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

FINANCIAL AND COMPLIANCE AUDITS
Fiscal Years Ended June 30, 2007 and 2006

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This report contains the results of financial and compliance audits of the Colorado Student Loan Program dba College Assist, Department of Higher Education, State of Colorado for the fiscal years ended June 30, 2007 and 2006. The audits were conducted pursuant to Section 23-3.1-109, C.R.S., which authorizes the State Auditor to conduct an annual audit of the Colorado Student Loan Program, dba College Assist, Department of Higher Education, State of Colorado. The report presents our conclusions, findings and recommendations and the responses of the Colorado Student Loan Program, dba College Assist, Department of Higher Education, State of Colorado.

Clifton Gunderson LLP

Denver, Colorado
December 20, 2007

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

Authority, Purpose, and Scope

This audit was conducted under Section 23-3.1-109, C.R.S., which authorizes the State Auditor to conduct an annual audit of the Colorado Student Loan Program dba College Assist, Department of Higher Education, State of Colorado. The State Auditor contracted with Clifton Gunderson LLP to perform this audit. The audit was conducted in accordance with auditing standards generally accepted in the United States of America as promulgated by the American Institute of Certified Public Accountants in *Statements on Auditing Standards;* the standards for financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; the Single Audit Act of 1996, as amended; and the provisions of Office of Management and Budget ("OMB") Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations,* as amended. The purpose of this report is to present the results of the financial and compliance audit of the Colorado Student Loan Program dba College Assist, Department of Higher Education, State of Colorado for the fiscal years ended June 30, 2007 and 2006 and to report on current year findings and on the implementation status of the prior year recommendations.

Audit Opinions and Reports

We expressed an unqualified opinion on the Colorado Student Loan Program dba College Assist (the "Enterprise") and aggregate remaining fund information financial statements, as of and for the fiscal years ended June 30, 2007 and 2006. We noted two control deficiencies that we considered to be significant deficiencies related to reporting to the U.S. Department of Education and timeliness of financial reporting. These are described in Recommendations No. 1 and No. 2 in the "Findings and Recommendations" section of this report.

Additional Required Communications

Accounting Policies. There were no changes to the Enterprise's accounting policies during the year ended June 30, 2007.

Management Judgments and Accounting Estimates. The Enterprise provides an allowance for loan losses of 93% of its purchased loans receivable. The allowance is determined based on historical collection experience of the related receivable. We reviewed management's methodology for estimating this allowance. There were no other significant accounting estimates of financial data which would be particularly sensitive and require substantial judgment by management.

Additional Required Communications (continued)

Significant Audit Adjustments.

The following are the significant audit adjustments, identified by the auditors, during our audit for Fiscal Year June 30, 2007:

- Prior period adjustment of $1,305,540 to correct discharge revenue not recorded in prior year.
- Prior period adjustment of $355,698 to correct for reinsurance receivables and expenses not recorded in prior year.
- Adjustment of $3,693,285 to adjust reinsurance receivable due from the U.S. Department of Education to actual.
- Adjustment of $3,713,078 to adjust claims payments due to lenders to actual.
- Adjustment of $401,987 to adjust amount due to the U.S. Department of Education for reinsurance to actual.
- Adjustment of $316,881 to correct discharge expense for amounts paid to lenders.

There were various other miscellaneous adjustments which were primarily reclassification adjustments to various balance sheet, and revenue and expense accounts. These and the above adjustments are reflected on the Enterprise's financial statements for the year ended June 30, 2007. There were no other adjustments arising from the audit that could, in our judgment, either individually or in the aggregate, have a significant effect on the Enterprise's financial reporting process.

Uncorrected Misstatements. There were four uncorrected misstatements aggregated by us during the current year audit. The Enterprise has determined that these uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The net effect of these adjustments on the change in net assets were approximately $422,000.

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 Enterprise's financial statements or our report on those financial statements.

Current Year Findings and Recommendations

The Enterprise has two current year findings and recommendations relating to controls over reporting to the U.S. Department of Education and related to timing of financial reporting. The Enterprise has agreed with these recommendations. A summary of the recommendations and the Enterprise's responses can be found in the Recommendation Locator.

Summary of Progress in Implementing Prior Year Recommendations

All recommendations from Fiscal Year June 30, 2006 and June 30, 2005 have been implemented.

Rec. No.	Page No.	Recommendation Summary	Enterprise's Response	Implementation Date
1.	10	The Enterprise should implement and strengthen controls over its reporting to the U.S. Department of Education.	Agree	November 2007
2.	11	The Enterprise should improve their timeliness of financial reporting to meet state deadlines.	Partially Agree	October 2008

Enterprise Background (Proprietary Funds)

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

Colorado Student Loan Program dba College Assist is a self-supporting enterprise and receives no State appropriation. The primary mission of the Enterprise is to assist Colorado residents with planning for and supporting lenders and Colorado institutions of higher education by administering the Federal Family Education Loan Program for the Federal Government.

On November 1, 2005, the Enterprise entered into an amendment to the original contract with Nelnet, Inc., with its principal offices located in Lincoln, Nebraska, to sell to Nelnet its student loan servicing division and to expand the administrative and support services related to such guarantee operations performed by Nelnet, Inc. Nelnet, Inc., acting as a service provider, performs loan origination services on behalf of the Enterprise, assists with Enterprise activities in accordance with the Lender Participation Agreements, the Voluntary Flexible Agreement ("VFA"), maintenance of the guarantee computer system, data exchange and other agreed upon services. As part of this agreement, Nelnet, Inc. and the Enterprise share revenue receipts with 70% credited to Nelnet, Inc. and 30% to the Enterprise. This amended agreement is for 10 years, expiring on October 30, 2015.

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

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

The Federal government serves as the reinsurer. If the Enterprise must reimburse a lender for an uncollectible loan, it files a claim for reimbursement to the Federal government pursuant to §428(c)(1) and §682.404(a) and the Voluntary Flexible Agreement ("VFA"). Fiscal Year 2005 is the first year under which the VFA existed between the Enterprise and the Federal government

(U.S. Department of Education). Under the VFA, claims paid by the Enterprise are reimbursed at 100% by the Federal government. In addition, the Enterprise is not only compensated for its collection efforts on defaulted loans, but also for its success at preventing such delinquencies and defaults.

On October 2, 2007, the Enterprise received formal notification from the U.S. Department of Education of its intent to terminate the Voluntary Flexible Agreement, effective January 1, 2008. The reason given for the termination was that the VFA was no longer cost neutral with the enactment of the College Cost Reduction and Access Act of 2007 (CCRAA). Cost neutrality to the Federal government is required for a VFA under 428A of the Higher Education Act of 1965, as amended.

The CCRAA was effective for most provisions on October 1, 2007. In accordance with provisions in the CCRAA, the termination notice also stipulated an immediate reduction in the account maintenance fees from .10% to .06%, and a revision in the guaranty agency collection retention revenue percentage for defaulted loans from 23% to 16%. Generally, other financial implications of CCRAA include increased costs for processing claims because of the elimination of exceptional performer status for lenders and the simplified claims reviews for them.

In addition to the immediate impact of the revised rates from CCRAA in the termination notice, the Enterprise expects a substantial reduction of fee revenue in subsequent years. Without the VFA, the Enterprise reverts to the standard fee structure for guaranty agencies, which means elimination of the delinquency prevention fee, a return to flat fees for collections instead of performance-based collection fees, a single 1% default aversion fee per loan instead of supplemental increases based upon performance, the loss of eligibility for re-billing default aversion fees for subsequent delinquencies, and the reintroduction of a 1% rebate of the fee if a loan defaults. Additionally, reinsurance paid to the Enterprise's Federal Fund on defaulted loans reverts to the standard rate of 95% for the majority of defaults instead of the 100% rate under the VFA.

The VFA termination also affects the revenue share rate with Nelnet, Inc. Under the agreement with Nelnet, dated November 1, 2005, the revenue share due to Nelnet increases from 70% to 80% upon termination of the VFA.

As of the writing of these statements, an amendment has been attached to an omnibus budget bill that will likely be signed into law. The amendment prohibits the automatic termination of a VFA and requires the U.S Department of Education to renegotiate the VFA to obtain cost neutrality not later than March 31, 2008.

Federal Family Education Loan Program

As previously mentioned, the Enterprise administers the Federal Family Education Loan Program (the "FFEL" program) for the Federal government. Since inception of the Enterprise in 1979, approximately $20.2 billion of loans have been guaranteed. The total loan portfolio (net loans outstanding) at June 30, 2007 is $12.7 billion. The FFEL program consists of Stafford, PLUS, and Consolidation Loans as described below.

Federal Stafford Loans (Subsidized and Unsubsidized)

Any student, regardless of income, may receive a Federal Stafford Loan. This program makes low-interest rate loans to students enrolled at participating colleges and universities. The interest rates are variable, and they are adjusted on July 1st of each year. Subsidized Stafford Loans are

those in which the Federal government pays the interest on the loan as long as the student is in school, or in grace period, or in loan deferment. If the student does not qualify financially for federal interest subsidy, the student can still borrow but will be responsible for interest payments (Unsubsidized Stafford Loan). The interest may be paid while in school, or it may accrue and be paid upon leaving school.

Since the creation of the Enterprise in 1979, Stafford loans totaling over $6.6 billion have been made to students. Students borrowed a total of $712 million in Stafford Loans in fiscal year 2007.

Federal PLUS Loans

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

Since 1979, parents participating in the PLUS program have received over $531 million in loans. In fiscal year 2007, the PLUS loans totaled $62 million.

Federal Consolidation Loans

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

Since inception of this program, loan consolidations total $12.6 billion. In fiscal year 2007, $3.5 billion in net loan consolidations were generated.

Additional information regarding the services and activities of the Enterprise may be obtained from the Director’s Office.

College Opportunity Fund (Fiduciary Fund)

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

Background

The State of Colorado changed its funding system for public higher education to a student-stipend program known as the College Opportunity Fund (or “COF”) in Fall 2005. Under the new system, the State no longer makes direct lump-sum financial transactions to its public institutions

for undergraduate education. Instead, these funds are provided to public and private higher education institutions on behalf of resident undergraduate students in the form of a stipend.

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

Each student receives an account of 145 lifetime credit hours that may be applied toward the cost of total in-state tuition for undergraduate degree programming. Caps do not exist on the number of credit hours that a student may take in any given academic year. Students who are unable to complete a baccalaureate degree within 145 credit hours may apply through either their institution or the Colorado Department of Higher Education for a one-time waiver of their lifetime-credit-hour allocation. Those students who exhaust their lifetime credit hour cap and are not provided a waiver will be required to pay the full cost of in-state tuition for the completion of their degree.

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

Students Attending Private Institutions

A portion of the College Opportunity Fund program was established to provide Pell-eligible students attending selected private institutions the ability to receive a half stipend or $43 per credit hour. For participation purposes, these students must have graduated from a Colorado high school and be considered an in-state resident.

Performance Contracts

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

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

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

Fee-for-Service Contracts

In addition to the funding that public institutions receive from the student stipends, they also collect state general fund dollars by entering into a fee-for-service contract with the Colorado Department of Higher Education. These contracts allow the state to purchase "specified educational services and facilities required for the full development of Colorado's educational and economic opportunities" (SB04-189). Institutional programs that receive fee-for-service funding may not collect stipend reimbursement from participating students.

How the College Opportunity Fund Works

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

Tuition
Under the College Opportunity Fund, resident students receive a bill for the total cost of in-state tuition, which includes both the student's share of tuition and the stipend. All eligible students who attend participating public institutions receive the same per credit stipend amount from the state.

Financial Aid
The College Opportunity Fund is not considered financial aid. The College Opportunity Fund is a way of delivering funding to institutions as stated in statute and the stipend is not classified as student financial aid. The stipend is not included in calculating a student's cost of attendance nor is it a resource to the student for financial aid purposes for students attending a public institution of higher education. When the state's budget for higher education is appropriated, funding for financial aid and the stipend are made through separate allocations.

Findings and Recommendations

Reporting to U.S. Department of Education

College Assist (The Enterprise) is a state agency that operates as a partnership between lenders such as banks, higher education institutions, and the U.S. Department of Education (USDE). The capital for making loans to students is provided by private lenders which include banks, saving and loan associations, credit unions, pension funds, insurance companies, or secondary markets. Under the Federal Family Education Loan Program, the Enterprise insures lenders against financial loss from default, disability, death, or bankruptcy. The USDE serves as the reinsurer. If the Enterprise must reimburse a lender for an uncollectible or discharged loan, it files a claim for 100% reimbursement from the USDE. The amount of claims filed with USDE by the Enterprise during Fiscal Year 2007 for uncollectible and discharged loans was $159,469,764 and $2,550,137, respectively.

Under the Voluntary Flexible Agreement between the Enterprise and USDE, the Enterprise is allowed to estimate the amount of claims to be paid at least four to seven days prior to the claims payment date and invoice the USDE for the amount on a weekly basis. The estimate for reimbursement includes amounts for both uncollectible and discharged loans. The Enterprise usually receives payment from the USDE approximately five to ten days after the USDE receives the claim request. The Enterprise prepares a request for payment through the Colorado State Department of Treasury on the claim payment date.

The Enterprise prepares a monthly reconciliation (Form 2000) which compares the amount received from the USDE to the amount the Enterprise paid to lenders for uncollectible and discharged loans. The Enterprise owes the USDE if the Enterprise received more than what it paid to lenders. The Enterprise is due reimbursement from USDE if the Enterprise paid more to lenders than it received from the USDE. The amount to be paid or received is submitted with the next weekly reimbursement request to the USDE.

