COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
Denver, Colorado

FINANCIAL AND COMPLIANCE AUDIT
June 30, 2008 and 2007

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Members of the Legislative Audit Committee:

This report contains the results of the financial and compliance audit of the Student Loan Program Funds of CollegeInvest as of June 30, 2008. The audit was conducted pursuant to Section 2-3-103 and 23-3.1-201, C.R.S., which authorizes the State Auditor to conduct audits of the departments, institutions and agencies of State government.

Clifton Gunderson LLP

Greenwood Village, Colorado
December 18, 2008

COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
FINANCIAL AND COMPLIANCE AUDIT
June 30, 2008

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REPORT SUMMARY

COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
FINANCIAL AUDIT
FISCAL YEAR ENDED JUNE 30, 2008

Purpose and Scope

The Office of the State Auditor, State of Colorado engaged Clifton Gunderson LLP to conduct the financial and compliance audit of CollegeInvest Student Loan Program Funds (Student Loan Program Funds) for the Fiscal Year ended June 30, 2008. Clifton Gunderson LLP performed this audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

The purpose and scope of our audit was to express an opinion on the Student Loan Program Funds basic financial statements as of and for the Fiscal Year ended June 30, 2008.

Audit Opinions and Reports

We expressed an unqualified opinion on the Student Loan Program Funds basic financial statements as of and for the year ended June 30, 2008.

Summary of Key Findings and Recommendations

There were no findings for the year ended June 30, 2008.

Summary of Progress in Implementing Prior Year audit Recommendations

The audit report for the year ended June 30, 2007 contained two recommendations. Both recommendations were implemented. The Disposition of Prior Year Audit Recommendations begins on page 5.

DESCRIPTION OF THE COLLEGEINVEST STUDENT LOAN PROGRAM FUNDS

Organization

The Colorado General Assembly, pursuant to Colorado Revised Statutes 23-3.1-2 01, et. seq., and 23-3.1-3 01, et. seq., established a student obligation bond program (Student Loan Program Funds, which consist of the Bond Funds, the CollegeInvest Early Achievers Scholarship Fund (a scholarship trust program), the Nursing Teacher Loan Forgiveness Fund and the Health Care Provider Fund), a post secondary education expense program (Prepaid Tuition Fund), and an Internal Revenue Code Section 529 college savings program (Scholars Choice Fund, Direct Portfolio Fund, and Stable Value Plus Fund), which are administered by CollegeInvest. The programs assist students in meeting the expenses incurred in availing themselves of higher education opportunities. The Executive Director of the Colorado Department of Higher Education has responsibility for oversight and management of CollegeInvest and appoints the Director of CollegeInvest. In addition, CollegeInvest has a nine-person Board of Directors (Board) designated by the Governor and approved by the State Senate to serve four-year terms.

Student Loan Program Funds

Primary operations of the student obligation bond program commenced in 1981. In meeting its legislative mandate, CollegeInvest issues tax-exempt and taxable financings. The amount of tax-exempt financing authority is limited by federal volume caps for private activity bonds, allocated to Colorado and by Colorado's allocation of these caps among state and local governments that issue debt. The proceeds from such financings are used to originate and purchase student loans. CollegeInvest is authorized to issue its own revenue bonds, notes and other obligations in the aggregate amount of $2.0 billion. The bonds do not constitute an indebtedness, debt or liability of the State of Colorado.

The financial statements of the Student Loan Program Funds present the activities of the Bond Funds, CollegeInvest's Borrower Benefit Fund, Nursing Teacher Loan Forgiveness, Health Care Provider Fund, and Early Achievers Scholarship Fund, formerly known as the College in Colorado Scholarship Trust Fund. Each Bond Fund represents bond proceeds that are restricted by the financing documents of each individual bond issue. Each Bond Fund is accounted for separately and is a separate trust estate. The Borrower Benefit Fund consists of assets and revenue that are not pledged as collateral to the Bond Funds. These monies are available for the administration of CollegeInvest and for use in other programs in accordance with CRS 23-3.1-201 that are authorized by the General Assembly.

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

Early Achievers Scholarship Trust Fund

Colorado Achievement Scholarship Program (Scholarship Program), created in statute as Colorado Achievement Scholarship Trust Fund, was created by Colorado statute CRS 23-3.1-206.9 to provide higher education scholarships for eligible students. CollegeInvest was designated by the statute to implement and administer the Scholarship Program. A scholarship under the Scholarship Program may only be awarded to undergraduate students who meet certain eligibility requirements established by the Board in accordance with the statute.

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

Nursing Teacher Loan Forgiveness Fund

A Loan Forgiveness Fund was created by Colorado statute CRS 23-3.6-101 to provide student loan forgiveness to persons who teach courses in nursing at a participating institution of higher education for at least five consecutive academic years after receipt of advanced degree. The General Assembly appropriates funds for the program to the Colorado Department of Higher Education (DHE). CollegeInvest was designated by statute to administer the Nursing Teacher Loan Forgiveness (NTLF) Fund for the DHE. Repayment of loans through the program may only be awarded to persons who meet certain eligibility requirements established by the Board in accordance with the statute.

The financial activities of the NTLF Fund consist of monies deposited in the State Treasurer's Cash Fund. CollegeInvest is also authorized to receive and expend gifts, grants, and donations or monies appropriated by the General Assembly for the purpose of implementing the program.

Health Care Provider Fund

A loan repayment program was created by Colorado statute CRS 23-3.6-201 to provide student loan repayment to certain health care professionals. The General Assembly appropriates funds for the program to the DHE. CollegeInvest was designated by the statute to administer the Health Care Provider (HCP) Fund for the DHE. Repayment of loans through the program may only be awarded to persons who meet certain eligibility requirements established by the Board in accordance with the statute.

The financial activities of the HCP Fund consist of monies deposited in the State Treasurer's cash fund. CollegeInvest is also authorized to received and expend gifts, grants, and donations or moneys appropriated by the General Assembly for the purpose of implementing the program.

DISPOSITION OF PRIOR AUDIT RECOMMENDATIONS

Fiscal Year 2007 Recommendations

Number	Recommendation	Disposition
1	CollegeInvest should implement procedures that ensure all proper accruals are recorded during the year end process and that revenue and receivables are reported accurately for the period in which they are earned.	Implemented
2	CollegeInvest should segregate duties of user setup and system administration from duties such as vendor setup, accounts payable and posting journal entries.	Implemented

Independent Auditor's Report

Members of the Legislative Audit Committee:

We have audited the accompanying financial statements of the business-type activities and each major fund of CollegeInvest, (a division of the Department of Higher Education, State of Colorado) Student Loan Program Funds, as of and for the years ending June 30, 2008 and 2007, which collectively comprise CollegeInvest Student Loan Program Funds' basic financial statements as listed in the table of contents. These financial statements are the responsibility of CollegeInvest Student Loan Program Funds' management. Our responsibility is to express opinions on these financial statements based on our audits.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and each major fund of CollegeInvest Student Loan Program Funds, as of June 30, 2008 and 2007, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued our report dated December 18, 2008 on our consideration of CollegeInvest Student Loan Program Funds' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 8 to 22 is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this supplemental information. However, we did not audit the information and express no opinion on it.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Clifton Gunderson LLP

Greenwood Village, Colorado
December 18, 2008

COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2008 AND 2007

This section of the Student Loan Program Funds' (Funds) financial statements is a discussion and analysis of the financial performance of the Funds for the years ended June 30, 2008, 2007, and 2006. CollegeInvest, a division of the Department of Higher Education (Department) of the State of Colorado administers the Funds, the Prepaid Tuition Fund, and the College Savings Program, which consists of the Scholars Choice, Stable Value Plus, and Direct Portfolio Funds. The Funds' financial results are presented as a proprietary fund in the State of Colorado Comprehensive Annual Financial Report. Management of CollegeInvest is responsible for the financial statements, footnotes, and this discussion. The management's discussion and analysis should be read in conjunction with the Funds' financial statements.

Overview of the Financial Statements:

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

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

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

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

Analysis of Major Funds:

CollegeInvest Student Loan Program Funds consists of five major funds, the Borrower Benefit Fund, the Bond Funds, the CollegeInvest Early Achievers Scholarship Trust Fund (CEAS Trust), the Nursing Teacher Loan Forgiveness Fund (NTLF Fund), and the Health Care Provider Fund (HCP Fund). The Borrower Benefit Fund, the Bond Funds, the CEAS Trust, NTLF Fund, and the HCP Fund are accounted for as separate enterprise funds within the State of Colorado's financial reporting system. However, the State Controller's Office combines these five Funds in the State's Comprehensive Annual Financial Report.

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

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

Under certain agreements, the Funds provide lines of credit to institutions of higher education to make loans to their graduate students. The Funds and the institutions also enter into loan purchase agreements providing that the Funds shall purchase the student loans from the institutions each year at an agreed upon price. The proceeds from the sale are to be used by the institutions to pay principal and interest due on their lines of credit and to enhance financial aid to the students. Effective June 30, 2008, the Funds had terminated such agreements with the institutions of higher education.

Analysis of Major Funds (continued):

The Funds utilize the Borrower Benefit Fund for payment of general and administrative expenses and other activities of all of its other Funds, necessary to fulfill their purposes. The general and administrative expenses and activities have been allocated to the respective funds. Additionally, cash in the Borrower Benefit Fund has been committed by CollegeInvest's Board of Directors (Board) to fund certain debt issuance costs of the Bond Funds, to pay for operating expenses of the Borrower Benefit Fund and capital expenditures, and to provide reserves for operating expenses and cash flow timing differences of the Prepaid Tuition Fund.

The CEAS Trust is designed to make college a reality for deserving students who work hard academically, but whose families cannot afford college. The CEAS Trust was funded by contributions from the Borrower Benefit Fund, the Bond Funds and the Colorado Student Loan Program dba College Assist (CA).

The NTLF Fund is designed to increase the supply of teachers in the nursing field by helping them repay their student loans. The program will provide for a payment of up to $20,000 for all or part of the principal and interest on a loan for persons who teach courses in nursing at a participating state institution of higher education for at least five consecutive academic years after receipt of an advanced degree.

The HCP Fund is designed to increase the supply of health care professionals working in shortage areas by helping them repay their student loans. The program will provide for a payment of up to $25,000 a year for persons who practice for a minimum of two years in a Federally Designated Health Professional Shortage Area in Colorado as identified by the Federal Department of Health and Human Services.

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

Comparison of Current Year Results to Prior Years:

Borrower Benefit Fund:

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

	2008	2007	2006
	(dollar amounts expressed in thousands)		
Assets:			
Cash and investments	**$ 9,430**	$ 9,028	$ 11,369
Interest, other receivables and prepaid expenses	**254**	95	80
Capital assets, net	**340**	559	895
Total assets	**10,024**	9,682	12,344
Total liabilities	**1,078**	1,165	401
Net assets:			
Invested in capital assets	**340**	559	895
Unrestricted	**8,606**	7,958	11,049
Total net assets	**$ 8,946**	$ 8,517	$ 11,944

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

Borrower Benefit Fund (continued):

Cash and investments of the Borrower Benefit Fund increased $402,000 from June 30, 2007 to June 30, 2008, due primarily to operating income of $429,000. Cash and investments decreased $2.3 million from June 30, 2006 to June 30, 2007, due primarily to the transfer of $4.0 million to the Bond Funds for the Loan Incentives for Teachers Program (a loan forgiveness program). This decrease was somewhat offset by $916,000 in the amount of administrative fees collected in excess of expenses held in the Fund on behalf of the College Savings Program Fund and $527,000 of interest income received. These changes are also reflected in the decrease in net assets over the period.

Capital Assets:

The investment in capital assets at June 30, 2008 and 2007 amounted to $340,000 and $559,000, respectively, net of accumulated depreciation. Capital assets consist of furniture, equipment and software. The changes in capital assets were as follows:

	Balance June 30, 2007	Additions (Deletions)	Depreciation & Amortization	**Balance June 30, 2008**
	(dollar amounts expressed in thousands)			
Software	$ 334	$ 3	$ 290	$ **47**
Leasehold Improvements	-	19	1	**18**
Furniture and equipment	225	203	153	**275**
Total capital assets, net	$ 559	$ 225	$ 444	$ **340**

	Balance June 30, 2006	Additions (Deletions)	Depreciation & Amortization	Balance June 30, 2007
	(dollar amounts expressed in thousands)			
Software	$ 603	$ 20	$ 289	$ 334
Furniture and equipment	292	58	125	225
Total capital assets, net	$ 895	$ 78	$ 414	$ 559

The net assets of the Borrower Benefit Fund are designated primarily for bond issuance costs, operating reserves for all funds administered by CollegeInvest, cash flow differences of the Prepaid Tuition Fund and computer equipment and software.

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

Borrower Benefit Fund (continued):

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

	2008	2007	2006
	(dollar amounts expressed in thousands)		
Operating revenues:			
Net investment income	**$ 504**	$ 622	$ 487
Operating expenses:			
General and administrative expenses	**75**	49	190
Change in net assets before transfers	**429**	573	297
Transfer to CollegeInvest Early Achievers Scholarship	**-**	-	(13,850)
Transfer to Bond Fund	**-**	(4,000)	(1,170)
Change in net assets	**429**	(3,427)	(14,723)
Net assets, beginning of year	**8,517**	11,944	26,667
Net assets, end of year	**$ 8,946**	$ 8,517	$ 11,944

Net investment income consists of the following:

	2008	2007	2006
	(dollar amounts expressed in thousands)		
Interest on investments	**$ 410**	$ 527	$ 573
Unrealized gain (loss) on investments	**94**	95	(86)
Net investment income	**$ 504**	$ 622	$ 487

The average cash and investment balances for the years ended June 30, 2008, 2007, and 2006 were $9.7 million, $11.2 million, and $14.9 million, respectively, with average interest returns of 4.2%, 4.7%, and 3.8%, respectively.

