND 2002

10. Postretirement Health Care and Life Insurance Benefits (continued):

Life Insurance Program

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

11. Risk Management:

Self Insurance - 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 and worker's compensation. The State Risk Management Fund is a restricted General Fund used for claims adjustment, investigation, defense and authorization for the settlement and payment of claims or judgements against the State except for employee medical claims. Property claims are not self-insured; rather the State has purchased insurance.

Colorado employers are liable for occupational injuries and diseases of their employees. Benefits are prescribed by the Worker's Compensation Act of Colorado for medical expenses and loss of wages resulting from job-related disabilities. The State utilizes the services of Pinnacol Assurance (formerly Colorado Compensation Insurance Authority), a related party, to administer its plan. The State reimburses Pinnacol Assurance for the current cost of claims paid and related administrative expenses.

CollegeInvest participates in the Risk Management Fund. State 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 for 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 reevaluated periodically to take into consideration recently settled claims, the frequency of claims and other economic and social factors.

The limits of liability for which the State accepts responsibility pursuant to the Colorado Governmental Immunity Act, section 24-10-101 are as follows:

<u>Liability</u>	<u>Limits of Liability</u>
General & Automobile	Each person \$150,000 Each occurrence \$600,000

There were no significant reductions or changes in insurance coverage from the prior year. Settled claims did not exceed insurance coverage in any of the past three fiscal years.

Furniture and Equipment – The State of Colorado carries a \$15,000 deductible replacement policy on all State owned furniture and equipment. For each loss incurred, the Authority is responsible for the first \$1,000 of the deductible and the State of Colorado is responsible for the next \$14,000 of the deductible. Any loss in excess of \$15,000 is covered by the insurance carrier up to replacement cost.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2003 AND 2002

12. Net Assets:

The Student Loan Program Funds have net assets consisting of three components – invested in capital assets, restricted and unrestricted.

Invested in capital assets consists of capital assets, net of accumulated depreciation. The Student Loan Program Funds have no debt outstanding related to capital assets. As of June 30, 2003 and 2002, the Student Loan Program Funds had invested in capital assets of \$1.6 million and \$1.8 million, respectively.

Restricted assets include net assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The Student Loan Program Funds had restricted net assets of \$71.8 million and \$57.7 million as of June 30, 2003 and 2002, respectively. The Bond Funds restrict net assets to uses prescribed in the respective financing documents.

Unrestricted net assets consists of net assets that do not meet the definition of invested in capital assets or restricted net assets. As of June 30, 2003 and 2002, the Student Loan Program Funds had unrestricted net assets of \$36.0 million and \$42.4 million, respectively. Although the Student Loan Program Funds report unrestricted net assets on the face of the statement of net assets, unrestricted net assets are to be used by CollegeInvest for the payment of obligations incurred by CollegeInvest in carrying out its statutory powers and duties and are to remain in the fund and not be transferred or revert to the general fund of the State of Colorado as outlined in 23.3-1-205.4 of the Colorado Revised Statutes.



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

Members of the Legislative Audit Committee:

We have audited the financial statements of Colorado Student Obligation Bond Authority, d/b/a CollegeInvest, Student Loan Program Funds as of and for the year ended June 30, 2003, and have issued our report thereon dated October 8, 2003. 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.

Compliance

As part of obtaining reasonable assurance about whether Colorado Student Obligation Bond Authority, d/b/a CollegeInvest, Student Loan Program Funds' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Colorado Student Obligation Bond Authority, d/b/a CollegeInvest, Scholars Choice Fund's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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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 Henderson LLP

Greenwood Village, Colorado
October 8, 2003

SUPPLEMENTARY INFORMATION

Colorado Student Obligation Bond Authority
d/b/a CollegeInvest
Supplementary Schedule - Student Loan Program Funds Combining Statement of Net Assets
June 30, 2003

(dollar amounts expressed in thousands)

	1999A Bond Fund	1999IV Bond Fund	Total Bond Funds (Restricted)	Borrower Benefit Fund (Unrestricted)	Total Student Loan Program Funds 2003	Total Student Loan Program Funds 2002
CURRENT ASSETS:						
Unrestricted current assets:						
Cash deposits	\$ -	\$ -	\$ -	\$ 27,148	\$ 27,148	\$ 10,848
Investments	-	-	-	570	570	730
Interest and other receivables	-	-	-	216	216	23,897
Due from Bond Funds	-	-	-	770	770	419
Prepaid expenses	-	-	-	22	22	17
Total unrestricted current assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,726</u>	<u>28,726</u>	<u>35,911</u>
Restricted current assets:						
Investments	55,714	172,971	228,685	-	228,685	94,636
Student loans, net	14,188	11,945	26,133	-	26,133	25,692
Interest and other receivables	9,070	16,036	25,106	-	25,106	21,205
Due from other agencies	148	209	357	-	357	524
Prepaid expenses	249	72	321	-	321	292
Total restricted current assets	<u>79,369</u>	<u>201,233</u>	<u>280,602</u>	<u>-</u>	<u>280,602</u>	<u>142,349</u>
Total current assets	<u>79,369</u>	<u>201,233</u>	<u>280,602</u>	<u>28,726</u>	<u>309,328</u>	<u>178,260</u>
NONCURRENT ASSETS:						
Unrestricted noncurrent assets:						
Due from Bond Funds	-	-	-	8,159	8,159	6,999
Capital assets, net	-	-	-	1,575	1,575	1,804
Total unrestricted noncurrent assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,734</u>	<u>9,734</u>	<u>8,803</u>
Restricted noncurrent assets:						
Student loans, net	328,924	408,385	737,309	-	737,309	632,642
Bond and note issuance costs, net	1,518	3,672	5,190	-	5,190	3,390
Total restricted noncurrent assets	<u>330,442</u>	<u>412,057</u>	<u>742,499</u>	<u>-</u>	<u>742,499</u>	<u>636,032</u>
Total noncurrent assets	<u>330,442</u>	<u>412,057</u>	<u>742,499</u>	<u>9,734</u>	<u>752,233</u>	<u>644,835</u>
Total assets	<u>409,811</u>	<u>613,290</u>	<u>1,023,101</u>	<u>38,460</u>	<u>1,061,561</u>	<u>823,095</u>

