

COLLEGEINVEST  
COLLEGE SAVINGS PROGRAM FUNDS  
Denver, Colorado

FINANCIAL STATEMENTS  
June 30, 2006 and 2005

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**COLLEGEINVEST  
COLLEGE SAVINGS PROGRAM FUNDS  
FINANCIAL AUDIT**  
June 30, 2006

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**Clifton  
Gunderson LLP**  
Certified Public Accountants & Consultants

**Members of the Legislative Audit Committee:**

This report contains the results of the financial audit of the College Savings 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**

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### **COLLEGEINVEST COLLEGE SAVINGS PROGRAM FUNDS FINANCIAL AUDIT FISCAL YEAR ENDED JUNE 30, 2006**

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#### **Purpose and Scope**

The Office of the State Auditor, State of Colorado, engaged Clifton Gunderson LLP to conduct the financial audit of CollegeInvest College Savings 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 CollegeInvest's College Savings 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 CollegeInvest's College Savings Program Funds' basic financial statements, as of and for the fiscal 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 College Savings Plan 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 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 adjustment of \$503,098 in the Scholar's Choice Fund to reflect revenue received from a trustee to fund marketing expenses.

An adjustment of \$502,951 in the Direct Portfolio Fund to reflect revenue received from a trustee to fund marketing expenses.

***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 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.

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**DESCRIPTION OF THE  
COLLEGEINVEST  
COLLEGE SAVINGS PROGRAM FUNDS**

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**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.

The College Savings Program Funds were established to provide families with an opportunity to save for future college education expenses. The Funds provide an opportunity to invest on a tax-favored basis toward the “qualified higher education expenses” of a designated beneficiary (the Student) associated with attending an institution of higher education. These institutions include most community colleges, public and private four-year colleges, universities, graduate and post-graduate programs, and certain proprietary and vocational schools throughout the United States. “Qualified higher education expenses” include tuition, fees, books, supplies, and equipment required for the enrollment or attendance of a student at an eligible institution of higher education plus, subject to certain limitations, room and board expenses for a student attending such an institution on at least a half time basis.

The Colorado Constitution and other State laws prohibit the State from providing its full faith and credit to obligations of other entities, such as the College Savings Program Funds. As a result, payments from the College Savings Program Funds are not guaranteed in any way by the State, and are not considered to have created a debt or obligation of the State. Such payments are limited obligations, payable from each College Savings Program Fund, but not from the other assets of CollegeInvest.

**Scholars Choice Fund**

The Scholars Choice Fund was established in October 1999. The Scholars Choice Fund had more than 117,000 active accounts and \$2.0 billion in net assets as of June 30, 2006. Officials at CollegeInvest oversee the Fund but contract with a private financial service firm, CAM North America, LLC to manage the Fund.



Scholars Choice accounts can be opened any time during the year. At the time an account is established, the purchaser must select from eleven investment options. Investors are allowed to change their investment within the Fund once every twelve months. Below are the eleven investment options.

- **Age-Based Option** – Contributions are invested in a series of portfolios over time. As the beneficiary gets older and closer to college age, the fund manager automatically moves investments from higher risk portfolios to lower risk portfolios.
- **Balanced 50/50 Option** – Contributions are invested in a portfolio with a median degree of risk, with 50% invested in stocks and 50% invested in bonds.
- **Years-to-Enrollment Option** – Contributions are invested in a series of portfolios depending on the time to account for maturity, similar to the age based option, but with a more limited, lower risk, range of portfolios.
- **All Equity Option** – Contributions are invested in equity mutual funds that are shifted to bond and money market funds throughout the life of the account. This option carries the highest potential for risk and return through its focus on the equity markets.
- **All Fixed Income Option** – Contributions are invested in bond funds throughout the life of the account. This option seeks stable returns on fixed income investments.
- **Equity 80% Option** – Contributions are invested 80% in equity mutual funds while maintaining 20% exposure to more stable returns of fixed income investments throughout the life of the account.
- **Fixed Income 80% Option** – Contributions are invested 80% in more stable returns of fixed income investments while maintaining 20% exposure to the long-term capital appreciation potential of equity mutual funds.
- **Multiple Discipline Portfolio (MDP) All Cap Growth and Value** – Contributions are invested in companies of any size having growth or value characteristics. The objective is to seek long-term growth of capital and equity diversification.
- **MDP Global All Cap Growth and Value** – Similar to MDP All Cap Growth and Value except investments are also made in foreign companies.
- **MDP – Balanced All Cap Growth and Value** – Contributions are invested in a mix of equity securities of companies of any size and fixed income securities. This option seeks balance between long-term growth of capital and principal preservation.
- **Cash Reserve Option** – Contributions are invested in the Smith Barney Cash Portfolio money market mutual fund. The investment objective of the Cash Reserve Option is to seek maximum current income and preservation of capital.

## Direct Portfolio Fund

The Direct Portfolio Fund was established in October 2004. The Direct Portfolio Fund contains only participant accounts that are opened directly (without an investment advisor). Scholars Choice participant accounts that were opened directly were transferred to the Direct Portfolio Fund unless the participant elected to remain with the Scholars Choice Fund.

The Direct Portfolio Fund had more than 49,000 active accounts and \$477 million in net assets as of June 30, 2006. Officials at CollegeInvest oversee the Direct Portfolio Fund but contract with two private financial service firms, Upromise Investments, Inc. and The Vanguard Group, to manage the Fund.

Direct Portfolio accounts can be opened at any time of the year. At the time the account is established, the purchaser must select from eleven investment options. Investors are allowed to change their investment within the Fund once every twelve months. Below are the eleven investment options.

**Age-Based Options** – Contributions are invested in a series of portfolios over time based on the age of the beneficiary. As the beneficiary gets older and closer to college age, the fund manager automatically moves investments from higher risk portfolios to lower risk portfolios. The purchaser can select from three age-based options according to the risks they want to assume. The options are Conservative, Moderate, or Aggressive.

**Blended Portfolios and Individual Portfolios Options** – Contributions can be invested in one of eight portfolio options where they will remain unless the participant changes the investment option. The portfolios are each invested according to a static asset allocation which does not change over time. The eight blended portfolio options are listed below.

- **Aggressive Growth Portfolio Option** – Contributions are invested in a portfolio with a high degree of risk and most potential for capital appreciation. The portfolio is invested 100% in stock market index funds.
- **Growth Portfolio Option** – Contributions are invested in a portfolio that seeks to provide capital appreciation and low to moderate current income. The portfolio is invested 65% in stock market index funds and 35% in bond index funds.
- **Moderate Growth Portfolio Option** – Contributions are invested in a portfolio that seeks to provide capital appreciation and current income. The portfolio is invested 50% in stock market index funds and 50% in bond funds.
- **Conservative Growth Portfolio Option** – Contributions are invested in a portfolio that seeks to provide current income and low to moderate capital appreciation. The portfolio is invested 35% in stock market index funds and 65% in bond funds.
- **Income Portfolio Option** – Contributions are invested in a portfolio that seeks current income. The portfolio is invested 75% in bond funds and 25% in a money market fund.

- **Stock Index Option** – Contributions are invested 100% in the Vanguard Total Stock Market Index Fund that seeks to track the performance of a benchmark index that measures the investment return of the overall stock market.
- **Bond Index Option** – Contributions are invested 100% in the Vanguard Total Bond Market Index Fund that seeks to track the performance of a broad, market-weighted bond index.
- **Money Market Option** – Contributions are invested 100% in the Vanguard Prime Money Market Fund that seeks to provide preservation of principal and current income.

### **Stable Value Plus Fund**

The Stable Value Plus Fund (Fund) began accepting contributions in February 2003. The Stable Value Plus Fund had more than 2,600 active accounts and \$23 million in net assets as of June 30, 2006. CollegeInvest is the trustee and the administrator of the Fund and MetLife is the manager of the Fund.

The Stable Value Plus Fund was designed to provide participants a fixed rate of return, determined on an annual basis, net of an administrative fee calculated on the average daily net assets of the Fund. The current annual rate of return is 4.05% and the current administrative fee is .75%. Therefore, the net rate of return is currently 3.30%. Investments in the Fund are guaranteed solely by MetLife.



## Independent Auditor's Report

Members of the Legislative Audit Committee:

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

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

As discussed in Note 1 – Organization and Summary of Significant Accounting Policies, the financial statements of the CollegeInvest College Savings Program Funds are intended to present the financial position, and results of operations for only that portion of the financial reporting entity, State of Colorado, that is attributable to the transactions of CollegeInvest, College Savings 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 net assets of the fiduciary-type activities and each major fund of CollegeInvest's College Savings Program Funds, as of June 30, 2006 and 2005, and the changes in net assets 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's College Savings 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 (MD&A) on pages 10 to 15 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The 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  
COLLEGE SAVINGS PROGRAM FUNDS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2006 AND 2005**

This section of the College Savings Program Funds' (Funds) financial statements is a discussion and analysis of the financial performance of the Funds for the years ended June 30, 2006 and 2005 prepared by management. The Funds are Internal Revenue Code (IRC) Section 529 college savings plans administered by CollegeInvest. CollegeInvest, a division of the Department of Higher Education of the State of Colorado, administers the Funds, the Student Loan Program Funds, the Prepaid Tuition Fund, and the College In Colorado Scholarship Trust. The Scholars Choice Fund, Direct Portfolio Fund, and Stable Value Plus Fund are plans within the Section 529 college savings program of CollegeInvest (Program). The Funds are presented as fiduciary funds (specifically, private purpose trust funds) in the State of Colorado Comprehensive Annual Financial Report. Management 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 the Statement of Fiduciary Net Assets and the Statement of Changes in Fiduciary Net Assets.

The Statement of Fiduciary 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 are improving or deteriorating.

The Statement of Changes in Fiduciary 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.

**Analysis of Financial Activities:**

The Executive Director of the Department of Higher Education of the State of Colorado (Executive Director) and CollegeInvest's Board of Directors approve the annual budget and the investment policies of the Funds. The Scholars Choice Fund began operations and accepting participant contributions in October 1999. The Stable Value Plus Fund began accepting participant contributions in February 2003. The Direct Portfolio Fund began operations in October 2004. Therefore, the accompanying financial statements and management's discussion and analysis include activities for the Direct Portfolio Fund for the nine month period ended June 30, 2005.