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

Bond Funds:

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

	2008	2007	2006
	(dollar amounts expressed in thousands)		
Assets:			
Cash and investments	**$ 162,393**	$ 376,328	$ 145,318
Student loans, interest, other receivables	**1,686,698**	1,398,202	1,166,600
Other assets, net	**9,687**	9,422	6,739
Total assets	**1,858,778**	1,783,952	1,318,657
Liabilities:			
Current:			
Accounts payable, interest payable and other liabilities	**7,620**	7,444	5,581
Intrafund payable (receivable)	**2,704**	(318)	(1,290)
Bonds and notes payable	**24,000**	15,974	39,612
Total current liabilities	**34,324**	23,100	43,903
Noncurrent:			
Arbitrage rebate payable	**17,985**	23,774	22,968
Bonds and notes payable	**1,701,330**	1,625,330	1,156,304
Total noncurrent liabilities	**1,719,315**	1,649,104	1,179,272
Total liabilities	**1,753,639**	1,672,204	1,223,175
Net assets (all restricted)	**$ 105,139**	$ 111,748	$ 95,482

The decrease in cash and investments of $213.9 million in the Bond Funds from June 30, 2007 to June 30, 2008, was primarily due to the acquisition of student loans in excess of repayment of existing student loans of $311.0 million which was somewhat offset by the issuance of $100.0 million in new bonds and notes.

The increase in cash and investments of $231.0 million in the Bond Funds from June 30, 2006 to June 30, 2007, was primarily due to the issuance of $506.0 million in new bonds and notes which was somewhat offset by purchases of student loans in excess of repayment of existing student loans of $220.1 million and redemption of bonds and notes of $60.6 million.

Student loans, interest and other receivables increased $288.5 million from June 30, 2007 to June 30, 2008 and increased by $231.6 million from June 30, 2006 to June 30, 2007. During 2008, student loans, including premiums and borrower benefits, increased by $293.4 million due to the acquisition of $548.6 million in student loans less student loan principal repayments of $231.4 million and sales of student loans to the CEAS Trust of $24.5 million. During 2007, student loans, including premiums and borrower benefits, increased by $220.2 million due to the acquisition of $510.8 million in student loans and decreased as a result of student loan principal repayments of $290.7 million.

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

Bond Funds (continued):

Borrower benefits, which have been offered by CollegeInvest since 1997 and periodically revised, generally reward prompt and regular payments, and payments made by automatic bank drafts, with credits to or reduction of principal balance, interest rate reductions and credit or waiver of origination and federal default fees. These benefits vary depending on loan type. Once a benefit has been earned, the borrower retains that benefit for the life of the loan unless the borrower defaults. The premiums and borrower benefits are capitalized and amortized over five years.

Student loan acquisitions and principal payments were as follows:

	2008	2007	2006
	(dollar amounts expressed in millions)		
Originations	**$** 191.0	$ 153.3	$ 123.2
Purchases	210.7	191.3	117.2
Consolidations	146.9	166.2	207.2
Transfer to CEAS Trust	(23.8)	-	-
Principal payments received	(231.4)	(290.7)	(297.9)
Net increase	**$** 293.4	$ 220.1	$ 149.7

The increases in new loan originations and purchases are a result of several different factors. CollegeInvest has increased its educational outreach and incorporated a more diversified marketing plan that has resulted in additional market share and increased guaranteed volume as a percentage of the total volume guaranteed by CA, the guarantor. The increases in guaranteed volume were 1.5%, 2.2% and 0.5% for the years ended June 30, 2008, 2007, and 2006, respectively. Also, students are borrowing more to pay for college due to the rising costs of education and CollegeInvest has captured a share of the increased volume. The number of students borrowing increased 10.4%, 7.5%, and 6.7% for the years ended June 30, 2008, 2007 and 2006, respectively. Additionally, the students average borrower indebtedness increased by 11.8%, 7.7% and 7.7% for the years ended June 30, 2008, 2007, and 2006, respectively.

The decrease in consolidations during the year ended June 30, 2008 was due to the suspension of consolidation originations effective March 1, 2008. Changes in the Higher Education Act (HEA) reduced the yield earned on consolidation loans and CollegeInvest, along with many other student loan lenders, stopped consolidating existing loans. The decrease in principal payments received in the year ended June 30, 2008 was due to a reduction in loans consolidated away from us by other lenders.

CollegeInvest sold approximately $24.5 million in student loans and borrower interest receivable from one of its indentures to the CEAS Trust. The transfer was to provide liquidity in the indenture for additional Stafford loan originations until CollegeInvest could issue bonds. Constraints in the capital markets has limited CollegeInvest's ability to issue bonds in recent months.

The arbitrage rebate payable is composed of excess interest and arbitrage rebate fees. The decrease of $5.8 million from June 30, 2007 to June 30, 2008, is due primarily to a decrease in excess interest liability of approximately $4.8 million and a decrease in arbitrage rebate liabilities of approximately $1.0 million. The increase of $806,000 from June 30, 2006 to June 30, 2007, is due primarily to a decrease in excess interest liability of approximately $366,000 and an increase in arbitrage rebate liability of approximately $1.2 million.

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

Bond Funds (continued):

U.S. Treasury regulations limit the earnings on student loans financed with tax-exempt bond proceeds. Earnings above that allowed must be rebated to the U.S. Treasury through the excess interest liability. The decrease in the excess earnings liability from 2007 to 2008 was $4.8 million as compared to a decrease from 2006 to 2007 of $366,000. Earnings on loans financed with tax-exempt bond proceeds were lower in 2008 and lower in 2007, generating the corresponding change in the liability each year, primarily due to the acquisition of lower earning consolidation loans by tax-exempt bonds and an increase in interest paid on bonds.

U.S. Treasury regulations also limit the amount of interest income from investments to the bond yield on tax-exempt bond issues. The decrease in interest rate spread between the investments and the bond yield from the year ended June 30, 2007 to the year ended June 30, 2008 resulted in a decrease of $1.0 million in the rebate tax liability, due to both a decrease in interest earned on investments and an increase in interest paid on bonds. The increase in interest rate spread between the investments and the bond yield from the year ended June 30, 2006 to the year ended June 30, 2007 resulted in an increase of $1.2 million in the rebate tax liability, due primarily to increasing interest rates. No payments were due to the IRS during the years ended June 30, 2008 and 2007.

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

	2008	2007	2006
	(dollar amounts expressed in thousands)		
Beginning balance	**$ 1,641,304**	$ 1,195,916	$ 1,058,864
Bond and note issuance	**188,300**	506,000	181,000
Redemptions of bonds and notes	**(104,274)**	(60,612)	(43,948)
Bonds and notes payable	**$ 1,725,330**	$ 1,641,304	$ 1,195,916

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

Restricted net assets include net assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The Bond Funds had restricted net assets of $105.1 million, $111.7 million and $95.5 million as of June 30, 2008, 2007, and 2006, respectively.

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

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

	2008	2007	2006
	(dollar amounts expressed in thousands)		
Operating revenues:			
Interest and special allowance on student loans (pledged as security on revenue bonds and notes)	**$ 95,775**	$ 92,786	$ 77,305
Interest income (pledged as security on revenue bonds and notes)	**9,293**	12,206	8,277
Total operating revenues	**105,068**	104,992	85,582
Operating expenses:			
Interest expense	**94,014**	72,090	50,841
Rebate tax expense, net	**2,463**	7,634	8,126
Loan servicing costs and bond fees	**8,753**	8,241	8,446
General and administrative expenses	**6,397**	4,761	4,070
Total operating expenses	**111,627**	92,726	71,483
Operating income before transfers	**(6,559)**	12,266	14,100
Transfer to Health Care Provider Loan Repayment Fund	**(50)**	-	-
Transfer from Borrower Benefit Fund	**-**	4,000	1,169
Transfer to Early Achievers Scholarship Trust	-	-	(36,000)
Change in net assets	**(6,609)**	16,266	(20,731)
Net assets, beginning of year	**111,748**	95,482	116,213
Net assets, end of year	**$ 105,139**	$ 111,748	$ 95,482

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

	2008	2007	2006
	(dollar amounts expressed in thousands)		
Borrower interest	**$ 85,547**	$ 70,720	$ 52,875
Special allowance payments	**10,228**	22,066	24,430
Total pledged interest and special allowance on student loans	**$ 95,775**	$ 92,786	$ 77,305

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

Bond Funds (continued):

Pledged borrower interest increased from the year ended June 30, 2007 to the year ended June 30, 2008 by $14.8 million and increased from the year ended June 30, 2006 to the year ended June 30, 2007 by $17.8 million. The changes in interest income are due primarily to the overall average interest rate on CollegeInvest's student loan portfolio and an increase in the student loan balance. Interest rates on the Stafford loans in the portfolio originated from July 1, 1998 through June 30, 2006 are variable and are set based on the 91-day U. S. Treasury bill rate plus a spread that is determined by the loan status. All variable rate student loans are reset July 1 of each year and remain fixed for one year. The 91-day U.S. Treasury bill rates on July 1, 2007, 2006 and 2005 were 4.9%, 4.8% and 3.0%, respectively. Loans originated after June 30, 2006 bear interest at a 6.8% fixed rate. Additionally, the average interest rate on the consolidation loans decreased from 5.9% as of July 1, 2005 to 5.1% as of July 1, 2006 and remained at 5.1% as of July 1, 2007. The average monthly balance of student loans increased from $1.07 billion in 2006 to $1.25 billion in 2007 and to $1.54 billion in 2008.

Special allowance is paid to lenders by the federal government and is the difference between the borrower interest rate and a "market" rate defined by the Higher Education Act (HEA) of 1965, as amended. Pledged special allowance income decreased by approximately $11.8 million from the year ended June 30, 2007 to the year ended June 30, 2008. This decrease is primarily due to a decrease in the commercial paper rate. Special allowance is paid quarterly based on the 90-day commercial paper rate plus a spread based on the status of the loan. Commercial paper quarterly average was 4.1%, 5.4%, 4.5% as of June 30, 2008, 2007, and 2006, respectively.

Additionally, there was a change in the U. S. Department of Education's (USDE) interpretation of the HEA regarding payments of 9.5% Floor special allowance. The USDE suspended payments of Floor special allowance effective October 1, 2006 until lenders completed an audit of their Floor special allowance eligible loan population. CollegeInvest completed this audit in January 2008. The Floor special allowance loan population was decreased from $197.9 million as of September 30, 2006 to $88.7 million. CollegeInvest billed the USDE for seven quarters of Floor special allowance payments in its billing for the quarter ended June 30, 2008. CollegeInvest recorded Floor special allowance income in the fiscal year ended June 30, 2008, the past due amounts of $836,000 relating to the fiscal year ended June 30, 2007 and $1.1 million related to the fiscal year ended June 30, 2008. The College Cost Reduction and Access Act which became Public Law 110-84 effective October 1, 2007 reduced by 40 and 55 basis points lender subsidies for Stafford and Consolidation loans made by non-profit and for-profit lenders, respectively, on or after October 1, 2007.

Pledged special allowance income decreased by approximately $2.4 million from the year ended June 30, 2006 to the year ended June 30, 2007. The decrease in special allowance income from the year ended June 30, 2006 to the year ended June 30, 2007 is primarily due to the USDE's recent changes in its interpretation of the HEA with respect to the 9.5% floor special allowance as noted above.

The decrease in pledged investment interest income of approximately $2.9 million from the year ended June 30, 2007 to the year ended June 30, 2008 is due to a $31.5 million decrease in the average cash and investments balance and a decrease in the average interest rate from 5.0% for the year ended June 30, 2007 to 4.4% for the year ended June 30, 2008. The increase in pledged investment interest income of approximately $3.9 million from the year ended June 30, 2006 to the year ended June 30, 2007 is due to a $44.9 million increase in the average cash and investments balance and 0.9% increase in the average interest rate for the year ended June 30, 2007. See above for an explanation of the changes in cash and investment balances for each period. The average monthly cash and investment balance for the years ending June 30, 2008, 2007, and 2006 was $209.7 million, $241.2 million, and $196.3 million, respectively, with an average return of 4.4%, 5.0%, and 4.1%, respectively.

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

Bond Funds (continued):

Interest expense is comprised of interest and amortization of bond issuance costs, premiums and borrower benefits. Interest expense on bonds for the year ended June 30, 2008 increased by $21.9 million from the year ended June 30, 2007. Interest expense on bonds for the year ended June 30, 2007 increased by $21.2 million from the year ended June 30, 2006. The increases over the past two years were due to a combination of an increase in the debt outstanding as well as an increase in the weighted average interest rate on debt. Average debt outstanding for the years ended June 30, 2008, 2007, and 2006 was $1.6 billion, $1.4 billion and $1.2 billion, respectively. The increase in average debt outstanding is due primarily to a higher amount of debt issuance in response to anticipated student loan purchases. The average interest rate on debt for the years ended June 30, 2008, 2007 and 2006 was 5.1%, 4.6% and 3.7%, respectively.

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

	2008	2007	2006
	(dollar amounts expressed in thousands)		
Excess interest	**$ (4,810)**	$ (366)	$ 2,338
Arbitrage rebate	**(516)**	1,346	371
Consolidation rebate	**7,789**	6,654	5,417
Total rebate tax expense	**$ 2,463**	$ 7,634	$ 8,126

Excess interest expense decreased approximately $4.4 million for the year ended June 30, 2008, while excess interest expense decreased approximately $2.7 million for the year ended June 30, 2007, primarily due to the acquisition of lower earning consolidation loans by tax-exempt financings and an increase in interest paid on bonds. Earnings on loans financed with tax-exempt bond proceeds were lower during the year ended June 30, 2007 than in the year ended June 30, 2006. The decrease during the year ended June 30, 2007 is mostly attributable to the earnings on loans eligible for the 9.5% special allowance payments. The arbitrage rebate expense is the amount of interest earned from tax-exempt investments above the allowed spread. This expense decreased approximately $1.9 million from June 30, 2007 to June 30, 2008 and increased approximately $975,000 from June 30, 2006 to June 30, 2007. The spread between the interest rate earned on investments and the interest rates paid on tax-exempt bonds decreased in the fiscal year ended June 30, 2008 and increased during the fiscal year ended June 30, 2007. CollegeInvest made payments to the IRS of $463,000 and $173,000 during the fiscal years ended June 30, 2008 and 2007, respectively.

Consolidation rebate expense is a fee paid monthly to the U.S. Department of Education (USDE) on the balance of consolidation loans owned by CollegeInvest. Consolidation rebate fees increased during the years ended June 30, 2008 and 2007 by $1.1 million and $1.2 million, respectively. The balance of consolidation loans in the Bond Funds’ portfolio increased by $97.2 million from June 30, 2007 to June 30, 2008 and by $110.2 million from June 30, 2006 to June 30, 2007. As of March 1, 2008, CollegeInvest suspended loan consolidations, therefore it is anticipated that there would be a decrease in this expense going forward as consolidation loans are paid down.