During fiscal year 2007, the Enterprise realized that, although it was including discharged loan amounts on the weekly invoice sent to the USDE and receiving reimbursement for these claims, the Enterprise was not including discharged loan amounts on the monthly Form 2000 reconciliation. The Enterprise had a change in accounting personnel in October 2004, and this error occurred when a new person took over the preparation of the Form 2000. The line for discharges on the Form 2000 was inadvertently not included, and this was not detected when the report was reviewed. In addition, the Enterprise had been recording the activity in its system through one account, on a net basis. This did not easily allow for reconciliation of amounts paid to amounts received. The current controller identified this error in October 2006 when reconciling the Form 2000 to the weekly invoice for the prior month. In essence, by underreporting the amount of payments made to lenders on Form 2000, the Enterprise was returning amounts received back to the USDE. This error occurred on the monthly reconciliations from October 2004 through October 2006, which resulted in a reimbursement due from the USDE in the amount of $2,077,986. The breakdown between fiscal years is as follows: $316,436 for fiscal year 2005; $989,105 for fiscal year 2006; and $772,445 for fiscal year 2007.

The Enterprise requested reimbursement of $2,077,986 from the USDE by letter dated July 19, 2007, and received notification from the USDE by letter dated September 26, 2007 that the reimbursement request had been approved for the full amount requested. The $2 million revenue had not been recorded by the Enterprise in 2005 and 2006 and was wholly recorded in 2007; therefore, revenue was understated in fiscal years 2005 and 2006 and overstated in 2007. An adjustment was made to correct prior periods in fiscal year 2006 and 2007.

Recommendation No. 1

The Enterprise should implement and strengthen controls over the USDE Form 2000 reconciliation process by:

a. Ensuring complete and timely review of the monthly reconciliation.

b. Establishing a process to compare the monthly Form 2000 to the amounts reported on the weekly invoice, and to the amounts recorded in the general ledger.

c. Recording the activity related to these payments and reimbursements through separate accounts (gross amounts) so that any discrepancies between amounts paid and amounts received can be identified.

d. Ensuring that staff reviewing the Form 2000 are familiar with the reconciliation process in order to minimize the chance that errors would not be caught.

Enterprise Response:

a. Agree. Implementation Date: November 2006. The Enterprise has implemented procedures to reconcile the Form 2000 amounts to the general ledger activity to ensure that all amounts paid and billed during the month are accounted for.

b. Agree. Implementation Date: November 2006. The Enterprise has implemented procedures to reconcile on a monthly basis all discharges reported on the Form 2000 to the discharges reported on the weekly invoices, and to the discharges recorded in the general ledger.

c. Agree. Implementation Date: October 2007. The Enterprise established procedures to record the discharge activity related to reinsurance reimbursement and claims payments in separate revenue and expenses accounts.

d. Agree. Implementation Date: May 2007. The Enterprise established a review process for the Form 2000 to ensure it is reviewed by someone with Form 2000 knowledge and experience.

Timeliness of Financial Reporting

The State's financial reporting process requires the Enterprise to submit its annual financial statements and other financial information to the State Controller's Office at the end of October. The opinion on the Enterprise's financial statements is needed to support the audit of the State's Comprehensive Annual Financial Report. The contract with the Office of the State Auditor requires that the external auditor issue a financial and compliance audit report by October 31 that includes an opinion on the basic financial statements as well as findings and recommendations resulting from the audit. We discussed the audit timeline and related deadlines with the Enterprise at the May 10, 2007 Audit Entrance Conference. Delays in completing the audit impact the State's ability to complete its financial reporting process in a timely manner.

The reporting process and issuance of the financial and compliance audit report extended two months after the deadline. Fieldwork began in July 2007, but the majority of the audit work could not be completed until mid-November. A complete draft of the financial statements was not provided by the Enterprise until the second week in December. Failure to meet the deadline resulted from various factors including delays in receiving information from the Enterprise needed to complete the audit, determination and treatment of prior period adjustments, and competing priorities for the Enterprise's resources. The delays have impacted the State's ability to complete its financial reporting process in a timely manner. In addition, audited financial statements lose their relevance to management when issued long after the end of the fiscal year. The completion of the audited financial statements for the Enterprise have been consistently delayed for several years. The audit report for the Enterprise for fiscal year 2006 was released in April, 2007 - 9 months after the close of the fiscal year. The audit report for the Enterprise for fiscal year 2005 was released in March, 2006 - 8 months after the close of the fiscal year. The audit report for the Enterprise for fiscal year 2004 was released in February, 2005 - 7 months after the close of the fiscal year.

Recommendation No. 2

The Enterprise should evaluate options to expedite the closing and financial reporting processes in order to improve the timeliness of the year-end financial reporting process and audit support efforts needed to meet state deadlines. The Enterprise should also reassess the resources needed to support the audit process to ensure audit requests are addressed in an efficient and timely manner.

Enterprise Response:

Partially Agree. College Assist agrees that the October 31 deadline was not met. Furthermore, we will continue to allocate sufficient resources to meet all financial reporting and audit support efforts to ensure that clearly defined State deadlines are met. Due to extenuating circumstances regarding changes in accounting policies and financial presentation of certain activities, we notified the State auditor that we would not be able to meet the October 31 deadline. College Assist was not provided with revised deadlines. The auditors were aware that College Assist had all new accounting staff, which without specific notification otherwise believed that prior year timelines were acceptable. During this time period while continuing normal operations, College Assist was making extraordinary efforts to ensure changes made to the financial statements were complete, accurate, and met all federal regulations given the complex nature of the financial issues involved. Last minute notification of deadlines made it difficult to meet the audit deadline along with regular operating deadlines set by the Department of Education. In the future, College Assist will seek to ensure that a revised audit and financial reporting schedule is agreed upon should we have issues that delay the initial delivery of financial statements.

Auditor's Addendum:

The deadlines for completion of the audited financial statements are communicated at the beginning of the annual audit by the Office of the State Controller and the Office of the State Auditor and consistently applied across all State departments and agencies. College Assist has not met these deadlines for the past three years. This delay continues to impact the completion of the State's audited financial statements.

Disposition of Prior Year Audit Findings

The following is a summary of audit recommendations made as part of the financial audit for the year ended June 30, 2006 and June 30, 2005 and the current disposition of these recommendations.

2006 Recommendations:

Recommendation No. 1	Disposition
The Enterprise should implement and strengthen controls over its claims system and claims review process.	Implemented

Recommendation No. 2	Disposition
The Enterprise should improve its internal control over financial reporting.	Implemented

Recommendation No. 3	Disposition
The Enterprise should improve and follow established controls over disbursements from the College Opportunity Fund (its Private Purpose Trust Fund).	Implemented

2005 Recommendations:

Recommendation No. 1	Disposition
The Enterprise should establish control procedures over the repurchase liability accounts.	Implemented.

Recommendation No. 2	Disposition
The Enterprise should establish control procedures over collection liability accounts.	Implemented.

FINANCIAL SECTION

Independent Auditor's Report

Members of the Legislative Audit Committee:

We have audited the accompanying business-type activities (Proprietary Funds referred to as the "Enterprise") and the aggregate remaining fund information (Fiduciary Fund referred to as "COF") of the Colorado Student Loan Program dba College Assist, Department of Higher Education, State of Colorado as of and for the years ended June 30, 2007 and 2006, which collectively comprise the Enterprise and COF's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Enterprise and COF's management. Our responsibility is to express opinions on these financial statements based on our audits.

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

As discussed in Note 1, the basic financial statements of the Enterprise and COF are intended to present the financial position, and results of operations and cash flows for only that portion of the financial reporting entity, the State of Colorado, that is attributable to the transactions of the Enterprise and COF. They do not purport to, and do not present fairly, the financial position of the State of Colorado as of June 30, 2007 and 2006 and the changes in its financial position and its cash flows, where applicable, for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the aggregate remaining fund information of the Enterprise and COF as of June 30, 2007 and 2006 and the results of its operations and, cash flows, where applicable, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2007, on our consideration of the Enterprise and COF's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations,

contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis (MD&A) on pages 16 through 31 and pages 55 through 59 is not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this supplemental information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the Enterprise and COF's financial statements. The accompanying supplemental information for the Enterprise 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 presented fairly, in all material respects, in relation to the Enterprise's basic financial statements taken as whole.

Clifton Gunderson LLP

Denver, Colorado
December 20, 2007

The Management's Discussion and Analysis ("MD&A") is required by Governmental Accounting Standards. It was prepared by the Colorado Student Loan Program dba College Assist's ("Enterprise") management and is designed to provide an analysis of the Enterprise's financial condition and operating results for the Fiscal Years ended June 30, 2007 and 2006. The MD&A also informs the reader of the financial issues and activities related to the Enterprise. It should be read in conjunction with the Enterprise's financial statements, which begin on page 32. Colorado Student Loan Program dba College Assist, formerly dba College Access Network, is a state agency that provides origination, servicing, and collection services on behalf of private and non-profit lenders participating in the Federal Family Education Loan Program ("FFEL") pursuant to the *Higher Education Act as amended*.

Basic Financial Statements – Colorado Student Loan Program dba College Assist

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

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

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

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

Financial Overview

Colorado Student Loan Program dba College Assist ("Enterprise") is an Enterprise Fund of the State of Colorado. The Enterprise's activities are accounted for in two separate funds residing with the State Treasurer – the Agency Operating and Loan Servicing Fund and the Federal Reserve Fund. The following condensed financial statements distinguish between the Agency Operating (operating funds) for the guarantor functions of the Enterprise and the Federal Reserve Fund. The Federal Reserve Fund is designated only for paying lender claims and/or returning funds owed to the United States Department of Education ("DE"), respectively. The Federal Reserve Fund is the property of the federal government.

Management Highlights

During the 2004 legislative session, House Bill 04-1350 allowed the Enterprise, formerly the Colorado Student Loan Program, to change its name to *Colorado College Access Network, dba College Access Network* effective July 1, 2004. The name change was to position the Enterprise to capitalize on new markets internal and external to Colorado. House Bill 06-1260 reversed this

name change and returned the agency to its former legal name of Colorado Student Loan Program effective July 1, 2006 per C.R.S. 23-3.1-106 (1)(b), as amended. The Enterprise retained College Access Network as its "doing business as" name until December 31, 2006, when it changed the dba to College Assist.

The Enterprise's largest source of revenue in the Federal Reserve Fund is reinsurance from the U.S. Department of Education ("DE") on claims paid to lenders on defaulted loans. For Fiscal Year 2007 and Fiscal Year 2006, the Enterprise claims were reimbursed at 100% reflecting the Voluntary Flexible Agreement (VFA) entered into between the Enterprise and DE, effective July 1, 2004. For Fiscal Year 2007 and 2006, this represented $160,242,209 and $108,536,977 in revenue for the Federal Reserve Fund, respectively. Total claims paid to lenders for the Fiscal Year 2007 from the Federal Fund were $159,744,253, an increase of 47% from Fiscal Year 2006. The Enterprise re-implemented on July 1, 2004 a Guarantee Fee – a 1% fee paid by students or lenders on the disbursed principal of a loan for the purpose of sustaining the Federal Reserve Fund. The Guarantee Fee terminated on June 30, 2005. A small amount of the Fiscal Year 2005 Guarantee Fee revenue was collected in Fiscal Year 2006. Guarantee Fee revenue earned by the fund in Fiscal Year 2006 totaled $102,578. The total Federal Reserve Fund assets increased 60% between Fiscal Years 2006 and 2007. Effective July 1, 2006, the Higher Education Act, as amended, established a 1% default fee that was to be either collected by the Enterprise from lenders or borrowers or on behalf of borrowers. This is a required fee under the Higher Education Act, as amended. The establishment of the default fee terminates the ability of the Enterprise to collect a 1% guarantee fee. For Fiscal Year 2007 and 2006, the Enterprise decided to pay the fee on behalf of the borrower.

On November 1, 2005, the Enterprise entered into an amendment to the original Loan Servicing contract with Nelnet, Inc. to sell the Enterprise's student loan servicing division to Nelnet, Inc. and to expand the administrative and support services related to such guarantee operations performed by Nelnet, Inc. Nelnet, Inc., acting as a service provider, performs, on behalf of the Enterprise, loan origination services, assists with Enterprise activities in accordance with the Lender Participation Agreements, the VFA, maintenance of the guarantee computer system, data exchange and other agreed upon services. As part of this agreement, Nelnet, Inc. and the Enterprise share revenue receipts with 70% credited to Nelnet, Inc. and 30% to the Enterprise. In addition to the revenue sharing provision of the agreement, Nelnet, Inc. also paid $41.2 million to the State of Colorado for the ability to perform these services. This agreement is for 10 years.

The Enterprise is in the business of guaranteeing student loans and should a loan default, continuing collection efforts on these loans. During Fiscal Year 2007, the new gross loan volume guaranteed totaled $4,378,688,911. The gross new loan volume guaranteed in Fiscal Year 2006 was $4,405,313,722. The difference, $26,624,811, represents a .6% decrease in new loans guaranteed.

The slight decrease in new loan guarantees resulted primarily from an increase in Stafford loans offset by a decreased consolidation loan volume. Consolidation volume is created when borrowers combine all outstanding loans into a single loan that is often repaid over a longer term. In Fiscal Year 2007, new consolidation loans guaranteed totaled $3,535,755,086, compared to $3,883,078,475 in consolidation loan guarantees in Fiscal Year 2006. The diminished growth rate of new consolidations guaranteed in Fiscal Year 2007 over Fiscal Year 2006 resulted in a decrease of 9%. Overall total consolidation loans continued to grow in 2007 but at a decreased growth rate compared to prior year. In Fiscal Year 2007 students continued to take advantage of low interest rates.

The Enterprise's net loan portfolio (net outstanding loans guaranteed) on June 30, 2007, was $12,652,534,697. The net outstanding loans are computed by subtracting loan cancellations, loans paid in full, claims paid and uninsured loans from gross loan volume. The total loan portfolio increased 28% or $2,751,377,535 in Fiscal Year 2007. The Fiscal Year 2006 net outstanding loans were $9,901,157,162.

