COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
Denver, Colorado

FINANCIAL AND COMPLIANCE AUDIT
June 30, 2006 and 2005

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COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
FINANCIAL AND COMPLIANCE AUDIT
June 30, 2006

Clifton Gunderson LLP
Certified Public Accountants & Consultants

Members of the Legislative Audit Committee:

This report contains the results of the financial and compliance audit of the Student Loan Program Funds of CollegeInvest as of June 30, 2006. 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.

Clifton Gunderson LLP

Greenwood Village, Colorado
September 8, 2006

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REPORT SUMMARY

COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
FINANCIAL AUDIT
FISCAL YEAR ENDED JUNE 30, 2006

Purpose and Scope

The Office of the State Auditor, State of Colorado engaged Clifton Gunderson LLP to conduct the financial and compliance audit of CollegeInvest Student Loan Program Funds (Student Loan Program Funds) for the Fiscal Year ended June 30, 2006. 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 basic financial statements as of and for the Fiscal Year ended June 30, 2006.

Audit Opinions and Reports

We expressed an unqualified opinion on the Student Loan Program Funds basic financial statements as of and for the year ended June 30, 2006.

Summary of Key Findings and Recommendations

There were no findings or recommendations for the years ended June 30, 2006 and 2005.

Required Communication

Auditor's Responsibility Under Generally Accepted Auditing Standards. Our audit of the financial statements of the CollegeInvest Student Loan Program Funds for the years ended June 30 2006 and 2005, was conducted in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement. Reasonable assurance in an audit is obtained by examining evidence supporting the amounts and disclosures in the financial statements on a test basis. An audit does not include verification of all transactions and account balances, nor does it represent a certification of the absolute accuracy of the financial statements.

In testing whether the financial statements are free of material misstatement, we focus more of our attention on items with a higher potential of material misstatement, and less on items that have a remote chance of material misstatement. For this purpose, accounting literature has defined materiality as "the magnitude of an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Although we may make suggestions as to the form and content of the financial statements, or even prepare them in whole or in part, the financial statements remain the representations of management. In an audit, our responsibility with respect to the financial statements is limited to forming an opinion as to whether the financial statements are a fair presentation of the Student Loan Program Funds' financial position, results of operations, and cash flows.

Significant Accounting Policies. There were no significant accounting policies or their application which were either initially selected or changed during the year.

There were no significant, unusual transactions in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

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

Audit Adjustments. The following is a listing and description of the adjustments arising from the audit that could, in our judgment, either individually or in the aggregate, have a significant effect on the entity's financial reporting process.

An entry of $11.9 million to Net Assets, $1.7 million to Interest and Special Allowance on Student Loans, and $13.6 million to Accounts Receivable to reverse a prior period adjustment for the retroactive billing of Special Allowance Payments.

An entry of $349,472 to Interest Receivable and Interest and Special Allowance on Student Loans to adjust interest receivable to the actual amount.

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

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

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

Major Issues Discussed With Management Prior to Retention. There were no major issues, including the application of accounting principles and auditing standards, which were discussed with management prior to our retention as auditors.

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

DESCRIPTION OF THE COLLEGEINVEST STUDENT LOAN PROGRAM FUNDS

Organization

The Colorado General Assembly, pursuant to Colorado Revised Statutes 23-3.1-2 and 23-3.1-3, established a student obligation bond program (Student Loan Program Funds), a post secondary education expense program (Prepaid Tuition Fund), a scholarship trust program (College in Colorado Trust), and an Internal Revenue Code Section 529 college savings program (Scholars Choice Fund, Direct Portfolio Fund, and Stable Value Plus Fund), which are administered by CollegeInvest. The programs assist students 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 $2.0 billion. The bonds do not constitute an indebtedness, debt or liability of the State of Colorado.

The financial statements of the Student Loan Program Funds present the activities of the Bond Funds, CollegeInvest's Borrower Benefit Fund, and College in Colorado Trust. 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.

During the 2004 legislative session, the General Assembly enacted H.B. 04-1350, making several changes to the Student Loan Program Funds, effective for fiscal year 2005. Nonresidents are now allowed to obtain student loans through CollegeInvest. The definition of "Student Loan" has been expanded to include loans made by institutions of higher education or by nonprofit corporations operating on behalf of the institution, located outside of Colorado. The definition of "lender" now includes any domestic branch or agency of a foreign bank duly licensed by a State or the United States.

College In Colorado Trust

A scholarship program (Scholarship Program) was created by Colorado statute to provide higher education scholarships for eligible students. CollegeInvest was designated by the statute to implement and administer the Scholarship Program. A scholarship under the Scholarship Program may only be awarded to undergraduate students who meet certain eligibility requirements established by the Board in accordance with the statute.

The financial activities of the College In Colorado Scholarship Trust Fund consists of investment of monies deposited to the trust by CollegeInvest, the State (to the extent appropriated) and as a result of any gifts, grants or donations received by CollegeInvest for the Scholarship Program, as well as distribution of scholarships in conformance with the eligibility requirements established by the Board. Moneys in the trust may be used by CollegeInvest to fund the direct and indirect costs of implementing, marketing and administering the Scholarship Program.

Clifton Gunderson LLP
Certified Public Accountants & Consultants

Independent Auditor's Report

Members of the Legislative Audit Committee:

We have audited the accompanying financial statements of the business-type activities and each major fund of CollegeInvest, (a division of the Department of Higher Education, State of Colorado) Student Loan Program Funds, as of and for the years ending June 30, 2006 and 2005, which collectively comprise CollegeInvest Student Loan Program Funds basic financial statements as listed in the table of contents. These financial statements are the responsibility of CollegeInvest, Student Loan Program Funds' management. Our responsibility is to express opinions on these financial statements based on our audits.

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

As discussed in Note 1 – 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 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, 2006 and 2005 and the changes in its financial position and its cash flows, where applicable, for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and each major fund of CollegeInvest, Student Loan Program Funds, as of June 30, 2006 and 2005, and the changes in its financial position and its 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 September 8, 2006 on our consideration of 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 8 to 21, is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of 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 supplementary 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 Gunderson LLP

Greenwood Village, Colorado
September 8, 2006

COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2006 AND 2005

This section of the Student Loan Program Funds' (Funds) financial statements is a discussion and analysis of the financial performance of the Funds for the years ended June 30, 2006, 2005 and 2004. CollegeInvest, a division of the Department of Higher Education (Department) of the State of Colorado administers the Funds, the Prepaid Tuition Fund, and the College Savings Program, which consists of the Scholars Choice Fund, Stable Value Plus Fund and Direct Portfolio Fund. The 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 Funds' 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 Funds is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Assets presents information that reflects how the Funds' 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 financing activities.

Analysis of Financial Activities:

CollegeInvest Student Loan Program Funds consists of three major funds, the Borrower Benefit Fund, the Bond Funds and the College In Colorado Scholarship Trust Fund. The Borrower Benefit, the Bond Funds and the College In Colorado Scholarship Trust Fund are accounted for as separate enterprise funds within the State of Colorado's financial reporting system. However, the State Controller's Office combines Borrower Benefit, Bond, College In Colorado Scholarship Trust and Prepaid Tuition Funds in the State's Comprehensive Annual Financial Report. The College In Colorado Scholarship Trust Fund was established by statute in July 2005. For the year ended June 30, 2004, the Borrower Benefit Fund and the Bond Funds were originally presented as combined on the financial statements. In accordance with Governmental Accounting Standard No. 34, the Borrower Benefit Fund and the Bond Funds are presented separately on these financial statements.

In meeting its legislative mandate, the Bond 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. Additionally, revenues generated within the Bond Funds are pledged as security on the financings.

The net assets of the Funds are restricted by statute for the purpose of administering programs to assist higher education students in paying tuition, unless otherwise provided for by law or trust indenture.

Analysis of Financial Activities (continued):

Under certain agreements, the Funds provide lines of credit to institutions of higher education to make loans to their graduate students. The Funds and the institutions also enter into loan purchase agreements providing that the Funds shall purchase the student loans from the institutions each year at an agreed upon price. The proceeds from the sale are to be used by the institutions to pay principal and interest due on their lines of credit and to enhance financial aid to the students. As of June 30, 2006, the Funds had such agreements with six institutions of higher education.

The Funds utilize the Borrower Benefit Fund for payment of general and administrative expenses and other activities of the Bond Funds, and Prepaid Tuition, Scholars Choice, Stable Value Plus, Direct Portfolio, and College In Colorado Scholarship Trust Funds, 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), to fund the College In Colorado Scholarship Trust Fund program and provide reserves for operating expenses and cash flow timing differences of the Prepaid Tuition Fund.

The College In Colorado Scholarship Trust Fund program is designed to make college a reality for deserving students who work hard academically, but whose families can not afford college. Beginning in 2008-2009 school year, the new scholarship program tackles the two biggest barriers to college access: lack of academic preparation and the inability to pay for college. The College In Colorado Scholarship Trust Fund was funded by contributions from the Borrower Benefit Fund, the Bond Funds and the Colorado Student Loan Program, dba College Access Network (CAN).

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

Comparison of Current Year Results to Prior Years:

Borrower Benefit Fund:

Borrower Benefit Fund Condensed Statements of Net Assets as of June 30:

	2006	2005	2004
	(dollar amounts expressed in thousands)		
Assets:			
Cash and investments	**$ 11,369**	$ 24,940	$ 27,093
Interest, other receivables and prepaid expenses	**81**	100	134
Capital assets, net	**895**	1,172	1,387
Net interfund (payable) receivable	**(103)**	774	9,266
Total assets	**12,242**	26,986	37,880
Total liabilities	**298**	319	678
Net assets:			
Invested in capital assets	**895**	1,172	1,387
Restricted	**-**	-	120
Unrestricted	**11,049**	25,495	35,695
Total net assets	**$ 11,944**	$ 26,667	$ 37,202

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

Borrower Benefit Fund (continued):

Cash and investments of the Borrower Benefit Fund decreased $13.6 million from June 30, 2005 to June 30, 2006, due primarily to the transfer of $13.9 million to the College In Colorado Scholarship Trust Fund and a transfer of $1.2 million to the Bond Funds. Cash and investments decreased $2.2 million from June 30, 2004 to June 30, 2005, primarily due to a transfer of $1.6 million to the Prepaid Tuition Fund and payment of $1.3 million in bond issuance costs on behalf of the Bond Funds. These decreases were somewhat offset by an increase in cash from interest income.

The interfund receivable decreased by $8.5 million from June 30, 2004 to June 30, 2005, primarily due to the forgiveness of bond issuance costs of $9.5 million during the year ended June 30, 2005, which were paid by the Borrower Benefit Fund on behalf of the Bond Funds in prior years. This was recorded as a transfer to the Bond Funds on the Statement of Revenues, Expenses and Changes in Fund Net Assets.