Loan servicing costs and bond fees were 0.6%, 0.7% and 0.8% of the average student loan balance for the years ended June 30, 2008, 2007 and 2006. General and administrative expenses support the student loan activity and have consistently been 0.4% of the average net student loan balance for the fiscal years 2008, 2007 and 2006. Net student loans increased by $293.4 million, $220.1 million and $149.7 million during the years ended June 30, 2008, 2007 and 2006, respectively.

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

CollegeInvest Early Achievers Scholarship Trust Fund:

Effective June 25, 2007, CollegeInvest entered into a trust agreement with Russell Trust Company (RTC) to maintain the CEAS Trust established by Senate Bill 05-003 which creates a new program for higher education scholarships. Prior to the trust agreement with RTC, CollegeInvest held a trust agreement with Zions First National Bank effective from September 16, 2005 through June 24, 2007. In March 2008, CollegeInvest entered into a new trust agreement with Zions Bank to accommodate the purchase of approximately $24.5 million in student loans receivable held as an investment. The Bond Funds paid the CEAS Trust a net rate on these student loans of 4.6% during the year ended June 30, 2008. The trust accounts are also used to pay for the costs of implementing, marketing, and administering the CEAS Trust. The CEAS Trust is being offered to Colorado's 8th and 9th grade students who commit to pre-collegiate coursework and maintain at least a 2.5 GPA. The scholarship encourages students to begin planning for college early and provides financial support for high-need students who are academically prepared for higher education. Scholarships will be awarded to students who meet the appropriate criteria beginning in the 2008-2009 academic year. As of June 30, 2008, 18,059 students have applied for this program.

CollegeInvest Early Achievers Scholarship Condensed Statements of Net Assets as of June 30:

	2008	2007	2006
	(dollar amounts expressed in thousands)		
Assets:			
Cash and investments	**$ 51,798**	$ 80,677	$ 76,430
Student loans	**22,786**	-	-
Interest and other receivables	**684**	290	500
Total assets	**75,268**	80,967	76,930
Accounts payable and accrued expenses	**67**	18	6
Intrafund payable	**(183)**	142	54
Total liabilities	**(116)**	160	60
Net assets (all restricted)	**$ 75,384**	$ 80,807	$ 76,870

Cash and investments decreased by approximately $28.9 million from June 30, 2007 to June 30, 2008. A portion of the decrease was due to the purchase of student loans noted above. The student loans are classified on the Statement of Net Assets as student loans, net. The additional decrease was due to realized losses and a decrease in the fair value of the equity investments. Cash and investments increased by approximately $4.2 million from June 30, 2006 to June 30, 2007, due primarily to the interest income earned on commercial paper investments.

Student loans as of June 30, 2008 consist of the remaining balance held by the Trust as an investment. The decrease in student loans from the original purchase amount are due to borrower payments applied to the student loan balance as received daily. Cash from student loan and borrower interest is deposited into a money market account by the trustee.

Interest and other receivables increased by $394,000 for the year ended June 30, 2008. The increase is primarily due to borrower interest on student loans. Interest and other receivables decreased by $210,000 for the year ended June 30, 2007. The decrease is primarily due to the change in the investment type held at year end. As of June 30, 2006, investments were held in commercial papers which accrued more interest than the fixed and equity based investments held at June 30, 2007.

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

CollegeInvest Early Achievers Scholarship Trust Fund (continued):

CollegeInvest Early Achievers Scholarship Condensed Statements of Revenues, Expenses and Changes in Net Assets for the Years Ended June 30:

	2008	2007	2006
	(dollar amounts expressed in thousands)		
Operating revenues:			
Net investment income	**$ (5,181)**	$ 4,317	$ 2,151
Operating expenses:			
General and administrative expenses	**242**	380	131
Change in net assets before transfers	**(5,423)**	3,937	2,020
Transfer from Bond Funds	**-**	-	36,000
Transfer from Borrower Benefit Fund	**-**	-	13,850
Transfer from College Assist	**-**	-	25,000
Change in net assets	**(5,423)**	3,937	76,870
Net assets, beginning of year	**80,807**	76,870	-
Net assets, end of year	**$ 75,384**	$ 80,807	$ 76,870

Net investment income consists of the following:

	2008	2007	2006
	(dollar amounts expressed in thousands)		
Unrealized gain (loss) on investments	**$ (5,433)**	$ 194	$ -
Realized loss on investments	**(2,206)**	-	-
Dividends	**2,127**	4,123	-
Interest	**332**	-	2,151
Net investment income	**$ (5,181)**	$ 4,317	$ 2,151

The significant increase in the unrealized loss on investments was due to equity market conditions as of June 30, 2008. The sale of $25.0 million in equity investments to purchase student loans as an investment resulted in a $2.2 million realized loss. Dividends decreased by $2.0 million due to equity market conditions and a smaller balance in equity investments for a portion of the year. Interest in the fiscal year ended June 30, 2008 was primarily from student loans.

Net investment income increased approximately $2.2 million from the year ended June 30, 2006 to the year ended June 30, 2007, due primarily to a higher average investment balance and interest rate during the year. The average cash and investment balance for the years ended June 30, 2007 and 2006 were $79.1 million and $64.0 million, respectively with an average return of 5.5% and 4.0%, respectively.

General and administrative expenses decreased by $138,000 from the year ended June 30, 2007 to the year ended June 30, 2008, due primarily to a decrease in salaries and benefits. General and administrative expenses increased by $249,000 from the year ended June 30, 2006 to the year ended June 30, 2007, due primarily to increases in personnel and software for systems development, as well as outreach activities to increase awareness of the program.

Economic Factors and Future Years' Rates:

- Since its original enactment in 1965, the HEA, governing the Federal Family Education Loan (FFEL) Program, has been amended and reauthorized numerous times. As a result, the HEA and FFEL Program have been subject to numerous changes including changes in the calculation of interest rates and special allowance payments on federal student loans, changes in the requirements to offer certain payment plans to borrowers, additional loan forgiveness provisions, and additional restrictions on guarantors' use of funds. The changes resulting from recent amendments are summarized as follows:

  The Ensuring Continued Access to Student Loans Act (Public Law 110-227) became effective July 1, 2008. The legislation gives the USDE the authority to purchase, or enter into forward commitments to purchase FFEL Program loans made under the HEA. CollegeInvest has filed a notice of intent to participate in this program and has established agreements and procedures to accommodate participation in this program for the fiscal years ending June 30, 2009 and 2010. The intent of participating in this program is to provide liquidity to originate loans until the capital market disruption subsides. CollegeInvest is expecting credit markets to improve. However, should credit markets not become viable by the summer of 2010 and alternative financing options are not available, CollegeInvest's ability to provide loans may be negatively impacted.

  The College Cost Reduction and Access Act became Public Law 110-84 on September 27, 2007 effective October 1, 2007. The legislation reduces by 40 and 55 basis points lender subsidies for Stafford and Consolidation loans made by non-profit and for-profit lenders, respectively, on or after October 1, 2007. Additionally, it provides for a 70 and 85 basis point reduction for PLUS loans made by non-profit lenders and for-profit lenders, respectively, increases lender paid origination fees from 0.5% to 1.0% with an exception for "small lenders", and repeals exceptional performer status. It further reduces lender insurance from 97% to 95% effective October 1, 2012.

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

  The Deficit Reduction Act of 2005, signed into law by the President on February 8, 2006, amended several provisions of the HEA governing the FFEL Program. The 2005 Higher Education Act Amendments extended various provisions of the HEA through September 30, 2012 and included, but were not limited to, provisions that (i) reduced lender insurance from 98% to 97% for student loans for which the first disbursement were made on or after July 1, 2006, (ii) reduced from 100% to 99% reimbursements available for any default claim submitted by a lender or servicer designated for exceptional performance, (iii) required payments by lenders to the USDE of any interest applicable to student loans first disbursed on or after April 1, 2006, which were in excess of the special allowance payment applicable to such loans, and (iv) eliminated (or in certain limited instances phased out by the year 2010) the 9.5% special allowance payment rate for certain loans made or purchased with funds derived from proceeds of certain tax-exempt obligations.

  Congress will likely continue further amending the HEA as part of reauthorization of other provisions of the HEA. Any such amendments could affect the federal student loans held under the Indenture. It is not possible to predict whether or when any amendments to the HEA may be introduced, in what form they may be adopted, or the final content of any such amendments and their effect upon CollegeInvest student loan programs. There can

Economic Factors and Future Years' Rates (continued):

be no assurance that the HEA, or other relevant law or regulations, will not be changed in a manner that could adversely affect CollegeInvest student loan programs.

- From July 1, 1998 through June 30, 2006, the interest rate on subsidized and unsubsidized Stafford loans first disbursed during this time period was variable. Each July 1st, in accordance with the Higher Education Act of 1965, as amended, the interest rate was reset based on the 91-day Treasury bill rate, determined in the last Treasury bill auction in May of that year. For loans first disbursed after July 1, 2006, the rate on unsubsidized Stafford loans was fixed at 6.8%. The rate on subsidized Stafford loans decreases annually beginning on July 1, 2008 from 6.8% to 3.4% as of July 1, 2011. Stafford loans accounted for 46.9% and 44.5% of CollegeInvest's portfolio as of June 30, 2008 and 2007, respectively. Therefore, if student loan balances remain the same, student loan interest income on this portion of CollegeInvest's portfolio will decrease in future periods.

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

- As of June 30, 2008, 100% of CollegeInvest's outstanding debt was variable. If debt levels remain at the same level, economic conditions that cause variances in interest rates may have a positive or negative effect on interest expense.

- CollegeInvest's net income will increase or decrease depending on the interest rate spread between the borrower rates earned, as described above, the rates it experiences on its variable debt, and market access to such debt vehicles. As of February, 2008 turmoil in the capital markets spilled over into the Auction Rate Market causing the market to fail and for maximum interest rate waivers to take effect. This caused CollegeInvest to incur larger than normal interest expense, while at the same time indices that determine revenue, such as T-Bill and Commercial Paper, fell to all-time lows due to an overall flight to quality in the financial market. This inverse relationship of failed bond markets and a flight to quality created dislocation of indices which contributed to a decline in CollegeInvest's overall revenue and increased interest expense. Additionally, the auction rate securities market is no longer a viable and cost effective solution for obtaining capital. We anticipate that the credit markets will eventually return to some normalcy, however, the cost of financing in the credit markets will likely increase, and options and financing vehicles will likely decrease as a result of failed markets and reduced market liquidity.

- Under the terms of federal grants, periodic audits and or reviews are required and certain costs may be questioned as not being appropriate expenses under the terms of the grants. Such audits could lead to reimbursement to the grantor agency or the USDE. The USDE performed a review of CollegeInvest in May 2006. As a result, CollegeInvest received a finding from the USDE regarding under billing of 9.5% Floor SAP of approximately $13.6 million. The under billing identified in the review began in the quarter ended March 31, 1999. Effective October 1, 2006, the DOE changed its interpretation of Floor SAP. Utilizing this new methodology, CollegeInvest is in the process of working with USDE in determining the revised amount of the under billing. See footnote #13 for further discussion.

- Future fair market valuation of equity and fixed income securities may fluctuate based on market conditions and interest rates.

Requests for Information:

This report is designed to provide a general overview of the Funds' finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Kenton J. Spuehler, Chief Financial Officer, CollegeInvest, 1560 Broadway, Suite 1700, Denver, CO 80202.

COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
STATEMENTS OF NET ASSETS
JUNE 30, 2008 AND 2007
(dollar amounts expressed in thousands)

	2008						2007					
	Borrower Benefit Fund	**Bond Funds**	**CollegeInvest Early Achievers Scholarship**	**Nursing Teacher Loan Forgiveness**	**Health Care Provider Loan Repayment**	**Total**	Borrower Benefit Fund	Bond Funds	CollegeInvest Early Achievers Scholarship	Nursing Teacher Loan Forgiveness	Health Care Provider Loan Repayment	Total
Assets:												
Current assets:												
Cash and investments	**$ 9,430**	**$ 162,393**	**$ 51,798**	**$ 343**	**$ 112**	**$ 224,076**	$ 9,028	$ 376,328	$ 80,677	$ 165	$ -	$ 466,198
Investment in student loans	**-**	**-**	**22,786**	**-**	**-**	**22,786**	-	-	-	-	-	-
Student loans, net	**-**	**36,397**	**-**	**-**	**-**	**36,397**	-	28,294	-	-	-	28,294
Interest and other receivables	**47**	**41,468**	**684**	**-**	**-**	**42,199**	5	37,340	290	-	-	37,635
CollegeLender receivable	**-**	**2**	**-**	**-**	**-**	**2**	-	8,958	-	-	-	8,958
Prepaid expenses	**207**	**205**	**-**	**-**	**-**	**412**	90	258	-	-	-	348
Total current assets	**9,684**	**240,465**	**75,268**	**343**	**112**	**325,872**	9,123	451,178	80,967	165	-	541,433
Noncurrent assets:												
Capital assets, net	**340**	**-**	**-**	**-**	**-**	**340**	559	-	-	-	-	559
Student loans, net	**-**	**1,608,626**	**-**	**-**	**-**	**1,608,626**	-	1,323,352	-	-	-	1,323,352
Bond and note issuance costs, net	**-**	**9,687**	**-**	**-**	**-**	**9,687**	-	9,422	-	-	-	9,422
Total noncurrent assets	**340**	**1,618,313**	**-**	**-**	**-**	**1,618,653**	559	1,332,774	-	-	-	1,333,333
Total assets	**10,024**	**1,858,778**	**75,268**	**343**	**112**	**1,944,525**	9,682	1,783,952	80,967	165	-	1,874,766
Liabilities:												
Current liabilities:												
Accounts payable and accrued expenses	**429**	**3,638**	**67**	**-**	**-**	**4,134**	541	2,231	18	-	-	2,790
Due to (from) other Funds and other agencies	**467**	**2,704**	**(183)**	**16**	**-**	**3,004**	447	(318)	142	-	-	271
Interest payable	**-**	**3,982**	**-**	**-**	**-**	**3,982**	-	5,213	-	-	-	5,213
Bonds and notes payable	**-**	**24,000**	**-**	**-**	**-**	**24,000**	-	15,974	-	-	-	15,974
Total current liabilities	**896**	**34,324**	**(116)**	**16**	**-**	**35,120**	988	23,100	160	-	-	24,248
Noncurrent liabilities:												
Accrued compensated absences	**182**	**-**	**-**	**-**	**-**	**182**	177	-	-	-	-	177
Arbitrage rebate payable	**-**	**17,985**	**-**	**-**	**-**	**17,985**	-	23,774	-	-	-	23,774
Bonds and notes payable	**-**	**1,701,330**	**-**	**-**	**-**	**1,701,330**	-	1,625,330	-	-	-	1,625,330
Total noncurrent liabilities	**182**	**1,719,315**	**-**	**-**	**-**	**1,719,497**	177	1,649,104	-	-	-	1,649,281
Total liabilities	**1,078**	**1,753,639**	**(116)**	**16**	**-**	**1,754,617**	1,165	1,672,204	160	-	-	1,673,529
Net assets:												
Invested in capital assets	**340**	**-**	**-**	**-**	**-**	**340**	559	-	-	-	-	559
Restricted	**-**	**105,139**	**75,384**	**327**	**112**	**180,962**	-	111,748	80,807	165	-	192,720
Unrestricted	**8,606**	**-**	**-**	**-**	**-**	**8,606**	7,958	-	-	-	-	7,958
Total net assets	**$ 8,946**	**$ 105,139**	**$ 75,384**	**$ 327**	**$ 112**	**$ 189,908**	$ 8,517	$ 111,748	$ 80,807	$ 165	$ -	$ 201,237