The Enterprise entered into a new funding agreement with the DE, effective July 1, 2004. The Voluntary Flexible Agreement (VFA) allowed the Enterprise to receive compensation performance incentives based on its success at preventing student loan defaults. Instead of receiving a majority of its fees for collecting on defaulted loans, fees are also earned by implementing strategies to prevent defaults. The Enterprise is required to prove to the DE that the VFA benefits student borrowers, is cost effective to Federal taxpayers, and saves the U.S. Department of Education resources.

On October 2, 2007, the Enterprise received formal notification from the U. S. Department of Education of its intent to terminate the Voluntary Flexible Agreement effective January 1, 2008. The notification cites the reason for termination as being that the Department has determined the agreement is no longer cost-neutral as required under 428A of the Higher Education Act of 1965, as amended (HEA). As a result, the Enterprise expects a substantial reduction of fee revenue in subsequent years.

For Fiscal Year 2007 and 2006, the Enterprise continued to operate under its VFA with DE and the agreement with Nelnet, Inc. The Enterprise's revenue streams changed significantly in Fiscal Year 2007 due to the Nelnet, Inc. agreement being in place for a full operating year in 2007 and only in place for a part of the year in 2006. The amount of operating revenues and expenses changed significantly as Nelnet, Inc. became responsible for the majority of operating expenses, and revenue sharing was in effect for a full operating year in 2007.

The net increase in net assets for the Agency Operating and Loan Servicing Fund is due to revenue increases in multiple revenue sources. Net assets grew by 6% from $43,885,538 in Fiscal Year 2006 to $46,662,238 in Fiscal Year 2007. Revenue changes for all Funds, including the Federal Reserve Fund, resulting from the VFA included:

- Reinsurance from DE to the Enterprise for claim payments to lenders at 100%, rather than at 95-98% as in past years. Claims are paid from the Federal Reserve Fund and the dollar-for-dollar reimbursement offsets those payments.
- Collections reimbursement at a variable rate rather than a fixed rate of 23%. The VFA's emphasis is on preventing defaults, not on collecting on accounts in default.
- Payment of the Default Aversion Fee at a variable rate with 1.01% being the floor and rising to 1.10%. Formerly, the rate was a flat 1% on all eligible default aversion requests.

  In addition, the Enterprise may re-bill DE for diversion requests on eligible loans that are older than 12 months. Default Aversion payments also are made directly to the Enterprise by DE rather than as a transfer from the Federal Reserve Fund.
- Account Maintenance Fee and Loan Processing Issuance Fee are invoiced to DE monthly.
- A Delinquency Prevention fee is based on how successful the Enterprise is in preventing delinquencies. This fee is also invoiced to DE on a monthly basis.

- The Enterprise is allowed to rehabilitate a loan based on a borrower making nine consecutive payments rather than 12 as has been done in the past. The Enterprise benefits from rehabilitating student loans, a process that allows student borrowers to rehabilitate their credit rating and bring their loans out of default.

The Federal Balanced Budget Act of 1997 and the 1998 Reauthorization of the Higher Education Act required the Enterprise to return funds to the Federal Government. In Fiscal Year 2003, two payments were made. One payment of $23,268,032 and a second payment of $1,577,957 were made from the Federal Reserve Fund for a total of $24,845,989. An additional recall payment of $1,531,547 was made in Fiscal Year 2007, with the final payment of $1,531,546 due to DE in Fiscal Year 2008 from the Federal Reserve Fund.

CONDENSED SCHEDULE OF NET ASSETS

	Agency Operating and Loan Servicing Funds			Federal Reserve and Drawdown Funds		
June 30,	**2007**	**2006**	**Percent Change**	**2007**	**2006**	**Percent Change**
ASSETS						
Current Assets	$52,343,362	$ 45,619,365	15%	$ -	$ -	
Restricted Assets	-	-		49,856,619	34,847,223	43%
Capital Assets	628,082	918,393	-32%	-	-	
Total Assets	$52,971,444	$46,537,758	14%	$49,856,619	$ 34,847,223	43%
LIABILITIES						
Current Liabilities	$ 5,961,713	$ 2,526,466	136%	$ -	$ -	
Noncurrent Liabilities	347,493	125,754	176%	-	-	
Liabilities Payable from Restricted Assets	-	-		10,586,685	8,117,240	30%
Total Liabilities	$ 6,309,206	$ 2,652,220	138%	$10,586,685	$ 8,117,240	30%
NET ASSETS						
Invested in Capital Assets	$ 628,082	$ 918,393	-32%	$ -	$ -	
Restricted Assets	-	-		39,269,934	26,729,983	47%
Unrestricted	46,034,156	42,967,145	7%	-	-	
Total Net Assets	$46,662,238	$43,885,538	6%	$39,269,934	$ 26,729,983	47%

June 30,	Agency Operating and Loan Servicing Funds 2006	2005	Percent Change	Federal Reserve and Drawdown Funds 2006	2005	Percent Change
ASSETS						
Current Assets	$ 45,619,365	$ 35,072,926	30%	$ -	$ -	
Restricted Assets	-	-		34,847,223	13,041,957	167%
Capital Assets	918,393	1,243,933	-26%	-	-	
Total Assets	$ 46,537,758	$ 36,316,859	28%	$ 34,847,223	$ 13,041,957	167%
LIABILITIES						
Current Liabilities	$ 2,526,466	$ 3,422,838	-26%	$ -	$ -	
Noncurrent Liabilities	125,754	321,255	-61%	-	-	
Liabilities Payable from Restricted Assets	-	-		8,117,240	4,221,993	92%
Total Liabilities	$ 2,652,220	$ 3,744,093	-29%	$ 8,117,240	$ 4,221,993	92%
NET ASSETS						
Invested in Capital Assets	$ 918,393	$ 1,029,741	-11%	$ -	$ -	
Restricted	-	-		26,729,983	8,819,964	203%
Unrestricted	42,967,145	31,543,025	36%	-	-	
Total Net Assets	$ 43,885,538	$ 32,572,766	35%	$ 26,729,983	$ 8,819,964	203%

Agency Operating and Loan Servicing Funds – Fiscal Year 2007

Unrestricted Net Assets of the Agency Operating and Loan Servicing Funds increased from $42,967,145 to $46,034,156 or 7% in Fiscal Year 2007. With the amended Nelnet agreement in place for a full operating year, both the Enterprise revenue and expenses were affected. New origination and consolidation volume increased the Enterprise's gross overall loan portfolio. Normally, this would have increased total operating expenses. However, under the provisions of the amended Nelnet agreement, 70% of the revenue was shared with Nelnet and along with decreased loan servicing fees offset by decreased operating expenses resulted in an insignificant change in operating income of $48,378. Total liabilities increased 138% primarily because of revenue sharing fees due and payable to the service provider as of year-end.

Agency Operating and Loan Servicing Funds – Fiscal Year 2006

Unrestricted Net Assets of the Agency Operating and Loan Servicing Funds increased from $31,543,025 to $42,967,145 or 36% in Fiscal Year 2006. With the amended Nelnet agreement in place, both the Enterprise revenue and expenses were affected. Two significant revenue changes affected Fiscal Year 2006. The first was a substantial decrease in contractual service fees related to loan servicing fees. Loan Servicing fees were reduced by $3.1 million due to the sale of this division to Nelnet, Inc. The other significant change was the receipt of $41.2 million from Nelnet under the agreement. New origination and consolidation volume increased the Enterprise's gross overall loan portfolio. Normally, this would have increased Agency revenues but with the amended Nelnet agreement in place, 70% of these revenues from November 1, 2005 to June 30, 2006 were shared with Nelnet, Inc. for their share and 30% remained with the

Agency due to the revenue sharing provisions of the amended agreement. (See Condensed Statement of Revenues and Condensed Statement of Expenses on the following pages.) Total liabilities decreased 29% because of a reduction in the amount owed to vendors as well as the transfer of loan collections due to DE from the Agency Operating Fund to the Federal Reserve Fund compounded by a 42% reduction in accrued salaries and benefits.

Federal Reserve Fund – Fiscal Year 2007

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

The total change in net assets was an increase of $12,539,951 (47%) from $26,729,983 to $39,269,934. The total increase reflects a net transfer of $9,939,298, which primarily include the federal default fee and account maintenance fees.

Federal Reserve Fund – Fiscal Year 2006

Total assets increased in Fiscal Year 2006 by 167% reflecting one significant change. As part of the Nelnet agreement, the Enterprise transferred $14,000,000 into the Federal Reserve Fund from the Agency Operating Fund to assist in meeting the Federal Reserve requirement of 25 basis points for future years. Guarantee fees were not collected in Fiscal Year 2006 as they terminated at the end of Fiscal Year 2005. The amount collected in Fiscal Year 2006 was from loans guaranteed prior to July 1, 2005 with the guarantee fees being collected shortly thereafter in Fiscal Year 2006.

The total change in net assets was an increase of $17,910,019 (203%) from $8,819,964 to $26,729,983. The total increase reflects a net transfer of $16,200,035, which included the $14,000,000 transferred during November 2005 into the Federal Reserve Fund from the Agency Operating and Loan Servicing Fund that was mentioned in the preceding paragraph.

CONDENSED SCHEDULE OF CHANGES IN NET ASSETS

	Agency Operating and Loan Servicing Funds			Federal Reserve and Drawdown Funds		
Years Ended June 30,	**2007**	**2006**	**Percent Change**	**2007**	**2006**	**Percent Change**
Operating Revenues	$ 16,744,299	$ 21,129,203	-21%	$ 160,242,209	$ 109,717,759	46%
Operating Expenses	6,333,021	10,669,547	-41%	159,744,253	108,789,537	47%
Operating Income	10,411,278	10,459,656	0%	497,956	928,222	-46%
Earnings on Investments	2,384,757	1,018,332	134%	2,102,890	781,764	169%
Loss on Sale of Equipment	-	(85,204)	-100%	-	-	
Intergovernmental non-operating expenses to other agencies	(80,230)	-	-100%	-	-	
Special Item	-	41,200,000	100%	-	-	
Operating Transfer	-	(25,079,979)	-100%	-	-	
Total Transfers In/(Out)	(9,939,298)	(16,200,035)	-39%	9,939,298	16,200,035	-39%
NET INCREASE IN NET ASSETS	2,776,507	11,312,770	-75%	12,540,144	17,910,021	-30%
NET ASSETS, BEGINNING	43,885,731	32,572,766	35%	26,729,790	8,819,964	203%
NET ASSETS, ENDING	$ 46,662,238	$ 43,885,536	6%	$ 39,269,934	$ 26,729,985	47%

	Agency Operating and Loan Servicing Funds			Federal Reserve and Drawdown Funds		
Years Ended June 30,	**2006**	**2005**	**Percent Change**	**2006**	**2005**	**Percent Change**
Operating Revenues	$ 21,129,203	$ 31,103,550	-32%	$ 109,717,759	$ 71,047,303	54%
Operating Expenses	10,669,547	20,040,311	-47%	108,789,537	64,740,853	68%
Operating Income	10,459,656	11,063,239	-5%	928,222	6,306,450	-85%
Earnings on Investments	1,018,332	534,385	91%	781,764	346,953	125%
Loss on Sale of Equipment	(85,204)	-	-100%	-	-	
Intergovernmental non-operating expenses to other agencies	-	879,832	-100%	-	(982,027)	-100%
Special Item	41,200,000	-	100%	-	-	
Operating Transfer	(25,079,979)	-	-100%	-	-	
Total Transfers In/(Out)	(16,200,035)	-	-100%	16,200,035	-	100%
NET INCREASE IN NET ASSETS	11,312,770	12,477,456	-9%	17,910,021	5,671,376	216%
NET ASSETS, BEGINNING	32,572,766	20,095,310	62%	8,819,964	3,148,588	180%
NET ASSETS, ENDING	$ 43,885,536	$ 32,572,766	35%	$ 26,729,985	$ 8,819,964	203%

CONDENSED SCHEDULE OF REVENUES

	Agency Operating and Loan Servicing Funds			Federal Reserve and Drawdown Funds		
Years Ended June 30,	**2007**	**2006**	**Percent Change**	**2007**	**2006**	**Percent Change**
OPERATING REVENUES						
Federal Grants and Contracts	$ 15,900,953	$ 18,115,491	-12%	$ 160,242,209	$108,536,977	48%
Charges for Goods and Services	85,208	2,594,108	-97%	-	102,578	-100%
Interest on Purchased Loans	421,081	402,842	5%	-	-	
Other	337,057	16,762	1911%	-	1,078,204	-100%
Total Operating Revenues	$ 16,744,299	$ 21,129,203	-21%	$ 160,242,209	$109,717,759	46%
Nonoperating Revenues	2,384,757	1,018,332	134%	2,102,890	781,764	169%
Interfund Transfers	-	-		9,939,298	16,200,035	-39%
Special Item	-	41,200,000	-100%	-	-	
TOTAL REVENUES	$ 19,129,056	$ 63,347,535	-70%	$ 172,284,397	$126,699,558	36%

	Agency Operating and Loan Servicing Funds			Federal Reserve and Drawdown Funds		
Years Ended June 30,	**2006**	**2005**	**Percent Change**	**2006**	**2005**	**Percent Change**
OPERATING REVENUES						
Federal Grants and Contracts	$ 18,115,491	$ 25,155,493	-28%	$ 108,536,977	$ 65,642,773	65%
Charges for Goods and Services	2,594,108	5,667,484	-54%	102,578	4,131,024	-98%
Interest on Purchased Loans	402,842	259,891	55%	-	-	
Other	16,762	20,682	-19%	1,078,204	1,273,506	-15%
Total Operating Revenues	$ 21,129,203	$ 31,103,550	-32%	$ 109,717,759	$ 71,047,303	54%
Nonoperating revenues	1,018,332	534,385	90%	781,764	346,953	125%
Interfund Transfers	-	-		16,200,035	-	100%
Special Item	41,200,000	-	100%	-	-	
TOTAL REVENUES	$ 63,347,535	$ 31,617,935	100%	$ 126,699,558	$ 71,394,256	77%

Agency Operating and Loan Servicing Funds – Fiscal Year 2007

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

Non-operating revenues in the Agency Operating and Loan Servicing Funds consist of earnings on temporary cash investments. Investment earnings increased from $1,018,332 in Fiscal Year 2006 to $2,384,757 (134%) in Fiscal Year 2007 – a reflection of larger cash flow available on a monthly basis in the Enterprise funds invested by the State Treasurer and somewhat higher interest rates.