(Continued)

Colorado Student Obligation Bond Authority
d/b/a CollegeInvest
Supplementary Schedule - Student Loan Program Funds Combining Statement of Net Assets
June 30, 2003

(dollar amounts expressed in thousands)

(Continued)

	1999A Bond Fund	1999IV Bond Fund	Total Bond Funds (Restricted)	Borrower Benefit Fund (Unrestricted)	Total Student Loan Program Funds 2003	Total Student Loan Program Funds 2002
CURRENT LIABILITIES:						
Current liabilities payable from unrestricted assets:						
Accounts payable and accrued expenses	-	-	-	560	560	379
Due to other funds	-	-	-	164	164	-
Total current liabilities payable from unrestricted assets	-	-	-	724	724	379
Current liabilities payable from restricted assets:						
Accounts payable and accrued expenses	376	296	672	-	672	677
Due to other agencies	67	67	134	-	134	301
Due to Borrower Benefit Fund	346	424	770	-	770	419
Interest payable	335	922	1,257	-	1,257	1,077
Bonds and notes payable	-	29,032	29,032	-	29,032	28,868
Total current liabilities payable from restricted assets	1,124	30,741	31,865	-	31,865	31,342
Total current liabilities	1,124	30,741	31,865	724	32,589	31,721
NONCURRENT LIABILITIES:						
Noncurrent liabilities payable from unrestricted assets:						
Accrued compensated absences	-	-	-	94	94	93
Total noncurrent liabilities payable from unrestricted assets	-	-	-	94	94	93
Noncurrent liabilities payable from restricted assets:						
Due to Borrower Benefit Fund	2,871	5,288	8,159	-	8,159	6,999
Arbitrage rebate payable	13,717	5,123	18,840	-	18,840	13,425
Bonds and notes payable	350,345	542,110	892,455	-	892,455	668,875
Total noncurrent liabilities payable from restricted assets	366,933	552,521	919,454	-	919,454	689,299
Total noncurrent liabilities	366,933	552,521	919,454	94	919,548	689,392
Total liabilities	368,057	583,262	951,319	818	952,137	721,113
NET ASSETS:						
Invested in capital assets	-	-	-	1,575	1,575	1,804
Restricted	41,754	30,028	71,782	-	71,782	57,740
Unrestricted	-	-	-	36,067	36,067	42,438
Total net assets	\$ 41,754	\$ 30,028	\$ 71,782	\$ 37,642	\$ 109,424	\$ 101,982

See accompanying independent auditors' report.

Colorado Student Obligation Bond Authority
d/b/a CollegeInvest
Supplementary Schedule - Student Loan Program Funds Combining Statement of
Revenues, Expenses and Changes in Net Assets
For the year ended June 30, 2003
(dollar amounts expressed in thousands)

	1999A Bond Fund	1999IV Bond Fund	Total Bond Funds (Restricted)	Borrower Benefit Fund (Unrestricted)	Total Student Loan Program Funds 2003	Total Student Loan Program Funds 2002
Operating revenues:						
Interest and special allowance on student loans	\$ 26,952	\$ 19,607	\$ 46,559	\$ -	\$ 46,559	\$ 50,178
Investment income	382	2,282	2,664	1,661	4,325	4,399
Reimbursement of Scholars Choice Fund operating expenses	-	-	-	202	202	361
Total operating revenues	27,334	21,889	49,223	1,863	51,086	54,938
Operating expenses:						
Interest expense	5,587	10,103	15,690	-	15,690	19,217
Rebate tax expense, net	5,068	3,364	8,432	-	8,432	8,097
Loan servicing costs	2,306	1,935	4,241	-	4,241	4,416
Bond fees	1,275	887	2,162	-	2,162	2,076
Depreciation and amortization	804	1,141	1,945	326	2,271	1,957
Salaries and benefits	307	266	573	702	1,275	1,096
General and administrative expenses	1,036	1,102	2,138	(757)	1,381	734
Total operating expenses	16,383	18,798	35,181	270	35,452	37,593
Operating income before transfers	10,951	3,091	14,042	1,593	15,634	17,345
Transfers to Prepaid Tuition and Stable Value Plus Funds	-	-	-	(8,192)	(8,192)	(3,868)
Net assets, beginning of period	30,803	26,937	57,740	44,242	101,982	88,505
Net assets, end of period	<u>\$ 41,754</u>	<u>\$ 30,028</u>	<u>\$ 71,782</u>	<u>\$ 37,642</u>	<u>\$ 109,424</u>	<u>\$ 101,982</u>

See accompanying independent auditors' report.

**COLORADO STUDENT OBLIGATION BOND AUTHORITY
STUDENT LOAN PROGRAM FUNDS
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