**COLLEGEINVEST  
COLLEGE SAVINGS PROGRAM FUNDS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
JUNE 30, 2006 AND 2005**

**Analysis of Financial Activities (continued):**

***Scholars Choice Fund:***

On October 22, 2004, CollegeInvest entered into an agreement with Citigroup Global Markets Inc., (CGM) to manage the advisor sold accounts of the Scholars Choice Fund (SCF). This agreement was contingent on the transfer of certain accounts to the Direct Portfolio Fund described below. CGM was a subsidiary of Citigroup Inc. Effective December 1, 2005, Citigroup Inc. completed the sale of substantially all of its worldwide asset management business to Legg Mason, Inc. (Legg Mason). As part of the transaction, the agreement has been transferred by CGM to CAM North America, LLC (CAM), a subsidiary of Legg Mason, and Legg Mason Investor Services, LLC (LMIS), each of which is a wholly-owned subsidiary of Legg Mason. As a result of the transfer, CAM performs investment advisory functions and LMIS performs administrative and recordkeeping for SCF. The agreement expires on December 31, 2009 with the right to extend the agreement for two additional two-year periods. On October 22, 2004, CollegeInvest signed an agreement with Upromise Investments, Inc. and The Vanguard Group to manage the direct sold accounts. The direct sold accounts of the Scholars Choice Fund were transferred to the Direct Portfolio Fund (DPF) on October 22, 2004. See further description under the Direct Portfolio Fund heading below.

CollegeInvest acts as trustee to SCF, and CAM holds the assets of the SCF in a segregated custody account. Assets of the SCF are held "in trust" for the exclusive benefit of account owners and beneficiaries. SCF offers eleven investment options in which participants may invest. The investment return for SCF is based on the market performance of underlying investments. These investment options are designed to help meet diverse investment goals of investors.

***Direct Portfolio Fund:***

On October 22, 2004, CollegeInvest entered into an agreement with Upromise Investments, Inc. and The Vanguard Group, Inc. (Managers) to manage the DPF. The agreement with the Managers is for direct sold accounts and expires on December 31, 2009 with the right to extend the agreement for two additional two-year periods.

CollegeInvest acts as trustee to DPF, and the Managers hold the assets of the DPF in a segregated custody account. Assets of the DPF are held "in trust" for the exclusive benefit of account owners and beneficiaries. The investment return for DPF is based on the market performance of investments. DPF offers eleven investment options in which participants may invest. These investment options are designed to help meet diverse investment goals of investors.

**COLLEGEINVEST  
COLLEGE SAVINGS PROGRAM FUNDS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
JUNE 30, 2006 AND 2005**

**Analysis of Financial Activities (continued):**

***Stable Value Plus Fund:***

CollegeInvest entered into a funding agreement (MetLife Agreement) with MetLife Insurance Company of Connecticut (MetLife), a wholly-owned subsidiary of MetLife, Inc., to provide a guarantee on the principal and earnings of the Stable Value Plus Fund (SVP). The SVP offers an investment return based on an interest rate that is reset annually by MetLife each January 1.

Under the MetLife Agreement, MetLife has agreed that the annual interest rate calculated each year will not be less than the greater of (i) the Colorado minimum nonforfeiture interest rate for annuity contracts (currently 1.5%), or (ii) 2.00%. The minimum investment return on accounts in the SVP could be as low as 1.25%, which is the current minimum annual rate of 2.00% less the current CollegeInvest administrative fee of .75%. For the calendar years ending December 31, 2004 Metlife agreed to pay an annual rate of 5.0%. The rate was 4.05% for the calendar years ending December 31, 2005 and 2006. For the period from inception through October 31, 2004 CollegeInvest charged an administrative fee of .99%. As of November 1, 2004 CollegeInvest reduced its administrative fee to .75%. Therefore, the annual net rate was 4.01% from July 1, 2003 through December 31, 2003, 3.06% from January 1, 2004 through October 31, 2004 and 3.30% from November 1, 2004 through June 30, 2006.

Effective July 1, 2005, MetLife, Inc. acquired the Travelers Insurance Company from Citigroup, Inc. On May 1, 2006, MetLife, Inc. changed the legal name of Travelers Insurance Company to MetLife Insurance Company of Connecticut. The sale did not affect the terms of the MetLife Agreement.

**Comparison of Current Year Results to Prior Year:**

*Condensed Statements of Fiduciary Net Assets as of June 30:*

	<u>2006</u>	<u>2005</u>	<u>2004</u>
	(dollar amounts expressed in thousands)		
Cash and investments	\$ 2,460,882	\$ 1,977,896	\$ 1,535,388
Receivables and other	<u>10,915</u>	<u>4,996</u>	<u>6,365</u>
Total fiduciary assets	2,471,797	1,982,892	1,541,753
Total liabilities	<u>7,632</u>	<u>4,639</u>	<u>5,292</u>
Total fiduciary net assets, held in trust	<u>\$ 2,464,165</u>	<u>\$ 1,978,253</u>	<u>\$ 1,536,461</u>



**COLLEGEINVEST  
COLLEGE SAVINGS PROGRAM FUNDS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
JUNE 30, 2006 AND 2005**

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

Combined cash and investments of the Program increased by \$483.0 million, or 24%, from June 30, 2005 to June 30, 2006. Cash and investments increased by \$442.5 million, or 29%, from June 30, 2004 to June 30, 2005. The increase in cash and investments for both years was primarily a combination of net participant contributions and investment income. Net participant contributions were \$378.6 million, \$373.5 million, and \$427.4 million during the years ended June 30, 2006, 2005, and 2004, respectively. Net investment income was \$123.4 million, \$80.5 million, and \$143.6 million during the years ended June 30, 2006, 2005, and 2004, respectively.

Receivables consist primarily of contributions received but not invested, and dividends and interest receivable. Receivables from contributions received but not invested are a result of differences between the trade date and settlement date of contributions.

Liabilities consist of amounts payable for investments purchased, service and investment fees payable, deferred revenue, due to participants and due to Student Loan Program Funds. Total liabilities increased by \$3.0 million from June 30, 2005 to June 30, 2006. Total liabilities decreased by \$653,000 from June 30, 2004 to June 30, 2005. The fluctuation in both years is primarily due to the amount of the payables for investments purchased in the SCF. These amounts correlate to the timing of contributions, withdrawals and portfolio exchanges within the SCF on June 30<sup>th</sup> of each year.

*Condensed Statements of Changes in Fiduciary Net Assets for the Years Ended June 30:*

	<u>2006</u>	<u>2005</u>	<u>2004</u>
	(dollar amounts expressed in thousands)		
Net investment income	\$ 123,438	\$ 80,509	\$ 143,644
Participant contributions	557,222	489,442	488,984
Fee income	546	540	860
Total additions	<u>681,206</u>	<u>570,491</u>	<u>633,488</u>
Benefits paid to participants and withdrawals	178,660	115,946	61,545
Administrative, marketing expenses and service fees	16,241	12,642	9,075
Total deductions	<u>194,901</u>	<u>128,588</u>	<u>70,620</u>
Net change in fiduciary net assets before transfers	486,305	441,903	562,868
Transfers and change in due to participants	(393)	(111)	(236)
Fiduciary net assets, beginning of year	1,978,253	1,536,461	973,829
Fiduciary net assets, end of year	<u>\$2,464,165</u>	<u>\$1,978,253</u>	<u>\$1,536,461</u>

**COLLEGEINVEST  
COLLEGE SAVINGS PROGRAM FUNDS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
JUNE 30, 2006 AND 2005**

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

Net investment income is comprised of dividends, interest income, and net realized and unrealized gains from security transactions, net of investment fees. Net realized and unrealized gains on security transactions were \$33.5 million, \$34.1 million and \$120.2 million for the years ended June 30, 2006, 2005, and 2004, respectively. Market conditions for the fiscal year ending June 30, 2004 had the greatest impact on net investment income with a positive overall market return in addition to an overall increase in the investment balance held in the Funds. The net realized and unrealized gains on security transactions during 2005 were not as strong and declined by \$86.1 million. Net realized and unrealized gains on security transactions during 2006 remained stable and decreased by only \$600,000 from 2005. The Program experienced a decline in participant contributions, net of withdrawals, to \$373.5 million for the year ended June 30, 2005 as compared to \$427.4 million for the year ended June 30, 2004. Net participant contributions increased by \$5.1 million for the year ended June 30, 2006 as compared to the year ended June 30, 2005.

Interest and dividends were \$91.3 million, \$48.1 million, and \$25.6 million for the years ended June 30, 2006, 2005, and 2004, respectively. The increase in interest and dividends is primarily a result of an increase in net assets of the Program.

Participant contributions and benefits paid to participants and withdrawals were as follows:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
	(dollar amounts expressed in thousands)		
Participant contributions:			
Scholars Choice Fund	\$ 403,692	\$ 393,063	\$ 483,225
Direct Portfolio Fund	146,766	89,625	-
Stable Value Plus Fund	<u>6,764</u>	<u>6,754</u>	<u>5,759</u>
Total participant contributions	<u>\$ 557,222</u>	<u>\$ 489,442</u>	<u>\$ 488,984</u>
Benefits paid to participants and withdrawals:			
Scholars Choice Fund	\$ 148,949	\$ 103,415	\$ 59,864
Direct Portfolio Fund	23,498	9,109	-
Stable Value Plus Fund	<u>6,213</u>	<u>3,422</u>	<u>1,681</u>
Total benefits paid to participants and withdrawals	<u>\$ 178,660</u>	<u>\$ 115,946</u>	<u>\$ 61,545</u>

Participant contributions were 25.1%, 27.9% and 39.0% of average net assets for the years ended June 30, 2006, 2005, and 2004, respectively. Benefits paid to participants and withdrawals were 8.0%, 6.6% and 4.9% of average net assets for the years ended June 30, 2006, 2005, and 2004, respectively.

**COLLEGEINVEST  
COLLEGE SAVINGS PROGRAM FUNDS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
JUNE 30, 2006 AND 2005**

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

Fee income is primarily comprised of funds received from Legg Mason and the Managers for marketing and promotion of the Funds. CollegeInvest received \$442,000 and \$104,000 in fee income from Legg Mason and the Managers, respectively, for the year ended June 30, 2006. The fee income received from Legg Mason and the Managers for the year ended June 30, 2005 was \$441,000 and \$97,000, respectively, and the fee income received from Legg Mason was \$852,000 for the year ended June 30, 2004.