Capital Assets:

The investment in capital assets at June 30, 2006 amounted to $895,000, net of accumulated depreciation. Capital assets consists of furniture, equipment and software. The changes in capital assets were as follows:

	Balance June 30, 2005	Additions (Deletions)	Depreciation & Amortization	**Balance June 30, 2006**
	(dollar amounts expressed in thousands)			
Software	$ 859	$ 53	$ 309	$ **603**
Furniture and equipment	313	37	58	**292**
Total capital assets, net	$ 1,172	$ 90	$ 367	$ **895**

	Balance June 30, 2004	Additions (Deletions)	Depreciation & Amortization	Balance June 30, 2005
	(dollar amounts expressed in thousands)			
Software	$ 1,146	$ -	$ 287	$ 859
Furniture and equipment	241	118	46	313
Total capital assets, net	$ 1,387	$ 118	$ 333	$ 1,172

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

Borrower Benefit Fund (continued):

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

	2006	2005	2004
	(dollar amounts expressed in thousands)		
Operating revenues:			
Net investment income (loss), not pledged	**$ 487**	$ 350	$ (308)
Operating expenses:			
General and administrative expenses	**190**	72	126
Change in net assets before transfers	**297**	278	(434)
Transfer to College In Colorado Scholarship Trust	**(13,850)**	-	-
Transfer to Bond Fund	**(1,170)**	(9,460)	-
Transfer to Prepaid Tuition Fund	**-**	(1,600)	-
Transfer from (to) Stable Value Plus Fund	**-**	247	(6)
Change in net assets	**(14,723)**	(10,535)	(440)
Net assets, beginning of year	**26,667**	37,202	37,642
Net assets, end of year	**$ 11,944**	$ 26,667	$ 37,202

Net investment income consists of the following:

	2006	2005	2004
	(dollar amounts expressed in thousands)		
Interest on investments	**$ 573**	$ 566	$ 398
Unrealized gain (loss) on investments	**(86)**	(216)	(706)
Net investment income (loss)	**$ 487**	$ 350	$ (308)

Net investment income (loss) increased $137,000 and $658,000 in 2006 and 2005, respectively, due primarily to the improvement in the underlying investment values of the State Treasurer's cash pool. An unrealized loss of $86,000 was allocated to the Borrower Benefit Fund from the State Treasurer for the year ended June 30, 2006, compared to an unrealized loss of $216,000 and $706,000 for the years ended June 30, 2005 and 2004, respectively. Interest on the Borrower Benefit Fund investments was slightly higher for the year ended June 30, 2006, by $7,000, compared to the year ended June 30, 2005, due primarily to the continued increase in market interest rates during the year. The increase in interest rates was offset by the decrease in cash and investments during the year ended June 30, 2006. Interest on investments was higher for the year ended June 30, 2005, by $168,000, compared to the year ended June 30, 2004, due primarily to an increase in market interest rates during the year. The average cash and investment balances for the years ended June 30, 2006, 2005 and 2004 were $14.9 million, $25.8 million and $26.6 million, respectively and with average interest returns of 3.8%, 2.2% and 1.5%, respectively.

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

Bond Funds:

Bond Funds Condensed Statements of Net Assets as of June 30:

	2006	2005	2004
	(dollar amounts expressed in thousands)		
Assets:			
Cash and investments	**$ 145,318**	$ 182,784	$ 111,720
Student loans, interest, other receivables	**1,168,385**	1,011,391	886,013
Other assets, net	**6,739**	5,953	4,649
Total assets	**1,320,442**	1,200,128	1,002,382
Liabilities:			
Current:			
Accounts payable, interest payable and other liabilities	**5,581**	4,058	1,968
Intrafund payable	**495**	734	8,822
Bonds and notes payable	**39,612**	43,948	46,765
Total current liabilities	**45,688**	48,740	57,555
Noncurrent:			
Arbitrage rebate payable	**22,968**	20,259	18,822
Bonds and notes payable	**1,156,304**	1,014,916	835,832
Total noncurrent liabilities	**1,179,272**	1,035,175	854,654
Total liabilities	**1,224,960**	1,083,915	912,209
Net assets (all restricted)	**$ 95,482**	$ 116,213	$ 90,173

The decrease in cash and investments of $37.5 million in the Bond Funds from June 30, 2005 to June 30, 2006, was primarily due to purchases of student loans in excess of repayment of existing student loans of $149.7 million, a transfer of $36.0 million to the College In Colorado Scholarship Trust Fund, and redemption of bonds and notes of $44.0 million. These decreases were somewhat offset by the issuance of $181.0 million in new bonds and notes. Cash and investments of the Bond Funds increased $71.1 million from June 30, 2004 to June 30, 2005. The increase in cash and investments of $71.1 million in the Bond Funds from June 30, 2004 to June 30, 2005 was primarily due to the purchases of student loans in excess of repayment of existing student loans of $119.4 million and redemption of bonds and notes of $52.7 million. The decreases were offset by the issuance of bonds and notes of $229.0 million.

Student loans, interest and other receivables increased $157.0 million from June 30, 2005 to June 30, 2006 and increased by $125.4 million from June 30, 2004 to June 30, 2005. During 2006, student loans, including premiums and borrower benefits, increased by $149.7 million due to the acquisition of $447.6 million in student loans and decreased as a result of student loan principal repayments of $297.9 million.

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

Bond Funds (continued):

The Bond Funds originate student loans to borrowers in school, purchase student loans from other financial institutions, and consolidate existing loans. During 2005, student loans, including premiums and borrower benefits, increased by $119.4 million due to the acquisition of $298.2 million in student loans and decreased as a result of student loan principal repayments of $178.8 million. The Bond Funds provide a benefit to borrowers through a 3% reduction in the principal amount of the loan for originations, effective July 1, 2003, and 1% of the principal of the loan for consolidations, effective November 1, 2004. The Bond Funds also pay a premium on purchases of student loans ranging from 1% to 6% of the principal amount of the loans, depending on the attributes of the loans purchased. The premiums and borrower benefits are capitalized and amortized over five years. A comparison of volume to the prior year is as follows:

	2006	2005	2004
	(dollar amounts expressed in millions)		
Originations	**$ 123.2**	$ 101.9	$ 69.1
Purchases	**117.2**	105.7	102.4
Consolidations	**207.2**	90.6	77.2
Principal payments received	**(297.9)**	(178.8)	(150.7)
Net increase	**$ 149.7**	$ 119.4	$ 98.0

The increases in new loan originations and consolidations are a result of several different factors. CollegeInvest has increased its educational outreach and incorporated a more diversified marketing plan that has resulted in additional market share and increased guaranteed volume as a percentage of the total volume guaranteed by CAN, the guarantor. The increases in guaranteed volume were 0.5%, 7.0% and 3.3% for the years ended June 30, 2006, 2005 and 2004, respectively. Also, students are borrowing more to pay for college due to the rising costs of education and CollegeInvest has captured a share of the increased volume. The number of students borrowing increased 6.7% and 6.1% for the years ended June 30, 2006 and 2005, respectively. Additionally, the students average borrower indebtedness increased by 7.7%, 10.3% and 7.0% for the years ended June 30, 2006, 2005 and 2004, respectively. Low student loan interest rates have played a significant role in the increased loan consolidation. The increased overall consumer awareness of the benefits of consolidating has had a direct effect on our program.

The increases in payments received during the years ended June 30, 2006, and 2005, is largely attributable to the increase in consolidation activity due to the low interest rate environment. Consolidating borrowers paid off existing variable rate loans by refinancing into a fixed rate consolidation loan.

Interest and other receivables as of June 30, 2006, 2005 and 2004, were $36.9 million, $30.0 million, and $24.0 million, respectively. Changes in these balances are primarily due to the timing of student loan purchases from Colorado institutions of higher education.

The arbitrage rebate payable is composed of excess interest and arbitrage rebate fees. The increase of $2.7 million from June 30, 2005 to June 30, 2006, is due primarily to an increase in excess interest liability of approximately $2.3 million and a decrease in arbitrage rebate liability of approximately $371,000. The increase of $1.4 million from June 30, 2004 to June 30, 2005, is due primarily to an increase in excess interest liability of approximately $2.3 million and a decrease in arbitrage rebate liability of approximately $869,000.

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

Bond Funds (continued):

U.S. Treasury regulations limit the earnings on student loans financed with tax-exempt bond proceeds. Earnings above that allowed must be rebated to the U.S. Treasury through the excess interest payable liability. The increase in the excess earnings liability from 2005 to 2006 was $2.3 million as compared to an increase from 2004 to 2005 of $2.3 million Earnings on loans financed with tax-exempt bond proceeds were higher in 2006 and 2005, generating increases in the liability each year.

U.S. Treasury regulations also limit the amount of interest income from investments to the bond yield on tax-exempt bond issues. The decrease in interest rate spread between the investments and the bond yield from the year ended June 30, 2005 to the year ended June 30, 2006 resulted in an increase of $371,000 in the rebate tax liability, due primarily to the increasing interest rates. The interest rate spread between the investments and the bond yield from the year ended June 30, 2004 to the year ended June 30, 2005 resulted in a reduction of $99,000 in the rebate tax liability. Additionally, during the year ended June 30, 2005, the liability was reduced by $770,000 due to payments made to the IRS. No payments were due to the IRS during the year ended June 30, 2006.

The Bond Funds had bonds and notes payable as of June 30,

	2006	2005	2004
	(dollar amounts expressed in thousands)		
Beginning balance	**$ 1,058,864**	$ 882,597	$ 921,487
Bond and note issuance	**181,000**	229,025	-
Redemptions of bonds and notes	**(43,948)**	(52,764)	(38,891)
Amortization of bond discount and defeasance	-	6	1
Bonds and notes payable	**$ 1,195,916**	$ 1,058,864	$ 882,597

The Bond Funds issue and redeem bonds in an effort to maximize its ability to originate, purchase and consolidate loans and take advantage of favorable tax-exempt and taxable debt attributes while minimizing its carrying costs of debt and costs of issuance.

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 Bond Funds had restricted net assets of $95.5 million, $116.2 million and $90.2 million as of June 30, 2006, 2005 and 2004, 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, lines of credit due from Colorado institutions of higher education and the revenues and receipts derived there from.

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

Bond Funds (continued):

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

	2006	2005	2004
	(dollar amounts expressed in thousands)		
Operating revenues:			
Interest and special allowance on student loans (pledged as security on revenue bonds and notes)	**$ 77,305**	$ 59,065	$ 48,158
Interest income (pledged as security on revenue bonds and notes)	**8,277**	5,170	2,252
Total operating revenues	**85,582**	64,235	50,410
Operating expenses:			
Interest expense	**50,841**	30,292	17,862
Rebate tax expense, net	**8,126**	6,334	3,978
Loan servicing costs and bond fees	**8,470**	7,188	6,623
General and administrative expenses	**2,138**	2,167	1,884
Salaries and benefits	**1,600**	1,414	1,442
Depreciation and amortization	**308**	260	230
Total operating expenses	**71,483**	47,655	32,019
Operating income before transfers	**14,099**	16,580	18,391
Transfer from Borrower Benefit Fund	**1,170**	9,460	-
Transfer to College In Colorado Scholarship Trust	**(36,000)**	-	-
Change in net assets	**(20,731)**	26,040	18,391
Net assets, beginning of year	**116,213**	90,173	71,782
Net assets, end of year	**$ 95,482**	$ 116,213	$ 90,173

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

	2006	2005	2004
	(dollar amounts expressed in thousands)		
Borrower interest	**$ 52,875**	$ 39,560	$ 37,839
Special allowance payments	**24,430**	19,505	10,319
Total pledged interest and special allowance on student loans	**$ 77,305**	$ 59,065	$ 48,158

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

Bond Funds (continued):

Pledged borrower interest increased from the year ended June 30, 2005 to the year ended June 30, 2006 by $13.3 million and increased from the year ended June 30, 2004 to the year ended June 30, 2005 by $1.7 million. The changes in interest income are due primarily to the overall average interest rate on CollegeInvest's student loan portfolio and an increase in the student loan balance. Interest rates on the Stafford loans in the portfolio are variable and are set based on the 91-day U. S. Treasury bill rate. All variable rate student loans are reset July 1 of each year and remain fixed for one year. The rates set on July 1, 2005, 2004 and 2003, were 3.0%, 1.07% and 1.12%, respectively. Additionally, the average interest rate on the consolidation loans decreased from 6.5% as of June 30, 2004 to 5.9% as of June 30, 2005 and to 5.1% as of June 30, 2006. The average monthly balance of student loans increased from $806.5 million in 2004 to $913.6 million in 2005 and to $1.07 billion in 2006.