Agency Operating and Loan Servicing Funds – Fiscal Year 2006

Net Federal Grants and Contracts revenue decreased in Fiscal Year 2006 from $25,155,493 in 2005 to $18,115,491 in 2006 or 28% in the Agency Operating and Loan Servicing Funds. As previously discussed, most changes in guarantee-related revenue resulted from decreased revenue due to the revenue sharing with Nelnet, Inc. About $16 million of both collections and VFA federal fee revenue was shared directly with Nelnet. In addition, all revenue related to the VFA was also shared, decreasing the amount of revenue the agency received. Additionally, contractual service fees related to loan servicing decreased nearly $3.1 million. Total operating revenues actually decreased 32%, again mainly due to the revenue sharing between the Agency and Nelnet, Inc. The overall Enterprise cash flow continued to improve due to monthly invoicing of fees due from DE compared to previous quarterly payment of those revenues. Special items increased 100%, due to the receipt of $41.2 million from Nelnet, Inc. in a one time transaction.

Non-operating revenues in the Agency Operating and Loan Servicing Funds consist of earnings on temporary cash investments. Investment earnings increased from $534,385 in Fiscal Year 2005 to $1,018,332 (90.6%) in Fiscal Year 2006 – a reflection of larger cash flow available on a monthly basis in the Enterprise funds invested by the State Treasurer and somewhat higher interest rates.

Federal Reserve Fund – Fiscal Year 2007

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

Federal Reserve Fund – Fiscal Year 2006

Federal Grants and Contracts increased in Fiscal Year 2006 by 65%, from $65,642,773 in 2005 to $108,536,977 in 2006. The increase reflects both an increase in the number of default claims paid to lenders and a slight increase in the size of some individual lender claims. The latter results from borrowers with larger-balance consolidation loans entering default. Reimbursement of claims by DE at 100% also impacted the increase in this revenue element. The revenue from guarantee fees paid is reflected in the Charges for Goods and Services in this fund ($102,578) while Other reflects the amount of a transfer ($1,078,204) to clear revenue that had been recorded in the Agency Operating Fund over a number of years that was due to the Federal Reserve Fund.

CONDENSED SCHEDULE OF EXPENSES

	Agency Operating and Loan Servicing Funds			Federal Reserve and Drawdown Funds		
Years Ended June 30,	**2007**	**2006**	**Percent Change**	**2007**	**2006**	**Percent Change**
OPERATING EXPENSES						
Guarantee Claims Paid to Lending Institutions	$ -	$ -		$ 159,744,253	$ 108,752,315	47%
Salaries and Fringe Benefits	2,917,798	5,564,503	-48%	-	-	
Contracted Collection Costs	-	522,183	-100%	-	-	
Other Operating and Travel	3,112,566	4,273,699	-27%	-	37,222	-100%
Depreciation	302,657	309,162	-2%	-	-	
Total Operating Expenses	$ 6,333,021	$ 10,669,547	-41%	$ 159,744,253	$ 108,789,537	47%
NON OPERATING EXPENSES						
Loss on Sale of Equipment	-	85,204	-100%	-	-	
Intergovernmental non-operating expenses to other agencies	80,230	-	100%	-	-	
TOTAL EXPENSES	$ 6,413,251	$ 10,754,751	-40%	$ 159,744,253	$ 108,789,537	47%

	Agency Operating and Loan Servicing Funds			Federal Reserve and Drawdown Funds		
Years Ended June 30,	**2006**	**2005**	**Percent Change**	**2006**	**2005**	**Percent Change**
OPERATING EXPENSES						
Guarantee Claims Paid to Lending Institutions	$ -	$ -		$ 108,752,315	$ 64,740,853	68%
Salaries and Fringe Benefits	5,564,503	11,855,407	-53%	-	-	
Contracted Collection Costs	522,183	1,470,786	-64%	-	-	
Other Operating and Travel	4,273,699	6,342,322	-33%	37,222	-	100%
Depreciation	309,162	371,796	-17%	-	-	
Total Operating Expenses	$ 10,669,547	$ 20,040,311	-47%	$ 108,789,537	$ 64,740,853	68%
NON OPERATING EXPENSES						
Loss on Sale of Equipment	85,204	-	100%	-	-	
Intergovernmental non-operating expenses to other agencies	-	102,195	-100%	-	982,027	-100%
TOTAL EXPENSES	$ 10,754,751	$ 20,142,506	-47%	$ 108,789,537	$ 65,722,880	66%

Agency Operating and Loan Servicing Funds – Fiscal Year 2007

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

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

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

Agency Operating and Loan Servicing Funds – Fiscal Year 2006

Salaries and Fringe Benefits decreased from $11,855,407 to $5,564,503 or (53%) in Fiscal Year 2006. The shifting of a majority of employees from the payroll of the Enterprise to Nelnet, Inc. caused this reduction. Once the agreement was finalized between the Enterprise and Nelnet, Inc., effective November 1, 2005, employees previously employed by the Enterprise became employees of Nelnet, Inc. Contracted Collection Costs decreased 64% from $1,470,786 in Fiscal Year 2005 to $522,183 in Fiscal Year 2006 due to the agreement between the Enterprise and Nelnet, Inc. Nelnet became responsible for all collections and was reimbursed for their cost by the sharing of collection revenue. The only costs associated with outside collection agencies were costs attributed to the first four months of Fiscal Year 2006 that were directly related to the operation of the Enterprise.

Other Operating and Travel decreased from $6,342,322 in 2005 to $4,273,699 in 2006 (32.6%) due to the sale of the Loan Servicing division to Nelnet, Inc. by the Enterprise. Non-operating expenses due to other agencies increased from $102,195 to $25,079,979. The majority of this non-operating expense ($25,000,000) was a payment from the Enterprise to CollegeInvest for the establishment of a statewide scholarship program to benefit Colorado higher education students. The remaining portion of the transfer ($79,979) was to the Colorado Commission on Higher Education (CCHE). This transfer was to reimburse CCHE for the Enterprise's share of higher education indirect cost allocation.

Federal Reserve Fund – Fiscal Year 2007

Guarantee Claims Paid to Lending Institutions increased from $108,752,315 in Fiscal Year 2006 to $159,744,253 in Fiscal Year 2007 (47%) due to factors noted under the revenue analysis above.

Federal Reserve Fund – Fiscal Year 2006

Guarantee Claims Paid to Lending Institutions increased from $64,740,853 in Fiscal Year 2005 to $108,752,317 in Fiscal Year 2006 (68%) due to factors noted under the revenue analysis above.

Budget versus Actual

The Enterprise prepared an annual budget for Fiscal Year 2007, based on fiscal year projected revenues and expenses that was reviewed and approved by the Executive Director of the Department of Higher Education.

Prior to Fiscal Year 2006, during the preparation of the annual budget, the Agency Operating and Loan Servicing Fund were budgeted as two funds. On February 17, 2005, the Enterprise completed the purchase of the Loan Servicing Fund from DE. Therefore, beginning with the Fiscal Year 2006 audit, the Loan Servicing Fund and the Agency Operating Fund is budgeted and reported as the Agency Operating Fund. Thereafter, as of November 1, 2005, an agreement was reached between the Enterprise and Nelnet, Inc. to sell the loan servicing division to Nelnet, Inc. Thus, the only revenues and expenses related to the Loan Servicing division as reported in the Enterprise audited financial statements is for the first four months of Fiscal Year 2006.

Agency Operating and Loan Servicing Funds – Fiscal Year 2007

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

Agency Operating and Loan Servicing Funds – Fiscal Year 2006

There was a small budgeted change in net assets for the Agency Operating and Loan Servicing Funds between Fiscal Year 2005 and Fiscal Year 2006. The amount projected to change was decrease of $1,705,175. The actual change in net assets was $11,312,772. The change was caused by a substantial decrease in operating expenses from the original budget amount ($21 million) and a slight decrease in projected revenues ($10 million), net of the $41.2 million received from Nelnet, Inc. as part of the agreement.

Of the nearly $10 million decrease in projected revenues, the majority of the change was in the amount received by the Enterprise from payments made by DE for VFA revenue items and subsequently shared on a 70/30 basis with Nelnet, Inc. receiving 70% of the revenue stream. Also as part of the agreement, the Enterprise sold the Loan Servicing division to Nelnet, Inc. thus the amount of revenues received from servicing loans were no longer available.

The reduction in expenditures came mainly from reduced personnel costs. As part of the agreement between the Enterprise and Nelnet, Inc., the majority of employees who were originally part of the Enterprise ended their employment with the Enterprise and became employees of Nelnet, Inc. Thus, the amount of funds projected for salaries and benefits were substantially reduced. Other expenses for the Loan Servicing division were also reduced due to the sale of that division to Nelnet, Inc. as part of the agreement.

The change in net assets includes non-operating payments and transfers of $40,927,509 (see definition of inter-fund transfers and detail of payments and transfers in section Inter-fund Transfers) from the Agency Operating Fund to College Invest for a scholarship program ($25,000,000), CCHE for indirect cost allocation payment ($79,979), and the Federal Reserve Fund ($16,200,035).

Federal Reserve Fund – Fiscal Year 2007

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

Federal Reserve Fund – Fiscal Year 2006

The original budgeted net gain for the Federal Reserve Fund was $5,746,705. The actual change in net assets was an increase of $17,910,019. The additional revenue caused the majority of this increase especially from the transfer of $14,000,000 in funds received from Nelnet, Inc. as well as the transfer of $1,078,204 of funds that had previously been recorded in the Agency Operating and Loan Servicing Fund due to the DE. In November 2005, the Enterprise transferred those funds.

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

Inter-fund transfers are made to reclassify revenues and expenditures that have been classified to a particular fund during the Fiscal Year and are now owed to another fund. In Fiscal Year 2007, the Enterprise made several transfers from the Agency Operating and Loan Servicing Fund. There were transfers to the Federal Reserve Fund to satisfy its Federal Fund Reserve requirement and transfers to satisfy the requirements for the complement on collections. In addition, for a number of years, DE has required the Enterprise to pay itself the Account Maintenance Fee from the Federal Fund. In Fiscal Year 2007, the Enterprise was required to transfer back into the Federal Fund the $4,152,470 it was allowed to transfer to the Agency Operating Fund in Fiscal Year 2006. The Account Maintenance Fee due for Fiscal Year 2007 remained unpaid as an outstanding receivable as of 2007 year-end.

The Enterprise made the following payments and transfers during Fiscal Year 2007:

Transfers from Agency Operating Fund to Federal Fund:	
Account Maintenance Fee Payback	$ (4,152,671)
Federal Default Fee	(5,165,420)
Federal Reserve Requirement	(316,882)
Complement on Collections	(304,325)
Net Transfers from the Agency Operating Fund to the Federal Fund	$ (9,939,298)
Intergovernmental non-operating expense from	
Transfer from Agency Operating Fund to CCHE	
Indirect Cost Allocation	(80,230)
Net non-operating expenses to other agencies	$ (80,230)

Intergovernmental Non-Operating Expenses and Inter-fund Transfers – Fiscal Year 2006

Inter-fund transfers are made to reclassify revenues and expenditures that have been classified to a particular fund during the Fiscal Year and are now owed to another fund. In Fiscal Year 2006, the Enterprise made several transfers from the Agency Operating and Loan Servicing Fund. There were transfers to the Federal Reserve Fund to satisfy its Federal Fund Reserve requirement and transfers to satisfy the requirements for the complement on collections. In addition, for a number of years, DE has required the Enterprise to pay itself the Account Maintenance Fee from the Federal Fund. The Enterprise was required to do so this past fiscal year. The Enterprise also paid $25,000,000 to CollegeInvest for purposes of establishing a scholarship program for Colorado higher education students. The Enterprise also transferred $20,000,000 to the Federal Fund to help stabilize that fund. The total payments and transfers made during Fiscal Year 2006 was $40,927,509.

The Enterprise made the following payments and transfers during Fiscal Year 2006:

Transfers from Federal Fund to Agency Operating Fund:	
Account Maintenance Fee Shortfall	$ 4,152,470
Transfers from Agency Operating Fund to Federal Fund:	
Complement on Collections	(352,505)
Stabilization of Federal Fund (from Nelnet proceeds)	(14,000,000)
Stabilization of Federal Fund (internal transfer)	(6,000,000)
Net Transfers from the Agency Operating Fund to the Federal Fund	$ (16,200,035)
Intergovernmental non-operating expense from Agency Operating Fund to CollegeInvest	
Establish Scholarship Program (from Nelnet proceeds)	$ (25,000,000)
Transfer from Agency Operating Fund to CCHE	
Indirect Cost Allocation	(79,979)
Net non-operating expenses to other agencies	$ (25,079,979)

Capital Assets – Fiscal Year 2007

The Enterprise spent $12,346 for the purchase of server software.

Capital Assets – Fiscal Year 2006

The Enterprise spent $238,988 for the purchase and installation of various pieces of information technology equipment, the largest being a $214,588 purchase of a disk storage array during Fiscal Year 2006.

Economic Facts and Conditions for the Future

Effective July 1, 2004, the U.S. Department of Education ("DE") granted the Enterprise a three-year contract with the DE known as a Voluntary Flexible Agreement (VFA). As of Fiscal Year-End 2007, the Enterprise continued to operate under the terms of the VFA. Provisions within the contract entitle either the DE or the Enterprise to rescind the agreement with 90 days notice.