Administrative and service fees are charged to participants as a percentage of net assets. These charges were approximately 0.7% of average net assets for the year ended June 30, 2006, 2005, and 2004.

**Economic Factors:**

Performance of individual participant accounts and individual portfolios within the Program is dependent on risk factors associated with market-based investments. Amounts contributed to the Program by participants may be more or less than the amounts needed by beneficiaries to attend a particular institution of higher education and do not guarantee acceptance into any institution of higher education. Participants are responsible for selecting portfolios in accordance with their risk tolerance. The Program does not guarantee return of principal or a certain investment rate of return on investments. The MetLife Agreement does guarantee return of principal and a certain investment rate of return for the SVP.

**Requests for Information:**

This report is designed to provide a general overview of the Fund's 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**  
**COLLEGE SAVINGS PROGRAM FUNDS**  
**STATEMENTS OF FIDUCIARY NET ASSETS**  
**JUNE 30, 2006 AND 2005**  
(Dollar amounts expressed in thousands)

	2006				2005			
	Scholars Choice Fund	Direct Portfolio Fund	Stable Value Plus Fund	Total Private Purpose Trust Funds	Scholars Choice Fund	Direct Portfolio Fund	Stable Value Plus Fund	Total Private Purpose Trust Funds
<b>Fiduciary assets:</b>								
Cash and cash equivalents	\$ 3,712	\$ -	\$ 3	\$ 3,715	\$ 294	\$ -	\$ 65	\$ 359
Investments, at fair value	1,957,527	476,696	22,944	2,457,167	1,622,364	333,516	21,657	1,977,537
Receivable for portfolio units sold	4,300	-	-	4,300	2,830	-	-	2,830
Dividends and interest receivable	4,827	768	-	5,595	1,248	493	-	1,741
Due from plan managers	159	39	39	237	407	27	37	471
Due from (to) Student Loan Program Funds	432	377	(26)	783	(289)	279	(36)	(46)
<b>Total fiduciary assets</b>	<b>1,970,957</b>	<b>477,880</b>	<b>22,960</b>	<b>2,471,797</b>	<b>1,626,854</b>	<b>334,315</b>	<b>21,723</b>	<b>1,982,892</b>
<b>Liabilities:</b>								
Accounts payable	32	18	12	62	12	3	1	16
Payable for investments purchased	5,180	-	23	5,203	2,985	-	83	3,068
Service and investment fees payable	1,151	259	-	1,410	968	179	-	1,147
Deferred revenue	61	398	-	459	-	303	-	303
Due to participants	498	-	-	498	105	-	-	105
<b>Total liabilities</b>	<b>6,922</b>	<b>675</b>	<b>35</b>	<b>7,632</b>	<b>4,070</b>	<b>485</b>	<b>84</b>	<b>4,639</b>
<b>Total fiduciary net assets, held in trust</b>	<b>\$ 1,964,035</b>	<b>\$ 477,205</b>	<b>\$ 22,925</b>	<b>\$ 2,464,165</b>	<b>\$ 1,622,784</b>	<b>\$ 333,830</b>	<b>\$ 21,639</b>	<b>\$ 1,978,253</b>

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

**COLLEGEINVEST**  
**COLLEGE SAVINGS PROGRAM FUNDS**  
**STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS**  
**FOR THE YEARS ENDED JUNE 30, 2006 AND 2005**  
(Dollar amounts expressed in thousands)

	2006				2005			
	Scholars Choice Fund	Direct Portfolio Fund	Stable Value Plus Fund	Total Private Purpose Trust Funds	Scholars Choice Fund	Direct Portfolio Fund	Stable Value Plus Fund	Total Private Purpose Trust Funds
<b>Additions:</b>								
Gross earnings on investments:								
Interest and dividends	\$ 77,376	\$ 12,998	\$ 889	\$ 91,263	\$ 40,757	\$ 6,571	\$ 808	\$ 48,136
Net realized and unrealized gains from securities transactions	23,292	10,162	-	33,454	21,348	12,772	-	34,120
	<u>100,668</u>	<u>23,160</u>	<u>889</u>	<u>124,717</u>	62,105	19,343	808	82,256
Less investment fees	(954)	(325)	-	(1,279)	(1,555)	(192)	-	(1,747)
Net investment income	<u>99,714</u>	<u>22,835</u>	<u>889</u>	<u>123,438</u>	60,550	19,151	808	80,509
Participant contributions	403,692	146,766	6,764	557,222	393,063	89,625	6,754	489,442
Fee income	442	104	-	546	441	97	2	540
<b>Total additions</b>	<u>503,848</u>	<u>169,705</u>	<u>7,653</u>	<u>681,206</u>	454,054	108,873	7,564	570,491
<b>Deductions:</b>								
Benefits paid to participants and withdrawals	148,949	23,498	6,213	178,660	103,415	9,109	3,422	115,946
Service fees	11,383	2,321	-	13,704	9,234	1,121	-	10,355
Administrative fees	1,823	407	154	2,384	1,506	202	151	1,859
Marketing expenses	442	104	-	546	441	97	-	538
Excess (reduced) operating expenses	(724)	272	59	(393)	(398)	237	51	(110)
<b>Total deductions</b>	<u>161,873</u>	<u>26,602</u>	<u>6,426</u>	<u>194,901</u>	114,198	10,766	3,624	128,588
<b>Net change in fiduciary net assets before transfers</b>	<u>341,975</u>	<u>143,103</u>	<u>1,227</u>	<u>486,305</u>	339,856	98,107	3,940	441,903
<b>Intraplan administrative fee transfers</b>	(331)	272	59	-	(534)	237	297	-
<b>Asset transfer</b>	-	-	-	-	(235,486)	235,486	-	-
<b>Transfer to Student Loan Program Fund</b>	-	-	-	-	-	-	(247)	(247)
<b>Change in due to participants</b>	(393)	-	-	(393)	136	-	-	136
<b>Fiduciary net assets, beginning of year</b>	<u>1,622,784</u>	<u>333,830</u>	<u>21,639</u>	<u>1,978,253</u>	1,518,812	-	17,649	1,536,461
<b>Fiduciary net assets, end of year</b>	<u>\$ 1,964,035</u>	<u>\$ 477,205</u>	<u>\$ 22,925</u>	<u>\$ 2,464,165</u>	<u>\$ 1,622,784</u>	<u>\$ 333,830</u>	<u>\$ 21,639</u>	<u>\$ 1,978,253</u>

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

**COLLEGEINVEST**  
**COLLEGE SAVINGS PROGRAM FUNDS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006 AND 2005**

**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 (Department) of the State of Colorado. The Executive Director of the Department has responsibility for oversight and management of CollegeInvest. In addition, CollegeInvest has a nine-person Board of Directors (Board) designated by the Governor and approved by the State Senate to serve four-year terms.

The Colorado General Assembly established a student obligation bond program (Student Loan Program Funds), a Section 529 post secondary education expense program (Prepaid Tuition Fund), a scholarship trust program (College In Colorado Scholarship Trust), and a Section 529 college savings program (Program). The Program includes the Scholars Choice Fund (SCF), Direct Portfolio Fund (DPF), and Stable Value Plus Fund (SVP) (Funds), all of 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 operations of the Funds are accounted for under accounting principles generally accepted in the United States of America as a private-purpose trust. 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 activity under Section 20, Article X of the Colorado Constitution.

The Colorado Constitution and other State laws prohibit the State from providing its full faith and credit to obligations of entities such as the Funds. As a result, payments from the Funds are not guaranteed in any way by the State, and shall not be considered to have created a debt or obligation of the State. Such payments are limited obligations, payable from participants' individual accounts in the Funds, but not from the other assets of CollegeInvest, or the State. Similarly, investments in the Funds are not insured by the Federal Deposit Insurance Corporation, or any other State or federal government agency. Investments in SCF and DPF are not deposits or other obligations of Legg Mason, Inc., Upromise Investments, Inc., The Vanguard Group, Inc. or any depository institution or affiliate of Citigroup Inc., Upromise Investments, Inc. or The Vanguard Group, Inc. Investments in SVP are an obligation of MetLife.

**Reporting Entity:**

The Program was authorized in the 1999 legislative session and as a result, the Funds were established to provide families with additional opportunities to save for future college educational expenses. The Funds account for the operations and activities of the Section 529 savings program as private-purpose trusts, where both principal and earnings on principal may be spent for the trust's intended purpose. Participant contributions and the earnings thereon are invested to assist in meeting the obligations for future higher education expenses of a named student. The payment of general and administrative expenses and other activities of the Funds necessary to fulfill their purposes are recorded within the Funds. There are no other funds of CollegeInvest combined in the accompanying financial statements. Thus, the accompanying financial statements are not intended to present the financial position, results of operations or

**COLLEGEINVEST**  
**COLLEGE SAVINGS PROGRAM FUNDS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2006 AND 2005**

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

**Reporting Entity (continued):**

cash flows of CollegeInvest as a whole in conformity with accounting principles generally accepted in the United States of America.

Each fund in the Program was established as a Section 529 plan under the Internal Revenue Code (IRC). The Funds offer certain federal and State tax advantages to investors. The primary tax advantage to participants in the Funds is the ability to exclude from federal taxable income the earnings on any withdrawals that are used for qualified higher education expenses, as that term is defined in Section 529 of the IRC. If a participant is subject to Colorado income tax, earnings on qualified withdrawals are excluded from State taxable income. In addition, individuals, estates and trusts subject to Colorado income tax generally are entitled to a deduction to the extent of their Colorado taxable income for the year for contributions made to a State sponsored Section 529 plan, subject to recapture in subsequent years in which nonqualified withdrawals are made. Note that an otherwise nontaxable rollover to another Section 529 program that is not associated with the State will trigger recapture of the Colorado income tax deduction described above in the year of the rollover.

***Scholars Choice Fund***

The Scholars Choice Fund (SCF) began operations in October 1999. SCF is comprised of eleven active portfolios as of June 30, 2006. The accompanying financial statements report on the combined portfolios.