Pledged special allowance income increased by approximately $4.9 million from the year ended June 30, 2005 to the year ended June 30, 2006 and by $9.2 million from the year ended June 30, 2004 to the year ended June 30, 2005. Special allowance is paid to lenders by the federal government and is the difference between the borrower interest rate and a "market" rate defined by the Higher Education Act of 1965, as amended. On approximately 27% of the Bond Funds' loan portfolio for 2006, the market rate is computed such that the total return is 9.5%. Since borrower rates were higher for the year ended June 30, 2005, as discussed above, special allowance payments decreased. On the remaining 73% of the portfolio, the market rate is computed such that the total return is equivalent to the 3-month commercial paper rate or the 91-day Treasury bill rate plus a stated spread. As short-term interest rates increased throughout 2006, special allowance payments increased proportionally.

In total, interest and special allowance payments on student loans generated a 7.4%, 6.5% and 6.0% average return for the years ended June 30, 2006, 2005 and 2004, respectively.

The increase in pledged investment interest income of approximately $3.1 million from the year ended June 30, 2005 to the year ended June 30, 2006 is due to a combination of higher interest rates earned during the year which more than offset the lower average cash balance. The increase in pledged interest income of approximately $2.9 million for the year ended June 30, 2005 from the year ended June 30, 2004 is also due to a combination of higher interest rates earned during the year and a higher average cash balance. The average monthly cash and investment balance for the years ending June 30, 2006, 2005 and 2004 was $196.3 million, $233.7 million, and $184.8 million, respectively, with an average return of 4.1 %, 2.2% and 1.2%, respectively.

Interest expense is comprised of interest and amortization of bond issuance costs, premiums and borrower benefits. Interest expense on bonds for the year ended June 30, 2006 increased by $19.0 million from the year ended June 30, 2005. Interest expense on bonds for the year ended June 30, 2005 increased by $11.2 million from the year ended June 30, 2004. The increases over the past two years were due to a combination of an increase in the debt outstanding as well as an increase in the weighted average interest rate on debt.

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

Bond Funds (continued):

As of June 30, 2006, 2005 and 2004, average balances and rates on debt were as follows:

	Weighted Average Debt Outstanding 2006	**% of Debt**	**Weighted Average Interest Rate**	Weighted Average Debt Outstanding 2005	% of Debt	Weighted Average Interest Rate	Weighted Average Debt Outstanding 2004	% of Debt	Weighted Average Interest Rate
	(dollar amounts expressed in thousands)								
Taxable	**$ 514,993**	**43.3%**	**4.4%**	$ 526,751	50.1%	2.8%	$ 481,695	53.2%	1.9%
Tax-exempt	**673,347**	**56.7%**	**3.2%**	524,048	49.9%	2.2%	424,505	46.8%	1.4%
Total	**1,188,340**	**100.0%**	**3.7%**	1,050,799	100.0%	2.5%	906,200	100.0%	1.6%
Variable	**1,141,840**	**96.1%**	**3.6%**	984,535	93.7%	2.2%	817,440	90.2%	1.2%
Fixed	**46,500**	**3.9%**	**5.9%**	66,264	6.3%	5.9%	88,760	9.8%	5.9%
Total	**$ 1,188,340**	**100.0%**	**3.7%**	$ 1,050,799	100.0%	2.5%	$ 906,200	100.0%	1.6%

Average debt outstanding for the years ended June 30, 2006, 2005 and 2004 was $1,188.3 million, $1,050.8 million and $906.2 million, respectively. The average interest rate for the years ended June 30, 2006, 2005 and 2004 was 3.7%, 2.5% and 1.6%, respectively.

Premium and borrower benefit amortization is a component of interest expense. Premium and borrower benefit amortization increased by approximately $1.6 million for the year ended June 30, 2006 from the year ended June 30, 2005 and approximately $1.4 million for the year ended June 30, 2005 from the year ended June 30, 2004. This is due primarily to an increase in the origination volume over the last three years. The borrower benefit percentage was 3% for all three years ended June 30, 2004, 2005 and 2006. Additionally, effective November 1, 2004, CollegeInvest began offering a 1% borrower benefit on all new consolidation loans. Premiums and borrower benefits paid and amortized for the fiscal years ending June 30 were as follows:

	2006	2005	2004
	(dollar amounts expressed in thousands)		
Beginning balance, net	**$ 16,439**	$ 12,114	$ 8,334
Premiums paid	**4,945**	4,699	4,344
Borrower benefits paid	**5,619**	3,572	2,000
Amortization	**(5,589)**	(3,946)	(2,564)
Ending balance, net	**$ 21,414**	$ 16,439	$ 12,114

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

Bond Funds (continued):

Rebate tax expense includes excess interest, arbitrage rebate and consolidation rebate expenses as follows:

	2006	2005	2004
	(dollar amounts expressed in thousands)		
Excess interest	**$ 2,338**	$ 2,307	$ 527
Arbitrage rebate	**371**	(99)	(98)
Consolidation rebate	**5,417**	4,126	3,549
Total rebate tax expense	**$ 8,126**	$ 6,334	$ 3,978

Excess interest expense increased approximately $31,000 for the year ended June 30, 2006, while excess interest expense increased approximately $1.8 million for the year ended June 30, 2005. Earnings on loans financed with tax-exempt bond proceeds were higher than in the prior year. The increase is mostly attributable to the earnings on loans eligible for the 9.5% special allowance payments. The arbitrage rebate expense is the amount of excess spread between income from investments and bond yield. This expense increased approximately $470,000 due to the expanding spread between investment income and the bond cost. The arbitrage rebate expense remained consistent for the years ended June 30, 2005 and 2004. Consolidation rebate expense is a fee paid monthly to the U.S. Department of Education on any loans consolidated by CollegeInvest after October 1, 1993. Consolidation rebate fees increased during the year ended June 30, 2006 over the prior year by approximately $1.3 million. Consolidation rebate fees increased during the year ended June 30, 2005 over the prior year by approximately $577,000. The balance of consolidation loans in the Bond Funds' portfolio increased by $139.5 million and $52.3 million during the years ended June 30, 2006 and 2005, respectively.

Loan servicing costs and bond fees increased $1.3 million for the year ended June 30, 2006 compared to the prior year and increased $565,000 for the year ended June 30, 2005 compared to the year ended June 30, 2004. Loan servicing costs as a percentage of the average fiscal year end student loan receivable remained consistent at 0.5% for the years ended June 30, 2006, 2005 and 2004. Bond fee expenses increased by approximately $388,000 and $260,000 for the years ended June 30, 2006 and 2005, respectively. This was due primarily to the increase in the level of weighted average debt outstanding. Bond fees as a percentage of the average debt outstanding were 25, 25, and 27 basis points for the years ended June 30, 2006, 2005 and 2004, respectively.

General and administrative expenses, including bad debt expense, decreased by $29,000, or 1.3%, during the year ended June 30, 2006. General and administrative expenses, excluding bad debt expense, were $332,000, or 19%, higher in the year ended June 30, 2006 than for the year ended June 30, 2005. This increase was offset by a $361,000 decrease in bad debt expense from June 30, 2005 to June 30, 2006. General and administrative expenses were $283,000, or 15.0%, higher in the year ended June 30, 2005 than for the year ended June 30, 2004. The student loan division has increased efforts during the past two years to educate students and families on the advantages of student loans as an option to finance educational costs. CollegeInvest has increased awareness by employing multiple avenues of media, public relations, community programs and partnerships as well as additional personnel to meet with families in their communities.

Salaries and benefits increased by $186,000, or 13.2%, from the year ended June 30, 2006 compared to the prior year. Salaries and benefits were substantially the same for the year ended June 30, 2005 compared to the year ended June 30, 2004. This increase during Fiscal Year 2006 was due in part to the addition of new positions to increase and support growth in our student loan business and outreach to students and their families. Net student loans increased by $149.7 million, $119.4 million and $98.9 million during the years ended June 30, 2006, 2005 and 2004, respectively.

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

College In Colorado Scholarship Trust Fund:

Effective September 16, 2005, CollegeInvest entered into a trust agreement with Zions First National Bank to maintain the College In Colorado Scholarship Trust Fund established by Senate Bill 05-003 which creates a new program for higher education scholarships. The trust account is used to pay for the direct or indirect costs of implementing, marketing and administering the College In Colorado Scholarship Trust Fund. The College In Colorado Scholarship is being offered to Colorado's 8th and 9th grade students who commit to pre-collegiate coursework and maintaining at least a 2.5 GPA. The scholarship encourages students to begin planning for college early and provides financial support for high-need students who are academically prepared for higher education. Scholarships will be awarded to students who meet the appropriate criteria beginning in the 2008-2009 academic year.

Cash and investments of the College In Colorado Scholarship Trust Fund were approximately $76.4 million as of June 30, 2006, primarily due to the transfers of $13.9 million and $36.0 million from the Borrower Benefit Fund and the Bond Funds, respectively, and $25 million in intergovernmental revenue received from CAN.

Net investment income for the year ended June 30, 2006 consists of $2.2 million in investment interest earned on commercial paper investments and $25 million intergrovenmental revenue received from CAN. The average cash and investment balance for the year ended June 30, 2006 was $64.0 million with an average return of 4.0%.

Economic Factors and Future Years' Rates:

- Since its original enactment in 1965, the Higher Education Act has been amended and reauthorized numerous times and Congress is currently engaged in the reauthorization process. Certain of these amendments have significantly affected the federal student loan programs under the Higher Education Act. In addition, the United States Department of Education (the "Department of Education") continues to engage in the rulemaking process to revise the regulations promulgated by the Department of Education under the Higher Education Act. The Department of Education's authority to provide interest subsidies and federal insurance for loans originated under the Higher Education Act terminates on a date specified in the Higher Education Act. The United States Senate and House of Representatives both passed, and the President on February 8, 2006 signed into law, the Deficit Reduction Act of 2005. Included in the Deficit Reduction Act of 2005 is the Higher Education Reconciliation Act of 2005 (the "2005 Higher Education Act Amendments"), which amends several provisions of the Higher Education Act governing the FFEL Program. The 2005 Higher Education Act Amendments extend various provisions of the Higher Education Act through September 30, 2012 and include, but are not limited to, provisions that (i) reduce lender insurance from 98% to 97% for student loans for which the first disbursement is made on or after July 1, 2006, (ii) reduce from 100% to 99% the reimbursement available for any default claim submitted by a lender or servicer designated for exceptional performance, (iii) require payment by lenders to the Department of Education of any interest applicable to student loans first disbursed on or after April 1, 2006, which is in excess of the special allowance payment applicable to such loans, and (iv) eliminate (or in certain limited instances phase out by the year 2010) the 9.5% special allowance payment rate for certain loans made or purchased with funds derived from proceeds of certain tax-exempt obligations.

