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

FINANCIAL AND COMPLIANCE AUDITS
Fiscal Years Ended June 30, 2009 and 2008

LEGISLATIVE AUDIT COMMITTEE
2009 MEMBERS

Representative Dianne Primavera
Chair

Representative David Shultheis
Vice-Chair

Senator Morgan Carroll
Representative James Kerr
Representative Frank McNulty
Representative Joe Miklosi
Senator Shawn Mitchell
Senator Lois Tochtrop

Office of the State Auditor Staff

Sally Symanski
State Auditor

Dianne Ray
Deputy State Auditor

Gina Faulkner
Legislative Auditor

Clifton Gunderson LLP
Contract Auditors

Clifton Gunderson LLP
Certified Public Accountants & Consultants

Members of the Legislative Audit Committee:

We have completed the financial statement audits of the Colorado Student Loan Program dba College Assist, Department of Higher Education, State of Colorado as of and for the years ended June 30, 2009 and 2008. Our audits were conducted 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.

We were engaged to conduct our audits pursuant to Section 23-3.1-109, C.R.S., which authorizes the State Auditor to conduct an annual audit of the Colorado Student Loan Program dba College Assist, Department of Higher Education, State of Colorado. The reports we have issued as a result of this engagement are set forth in the table of contents which follows.

Clifton Gunderson LLP

Denver, Colorado
December 18, 2009

TABLE OF CONTENTS

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
Fiscal Years Ended June 30, 2009 and 2008

Authority, Purpose, and Scope

This audit was conducted under Section 23-3.1-109, C.R.S., which authorizes the State Auditor to conduct an annual audit of the Colorado Student Loan Program dba College Assist, Department of Higher Education, State of Colorado. The State Auditor contracted with Clifton Gunderson LLP to perform this audit.

The audit was conducted in accordance with auditing standards generally accepted in the United States of America as promulgated by the American Institute of Certified Public Accountants in *Statements on Auditing Standards;* the standards for financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Single Audit Act of 1996, as amended; and the provisions of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations,* as amended.

The purpose of the audit was to express opinions on the financial statements and present the results of the financial and compliance audits of the Colorado Student Loan Program dba College Assist, Department of Higher Education, State of Colorado, and to report on current year findings and on the implementation status of the prior year recommendations.

Audit Opinions and Reports

The independent auditor's reports, included herein, state that the financial statements of the Colorado Student Loan Program dba College Assist (the Enterprise or College Assist) and remaining fund information are fairly stated, in all material respects, in accordance with accounting principles generally accepted in the United States of America, and that no material weaknesses in internal controls were discovered during the course of our audits.

Summary of Audit Findings and Recommendations

The auditors' findings and recommendations section contains the following recommendations:

Claims Expense and Reinsurance Revenue

College Assist administers the Federal Family Education Loan (FFEL) Program and guarantees loans from lending institutions to students attending colleges and universities. When a student defaults on a student loan, the lender files a claim with College Assist through Nelnet Guarantor Solutions (NGS), a third party service provider who reviews and processes the claim from the lender prior to payment. If the eligibility requirements are met, the lender is paid for the defaulted loan and College Assist records a claims expense. Once the claim is paid to the original lender, College Assist may then file for a reinsurance reimbursement from the US Department of Education (DOE) under the FFEL program regulations if the claim is determined to be eligible.

The reimbursement from the DOE is recorded as reinsurance revenue. The amount reimbursed from the DOE to College Assist is approximately 95-100% of the original claim filed by the lender.

In fiscal year 2008, College Assist did not estimate and record a claims liability for the amount of claims that had been submitted for reimbursement by lenders, but not yet reviewed or approved by NGS. As a result, the corresponding reinsurance revenue from the DOE was also not recorded. At June 30, 2008, claims expense payable owed to the lenders and the related reinsurance receivable from the DOE were understated by $28.7 million and $28.1 million, respectively. Fiscal year 2008 financial statements were restated to reflect these amounts.

For fiscal year 2009, College Assist did estimate and record a claims liability and a related reinsurance revenue. Yet, during testing of these estimates, we noted the related reinsurance revenue estimate was understated by approximately $558,000. An audit adjustment was recorded to correct this balance.

College Assist should establish policies and procedures to ensure that commitment and contingency liabilities are properly estimated at year-end. Such estimates should gather known facts and circumstances, historical data and results, and other information useful in determining the estimate. College Assist should also establish policies and procedures to ensure that a detailed supervisory review of the estimate calculations are performed and documented.

Default Aversion Fee Revenues and Rebates

College Assist receives requests from lenders to engage in default aversion activities designed to prevent the default of a loan. These default aversion activities provide collection assistance to the lender on a delinquent loan prior to the loan being legally in default status. In consideration of such efforts, College Assist receives a default aversion fee, calculated based on one percent of the total unpaid principal and accrued interest owed on loans which the lender has requested default aversion assistance. On a monthly basis, College Assist transfers the default aversion fee from the restricted Federal Fund (502) to the unrestricted Operating Fund (501). Subsequently, if a loan on which College Assist has received a default aversion fee defaults, the default aversion fee must be rebated to the restricted Federal Fund (502).

During our testing of 25 defaulted loans, we noted one instance in which one of the individuals selected had a default aversion fee billing in October of 2006, of which College Assist recorded default aversion revenue. The loan defaulted in January of 2009; however, College Assist failed to rebate the default aversion fee to the Federal Fund.

NGS researched the exception and discovered that the exception was a result of an error which occurred during the loan database system conversion which occurred on November 1, 2008. NGS scheduled system updates to the Gpro system to correct the finding.

Because a system conversion is a rare occurrence, the likelihood of the issue repeating itself is considered remote. However, to ensure the proper functioning of the new system, College Assist should establish procedures to periodically test the completeness of the default aversion rebate reports. Such periodic reviews should include testing a sample of defaulted loans to ensure the default aversion fees have been properly rebated and the system controls are functioning as designed.