As the trustee for SCF, on September 17, 1999, CollegeInvest entered into an agreement with Citigroup Global Markets Inc. (CGM), a subsidiary of Citigroup Inc. to manage both the advisor sold and direct accounts of SCF. CGM managed SCF through its Smith Barney Asset Management division, which is part of Citigroup Asset Management (CAM), the asset management unit of Citigroup Inc. The agreement with CGM was terminated on October 22, 2004. A new agreement was entered into with CGM on October 22, 2004, contingent on the transfer of certain assets to the Direct Portfolio Fund. This new agreement is for management of the advisor sold accounts only. The agreement expires on December 31, 2009. CollegeInvest has the right to extend the agreement for two additional two-year periods. Effective December 1, 2005, Citigroup Inc. completed the sale of substantially all of its worldwide asset management business to Legg Mason, Inc. (Legg Mason). As part of the transaction, the agreement has been transferred by CGM to CAM North America, LLC (CAMNA) and Legg Mason Investor Services, LLC (LMIS), each of which is a wholly-owned subsidiary of Legg Mason. As a result of the transfer, CAMNA performs investment advisory functions and LMIS performs administrative and recordkeeping for SCF. On October 22, 2004, CollegeInvest signed an agreement with Upromise Investments, Inc. and The Vanguard Group to manage the direct sold accounts. The direct sold accounts were transferred from the SCF to the Direct Portfolio Fund on October 22, 2004.

**COLLEGEINVEST  
COLLEGE SAVINGS PROGRAM FUNDS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2006 AND 2005**

**1. Organization and Summary of Significant Accounting Policies:**

**Reporting Entity (continued):**

*Scholars Choice Fund (continued)*

See further description under the Direct Portfolio Fund heading below. The investment return for SCF is based on the market performance of investments. Investment options are selected by CollegeInvest based on recommendations from CAM.

Participants in the SCF may invest in one or more of the following options:

- **Age-Based Portfolios:** Contributions are invested in one of seven portfolios according to the age of the student. As the student gets older and closer to college years, the investment shifts from equity funds to bond and money market funds as follows:

<u>Student's Age</u>	<u>Portfolio #</u>	<u>Equity Funds</u>	<u>Fixed Income</u>	<u>Money Market Funds</u>
0-3 years	1	80%	20%	0%
4-6 years	2	70%	30%	0%
7-9 years	3	60%	40%	0%
10-12 years	4	50%	50%	0%
13-15 years	5	40%	50%	10%
16-18 years	6	20%	55%	25%
19+ years	7	10%	60%	30%

- **Balanced 50/50 Portfolio:** Contributions are invested 50% in equity mutual funds and 50% in bond funds throughout the life of the investment (Portfolio #4).
- **Years to Enrollment Portfolios:** Contributions are invested in a series of portfolios that shift from equity mutual funds to bond and money market funds as the student approaches college years. These portfolios are identical to Portfolios 3 through 7 in the Age-based Portfolios.

<u>Years to Enrollment</u>	<u>Portfolio #</u>	<u>Equity Funds</u>	<u>Fixed Income</u>	<u>Money Market Funds</u>
10-12 years	3	60%	40%	0%
7-9 years	4	50%	50%	0%
4-6 years	5	40%	50%	10%
1-3 years	6	20%	55%	25%
Less than 1 year	7	10%	60%	30%

- **All Equity Portfolio:** Contributions are invested in equity mutual funds throughout the life of the account.
- **All Fixed Income Portfolio:** Contributions are invested in bond funds throughout the life of the account.



**COLLEGEINVEST**  
**COLLEGE SAVINGS PROGRAM FUNDS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2006 AND 2005**

**1. Organization and Summary of Significant Accounting Policies:**

**Reporting Entity (continued):**

*Scholars Choice Fund (continued)*

- Equity 80% Option: Contributions are invested 80% in equity mutual funds and 20% in fixed income investments (Portfolio #1). The investment objective of this option is to seek long-term capital appreciation through investments in equity mutual funds while maintaining 20% exposure to the relatively more stable returns of fixed income investments through investment in fixed income mutual funds.
- Fixed Income 80% Option: Contributions are invested 80% in fixed income investments and 20% in equity mutual funds (Portfolio #6). The investment objective of this option is to seek the relatively more stable returns of a fixed income investment through investments in fixed income mutual funds while maintaining 20% exposure to the long-term capital appreciation potential of investments in equity mutual funds.
- Multiple Discipline Portfolio (MDP) Options: The three options are the MDP – All Cap Growth and Value, MDP – Global All Cap Growth and Value, and the MDP – Balanced All Cap Growth and Value. The investment objective of the MDP – All Cap Growth and Value is to seek long-term growth of capital and equity diversification through investment in companies of any size having growth or value characteristics. The investment objective of the MDP – Global All Cap Growth and Value is to seek long-term growth of capital and equity diversification through investments in companies of any size as well as foreign companies via American Depository Receipts. The investment objective of the MDP – Balanced All Cap Growth and Value is to seek balance between long-term growth of capital and principal preservation through investment in a mix of equity securities of companies of any size and fixed income securities.
- Cash Reserve Option: Contributions are invested in the Smith Barney Cash Portfolio money market mutual fund. The investment objective of the Cash Reserve Option is to seek maximum current income and preservation of capital.

*Direct Portfolio Fund*

The Direct Portfolio Fund (DPF) began operations in October 2004, and initial operations were funded by a transfer of direct sold accounts from SCF of \$235.5 million. DPF is comprised of eight active portfolios as of June 30, 2006.

As the trustee for DPF, CollegeInvest entered into an agreement with Upromise Investments, Inc. and The Vanguard Group, Inc. (Managers) to manage DPF. The agreement with the Managers

**COLLEGEINVEST  
COLLEGE SAVINGS PROGRAM FUNDS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2006 AND 2005**

**1. Organization and Summary of Significant Accounting Policies:**

**Reporting Entity (continued):**

***Direct Portfolio Fund (continued)***

expires on December 31, 2009. CollegeInvest has the right to extend the term for two additional two-year periods. The investment return for DPF is based on the market performance of investments. Investment options are selected by CollegeInvest based on recommendations from the Managers.

Participants may invest in one or more of the following options:

- **Age-Based Options:** Contributions are invested in one of three portfolios according to the age of the beneficiary. Money invested in the Age-Based Options is automatically transferred over time to successive Portfolios with asset allocations that change from equity funds to fixed income and money market funds as the beneficiary approaches college age. Within the Age-Based Options, participants may invest according to risk tolerance in either a conservative, moderate, or aggressive range of asset allocations as follows:

<b>Beneficiary's Age</b>	<b>Conservative</b>	<b>Moderate</b>	<b>Aggressive</b>
Newborn through 5	Moderate Growth Portfolio 50% stock funds 50% bond fund	Growth Portfolio 65% stock funds 35% bond fund	Aggressive Growth Portfolio 100% stock funds
6 through 10	Conservative Growth Portfolio 35% stock funds 65% bond fund	Moderate Growth Portfolio 50% stock funds 50% bond fund	Growth Portfolio 65% stock funds 35% bond fund
11 through 15	Income Portfolio 75% bond fund 25% short-term reserves	Conservative Growth Portfolio 35% stock funds 65% bond fund	Moderate Growth Portfolio 50% stock funds 50% bond fund
16 through 18	Income Portfolio 75% bond fund 25% short-term reserves	Income Portfolio 75% bond fund 25% short-term reserves	Conservative Growth Portfolio 35% stock funds 65% bond fund
19 or older	Money Market Portfolio 100% short-term reserves	Income Portfolio 75% bond fund 25% short-term reserves	Income Portfolio 75% bond fund 25% short-term reserves

- **Blended Portfolios and Individual Portfolios:** Contributions are invested in one of eight options. In these options, assets will be allocated to the Portfolio for the life of the investment unless the account owner directs a change in investment option. The Blended Portfolios and the Individual Portfolios are each invested according to a static asset allocation which does not change over time. Within the Blended Portfolios participants may invest according to risk tolerance in either an aggressive, growth, moderate growth, conservative growth or income focused range of asset allocations as follows:

**COLLEGEINVEST  
COLLEGE SAVINGS PROGRAM FUNDS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2006 AND 2005**

**1. Organization and Summary of Significant Accounting Policies:**

**Reporting Entity (continued):**

*Direct Portfolio Fund (continued)*

Underlying Fund	Aggressive Growth Portfolio	Growth Portfolio	Moderate Growth Portfolio	Conservative Growth Portfolio	Income Portfolio
Vanguard® Total Stock Market Index Fund	85%	55%	45%	35%	0%
Vanguard® Total International Stock Index Fund	15%	10%	5%	0%	0%
<b>Total Stock</b>	<b>100%</b>	<b>65%</b>	<b>50%</b>	<b>35%</b>	<b>0%</b>
Vanguard® Total Bond Market Index Fund	0%	35%	50%	65%	50%
Vanguard® Inflation-Protected Securities Fund	0%	0%	0%	0%	25%
<b>Total Bond</b>	<b>0%</b>	<b>35%</b>	<b>50%</b>	<b>65%</b>	<b>75%</b>
Vanguard® Prime Money Market Fund	0%	0%	0%	0%	25%
<b>Total Short-Term Reserves</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>25%</b>
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Within the Individual Portfolios participants may invest in a single Underlying Fund as follows:

- Stock Index Portfolio invests in Vanguard Total Stock Market Index Fund and seeks to track the performance of a benchmark index that measures the investment return of the overall stock market.
- Bond Index Portfolio invests in Vanguard Total Bond Market Index Fund and seeks to track the performance of a broad, market-weighted bond index.
- Money Market Portfolio invests in Vanguard Prime Money Market Fund and seeks to provide preservation of principal and current income.

***Stable Value Plus Fund***

The Stable Value Plus Fund (SVP) began operations in February 2003. In January 2003, CollegeInvest entered into an agreement with MetLife (the MetLife Agreement) to provide a net rate of return to investors. Under the MetLife Agreement, the rate of return is reset annually each January 1. MetLife has agreed that the annual interest rate calculated each year will not be less than the greater of (i) the Colorado minimum nonforfeiture interest rate for annuity

**COLLEGEINVEST  
COLLEGE SAVINGS PROGRAM FUNDS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2006 AND 2005**

**1. Organization and Summary of Significant Accounting Policies:**

**Reporting Entity (continued):**

*Stable Value Plus Fund (continued)*

contracts (currently 1.5%), or (ii) 2.00%. The minimum investment return on accounts in the fund could be as low as 1.25%, which is the current minimum annual rate of 2.00% less the CollegeInvest administrative fee of .75%.