Economic Factors and Future Years' Rates (continued):

- In addition, on June 15, 2006, the President signed into law an emergency spending bill which, in part, repealed the single holder rule for consolidation loans for which applications are received on and after June 15, 2006. The single holder rule previously provided that a lender could make a consolidation loan under the FFEL Program only if the lender held an outstanding loan that the borrower selected for consolidation or if the borrower certified to the lender that the Borrower was unable to obtain a consolidation loan with income-sensitive repayment terms from the holders of the outstanding loans of that borrower (which were selected for consolidation). The repeal of the single holder rule may increase the number of prepayments of Financed Student Loans and may reduce the size of CollegeInvest's Financed Student Loan Portfolio.

- Congress will likely amend further the Higher Education Act as part of reauthorization of other provisions of the Higher Education Act. Any such amendments could affect the federal student loans held under the Indenture. It is not possible to predict whether or when any amendments to the Higher Education Act may be introduced, in what form they may be adopted, or the final content of any such amendments and their effect upon CollegeInvest student loan programs. While Congress has extended the current Higher Education Act through June 30, 2007, it may elect not to reauthorize the Department of Education's ability to provide interest subsidies and federal insurance for loans in the future. This failure to reauthorize could adversely affect CollegeInvest student loan programs. There can be no assurance that the Higher Education Act, or other relevant law or regulations, will not be changed in a manner that could adversely affect CollegeInvest student loan programs.

- The Higher Education Act and the FFEL Program have been subject to numerous amendments and changes over the years. These changes have included, among other things, changes in the calculation of interest rates and special allowance payments on federal student loans, changes in the requirements to offer certain payment plans to borrowers, additional loan forgiveness provisions, and additional restrictions on guarantors' use of funds. As a result of the changes to the FFEL Program, the net revenues resulting to holders of federal student loans have in some cases been reduced and may be reduced further in the future. As these reductions occur, cost increases and revenue reductions for guarantors may occur. Various amendments to the Higher Education Act authorize the Secretary of the U.S. Department of Education (the "Secretary") to offer borrowers direct consolidation loans whereby a borrower may consolidate various student loans into a single loan with income-sensitive repayment terms. The financing of such consolidation loans by the Secretary on a large-scale basis may cause an increase in the number of prepayments of federal student loans and reduce the size of CollegeInvest's Financed Student Loan portfolio. There can be no assurance that relevant federal laws, including the Higher Education Act, will not be changed in a manner which might adversely affect the availability and flow of funds for CollegeInvest's federal student loan programs.

- Every July 1st in accordance with the Higher Education Act of 1965, as amended, the Stafford loan interest rate is reset based on the 91-day Treasury bill rate, determined in the last Treasury bill auction in May of each year. Stafford loans accounted for 46.1% of CollegeInvest's portfolio as of June 30, 2006. These rates increased by 184 basis points as of July 1, 2006 over the rate set at July 1, 2005. If student loan balances remain at the same level, borrower interest will increase for the year ending June 30, 2007.

- Historically, CollegeInvest has received approximately 20% of the statewide Private Activity Bonds from the State of Colorado, but there is no guarantee that CollegeInvest will continue to receive a portion or any Private Activity Bonds. Private Activity Bonds are tax-exempt to the holder and therefore typically priced at a lower rate to investors and accordingly provide a lower cost of debt to CollegInvest. A decrease in the Private Activity Bonds allocated to CollegeInvest could negatively impact CollegeInvest's net yield on student loans.

Economic Factors and Future Years' Rates (continued):

- As of June 30, 2006, 96.9% of CollegeInvest's outstanding debt 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.

- CollegeInvest's net income will increase or decrease depending on the interest rate spread between the borrower rates earned, as described above, the auction reset rates it experiences on its variable debt and market access to such debt vehicles.

- Under the terms of federal grants, periodic audits and or reviews 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 (USDE). The USDE performed a review of CollegeInvest in May 2006. As a result, CollegInvest received a finding from the USDE regarding under billing of 9.5% Floor SAP of approximately $13.6 million. The under billing identified in the review began in the quarter ended March 31, 1999. CollegeInvest has reviewed its portfolio from the quarter ended March 31, 1999 to the present. Utilizing the methodology noted in the Finding, CollegeInvest, has identified up to $26.5 million dollars in under billing. See footnote #13 for further discussion. There are no other audits or reviews 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.

COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
STATEMENTS OF NET ASSETS
JUNE 30, 2006 AND 2005
(dollar amounts expressed in thousands)

	2006				2005			
	Borrower Benefit Fund	Bond Funds	College In Colorado Scholarship Trust Fund	Total	Borrower Benefit Fund	Bond Funds	College In Colorado Scholarship Trust Fund	Total
Assets:								
Current assets:								
Cash deposits and investments	$ 11,369	$ 145,318	$ 76,430	$ 233,117	$ 24,940	$ 182,784	$ -	$ 207,724
Student loans, net	-	28,609	-	28,609	-	40,945	-	40,945
Interest and other receivables	7	28,465	500	28,972	39	22,189	-	22,228
CollegeLender receivable	-	8,216	-	8,216	-	7,124	-	7,124
Prepaid expenses	74	241	-	315	61	289	-	350
Total current assets	11,450	210,849	76,930	299,229	25,040	253,331	-	278,371
Noncurrent assets:								
Capital assets, net	895	-	-	895	1,172	-	-	1,172
Student loans, net	-	1,102,854	-	1,102,854	-	940,844	-	940,844
Bond and note issuance costs, net	-	6,739	-	6,739	-	5,953	-	5,953
Total noncurrent assets	895	1,109,593	-	1,110,488	1,172	946,797	-	947,969
Total assets	12,345	1,320,442	76,930	1,409,717	26,212	1,200,128	-	1,226,340
Liabilities:								
Current liabilities:								
Accounts payable and accrued expenses	187	2,013	6	2,206	201	1,576	-	1,777
Due to (from) other Funds and other agencies	103	495	54	652	(774)	734	-	(40)
Interest payable	-	3,568	-	3,568	-	2,482	-	2,482
Bonds and notes payable	-	39,612	-	39,612	-	43,948	-	43,948
Total current liabilities	290	45,688	60	46,038	(573)	48,740	-	48,167
Noncurrent liabilities:								
Accrued compensated absences	111	-	-	111	118	-	-	118
Arbitrage rebate payable	-	22,968	-	22,968	-	20,259	-	20,259
Bonds and notes payable	-	1,156,304	-	1,156,304	-	1,014,916	-	1,014,916
Total noncurrent liabilities	111	1,179,272	-	1,179,383	118	1,035,175	-	1,035,293
Total liabilities	401	1,224,960	60	1,225,421	(455)	1,083,915	-	1,083,460
Net assets:								
Invested in capital assets	895	-	-	895	1,172	-	-	1,172
Restricted	-	95,482	76,870	172,352	-	116,213	-	116,213
Unrestricted	11,049	-	-	11,049	25,495	-	-	25,495
Total net assets	$ 11,944	$ 95,482	$ 76,870	$ 184,296	$ 26,667	$ 116,213	$ -	$ 142,880

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

COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005
(dollar amounts expressed in thousands)

	2006				2005			
	Borrower Benefit Fund	**Bond Funds**	**College In Colorado Scholarship Trust Fund**	**Total**	Borrower Benefit Fund	Bond Funds	College In Colorado Scholarship Trust Fund	Total
Operating revenues:								
Interest and special allowance on student loans (pledged as security on revenue bonds and notes)	**$ -**	**$ 77,305**	**$ -**	**$ 77,305**	$ -	$ 59,065	$ -	$ 59,065
Interest income (pledged as security on revenue bonds and notes)	**-**	**8,277**	**-**	**8,277**	-	5,170	-	5,170
Net investment income	**487**	**-**	**2,151**	**2,638**	350	-	-	350
Total operating revenues	**487**	**85,582**	**2,151**	**88,220**	350	64,235	-	64,585
Operating expenses:								
Interest expense	**-**	**50,841**	**-**	**50,841**	-	30,292	-	30,292
Loan servicing costs	**-**	**5,462**	**-**	**5,462**	-	4,568	-	4,568
Rebate tax expense, net	**-**	**8,126**	**-**	**8,126**	-	6,334	-	6,334
Bond fees	**-**	**3,008**	**-**	**3,008**	-	2,620	-	2,620
General and administrative expenses	**190**	**2,138**	**54**	**2,382**	72	2,167	-	2,239
Salaries and benefits	**-**	**1,600**	**77**	**1,676**	-	1,414	-	1,414
Depreciation and amortization	**-**	**308**	**-**	**308**	-	260	-	260
Total operating expenses	**190**	**71,483**	**131**	**71,804**	72	47,655	-	47,727
Operating income (loss) before transfers	**297**	**14,099**	**2,020**	**16,416**	278	16,580	-	16,858
Nonoperating - Intergovernmental revenue	**-**	**-**	**25,000**	**25,000**	-	-	-	-
Intraprogram transfers	**(15,020)**	**1,170**	**13,850**	**-**	(9,460)	9,460	-	-
Transfer to College In Colorado Scholarship Trust from Bond Funds	**-**	**(36,000)**	**36,000**	**-**	-	-	-	-
Transfer to Prepaid Tuition Fund from Borrower Benefit Fund unrestricted assets	**-**	**-**	**-**	**-**	(1,600)	-	-	(1,600)
Transfer from Stable Value Plus Fund from Borrower Benefit Fund unrestricted assets	**-**	**-**	**-**	**-**	247	-	-	247
Change in net assets	**(14,723)**	**(20,731)**	**76,870**	**41,416**	(10,535)	26,040	-	15,505
Net assets, beginning of year	**26,667**	**116,213**	**-**	**142,880**	37,202	90,173	-	127,375
Net assets, end of year	**$ 11,944**	**$ 95,482**	**$ 76,870**	**$ 184,296**	$ 26,667	$ 116,213	$ -	$ 142,880

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

COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005
(dollar amounts expressed in thousands)