The recommendations and the responses from College Assist can be found in the recommendation locator.

Summary of Progress in Implementing Prior Year Audit Recommendations

There were no prior year audit recommendations for the fiscal year ended June 30, 2008.

Auditor's Communication to the Legislative Audit Committee

The auditor's communication to the Legislative Audit Committee describes the auditor's responsibility under auditing standards generally accepted in the United States of America and significant management judgments and estimates. It also notes that there were corrected misstatements as a result of audit procedures for the fiscal year ended June 30, 2009. This communication is located on page 64.

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
Fiscal Years Ended June 30, 2009 and 2008

Recommendation Number	Page Number	Recommendation Summary	Response	Implementation Date
1	9	College Assist should establish policies and procedures to ensure that commitment and contingent liabilities are properly estimated at year-end. Additionally, management should continue to review the Nelnet Guarantor Solutions (NGS) estimated claims report for accuracy and completeness when using the report to develop the claims liability and reinsurance receivable journal entry.	Agree	September 2009
2	10	College Assist should establish procedures to ensure the proper functioning of the new loan servicing system used by NGS and periodically test the completeness of the default aversion rebate reports.	Agree	January 2010

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
Fiscal Years Ended June 30, 2009 and 2008

Background on College Assist

Colorado Student Loan Program dba College Assist (the Enterprise or the guaranty agency), was created by an act of the Colorado Legislature in July 1979.

The Enterprise is a self-supporting enterprise of the State of Colorado and does not receive any State appropriations to fund operations. The primary mission of the Enterprise is to assist Colorado residents with planning for college and supporting lenders and Colorado institutions of higher education by administering the Federal Family Education Loan program (FFEL) for the U.S. Department of Education (DE).

The Enterprise entered into a new funding agreement known as the Voluntary Flexible Agreement (VFA) with the DE effective July 1, 2004. The VFA allowed the Enterprise to receive compensation performance incentives based on its success at preventing student loan delinquencies and defaults. Instead of receiving a majority of its fees for collections of defaulted loans, fees were primarily earned by implementing strategies to prevent delinquencies and defaults.

The Enterprise utilizes a third-party service provider, NLS Holding Co., LLC, (NLS Holding or the service provider), a wholly-owned subsidiary of Nelnet, Inc. with its principal offices in Lincoln Nebraska. NLS Holding was created for the purpose of holding guarantor servicing operations and will subcontract the appropriate guarantor services defined under the original agreement with the Enterprise to Nelnet Guarantor Solutions, LLC, (NGS), a wholly-owned subsidiary of NLS Holding. Through an administrative support agreement with NLS Holding, NGS is to perform all day-to-day administrative support services related to guaranty operations on behalf of the Enterprise. NGS, under the oversight of the Enterprise, performs loan origination services, assists with activities in accordance with the Lender Participation Agreements, and the VFA with the DE while it was in effect, maintenance of the guaranty computer system, data exchange, and other agreed upon services.

Effective January 1, 2008, the VFA with the Enterprise was terminated by the DE. As a result, the contractual agreement with the DE reverted back to the standard guaranty agency agreement and related fee structure. In fiscal year 2009, the Enterprise entered into an amendment to this agreement to clarify certain terms and conditions in the original agreement and to include additional terms not contemplated in the original agreement. The NLS Holding agreement, as amended, is for ten years, expiring on October 31, 2015. The agreement, as amended, can be cancelled after seven years if revenues or expenses change and can be renewed for a second ten year term if both parties agree.

The Enterprise represents a partnership between NGS and lenders, schools, and the Federal government. The loan capital is provided by approximately 54 private lenders including banks, savings and loan associations, credit unions, pension funds, insurance companies, and secondary markets. With the support of Nelnet Servicing, the Enterprise administers FFEL and guarantees the loans made to students and parents in accordance with Federal regulations established pursuant to *Title IV, Part B, of the Higher Education Act of 1965 (P.L. 89-329) as amended,* (20 U.S.C. 1071 *et seq)* (the Act or HEA). Student borrowers attend 69 participating Colorado schools, and any federally eligible school located outside of Colorado – including colleges, universities, community colleges, career schools (proprietary), graduate, and professional. The school certifies both student enrollment and financial costs.

The Enterprise insures the lender against financial loss from default, disability, death, or bankruptcy. Through its partnership with NGS, the Enterprise also provides needed technical and training assistance to schools and lenders to assure that both schools and lenders are performing in accordance with applicable laws, regulations, and policies. NGS also assists borrowers through default prevention activities and outsources collection activities of defaulted loans on behalf of and under the oversight of the Enterprise.

The Federal government serves as the reinsurer. If the Enterprise must reimburse a lender for an uncollectible loan, it files a claim for reimbursement with the DE pursuant to §428(c)(1) and §682.404(a), the VFA through December 31, 2007, and thereafter under the standard guaranty agency agreement. Fiscal year 2005 was the first year under which the VFA existed between the Enterprise and the DE. Claims paid by the Enterprise are reimbursed by the DE at 100% and 95% under the VFA and standard guaranty agency agreement, respectively.

Federal Family Education Loan Program

As previously mentioned, the Enterprise administers the FFEL program in Colorado for the DE. Since inception of the Enterprise in 1979, approximately $21.2 billion of net loans have been guaranteed. The total net outstanding loan portfolio at June 30, 2009, is $13.3 billion. The FFEL program consists of Stafford, Parent Loans for Undergraduate Students (PLUS), and Consolidation Loans as described below.