For the calendar years ending December 31, 2006 and 2005, MetLife agreed to pay an annual rate of 4.05%. For the period inception through October 31, 2004 CollegeInvest charged an administrative fee of .99%. As of November 1, 2004 CollegeInvest reduced its administrative fee to .75%. Therefore, the annual net rate was 4.01% from inception through December 31, 2003, 3.06% from January 1, 2004 through October 31, 2004 and 3.30% from November 1, 2004 through June 30, 2006.

CollegeInvest may discontinue the MetLife Agreement at any time. In the event of such discontinuance, CollegeInvest shall direct the investment of SVP assets to alternate investments as permitted by the MetLife Agreement and the investment policy of SVP. There is no assurance that CollegeInvest will be able to obtain such alternate investment or maintain the current investment return for any such alternate investment.

The MetLife Agreement provides that participants are not permitted to transfer amounts from their Account in SVP directly to a Colorado Competing Fixed Interest Fund if not satisfied with the investment for a particular calendar year or if the Funding Agreement is discontinued. In addition, participants are not permitted to transfer amounts from an account which is invested in a Colorado Competing Fixed Interest Fund directly to their existing SVP Account or to establish a new Account in SVP. In CollegeInvest DPF, the Income Portfolio and the Money Market Portfolio (whether a stand-alone option or part of an age-based option) have each been determined by MetLife to be a Colorado Competing Fixed Interest Fund. In CollegeInvest SCF, the Cash Reserve Option has been determined by MetLife to be a Colorado Competing Fixed Interest Fund.

**Basis of Accounting:**

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and standards of the Governmental Accounting Standards Board (GASB). The accrual basis of accounting is utilized by the Funds. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period they are incurred.

**COLLEGEINVEST**  
**COLLEGE SAVINGS PROGRAM FUNDS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2006 AND 2005**

**1. Organization and Summary of Significant Accounting Policies:**

**Investments and Revenue Recognition:**

CAM has responsibility for investing the assets of each of the SCF's portfolios and the Managers have responsibility for investing the assets of the DPF's portfolios in equity mutual funds, fixed income mutual funds, money market funds, and other investments (Underlying Funds) in accordance with CollegeInvest's Investment Policy Statements, and the Portfolio selected for investment by the participant.

CollegeInvest has responsibility for transferring the assets of the participants of the SVP to MetLife in accordance with the MetLife Agreement. Investments in the Underlying Fund are purchased weekly and are valued at the closing net asset value per share on the date of transfer to MetLife. Interest income is credited to participant accounts daily. Distributions from the SVP are valued on the date immediately preceding the date that a payment is made by CollegeInvest in satisfaction of a withdrawal request.

Security transactions for SCF and DPF are accounted for on a trade-date basis. This may result in receivables and payables for transactions at year end. Investments in the Underlying Funds are valued at the closing net asset value per share of each Underlying Fund on the day of valuation. Income distributions and short-term capital gain distributions from the Underlying Funds are recorded on the ex-dividend date as investment income and interest income is recorded on an accrual basis. Long-term capital gains, if any, from the Underlying Funds are recorded on the ex-dividend date as realized gains. Gains or losses on the sale of the Underlying Funds are calculated by using the specific identification method.

Investments are carried at fair value, which is primarily determined based on market prices at June 30, 2006 and 2005.

**Participant Contributions:**

The aggregate balance limit for the Funds and all other Colorado Section 529 plans (including the Prepaid Tuition Fund, which is also offered by CollegeInvest) for a particular beneficiary from all sources is \$280,000. The balance limit is set by CollegeInvest based on Internal Revenue Service (IRS) guidelines and is subject to change. In particular, if the IRS adopts final regulations, it may require or permit a maximum balance limit that differs from the \$280,000 limit. No additional contributions may be made to an account if the balance limit is reached; however, the account may continue to grow beyond this limit through earnings.

**COLLEGEINVEST  
COLLEGE SAVINGS PROGRAM FUNDS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2006 AND 2005**

**1. Organization and Summary of Significant Accounting Policies:**

**Withdrawals:**

A qualified withdrawal is a withdrawal made to pay qualified higher education expenses of the beneficiary. All withdrawals other than for this purpose are considered non-qualified withdrawals. Non-qualified withdrawals are subject to a 10% penalty on earnings per Section 529 of the IRC. A non-qualified withdrawal is not subject to the 10% penalty only if the withdrawal is: (i) made on account of the death or disability of the beneficiary; (ii) made on account of a scholarship received by the beneficiary, to the extent that the withdrawal does not exceed the amount of the scholarship; or (iii) a non-taxable transfer to another account or to another Section 529 plan on behalf of a beneficiary or for a different beneficiary who is a family member of the original student. A non-qualified withdrawal may also be subject to recapture in the event a deduction has been taken from Colorado taxable income.

**Investment, Service and Administrative Fees:**

***Scholars Choice Fund***

CollegeInvest entered into a service agreement (CAM Agreement) with CAM, on October 22, 2004, pursuant to which CAM is responsible for providing administrative, record keeping, marketing and investment management services to SCF. The CAM Agreement states that CAM will receive investment and service fees at an annual percentage rate of average daily net assets.

This rate will vary with the Unit Class the account owner chooses. During the years ended June 30, 2006 and 2005, SCF paid investment fees of \$1.0 million and \$1.6 million, respectively, under the CAM Agreement. In addition, according to the CAM Agreement, each participant bears certain ongoing service fees that will vary with the Unit Classes the participant chooses. These direct service fees provide for the costs associated with distribution, servicing and administration of the Unit Classes. Such direct service fees reduce the value of the participant's account as incurred. Such fees are payable to CAM monthly, solely from the assets of SCF. SCF paid service fees of \$11.4 million and \$9.2 million for the years ended June 30, 2006 and 2005, respectively.

The CAM Agreement states that CollegeInvest will receive an administrative fee at an annual rate of up to 0.10% of average daily net assets. These fees represent charges to SCF for actual administrative costs of CollegeInvest. Such fees are payable to CollegeInvest monthly, solely from the assets of the SCF. SCF paid administrative fees of \$1.8 million and \$1.5 million for the years ended June 30, 2006 and 2005, respectively.

**COLLEGEINVEST  
COLLEGE SAVINGS PROGRAM FUNDS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2006 AND 2005**

**1. Organization and Summary of Significant Accounting Policies:**

**Investment, Service and Administrative Fees (continued):**

***Direct Portfolio Fund***

CollegeInvest entered into a service agreement (Service Agreement) with the Managers, pursuant to which the Managers are responsible for providing administrative, record keeping, marketing, and investment management services to the DPF. The Service Agreement states that the Managers will receive investment and service fees at an annual percentage rate of .65% of average daily net assets. During the year ended June 30, 2006, DPF paid investment fees of \$325,000 and service fees of \$2.3 million. During the nine month period ended June 30, 2005, DPF paid investment fees of \$192,000 and service fees of \$1.1 million. Such direct investment and service fees reduce the value of the participant's account as incurred. Such fees are payable to the Managers monthly, solely from the assets of DPF. The Service Agreement calls for a review of pricing when the DPF reaches \$700 million in assets under management.

The Service Agreement states that CollegeInvest will receive an administrative fee at an annual rate of up to 0.10% of average daily net assets. These fees represent charges to DPF for actual administrative costs of CollegeInvest. Such fees are payable to CollegeInvest monthly, solely from the assets of DPF. DPF paid administrative fees of \$407,000 for the year ended June 30, 2006 and \$202,000 for the nine month period ended June 30, 2005.

***Stable Value Plus Fund***

Contributions are invested by deposit under the Agreement between CollegeInvest and MetLife. Deposits made under the Agreement become commingled with the general account of MetLife. MetLife is obligated to repay the amounts deposited under the Agreement and an investment return as described above. The annual interest rate calculated each year under the Agreement is net of all administrative and other charges of MetLife.

The Agreement states that CollegeInvest will receive an administrative fee at an annual rate of up to 0.99% of the average daily net assets of the Fund. Effective November 1, 2004, the annual rate was reduced to 0.75% of average daily net assets of the Fund. Such fees are payable to CollegeInvest solely from Account owners and cannot exceed actual expenses of administering the Fund as defined by Statute. SVP paid administrative fees of \$154,000 and \$151,000 for the years ended June 30, 2006 and 2005, respectively, which was less than actual expenses incurred for the Fund.

**COLLEGEINVEST  
COLLEGE SAVINGS PROGRAM FUNDS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2006 AND 2005**

**1. Organization and Summary of Significant Accounting Policies:**

**Investment, Service and Administrative Fees (continued):**

**Fee Limitation:**

To the extent that administrative fees collected from participants exceed the expenses of the Program, CollegeInvest shall 1) determine if such revenues are required to fund subsequent year expenses of the Program; 2) determine if such fees are required to fund prior years' unfunded expenses of the Program; or 3) reduce future fees of the plan participants for the following year. As of June 30, 2006, approximately \$498,000 in fees were collected from participants in excess of actual expenses and is restricted for future expenses of CollegeInvest in its capacity as administrator of the Program. As of June 30, 2005, approximately \$105,000 in fees were collected from participants in excess of actual expenses.

**Reclassifications:**

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

**2. Cash, Cash Equivalents and Investments:**

**Cash and Cash Equivalents:**

As contributions are received from participants, the Managers hold the cash in the respective Fund until such time as it may be invested in the underlying funds of the chosen investment portfolios. With respect to the SCF and DPF, depending upon the timing of the cash receipts, there could be up to two days delay between actual receipt of cash and the investment made on behalf of the participant. Cash and cash equivalents are held in trust by the Funds' Managers as of June 30, 2006 and 2005. With respect to the SVP, contributions will be invested with MetLife within 30 days of receipt by CollegeInvest. Interest earned on contributions prior to investment with MetLife will accrue to CollegeInvest and will be used to defray administrative expenses. SVP had deposits that were not yet transferred to MetLife of \$23,000 and \$83,000 as of June 30, 2006 and 2005, respectively.