	2006				2005			
	Borrower Benefit Fund	**Bond Funds**	**College In Colorado Scholarship Trust Fund**	**Total**	Borrower Benefit Fund	Bond Funds	College In Colorado Scholarship Trust Fund	Total
Cash Flows from Operating Activities:								
Cash received from student loans	$ -	$ 334,600	$ -	$ 334,600	$ -	$ 209,251	$ -	$ 209,251
Cash received from the federal government	-	30,994	-	30,994	-	21,781	-	21,781
Cash received from educational institutions	-	103,135	-	103,135	18,000	70,893	-	88,893
Cash purchases of student loans	-	(446,164)	-	(446,164)	-	(297,135)	-	(297,135)
Cash received from plan managers and other Funds	7,573	-	-	7,573	6,146	-	-	6,146
Cash loaned to educational institutions	-	(104,226)	-	(104,226)	(18,000)	(71,890)	-	(89,890)
Cash payments to federal government	-	(10,666)	-	(10,666)	-	(7,897)	-	(7,897)
Cash payments to suppliers for goods and services	(6,584)	(7,833)	7	(14,410)	(5,649)	(5,971)	-	(11,620)
Cash payments to employees for service	-	(1,600)	(78)	(1,678)	-	(1,414)	-	(1,414)
Income received from CollegeLenders	-	1,639	-	1,639		520	-	520
Net cash (provided) used by operating activities	989	(100,121)	(71)	(99,203)	497	(81,862)	-	(81,365)
Cash Flows from Investing Activities:								
Proceeds from maturities of investments	566	3,306,296	210,251	3,517,113	-	1,644,660	-	1,644,660
Purchase of investments		(3,268,830)	(286,681)	(3,555,511)	(242)	(1,715,725)	-	(1,715,967)
Income received from investments	522	8,025	1,651	10,198	368	4,836	-	5,204
Net cash provided (used) by investing activities	1,088	45,491	(74,779)	(28,200)	126	(66,229)	-	(66,103)
Cash Flows from Non-Capital Financing Activities:								
Issuance of bonds and notes	-	181,000	-	181,000	-	229,025	-	229,025
Repayment of bonds and notes	-	(43,948)	-	(43,948)	-	(52,764)	-	(52,764)
Interest paid on bonds and notes	-	(43,790)	-	(43,790)	-	(24,572)	-	(24,572)
Payment of bond and arbitrage rebate fees	-	(2,639)	-	(2,639)	-	(3,145)	-	(3,145)
Payment of bond and note issuance costs	-	(1,163)	-	(1,163)	-	(1,693)	-	(1,693)
Premium paid on refunding of bonds and notes	-	-	-	-	-	(60)	-	(60)
Transfer to Prepaid Tuition Fund	-	-	-	-	(1,600)	-	-	(1,600)
Contribution from intergovenmental agency	-	-	25,000	25,000	-	-	-	-
Intrafund transfers	(15,020)	(34,830)	49,850	-	(1,300)	1,300	-	-
Net cash provided (used) in non-capital financing activities	(15,020)	54,630	74,850	114,460	(2,900)	148,091	-	145,191
Cash Flows from Capital Financing Activities:								
Purchase of capital assets	(90)	-	-	(90)	(118)	-	-	(118)
Net cash used in capital financing activities	(90)	-	-	(90)	(118)	-	-	(118)
Decrease in cash and cash equivalents	(13,033)	-	-	(13,033)	(2,395)	-	-	(2,395)
Cash and cash equivalents, beginning of year	24,177	-	-	24,177	26,572	-	-	26,572
Cash and cash equivalents, end of year	$ 11,144	$ -	$ -	$ 11,144	$ 24,177	$ -	$ -	$ 24,177

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

COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005
(dollar amounts expressed in thousands)

	2006				2005			
	Borrower Benefit Fund	**Bond Funds**	**College In Colorado Scholarship Trust Fund**	**Total**	Borrower Benefit Fund	Bond Funds	College In Colorado Scholarship Trust Fund	Total
Reconciliation of operating income to net cash provided by operating activities:								
Operating income before transfers	$ 297	$ 14,099	$ 2,020	$ 16,416	$ 278	$ 16,580	$ -	$ 16,858
Items reflected as investing and non-capital financing activities:								
Income received from investments	(522)	(8,025)	(1,651)	(10,198)	(368)	(4,836)	-	(5,204)
Interest paid on bonds and notes	-	43,790	-	43,790	-	24,572	-	24,572
Bond fees and premium paid on defeasance	-	2,639	-	2,639	-	3,205	-	3,205
Amortization of bond and note issuance costs	-	377	-	377	-	385	-	385
Amortization of loss on defeasance and bond discount	-	-	-	-	-	16	-	16
Prepaid expenses	-	49	-	49	-	11	-	11
Accounts payable and accrued expenses	-	295	-	295	-	227	-	227
Adjustments to reconcile operating income to net cash provided (used) by operating activities:								
Amortization of premium costs	-	5,589	-	5,589	-	3,946	-	3,946
Change in allowance for loan losses	-	(82)	-	(82)	-	246	-	246
Depreciation expense	367	-	-	367	333	-	-	333
Depreciation expense allocated to other Funds	(367)	-	-	(367)	(333)	-	-	(333)
Net depreciation of fair value of State Treasurer's cash pool	86	-	-	86	216	-	-	216
Changes in operating assets and liabilities:								
Student loans	-	(154,093)	-	(154,093)	-	(122,334)	-	(122,334)
Interest and other receivables	32	(6,276)	(500)	(6,744)	294	(5,002)	-	(4,708)
CollegeLender receivable	-	(1,091)	-	(1,091)	-	(917)	-	(917)
Prepaid expenses	(13)	(3)	-	(16)	16	(15)	-	1
Due (to) from other funds and other agencies	1,130	(239)	54	945	420	70	-	490
Accounts payable and accrued expenses	(21)	142	6	127	(359)	546	-	187
Arbitrage rebate payable	-	2,708	-	2,708	-	1,438	-	1,438
Net cash used by operating activities	$ 989	$ (100,121)	$ (71)	(99,203)	$ 497	$ (81,862)	$ -	(81,365)

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

1. Organization and Summary of Significant Accounting Policies:

Pursuant to Colorado Revised Statutes 23-3.1-2 and 23-3.1-3, as amended, 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 (Bond Funds), a scholarship trust program (College In Colorado Scholarship Trust Fund), a Section 529 post secondary education expense program (Prepaid Tuition Fund), and a Section 529 college savings program (Scholars Choice Fund, Stable Value Plus Fund and Direct Portfolio Fund) which are administered by CollegeInvest. The mission of CollegeInvest is to be Colorado's higher education financing leader and to help Colorado families break down the financial barriers to college. The financial statements presented here do not include operations of the post secondary education expense program or the college savings program.

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 $2.0 billion, which are not deemed to constitute indebtedness, a debt or liability of the State of Colorado.

Reporting Entity:

The Student Loan Program Funds (Funds) present the financial statements of the Borrower Benefit Fund, the Bond Funds and the College In Colorado Scholarship Trust Fund. The Borrower Benefit, the Bond Funds and the College In Colorado Scholarship Trust Fund are accounted for as separate enterprise funds within the State of Colorado's financial reporting system. The College In Colorado Scholarship Trust Fund was established by statute in July 2005. 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 Funds are not intended to present the financial position, results of operations, and cash flows of CollegeInvest as a whole in conformity with accounting principles generally accepted in the United States of America.

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, Scholars Choice, Stable Value Plus, Direct Portfolio, and College In Colorado Scholarship Trust Funds, necessary to fulfill their purposes. These expenses and activities have been allocated to the respective Funds.

Assets and revenues of the Borrower Benefit Fund are not pledged as collateral for the Bond Funds. As of June 30, 2006 and 2005, the Borrower Benefit Fund had a receivable balance of $495,000 and $672,000, respectively, from various Bond Funds to pay bond and note issuance costs and operating expenses. In addition, the Borrower Benefit Fund owed $432,000 to the Scholars Choice Fund for reimbursement of fees collected in excess of operating expenses for the year ended June 30, 2006. Scholars Choice Fund owed $289,000 to the Borrower Benefit Fund for reimbursement of operating expenses in excess of fees collected for the year ended June 30, 2005.

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

Reporting Entity (continued):

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.

College In Colorado Scholarship Trust Fund

A scholarship program (Scholarship Program) was created by Colorado statute to provide higher education scholarships for eligible students. CollegeInvest was designated by the statute to implement and administer the Scholarship Program. A scholarship under the Scholarship Program may only be awarded to undergraduate students who meet certain eligibility requirements established by the Board in accordance with the statute.

The financial activities of the College In Colorado Scholarship Trust Fund consists of investment of monies deposited to the trust by CollegeInvest, the State (to the extent appropriated) and as a result of any gifts, grants or donations received by CollegeInvest for the Scholarship Program, as well as distribution of scholarships in conformance with the eligibility requirements established by the Board. Moneys in the trust may be used by CollegeInvest to fund the direct and indirect costs of implementing, marketing and administering the Scholarship Program.

Budgets and Budgetary Accounting:

By statute, the 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 Funds for the Fiscal Year ended June 30, 2006 were $70.4 million, compared with actual expenses of $71.8 million. The total expenses for the Fund were $1.4 million over budget primarily due to higher than expected excess interest and bond interest expenses. Total budgeted revenues of the Funds were $86.6 million as compared with actual revenues of $113.2 million. The higher than budgeted revenues were primarily due to $25 million contribution received from College Access Network (CAN) and additional interest income due primarily to a higher than planned interest rate on student loans and investments. 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 accounting principles generally accepted in the United States of American 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 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.

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

Operating Revenues and Expenses:

The Funds distinguish between operating revenues and expenses and nonoperating items in the Statement of Revenues, Expenses and Changes in Net Assets. Operating revenues and expenses generally result from providing services in connection with the Fund's purpose of providing loans to borrowers for higher education. Operating revenues consist of interest and special allowance earned on loans and investment income. Operating expenses include the cost of interest on debt, servicing of loans, arbitrage and general and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions.

Cash and Cash Equivalents:

CollegeInvest considers all cash, demand deposit accounts and the 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, 2006 and 2005.

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 which generally rewards prompt and regular payments, and payments made by automatic bank drafts, with credits to or reduction of principal balance, interest rate reductions and credit or waiver of origination and federal default fees. Premiums and borrower benefits are capitalized and amortized over the estimated life of the loan using a method approximating the effective interest method. Unamortized premiums and borrower benefits collectively were $21.4 million and $16.4 million at June 30, 2006 and 2005, 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 $1.2 million and $1.3 million at June 30, 2006 and 2005, respectively.

Due from Other Funds and Other Agencies:

As of June 30, 2006, there was $80,000 due from CAN. This amount was for various operating expenses paid by the Borrower Benefit Fund on behalf of CAN. The amount due to the Bond Funds of $349,000 for the year ended June 30, 2005, is for amounts collected from borrowers by CAN as a servicer of CollegeInvest.

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. Amortization is computed on the straight-line method over the original office facility lease term. Software is carried at cost less

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

Capital Assets (continued):

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 Funds and Other Agencies:

Bond Funds did not owe any loan servicing fees to CAN as of June 30, 2006. However, Bond Funds, owed $411,000 as of June 30, 2005, for loan servicing fees charged to the Funds by CAN that were not paid as of year end.

Arbitrage Rebate Payable:

Interest income earned from investments in the Bond Funds 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.

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 From/To Other Funds:

During the Fiscal Year ended June 30, 2006, the Borrower Benefit Fund of CollegeInvest contributed $1.2 million to the Bond Funds. During the Fiscal Year ended June 30, 2005, the Borrower Benefit Fund of CollegeInvest contributed $9.5 million to the Bond Funds due to the forgiveness of certain receivables due to the Borrower Benefit Fund. The Borrower Benefit Fund has intrafund loans of $495,000 and $672,000 as of June 30, 2006 and 2005, respectively due from the Bond Funds to pay operating expenses.

During the Fiscal Year ended June 30, 2006, the Borrower Benefit Fund and Bond Funds of CollegeInvest transferred $13.9 million and $36.0 million, respectively, to the College In Colorado Scholarship Trust Fund to fund the Scholarship Program.