Federal Stafford Loans (Subsidized and Unsubsidized)

Any student, regardless of income, may receive a Federal Stafford Loan. This program makes low-interest rate loans to students enrolled at participating colleges and universities up to certain maximum loan amounts. The interest rates on these loans are fixed effective July 1, 2007. Subsidized Stafford Loans are those in which the Federal government pays the interest on the loan as long as the student is in school, in grace period, or in loan deferment. If the student does not qualify financially for the federal interest subsidy, the student can still borrow but will be responsible for interest payments under an Unsubsidized Stafford Loan. The interest may be paid while in school, during the grace period or loan deferment, or it may accrue and be added to the loan balance.

Inception to date, net guaranteed Stafford loans total over $7.1 billion. The Enterprise guaranteed a total of $628 million in net Stafford Loan originations in fiscal year 2009.

Federal PLUS Loans

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

Since inception of the Enterprise, parents participating in the PLUS program have received over $651 million in net guaranteed loans. In fiscal year 2009, the net PLUS loans totaled $62 million.

Federal Consolidation Loans

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

Since inception of the program, net guaranteed loan consolidations total $13.1 billion. In fiscal year 2009, $605,000 in net loan consolidations were generated.

College Opportunity Fund (Fiduciary Fund)

The College Opportunity Fund (COF) is a private purpose trust fund, established by Colorado State Statute; whose administrative and financial operations are managed by College Assist. The College Opportunity Fund's activities are accounted for in a fiduciary fund that resides with the State. On an annual basis, the Colorado General Assembly appropriates funds to the Department of Higher Education for purposes of supporting the College Opportunity Fund.

Background on the Colorado Opportunity Fund

The College Opportunity Fund was established in Fall 2005 to increase the number of Coloradans pursuing education beyond high school. The fundamental belief is that a postsecondary education experience for Coloradans is essential for the State to compete in the new global economy and to develop a new generation of leaders and active participants in State and local affairs. This new funding system should encourage access and student enrollment for undergraduate students while maintaining distinctive missions of universities and colleges and encouraging geographical access. It is intended to fundamentally change the process by which the State finances postsecondary education from funding institutions to funding individuals in form of a stipend. While the intent is to change the process of funding for postsecondary education, funding for postsecondary education is not an entitlement. During periods of revenue shortfalls, the General Assembly may use a variety of mechanisms to balance the State's budget, including reducing appropriations to institutions of higher education, decreasing the value of the stipend, or placing a limit on the number of stipends funded under this act based upon the overall budgetary needs of the State.

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

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

Financial Aid

COF funding is not considered financial aid and the stipend is not classified as student financial aid. The COF is a way of delivering funding to institutions as stated in the statute. The stipend is not included in calculating a student’s cost of attendance nor is it a resource to the student for financial aid purposes. When the State’s budget for higher education is appropriated, funding for financial aid and the stipend are made through separate budget allocations.

Students Attending Private Institutions

A portion of the COF was established to provide Pell-eligible students attending selected private institutions the ability to receive one half of the stipend or a final $34 per credit hour during the 2008-09 academic year. For participation purposes, these students must have graduated from a Colorado high school and be considered an in-state resident.

Performance Contracts

Under the COF, all public and participating private institutions are required to enter into a performance contract with the Colorado Department of Higher Education. For the public colleges and universities, the intent of the contracts is to eliminate the current one-size-fits-all practice of quality control while enforcing a system of program accountability. Contracts with participating private institutions differ from those signed with the State’s public institutions. The quality assurance reporting that is developed with these institutions focuses specifically on the graduation, retention, and success rates of participating Pell-eligible students.

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

Fee-for-Service Contracts

In addition to the funding that public institutions receive from the student stipends, the institutions also collect State General Fund dollars by entering into a fee-for-service contract with the Colorado Department of Higher Education. These contracts allow the State to purchase specified educational services and facilities required for the full development of Colorado's educational and economic opportunities. Institutional programs that receive fee-for-service funding may not collect stipend reimbursement from participating students. The fee-for-service contracts are funded from the State’s general fund separately from the COF.

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
Fiscal Years Ended June 30, 2009 and 2008

Current Year Findings and Recommendations

Claims Expense and Reinsurance Revenue

College Assist administers the Federal Family Education Loan (FFEL) Program and guarantees loans from lending institutions to students attending colleges and universities. When a student defaults on a student loan, the lender files a claim with College Assist through Nelnet Guarantor Solutions (NGS), a third party service provider who reviews and processes the claim from the lender prior to payment. If the eligibility requirements are met, College Assist pays the lender for the defaulted loan and College Assist records a claims expense. Once the claim is paid to the original lender, College Assist may then file for reinsurance reimbursement from the US Department of Education (DOE) under the FFEL program requirements if the claim is determined to be eligible.

Once College Assist bills for reinsurance reimbursement from the DOE, the reimbursement is recorded as reinsurance revenue. The amount reimbursed from the DOE to College Assist is approximately 95 -100% of the original claim filed by the lender.

In fiscal year 2008, College Assist obtained a report from NGS in order to determine the amount of claims reimbursement owed to lenders at year-end for students who had defaulted on their loans. The report listed all the claims that had been reviewed and approved for payment by NGS, but had not been paid as of June 30, 2008. College Assist used the report to record a claims expense payable for all claims with a lender pay off date of June 30, 2008, or prior that were reviewed and approved by NGS. During our testing of claims expense and reinsurance revenue for fiscal year 2009, we found that although reviewed and approved claims were properly recorded in fiscal year 2008, there was no accrual for claims that had been submitted by lenders, but not yet reviewed and approved by NGS. In 2008 College Assist had requested a report from NGS in order to determine the amount of claims that had been submitted, but not yet reviewed or approved by NGS; however, College Assist deemed the initial reports received from NGS as unreliable. College Assist failed to perform additional procedures in order to estimate this portion of the claims liability for fiscal year 2008. At June 30, 2008, claims expense payable owed to the lenders and the related reinsurance receivable from the DOE were understated by $28.7 million and $28.1 million, respectively. The net effect of this understatement was a $600,000 decrease to net assets. Fiscal year 2008 financial statements were restated to reflect these amounts. This claim information was obtained from the new claims system described below.