All cash deposits of the Stable Value Plus Funds are held by a bank. Payments and cash receipts are deposited to demand deposit accounts daily. Collected balances are transferred daily into money market funds.

All cash deposits of SCF and DPF are held by a custodian on behalf of the Managers until it is invested in the Underlying Funds.



**COLLEGEINVEST  
COLLEGE SAVINGS PROGRAM FUNDS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2006 AND 2005**

**2. Cash, Cash Equivalents and Investments (continued):**

**Cash and Cash Equivalents (continued):**

Cash deposits as of June 30 are as follows:

	<b>2006</b>	<b>2005</b>
	(dollar amounts expressed in thousands)	
Demand Deposit Accounts	\$ 3	\$ 65
Money Market Accounts	<b>3,712</b>	294
Total cash deposits	<b>\$ 3,715</b>	\$ 359

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, CollegeInvest will not be able to recover its 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. Monies held by the trustee are collateralized with U.S. Treasury Obligations.

The carrying amount and bank balance of demand deposits accounts was \$3,000 as of June 30, 2006 and \$65,000 as of June 30, 2005. All amounts were fully insured by the FDIC.

**Investments:**

Investments for each plan as of June 30 are as follows:

	Fair Value	
	<b>2006</b>	<b>2005</b>
	(dollar amounts expressed in thousands)	
Scholars Choice Fund	\$ 1,957,527	\$ 1,622,364
Direct Portfolio Fund	476,696	333,516
Stable Value Plus Fund	<b>22,944</b>	21,657
Total Investments	<b>\$ 2,457,167</b>	\$ 1,977,537

**COLLEGEINVEST  
COLLEGE SAVINGS PROGRAM FUNDS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2006 AND 2005**

**2. Cash, Cash Equivalents and Investments (continued):**

**Investment Authority and Policy:**

*Scholars Choice Fund and Direct Portfolio Fund*

The Board approves the investment policies for both the SCF and DPF. Investments of assets in the Scholars Choice College Savings Trust and Direct Portfolio College Savings Trust and the underlying portfolios are selected and managed in accordance with the standards set forth in the Colorado Revised Statutes Sections 15-1-304 and 15-1.1-102. Consistent with these standards, the Board, or its designated committee, will determine from time to time suitable investment parameters for the Scholars Choice College Savings Trust and the Direct Portfolio College Savings Trust, which seek to control risk through portfolio diversification. Generally, investments include money market funds, and bond and equity mutual funds. Each mutual fund in which an underlying portfolio is invested shall comply with the investment policy's permitted investment guidelines.

The table below identifies the significant investment types that are authorized for the Scholars Choice and Direct Portfolio Funds:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer [A]</u>
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Certificates of Deposit	12 months	[B]	[B]
Commercial Paper	9 months	None	None
General or Revenue Obligations	None	None	None
Repurchase Agreements [C]	None	None	None
Investment Agreements	None	None	None
Banker's Acceptances	None	None	None
Domestic Equity Securities	N/A	[D]	[D]
Foreign Equity Securities	N/A	[E]	[E]
Money Market Funds	N/A	None	None
Demand Deposits	N/A	None	None

**COLLEGEINVEST**  
**COLLEGE SAVINGS PROGRAM FUNDS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2006 AND 2005**

**2. Cash, Cash Equivalents and Investments (continued):**

**Investment Authority and Policy (continued):**

*Scholars Choice Fund and Direct Portfolio Fund (continued)*

- [A] No more than 10% of the total amount of the fixed-income portion shall be committed to the securities of any one issuer at the time of purchase, with the exception of securities issued or guaranteed by the full faith and credit of the United States or AAA rated securities issued by governmental agencies as to which there is no limit.
- [B] No more than 5% of the assets of the short-term investment account shall be committed to certificates of deposit from one institution.
- [C] Repurchase agreements must be secured by U.S. Treasury Obligations or U.S. Agency Securities.
- [D] No more than 5% of the total amount of the underlying portfolio in the securities of any one issuer; no more than 5% of the outstanding shares of any single corporation; and no more than 25% of the total amount of the underlying portfolio in any one industry.
- [E] No more than 5% of the total amount of the underlying portfolio in the securities of any one issuer; no more than 5% of the outstanding shares of any single corporation; investment in any one country shall be no more than a) 25% of the total amount of the underlying portfolio or, b) the country weight in the EAFE benchmark plus 10% and a minimum of eight countries should be represented in the underlying portfolio.

*Stable Value Plus Fund*

The Board approves the investment policy for the SVP. Generally, investments include any funding agreement, guaranteed interest contract, guaranteed investment contract, annuity contract, repurchase agreement or other similar investments which are issued by an insurance company or other investment provider with financial strength ratings in any one of the three highest rating categories by two or more nationally recognized rating agencies which regularly rate the ability of such investment providers to pay claims. The SVP may terminate any agreement with an existing investment provider should two or more of the nationally recognized rating agencies reduce their rating of the provider to a category that is below the lowest "A" rating. As of June 30, 2006, the MetLife Insurance Company of Connecticut's rating met the requirements of the investment policy.

**COLLEGEINVEST**  
**COLLEGE SAVINGS PROGRAM FUNDS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2006 AND 2005**

**2. Cash, Cash Equivalents and Investments (continued):**

**Investment Authority and Policy (continued):**

The Funds' investments, at fair value, as of June 30 are as follows:

<u>Investment</u>	<u>2006</u>	<u>2005</u>
	(dollar amounts expressed in thousands)	
Legg Mason Partners Large Cap Growth Fund (f/k/a Smith Barney Large Cap Growth Fund)	\$ 443,361	\$ 375,144
Salomon Brothers Investors Value Fund	442,552	377,779
Vanguard Total Stock Market Index Fund	255,216	171,955
BlackRock Government Income Fund	241,457	205,368
Legg Mason Partners Short-Term Investment Grade Bond Fund (f/k/a Smith Barney Short-Term Investment Grade Bond Fund)	180,177	146,675
Legg Mason Partners Investment Grade Bond Fund (f/k/a Smith Barney Investment Grade Bond Fund)	167,759	146,468
Vanguard Total Bond Market Index Fund	165,513	129,413
AFG EuroPacific Growth Fund	146,491	122,146
Smith Barney Cash Portfolio Fund	82,116	57,877
Legg Mason Partners Small Cap Value Fund (f/k/a Smith Barney Small Cap Value Fund)	72,219	91,068
Salomon Brothers Small Cap Growth Fund	71,163	63,549
MDF Global All Cap Growth and Value Fund	45,188	-
Salomon Brothers High Yield Bond Fund	41,424	36,290
Vanguard Total International Stock Index Fund	28,488	16,338
Investment Agreement – MetLife	22,944	21,657
Vanguard Prime Money Market Fund	17,929	9,137
MDF All Cap Growth and Value Fund	13,394	-
MDF Balanced All Cap Growth and Value Fund	10,226	-
Vanguard Inflation-Protected Securities Fund	9,550	6,673
	<u>\$2,457,167</u>	<u>\$1,977,537</u>

**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. CollegeInvest provides participants investment opportunities in various portfolios that are constructed from a range of mutual funds that it has selected. CollegeInvest does not actively manage interest rate risk except through its mutual fund

**COLLEGEINVEST**  
**COLLEGE SAVINGS PROGRAM FUNDS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2006 AND 2005**

**2. Cash, Cash Equivalents and Investments (continued):**

**Interest Rate Risk (continued):**

selection process. CAM and the Managers of the Funds report interest rate risk evaluation of the fixed income mutual funds in the various portfolios based on the following methods:

	<u>2006</u>		<u>2005</u>	
	<u>Duration</u>	<u>Weighted Average Maturity</u>	<u>Duration</u>	<u>Weighted Average Maturity</u>
BlackRock Government Income Fund	5.1 years		4.3 years	
Legg Mason Partners Investment Grade Bond Fund	8.6 years		N/A	
Legg Mason Partners Short-Term Investment Grade Bond Fund (f/k/a Smith Barney Short-Term Investment Grade Bond Fund)	2.0 years		1.6 years	
Smith Barney Investment Grade Fund	N/A		8.9 years	
Salomon Brothers High Yield Bond Fund	4.2 years		4.6 years	
Vanguard Total Bond Market Index Fund		N/A		6.8 years
Vanguard Inflation-Protected Securities Fund		6.2 years		10.8 years

**Credit Risk:**

Generally, credit risk is the risk that an issuer or other counterparty to 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. Investment options in SCF and DPF attempt to diversify risk by offering multiple portfolio options with a range of credit risk characteristics. Investments of the Underlying Portfolios shall be selected and managed in accordance with the standards set forth in Section 15-1-304, C.R.S. That is, (a) with the care which men of prudence, discretion and intelligence exercise in the management of the property of another, not in regard to speculation but in regard to the permanent disposition of funds, considering the probable income as well as the probable safety of capital, and (b) for the sole benefit of the beneficiary. Investment decisions shall be made in accordance with the prudent investor rule set forth in Section 15-1.1-102, C.R.S. Consistent with the above, the Committee will determine, from time to time, suitable investment parameters for the Scholars Choice College Savings Trust and the Direct Portfolio Trust which seeks to control risk through portfolio diversification. Additionally, CollegeInvest's investment policy states that all mutual fund assets are subject to the provisions of the Investment Company Act of 1940. As of June 30, 2006 and 2005, investments in the SCF and DPF portfolios and the Funding Agreement were unrated.

**COLLEGEINVEST**  
**COLLEGE SAVINGS PROGRAM FUNDS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2006 AND 2005**

**3. Units:**

The beneficial interests of each participant and beneficiary in the net assets of the portfolios are represented by units. Contributions to and redemptions from the portfolios are subject to terms and limitations defined in the participation agreement between the participant and the respective fund. Contributions to SCF and DPF (other than by electronic funds transfers) will purchase units in a portfolio at the net asset value per unit for that portfolio calculated no later than the business day following the day payment is received by CGM or the Managers. Contributions by electronic funds transfers will purchase units at the unit value calculated on the day of transfer or, in certain cases, on the day that the monies become available. Contributions to SVP, including contributions received by electronic transfer, will purchase units at the net asset value calculated on the business day immediately preceding the date the contributions are invested with MetLife. Contributions are required to be invested with MetLife within thirty days of receipt by CollegeInvest.