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

COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007
(dollar amounts expressed in thousands)

2008

	Borrower Benefit Fund	Bond Funds	CollegeInvest Early Achievers Scholarship	Nursing Teacher Loan Forgiveness	Health Care Provider Loan Repayment	Total
Operating revenues:						
Interest and special allowance on student loans (pledged as security on revenue bonds and notes)	$ -	$ 95,775	$ -	$ -	$ -	$ 95,775
Interest income (pledged as security on revenue bonds and notes)	-	9,293	-	-	-	9,293
Net investment income	504	-	(5,181)	16	2	(4,658)
Total operating revenues	504	105,068	(5,181)	16	2	100,409
Operating expenses:						
Interest expense	-	94,014	-	-	-	94,014
Loan servicing costs	-	5,939	-	16	-	5,955
Rebate tax expense, net	-	2,463	-	-	-	2,463
Bond fees	-	2,814	-	-	-	2,814
General and administrative expenses	75	3,982	154	-	-	4,211
Salaries and benefits	-	2,041	88	-	-	2,129
Depreciation and amortization	-	374	-	-	-	374
Total operating expenses	75	111,627	242	16	-	111,960
Operating income (loss) before transfers	429	(6,559)	(5,423)	-	2	(11,551)
Nonoperating - intergovernmental revenue	-	-	-	162	60	222
Transfer to Bond Funds from Borrower Benefit Fund	-	-	-	-	-	-
Transfer to Health Care Provider Fund from Bond Funds	-	(50)	-	-	50	-
Change in net assets	429	(6,609)	(5,423)	162	112	(11,329)
Net assets, beginning of year	8,517	111,748	80,807	165	-	201,237
Net assets, end of year	$ 8,946	$ 105,139	$ 75,384	$ 327	$ 112	$ 189,908

2007

	Borrower Benefit Fund	Bond Funds	CollegeInvest Early Achievers Scholarship	Nursing Teacher Loan Forgiveness	Health Care Provider Loan Repayment	Total
Operating revenues:						
Interest and special allowance on student loans (pledged as security on revenue bonds and notes)	$ -	$ 92,786	$ -	$ -	$ -	$ 92,786
Interest income (pledged as security on revenue bonds and notes)	-	12,206	-	-	-	12,206
Net investment income	622	-	4,317	4	-	4,943
Total operating revenues	622	104,992	4,317	4	-	109,935
Operating expenses:						
Interest expense	-	72,090	-	-	-	72,090
Loan servicing costs	-	5,758	-	-	-	5,758
Rebate tax expense, net	-	7,634	-	-	-	7,634
Bond fees	-	2,483	-	-	-	2,483
General and administrative expenses	49	2,434	145	-	-	2,628
Salaries and benefits	-	1,984	235	-	-	2,219
Depreciation and amortization	-	343	-	-	-	343
Total operating expenses	49	92,726	380	-	-	93,155
Operating income (loss) before transfers	573	12,266	3,937	4	-	16,780
Nonoperating - intergovernmental revenue	-	-	-	161	-	161
Transfer to Bond Funds from Borrower Benefit Fund	(4,000)	4,000	-	-	-	-
Transfer to Health Care Provider Fund from Bond Funds	-	-	-	-	-	-
Change in net assets	(3,427)	16,266	3,937	165	-	16,941
Net assets, beginning of year	11,944	95,482	76,870	-	-	184,296
Net assets, end of year	$ 8,517	$ 111,748	$ 80,807	$ 165	$ -	$ 201,237

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

COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007
(dollar amounts expressed in thousands)

	2008						**2007**					
	Borrower Benefit Fund	**Bond Funds**	**CollegeInvest Early Achievers Scholarship**	**Nursing Teacher Loan Forgiveness**	**Health Care Provider Loan Repayment**	**Total**	Borrower Benefit Fund	Bond Funds	CollegeInvest Early Achievers Scholarship	Nursing Teacher Loan Forgiveness	Health Care Provider Loan Repayment	Total
Cash Flows from Operating Activities:												
Cash received from student loans	**$ -**	**$ 310,286**	**$ 1,348**	**$ -**	**$ -**	**$ 311,634**	$ -	$ 336,444	$ -	$ -	$ -	$ 336,444
Cash received from the federal government	-	**31,037**	-	-	-	**31,037**	-	36,178	-	-	-	36,178
Cash received from educational institutions	-	**174,928**	-	-	-	**174,928**	-	165,196	-	-	-	165,196
Cash purchases of student loans	-	**(549,090)**	**(24,462)**	-	-	**(573,552)**	-	(514,811)	-	-	-	(514,811)
Cash received from plan managers and other Funds	**8,878**	-	-	-	-	**8,878**	8,418	-	-	-	-	8,418
Cash loaned to educational institutions	-	**(163,972)**	-	-	-	**(163,972)**	-	(167,028)	-	-	-	(167,028)
Cash payments to federal government	-	**(13,491)**	-	-	-	**(13,491)**	-	(11,672)	-	-	-	(11,672)
Cash payments to suppliers for goods and services	**(9,199)**	**(6,189)**	**(102)**	-	-	**(15,490)**	(7,716)	(7,687)	(173)	-	-	(15,576)
Cash payments to employees for service	-	**(2,041)**	**(88)**	-	-	**(2,129)**	-	(1,984)	(107)	-	-	(2,091)
Income received from CollegeLenders	-	**4,422**	-	-	-	**4,422**	-	4,425	-	-	-	4,425
Net cash provided (used) by operating activities	**(321)**	**(214,110)**	**(23,304)**	-	-	**(237,735)**	702	(160,939)	(280)	-	-	(160,517)
Cash Flows from Investing Activities:												
Proceeds from maturities of investments	**340**	**208,648**	**28,684**	-	-	**237,672**	213	-	391,098	-	-	391,311
Purchase of investments	**(329)**	-	-	-	-	**(329)**	-	(231,010)	(395,345)	-	-	(626,355)
Income received from investments	**410**	**10,622**	**(141)**	**13**	**1**	**10,905**	527	11,330	4,333	5	-	16,195
Increase (decrease) from unrealized gain (loss) on investments	**94**	-	**(5,239)**	**3**	**1**	**(5,141)**	95	-	194	(1)	-	288
Net cash provided (used) by investing activities	**515**	**219,270**	**23,304**	**16**	**2**	**243,107**	835	(219,680)	280	4	-	(218,561)
Cash Flows from Non-Capital Financing Activities:												
Issuance of bonds and notes	-	**188,300**	-	-	-	**188,300**	-	506,000	-	-	-	506,000
Repayment of bonds and notes	-	**(104,274)**	-	-	-	**(104,274)**	-	(60,612)	-	-	-	(60,612)
Interest paid on bonds and notes	-	**(84,887)**	-	-	-	**(84,887)**	-	(63,001)	-	-	-	(63,001)
Payment of bond and arbitrage rebate fees	-	**(3,241)**	-	-	-	**(3,241)**	-	(2,744)	-	-	-	(2,744)
Payment of bond and note issuance costs	-	**(1,008)**	-	-	-	**(1,008)**	-	(3,024)	-	-	-	(3,024)
Contribution from intergovenmental agency	-	-	-	**162**	**60**	**222**	-	-	-	161	-	161
Intrafund transfers	-	**(50)**	-	-	**50**	-	(4,000)	4,000	-	-	-	-
Net cash provided (used) in non-capital financing activities	-	**(5,160)**	-	**162**	**110**	**(4,888)**	(4,000)	380,619	-	161	-	376,780
Cash Flows from Capital Financing Activities:												
Cash received from other Funds for depreciation reimbursement	**444**	-	-	-	-	**444**	414	-	-	-	-	414
Purchase of capital assets	**(225)**	-	-	-	-	**(225)**	(78)	-	-	-	-	(78)
Net cash used in capital financing activities	**219**	-	-	-	-	**219**	336	-	-	-	-	336
Increase in cash and cash equivalents	**413**	-	-	**178**	**112**	**703**	(2,127)	-	-	165	-	(1,962)
Cash and cash equivalents, beginning of year	**9,017**	-	-	**165**	-	**9,182**	11,144	-	-	-	-	11,144
Cash and cash equivalents, end of year	**$ 9,430**	**$ -**	**$ -**	**$ 343**	**$ 112**	**$ 9,885**	$ 9,017	$ -	$ -	$ 165	$ -	$ 9,182

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

COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007
(dollar amounts expressed in thousands)

	2008						2007					
	Borrower Benefit Fund	**Bond Funds**	**CollegeInvest Early Achievers Scholarship**	**Nursing Teacher Loan Forgiveness**	**Health Care Provider Loan Repayment**	**Total**	Borrower Benefit Fund	Bond Funds	CollegeInvest Early Achievers Scholarship	Nursing Teacher Loan Forgiveness	Health Care Provider Loan Repayment	Total
Reconciliation of operating income to net cash provided by operating activities:												
Operating income before transfers	$ 429	$ (6,559)	$ (5,423)	$ -	$ 2	$ (11,551)	$ 573	$ 12,266	$ 3,937	$ 4	$ -	$ 16,780
Items reflected as investing and non-capital financing activities:												
Income received from investments	(410)	(10,622)	141	13	-	(10,878)	(527)	(11,330)	(4,333)	(5)	-	(16,195)
Interest paid on bonds and notes	-	84,887	-	-	-	84,887	-	63,001	-	-	-	63,001
Bond fees	-	3,241	-	-	-	3,241	-	2,744	-	-	-	2,744
Amortization of bond and note issuance costs	-	742	-	-	-	742	-	341	-	-	-	341
Prepaid expenses	-	(37)	-	-	-	(37)	-	8	-	-	-	8
Accounts payable and accrued expenses	-	(1,092)	-	-	-	(1,092)	-	(4)	-	-	-	(4)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:												
Amortization of premium costs	-	9,616	-	-	-	9,616	-	7,102	-	-	-	7,102
Change in allowance for loan losses	-	1,088	-	-	-	1,088	-	491	-	-	-	491
Depreciation expense	444	-	-	-	-	444	414	-	-	-	-	414
Depreciation expense allocated to other Funds	(444)	-	-	-	-	(444)	(414)	-	-	-	-	(414)
Net (appreciation) depreciation of fair value of investments and State Treasurer's cash pool	(94)	-	5,433	3	(2)	5,340	(95)	-	(194)	1	-	(288)
Changes in operating assets and liabilities:												
Student loans	-	(303,013)	(22,786)	-	-	(325,799)	-	(227,007)	-	-	-	(227,007)
Interest and other receivables	(42)	2,799	(393)	-	-	2,364	2	(8,000)	210	-	-	(7,788)
CollegeLender receivable	-	8,956	-	-	-	8,956	-	(2,527)	-	-	-	(2,527)
Prepaid expenses	(117)	(17)	-	-	-	(134)	(16)	(24)	-	-	-	(40)
Due (to) from other funds and other agencies	20	2,514	(325)	(16)	-	2,193	345	972	87	-	-	1,404
Accounts payable and accrued expenses	(107)	(824)	49	-	-	(882)	420	222	13	-	-	655
Arbitrage rebate payable	-	(5,789)	-	-	-	(5,789)	-	806	-	-	-	806
Net cash used by operating activities	$ (321)	$ (214,110)	$ (23,304)	$ -	$ -	$ (237,735)	$ 702	$ (160,939)	$ (280)	$ -	$ -	$ (160,517)

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

COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

1. Organization and Summary of Significant Accounting Policies:

Pursuant to Colorado Revised Statutes 23-3.1-201, et seq., and 23-3.1-301, et seq., as amended, CollegeInvest is a division of the Colorado Department of Higher Education (Department). The Executive Director of the Department (Executive Director) has responsibility for oversight and management of CollegeInvest. In addition, CollegeInvest has a nine-person Board of Directors (Board) designated by the Governor and approved by the State Senate to serve four-year terms.

The Colorado General Assembly established a student obligation bond program (Bond Funds), a scholarship trust program (CollegeInvest Early Achievers Scholarship), a Section 529 post secondary education expense program (Prepaid Tuition Fund), a Section 529 college savings program (Scholars Choice, Stable Value Plus and Direct Portfolio Funds), a loan forgiveness program for nursing teachers (Nursing Teacher Loan Forgiveness) and a loan repayment program for health care providers (Health Care Providers Fund), which are administered by CollegeInvest. The mission of CollegeInvest is to be Colorado's higher education financing leader and to help Colorado families break down the financial barriers to college. The financial statements presented here do not include operations of the post secondary education expense program or the college savings program.

CollegeInvest receives less than 10% of its funding from the State or any local government of the State, and therefore retains its enterprise status under Section 20, Article X of the Colorado Constitution.

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

Reporting Entity:

The Student Loan Program Funds (Funds) present the financial statements of the Borrower Benefit Fund, the Bond Funds, the CollegeInvest Early Achievers Scholarship Trust Fund (CEAS Trust), the Nursing Teacher Loan Forgiveness Fund (NTLF Fund) and the Health Care Provider Fund (HCP Fund). The Borrower Benefit Fund, the Bond Funds, the CEAS Trust, the NTLF Fund and the HCP Fund are accounted for as separate enterprise funds within the State of Colorado's financial reporting system. The CEAS Trust, NTLF Fund and HCP Fund were established by statute in July 2005, July 2006 and July 2007, respectively. An enterprise fund is established to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the fund be self-supporting.