In fiscal year 2009, NGS converted to a new claims system that allowed it to better track claims-in-process. The new system has allowed College Assist to easily determine the amount of claims submitted by lenders for fiscal years 2009 and 2008, but not yet reviewed and approved for payment as of June 30, 2009 and 2008. College Assist reviewed 10 loans from the estimated claims payable report produced from the new system to ensure the accuracy of the information and found that the information agreed with borrower information, date entered, the lender payoff date and the amount owed tied to the supporting documentation. However, College Assist did not verify the related reinsurance receivables for this sample.

Upon completion of this review, College Assist recorded as part of its claims expense payable for fiscal year 2009 and restated fiscal year 2008, the NGS total claims known but not yet reviewed and approved on defaulted loans. At June 30, 2009 College Assist recorded a claims expense payable and the related reinsurance receivable of $23.2 million and $21.7 million, respectively. However, during our testing of the new NGS estimated claims payable report, we noted that for approximately $570,000 of claims expense payable on the report, a related reinsurance receivable was not computed or recorded. This resulted in the understatement of estimated reinsurance receivable at June 30, 2009. We proposed an audit adjustment to correct the reinsurance receivable for approximately $558,000.

While the $558,000 audit adjustment was only 2.6% of the original $21.7 million estimate, by not properly reviewing the estimate of the NGS claims in process liabilities to be recorded at year-end, the risk increases for inaccurate financial reporting that could be material to the financial statements.

Recommendation No. 1:

College Assist should improve controls over accruals for claims expense and related reimbursement revenue by establishing and implementing (a) policies and procedures to ensure that commitment and contingent liabilities are properly estimated at year-end based on known facts and circumstances, historical data and results, and other information useful in determining the estimate and (b) policies and procedures to ensure that a detailed supervisory review of the estimate calculations is performed and documented.

Additionally, management should continue to review the NGS estimated claims report for accuracy and completeness when using the report to develop the claims liability and reinsurance receivable journal entry. College Assist should incorporate a step in the review process to verify the accuracy and completeness of the reinsurance receivable calculation used to record the year-end reinsurance receivable.

College Assist Response:

Agree. Implementation Date: September 2009. The Enterprise developed and implemented procedures for June 30, 2009 year-end reporting to ensure that commitment and contingency liabilities were reasonably estimated. However, College Assist will continue to evaluate and enhance those procedures as needed and include detailed supervisory review of calculations and estimates. In September 2009, the Enterprise revised its procedures to ensure a detailed supervisory review of the estimated claims report is performed monthly.

Federal Family Education Loans – Guaranty Agency; CFDA No. 84.302
Special Tests - Default Aversion Fee Revenues and Rebates

College Assist receives requests from lenders to engage in default aversion activities designed to prevent the default of a loan. Consistent with the federal requirements set forth in 34 CFR 682.404(k), these requests are to be received no earlier than after 60 days of delinquency and no later than 120 days of delinquency. These default aversion activities provide collection assistance to the lender on a delinquent loan prior to the loan being legally in default status. In consideration of such efforts, the guaranty agency receives a default aversion fee, calculated based on 1 percent of the total unpaid principal and accrued interest owed on loans where the lender has requested default aversion assistance. On a monthly basis, College Assist transfers the default aversion fee from the restricted Federal Fund to its unrestricted Operating fund. Subsequently, if a loan on which College Assist has received a default aversion fee defaults, the default aversion fee must be rebated back to the restricted Federal Fund.

We noted during our testing of 25 defaulted loans that one of the loans selected had resulted in a default aversion fee billing in October of 2006, and College Assist recorded as default aversion revenue of $11.28. The loan defaulted in January of 2009, however, College Assist failed to rebate the default aversion fee to the Federal Fund. Out of the 25 defaulted loans selected for testing, all, except the one reflected that the DAF was rebated.

NGS researched the exception and discovered that the exception was a result of an error which occurred during the loan database system conversion that occurred on November 1, 2008. During the system conversion there were 472 loans that were not recognized as having been paid a default aversion fee within the new system, GuaranteePro (Gpro). The default aversion fee revenue required to be rebated on the 472 loans totaled $27,571. A report listing the loans that were not converted correctly was provided to College Assist for further review. College Assist selected 20 loans from the listing and noted that the default aversion fee rebate information from the report was not properly reflected within the loan database. NGS scheduled system updates to the Gpro system to correct the problem. After the scheduled changes, College Assist reviewed the loan information for the 20 selected loans within Gpro and noted the current default aversion fee rebate information had been properly updated. The corresponding transfer was made to the Federal Fund on November 11, 2009.

NGS and College Assist have determined the exception to be caused by an error in the system conversion. College Assist considers the likelihood of the issue repeating itself as remote due to the fact a system conversion is a rare occurrence. However, under federal requirements, if a guaranty agency fails to repay the Federal Fund, the agency possibly may not receive any other federal funds until it becomes current.

Recommendation No. 2:

College Assist should establish procedures to periodically test the accuracy and completeness of the default aversion rebate reports from NGS to ensure the proper functioning of the new system. Such periodic reviews should include testing a sample of defaulted loans to ensure the default aversion fees have been properly rebated and the system controls are functioning as designed.

College Assist Response:

Agree. Implementation Date: January 2010. The Enterprise concurs that a conversion is a rare occurrence and highly unlikely to be repeated. Nevertheless, the Enterprise will establish procedures to review the default aversion reports and perform testing on randomly selected records on a monthly basis to ensure reasonableness, accuracy and completeness. Additionally, NGS will conduct testing of the default aversion reports annually or upon a relevant system logic modification, whichever comes first, to ensure controls are in place and functioning as intended. Procedures will be developed and implemented accordingly.