During the Fiscal Year ended June 30, 2005, the Borrower Benefit Fund of CollegeInvest transferred $1.6 million as a

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

Transfers From/To Other Funds (continued):

contribution to the Prepaid Tuition Fund.

During the Fiscal Year ended June 30, 2005, the Stable Value Plus Fund transferred $247,000 for reimbursement of operating expenses previously paid by the Borrower Benefit Fund on behalf of the Stable Value Plus Fund.

Due From/To Other Funds:

The Borrower Benefit Fund has interfund loans of $495,000 and $672,000 as of June 30, 2006 and 2005, respectively, due from the Bond Funds to pay operating expenses.

The Borrower Benefit Fund has interfund loans of $26,000 and $86,000 as of June 30, 2006 and 2005, respectively, due from the Stable Value Plus Fund to pay operating expenses.

The Borrower Benefit Fund has an interfund loan of $432,000 due to Scholars Choice Fund for administrative fees collected on behalf of the Scholars Choice Fund as of June 30, 2006. The Borrower Benefit Fund has an interfund loan $279,000 due from Scholars Choice Fund for administrative expenses paid on behalf of the Scholars Choice Fund as of June 30, 2005.

The Borrower Benefit Fund has interfund loans of $21,000 and $261,000 as of June 30, 2006 and 2005, respectively, due from the Direct Portfolio to pay operating expenses.

The Borrower Benefit Fund has interfund loans of $52,000 and $58,000 as of June 30, 2006 and 2005, respectively, due from the Prepaid Tuition Fund to pay operating expenses.

The Borrower Benefit Fund has an interfund loan of $54,000 due from the College In Colorado Scholarship Trust Fund to pay operating expenses as of June 30, 2006.

Revenues:

Revenue consists of interest income on student loans, investment income and 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 principles general accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ significantly from these estimates.

Related Party Transactions:

CAN was established in 1979 as a division of the Department. CAN is the student loan guarantor for the State of Colorado. Loans to be insured by CAN may only be originated by eligible institutions, which include CollegeInvest. Effective January 6, 2006, the Director of CollegeInvest was appointed the Director of CAN. Although CollegeInvest and CAN are both

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

Related Party Transactions (continued):

divisions of the Department, they are each constituted and operated as separate enterprises of the State under the direction of the same director, and each (CollegeInvest and CAN) retains the ability to enforce contractual obligations against the other.

Certain student loans of CollegeInvest are serviced under an origination and servicing agreement with CAN and Nelnet (the Consortium Agreement). Prior to October 2005, CAN originated loans and serviced certain loans following disbursement, and Nelnet also provided servicing under the Consortium Agreement. In October 2005, CAN assigned its rights and obligations under the Consortium Agreement to Nelnet, and engaged Nelnet to carry out certain services on its behalf. From July 1, 2005 through October 2005, CollegeInvest paid CAN $1.0 million for servicing under the Consortium Agreement.

Reclassifications:

Certain amounts in the June 30, 2005 financial statements have been reclassified to conform to the current year's presentation.

2. Cash Deposits and Investments:

Cash Deposits:

All cash deposits of the Borrower Benefit Fund are held by a bank or the State Treasurer. Payments and cash receipts are deposited to demand deposit accounts daily. Collected balances are transferred daily into money market funds.

Cash deposits of the Borrower Benefit Fund and the College In Colorado Scholarship Trust Fund as of June 30 are as follows:

	2006			2005		
	Unrestricted	**Restricted**	**Total**	Unrestricted	Restricted	Total
	(dollar amounts expressed in thousands)					
Demand deposit accounts	**$ 2**	**$ -**	**$ 2**	$ 2	$ -	$ 2
State Treasurer's cash pool	**11,142**	**-**	**11,142**	24,175	-	24,175
	$ 11,144	**$ -**	**$ 11,144**	$ 24,177	$ -	$ 24,177

The Bond Funds allows for demand deposits, however, all funds are currently invested in money market accounts or guaranteed investment contracts.

Custodial Credit Risk – Cash Deposits:

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the Funds will not be able to recover their deposits or will not be able to recover collateral securities that are in the possession of an outside party. Monies in the demand deposit accounts are insured by federal depository insurance for the first $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. The carrying amount and bank balance of demand deposits accounts for Borrower Benefit Fund was $2,000 as of June 30, 2006 and June 30, 2005. All amounts are fully insured by the FDIC.

2. Cash Deposits and Investments (continued):

Custodial Credit Risk – Cash Deposits (continued):

Investment Authority and Policy:

The Borrower Benefit Fund and College In Colorado Scholarship Trust Fund allows investment in direct obligations of the U.S. government and its agencies, demand deposits, certificates of deposit, banker's acceptances, commercial paper, money market funds, written reverse repurchase agreements and written repurchase agreements, general or revenue obligations of any state in the United States, and investment agreements as authorized by the Colorado Revised Statutes Section 24-75-6.

Cash receipts of the Bond Funds are invested when received and are held by the bond trustee and are governed by provisions of the respective debt agreements. These investments are comprised primarily of guaranteed investment contracts. The investment agreements are between the trustee as agent for CollegeInvest, and various AAA or AA rated financial institutions.

Cash receipts of the College In Colorado Scholarship Trust Fund are held in commercial paper with maturities ranging from two to three months.

Investments of the Borrower Benefit Fund, the Bond Funds and College In Colorado Scholarship Trust Fund as of June 30 are as follows:

	2006			2005		
	Unrestricted	**Restricted**	**Total**	Unrestricted	Restricted	Total
	(dollar amounts expressed in thousands)					
Money market mutual funds	**$ 225**	**$ 27,899**	**$ 28,124**	$ 763	$ 23,146	$ 23,909
Guaranteed investment contracts	**-**	**122,349**	**122,349**	-	159,638	159,638
Commercial paper	**-**	**71,500**	**71,500**	-	-	-
	$ 225	**$ 221,748**	**$ 221,973**	$ 763	$ 182,784	$ 183,547

Custodial Credit Risk:

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the Funds will not be able to recover the value of its investment or collateral securities that are in the possession of another party. All investments of the Borrower Benefit Fund and College In Colorado Scholarship Trust Fund are held by a bank in CollegeInvest's name and are collateralized. All investments of the Bond Funds are held in trust in CollegeInvest's name.

Interest Rate Risk:

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Bond Funds invest in guaranteed investment contracts and are not exposed to interest rate risk as of June 30, 2006. The College In Colorado Scholarship Trust Fund was invested in various short term commercial paper instruments which are not exposed to interest rate risk as of June 30, 2006.

2. Cash Deposits and Investments (continued):

Credit Risk:

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the Fund's investment policy and the actual ratings for each investment type:

As of June 30, 2006:

Investment Type	Minimum Rating	Exempt From Disclosure	Standard & Poor's Rating as of Year End			
			A1	A2	A3	NR
			(dollar amounts expressed in thousands)			
Commercial papers	N/A	-	$71,500	-	-	-
Guaranteed investment contracts	N/A	$122,349	-	-	-	-
Money market mutual fund	N/A	-	-	-	-	$28,124

As of June 30, 2005:

Investment Type	Minimum Rating	Exempt From Disclosure	Standard & Poor's Rating as of Year End			
			A1	A2	A3	NR
			(dollar amounts expressed in thousands)			
Commercial papers	N/A	-	-	-	-	-
Guaranteed investment contracts	N/A	$159,638	-	-	-	-
Money market mutual fund	N/A	-	-	-	-	$23,909

As of June 30, 2006:

Investment Type	Minimum Rating	Exempt From Disclosure	Moody's Rating as of Year End			
			P1	P2	P3	NR
			(dollar amounts expressed in thousands)			
Commercial papers	N/A	-	$71,500	-	-	-
Guaranteed investment contracts	N/A	$122,349	-	-	-	-
Money market mutual fund	N/A	-	-	-	-	$28,124

As of June 30, 2005:

Investment Type	Minimum Rating	Exempt From Disclosure	Moody's Rating as of Year End			
			Aaa	Aa3	Aa2	NR
			(dollar amounts expressed in thousands)			
Commercial papers	N/A	-	-	-	-	-
Guaranteed investment contracts	N/A	$159,638	-	-	-	-
Money market mutual fund	N/A	-	-	-	-	$23,909

2. Cash Deposits and Investments (continued):

Concentrations of Credit Risk:

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. Investments in any one issuer that represent 5% or more of total Bond Funds'and College In Colorado Scholarship Trust Funds' investments as of June 30, 2006 are as follows:

Issuer	Investment Type	**2006** Fair Value	2005 Fair Value
		(dollar amounts expressed in thousands)	
Bayerische Landesbank	Guaranteed investment contracts	**$ 64,227**	70,998
Trinity Plus Funding Company	Guaranteed investment contracts	**52,801**	82,464
Transamerica Life Insurance	Guaranteed investment contracts	**5,321**	6,175
Wells Fargo Treasury Plus	Money market mutual fund	**N/A**	23,146
Firstbank Liquid Asset Account	Money market mutual fund	**10,248**	N/A
Dreyfus Treasury Cash Management	Money market mutual fund	**17,651**	N/A
Amcor Finance	Commercial papers	**9,909**	N/A
Cadbury Schweppes	Commercial papers	**8,451**	N/A
Industries Inc.	Commercial papers	**9,267**	N/A
Irish Life & Perm	Commercial papers	**4,893**	N/A
Maximilian Capital	Commercial papers	**9,887**	N/A
New York Times Co	Commercial papers	**9,879**	N/A
Rockies Express Pipeline	Commercial papers	**9,907**	N/A
Santander Cent His	Commercial papers	**4,898**	N/A
Standfield Victoria	Commercial papers	**4,411**	N/A

Investment Income:

Net investment income (loss) as of June 30, 2006 and 2005 was comprised of the following:

	2006			2005		
	Borrower Benefit Fund	**Bond Funds**	**College In Colorado Scholarship Trust**	Borrower Benefit Fund	Bond Funds	College In Colorado Scholarship Trust
	(dollar amounts expressed in thousands)					
Interest income (pledged as security on revenue bonds and notes)	**$ -**	**$ 8,277**	**$ -**	$ -	$ 5,170	$ -
Interest income	**573**	**-**	**2,151**	566	-	-
Change in fair value of State Treasurer's cash pool	**(86)**	**-**	**-**	(216)	-	-
Net investment income	**$ 487**	**$ 8,277**	**$ 2,151**	$ 350	$ 5,170	$ -

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 (Program). Student loans in the Bond Funds have been originated under the Program. The Program 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% (not including borrower benefits).