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

Borrower Benefit Fund

CollegeInvest utilizes a Borrower Benefit Fund for payment of general and administrative expenses and other activities of all of its Funds. These expenses and activities have been allocated to the respective funds. Assets and revenues of the Borrower Benefit Fund are not pledged as collateral for the Bond Funds.

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

Reporting Entity (continued):

Bond Funds

The financial activities of the Bond Funds are recorded in funds and accounts established under various financing documents. The financing documents for each Bond Fund restrict assets held in the respective trust estate for the payment of the outstanding obligations. Each Bond Fund is accounted for separately and is a separate trust estate. All obligations are revenue bonds or notes and are collateralized as provided in the bond or note indentures, by an assignment and pledge to the Trustee of all CollegeInvest's right, title and interest in the investments, student loans, and loans purchased from Colorado institutions of higher education and the revenues and receipts derived there from. Within the Bond Funds, CollegeInvest administers the Loan Incentives For Teachers Program. The Program provides for loan forgiveness for teachers in a qualified position. Because this program was established within the statute that established the Student Loan Program, it is not separately appropriated and therefore the activity of this Program is not presented in a separate fund.

CollegeInvest Early Achievers Scholarship Trust Fund

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

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

Nursing Teacher Loan Forgiveness Fund

A loan forgiveness program was created by Colorado statute to provide student loan forgiveness to certain nursing teachers. Intergovernmental revenue is appropriated from the State of Colorado to the Department. CollegeInvest was designated by the statute to administer the NTLF Fund for the Department. Repayment of loans through the program may only be awarded to persons who meet certain eligibility requirements established by the Board in accordance with the statute.

The financial activities of the NTLF Fund consist of monies deposited in the State Treasurer's cash fund. CollegeInvest is also authorized to receive and expend gifts, grants, and donations or moneys appropriated by the General Assembly for the purpose of implementing the program. Moneys in the trust may be used by CollegeInvest for the payment of up to $20,000 for all or part of the principal and interest on a loan for persons who teach courses in nursing at a state institution of higher education for at least five consecutive academic years after receipt of an advanced degree. The estimated cost of the program appropriated by the State is $160,000 in both fiscal year 2006-07 and fiscal year 2007-08 to repay student loans and $1,600 annually to administer the program. All amounts shown as loan servicing costs in the statement of revenues, expenses and changes in net assets are related to loan forgiveness.

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

Reporting Entity (continued):

Health Care Providers Fund

A loan repayment program was created by Colorado statute to provide student loan repayment to certain health care professionals. Intergovernmental revenue is appropriated from the State of Colorado to the Department. CollegeInvest was designated by the statute to administer the HCP Fund for the Department. Repayment of loans through the program may only be awarded to persons who meet certain eligibility requirements established by the Board in accordance with the statute.

The financial activities of the HCP Fund consist of monies deposited in the State Treasurer's cash fund. CollegeInvest is also authorized to receive and expend gifts, grants, and donations or moneys appropriated by the General Assembly for the purpose of implementing the program. Moneys in the trust may be used by CollegeInvest for the payment of up to $35,000 in each of the two or more years for all or part of the principal, interest, and related expenses of the education loans of physicians or other health professionals who agree to provide primary health services in federally designated health professional shortage areas in Colorado. CollegeInvest received $60,000 from the Colorado Department of Public Health and Environment for the fiscal year ended June 30, 2008. CollegeInvest will receive a match from the Federal Department of Health and Human Services for loan repayment. CollegeInvest contributed $50,000 to the program for the fiscal year ended June 30, 2008. A total of $186,000 in loan repayment was awarded to participants by CollegeInvest in fiscal year 2007-08.

Budgets and Budgetary Accounting:

By statute, the Funds are continuously appropriated through user charges. Therefore, the budget is not legislatively adopted and a Statement of Revenues and Expenses – Budget to Actual is not a required part of these financial statements. However, the Board does approve an annual budget for all funds. Total budgeted expenses for the Funds for the Fiscal Year ended June 30, 2008 were $110.2 million, compared with actual expenses of $112.0 million. The total expenses for the Funds were $2.0 million over budget primarily due to higher than expected bond interest expenses. Total budgeted operating revenues of the Funds were $125.9 million as compared with actual revenues of $100.4 million. The lower than budgeted revenues were primarily due to lower special allowance income. Special allowance is paid by the federal government and is the difference between the borrower interest rate and a "market" rate defined by the HEA. When the borrower's rate is higher than the "market" rate, CollegeInvest's special allowance is reduced, or is negative, on certain loans. The Early Achiever's Scholarship Trust revenues were also substantially lower than budgeted due to equity market conditions during the fiscal year ended June 30, 2008. The Executive Director and the Board exercise oversight responsibilities, including budgetary and financial oversight.

Basis of Accounting:

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

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

Operating Revenues and Expenses:

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

Cash and Cash Equivalents:

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

Investments:

Investments are carried at fair value, which is determined primarily based on quoted market prices at June 30, 2008 and 2007.

Student Loans:

Student loans are carried at their uncollected principal balances net of an allowance for loan losses. The Bond Funds may purchase student loans from lenders at a premium or discount. The Bond Funds also originate student loans directly to borrowers. The Bond Funds provide a benefit to borrowers which generally rewards prompt and regular payments, and payments made by automatic bank drafts, with credits to or reduction of principal balance, interest rate reductions and credit or waiver of origination fees. Premiums and borrower benefits are capitalized and amortized over the estimated life of the loan using a method approximating the effective interest method. Unamortized premiums and borrower benefits collectively were $34.9 million and $29.8 million at June 30, 2008 and 2007, respectively.

During fiscal year 2008, CollegeInvest sold approximately $24.5 million in student loans and borrower interest receivable from one of its indentures to the CEAS Trust.

Allowance for Loan Losses:

The provision for loan losses is included in general and administrative expenses and is determined by management's evaluation of the student loan portfolios. This evaluation considers such factors as historical loss experience, quality of student loan servicing and collection, and economic conditions. When this evaluation determines that an exposure to loss is probable and can be reasonably estimated, a provision against current operations net of student loan recoveries is recorded. Actual losses are charged against the allowance for loan losses as they occur. The allowance for loan loss was $2.8 million and $1.7 million at June 30, 2008 and 2007, respectively. The loans transferred from the bond funds to the CEAS trust are intended to eventually be transferred back to the bond funds. The allowance for loan losses relating to the transferred loans remain in the bond funds.

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

Capital Assets:

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

Bond and Note Issuance Costs:

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

Compensated Absences:

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

Arbitrage Rebate Payable:

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

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

Transfers From/To Other Funds:

During the Fiscal Year ended June 30, 2008, the Bond Funds of CollegeInvest transferred $50,000 to HCP to fund a portion of the loan repayment program.

During the Fiscal Year ended June 30, 2007, the Borrower Benefit Fund of CollegeInvest contributed $4.0 million to the Bond Funds to fund the Loan Incentive for Teachers program.

Due From/To Other Funds and Other Agencies:

The Bond Funds have interagency balances of $30,000 due to and $18,000 due from the University of Northern Colorado as of June 30, 2008 and 2007, respectively, for monies related to the CollegeLender program.

COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008 AND 2007

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

Due From/To Other Funds and Other Agencies (continued):

The Bond Funds have an interagency balances of $430,000 due to the University of Colorado Denver & Health Sciences as of June 30, 2008 for monies related to the CollegeLender program.

The Bond Funds have interagency balances of $31,000 and $1.1 million as of June 30, 2008 and 2007, respectively, due from the University of Colorado at Colorado Springs for monies related to the CollegeLender program.

As of June 30, 2008 and 2007 no monies were owed by College Assist (CA) to CollegeInvest. However, subsequent to year end, CollegeInvest obtained a bridge loan from CA. See Note 14, Subsequent Events, for further details.

The following interfund and interagency balances exist as of June 30, 2008:

	Borrower Benefit Fund	**Bond Funds**	**Prepaid Tuition Fund**	**Scholars Choice Fund**	**Stable Value Plus Fund**	**Direct Portfolio Fund**	**CollegeInvest Early Achievers Scholarship**	**Nursing Loan Forgiveness**
Interfunds loans due from (to):	**(dollars amounts expressed in thousands)**							
Bond Funds	**$2,100**	**($2,100)**					**$174**	
Prepaid Tuition Fund	**$82**		**($82)**					
Scholar's Choice Fund	**($2,542)**			**$2,542**				
Stable Value Plus Fund	**$116**				**($116)**			
Direct Portfolio Fund	**($230)**					**$230**		
Early Achievers Scholarship	**($9)**	**($174)**					**$9**	
Nursing Loan Forgiveness	**$16**							**($16)**
Other agencies	**-**	**($430)**						**-**
Total:	**($467)**	**($2,704)**	**($82)**	**$2,542**	**($116)**	**$230**	**$183**	**($16)**

The Borrower Benefit Fund has the following interfund and interagency balances as of June 30, 2007:

	Borrower Benefit Fund	Bond Funds	Prepaid Tuition Fund	Scholars Choice Fund	Stable Value Plus Fund	Direct Portfolio Fund	CollegeInvest Early Achievers Scholarship	Nursing Loan Forgiveness
Interfunds loans due from (to):	(dollars amounts expressed in thousands)							
Bond Funds	$772	($772)						
Prepaid Tuition Fund	$58		($58)					
Scholar's Choice Fund	($1,411)			$1,411				
Stable Value Plus Fund	$37				($37)			
Direct Portfolio Fund	($45)					$45		
Early Achievers Scholarship	$142						($142)	
Nursing Loan Forgiveness	-							
Other agencies	-	$1,090						-
Total:	($447)	$318	($58)	$1,411	($37)	$45	($142)	-

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

Revenues:

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

Use of Estimates:

The preparation of financial statements in conformity with principles 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 period. Actual results could differ significantly from these estimates.

Related Party Transactions:

CA was established in 1979 as a division of the Department. CA is the student loan guarantor for the State of Colorado. Loans to be insured by CA may only be originated by eligible institutions, which include CollegeInvest. Effective January 6, 2006, the Director of CollegeInvest was appointed the Director of CA. Although CollegeInvest and CA are both divisions of the Department, they are each constituted and operated as separate enterprises of the State under the direction of the same Director, and each (CollegeInvest and CA) retains the ability to enforce contractual obligations against the other.

Certain student loans of CollegeInvest are serviced under an origination and servicing agreement with CA and Nelnet (the Consortium Agreement). Prior to October 2005, CA originated loans and serviced certain loans following disbursement, and Nelnet also provided servicing under the Consortium Agreement. In October 2005, CA assigned its rights and obligations under the Consortium Agreement to Nelnet, and engaged Nelnet to carry out certain services on its behalf.

CollegeInvest purchases loans that have been rehabilitated by College Assist. CollegeInvest purchased $25.5 million and $21.9 million in rehabilitated loans during the fiscal years ended June 30, 2008 and 2007, respectively.

Reclassifications:

Certain amounts in the June 30, 2007 financial statements have been reclassified to conform to the current year's presentation.

2. Cash Deposits and Investments:

Cash Deposits:

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

2. Cash Deposits and Investments (continued):

CollegeInvest deposits cash with the Colorado State Treasurer as required by Colorado Revised Statutes (CRS). The State Treasurer pools these deposits and invests them in securities approved by CRS 24-75-601.1. CollegeInvest reports its share of the State Treasurer's unrealized gains/losses based on its participation in the State Treasurer's pool. All of the State Treasurer's investments are reported at fair value, which is determined based on quoted market prices at June 30, 2008 and 2007. The State Treasurer does not invest any of the pool resources in any external investment pool, and there is no assignment of income related to participation in the pool. The unrealized gains or losses on the treasurer's pooled cash are shown as increases or decreases in cash balances, and therefore, are reported as noncash transactions. Additional information on the State Treasurer's pool may be obtained in the State of Colorado's Comprehensive Annual Financial Report.

Cash deposits of the Borrower Benefit Fund, the CEAS Trust, the NTLF Fund and the HCP Fund as of June 30 are as follows:

	2008			2007		
	Unrestricted	**Restricted**	**Total**	Unrestricted	Restricted	Total
	(dollar amounts expressed in thousands)					
Demand deposit accounts	**$ 341**	**$ -**	**$ 341**	$ -	$ -	$ -
State Treasurer's cash pool	**9,089**	**455**	**9,544**	9,028	165	9,193
	$ 9,430	**$ 455**	**$ 9,885**	$ 9,028	$ 165	$ 9,193

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

Custodial Credit Risk – Cash Deposits:

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

Investment Authority and Policy:

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

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

2. Cash Deposits and Investments (continued):

Investment Authority and Policy (continued):

Effective June 7, 2007, the Board approved the investment policy of the CEAS Trust. Investments of assets in the CEAS Trust and the underlying portfolios are selected and managed in accordance with the standards set forth in the Colorado Revised Statutes Sections 15-1-304 and 15-1.1-103. Consistent with these standards, the Board, or its designated committee, will determine from time to time suitable investment parameters for the CEAS Trust, which seek to control risk through portfolio diversification, and obtain a reasonable return on the investment of Trust assets.

The appropriate asset allocation for investments of the CEAS Trust is a function of multiple factors, including projected cash flow requirements, minimizing risk while working to achieve an overall 5% disbursement objective, and minimizing loss or use of corpus.

The table below identifies the broad asset categories based on the respective benchmark that are authorized for investments of the CEAS Trust:

Asset Category	Allocation	Range	Benchmark
Fixed Income Securities	40%	+/- 2%	Lehman Brothers Aggregate Bond Index
Small Cap Equity Securities	5%	+/- 2%	Russell 2000 Index
Large Cap Equity Securities	40%	+/- 2%	Russell 1000 Index
International Equity Securities	15%	+/- 2%	MSCI EAFE Index net

Prior to June 7, 2007, the CEAS Trust was allowed to invest in direct obligations of the U.S. government and its agencies, demand deposits, certificates of deposit, banker's acceptances, commercial paper, money market funds, written reverse repurchase agreements and written repurchase agreements, general or revenue obligations of any state in the United States, and investment agreements as authorized by the Colorado Revised Statues Section 24-75-601, et seq., as an investment policy was not in place.