Disposition of Prior Year Audit Recommendations

There were no prior year audit recommendations for the fiscal year ended June 30, 2008.

Clifton Gunderson LLP
Certified Public Accountants & Consultants

Independent Auditor's Report

Members of the Legislative Audit Committee:

We have audited the accompanying financial statements of the business-type activities and the remaining fund information of the Colorado Student Loan Program dba College Assist, Department of Higher Education, State of Colorado (College Assist) as of and for the years ended June 30, 2009 and 2008, which collectively comprise College Assist's basic financial statements as listed in the table of contents. These financial statements are the responsibility of College Assist's management. Our responsibility is to express opinions on these financial statements based on our audits.

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

As discussed in Note 1, the basic financial statements of College Assist are intended to present the financial position, results of operations and, where applicable, cash flows for only that portion of the financial reporting entity, the State of Colorado, that is attributable to the transactions of College Assist. They do not purport to, and do not present fairly, the financial position of the State of Colorado as of June 30, 2009 and 2008, 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.

As discussed in Note 20 to the financial statements, College Assist restated the 2008 financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the remaining fund information of College Assist as of June 30, 2009 and 2008, and the respective changes in financial position and, where applicable, cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Member of HLB International

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2009, on our consideration of College Assist's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

The management's discussion and analysis on pages 14 through 24 and pages 47 through 49 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise College Assist's basic financial statements. The accompanying supplementary information listed in the table of contents 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 audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to College Assist's basic financial statements taken as a whole.

Clifton Gunderson LLP

Denver, Colorado
December 18, 2009

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
Fiscal Years Ended June 30, 2009 and 2008

The Management Discussion and Analysis (MD&A) is required by Governmental Accounting Standards. It was prepared by the Colorado Student Loan Program dba College Assist (the Enterprise or College Assist) management and is designed to provide an analysis of the Enterprise's financial condition and operating results for the fiscal years ended June 30, 2009 and 2008. The MD&A also informs the reader of the financial issues and activities related to the Enterprise. It should be read in conjunction with the Enterprise's financial statements, which begin on page 25. The Enterprise is a state agency that provides origination and collection services on behalf of private and non-profit lenders participating in the Federal Family Education Loan program (FFEL) pursuant to Title IV, Part B, of the Higher Education Act of 1965 (P.L. 89-329) as amended, (20 U.S.C. 1071 et seq) (HEA).

Basic Financial Statements

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

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

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

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

Financial Overview

College Assist is an enterprise fund of the State of Colorado and is reported as one fund in accordance with generally accepted accounting principles. However, the Enterprise's activities are accounted for in two separate funds – the Agency Operating Fund and the Federal Reserve Fund – and management's discussions and analysis will focus on these funds in order to better describe the operations of the entity. The Agency Operating Fund is the property of the guaranty agency, except for funds that have been transferred from the Federal Reserve Fund. During periods in which the Agency Operating Fund contains funds transferred from the Federal Reserve Fund, the Agency Operating Fund may be used only as permitted by the HEA. As of June 30, 2009 and 2008, the Agency Operating Fund did not contain funds transferred from the Federal Reserve Fund.

Assets of the Federal Reserve Fund are designated for paying lender claims, transfer of default aversion fees to the Agency Operating Fund, transfer of account maintenance fees to the Agency Operating Fund (if so designated by the U.S. Department of Education (DE), refund appropriate payments made by or on behalf of a borrower, paying the DE's share of borrower payments, refunding insurance premiums related to loans cancelled or refunded, returning to the DE portions of the Federal Reserve Fund required to be returned by the Act, and for any other purpose authorized by the DE. The Federal Reserve Fund is the property of the federal government.

Effective July 1, 2004, the Enterprise entered into the Voluntary Flexible Agreement (VFA) with the DE. That agreement was terminated by the DE effective January 1, 2008. Changes resulting from termination of the VFA include:

- Reinsurance from the DE to the Enterprise for claim payments to lenders at 100% under the VFA was reduced to 95% under the standard guaranty agency agreement fee structure. Claims are paid to lenders from the Federal Reserve Fund and the reinsurance reimbursement receipts offset those payments.

- Collections reimbursement was at variable rates of 17% to 25% under the VFA for the first three months of fiscal year 2008. Effective October 1, 2007, the collections reimbursement changed to a fixed rate of 16%.

- Payment of the default aversion fee was made at a variable rate with 1.01% being the floor and rising to 1.10% under the VFA. Under the standard guaranty agency agreement fee structure, the rate is a flat 1% on all eligible default aversion requests, subject to a full refund for each request that subsequently defaults.

  In addition, under the VFA, the Enterprise could rebill the DE for default aversion requests on eligible loans older than 12 months. Default aversion payments were made directly to the Enterprise by DE rather than as a transfer from the Federal Reserve Fund. However, under the standard guaranty agency agreement fee structure, rebills are not allowed, and default aversion fees less the refunds are paid to the Enterprise via a transfer of funds from the Federal Reserve Fund to the Agency Operating Fund.

- Account maintenance fees under the VFA were paid at 10%. However, effective October 1, 2007, under the College Cost Reduction and Access Act of 2007 (CCRAA), this fee was reduced to 6%. Furthermore, account maintenance fees and loan processing issuance fees were invoiced to the DE monthly under the VFA. Under the standard guaranty agency agreement, these fees are not invoiced to the DE monthly, but rather paid and reconciled by the DE quarterly.

- A delinquency prevention fee was received based on how successful the Enterprise was in preventing delinquencies. Under the VFA, this fee was invoiced to the DE on a monthly basis. Effective October 1, 2007, under CCRAA, the delinquency prevention fee was eliminated.