Withdrawals from SCF or DPF result in the redemption of units, based on the unit value next determined following CGM's or the Manager's receipt of the withdrawal request. Unit values for each portfolio are determined daily. There are no distributions of net investment gains or net investment income to the portfolios' participants or beneficiaries. Withdrawals from SVP result in the redemption of units, based on the unit value determined on the date immediately preceding the date that a payment is made by CollegeInvest in satisfaction of a withdrawal request. Unit values for the Fund are determined daily. There are no distributions of net investment gains or net investment income to the participants or beneficiaries.

**4. 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](http://www.copera.org).

**COLLEGEINVEST**  
**COLLEGE SAVINGS PROGRAM FUNDS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2006 AND 2005**

**4. Retirement Plan (continued):**

**Plan Description (continued):**

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 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.

**COLLEGEINVEST  
COLLEGE SAVINGS PROGRAM FUNDS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2006 AND 2005**

**4. Retirement Plan (continued):**

**Funding Policy:**

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

Most employees contribute 8.0 percent (10.0 percent for state troopers) of their salary, as defined in CRS 24-51-101(42), to an individual account in the plan. From July 1, 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 2006, 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, 2004, 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. 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 \$57,000, \$46,000 and \$35,000, respectively. These contributions met the contribution requirement for each year.

**5. 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.



**COLLEGEINVEST  
COLLEGE SAVINGS PROGRAM FUNDS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2006 AND 2005**

**6. Postretirement Health Care and Life Insurance Benefits:**

Health Care Program

The PERA Health Care Program began covering benefit recipients and qualified dependents on July 1, 1986. This benefit was developed after legislation in 1985 established the Program and the Health Care Fund; the program was converted to a trust fund in 1999. 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 4.

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.

Life Insurance Program

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 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.

**7. 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.

**COLLEGEINVEST  
COLLEGE SAVINGS PROGRAM FUNDS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2006 AND 2005**

**7. Risk Management (continued):**

Self Insurance (continued)

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

CollegeInvest participates in the Risk Management Fund. State agency premiums are based on an assessment of risk exposure and historical experience. Liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims and other economic and social factors.

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

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

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

Furniture and Equipment

The State of Colorado carries a \$15,000 deductible replacement policy on all State owned furniture and equipment. For each loss incurred, 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.

**8. Net Assets:**

All of the Funds' fiduciary net assets of \$2.464 billion and \$1.978 billion as of June 30, 2006 and 2005, respectively, are net assets held in trust on behalf of investors in the Funds.

**COLLEGEINVEST**  
**COLLEGE SAVINGS PROGRAM FUNDS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2006 AND 2005**

**9. Intraplan Administrative Fee Transfers:**

CollegeInvest receives an administration fee at an annual rate of up to .10% of the average daily net assets in each Fund. These fees are deducted monthly from each Fund and are used by CollegeInvest for the payment of administrative expenses incurred by CollegeInvest in connection with the operation of the Program in accordance with and as permitted by applicable law. SCF transferred \$272,000 and \$237,000 to DPF for the payment of expenses in excess of fees collected during fiscal years ending June 30, 2006 and 2005, respectively. Additionally, SCF transferred \$59,000 and \$297,000 to SVP for the payment of expenses in excess of fees collected during fiscal years ending June 30, 2006 and 2005, respectively.



**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 fiduciary-type activities and each major fund of CollegeInvest, College Savings 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, College Savings 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, College Savings 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 Henderson LLP*

Greenwood Village, Colorado  
September 8, 2006

SUPPLEMENTARY INFORMATION

**CollegeInvest  
Scholars Choice Fund  
Supplementary Schedule - Combining Schedule of Fiduciary Net Assets  
June 30, 2006  
(Dollar amounts expressed in thousands)**

	Portfolio 1	Portfolio 2	Portfolio 3	Portfolio 4	Portfolio 5	Portfolio 6	Portfolio 7	Fixed Income	Equity	All Cap Growth and Value	Global All Cap Growth and Value	Balanced All Cap Growth and Value	Cash Reserve Option	Total
<b>Fiduciary assets:</b>														
Cash and cash equivalents	\$ 2,168	\$ 248	\$ 298	\$ 265	\$ 257	\$ 134	\$ (155)	\$ (64)	\$ 351	\$ 117	\$ 28	\$ 65	\$ -	\$ 3,712
Investments, at fair value	191,394	204,400	196,795	410,737	201,195	160,444	53,749	25,447	439,089	13,394	45,188	10,226	5,469	1,957,527
Receivable for portfolio units sold	973	455	755	299	157	165	27	172	415	12	755	47	68	4,300
Dividends and interest receivable	369	475	513	1,228	620	535	190	102	774	-	-	-	21	4,827
Due from plan managers	16	17	16	33	16	13	4	2	36	1	4	1	-	159
Due from Student Loan Program Funds	43	45	43	90	44	35	12	6	97	3	10	2	2	432
<b>Total fiduciary assets</b>	<b>194,963</b>	<b>205,640</b>	<b>198,420</b>	<b>412,652</b>	<b>202,289</b>	<b>161,326</b>	<b>53,827</b>	<b>25,665</b>	<b>440,762</b>	<b>13,527</b>	<b>45,985</b>	<b>10,341</b>	<b>5,560</b>	<b>1,970,957</b>
<b>Liabilities:</b>														
Accounts payable	3	3	3	7	2	2	1	-	7	2	2	-	-	32
Payable for investments purchased	138	718	1,069	629	452	374	101	84	772	128	624	72	19	5,180
Service and investment fees payable	106	118	114	248	122	99	33	16	258	7	23	5	2	1,151
Deferred revenue	6	6	6	13	6	5	2	1	15	-	1	-	-	61
Due to participants	49	53	50	104	51	41	15	6	111	3	10	3	2	498
<b>Total liabilities</b>	<b>302</b>	<b>898</b>	<b>1,242</b>	<b>1,001</b>	<b>633</b>	<b>521</b>	<b>152</b>	<b>107</b>	<b>1,163</b>	<b>140</b>	<b>660</b>	<b>80</b>	<b>23</b>	<b>6,922</b>
<b>Total fiduciary net assets, held in trust</b>	<b>\$ 194,661</b>	<b>\$ 204,742</b>	<b>\$ 197,178</b>	<b>\$ 411,651</b>	<b>\$ 201,656</b>	<b>\$ 160,805</b>	<b>\$ 53,675</b>	<b>\$ 25,558</b>	<b>\$ 439,599</b>	<b>\$ 13,387</b>	<b>\$ 45,325</b>	<b>\$ 10,261</b>	<b>\$ 5,537</b>	<b>\$ 1,964,035</b>
Units outstanding	14,909,638	15,485,115	15,229,160	31,045,002	16,157,570	13,189,081	4,391,029	2,040,558	40,797,559	1,207,307	3,984,173	975,305	5,535,299	164,946,796
Unit value	\$ 13.06	\$ 13.22	\$ 12.95	\$ 13.26	\$ 12.48	\$ 12.19	\$ 12.22	\$ 12.53	\$ 10.78	\$ 11.09	\$ 11.38	\$ 10.52	\$ 1.00	\$ 11.91

See accompanying independent auditor's report

**CollegeInvest**  
**Scholars Choice Fund**  
**Supplementary Schedule - Combining Schedule of Changes in Fiduciary Net Assets**  
**For the fiscal year ended June 30, 2006**  
(Dollar amounts expressed in thousands)

	Portfolio 1	Portfolio 2	Portfolio 3	Portfolio 4	Portfolio 5	Portfolio 6	Portfolio 7	Fixed Income	Equity	All Cap Growth and Value	Global All Cap Growth and Value	Balanced All Cap Growth and Value	Cash Reserve Option	Total
<b>Additions:</b>														
Gross earnings on investments:														
Dividends	\$ 8,348	\$ 8,627	\$ 8,697	\$ 17,951	\$ 8,190	\$ 5,449	\$ 1,720	\$ 1,271	\$ 16,979	\$ 1	\$ 11	\$ 125	\$ 7	\$ 77,376
Net realized and unrealized loss from security transactions	6,336	1,990	1,067	(2,475)	(1,192)	(2,875)	(574)	(1,867)	19,531	739	2,461	151	-	23,292
	14,684	10,617	9,764	15,476	6,998	2,574	1,146	(596)	36,510	740	2,472	276	7	100,668
Less investment fees	(43)	(128)	(127)	(296)	(100)	(72)	(27)	(15)	(129)	(1)	(11)	(3)	(2)	(954)
Net investment income	14,641	10,489	9,637	15,180	6,898	2,502	1,119	(611)	36,381	739	2,461	273	5	99,714
Participant contributions	73,232	41,055	40,613	72,987	37,516	24,812	6,851	6,111	68,655	5,554	18,206	4,406	3,694	403,692
Fee income	44	46	44	93	45	36	12	6	99	3	10	2	2	442
Total additions	87,917	51,590	50,294	88,260	44,459	27,350	7,982	5,506	105,135	6,296	20,677	4,681	3,701	503,848
<b>Deductions:</b>														
Benefits paid to participants and withdrawals	10,264	10,847	9,647	31,918	10,745	16,314	16,389	7,401	31,297	486	1,549	563	1,529	148,949
Service fees	1,097	1,163	1,136	2,501	1,196	916	296	183	2,635	61	155	42	2	11,383
Administrative fees	184	191	184	396	185	141	45	27	420	10	30	8	2	1,823
Marketing expenses	44	46	44	93	45	36	12	6	99	3	10	2	2	442
Reduced operating expenses	(72)	(75)	(73)	(152)	(74)	(59)	(20)	(9)	(162)	(5)	(17)	(4)	(2)	(724)
Total deductions	11,517	12,172	10,938	34,756	12,097	17,348	16,722	7,608	34,289	555	1,727	611	1,533	161,873
Portfolio exchanges, net	(56,107)	601	(7,799)	(7,189)	5,261	29,903	24,915	(1,723)	(2,519)	791	9,032	1,462	3,372	-
Net change in fiduciary net assets before transfers	20,293	40,019	31,557	46,315	37,623	39,905	16,175	(3,825)	68,327	6,532	27,982	5,532	5,540	341,975
Administrative fee transfer	(34)	(36)	(34)	(72)	(34)	(28)	(7)	(2)	(71)	(2)	(6)	(3)	(2)	(331)
Transfer to Direct Portfolio Fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Change in due to participants	(39)	(41)	(39)	(82)	(40)	(32)	(11)	(5)	(89)	(3)	(9)	(2)	(1)	(393)
Fiduciary net assets, beginning of year	174,441	164,800	165,694	365,490	164,107	120,960	37,518	29,390	371,432	6,860	17,358	4,734	-	1,622,784
Fiduciary net assets, end of year	\$ 194,661	\$ 204,742	\$ 197,178	\$ 411,651	\$ 201,656	\$ 160,805	\$ 53,675	\$ 25,558	\$ 439,599	\$ 13,387	\$ 45,325	\$ 10,261	\$ 5,537	\$ 1,964,035