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, CAN guarantees Program loans against the borrower's default, death, disability and bankruptcy. CAN 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. During the years ended June 30, 2006 and 2005, two of CollegeInvest’s student loan servicers obtained a designation from the Department which allows loss of guarantee reimbursement at 100%. Certain due diligence standards must be met by the servicer to retain this designation. These standards will be evaluated by the Department on a quarterly basis. 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 year ended June 30, 2006 and 2005 was as follows:

	Balance June 30, 2005	Additions	Deletions/ Depreciation	**Balance June 30, 2006**
	(dollar amounts expressed in thousands)			
Software	$ 2,785	$ 53	$ -	$ **2,838**
Furniture and equipment	524	37	(90)	**471**
Accumulated depreciation	(2,137)	-	(277)	**(2,414)**
Total capital assets, net	$ 1,172	$ 90	$ (367)	$ **895**

	Balance June 30, 2004	Additions	Deletions/ Depreciation	**Balance June 30, 2005**
	(dollar amounts expressed in thousands)			
Software	$ 2,785	$ -	$ -	$ **2,785**
Furniture and equipment	406	118	-	**524**
Accumulated depreciation	(1,804)	-	(333)	**(2,137)**
Total capital assets, net	$ 1,387	$ 118	$ (333)	$ **1,172**

4. Capital Assets (continued):

Depreciation expense for the years ended June 30, 2006 and 2005 was $367,000 and $333,000, respectively, of which $308,000 and $260,000, respectively, was allocated to the Bond Funds. The remaining amount was allocated to the Prepaid Tuition, Scholars Choice, Stable Value Plus and Direct Portfolio Funds.

5. Bond and Note Issuance Costs:

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

		2006		2005
	(dollar amounts expressed in thousands)			
Bond and note issuance costs	**$**	**10,418**	$	9,255
Less accumulated amortization		**(3,679)**		(3,302)
Bond and note issuance costs, net	**$**	**6,739**	$	5,953

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, 2006 and 2005.

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:

No bonds were refunded during Fiscal Year 2006. However, in addition to the bond issues discussed on subsequent pages, other bonds previously issued by CollegeInvest were refunded (debt legally satisfied) by the issuance of refunding bonds during Fiscal Year 2005.

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 $71,000. This amount was charged to operations in Fiscal Year 2005.

The refunding resulted in an economic gain (difference in the present values of the old and new debt service payments) of $233,000, based on gross savings of $257,000.

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.

The following bonds and notes payable are outstanding:

	Authorized And Issued	Outstanding June 30, 2005	Issued (Redeemed) During 2006	**Outstanding June 30, 2006**	**Due Within One Year**
	(dollar amounts expressed in thousands)				
1999 Series A Master Indenture, Variable Rate Notes/Bonds:					
Weekly Adjustable Interest Rate Bonds					
1989A, Jun. 8, 1989	$ 80,000	$ 80,000	$ -	$ **80,000**	$ -
1990A, Jan. 4, 1990	66,655	60,655	-	**60,655**	-
1999A-2, Mar. 24, 1999	56,000	56,000	-	**56,000**	-
1999A-3, Mar. 24, 1999	32,300	32,300	-	**32,300**	-
Monthly Adjustable Interest Rate Notes					
1999A-4, Mar. 24, 1999	209,000	65,370	(25,545)	**39,825**	23,851
1999 Series IV Master Indenture, Variable Rate Notes/Bonds:					
Monthly Adjustable Interest Rate Notes/Bonds					
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-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**	-
Series 2004IX-A1, July 22, 2005	38,500	38,500	-	**38,500**	-
Series 2004IX-A2, July 22, 2005	38,525	38,525	-	**38,525**	-
Series 2004X-A1, December 15, 2005	50,000	50,000	-	**50,000**	-
Series 2005XI-A1, September 1, 2005	65,000		65,000	**65,000**	-
Series 2005XI-A2, September 1, 2005	66,000		66,000	**66,000**	-
Series 2005XI-A3, September 1, 2005	50,000		50,000	**50,000**	-
Monthly Adjustable Interest Rate Subordinate Bonds					
Series 2004IX-B4, July 22, 2005	6,000	6,000	-	**6,000**	-
Quarterly Adjustable Interest Rate Notes					
Series 2003VIII-A2, April 24, 2003	120,000	120,000	-	**120,000**	-
Series 2004IX-A3, July 22, 2005	96,000	96,000	-	**96,000**	-
Fixed Interest Rate Notes					
Series 2001VI-A, July 31, 2001	63,800	34,164	(18,403)	**15,761**	15,761
Fixed Interest Rate Subordinate Notes/Bonds					
Series 1993I-B, Dec. 1, 1993	6,000	-	-	**-**	-
Series 1995II-B, Jun. 29, 1995	21,000	21,000	-	**21,000**	-
Bonds and notes payable	$ 1,488,930	$ 1,058,864	$ 137,052	$ **1,195,916**	$ 39,612

6. Bonds and Notes Payable (continued):

	Authorized And Issued	Outstanding June 30, 2004	Issued (Redeemed) During 2005	Outstanding June 30, 2005	Due Within One Year
	(dollar amounts expressed in thousands)				
1999 Series A Master Indenture, variable rate notes/bonds:					
Weekly adjustable interest rate bonds					
1989A, Jun. 8, 1989	$ 80,000	$ 80,000	$ -	$ 80,000	$ -
1990A, Jan. 4, 1990	66,655	60,655	-	60,655	-
1999A-2, Mar. 24, 1999	56,000	56,000	-	56,000	-
1999A-3, Mar. 24, 1999	32,300	32,300	-	32,300	-
Monthly adjustable interest rate notes					
1999A-4, Mar. 24, 1999	209,000	92,358	(26,988)	65,370	25,545
1999 Series IV Master Indenture, variable rate notes/bonds:					
Monthly adjustable interest rate notes/bonds					
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-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	-
Series 2004IX-A1, July 22, 2005	38,500	-	38,500	38,500	-
Series 2004IX-A2, July 22, 2005	38,525	-	38,525	38,525	-
Series 2004X-A1, December 15, 2005	50,000	-	50,000	50,000	-
Monthly adjustable interest rate subordinate bonds					
Series 2004IX-B4, July 22, 2005	6,000	-	6,000	6,000	-
Quarterly adjustable interest rate notes					
Series 2003VIII-A2, April 24, 2003	120,000	120,000	-	120,000	-
Series 2004IX-A3, July 22, 2005	96,000	-	96,000	96,000	-
Fixed interest rate notes					
Series 2001VI-A, July 31, 2001	63,800	53,941	(19,777)	34,164	18,403
Fixed interest rate subordinate notes/bonds					
Series 1993I-B, Dec. 1, 1993	6,000	5,999	(5,999)	-	-
Series 1995II-B, Jun. 29, 1995	21,000	20,994	6	21,000	-
Bonds and notes payable	$ 1,307,930	$ 882,597	$ 176,267	$ 1,058,864	$ 43,948

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 4.02% for the year ended June 30, 2006. 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.

6. Bonds and Notes Payable (continued):

Monthly Adjustable Interest Rate Notes/Bonds:

CollegeInvest issued Taxable Senior Asset-Backed Notes that are subject to an auction every 7 days when the Auction Agent determines the interest rate for the subsequent period. The annual effective interest rate for such note was 5.40% for the year ended June 30, 2006. Note principal matures on June 1, 2039.

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 5.30% for the year ended June 30, 2006. Note principal matures on December 1, 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 3.78% for the year ended June 30, 2006. Bond principal matures on November 27, 2012, June 1, 2036, June 1, 2037, June 1, 2038 and June 1, 2039.

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 5.46% for the year ended June 30, 2006. Note principal matures on December 1, March 1, June 1 and September 1 through March 1, 2009.

Monthly Adjustable Interest Rate Subordinate Bonds:

CollegeInvest issued its Tax-Exempt Subordinate Asset-Backed Bonds concurrently with the issuance of the Taxable Senior Asset-Backed Notes/Bonds. The Subordinate 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 bonds is paid on June 1 and December 1. The annual effective interest rate for such bonds was 3.85% for the year ended June 30, 2006. Bond principal matures on June 1, 2038.

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 5.52% for the year ended June 30, 2005. Note principal matures on December 1, 2032 and June 1, 2033.

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 5.73% for the year ended June 30, 2006. Note principal matures on December 1, 2011.

6. Bonds and Notes Payable (continued):

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 6.20% for the year ended June 30, 2006. Note/bond principal matures on December 1, 2008.

The scheduled principal and interest payments (based on interest rates at June 30, 2006) relating to CollegeInvest's bonds and notes is as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
	(dollar amounts expressed in thousands)		
2007	$ 39,612	$ 53,680	$ 93,292
2008	15,974	52,119	68,093
2009	21,000	50,867	71,867
2010	-	50,337	50,337
2011	-	50,337	50,337
2012-2016	19,300	249,321	268,621
2017-2021	21,000	247,322	268,322
2022-2026	140,655	231,991	372,646
2027-2031	35,000	210,028	245,028
2032-2036	414,350	155,371	569,721
2037-2041	489,025	41,404	530,429
Total bonds and notes payable	$ 1,195,916	$ 1,392,777	$ 2,588,693

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, 2005, CollegeInvest had committed $13.8 million of cash in the Borrower Benefit Fund to provide for the College In Colorado Scholarship Trust Fund. CollegeInvest had committed to $4.0 million as of June 30, 2006 and June 30, 2005, to provide for a Loan Incentives For Teachers program. As of June 30, 2006 and 2005,

7. Commitments and Contingencies (continued):

Cash Commitments (continued):

CollegeInvest had committed $1.7 million and $1.6 million, respectively, to pay future operating expenses and potential cash flow shortfalls of the Prepaid Tuition Fund.

Purchase Commitments:

CollegeInvest has entered into agreements to purchase student loans from institutions of higher education and various other lenders. The agreements are for various periods of time and expire over the next five years. The following is a chart with the estimated purchase commitments through expiration of the agreements (dollar amounts expressed in thousands):

2007	$ 132,600
2008	133,946
2009	135,286
2010	136,639
2011	129,888
	$ 668,359

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, 2006 and 2005 was $152,000 and $149,000, respectively. Minimum future lease payments under the agreement are as follows:

2007	$ 149,000
2008	99,000
	$ 248,000

8. Retirement Plan:

Plan Description:

Most of CollegeInvest's employees participate in a defined benefit pension plan. The plan's purpose is to provide income to members and their families at retirement or in case of death or disability. The plan is a cost sharing multiple employer plan administered by the Public Employees' Retirement Association (PERA). PERA was established by state statute in 1931. Responsibility for the organization and administration of the plan is placed with the Board of Trustees of PERA. Changes to the plan require legislation by the General Assembly. The state plan and other divisions' plans are included in PERA's financial statements, which may be obtained by writing PERA at PO Box 5800, Denver, Colorado 80217, by calling PERA at 1-800-759-PERA (7372), or by visiting www.copera.org.

Prior to January 1, 2006, state employees and employees of local school districts were members of the combined State and School Division of PERA. On January 1, 2006, that combined division was segregated into a State

8. Retirement Plan (continued):

Plan Description (continued):

Division and a separate School Division. PERA's financial statements at December 31, 2005, presented the state and school portions of the trust as a single division.

Employees hired by the state after January 1, 2006, are allowed 60 days to elect to participate in a defined contribution retirement plan administered by the state's Deferred Compensation Committee rather than becoming a member of PERA. If that election is not made, the employee becomes a member of PERA, and the member is allowed another 60 days from commencing employment to elect to participate in a defined contribution plan administered by PERA rather than the defined benefit plan. PERA members electing the defined contribution plan are allowed an irrevocable election between the second and fifth year to use their defined contribution account to purchase service credit and be covered under the defined benefit retirement plan. Employer contributions to both defined contribution plans are the same as the contributions to the PERA defined benefit plan.