- NLS Holding (see below) and the Enterprise shared revenue receipts with 70% paid to NLS Holding and 30% to the Enterprise prior to termination of the VFA. Upon termination of the VFA, NLS Holding and the Enterprise share revenue receipts at 80% and 20%, respectively.

The Enterprise utilizes a third-party service provider, NLS Holding Co., LLC (NLS Holding) to provide administrative and support services related to guaranty agency operations. Nelnet Guarantor Solutions, LLC (NGS), per a servicing agreement with NLS Holding, performs loan origination services and activities in accordance with Lender Participation Agreements and the VFA, when it was applicable. NGS also provides services including maintenance of the guaranty computer system, data exchange, and other agreed upon services on behalf of the Enterprise. As part of this agreement, NLS Holding and the Enterprise shared revenue receipts with 70% paid to NLS Holding and 30% to the Enterprise under the VFA. Upon termination of the VFA, the revenue sharing percentage changed from 70% to 80% to be paid to NLS Holding, while the Enterprise share changed from 30% to 20%.

In fiscal year 2009, the Enterprise entered into an amendment to this agreement. Amendment changes affecting Enterprise revenues and expenses included: an increase in retention amounts paid to NLS Holding for direct loan consolidations (to receive 100% of the 10% net guarantor collection retention of the William D. Ford Direct Loan Consolidations), sharing the cost of default aversion fee refunds with NLS Holding paying 50% of those costs, and NLS Holding to pay 80% of discounts (up to a 5% discount unless otherwise agreed upon) on sales of rehabilitated loans. Additional terms included the deferment of billing by NLS Holding and payment of certain amounts for services otherwise due to NLS Holding for a limited period. As of June 30, 2009, the deferred billings due to NLS Holding were $4,274,361.

Management Highlights

The Enterprise's largest source of revenue in the Federal Reserve Fund is reinsurance from the DE on claims paid to lenders on defaulted loans. For partial fiscal year 2008, the Enterprise claims were reimbursed at 100% reflecting the terms of the VFA. As a result of termination of the VFA in fiscal year 2008, claims were reimbursed at 100% for the first six months of the year and at 95% for the last six months of the year. Even though the reimbursement rate decreased, claims increased which caused an overall increase in reimbursements. For fiscal years 2009 and 2008, this represented a 4% ($314,155,368) and 89% ($302,956,902) increase, respectively. Total claims paid to lenders for the fiscal years 2009 and 2008 from the Federal Reserve Fund were $327,613,478 and $309,887,085, respectively. This represents a 6% increase from fiscal year 2008 to 2009. For fiscal year 2008, reinsurance and claims paid were restated to include additional accrued reinsurance and claims outstanding at year-end. The total year-end Federal Reserve Fund net assets decreased by 23% from $36,167,610 in fiscal year 2008 to $27,932,500 in fiscal year 2009.

Effective July 1, 2006, the HEA as amended, established a 1% default fee that was to be collected by the Enterprise from either lenders or borrowers or on behalf of borrowers. The default fee was established for the purpose of sustaining the Federal Reserve Fund. For fiscal years 2009 and 2008, the Enterprise decided to pay the default fees on behalf of borrowers in the amounts of $6,655,751 and $5,206,273, respectively.

The Enterprise is in the business of guaranteeing student loans and performing collection efforts on defaulted loans. During fiscal years 2009, 2008 and 2007, new gross loan volume guaranteed totaled $788,062,555, $1,397,147,819, and $4,378,688,911, respectively. The difference between fiscal years 2009 and 2008 of $609,085,264 represents a 44% decrease in new loans guaranteed. The difference between fiscal years 2008 and 2007 of $2,981,541,092 represents a 68% decrease in new loans guaranteed. The decrease in new loan guarantees for both periods resulted primarily from a significant decrease in consolidation loan volume. New consolidation loans guaranteed for fiscal years 2009, 2008 and 2007 were $1,892,568, $645,710,610, and $3,535,755,086, respectively. Consolidation volume is created when borrowers combine all outstanding loans into a single loan that is often repaid over a longer term. Due to the changes to the HEA implemented in October 2007, substantially all lenders discontinued originating consolidation loans resulting in the significant decrease in loan guarantees. This trend continued through fiscal year 2009.

The Enterprise's net loan portfolio (net outstanding loans guaranteed) increased by 1.3% from $13,081,223,566 in fiscal year 2008 to $13,254,022,448 in fiscal year 2009. The net outstanding loans are computed by subtracting loan cancellations, loans paid in full, claims paid, and uninsured loans from gross loan volume. As compared to prior years, this increase continues to decline due primarily to a significant reduction in new loan originations and consolidations caused by the tightening of credit markets, overall economic conditions, and a decrease in the number of lenders originating consolidation loans.

Agency Operating Fund net assets decreased by 7% from $48,011,222 in fiscal year 2008 to $44,465,396 in fiscal year 2009. The decrease is primarily due to a reduction in federal fee revenue and an increase in amounts paid to the service provider, offset by increased collections.

In October 1998, legislation was passed re-authorizing the HEA. One of the provisions of reauthorization required the guaranty agencies to pay back reserves to the Federal Treasury of $250 million by September 30, 2007. The Enterprise's share of this recall was $4,641,050. The Enterprise paid the DE $1,531,546 and $1,577,957 in fiscal years 2007 and 2003, respectively. The final payment of $1,531,547 was paid in fiscal year 2008.