See accompanying independent auditor's report



**CollegeInvest**  
**Scholars Choice Fund**  
**Supplementary Schedule - Combining Schedule of Investments**  
**June 30, 2006**  
(Dollar amounts expressed in thousands)

	Portfolio 1	Portfolio 2	Portfolio 3	Portfolio 4	Portfolio 5	Portfolio 6	Portfolio 7	Fixed Income	Equity	All Cap Growth & Value	Global All Cap Growth & Value	Balanced All Cap Growth & Value	Cash Reserve Option	Total
Underlying funds:														
Legg Mason Partners Large Cap Growth Fund	\$ 47,522	\$ 50,911	\$ 39,149	\$ 81,737	\$ 30,305	\$ 16,062	\$ 2,652	\$ -	\$ 175,021	\$ -	\$ -	\$ -	\$ -	\$ 443,359
Salomon Brothers Investors Value Fund	47,564	50,820	39,091	81,719	29,996	16,073	2,662	-	174,627	-	-	-	-	442,552
BlackRock Government Income Fund	19,332	30,609	29,534	61,768	30,220	55,988	-	14,006	-	-	-	-	-	241,457
Salomon Brothers Short-Term Investment Grade Bond Fund	-	-	9,821	62,096	40,178	32,057	32,237	3,788	-	-	-	-	-	180,177
Legg Mason Partners Investment Grade Bond Fund	19,319	30,478	29,541	61,898	20,139	-	-	6,383	-	-	-	-	-	167,758
American AFG EuroPacific Growth Fund	29,219	21,010	20,133	20,724	10,240	-	-	-	45,166	-	-	-	-	146,492
Smith Barney Cash Portfolio	-	-	-	-	20,185	40,264	16,198	-	-	-	-	-	5,469	82,116
Legg Mason Partners Small Cap Value Fund	14,382	10,341	9,900	10,357	5,038	-	-	-	22,203	-	-	-	-	72,221
Salomon Brothers Small Cap Growth Fund	14,056	10,231	9,842	10,029	4,933	-	-	-	22,072	-	-	-	-	71,163
MDF Global All Cap Growth and Value Fund	-	-	-	-	-	-	-	-	-	-	45,188	-	-	45,188
Salomon Brothers High Yield Bond Fund	-	-	9,784	20,409	9,961	-	-	1,270	-	-	-	-	-	41,424
MDF All Cap Growth and Value Fund	-	-	-	-	-	-	-	-	-	13,394	-	-	-	13,394
MDF Balanced All Cap Growth and Value	-	-	-	-	-	-	-	-	-	-	-	10,226	-	10,226
Total investments, at fair value	\$ 191,394	\$ 204,400	\$ 196,795	\$ 410,737	\$ 201,195	\$ 160,444	\$ 53,749	\$ 25,447	\$ 439,089	\$ 13,394	\$ 45,188	\$ 10,226	\$ 5,469	\$ 1,957,527

See accompanying independent auditor's report.

**CollegeInvest**  
**Direct Portfolio Fund**  
**Supplementary Schedule - Combining Schedule of Fiduciary Net Assets**  
**June 30, 2006**  
(Dollar amounts expressed in thousands)

	Aggressive Growth	Growth	Moderate Growth	Conservative Growth	Income	Stock Index	Bond Index	Money Market	Total
Fiduciary assets:									
Investments, at fair value	\$ 70,691	\$ 106,543	\$ 122,716	\$ 60,030	\$ 37,859	\$ 59,303	\$ 11,628	\$ 7,926	\$ 476,696
Dividends and interest receivable	-	153	253	163	119	-	49	31	768
Due from plan managers	6	8	10	5	3	5	1	1	39
Due from Student Loan Program Funds	56	84	98	47	30	47	10	5	377
Total fiduciary assets	<u>70,753</u>	<u>106,788</u>	<u>123,077</u>	<u>60,245</u>	<u>38,011</u>	<u>59,355</u>	<u>11,688</u>	<u>7,963</u>	<u>477,880</u>
Liabilities:									
Accounts payable	2	5	4	2	1	3	1	-	18
Service and investment fees payable	37	57	67	33	21	33	7	4	259
Deferred revenue	59	89	103	50	32	50	10	5	398
Total liabilities	<u>98</u>	<u>151</u>	<u>174</u>	<u>85</u>	<u>54</u>	<u>86</u>	<u>18</u>	<u>9</u>	<u>675</u>
Total fiduciary net assets, held in trust	<u>\$ 70,655</u>	<u>\$ 106,637</u>	<u>\$ 122,903</u>	<u>\$ 60,160</u>	<u>\$ 37,957</u>	<u>\$ 59,269</u>	<u>\$ 11,670</u>	<u>\$ 7,954</u>	<u>\$ 477,205</u>
Units outstanding	<u>5,904,625</u>	<u>9,216,796</u>	<u>11,008,142</u>	<u>5,590,983</u>	<u>3,725,712</u>	<u>4,891,250</u>	<u>1,160,155</u>	<u>759,844</u>	<u>42,257,507</u>
Unit value	<u>\$ 11.97</u>	<u>\$ 11.57</u>	<u>\$ 11.16</u>	<u>\$ 10.76</u>	<u>\$ 10.19</u>	<u>\$ 12.12</u>	<u>\$ 10.06</u>	<u>\$ 10.47</u>	<u>\$ 11.29</u>

**CollegeInvest**  
**Direct Portfolio Fund**  
**Supplementary Schedule - Combining Schedule of Changes in Fiduciary Net Assets**  
**For the fiscal year ended June 30, 2006**  
**(Dollar amounts expressed in thousands)**

	Aggressive Growth	Growth	Moderate Growth	Conservative Growth	Income	Stock Index	Bond Index	Money Market	Total
<b>Additions:</b>									
Gross earnings on investments:									
Interest and dividends	\$ 975	\$ 2,813	\$ 3,734	\$ 2,036	\$ 1,596	\$ 1,073	\$ 569	\$ 202	\$ 12,998
Net realized and unrealized loss from securities transactions	3,433	3,869	1,682	(613)	(1,491)	3,954	(672)	-	10,162
	4,408	6,682	5,416	1,423	105	5,027	(103)	202	23,160
Less investment fees	(47)	(84)	(86)	(35)	(27)	(34)	(8)	(4)	(325)
Net investment income	4,361	6,598	5,330	1,388	78	4,993	(111)	198	22,835
Participant contributions	35,320	37,330	28,239	14,549	10,353	11,571	3,108	6,296	146,766
Fee income	15	23	27	13	8	13	3	2	104
<b>Total additions</b>	<b>39,696</b>	<b>43,951</b>	<b>33,596</b>	<b>15,950</b>	<b>10,439</b>	<b>16,577</b>	<b>3,000</b>	<b>6,496</b>	<b>169,705</b>
<b>Deductions:</b>									
Benefits paid to participants and withdrawals	980	2,446	4,917	1,483	6,171	1,960	2,458	3,083	23,498
Service fees	262	525	625	309	180	326	68	26	2,321
Administrative fees	48	93	109	51	32	55	14	5	407
Marketing expenses	15	23	27	13	8	13	3	2	104
Excess operating expenses	53	57	66	35	22	29	3	7	272
<b>Total deductions</b>	<b>1,358</b>	<b>3,144</b>	<b>5,744</b>	<b>1,891</b>	<b>6,413</b>	<b>2,383</b>	<b>2,546</b>	<b>3,123</b>	<b>26,602</b>
Portfolio exchanges, net	7,301	(13,258)	99	1,768	7,216	(4,533)	(823)	2,230	-
Net change in fiduciary net assets before transfers	45,639	27,549	27,951	15,827	11,242	9,661	(369)	5,603	143,103
Intraplan administrative fee transfer	53	57	66	35	22	29	3	7	272
Fiduciary net assets, beginning of year	24,963	79,031	94,886	44,298	26,693	49,579	12,036	2,344	333,830
Fiduciary net assets, end of year	<u>\$ 70,655</u>	<u>\$ 106,637</u>	<u>\$ 122,903</u>	<u>\$ 60,160</u>	<u>\$ 37,957</u>	<u>\$ 59,269</u>	<u>\$ 11,670</u>	<u>\$ 7,954</u>	<u>\$ 477,205</u>

**CollegeInvest**  
**Direct Portfolio Fund**  
**Supplementary Schedule - Combining Schedule of Investments**  
**June 30, 2006**  
(Dollar amounts expressed in thousands)

	Aggressive Growth	Growth	Moderate Growth	Conservative Growth	Income	Stock Index	Bond Index	Money Market	Total
Underlying funds:									
Vanguard Total Stock Market Index Fund	\$ 59,775	\$ 58,913	\$ 55,842	\$ 21,366	\$ -	\$ 59,317	\$ -	\$ -	\$ 255,213
Vanguard Total Bond Market Index Fund	-	36,353	59,960	38,628	18,933	-	11,640	-	165,514
Vanguard Total International Stock Index Fund	10,848	11,203	6,437	-	-	-	-	-	28,488
Vanguard Prime Money Market Fund	68	74	477	36	9,376	(14)	(12)	7,926	17,931
Vanguard Inflation-Protected Securities Fund	-	-	-	-	9,550	-	-	-	9,550
Total investments, at fair value	<u>\$ 70,691</u>	<u>\$ 106,543</u>	<u>\$ 122,716</u>	<u>\$ 60,030</u>	<u>\$ 37,859</u>	<u>\$ 59,303</u>	<u>\$ 11,628</u>	<u>\$ 7,926</u>	<u>\$ 476,696</u>

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