Defined benefit plan members vest after five years of service, and if they were hired before July 1, 2005, most are eligible for retirement benefits at age 50 with 30 years of service, at age 60 with 20 years of service, or at age 65 with 5 years of service. Persons hired on or after July 1, 2005, (except state troopers, plan members, inactive plan members, and retirees) are eligible for retirement benefits at any age with 35 years of service, at age 55 with 30 years of service, at 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 state troopers 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 eligible children under the age of 18 (23 if a full time student) or their spouse may be entitled to a single payment or monthly benefit payments. If there is no eligible child or spouse then financially dependent parents will receive a survivor's benefit.

Funding Policy:

The contribution requirements of plan members and their employers are established, and may be amended, by the General Assembly. Salary subject to PERA contribution is gross earnings less any reduction in pay to offset employer contributions to the state sponsored IRC 125 plan established under Section 125 of the Internal Revenue Code.

Most employees contribute 8.0 percent (10.0 percent for state troopers) of their salary, as defined in CRS 24-51-101(42), to an individual account in the plan. From July 1, 2005, to December 31, 2005, the state contributed 10.15 percent (12.85 percent for state troopers and 13.66 percent for the Judicial Branch) of the employee's salary. From January 1, 2006, through June 30, 2006, the state contributed these same percentage amounts plus an additional .5 percent for the Amortization Equalization Disbursement discussed below. During all of Fiscal Year 2005-06, 1.02 percent of the employees total salary was allocated to the Health Care Trust Fund.

Per Colorado Revised Statutes, an amortization period of 30 years is deemed actuarially sound. At December 31, 2005, the State and School Division of PERA was underfunded with an infinite amortization period, which means that the unfunded actuarially accrued liability would never be fully funded at the current contribution rate.

8. Retirement Plan (continued):

Funding Policy (continued):

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

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

CollegeInvest's contributions on behalf of the Funds to the three programs described above for the years ended June 30, 2006, 2005 and 2004 were $138,000, $118,000 and $96,000, respectively. These contributions met the contribution requirement for each year.

9. Voluntary Tax-deferred Retirement Plans:

PERA offers a voluntary 401k plan entirely separate from the defined benefit pension plan. The state offers a 457 deferred compensation plan and certain agencies and institutions of the state offer 403b or 401(a) plans.

10. Postretirement Health Care and Life Insurance Benefits:

<u>Health Care Program</u>

The PERA Health Care Program began covering benefit recipients and qualified dependents on July 1, 1986. This benefit was developed after legislation in 1985 established the Program and the Health Care Fund; the program was converted to a trust fund in 1999. Under this program, PERA subsidizes a portion of the monthly premium for health care coverage. The benefit recipient pays any remaining amount of that premium through an automatic deduction from the monthly retirement benefit. During Fiscal Year 2006, the premium subsidy was $115.00 for those with 20 years of service credit ($230.00 for members under age 65 and not eligible for Medicare), and it was reduced by 5 percent for each year of service fewer than 20.

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 medical and prescription benefit plans, and with several health maintenance organizations providing services within Colorado. As of December 31, 2005, there were 41,080 enrollees in the plan.

<u>Life Insurance Program</u>

During Fiscal Year 2005-06, PERA provided its members access to a group decreasing term life insurance plan offered by UnumProvident in which 41,180 members participated. Active members may join the Unum Provident

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

Life Insurance Program (continued)

Plan and continue coverage into retirement. Premiums are collected by monthly payroll deductions or other means. In addition, PERA maintained coverage for 13,375 members under closed group plans underwritten by Anthem Life, Prudential, and New York Life.

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:

Liability	Limits of Liability
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, CollegeInvest 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.

12. Net Assets:

The 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 Funds have no debt outstanding related to capital assets. As of June 30, 2006 and 2005, the Funds had invested in capital assets of $895,000 and $1.2 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 Funds had restricted net assets of $172.4 million and $116.2 million as of June 30, 2006 and 2005, respectively. The Bond Funds restrict net assets to uses prescribed in the respective financing documents. The College In Colorado Scholarship Trust Fund restricts net assets to uses prescribed under Senate Bill 05-003 to pay for direct or indirect costs of implementing, marketing and administering the Scholarship Program for the purpose specifically outlined in the statute.

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, 2006 and 2005, the Funds had unrestricted net assets of $11.0 million and $25.5 million, respectively. Although the 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.

13. Department of Education Review:

The USDE performed a review of CollegeInvest in May 2006. As a result, CollegInvest received a finding from the USDE regarding under billing of 9.5% Floor Special Allowance Payments (Floor SAP) of approximately $13.6 million. Special Allowance Payments (SAP) is a government subsidy paid to student loan lenders which is designed to ensure a competitive return on student loans. Floor SAP eligible student loans receive a 9.5% total return. Student loan financed with tax-exempt bond proceeds originally issued prior to October 1, 1993 general are eligible for Floor SAP. The under billing identified in the review began in the quarter ended March 31, 1999. CollegeInvest has reviewed its portfolio from the quarter ended March 31, 1999 to the present. Utilizing the methodology noted in the finding, CollegeInvest, has identified up to $26.5 million dollars in under billing. CollegeInvest has not recorded and will not record this in its financial statements until the revised billing has been approved by the USDE.

14. Subsequent Events:

<u>Bond Issuance</u>

On August 3, 2006, CollegeInvest issued its Tax-Exempt Bonds Series 2006XII-A1 and 2006XII-A2 of $49.5 million and $49.5 million, respectively, and its Taxable Notes Series 2006XII-A3 and 2006XII-A4 of $50.5 million and $50.5 million, respectively. The Series 2006XII-A1, A2, A3 and A4 obligations were issued on a parity basis with the 1999 Series IV Master Indenture.

The Series 2006XII-A1, A2, A3 and A4 proceeds will be used to acquire student loans.

Clifton Gunderson LLP
Certified Public Accountants & Consultants

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

Members of the Legislative Audit Committee:

We have audited the financial statements of the business-type activities and each major fund of CollegeInvest Student Loan Program Funds as of and for the year ended June 30, 2006, and have issued our report thereon dated September 8, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered CollegeInvest Student Loan Program Funds' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion 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 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 caused by error or fraud in amounts that would be material in relation to the basic 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CollegeInvest Student Loan Program Funds' basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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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 Gunderson LLP

Greenwood Village, Colorado
September 8, 2006

SUPPLEMENTARY INFORMATION

CollegeInvest
Supplementary Schedule - Bond Funds Combining Statement of Net Assets
June 30, 2006 and 2005
(dollar amounts expressed in thousands)

	2006 Insured Bond Fund	2006 Senior/ Subordinate Bond Fund	2006 Total Bond Funds	2005 Insured Bond Fund	2005 Senior/ Subordinate Bond Fund	2005 Total Bond Funds
Assets:						
Current assets:						
Restricted current assets:						
Investments	**$ 64,308**	**$ 81,010**	**$ 145,318**	$ 74,578	$ 108,206	$ 182,784
Student loans, net	**7,484**	**21,125**	**28,609**	12,145	28,800	40,945
Interest and other receivables	**6,220**	**22,245**	**28,465**	8,597	13,592	22,189
CollegeLender receivable	**(38)**	**8,254**	**8,216**	-	7,124	7,124
Prepaid expenses	**180**	**61**	**241**	210	79	289
Total restricted current assets	**78,154**	**132,695**	**210,849**	95,530	157,801	253,331
Noncurrent assets:						
Restricted noncurrent assets:						
Student loans, net	**244,712**	**858,142**	**1,102,854**	279,832	661,012	940,844
Bond and note issuance costs, net	**1,097**	**5,642**	**6,739**	1,232	4,721	5,953
Total restricted noncurrent assets	**245,809**	**863,784**	**1,109,593**	281,064	665,733	946,797
Total restricted assets	**323,963**	**996,479**	**1,320,442**	376,594	823,534	1,200,128
Liabilities:						
Current liabilities:						
Current liabilities payable from restricted assets:						
Accounts payable and accrued expenses	**566**	**1,447**	**2,013**	530	1,046	1,576
Due to other Funds and agencies	**217**	**278**	**495**	830	(96)	734
Interest payable	**760**	**2,808**	**3,568**	649	1,833	2,482
Bonds and notes payable	**23,851**	**15,761**	**39,612**	25,545	18,403	43,948
Total current liabilities payable from restricted assets	**25,394**	**20,294**	**45,688**	27,554	21,186	48,740
Noncurrent liabilities:						
Noncurrent liabilities payable from restricted assets:						
Due to Borrower Benefit Fund	-	-	-	-	-	-
Arbitrage rebate payable	**11,013**	**11,955**	**22,968**	10,080	10,179	20,259
Bonds and notes payable	**244,929**	**911,375**	**1,156,304**	268,779	746,137	1,014,916
Total noncurrent liabilities payable from restricted assets	**255,942**	**923,330**	**1,179,272**	278,859	756,316	1,035,175
Total liabilities	**281,336**	**943,624**	**1,224,960**	306,413	777,502	1,083,915
Total restricted net assets	**$ 42,627**	**$ 52,855**	**$ 95,482**	$ 70,181	$ 46,032	$ 116,213

CollegeInvest
Supplementary Schedule - Bond Funds Combining Statement of Revenues, Expenses and Changes in Net Assets
For the years ended June 30, 2006 and 2005
(dollar amounts expressed in thousands)

	2006 Insured Bond Fund	**2006** Senior/ Subordinate Bond Fund	**2006** Total Bond Funds (Restricted)	2005 Insured Bond Fund	2005 Senior/ Subordinate Bond Fund	2005 Total Bond Funds (Restricted)
Operating revenues:						
Interest and special allowance on student loans (pledged as security on revenue bonds and notes)	**$ 23,254**	**$ 54,051**	**$ 77,305**	$ 22,689	$ 36,376	$ 59,065
Interest income (pledged as security on revenue bonds and notes)	**2,088**	**6,189**	**8,277**	1,674	3,496	5,170
Total operating revenues	**25,342**	**60,240**	**85,582**	24,363	39,872	64,235
Operating expenses:						
Interest expense	**10,510**	**40,331**	**50,841**	8,066	22,226	30,292
Loan servicing costs	**1,349**	**4,113**	**5,462**	1,458	3,110	4,568
Rebate tax expense, net	**2,961**	**5,165**	**8,126**	1,286	5,048	6,334
Bond fees	**1,118**	**1,890**	**3,008**	1,186	1,434	2,620
General and administrative expenses	**474**	**1,664**	**2,138**	575	1,592	2,167
Salaries and benefits	**409**	**1,191**	**1,600**	455	959	1,414
Depreciation and amortization	**75**	**233**	**308**	81	179	260
Total operating expenses	**16,896**	**54,587**	**71,483**	13,107	34,548	47,655
Operating income before transfers	**8,446**	**5,653**	**14,099**	11,256	5,324	16,580
Transfer to College In Colorado Scholarship Trust Fund	**(36,000)**	**-**	**(36,000)**	-	-	-
Transfer from Borrower Benefit Fund	**-**	**1,170**	**1,170**	2,871	6,589	9,460
Net assets, beginning of year	**70,181**	**46,032**	**116,213**	56,054	34,119	90,173
Net assets, end of year	**$ 42,627**	**$ 52,855**	**$ 95,482**	$ 70,181	$ 46,032	$ 116,213

COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
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