On October 2, 2007, the Enterprise received formal notification from the U.S. Department of Education of its intent to terminate the Voluntary Flexible Agreement, effective January 1, 2008. The reason given for the termination was that the VFA was no longer cost neutral with the enactment of the College Cost Reduction and Access Act of 2007 (CCRAA). Cost neutrality to the Federal government is required for a VFA under 428A of the Higher Education Act of 1965, as amended.

The CCRAA was effective for most provisions on October 1, 2007. In accordance with provisions in the CCRAA, the termination notice also stipulated an immediate reduction in the account maintenance fees from .10% to .06%, and a revision in the guaranty agency collection retention revenue percentage for defaulted loans from 23% to 16%. Generally, other financial implications of CCRAA include increased costs for processing claims because of the elimination of exceptional performer status for lenders and the simplified claims reviews for them.

In addition to the immediate impact of the revised rates from CCRAA in the termination notice, the Enterprise expects a substantial reduction of fee revenue in subsequent years. Without the VFA, the Enterprise reverts to the standard fee structure for guaranty agencies, which means elimination of the delinquency prevention fee, a return to flat fees for collections instead of performance-based collection fees, a single 1% default aversion fee per loan instead of supplemental increases based upon performance, the loss of eligibility for re-billing default aversion fees for subsequent delinquencies, and the reintroduction of a 1% rebate of the fee if a loan defaults. Additionally, reinsurance paid to the Enterprise's Federal Fund on defaulted loans reverts to the standard rate of 95% for the majority of defaults instead of the 100% rate under the VFA.

The VFA termination also affects the revenue share rate with Nelnet, Inc. Under the agreement with Nelnet, dated November 1, 2005, the revenue share due to Nelnet increases from 70% to 80% upon termination of the VFA.

As of the writing of these statements, an amendment has been attached to an omnibus budget bill that will likely be signed into law. The amendment prohibits the automatic termination of a VFA and requires the U.S Department of Education to renegotiate the VFA to obtain cost neutrality not later than March 31, 2008.

The VFA has a number of provisions that impact the revenue of the Enterprise, many of which have been reviewed in the revenue sections of this Management Discussion and Analysis.

Despite waivers in the VFA, the Enterprise was informed by DE that no guaranty agency would be exempt from maintaining a .25% reserve ratio in its federal fund. Additionally, agencies would not be allowed to waive guarantee fees on loans originated by new borrowers.

With the agreement between the Enterprise and Nelnet, Inc. finalized during Fiscal Year 2006, revenues and expenditures will be substantially less than in the past. Because of this partnership, it is imperative that both organizations prosper. As loan volume increases and thus revenues, both parties will benefit not only in fees received but also in greater economies of scale and thus reduced expenditures.

During February 2006, Congress and the President approved the Higher Education Reconciliation Act of 2005. There were several significant changes made in this reauthorization. Two of the most significant were changes to the lender reimbursement rate as well as the establishment of a mandatory default fee.

The Enterprise began assessing a 1% default fee for loans disbursed after July 1, 2006, a factor that will increase the health of the Federal Reserve Fund during Fiscal Year 2006 and beyond. This fee is based on the net loan disbursement multiplied by 1%. The Enterprise decided to not charge either the lender or borrower this fee for Fiscal Year 2007 and 2006; but instead will fund the default fee from its Agency Operating Fund by making a transfer into the Federal Reserve Fund on a monthly basis. The decision to continue funding the default fee from the Agency Operating Fund or charging the lender or borrower the 1% fee or a combination will be made on an annual basis.

During Fiscal Year 2006, legislation was passed that put the Enterprise management under the direction of the Director of CollegeInvest. Along with this change, the name of the Enterprise was re-established as Colorado Student Loan Program d.b.a. College Access Network. In calendar year 2007, the d.b.a. changed from College Access Network to College Assist.

Financial Contact

If you have any questions about this report, please contact

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

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
PROPRIETARY FUNDS
COMBINED STATEMENTS OF NET ASSETS
June 30, 2007 and 2006

ASSETS

	2007	2006
CURRENT ASSETS		
Cash and pooled cash investments	$ 47,732,987	$ 43,021,552
Federal fees receivable	4,016,504	2,417,349
Other receivables, net	398,184	153,669
Supplies inventory	4,767	4,767
Prepaid expenses	190,920	46,814
Total current assets	52,343,362	45,644,151
RESTRICTED ASSETS		
Restricted cash and pooled cash investments	43,632,113	31,195,794
Federal reinsurance receivable	6,224,506	3,626,643
Total restricted assets	49,856,619	34,822,437
CAPITAL ASSETS		
Office furniture and equipment	1,616,182	1,616,182
Computer hardware and software	3,626,434	3,614,088
Leasehold improvements	97,946	97,946
	5,340,562	5,328,216
Less accumulated depreciation	(4,712,480)	(4,409,823)
Capital assets, net	628,082	918,393
TOTAL ASSETS	$ 102,828,063	$ 81,384,981

LIABILITIES AND NET ASSETS

	2007	2006
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 358,521	$ 300,241
Accrued compensated absences	24,971	27,227
Other current liabilities	5,578,221	2,187,829
Interfund payable - other agencies	-	11,169
Total current liabilities	5,961,713	2,526,466
LIABILITIES PAYABLE FROM RESTRICTED ASSETS		
Recall reserves due to U.S. Department of Education	1,531,547	3,063,093
Loan collections and other liabilities due to federal government	5,342,060	2,404,348
Claims due to lenders	3,713,078	2,649,799
Total liabilities payable from restricted assets	10,586,685	8,117,240
NONCURRENT LIABILITIES		
Accrued compensated absences	113,756	125,754
Other long term liabilities	233,737	-
Total noncurrent liabilities	347,493	125,754
Total liabilities	16,895,891	10,769,460
NET ASSETS		
Invested in capital assets	628,082	918,393
Restricted	39,269,934	26,729,983
Unrestricted	46,034,156	42,967,145
Total net assets	85,932,172	70,615,521
TOTAL LIABILITIES AND NET ASSETS	$ 102,828,063	$ 81,384,981

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

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
PROPRIETARY FUNDS
COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Years Ended June 30, 2007 and 2006

	2007	2006
OPERATING REVENUES		
Federal grants and contracts		
Collections on loans and bankruptcies	$ 13,722,754	$ 9,340,686
Federal fee revenue	35,226,237	24,982,911
Amount paid to service provider	(33,048,038)	(16,208,106)
Federal reinsurance	160,242,209	108,536,977
Charges for goods and services		
Contractual service fees	85,208	2,594,108
Guarantee fees	-	102,578
Collections revenue transfer	421,081	402,842
Other revenue	337,057	1,094,966
Total operating revenues	176,986,508	130,846,962
OPERATING EXPENSES		
Guarantee claims paid to lending institutions	159,744,253	108,752,315
Salaries and fringe benefits	2,917,798	5,564,503
Operating and travel		
Contracted collection costs	-	522,183
Other operating and travel	3,112,566	4,310,921
Depreciation	302,657	309,162
Total operating expenses	166,077,274	119,459,084
OPERATING INCOME	10,909,234	11,387,878
NON-OPERATING REVENUES (EXPENSES)		
Earnings on temporary cash investments	4,487,647	1,800,096
Loss on sale of equipment	-	(85,204)
Income before non-operating expenses to other agencies and special item	15,396,881	13,102,770
INTERGOVERNMENTAL NON-OPERATING EXPENSES TO OTHER AGENCIES	(80,230)	(25,079,979)
SPECIAL ITEM - Nelnet sale proceeds	-	41,200,000
CHANGE IN NET ASSETS	15,316,651	29,222,791
NET ASSETS, BEGINNING OF YEAR, as restated (See Note 19)	70,615,521	41,392,730
NET ASSETS, END OF YEAR	$ 85,932,172	$ 70,615,521

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

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
PROPRIETARY FUNDS
COMBINED STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2007 and 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from:		
Fees for service	$ 153,669	$ 3,602,952
Federal grants and contracts	208,995,173	138,133,816
Amount paid to service provider	(33,048,038)	(16,208,106)
Interest on purchased loans and other	421,081	402,842
Other sources	337,057	1,094,966
	176,858,942	127,026,470
Cash disbursed for:		
Guarantee claims paid to lending institutions	(159,720,309)	(105,037,998)
Employees	(2,698,315)	(6,049,879)
Suppliers	(156,089)	(3,545,700)
Contracted collection costs	-	(522,183)
Recall reserves paid to U.S. Department of Education	(1,531,546)	-
	(164,106,259)	(115,155,760)
Net cash provided by operating activities	12,752,683	11,870,710
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Intergovernmental payment	(80,230)	(25,079,979)
Proceeds from Nelnet sale	-	41,200,000
Net cash provided by (used in) noncapital activities	(80,230)	16,120,021
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(12,346)	(238,988)
Capital lease payments	-	(44,029)
Net cash used in capital and related financing activities	(12,346)	(283,017)
CASH FLOWS FROM INVESTING ACTIVITIES		
Earnings on temporary cash investments	4,487,647	1,800,096
NET INCREASE IN CASH AND TEMPORARY CASH INVESTMENTS	17,147,754	29,507,810
CASH AND TEMPORARY CASH INVESTMENTS, BEGINNING OF YEAR	74,217,346	44,709,536
CASH AND TEMPORARY CASH INVESTMENTS, END OF YEAR	$ 91,365,100	$ 74,217,346

	2007	2006
RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net operating income	$ 10,909,234	$ 11,387,878
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation	302,657	309,162
Receivables	(4,441,533)	(2,922,376)
Supplies inventory	-	63,788
Prepaid expenses	(144,106)	14,693
Accounts payable and accrued liabilities	58,280	(740,932)
Other current liabilities	3,390,392	1,426,829
Recall reserves due to U.S. Department of Education	(1,531,546)	-
Loan collections and other liabilities due to federal government	2,937,712	167,245
Claims paid to lenders	1,063,279	2,649,799
Accrued compensated absences	(14,254)	(485,376)
Interfund payable - other agencies	(11,169)	-
Other long term liabilities	233,737	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 12,752,683	$ 11,870,710

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

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity – Colorado Student Loan Program dba College Assist

Colorado Student Loan Program dba College Assist (the "Enterprise") is a self-supporting business of the State of Colorado. It was established as an entity of the Colorado Department of Higher Education pursuant to *Title 23, Article 3.1, Part 1, Colorado Revised Statutes, 1973,* as amended, and was created July 1, 1979. It was formerly called the Colorado Student Loan Program until July 1, 2004. The Enterprise administers the Federal Family Education Loan Program ("FFEL"), which consists of Stafford, Parent Loans for Undergraduate Students ("PLUS"), Supplemental Loans for Students ("SLS"), and Consolidation Loans Programs. The Enterprise guarantees loans by lending institutions to students attending post-secondary schools, in compliance with operating agreements (the "Agreements") with the U.S. Department of Education (the "DE"), pursuant to *Section 428 of the Higher Education Act of 1965* as amended (the "Act").

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

During the 2004 legislative session, House Bill 04-1350 allowed the Enterprise, formally the Colorado Student Loan Program, to change its name to Colorado College Access Network, dba College Access Network, effective July 1, 2004. The name change positioned College Access Network to capitalize on new markets internal and external to Colorado.

House Bill 06-1260 reversed this name change and returned the agency to its former legal name Colorado Student Loan Program effective July 1, 2006 per C.R.S. 23-3.1-106 (1)(b), as amended. The Enterprise retained College Access Network as its "doing business as" name until December 31, 2006, thereafter it changed the dba to College Assist.

The Enterprise entered into a new funding agreement with the DE effective July 1, 2004. The Voluntary Flexible Agreement ("VFA") allowed the Enterprise to receive compensation performance incentives based on its success at preventing student loan defaults. Instead of receiving a majority of its fees for collecting on defaulted loans, fees were also earned by implementing strategies to prevent defaults. The Enterprise was required to prove to the DE that the VFA benefits student borrowers, is cost effective (cost neutral) to Federal taxpayers, and saves the U.S. Department of Education resources. This agreement will be terminated effective January 1, 2008 (see Note 18).

Basis of Accounting and Presentation

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

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

The financial statements of the Enterprise have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), Financial Accounting Standards Board (FASB) and other applicable guidelines or pronouncements. The Enterprise uses self-balancing accounting funds to record its financial accounting transactions. However, GASB reporting guidelines require the Enterprise to report its assets, liabilities, net assets, revenues, expenses, changes in net assets and cash flows from an entity-wide perspective, rather than by accounting fund. The guidelines further require that intra-fund accounting transactions be eliminated. The Enterprise has the option to apply all FASB pronouncements issued after November 30, 1989, unless those pronouncements conflict with GASB standards. The Enterprise has elected not to apply FASB pronouncements after the applicable date.

Use of Estimates in Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Cash and Pooled Cash Investments

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

Receivables

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

Supplies Inventory

Supply commodities are carried in an inventory account at cost, which approximates market and are subsequently charged to expense when consumed.

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

Capital Assets

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

Depreciation is charged using a straight-line method over the estimated useful lives of the assets. Generally, furniture, equipment, and software are depreciated over 3 to 10 years. Leasehold improvements are depreciated over the lesser of 5 years, or the life of the lease in which the renovation was made.

Impairment of Long-Lived Assets

The Enterprise reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell. There were no impairment losses recorded for the years ended June 30, 2007 and 2006.

Liabilities

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

Compensated Absences

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

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

Loan Processing and Issuance Fee

Under the *Higher Education Act as amended*, the U.S. Department of Education pays the Enterprise a loan processing and issuance fee of .40% on net loans guaranteed by the Enterprise, effective October 1, 2003. Prior to October 1, 2003, the fee was .65%.