Investments of the Borrower Benefit Fund, the Bond Funds and the CEAS Trust as of June 30 are as follows:

	2008			2007		
	Unrestricted	**Restricted**	**Total**	Unrestricted	Restricted	Total
	(dollar amounts expressed in thousands)					
Money market mutual funds	**$ -**	**$ 33,814**	**$ 33,814**	$ -	$ 34,405	$ 34,405
Fixed income securities	**-**	**20,066**	**20,066**	-	32,240	32,240
Guaranteed investment contracts	**-**	**130,476**	**130,476**	-	341,923	341,923
International equity securities	**-**	**7,235**	**7,235**	-	12,300	12,300
Large cap equity securities	**-**	**19,999**	**19,999**	-	32,119	32,119
Small cap equity securities	**-**	**2,601**	**2,601**	-	4,018	4,018
	$ -	**$ 214,191**	**$ 214,191**	$ -	$ 457,005	$ 457,005

2. Cash Deposits and Investments (continued):

Investment Authority and Policy (continued):

During the year, CollegeInvest transferred student loans in exchange for cash from the bond funds to the CEAS trust fund. As of June 30, 2008, the value of the student loans held in the CEAS trust fund was $22,786,000.

Custodial Credit Risk:

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

Interest Rate Risk:

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Bond Funds invest in guaranteed investment contracts and are not exposed to interest rate risk as of June 30, 2008 and 2007. The CEAS Trust was invested in various short term commercial paper instruments during a majority of the year ended June 30, 2007 which are not exposed to interest rate risk. Effective June 25, 2007, the CEAS Trust invested in fixed income, small cap equity, large cap equity and international equity funds managed by Russell Trust Company (RTC) which are exposed to interest rate risk. RTC chooses money managers with expertise in selecting bonds across the maturity spectrum and combines firms that have differing investment approaches to manage the risk.

	2008		2007	
Investment Type	**Fair Value**	**Weighted Average Maturity (in years)**	Fair Value	Weighted Average Maturity (in years)
	(dollar amounts expressed in thousands)			
RIC Fixed Income I Fund Class Y	**$20,066**	**7.2**	$32,240	4.3
Dreyfus Treasury Cash Management Fund	**$31,819**	**< 1 year**	$23,655	< 1 year

Credit Risk:

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

2. Cash Deposits and Investments (continued):

Credit Risk (continued):

As of June 30, 2008:

Investment Type	Minimum Rating	Exempt From Disclosure	Standard & Poor's Rating as of Year End				
			AAA	A1	A2	A3	NR
			(dollar amounts expressed in thousands)				
Fixed income securities	N/A	-	$20,066	-	-	-	-
Guaranteed investment contracts	N/A	$130,476	-	-	-	-	-
International equity securities	N/A	-	-	-	-	-	$7,235
Large cap equity securities	N/A	-	-	-	-	-	$19,999
Money market mutual fund	N/A	-	$31,819	-	-	-	$1,996
Small cap equity securities	N/A	-	-	-	-	-	$2,601

As of June 30, 2007:

Investment Type	Minimum Rating	Exempt From Disclosure	Standard & Poor's Rating as of Year End				
			AAA	A1	A2	A3	NR
			(dollar amounts expressed in thousands)				
Fixed income securities	N/A	-	$32,240	-	-	-	-
Guaranteed investment contracts	N/A	$341,923	-	-	-	-	-
International equity securities	N/A	-	-	-	-	-	$12,300
Large cap equity securities	N/A	-	-	-	-	-	$32,119
Money market mutual fund	N/A	-	$23,655	-	-	-	$10,750
Small cap equity securities	N/A	-	-	-	-	-	$4,018

2. Cash Deposits and Investments (continued):

Credit Risk (continued):

As of June 30, 2008:

Investment Type	Minimum Rating	Exempt From Disclosure	Moody's Rating as of Year End Aaa/P1	Aa3/P2	Aa2/P3	NR
			(dollar amounts expressed in thousands)			
Fixed income securities	N/A	-	$20,066	-	-	-
Guaranteed investment contracts	N/A	$130,476	-	-	-	-
International equity securities	N/A	-	-	-	-	$7,235
Large cap equity securities	N/A	-	-	-	-	$19,999
Money market mutual fund	N/A	-	$31,819	-	-	$1,996
Small cap equity securities	N/A	-	-	-	-	$2,601

As of June 30, 2007:

Investment Type	Minimum Rating	Exempt From Disclosure	Moody's Rating as of Year End P1	P2	P3	NR
			(dollar amounts expressed in thousands)			
Fixed income securities	N/A	-	$32,240	-	-	-
Guaranteed investment contracts	N/A	$341,923	-	-	-	-
International equity securities	N/A	-	-	-	-	$12,300
Large cap equity securities	N/A	-	-	-	-	$32,119
Money market mutual fund	N/A	-	$23,655	-	-	$10,705
Small cap equity securities	N/A	-	-	-	-	$4,018

2. Cash Deposits and Investments (continued):

Concentrations of Credit Risk:

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. Investments in any one issuer that represent 5% or more of total Bond Funds' and CEAS investments as of June 30, 2008 and 2007 are as follows:

Issuer	Investment Type	2008 Fair Value	2007 Fair Value
		(dollar amounts expressed in thousands)	
Natixis Funding Corporation	Guaranteed investment contract	$ **86,642**	$ N/A
Dreyfus Treasury Cash Management	Money market mutual fund	**31,819**	23,655
Trinity Plus Funding Company	Guaranteed investment contracts	**20,253**	52,415
RIC Fixed Income I Fund Class Y	Fixed income securities	**20,066**	32,240
CTF Russell Common Trust Large Cap Structured Equity	Large cap equity securities	**19,999**	32,119
AIG Matched Funding Corporation	Guaranteed investment contracts	**13,596**	235,637
Bayerische Landesbank	Guaranteed investment contracts	**9,984**	52,773
CTF Russell Common Trust International Equity Fund	International equity securities	**7,235**	12,300
CTF Russell Common Trust Small Cap Equity Fund	Small cap equity securities	**2,601**	4,018
Firstbank Liquid Asset Account	Money market mutual fund	**1,996**	10,750
Transamerica Life Insurance	Guaranteed investment contracts	**-**	1,098

Investment Income:

Net investment income as of June 30, 2008 and 2007 was comprised of the following:

	2008 Borrower Benefit Fund	2008 Bond Funds	2008 CollegeInvest Early Achievers Scholarship	2008 Nursing Teachers Loan Forgiveness	2008 Health Care Provider Fund	2007 Borrower Benefit Fund	2007 Bond Funds	2007 CollegeInvest Early Achievers Scholarship	2007 Nursing Teachers Loan Forgiveness	2007 Health Care Provider Fund
	(dollar amounts expressed in thousands)									
Interest income (pledged as security on revenue bonds and notes)	$ -	$ 9,293	$ -	$ -	$ -	$ -	$ 12,206	$ -	$ -	$ -
Interest income	410	-	2,458	13	-	527	-	4,123	5	-
Realized loss on investments	-	-	(2,206)	-	-	-	-	-	-	-
Unrealized gain (loss) on investments	-	-	(5,433)	-	-	-	-	194	-	-
Change in fair value of State Treasurer's cash pool	94	-	-	3	2	95	-	-	(1)	-
Net investment income	$ 504	$ 9,293	$ (5,181)	$ 16	$ 2	$ 622	$ 12,206	$ 4,317	$ 4	$ -

In the Early Achievers Scholarship Trust Fund, the sale of $25.0 million in equity investments to purchase student loans as an investment resulted in a $2.2 million realized loss.

3. Student Loans:

The Bond Funds originate student loans directly to the borrower and purchase student loans from originating lenders in accordance with the provisions of the Higher Education Act (HEA). The USDE administers and regulates the Federal Family Education Loan Program (Program). Almost all of the student loans in the Bond Funds have been originated under the Program. The Program includes loans originated in the Federal Stafford Loan program, formerly the Guaranteed Student Loan program, the Federal Parent Loan for Undergraduate Students program, and the Federal Consolidation Loan program. Loan terms and interest rates vary depending on the respective loan program and date of origination. Loan terms generally provide repayment of principal and interest on a monthly basis over a period of up to thirty years. Interest rates range from 2.8% to 12.0% (not including borrower benefits).

As of June 30, 2008 and 2007, there were approximately $1.7 million and $162,000, respectively, of student loans in the Bond Funds originated under an alternative loan program. Alternative loans are credit-based, school certified, supplemental loans offered by private lenders to students who are not eligible for federal loans or who need assistance beyond their federal loan eligibility. Interest rates are variable, adjusted quarterly and equal to the three month LIBOR, plus a spread, dependent on the borrower's or cosigner's credit rating.

Interest to the borrower is either at a fixed or variable rate subject to a maximum rate. The loan yield to the Bond Funds is the maximum interest rate to the borrower or a rate indexed to the 91-day Treasury bill rate for each calendar quarter, for loans originated before January 1, 2000 or a rate indexed to the 91-day commercial paper rate for each calendar quarter for loans originated on or after January 1, 2000 through June 30, 2006. Loans originated after June 30, 2006 bear interest at a 6.8% fixed rate.

Principally, CA guarantees Program loans against the borrower's default, death, disability, and bankruptcy. CA is reinsured under HEA. The loan guarantee is subject to applicable procedures relating to the origination and servicing of student loans. There are penalties up to loss of guarantee if the applicable procedures are not met. CollegeInvest can reinstate guarantees under certain circumstances. CollegeInvest also has recourse provisions with its lenders and its servicers for any loss of guarantee. Loans disbursed prior to October 1, 1993 are 100% insured while loans disbursed on or after October 1, 1993 are insured up to 98% of principal and accrued interest in the case of default. Loans disbursed after June 30, 2006 are insured up to 97% of principal and accrued interest. During the years ended June 30, 2007 and 2006, two of CollegeInvest's student loan servicers obtained a designation from the USDE which allowed loss of guarantee reimbursement at 2% above the allowable rate. The USDE eliminated this designation effective October 1, 2007. Management has provided an allowance for loan losses of principal and/or interest due to claim penalties, loss of guarantee and insurance below 100%.

4. Capital Assets:

Capital assets activity for the year ended June 30, 2008 and 2007 was as follows:

	Balance June 30, 2007	Additions	Deletions/ Depreciation	**Balance June 30, 2008**
	(dollar amounts expressed in thousands)			
Software	$ 2,858	$ 3	$ -	$ **2,861**
Leasehold Improvements	-	19	-	**19**
Furniture and equipment	529	203	-	**732**
Accumulated depreciation	(2,828)	-	(444)	**(3,272)**
Total capital assets, net	$ 559	$ 225	$ (444)	$ **340**

	Balance June 30, 2006	Additions	Deletions/ Depreciation	**Balance June 30, 2007**
	(dollar amounts expressed in thousands)			
Software	$ 2,838	$ 20	$ -	$ **2,858**
Furniture and equipment	471	58	-	**529**
Accumulated depreciation	(2,414)	-	(414)	**(2,828)**
Total capital assets, net	$ 895	$ 78	$ (414)	$ **559**

Depreciation expense for the years ended June 30, 2008 and 2007 was $444,000 and $414,000, respectively, of which $374,000 and $343,000, respectively, was allocated to the Bond Funds. The remaining amount was allocated to the Prepaid Tuition, Scholars Choice, Stable Value Plus, and Direct Portfolio Funds.

5. Bond and Note Issuance Costs:

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

	2008	2007
	(dollar amounts expressed in thousands)	
Bond and note issuance costs	**$ 14,450**	$ 13,442
Less accumulated amortization	**(4,763)**	(4,020)
Bond and note issuance costs, net	**$ 9,687**	$ 9,422

6. Bonds and Notes Payable:

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

Restrictive Covenants:

Certain indentures of trust and insurance policies include, among other requirements, covenants relative to restrictions on additional indebtedness, limits as to direct and indirect administrative expenses, restrictions to student loan portfolio mix, and requirements for maintaining certain financial ratios. Also, certain indentures of trust require the establishment of reserve accounts. CollegeInvest was in compliance with such covenants as of June 30, 2008 and 2007.

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

Refunding:

Bonds totaling $88.3 million and $21.0 million previously issued by CollegeInvest were currently refunded (debt legally satisfied) by the issuance of refunding bonds during the years ended June 30, 2008 and 2007, respectively.

The $88.3 million refunding resulted in an economic gain (difference in the present values of the old and new debt service payments) of $953,000, based on gross savings of $1.0 million.

Liquidity and Insurance Agreements:

CollegeInvest has entered into agreements with two liquidity providers. Pursuant to the Standby Agreements, the Liquidity Providers agreed, subject to the terms and conditions therein, to purchase certain Series 1999 A-2 and A-3 Bonds, Series 1989A Bonds or Series 1990A Bonds which are tendered by the owners thereof to the Tender Agent or are subject to mandatory purchase but are not remarketed by the Remarketing Agents. The liquidity fees on principal and interest are paid quarterly. On June 5, 2008, CollegeInvest refunded its 1999 Series A-2 and A-3 Bonds and the liquidity agreement relating to these bonds was terminated.

On March 24, 1999, CollegeInvest entered into an agreement to obtain municipal bond insurance on the Series 1999A-2, A-3, and A-4 Bonds, Series 1989A Bonds and Series 1990A Bonds. The policy insures payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. The term of the policy is for the life of the bonds and requires an annual fee. The Series 1999 A-4 Bonds were paid in full on March 3, 2008.

6. Bonds and Notes Payable (continued):

Letter of Credit Agreement:

On June 5, 2008, CollegeInvest entered into a letter of credit agreement. The letter of credit calls for the trustee to draw on the letter of credit to pay the principal and accrued interest on the Series 2008 I-A bonds which are properly tendered by the owners thereof to the Trustee that are not remarketed by the Remarketing Agent. The agreement is initially scheduled to expire on June 4, 2010, but may terminate or be replaced prior to such expiration. The bonds are subject to mandatory tender or purchase prior to the occurrence of any expiration, termination or replacement of the letter of credit. The letter of credit requires an annual fee. As a part of this transaction, CollegeInvest borrowed $13 million in private activity bond cap from the Colorado Housing and Finance Authority with a commitment to return it by December 31, 2008.