CONDENSED SCHEDULE OF NET ASSETS

	Agency Operating Fund			Federal Reserve and Drawdown Funds		
June 30,	**2009**	**2008**	**2007**	**2009**	**2008**	**2007**
ASSETS						
Current Assets	$ 57,172,892	$ 51,780,935	$52,343,362	$ 78,339	$ -	$ -
Restricted Assets	-	-	-	65,401,561	65,658,130	49,856,619
Capital Assets	10,136	374,887	628,082	-	-	-
Total Assets	$ 57,183,028	$ 52,155,822	$52,971,444	$ 65,479,900	$ 65,658,130	$ 49,856,619
LIABILITIES						
Current Liabilities	$ 8,337,517	$ 3,926,301	$ 5,961,713	$ -	$ -	$ -
Noncurrent Liabilities	4,380,115	218,299	347,493	-	-	-
Liabilities Payable from Restricted Assets	-	-	-	37,547,400	29,490,520	10,586,685
Total Liabilities	$ 12,717,632	$ 4,144,600	$ 6,309,206	$ 37,547,400	$ 29,490,520	$ 10,586,685
NET ASSETS						
Invested in Capital Assets	$ 10,136	$ 374,887	$ 628,082	$ -	$ -	$ -
Restricted Assets	-	-	-	27,932,500	36,167,610	39,269,934
Unrestricted	44,455,260	47,636,335	46,034,156	-	-	-
Total Net Assets	$ 44,465,396	$ 48,011,222	$46,662,238	$ 27,932,500	$ 36,167,610	$ 39,269,934

Net Assets Analysis

Agency Operating Fund – Fiscal Year 2009

Unrestricted net assets of the Agency Operating Fund decreased from $47,636,335 to $44,455,260 or 7% in fiscal year 2009. The decrease was primarily due to reduced federal fee revenue of $5.1 million, offset by a reduction of salaries and operating expenses of $1.8 million. The reduction in federal fee revenue was caused by reduced fees upon termination of the VFA resulting in the elimination of certain fees paid under the standard guaranty agency agreement fee structure, reduced fees due to legislative changes which became effective in October 2007, reduction in the revenue sharing percentage retained by the Enterprise under the revenue sharing arrangement with NLS Holding, and changes or clarifications to revenue and expense sharing resulting from the amended NLS Holding agreement in 2009.

Total liabilities increased in 2009 by $8.6 million, or 207%, primarily due to revenue sharing and amounts due to NLS Holding at year-end, which was comprised of $4.0 million in deferred payments per the amended NLS Holding agreement and $4.5 million of rehabilitated loan sales in June.

Agency Operating Fund – Fiscal Year 2008

Unrestricted net assets of the Agency Operating Fund increased from $46,034,156 to $47,636,335 or 3% in fiscal year 2008. Significant revenue and expense changes affecting fiscal year 2008 included an $8.2 million reduction in federal fee and collections revenue, net of amounts paid to NLS Holding, and a $1.2 million increase in operating expenses offset by a significant reduction of interfund transfers (default aversion fees offset by federal default fees) in non-operating expenses of $7.8 million. The reduction in federal fee and collections revenue is attributable to reduced fees and elimination of certain fees paid under the standard guaranty agency agreement fee structure and the increased revenue sharing percentage (from 70% to 80%) paid to NLS Holding. Total liabilities decreased 34% primarily due to a reduction in federal fee revenue due and payable to NLS holding at year-end.

Federal Reserve Fund – Fiscal Year 2009

Total assets decreased in fiscal year 2009 by $178,230 or 0.3% primarily due to a reduction in the reinsurance reimbursement rate paid by the DE from 100% under the VFA to 95% under the standard guaranty agency agreement fee structure.

Total liabilities increased by $8,056,879 or 27% in fiscal year 2009. This increase was primarily due to amounts due and payable to the DE of $14.3 million for their share of collections, offset by a decrease in claims of $6.2 million due to lender at year-end.

Federal Reserve Fund – Fiscal Year 2008

Total assets increased in fiscal year 2008 by $15,801,512 or 32% primarily due to increased claims and related reinsurance amounts due from the DE, offset by a reduction in the reinsurance reimbursement rate paid by the DE from 100% under the VFA to 95% under the standard guaranty agency agreement fee structure.

Total liabilities increased by $18,903,836 or 179% in fiscal year 2008. This increase was primarily due to increased claims payable to lenders at year-end.

CONDENSED SCHEDULE OF REVENUES

	Agency Operating Fund			Federal Reserve and Drawdown Funds		
Years Ended June 30,	**2009**	**2008**	**2007**	**2009**	**2008**	**2007**
OPERATING REVENUES						
Federal Grants and Contracts	$ 2,531,545	$ 7,638,594	$ 15,900,953	$ 314,155,368	$302,956,902	$ 160,242,209
Charges for Goods and Services	-	-	85,208	-	-	-
Grant Revenue	137,374	-	-	-	-	-
Interest on Purchased Loans	593,090	687,081	421,081	-	-	-
Other	973,051	174,431	337,057	993,860	120,984	-
Total Operating Revenues	4,235,060	8,500,106	16,744,299	315,149,228	303,077,886	160,242,209
Nonoperating Revenues	1,749,770	2,645,912	2,384,757	769,010	2,395,475	2,102,890
Interfund Transfers	-	-	-	3,460,130	2,158,513	9,939,298
TOTAL REVENUES	$ 5,984,830	$ 11,146,018	$ 19,129,056	$ 319,378,368	$307,631,874	$ 172,284,397

Revenue Analysis

Agency Operating Fund – Fiscal Year 2009

Net Federal Grants and Contracts revenue decreased in fiscal year 2009 from $7,638,594 to $2,531,545 or 67%. The decrease was due primarily to the reduction of federal fees which was offset by increased collections revenue paid by the DE, but then reduced by increased amounts paid to the service provider. Effective October 1, 2007, with the enactment of the CCRAA, account maintenance fees were reduced from 10% to 6% and the retention percentage on collections of defaulted loans were reduced from 23% to 16%. Additionally, upon termination of the VFA, the delinquency prevention fee was eliminated along with other performance based fees subject to the VFA. Additional reductions in revenue were due to increased revenue sharing percentage paid to NLS Holding. A total of approximately $36.5 million of both collections and federal fee revenue was shared directly with NLS Holding at 80% for the full year 2009, as compared to fiscal year 2008 wherein revenue was shared at 70% for the first six months and at 80% for the last six months of the year. The overall Enterprise cash flow decreased by 4%, as compared to the prior year increase of 3%. The current year decrease was primarily due to the overall reduction in net federal fee revenue. Non-operating revenues consisted of earnings on pooled cash investments. Investment earnings decreased 34% from $2,645,912 in fiscal year 2008 to $1,749,770 in fiscal year 2009. The decrease reflects a lower interest rate and interest rate earned on a lower average monthly cash balance, as compared to the prior year. Available cash is invested by the State Treasurer.