Account Maintenance Fee

Under the *Higher Education Act as amended*, the U.S. Department of Education pays the Enterprise an account maintenance fee of .10% of the original principal amount of outstanding loans.

Net Assets

The net assets of the Enterprise are classified as follows:

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

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

Unrestricted net assets: Unrestricted net assets represent resources derived from services provided to borrowers, lenders, and collection activities. These resources are used to pay the operating cost of the Enterprise. Although they are reported as unrestricted, the officers of the Enterprise internally designated these funds.

Classification of Revenues and Expenses

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

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

Loan Defaults

Student Loans guaranteed by the Enterprise that subsequently fall into default status are purchased by the Enterprise. This occurs after a claim is paid to the lending institution. Once a claim is paid to a lender, the Enterprise becomes the holder of the loan and seeks to collect on the loan. Although claim payments are made on defaults, deaths, disabilities and bankruptcies, only loans in default and loans included under Chapter 7 and Chapter 13 bankruptcies are collectible by the Enterprise. It is the Enterprise's policy under the Voluntary Flexible Agreement ("VFA") to retain from 17% to 25% of subsequent loan collections to cover the costs associated with collection efforts. The balance (83% to 75%) is remitted to the U.S. Department of Education ("DE"). On October 2, 2007, the Enterprise received formal notification from DE of its intent to terminate the VFA effective January 1, 2008 (see Note 18).

Defaulted Loans

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

Federal Reinsurance

Under the agreement with the DE, in accordance with Section 428 of the Act, the Enterprise was reimbursed by the DE for 100% of claims under the Voluntary Flexible Agreement. Upon termination of the Voluntary Flexible Agreement, the Enterprise will be subject the applicable statutorily defined federal reinsurance rates. The agreement will be terminated effective January 1, 2008 (see Note 18). Statutory Federal reinsurance on defaulted loans is paid according to the following schedule:

Rate of Annual Losses (Defaults)	Federal Reinsurance on Loans Made Prior to October 1, 1993	Federal Reinsurance on Loans Made October 1, 1993 Through September 30, 1998	Federal Reinsurance on Loans Made October 1, 1998 Through June 30, 2004 and after July 1, 2004 (VFA)
0% to 5%	100%	98%	95%
More than 5% but less than or equal to 9%	90%	88%	85%
Over 9%	80%	78%	75%

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

The rate of annual losses (defaults) for purposes of the application for Federal reinsurance is a result of the year-to-date incurred losses divided by the original amount of guaranteed loans in repayment status at the beginning of the year. The annual rate of default for the federal years ended September 30, 2007 and September 30, 2006 did not exceed 5% in either period.

Budgets and Budgetary Accounting

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

In summary, the total estimated revenues of the Enterprise were $286.8 million as compared with actual revenues of about $177 million for the Fiscal Year ended June 30, 2007. The total budgeted expenses for the Fiscal Year ended June 30, 2007 were $287.6 million compared to actual expenses of approximately $166.1 million.

NOTE 2 – CASH AND INVESTMENTS

The Enterprise deposits cash with the Colorado State Treasurer as required by the Colorado Revised Statutes (CRS). The State Treasurer pools these deposits and invests them in securities approved by CRS 24-75-601.1. The Enterprise reports its share of the Treasurer's unrealized gains and losses based on its participation in the State Treasurer's pooled cash investments. All of the investments are reported at fair value, which is determined based on quoted market prices at June 30, 2007 and 2006. The State Treasurer will not invest pooled resources in external investments, and there is no assignment of income related to participation in the pool. Detailed information on the State Treasurer's pooled cash and investments is available from that office. It may also be obtained in the State of Colorado's Comprehensive Annual Financial Report.

Including restricted amounts, the Enterprise had $91,324,234 and $73,689,853 on deposit with the State Treasurer at June 30, 2007 and 2006, respectively. Cash on hand, including petty cash funds at June 30, 2007 and 2006, was $200 and $200, respectively.

At June 30, 2007 and 2006, the Enterprise had cash deposited in banks with a book or carrying value of $40,666 and $527,293, respectively. At June 30, 2007 and 2006, the bank balance of this cash was $41,034 and $1,728,922, respectively. These amounts are federally insured deposits, or deposits fully collateralized with securities held by the State, or the banks' trust department or its agent, in the name of the Enterprise. The Enterprise had no uninsured or uncollateralized deposits in the bank.

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

The following summarizes cash and investments:

	2007	2006
Cash on deposit with State Treasurer	$ 91,877,803	$ 74,754,432
State Treasurer pooled cash investments – unrealized Loss	(553,569)	(1,064,579)
Cash on hand in transit to bank	91,324,234	73,689,853
Petty cash	200	200
Cash on deposit with banks	40,666	527,293
Total	$ 91,365,100	$ 74,217,346

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

	2007	2006
Cash and pooled cash investments	$ 47,732,987	$ 43,021,552
Restricted cash and pooled cash investments	43,632,113	31,195,794
Total	$ 91,365,100	$ 74,217,346

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

Custodial Credit Risk – Cash Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the Enterprise will not be able to recover their deposits or will not be able to recover collateral securities that are in the possession of an outside party. Monies in the demand deposit accounts are insured by federal depository insurance for the first $100,000. Deposits in excess of the $100,000 limit are collateralized subject to the provisions of the State's Public Deposit Protection Act for monies held within the State. All amounts are fully insured by the FDIC.

NOTE 3 – OTHER RECEIVABLES – NET

Other receivables – net, includes purchased student loans. Purchased student loans represent loan balances not reinsured by the DE that are the property of the Enterprise. Since the loans are purchased by the Enterprise and become an asset of the Enterprise, they do not fall within the scope of reinsurance from the DE. An allowance for the uncollectible loans equal to 93% of the purchased loans receivable has been recorded at June 30, 2007 and 2006. These rates are based on historical collection activity for purchased student loans. The net purchased loans receivable included in Other receivables – net at June 30, 2007 and 2006 is $59,120 and $81,065, respectively.

NOTE 4 – ACCRUED PAYROLL

Under Senate Bill 03-197, salaries and wages for June 2007 and 2006 that were earned at the end of the month were paid at the beginning of July. This created an accrued liability at June 30, 2007 and 2006 of $173,786 and $167,556, respectively, for incurred but unpaid salaries and wages which is included in accounts payable and accrued liabilities on the accompanying combined statements of net assets.

NOTE 5 – CAPITAL ASSETS

A summary of changes in capital assets is as follows for the years ended June 30, 2007 and 2006:

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

NOTE 5 – CAPITAL ASSETS (CONTINUED)

	Balance July 1, 2005	Additions	Disposals	Balance June 30, 2006
Office furniture and equipment	$ 2,038,877	$ -	$ (422,695)	$ 1,616,182
Computer hardware	3,444,200	238,988	(69,100)	3,614,088
Property held under capital lease	329,144	-	(329,144)	-
Leasehold improvements	97,946	-	-	97,946
Total	5,910,167	238,988	(820,939)	5,328,216
Less accumulated depreciation	(4,666,234)	(309,162)	565,573	(4,409,823)
Capital assets, net	$ 1,243,933	$ (70,174)	$ (255,366)	$ 918,393

NOTE 6 – LEASES AND NONCURRENT LIABILITIES

The Enterprise leased its office space and various other office equipment under operating leases for a period of eight months during 2006. At the end of the eight months, all operating and capital leases were assigned to Nelnet, Inc. The Enterprise continues to sublease a new office facility on a month-to-month basis.

Total rent expense for the years ended June 30, 2007 and 2006 was $229,939 and $395,808, respectively.

During the Fiscal Years ended June 30, 2007 and 2006, the following changes occurred with noncurrent liabilities:

	Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007	Amounts Due Within One Year
Accrued compensated absences	$ 152,981	$ 88,288	$ (102,542)	$ 138,727	$ 24,971
Other liabilities	-	233,737	-	233,737	-
Total	$ 152,981	$ 322,025	$ (102,542)	$ 372,464	$ 24,971

NOTE 6 – LEASES AND NONCURRENT LIABILITIES (CONTINUED)

	Balance July 1, 2005	Increases	Decreases	Balance June 30, 2006	Amounts Due Within One Year
Capital lease obligations	$ 214,192	$ -	$ (214,192)	$ -	$ -
Accrued compensated absences	638,357	-	(485,376)	152,981	27,227
Total	$ 852,549	$ -	$ (699,568)	$ 152,981	$ 27,227

NOTE 7 – COMMITMENTS

Statutory Guarantee Fund Requirements

The Enterprise was required by Federal and State statute to maintain a minimum reserve of .25% of the unpaid balance of outstanding loans. In conjunction with the Enterprise's funding agreement (VFA) with DE effective July 1, 2004, the reserve requirement was initially waived. However, the Enterprise was notified by DE in March 2005 that waivers would not be granted exemption from maintaining a .25% reserve ratio in its Federal Fund. The Enterprise has met this requirement and believes it will continue to meet the reserve requirement. DE assesses the required reserve amount at September 30 of each year.

Commitment

The Enterprise entered into a long-term contract for systems operations and maintenance. Future minimum payments required under this agreement consist of the following:

Year Ending June 30	
2008	$ 898,000
2009	874,182
2010	926,633
2011	982,230
2012	1,041,164
Thereafter	1,769,403
Total	$ 6,491,612

NOTE 8 – CONTINGENCIES

Loan Guarantees

The outstanding principal balance of student loans guaranteed by the Enterprise through June 30, 2007 is more than $12.6 billion. As disclosed in Note 1, the Federal government reinsures new loans guaranteed at a Voluntary Flexible Agreement minimum rate of 100% until the Enterprise's rate of annual losses (defaults) exceeds 5%. If the Enterprise exceeds the 5% threshold (the trigger rate), it may be liable for up to a maximum 25% of the outstanding balance of loans in repayment at the beginning of each year. The Enterprise did not exceed its trigger rate for the period ended June 30, 2007, or prior years.

NOTE 9 – EMPLOYEE PENSION PLAN

Plan Description

Most of the Enterprise's employees participate in a defined benefit pension plan. The plan's purpose is to provide income to members and their families at retirement or in case of death or disability. The plan is a cost sharing multiple employer plan administered by the Public Employees' Retirement Association (PERA). PERA was established by state statute in 1931. 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.

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

Prior to legislation passed during the 2006 session, higher education employees may have participated in social security, PERA's defined benefit plan, or the institution's optional retirement plan. Based on the 2006 legislation, higher education employees hired on or after January 1, 2008, have the additional option of participating in the state's defined contribution plan or PERA's defined contribution plan, which are discussed below, as well as the plans available to other employees in their institution.

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

NOTE 9 – EMPLOYEE PENSION PLAN (CONTINUED)

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

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

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

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

State troopers and judges comprise a small percentage of plan members but have higher contribution rates, and state troopers are eligible for retirement benefits at different ages and years of service.

Members automatically receive the higher of the defined retirement benefit or money purchase benefit at retirement. Defined benefits are calculated as 2.5 percent times the number of years of service times the highest average salary (HAS). For retirements before January 1, 2009, HAS is calculated as one-twelfth of the average of the highest salaries on which contributions were paid, associated with three periods of 12 consecutive months of service credit and limited to a 15 percent increase between periods. For retirements after January 1, 2009 or persons hired on or after January 1, 2007, more restrictive limits are placed on salary increases between periods used in calculating HAS.

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

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

NOTE 9 – EMPLOYEE PENSION PLAN (CONTINUED)

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

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, 2006, to December 31, 2006, the state contributed 10.65 percent (13.35 percent for state troopers and 14.16 percent for the Judicial Branch) of the employee's salary. From January 1, 2007, through June 30, 2007, the state contributed 11.15 (13.85 percent for state troopers and 14.66 percent for the Judicial Branch). During all of Fiscal Year 2006-07, 1.02 percent of the employees total salary was allocated to the Health Care Trust Fund.

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

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

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

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

NOTE 9 – EMPLOYEE PENSION PLAN (CONTINUED)

College Assist's contributions on behalf of the Funds to the three programs described above for the years ended June 30, 2007, 2006 and 2005 were $182,915, $390,666, and $898,919, respectively. These contributions met the contribution requirement for each year.

NOTE 10 – VOLUNTARY TAX-DEFERRED RETIREMENT PLANS

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

NOTE 11 – 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. Effective July 1, 2000, the maximum monthly subsidy is $230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; and $115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The maximum subsidy is based on the recipient having 20 years of service credit, and is subject to reduction by 5 percent for each year less than 20 years.

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

Monthly premium costs for participants depend on the health care plan selected, the number of persons covered, Medicare eligibility, and the number of years of service credit. PERA contracts with a major medical indemnity carrier to administer claims for self-insured medical benefit plans, and another carrier for prescription benefits, and with several health maintenance organizations providing services within Colorado. As of December 31, 2006, there were 42,433 enrollees in the plan.

NOTE 11 – POSTRETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS (CONTINUED)

Life Insurance Program

During Fiscal Year 2006-07, PERA provided its members access to a group decreasing term life insurance plan offered by UnumProvident in which 41,101 members participated. Active members may join the UnumProvident Plan and continue coverage into retirements. Premiums are collected by monthly payroll deductions are other means. In addition, PERA maintained coverage for 12,790 members under closed group plans underwritten by Anthem Life, Prudential and New York Life.

NOTE 12 – LITIGATION

The Enterprise was involved in various legal proceedings primarily for personnel related actions. These matters were settled during the year ended June 30, 2007 with no material impact on the financial condition of the Enterprise. The Enterprise does not believe that its ongoing legal proceedings with Raytheon Corporation will result in any substantial liability.