The following bonds and notes payable are outstanding–

6. Bonds and Notes Payable (continued):

	Authorized And Issued	Outstanding June 30, 2007	Issued (Redeemed) During 2008	**Outstanding June 30, 2008**	**Due Within One Year**
			(dollar amounts expressed in thousands)		
1999 Series A Master Indenture, Variable Rate Notes/Bonds:					
Weekly Adjustable Interest Rate Bonds					
1989A, Jun. 8, 1989	$ 80,000	$ 80,000	$ -	$ **80,000**	$ **-**
1990A, Jan. 4, 1990	66,655	60,655	-	**60,655**	**-**
1999A-2, Mar. 24, 1999	56,000	56,000	(56,000)	**-**	**-**
1999A-3, Mar. 24, 1999	32,300	32,300	(32,300)	**-**	**-**
Monthly Adjustable Interest Rate Notes					
1999A-4, Mar. 24, 1999	209,000	15,974	(15,974)	**-**	**-**
1999 Series IV Master Indenture, Variable Rate Notes/Bonds:					
Monthly Adjustable Interest Rate Notes/Bonds					
Series 1999IV-A1, Nov. 1, 1999	96,800	64,900	-	**64,900**	**-**
Series 1999IV-A2, Nov. 1, 1999	96,800	64,900	-	**64,900**	**-**
Series 1999IV-A4, Nov. 1, 1999	19,300	19,300	-	**19,300**	**-**
Series 2001V-A, July 31, 2001	36,250	36,250	-	**36,250**	**-**
Series 2002VII-A1, August 20, 2002	32,000	32,000	-	**32,000**	**-**
Series 2002VII-A2, August 20. 2002	16,000	16,000	-	**16,000**	**-**
Series 2002VII-A3, August 20, 2003	62,000	62,000	-	**62,000**	**-**
Series 2003VIII-A1, April 24, 2003	65,000	65,000	-	**65,000**	**-**
Series 2004IX-A1, July 22, 2005	38,500	38,500	-	**38,500**	**-**
Series 2004IX-A2, July 22, 2005	38,525	38,525	-	**38,525**	**-**
Series 2004X-A1, December 15, 2005	50,000	50,000	-	**50,000**	**-**
Series 2005XI-A1, September 1, 2005	65,000	65,000	-	**65,000**	**-**
Series 2005XI-A2, September 1, 2005	66,000	66,000	-	**66,000**	**-**
Series 2005XI-A3, September 1, 2005	50,000	50,000	-	**50,000**	**-**
Series 2006XII-A1, August 3, 2006	49,500	49,500	-	**49,500**	**-**
Series 2006XII-A2, August 3, 2006	49,500	49,500	-	**49,500**	**-**
Series 2006XII-A3, August 3, 2006	50,500	50,500	-	**50,500**	**-**
Series 2006XII-A4, August 3, 2006	50,500	50,500	-	**50,500**	**-**
Series 2007 XIII-A1, April 17, 2007	66,000	66,000	-	**66,000**	
Monthly Adjustable Interest Rate Subordinate Bonds					
Series 2004IX-B4, July 22, 2005	6,000	6,000	-	**6,000**	**-**
Series 2007XIII-B1 April 17, 2007	21,000	21,000	-	**21,000**	**-**
Series 2007XIII-B2, April 17, 2007	19,000	19,000	-	**19,000**	**-**
Quarterly Adjustable Interest Rate Notes					
Series 2003VIII-A2, April 24, 2003	120,000	120,000	-	**120,000**	**24,000**
Series 2004IX-A3, July 22, 2005	96,000	96,000	-	**96,000**	**-**
Series 2007XIII-A2, April 17, 2007	200,000	200,000	-	**200,000**	**-**
2008 Series I-A Master Indebture, Variable Rate Bonds:					
Weekly Adjustable Interest Rate Bonds					
Series 2008I-A	188,300	-	188,300	**188,300**	**-**
Bonds and notes payable	$ 2,092,430	$ 1,641,304	$ 84,026	$ **1,725,330**	$ **24,000**

6. Bonds and Notes Payable (continued):

	Authorized And Issued	Outstanding June 30, 2006	Issued (Redeemed) During 2007	**Outstanding June 30, 2007**	**Due Within One Year**
	(dollar amounts expressed in thousands)				
1999 Series A Master Indenture, Variable Rate Notes/Bonds:					
Weekly Adjustable Interest Rate Bonds					
1989A, Jun. 8, 1989	$ 80,000	$ 80,000	$ -	$ **80,000**	$ -
1990A, Jan. 4, 1990	66,655	60,655	-	**60,655**	-
1999A-2, Mar. 24, 1999	56,000	56,000	-	**56,000**	-
1999A-3, Mar. 24, 1999	32,300	32,300	-	**32,300**	-
Monthly Adjustable Interest Rate Notes					
1999A-4, Mar. 24, 1999	209,000	39,825	(23,851)	**15,974**	15,974
1999 Series IV Master Indenture, Variable Rate Notes/Bonds:					
Monthly Adjustable Interest Rate Notes/Bonds					
Series 1999IV-A1, Nov. 1, 1999	96,800	64,900	-	**64,900**	-
Series 1999IV-A2, Nov. 1, 1999	96,800	64,900	-	**64,900**	-
Series 1999IV-A4, Nov. 1, 1999	19,300	19,300	-	**19,300**	-
Series 2001V-A, July 31, 2001	36,250	36,250	-	**36,250**	-
Series 2002VII-A1, August 20, 2002	32,000	32,000	-	**32,000**	-
Series 2002VII-A2, August 20. 2002	16,000	16,000	-	**16,000**	-
Series 2002VII-A3, August 20, 2003	62,000	62,000	-	**62,000**	-
Series 2003VIII-A1, April 24, 2003	65,000	65,000	-	**65,000**	-
Series 2004IX-A1, July 22, 2005	38,500	38,500	-	**38,500**	-
Series 2004IX-A2, July 22, 2005	38,525	38,525	-	**38,525**	-
Series 2004X-A1, December 15, 2005	50,000	50,000	-	**50,000**	-
Series 2005XI-A1, September 1, 2005	65,000	65,000	-	**65,000**	-
Series 2005XI-A2, September 1, 2005	66,000	66,000	-	**66,000**	-
Series 2005XI-A3, September 1, 2005	50,000	50,000	-	**50,000**	-
Series 2006XII-A1, August 3, 2006	49,500		49,500	**49,500**	-
Series 2006XII-A2, August 3, 2006	49,500		49,500	**49,500**	-
Series 2006XII-A3, August 3, 2006	50,500		50,500	**50,500**	-
Series 2006XII-A4, August 3, 2006	50,500		50,500	**50,500**	-
Series 2007 XIII-A1, April 17, 2007	66,000		66,000	**66,000**	
Monthly Adjustable Interest Rate Subordinate Bonds					
Series 2004IX-B4, July 22, 2005	6,000	6,000	-	**6,000**	-
Series 2007XIII-B1 April 17, 2007	21,000		21,000	**21,000**	-
Series 2007XIII-B2, April 17, 2007	19,000		19,000	**19,000**	-
Quarterly Adjustable Interest Rate Notes					
Series 2003VIII-A2, April 24, 2003	120,000	120,000	-	**120,000**	-
Series 2004IX-A3, July 22, 2005	96,000	96,000	-	**96,000**	-
Series 2007XIII-A2, April 17, 2007	200,000		200,000	**200,000**	-
Fixed Interest Rate Notes					
Series 2001VI-A, July 31, 2001	63,800	15,761	(15,761)	-	-
Fixed Interest Rate Subordinate Notes/Bonds					
Series 1995II-B, Jun. 29, 1995	21,000	21,000	(21,000)	-	-
Bonds and notes payable	$ 1,988,930	$ 1,195,916	$ 445,388	$ **1,641,304**	$ 15,974

6. Bonds and Notes Payable (continued):

Weekly Adjustable Interest Rate Bonds:

The weekly adjustable interest rate bonds are subject to purchase on demand of the holder at a price equal to principal plus accrued interest on seven days notice and delivery to CollegeInvest's Remarketing Agent and Trustee. The Remarketing Agent is authorized to sell the repurchased bonds at par by adjusting the interest rate. Interest is paid quarterly at a variable rate established weekly by the Remarketing Agent. The annual effective interest rate for such bonds was 3.71% for the year ended June 30, 2008. Under certain conditions, the bonds may be converted to a variable rate with varying interest rate periods or to a fixed rate. Certain series of the bonds were refunded on June 5, 2008. The remaining bond principal matures on March 1, 2024, September 1, 2024, and December 1, 2042.

Monthly Adjustable Interest Rate Notes/Bonds:

CollegeInvest issued Taxable Senior Asset-Backed Notes that are subject to an auction every 7 days when the Auction Agent determines the interest rate for the subsequent period. The annual effective interest rate for such note was 5.38% for the year ended June 30, 2008. Note principal matures on June 1, 2039, and June 1, 2040.

CollegeInvest issued Taxable Senior Asset-Backed Notes that are subject to an auction every 28 days when the Auction Agent determines the interest rate for the subsequent period. The annual effective interest rate for such notes was 5.62% for the year ended June 30, 2008. Note principal matures on December 1, 2034, December 1, 2037, and June 1, 2040.

CollegeInvest issued Tax-Exempt Senior Asset-Backed Bonds that are subject to an auction every 35 days when the Auction Agent determines the interest rate for the subsequent period. The effective interest rate for such bonds was 5.06% for the year ended June 30, 2008. Bond principal matures on November 27, 2012, June 1, 2036, June 1, 2037, June 1, 2038, December 1, 2038, June 1, 2039, June 1, 2040 and December 1, 2041.

CollegeInvest issued Taxable Notes under a master indenture. Interest on such notes is paid monthly at a variable rate equal to a predetermined percentage above the LIBOR rate. The annual effective interest rate for such notes was 3.65% for the year ended June 30, 2008. The notes fully matured on March 3, 2008.

Monthly Adjustable Interest Rate Subordinate Bonds:

CollegeInvest issued its Tax-Exempt Subordinate Asset-Backed Bonds concurrently with the issuance of the Taxable Senior Asset-Backed Notes/Bonds. The Subordinate Bonds are payable from the Trust Estate on a subordinate basis to the Senior Notes/Bonds in accordance with the terms of the master indenture. The Subordinate Bonds are subject to an auction every 35 days when the Auction Agent determines the interest rate for the subsequent period. Interest on the subordinate bonds is paid on June 1 and December 1. The annual effective interest rate for such bonds was 5.05% for the year ended June 30, 2008. Bond principal matures on June 1, 2038 and December 1, 2041.

Quarterly Adjustable Interest Rate Notes:

CollegeInvest issued Taxable Senior Asset-Backed Floating Rate notes at an interest rate equal to Three-Month LIBOR plus 0.225%. The initial floating rate term is through June 1, 2008. Subsequent to the initial floating rate term, the notes will be subject to a quarterly auction. The annual effective interest rate for such notes was 4.79% for the year ended June 30, 2008. Note principal matures on December 1, 2032, June 1, 2033, and December 1, 2041.

6. Bonds and Notes Payable (continued):

Fixed Interest Rate Notes:

CollegeInvest issued its Taxable Senior Asset-Backed Notes in accordance with the terms of the master indenture. Interest on the notes is paid and principal matures on September 1, December 1, March 1 and June 1. The note principal matured on June 1, 2007 at an effective rate of 5.73%.

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

CollegeInvest issued its Tax-Exempt Subordinate Asset-Backed Notes/Bonds concurrently with the issuance of the Taxable Senior Asset-Backed Notes/Bonds. The Subordinate Notes/Bonds are payable from the Trust Estate on a subordinate basis to the Senior Notes/Bonds in accordance with the terms of the master indenture. Interest on the subordinate notes/bonds is paid on June 1 and December 1. The Notes/Bonds were refunded as of May 18, 2007 with tax-exempt, subordinate, auction rate notes. The annual effective interest rate for such notes/bonds was 6.20% at the time of refunding.

The scheduled principal and interest payments (based on interest rates at June 30, 2008) relating to CollegeInvest's bonds and notes is as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
	(dollar amounts expressed in thousands)		
2009	$ 24,000	$ 61,072	$ 85,072
2010	-	61,091	61,091
2011	-	61,091	61,091
2012	-	61,239	61,239
2013	19,300	60,640	79,940
2014-2018	-	301,932	301,932
2019-2023	-	301,932	301,932
2024-2028	140,655	244,177	384,832
2029-2033	192,000	229,105	421,105
2034-2038	655,075	173,356	828,431
2039-2043	694,300	64,238	758,538
Total bonds and notes payable	$ 1,725,330	$ 1,619,873	$ 3,345,203

Auction Rate Securities:

Over $1.0 billion of bonds outstanding as of June 30, 2008 are auction rate securities. As of February, 2008 turmoil in the capital markets spilled over into the Auction Rate Market causing the market to fail and for maximum interest rate waivers to take effect. This caused CollegeInvest to incur larger than normal interest expense for February through June 2008. It is unlikely that the Auction Rate Securities market will recover. It is unclear when CollegeInvest will be able to refinance this portion of its portfolio due to the disruption in the credit market. Rates will be reset back to average and are pegged to the 90-day T-bill. Maximum rates vary by indenture for failed auction mode but will likely be lower in future periods as maximum rate waivers have all terminated as of June 30, 2008.

6. Bonds and Notes Payable (continued):

Floating Rate Notes:

In April 2003, CollegeInvest issued $120 million of Floating Rate Notes. The interest rate was reset quarterly based on 3 Month Libor plus 0.225%. On June 3, 2008, the Series 2003VIII-A2 Floating Rate Notes were not remarketed successfully and were converted to Auction Rate Securities per the indenture. The failed remarketing also triggered accelerated amortization of these bonds. Principal payments of $6.0 million are due on the first business day of March, June, September and December, starting in September 2008 and continuing through June 2013.

Private Activity Bond Allocations:

CollegeInvest partnered with the City and County of Denver and El Paso County/City of Colorado Springs to transfer $34.0 million and $18.0 in Public Activity Bond (PAB) allocation to CollegeInvest, respectively. City and County of Denver high school graduates of 2005-2009 may receive up to $1,500 in loan forgiveness upon college graduation. El Paso County high school graduates of 2005-2008 would also receive up to $1,500. To date, $1,500 in loans have been forgiven.

PAB's are tax-benefit bonds issued by government organizations for the purpose of providing special financing benefits for qualified projects such as development of affordable education. PAB's are not cash, but rather the ability to issue tax-exempt debt.

7. Commitments and Contingencies:

Grants and Other:

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

Cash Commitments:

CollegeInvest transferred $4.0 million to the Bond Funds during the year ended June 30, 2007 to provide for a Loan Incentives For Teachers program. As of June 30, 2008 and 2007, CollegeInvest had committed $1.8 million to pay future operating expenses and potential cash flow shortfalls of the Prepaid Tuition Fund.

Purchase Commitments:

CollegeInvest had entered into agreements to purchase student loans from institutions of higher education and various other lenders. As of June 30, 2008, all of the agreements were terminated.