NOTE 13 – FEDERAL AND STATE LEGISLATIVE IMPACTS ON THE ENTERPRISE

Balanced Budget Act of 1997

As a result of the Balanced Budget Act of 1997, guarantee agencies were required to transfer approximately $1 billion of guarantor reserves to the Federal Treasury in Federal Fiscal Year 2002. Beginning in Fiscal Year 1998, each guarantee agency was required to establish a restricted account in which each agency will be required make an annual transfer of funds. The principal amount in the restricted accounts will not be available for use; however, interest earnings will be utilized for default reduction activities. The Enterprise transferred $23,268,032 million to its recall fund at June 30, 2002. In September 2002, the Division paid $23,268,032 to DE for this recall.

1998 Reauthorization of Higher Education Act

In October 1998, legislation was passed re-authorizing the Higher Education Act. One of the provisions of reauthorization requires the guarantee agencies to pay back reserves to the Federal Treasury of $250 million by September 30, 2007. The Enterprise's share of this recall is $4,641,050. The Enterprise paid DE $1,531,546 and $1,577,957 in Fiscal Year 2007 and 2003, respectively. The final payment of $1,531,547 will be paid in Fiscal Year 2008. The recall reserve due in Fiscal Year 2008 is recorded as a restricted liability.

The legislation also required the Enterprise to set up an Agency Operating Fund and a Federal Reserve/Escrow Fund. These accounting funds are maintained on the accounting system, and are combined for financial reporting purposes.

NOTE 14 – RISK MANAGEMENT

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

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

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

NOTE 15 – TAX, SPENDING AND DEBT LIMITATIONS

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

NOTE 16 – NELNET, INC. AGREEMENT

On November 1, 2005, the Enterprise announced an agreement to expand its existing relationship with its current servicing vendor, Nelnet, Inc. ("Nelnet"). Under this expanded agreement, Nelnet will operate all aspects of the guarantee servicing operations for the agency. This represents the majority of the agency's business operations.

As part of the Nelnet, Inc. agreement with the State of Colorado, Nelnet agreed to provide an upfront fee of $41,200,000 for the right to provide guarantee services. The $41,200,000 upfront fee was subsequently used to provide $25,000,000 in scholarship funds, $14,000,000 for stabilization of the Federal Reserve Fund used to pay lender claims on defaulted loans and $2,200,000 for Enterprise operations.

NOTE 16 – NELNET, INC. AGREEMENT (CONTINUED)

The agreement also requires that Nelnet be responsible for all operating expenses associated with this expanded servicing contract. This includes, but is not limited to, personnel, operating, rent, and other expenses normally associated with running a government agency. Nelnet will receive seventy percent of the Enterprise fees included in operating revenues under the expanded agreement to pay for these operating expenses. The Enterprise itself retains thirty percent of these fees to pay for contract monitoring and related activities under the agreement. The agreement further specifies that upon termination of the VFA, the fees will be split eighty percent to Nelnet, while the Enterprise retains twenty percent (see Note 18) to compensate Nelnet for reduced fee revenue.

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

NOTE 17 – PRIOR PERIOD ADJUSTMENTS

During the year ended June 30, 2007, the Enterprise discovered that certain federal fund receivables and payables totaling $3,599,641 and $2,649,799, respectively, should have been recorded in prior years. An adjustment to prior year's revenue and expense has been recorded to recognize the prior years' net effect. The adjustment results in an increase of $949,842 to the ending Net Assets at June 30, 2006, as follows:

Net assets, June 30, 2006, as previously reported	$ 69,665,679
Prior period adjustments	
Addition to Federal reinsurance receivable	3,599,641
Addition to claims due to lenders	(2,649,799)
Net assets, June 30, 2006, as restated	$ 70,615,521

NOTE 18 – SUBSEQUENT EVENTS

On October 2, 2007, the Enterprise received formal notification from the U.S. Department of Education of its intent to terminate the Voluntary Flexible Agreement, effective January 1, 2008. The reason given for the termination was that the VFA was no longer cost neutral with the enactment of the College Cost Reduction and Access Act of 2007 (CCRAA). Cost neutrality to the Federal government is required for a VFA under 428A of the Higher Education Act of 1965, as amended.

The CCRAA was effective for most provisions on October 1, 2007. In accordance with provisions in the CCRAA, the termination notice also stipulated an immediate reduction in the account maintenance fees from .10% to .06%, and a revision in the guaranty agency collection retention revenue percentage for defaulted loans from 23% to 16%. Generally, other financial implications of CCRAA include increased costs for processing claims because of the elimination of exceptional performer status for lenders and the simplified claims reviews for them.

NOTE 18 – SUBSEQUENT EVENTS (CONTINUED)

In addition to the immediate impact of the revised rates from CCRAA in the termination notice, the Enterprise expects a substantial reduction of fee revenue in subsequent years. Without the VFA, the Enterprise reverts to the standard fee structure for guaranty agencies, which means elimination of the delinquency prevention fee, a return to flat fees for collections instead of performance-based collection fees, a single 1% default aversion fee per loan instead of supplemental increases based upon performance, the loss of eligibility for re-billing default aversion fees for subsequent delinquencies, and the reintroduction of a 1% rebate of the fee if a loan defaults. Additionally, reinsurance paid to the Enterprise's Federal Fund on defaulted loans reverts to the standard rate of 95% for the majority of defaults instead of the 100% rate under the VFA.

The VFA termination also affects the revenue share rate with Nelnet, Inc. Under the agreement with Nelnet, dated November 1, 2005, the revenue share due to Nelnet increases from 70% to 80% upon termination of the VFA.

As of the writing of these statements, an amendment has been attached to an omnibus budget bill that will likely be signed into law. The amendment prohibits the automatic termination of a VFA and requires the U.S Department of Education to renegotiate the VFA to obtain cost neutrality not later than March 31, 2008.

NOTE 19 – PRESENTATION

Certain reclassifications have been made to 2006 balances to conform to the 2007 presentation.

The Management's Discussion and Analysis (MD&A) is required by Governmental Accounting Standards. The Management's Discussion and Analysis (MD&A) below was prepared by the Enterprise's management on behalf of the College Opportunity Fund and is designed to provide an analysis of the College Opportunity Fund's financial condition and operating results for the Fiscal Year ended June 30, 2007 and 2006. Fiscal Year 2006 was the first year of existence for the College Opportunity Fund. The MD&A also informs the reader of the financial issues and activities related to the College Opportunity Fund. It should be read in conjunction with the College Opportunity Fund's financial statements, which begin on page 61.

Basic Financial Statements – College Opportunity Fund

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

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

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

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

Financial Overview

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

Management Highlights

Under S.B.04-189, Colorado changed its funding system for public higher education to a student-stipend program known as the College Opportunity Fund in Fall 2005. Under the new system, the state no longer makes direct lump-sum financial transactions to its public institutions for undergraduate education. Instead, these funds are provided to public and private higher education institutions on behalf of resident undergraduate students in the form of a stipend.

Stipends are set annually by the General Assembly during the state's budget process. The allocation is defined on a per-credit-hour basis where the advertised amount is representative of a full-time student taking 30 credit hours each year. For the 2006-07 and 2005-06 academic year, the state provided each participating student with a $2,580 or $86 per credit hour stipend and $2,400 or $80 per credit hour stipend, respectively.

Inception Date

The College Opportunity Fund was a new program for State Fiscal Year 2006 and continued to be funded through Fiscal Year 2007. Thus, this will be the first year that all financial statements and related schedules will be presented on a comparative basis.

FIDUCIARY FUND
(COLLEGE OPPORTUNITY FUND)
CONDENSED SCHEDULE OF NET ASSETS

Years Ended June 30,	2007	2006	Percent Change
ASSETS			
Total Assets - All Current	$ 1,834,311	$ 3,344,176	-45%
LIABILITIES			
Accounts Payable - Total Current Liabilities	-	3,291,175	-100%
NET ASSETS			
Restricted	1,834,311	53,001	3361%
Total Net Assets	$ 1,834,311	$ 53,001	3361%

Years Ended June 30,	2006	2005	Percent Change
ASSETS			
Total Assets - All Current	$ 3,344,176	$ -	100%
LIABILITIES			
Accounts Payable - Total Current Liabilities	3,291,175	-	100%
NET ASSETS			
Restricted	53,001	-	100%
Total Net Assets	$ 53,001	$ -	100%

Schedule of Net Assets – Fiscal Year 2007

Restricted Net Assets of the College Opportunity Fund at year-end were $1,834,311. During the Fiscal Year there was $315,642,121 appropriated to the Colorado Commission on Higher Education for use under the College Opportunity Fund statutes. Of the total amount appropriated for College Opportunity Fund, nearly 100% was used for stipends for Colorado students attending Colorado Higher Education Institutions. Total assets are $1,834,311. There were no outstanding liabilities at year-end.

Schedule of Net Assets – Fiscal Year 2006

Restricted Net Assets of the College Opportunity Fund ended the year with $53,001. During the Fiscal Year there was $272,576,123 appropriated to the Colorado Commission on Higher Education for use under the College Opportunity Fund statutes. Of the total amount appropriated for College Opportunity Fund, nearly 100% was used for stipends for Colorado students attending Colorado Higher Education Institutions. Current liabilities for the Fiscal Year 2006 are $3,291,175. This amount represented stipend amounts paid to schools during the month of July 2006 for spring semester reconciliations. During the College Opportunity Fund's first year of operation, it ended the year with total assets of $3,344,176. Of this amount, $3,291,175 was paid the month following the end of the Fiscal Year. The accounts payable is due to the timing of when the final spring semester reconciliations are completed by the individual institutions and sent to College Assist (the "Enterprise") for processing and payment.

FIDUCIARY FUND
(COLLEGE OPPORTUNITY FUND)
CONDENSED SCHEDULE OF CHANGES IN NET ASSETS

Years Ended June 30,	**2007**	**2006**	**Percent Change**
ADDITIONS			
Trust Revenues	$ 315,642,120	$ 272,576,123	16%
DEDUCTIONS			
Trust Fund Expenses	313,860,810	272,523,122	15%
CHANGE IN NET ASSETS	1,781,310	53,001	3261%
NET ASSETS, BEGINNING OF YEAR	53,001	-	
NET ASSETS, END OF YEAR	$ 1,834,311	$ 53,001	3361%

Years Ended June 30,	**2006**	**2005**	**Percent Change**
ADDITIONS			
Trust Revenues	$ 272,576,123	$ -	
DEDUCTIONS			
Trust Fund Expenses	272,523,122	-	
CHANGE IN NET ASSETS	53,001	-	
NET ASSETS, BEGINNING OF YEAR	-	-	
NET ASSETS, END OF YEAR	$ 53,001	$ -	

Revenue and Expenditures – Fiscal Year 2007

During Fiscal Year 2007, the General Assembly appropriated $315,642,121 of which $313,860,810 was paid to Colorado Higher Education Institutions for student stipends used to offset tuition costs. The remaining $1,781,311 will be maintained in the fund to establish reserves or to be used during periods of shortfall. All state universities and university systems are eligible to participate in the College Opportunity Fund program per statute. In addition, two private colleges participate, Denver University and Regis University. Of the total amount appropriated for the College Opportunity Fund, $908,552 was specifically provided to the two private institutions participating in the program.

Revenue and Expenditures – Fiscal Year 2006

During Fiscal Year 2006, the General Assembly appropriated $272,576,123 of which $272,523,122 was sent to Colorado Higher Education Institutions for student stipend payments used to offset tuition costs. All state universities and university systems are eligible to participate in the College Opportunity Fund program per statute. In addition, two private colleges participate, Denver University and Regis University. Of the total amount appropriated for the College Opportunity Fund, $720,000 was specifically provided to the two private institutions participating in the program.

Budget versus Actual

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

To support the College Opportunity Fund, the Enterprise supports the Fund's operation as part of its budget on an annual basis. For Fiscal Year 2007 and 2006, College Assist budgeted $427,710 and $438,515, respectively. This support includes data support including programming costs, direct contact with higher education institutions, and direct contact with all middle and high schools in the State of Colorado as required by the statute. Of the total amount budgeted, for Fiscal Year 2007 and 2006, $318,086 and $211,141, respectively, was spent on this support. Two major factors caused this difference; one being a substantial decrease in the amount of anticipated employees and the second was costs associated with operating and other technology contingencies that were not expended during the Fiscal Year 2007 and 2006.

Economic Facts and Conditions for the Future

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

Because the College Opportunity Fund is statutory in nature, changes to the program in terms and amounts are regulated by only the General Assembly.

Financial Contact

If you have any questions about this report, please contact

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

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
FIDUCIARY FUND - PRIVATE PURPOSE TRUST FUND
STATEMENTS OF NET ASSETS
June 30, 2007 and 2006

ASSETS

	2007	2006
CURRENT ASSETS		
Operating cash	$ 1,834,311	$ 3,325,296
Loans receivable - current	-	18,880
Total current assets	1,834,311	3,344,176
TOTAL ASSETS	$ 1,834,311	$ 3,344,176

LIABILITIES AND NET ASSETS

	2007	2006
CURRENT LIABILITIES		
Accounts payable	$ -	$ 3,291,175
Total current liabilities	-	3,291,175
NET ASSETS		
Restricted	1,834,311	53,001
Total net assets	1,834,311	53,001
TOTAL LIABILITIES AND NET ASSETS	$ 1,834,311	$ 3,344,176

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

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
FIDUCIARY FUND - PRIVATE PURPOSE TRUST FUND
STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS
For the Year Ended June 30, 2007 and 2006

	2007	2006
ADDITIONS		
Trust revenues	$ 315,642,121	$ 272,576,123
Total additions	315,642,121	272,576,123
DEDUCTIONS		
Trust Fund expenses	313,860,811	272,523,122
Total deductions	313,860,811	272,523,122
CHANGE IN NET ASSETS	1,781,310	53,001
NET ASSETS, BEGINNING OF YEAR	53,001	-
NET ASSETS, END OF YEAR	$ 1,834,311	$ 53,001

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

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity – College Opportunity Fund

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

The financial statements of the College Opportunity Fund include all integral parts of its operations.

Stipends are set annually by the General Assembly during the state's budget process. The allocation is defined on a credit hour basis where the advertised amount is representative of a full-time student taking 30 credit hours each year. For the 2006-07 and 2005-06 academic year, the state provided each participating student with a $2,580 or $86 per credit hour stipend and $2,400 or $80 per credit hour stipend, respectively.

Basis of Accounting and Presentation

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

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

Use of Estimates in Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

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

Cash and Pooled Cash Investments

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

Receivables

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

Liabilities

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

Net Assets

The net assets of the College Opportunity Fund are classified as follows:

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

Classification of Revenues and Expenses

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

Budgets and Budgetary Accounting

By statute, the College Opportunity Fund is continuously funded through appropriations authorized and approved by the General Assembly. The operating budget, its appropriations and revisions thereto are reviewed by the Colorado Commission on Higher Education and the College Assist Director. The appropriations, excluding other additions and/or reductions to the

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

Long Bill, for Fiscal Year 2007 and 2006 were $319,465,920 and $290,536,800, respectively. Changes to the Long Bill initial appropriations were as follows: 1) an additional $3,035,676 was appropriated in Fiscal Year 2007 to increase the reserves in the College Opportunity Fund, and 2) a reduction of $17,971,200 was appropriated in Fiscal Year 2006.

NOTE 2 – CASH AND INVESTMENTS

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

The College Opportunity Fund had $1,834,311 and $3,325,296 on deposit with the State Treasurer at June 30, 2007 and June 30, 2006, respectively. There was no cash on hand or petty cash attributable to the College Opportunity Fund as of June 30, 2007 or June 30, 2006.

	2007	2006
Cash on deposit with State Treasurer	$ 1,834,311	$ 3,325,296

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

	2007	2006
Operating cash	$ 1,834,311	$ 3,325,296

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

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk – Cash Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the Enterprise will not be able to recover their deposits or will not be able to recover collateral securities that are in the possession of an outside party. Monies in the demand deposit accounts are insured by federal depository insurance for the first $100,000. Deposits in excess of the $100,000 limit are collateralized subject to the provisions of the State's Public Deposit Protection Act for monies held within the State. All amounts are fully insured by the FDIC.

NOTE 3 – OTHER RECEIVABLES – NET

As part of the College Opportunity Fund, state higher education institutions may request temporary cash flow loans during the Fiscal Year. These loans must be paid back to the College Opportunity Fund by June 30 of the Fiscal Year in which the funds are borrowed. During Fiscal Year 2007 and 2006, one higher education institution and four higher education institutions borrowed $1,200,000 and $3,789,557, respectively. All loans were repaid by the end of the Fiscal Year. The loans could have been an outstanding receivable at any time during the year. These temporary cash flow loans are interest free.

Also included in receivables are amounts sent to higher education institutions at the end of the Fiscal Year based on the anticipated number of students reported who never attended. At June 30, 2007 and June 30, 2006, $0 and $18,880, respectively, was reported as due from institutions of higher education.

NOTE 4 – FEDERAL AND STATE LEGISLATIVE IMPACTS

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

Annually, the Colorado Commission on Higher Education requests that the General Assembly adjust the amount appropriated to the College Opportunity Fund for stipends to reflect at least inflation and enrollment growth in the state institutions of higher education. In FY 2007, the stipend amount was increased by 7.5% over prior year which fully funded both inflation and enrollment. Fully funded means that each student who applied for and was eligible received the stipend.

NOTE 5 – RISK MANAGEMENT

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

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

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

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

NOTE 6 – TAX, SPENDING AND DEBT LIMITATIONS

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

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

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

Members of the Legislative Audit Committee

We have audited the financial statements of the accompanying business-type activities (Proprietary Funds referred to as the "Enterprise") and the aggregate remaining fund information (Fiduciary Fund referred to as "COF") of the College Student Loan Program DBA, College Assist and COF's as of and for the year ended June 30, 2007, which collectively comprise the Enterprise's basic financial statements and have issued our report thereon dated December 20, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of Findings and Recommendations No. 1 and No. 2 to be significant deficiencies in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We believe that the significant deficiency described above as Finding and Recommendation No. 1 to be a material weakness.

Compliance and Other Matters

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

The Enterprises' responses to the findings are identified in our audit described in the accompanying schedule of Findings and Recommendations. We did not audit the Enterprise's response and, accordingly, we express no opinion on it.

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. However, this report is a matter of public record and its distribution is not limited.

Clifton Gunderson LLP

Denver, Colorado
December 20, 2007

SUPPLEMENTAL INFORMATION

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
PROPRIETARY FUNDS
COMBINING SCHEDULES OF NET ASSETS
June 30, 2007
With Comparative Totals for June 30, 2006

ASSETS

	Agency Operating Fund	Federal Reserve and Drawdown Funds	Totals	
			2007	2006
CURRENT ASSETS				
Cash and pooled cash investments	$ 47,732,987	$ -	$ 47,732,987	$ 43,021,552
Federal fees receivable	4,016,504	-	4,016,504	2,417,349
Other receivables, net	398,184	-	398,184	153,669
Collections revenue transfer	4,767	-	4,767	4,767
Prepaid expenses	190,920	-	190,920	46,814
Total current assets	52,343,362	-	52,343,362	45,644,151
RESTRICTED ASSETS				
Restricted cash and pooled cash investments	-	43,632,113	43,632,113	31,195,794
Federal reinsurance receivable	-	6,224,506	6,224,506	3,626,643
Total restricted assets	-	49,856,619	49,856,619	34,822,437
CAPITAL ASSETS				
Office furniture and equipment	1,616,182	-	1,616,182	1,616,182
Computer hardware and software	3,626,434	-	3,626,434	3,614,088
Leasehold improvements	97,946	-	97,946	97,946
	5,340,562	-	5,340,562	5,328,216
Less accumulated depreciation	(4,712,480)	-	(4,712,480)	(4,409,823)
Capital assets, net	628,082	-	628,082	918,393
TOTAL ASSETS	$ 52,971,444	$ 49,856,619	$ 102,828,063	$ 81,384,981

LIABILITIES AND NET ASSETS

	Agency Operating Fund	Federal Reserve and Drawdown Funds	Totals 2007	Totals 2006
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	$ 358,521	$ -	$ 358,521	$ 300,241
Accrued compensated absences	24,971	-	24,971	27,227
Other current liabilities:	5,578,221	-	5,578,221	2,187,829
Collections revenue transfer	-	-	-	11,169
Total current liabilities	5,961,713	-	5,961,713	2,526,466
LIABILITIES PAYABLE FROM RESTRICTED ASSETS	-	-	-	-
Recall reserves due to U.S. Department of Education	-	1,531,547	1,531,547	3,063,093
Loan collections and other liabilities due to federal government	-	5,342,060	5,342,060	2,404,348
Claims due to lenders	-	3,713,078	3,713,078	2,649,799
Total liabilities payable from restricted assets	-	10,586,685	10,586,685	8,117,240
NONCURRENT LIABILITIES				
Accrued compensated absences	113,756	-	113,756	125,754
Other Long Term Liabilities	233,737	-	233,737	-
Total noncurrent liabilities	347,493	-	347,493	125,754
Total liabilities	6,309,206	10,586,685	16,895,891	10,769,460
NET ASSETS				
Invested in capital assets, net of related debt	628,082	-	628,082	918,393
Restricted	-	39,269,934	39,269,934	26,729,983
Unrestricted	46,034,156	-	46,034,156	42,967,145
Total net assets	46,662,238	39,269,934	85,932,172	70,615,521
TOTAL LIABILITIES AND NET ASSETS	$ 52,971,444	$ 49,856,619	$ 102,828,063	$ 81,384,981

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
PROPRIETARY FUNDS
COMBINING SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2007
With Comparative Totals for the Year Ended June 30, 2006

	Agency Operating Fund	Federal Reserve and Drawdown Funds	Totals	
			2007	2006
OPERATING REVENUES				
Federal grants and contracts				
Collections on loans and bankruptcies	$ 13,722,754	$ -	$ 13,722,754	$ 9,340,686
Federal fee revenue	35,226,237	-	35,226,237	24,982,911
Less: Amount paid to service provider	(33,048,038)	-	(33,048,038)	(16,208,106)
Federal reinsurance	-	160,242,209	160,242,209	108,536,977
Charges for goods and services				
Collections revenue transfer	85,208	-	85,208	2,594,108
Guarantee fees	-	-	-	102,578
Interest on purchased loans and other	421,081	-	421,081	402,842
Other revenues	337,057	-	337,057	1,094,966
Total operating revenues	16,744,299	160,242,209	176,986,508	130,846,962
OPERATING EXPENSES				
Guarantee claims paid to lending institutions	-	159,744,253	159,744,253	108,752,315
Salaries and fringe benefits	2,917,798	-	2,917,798	5,564,503
Operating and travel				
Contracted collection costs	-	-	-	522,183
Other operating and travel	3,112,566	-	3,112,566	4,310,921
Depreciation	302,657	-	302,657	309,162
Total operating expenses	6,333,021	159,744,253	166,077,274	119,459,084
OPERATING INCOME	10,411,278	497,956	10,909,234	11,387,878
NON-OPERATING REVENUES (EXPENSES)				
Earnings on temporary cash investments	2,384,757	2,102,890	4,487,647	1,800,096
Loss on sale of equipment	-	-	-	(85,204)
Income before non-operating expense to other agencies and transfers	12,796,035	2,600,846	15,396,881	13,102,770
Intergovernmental non-operating expenses to other agencies	(80,230)	-	(80,230)	(25,079,979)
Interfund transfers in/(out)	(9,939,298)	9,939,298	-	-
Total	(10,019,528)	9,939,298	(80,230)	(25,079,979)
SPECIAL ITEM - Nelnet sale proceeds	-	-	-	41,200,000
CHANGE IN NET ASSETS	2,776,507	12,540,144	15,316,651	29,222,791
NET ASSETS, BEGINNING OF YEAR	43,885,731	26,729,790	70,615,521	41,392,730
NET ASSETS, END OF YEAR	$ 46,662,238	$ 39,269,934	$ 85,932,172	$ 70,615,521

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
PROPRIETARY FUNDS
COMBINING SCHEDULES OF CASH FLOWS
For the Year Ended June 30, 2007
With Comparative Totals for the Year Ended June 30, 2006

	Agency Operating Fund	Federal Reserve and Drawdown Funds	Totals 2007	Totals 2006
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from:				
Fees for service	$ 153,669	$ -	$ 153,669	$ 3,602,952
Federal grants and contracts	47,349,836	161,645,337	208,995,173	138,133,816
Amount paid to service provider	(33,048,038)	-	(33,048,038)	(16,208,106)
Interest on purchased loans and other	421,081	-	421,081	402,842
Other sources	337,057	-	337,057	1,094,966
	15,213,605	161,645,337	176,858,942	127,026,470
Cash disbursed for:				
Guarantee claims paid to lending institutions	-	(159,720,309)	(159,720,309)	(105,037,998)
Employees	(2,698,315)	-	(2,698,315)	(6,049,879)
Suppliers	(156,089)		(156,089)	(3,545,700)
Contracted collection costs	-	-	-	(522,183)
Recall reserves paid to U.S. Department of Education	-	(1,531,546)	(1,531,546)	-
	(2,854,404)	(161,251,855)	(164,106,259)	(115,155,760)
Net cash provided by operating activities	12,359,201	393,482	12,752,683	11,870,710
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Intergovernmental payment	(80,230)	-	(80,230)	(25,079,979)
Proceeds from Nelnet sale	-	-	-	41,200,000
Net cash provided by (used in) noncapital activities	(80,230)	-	(80,230)	16,120,021
INTERFUND TRANSFERS	(9,939,298)	9,939,298	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(12,346)	-	(12,346)	(238,988)
Capital lease payments	-	-	-	(44,029)
Net cash used in capital and related financing activities	(12,346)	-	(12,346)	(283,017)
CASH FLOW FROM INVESTING ACTIVITIES				
Interest on temporary cash investments	2,384,108	2,103,539	4,487,647	1,800,096
NET INCREASE IN CASH AND TEMPORARY CASH INVESTMENTS	4,711,435	12,436,319	17,147,754	29,507,810
CASH AND TEMPORARY CASH INVESTMENTS, BEGINNING OF YEAR	43,021,552	31,195,794	74,217,346	44,709,536
CASH AND TEMPORARY CASH INVESTMENTS, END OF YEAR	$ 47,732,987	$ 43,632,113	$ 91,365,100	$ 74,217,346

	Agency Operating Fund	Federal Reserve and Drawdown Funds	Totals 2007	Totals 2006
RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Net operating income	$ 10,411,278	$ 497,956	$ 10,909,234	$ 11,387,878
Adjustments to reconcile net operating income to net cash provided by operating activities:				
Collections revenue transfer	(23,944)	23,944	-	-
Depreciation	302,657	-	302,657	309,162
Effects of changes in net assets and liabilities:				
Receivables	(1,843,670)	(2,597,863)	(4,441,533)	(2,922,376)
Supplies inventory	-	-	-	63,788
Prepaid expenses	(144,106)	-	(144,106)	14,693
Accounts payable and accrued liabilities	58,280	-	58,280	(740,932)
Other current liabilities	3,390,392	-	3,390,392	1,426,829
Recall reserves due to U.S. Department of Education	-	(1,531,546)	(1,531,546)	-
Loan collections and other liabilities due to federal government	-	2,937,712	2,937,712	167,245
Claims due to lenders	-	1,063,279	1,063,279	2,649,799
Accrued compensated absences	(14,254)	-	(14,254)	(485,376)
Interfund payable - other agencies	(11,169)	-	(11,169)	-
Other long term liabilities	233,737	-	233,737	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 12,359,201	$ 393,482	$ 12,752,683	$ 11,870,710

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