7. Commitments and Contingencies (continued):

Lease Commitments:

CollegeInvest leases certain office facilities under an operating lease agreement which expires on February 28, 2018. College Assist occupies a portion of the office space leased by CollegeInvest and reimburses CollegeInvest for its share of rent. CollegeInvest has also entered into an interagency sublease agreement with the Department for certain office space. The total rent expense for the Fiscal Years ended June 30, 2008 and 2007 was $216,000 and $151,000, respectively. Minimum future lease payments under the agreements are as follows:

2009	$ 732,000
2010	732,000
2011	732,000
2012	732,000
2013	732,000
2014 - 2018	3,660,000
	$ 7,320,000

CollegeInvest subleases office space to College Assist, a related party, under an Intra-Department Memorandum of Understanding (MOU). Under the agreement, College Assist is required to pay rent of approximately $23,000 per month. The MOU expires on June 30, 2009, unless the parties enter into a written amendment extending the term of the agreement.

8. Retirement Plan:

Plan Description:

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

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

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

8. Retirement Plan (continued):

Plan Description (continued):

had been a PERA member within the prior twelve months. In that case they are required to remain in the PERA plan in which they participated previously.

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

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

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

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.

8. Retirement Plan (continued):

Plan Description (continued):

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

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

Funding Policy:

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

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

Per Colorado Revised Statutes, an amortization period of 30 years is deemed actuarially sound. At December 31, 2006, 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 required PERA employers to pay an additional .5 percent of salary in January of 2006, another .5 percent of salary in 2007, and required in subsequent years 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.

CollegeInvest's contributions to the Defined Benefit Plan and the Health Care Trust Fund for the fiscal years ending June 30, 2008, 2007 and 2006 were $203,000, $186,000 and $155,000, respectively. These contributions met the contribution requirement for each year.

9. Voluntary Tax-deferred Retirement Plans:

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

10. Other Postretirement Benefits and Life Insurance:

Health Care Program

The PERA Health Care Program began covering benefit recipients and qualified dependents on July 1, 1986. This benefit was developed after legislation in 1985 established the Program and the Health Care Fund; the program was converted to a trust fund in 1999. The plan is a cost-sharing multiple-employer plan under which PERA subsidizes a portion of the monthly premium for health care coverage. The benefits and employer contributions are established in statute and may be amended by the General Assembly. PERA includes the Health Care Trust Fund in its Comprehensive Annual Financial Report, which may be obtained by writing PERA at PO Box 5800, Denver, Colorado 80217, by calling PERA at 1-800-759-PERA (7372), or by visiting http://www.copera.org.

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

Employees are not required to contribute to the Health Care Trust Fund, which is maintained by employer's contributions as discussed above in Note 8. Beginning July 1, 2004, state agencies/institutions are required to contribute 1.02 percent of gross covered wages to the Health Care Trust Fund. CollegeInvest contributed $18,000, $17,000, and $15,000 as required by statute in Fiscal Years 2007-08, 2006-07, and 2005-06, respectively. In each year the amount contributed was 100 percent of the required contribution.

The Health Care Trust Fund offers two general types of plans: fully-insured plans offered through health care organizations and self-insured plans administered for PERA by third party vendors. As of December 31, 2007, there were 44,214 enrolled participants, including spouses and dependents, from all contributors to the plan. At December 31, 2006, the Health Care Trust Fund had an unfunded actuarial accrued liability of $1.045 billion, a funded ratio of 19.9 percent, and a 38-year amortization period.

11. Risk Management:

Self Insurance

The State of Colorado currently self-insures its agencies, officials, and employees for the risks of losses to which they are exposed. That includes general liability, motor vehicle liability, and worker's compensation. The State Risk Management Fund is a restricted General Fund used for claims adjustment, investigation, defense, and authorization for the settlement and payment of claims or judgements against the State except for employee medical claims. Property claims are not self-insured; rather the State has purchased insurance.

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

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

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

Liability	Limits of Liability
General & Automobile	Each person $150,000 Each occurrence $600,000

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

Furniture and Equipment

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

12. Net Assets:

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

Invested in capital assets consists of capital assets, net of accumulated depreciation. The Funds have no debt outstanding related to capital assets. As of June 30, 2008 and 2007, the Funds had invested in capital assets of $340,000 and $559,000, respectively.

Restricted assets include net assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The Funds had restricted net assets of $181.0 million and $192.7 million as of June 30, 2008 and 2007, respectively. The Bond Funds restrict net assets to uses prescribed in the respective financing documents. The CEAS Trust restricts net assets to uses prescribed under Senate Bill 05-003 to pay for costs of implementing, marketing, and administering the Scholarship Program for the purpose specifically outlined in the statute.

Unrestricted net assets consists of net assets that do not meet the definition of invested in capital assets or restricted net assets. As of June 30, 2008 and 2007, the Funds had unrestricted net assets of $8.6 million and $8.0 million, respectively. Although the Funds report unrestricted net assets on the face of the statement of net assets, unrestricted net assets are to be used by CollegeInvest for the payment of obligations incurred by CollegeInvest in carrying out its statutory powers and duties and are to remain in the Fund and not be transferred or revert to the general fund of the State of Colorado as outlined in 23.3-1-205.4 of the Colorado Revised Statutes.

13. Department of Education Review:

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

14. Floor Special Allowance:

In January 2007, the USDE changed its interpretation of the HEA regarding billings for special allowance payments at the 9.5 percent minimum return rate. Only loans that are first-generation or second-generation loans obtained from an eligible source, as described in the USDE's Dear Colleague letter FP-07-01 dated January 23, 2007, and no others, are eligible for this billing. The USDE suspended special allowance payments of 9.5 percent loans, effective October 1, 2006, until lenders completed an audit of its eligible loan population. CollegeInvest completed this audit in January 2008, and confirmed its eligible loan population to be $88.7 million as of December 31, 2006. Subsequently, the USDE reviewed and approved the audit results, and then made supplemental special allowance payments at the 9.5 percent minimum return rate totaling $1.9 million for the seven calendar quarters from October 1, 2006 through June 30, 2008. CollegeInvest will continue to bill the USDE for special allowance payments at the 9.5 percent minimum return rate until these loans have been paid off or until these loans lose their eligibility.

15. Subsequent Events:

During fiscal year 2008, financial markets as a whole have incurred significant declines in values. As of December 18, 2008, the Plan's investment portfolio has also incurred a significant decline in the values reported in the accompanying financial statements. However, because the values of individual investments fluctuate with market conditions, the amount of investment losses that the Plan will recognize in its future financial statements, if any, cannot be determined.

On December 15, 2008, CollegeInvest entered into two agreements with the USDE; a Master Participation Agreement (MPA) and a Master Loan Sale Agreement (MLSA). Both programs are legislated by the Ensuring Continued Access to Student Loans Act (Public Law 110-227). The MPA allows CollegeInvest to participate in eligible student loans with the USDE and receive funds in order to originate additional loans. Under the agreement, CollegeInvest pays a fee based on commercial paper as determined quarterly by the USDE, plus .50%, on the outstanding amount. In order to facilitate the MPA, CollegeInvest also entered into a Custodian Agreement with Manufacturers and Traders Trust Company (M&T) and amended its consortium servicing agreement with Nelnet to provide services required by the MPA. CollegeInvest will pay fees for these services. The MLSA allows CollegeInvest to sell, or put, eligible loans to the USDE, which it may elect to do from time to time. These agreement expire on September 30, 2009.

In order to facilitate the agreements, CollegeInvest obtained bridge financing from College Assist. On December 18, 2008, CollegeInvest and College Assist entered into a Revolving Financing Agreement (RFA). Under the RFA, CollegeInvest may borrow up to $30.0 million from College Assist. CollegeInvest will pay interest on the unpaid average daily principal balance outstanding based on the interest rate calculated monthly and published by the State Treasurer. The RFA expires on September 30, 2009 unless terminated prior to that date per the terms of the RFA.

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

Members of the Legislative Audit Committee:

We have audited the financial statements of the business-type activities and each major fund of CollegeInvest, Student Loan Program Funds as of and for the year ended June 30, 2008, and have issued our report thereon dated December 18, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

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

Clifton Gunderson LLP

Greenwood Village, Colorado
December 18, 2008

Required Communications to the Legislative Audit Committee

December 18, 2008

Members of the Legislative Audit Committee

This letter is to provide you with information about significant matters related to our audit of the financial statements of CollegeInvest Student Loan Program Funds for the year ended June 30, 2008.

The following are our observations arising from the audit that are relevant to the CollegeInvest Board of Directors' (the Board) responsibilities in overseeing the financial reporting process.

Auditor's Responsibilities Under Generally Accepted Auditing Standards. Our audit was performed for the purpose of forming and expressing an opinion about whether the financial statements, that have been prepared by management with the Board's oversight, are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit does not relieve the Board or management of their responsibilities.

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

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

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

Qualitative Aspects of Accounting Practices.

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

We noted no transactions in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

There were no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting Estimates
Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no significant accounting estimates of financial data which would be particularly sensitive and require substantial judgments by management.

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

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

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

Representations from Management. We have requested and received representations from management.

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 CollegeInvest, Student Loan Program Funds' financial statements or our report on those financial statements.

Please contact Mark Elmshauser if you have any questions regarding the matters included in this letter.

Clifton Gunderson LLP

SUPPLEMENTARY INFORMATION

CollegeInvest
Supplementary Schedule - Bond Funds Combining Statement of Net Assets
June 30, 2008 and 2007
(dollar amounts expressed in thousands)

	2008				2007		
	Insured Bond Fund	**Senior/ Subordinate Bond Fund**	**Master 2008 Bond Fund**	**Total Bond Funds**	Insured Bond Fund	Senior/ Subordinate Bond Fund	Total Bond Funds
Assets:							
Current assets:							
Restricted current assets:							
Investments	**$ 12,814**	**$ 49,994**	**$ 99,585**	**$ 162,393**	$ 55,083	$ 321,245	$ 376,328
Student loans, net	**5,002**	**29,729**	**1,666**	**36,397**	7,390	20,904	28,294
Interest and other receivables	**3,340**	**35,440**	**2,688**	**41,468**	6,263	31,077	37,340
CollegeLender receivable	**-**	**2**	**-**	**2**	-	8,958	8,958
Prepaid expenses	**108**	**83**	**14**	**205**	164	94	258
Total restricted current assets	**21,264**	**115,248**	**103,953**	**240,465**	68,900	382,278	451,178
Noncurrent assets:							
Restricted noncurrent assets:							
Student loans, net	**168,813**	**1,339,077**	**100,736**	**1,608,626**	283,018	1,040,334	1,323,352
Bond and note issuance costs, net	**571**	**8,098**	**1,018**	**9,687**	1,018	8,404	9,422
Total restricted noncurrent assets	**169,384**	**1,347,175**	**101,754**	**1,618,313**	284,036	1,048,738	1,332,774
Total restricted assets	**190,648**	**1,462,423**	**205,707**	**1,858,778**	352,936	1,431,016	1,783,952
Liabilities:							
Current liabilities:							
Current liabilities payable from restricted assets:							
Accounts payable and accrued expenses	**660**	**2,819**	**159**	**3,638**	419	1,812	2,231
Due from (to) other Funds and other agencies	**12,845**	**(3,203)**	**(6,938)**	**2,704**	46,732	(47,050)	(318)
Interest payable	**779**	**2,978**	**225**	**3,982**	664	4,549	5,213
Bonds and notes payable	**-**	**24,000**	**-**	**24,000**	15,974	-	15,974
Total current liabilities payable from restricted assets	**14,284**	**26,594**	**(6,554)**	**34,324**	63,789	(40,689)	23,100
Noncurrent liabilities:							
Noncurrent liabilities payable from restricted assets:							
Arbitrage rebate payable	**528**	**11,740**	**5,717**	**17,985**	10,182	13,592	23,774
Bonds and notes payable	**140,655**	**1,372,375**	**188,300**	**1,701,330**	228,955	1,396,375	1,625,330
Total noncurrent liabilities payable from restricted assets	**141,183**	**1,384,115**	**194,017**	**1,719,315**	239,137	1,409,967	1,649,104
Total liabilities	**155,467**	**1,410,709**	**187,463**	**1,753,639**	302,926	1,369,278	1,672,204
Total restricted net assets	**$ 35,181**	**$ 51,714**	**$ 18,244**	**$ 105,139**	$ 50,010	$ 61,738	$ 111,748

CollegeInvest
Supplementary Schedule - Bond Funds Combining Statement of Revenues, Expenses and Changes in Net Assets
For the years ended June 30, 2008 and 2007
(dollar amounts expressed in thousands)

	2008				2007		
	Insured Bond Fund	Senior/ Subordinate Bond Fund	Master 2008 Bond Fund	Total Bond Funds (Restricted)	Insured Bond Fund	Senior/ Subordinate Bond Fund	Total Bond Funds (Restricted)
Operating revenues:							
Interest and special allowance on student loans (pledged as security on revenue bonds and notes)	$ 17,796	$ 77,563	$ 416	$ 95,775	$ 19,647	$ 73,139	$ 92,786
Interest income (pledged as security on revenue bonds and notes)	1,200	7,951	142	9,293	3,050	9,156	12,206
Total operating revenues	18,996	85,514	558	105,068	22,697	82,295	104,992
Operating expenses:							
Interest expense	13,946	79,840	228	94,014	11,033	61,057	72,090
Loan servicing costs	1,078	4,827	34	5,939	1,133	4,625	5,758
Rebate tax expense, net	1,828	4,175	(3,540)	2,463	1,293	6,341	7,634
Bond fees	948	1,725	141	2,814	947	1,536	2,483
General and administrative expenses	872	2,976	134	3,982	415	2,019	2,434
Salaries and benefits	399	1,642	-	2,041	422	1,562	1,984
Depreciation and amortization	71	303	-	374	71	272	343
Total operating expenses	19,142	95,488	(3,003)	111,627	15,314	77,412	92,726
Operating income before transfers	(146)	(9,974)	3,561	(6,559)	7,383	4,883	12,266
Transfer to College In Colorado Scholarship Trust Fund	-	(50)	-	(50)	-	-	-
Transfer from Insured Indenture to Master 2008 Indenture	(14,683)	-	14,683	-	-	4,000	4,000
Net assets, beginning of year	50,010	61,738	-	111,748	42,627	52,855	95,482
Net assets, end of year	$ 35,181	$ 51,714	$ 18,244	$ 105,139	$ 50,010	$ 61,738	$ 111,748

COLLEGEINVEST
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