Agency Operating Fund – Fiscal Year 2008

Net Federal Grants and Contracts revenue decreased in fiscal year 2008 from $15,900,953 to $7,638,594 or 52%. The decrease was due primarily to the reduction of federal fee and collections revenue paid by the DE and a reclass of default aversion fees from operating revenues to non-operating revenues accounted for as an interfund transfer. With the enactment of the CCRAA, account maintenance fees were reduced from 10% to 6%, and the retention percentage on collections of defaulted loans were reduced from 23% to 16%. Additionally, upon termination of the VFA, the delinquency prevention fee was eliminated along with other performance based fees subject to the VFA. Additional reductions in revenue were due to revenue sharing with NLS Holding. A total of about $34 million of both collections and federal fee revenue was shared directly with NLS Holding at 70% and 80% for the first six and last six months of the year, respectively. The overall Enterprise cash flow continued to improve at 3% down from the prior year rate of improvement of 11%. The improvement was primarily due to monthly invoicing of fees due from the DE for the first six months; whereas upon termination of the VFA, payment by the DE of the fees reverted back to quarterly payments. Non-operating revenues consisted of earnings on pooled cash investments. Investment earnings increased 11% from $2,384,757 in fiscal year 2007 to $2,645,912 in fiscal year 2008. The increase reflects interest earned on a larger average monthly cash balance. Available cash is invested by the State Treasurer.

Federal Reserve Fund – Fiscal Year 2009

Federal Grants and Contracts revenue increased in fiscal year 2009 by 4% from $302,956,902 in 2008 to $314,155,368 in 2009. The increase reflects both an increase in reinsurance reimburse from the DE resulting from an increase in the number of default claims paid to lenders and an increase in the average principal amount of individual lender claims. The latter results from borrowers with larger-balance consolidation loans entering default, while the former may be primarily due to economic conditions.

Federal Reserve Fund – Fiscal Year 2008

Federal Grants and Contracts revenue increased in fiscal year 2008 by 89% from $160,242,209 in 2007 to $302,956,902 in 2008. The increase is primarily due to both a significant increase in reinsurance reimbursements from the DE resulting from an increase in the number of default claims paid to lenders and an increase in the average principal amount of individual lender claims. The latter results from borrowers with larger-balance consolidation loans entering default, while the former may be primarily due to a downturn in the economy. Also impacting revenues was the reduction of the reinsurance reimbursement of claims by the DE at 100% for the first six months, but dropping to 95% during the latter half of the fiscal year. Additionally, a change in funding and operations due to the elimination of the VFA led to recording of reinsurance reimbursements and related claims due and payable at year-end in the amounts of $28,106,295 and $29,383,935, respectively. The 2008 net effect of the change was $1,277,640.

CONDENSED SCHEDULE OF EXPENSES

Years Ended June 30,	Agency Operating Fund 2009	Agency Operating Fund 2008	Agency Operating Fund 2007	Federal Reserve and Drawdown Funds 2009	Federal Reserve and Drawdown Funds 2008	Federal Reserve and Drawdown Funds 2007
OPERATING EXPENSES						
Guarantee Claims Paid to Lending Institutions	$ -	$ -	$ -	$327,613,478	$309,887,085	$159,744,253
Salaries and Fringe Benefits	2,284,483	2,342,893	2,917,798	-	-	-
Operating and Travel	3,328,472	4,915,093	3,112,566	-	-	-
Federal Fee Expense	-	-	-	-	847,113	-
Depreciation	117,158	253,195	302,657	-	-	-
Total Operating Expenses	5,730,113	7,511,181	6,333,021	327,613,478	310,734,198	159,744,253
NON OPERATING EXPENSES						
Loss on Sale of Equipment	240,594	-	-	-	-	-
Intergovernmental non-operating expenses to other agencies	99,819	127,340	80,230	-	-	-
Interfund Transfers	3,460,130	2,158,513	9,939,298	-	-	-
TOTAL EXPENSES	$9,530,656	$9,797,034	$16,352,549	$327,613,478	$310,734,198	$159,744,253

INTERFUND TRANSFERS

	2009	2008	2007
Transfers from Agency Operating Fund to Federal Reserve Fund:			
Federal Default Fee	$ (6,655,751)	$ (5,206,273)	$ (5,165,420)
Complement on Collections	-	(176,650)	(304,325)
Refund of Default Aversion Fees	(2,726,550)	(1,232,587)	-
Account Maintenance Fee Payback	-	-	(4,152,671)
Federal Reserve Requirement	-	-	(316,882)
Transfers from Federal Reserve Fund to Agency Operating Fund:			
Default Aversion Fees	5,922,171	4,456,997	-
Net Transfers to/(from) Agency Operating Fund to Federal Reserve Fund	$(3,460,130)	$ (2,158,513)	$ (9,939,298)
Transfer from Agency Operating Fund to CCHE	$ (99,819)	$ (127,340)	$ (80,230)

Expense Analysis

Agency Operating Fund – Fiscal Year 2009

Salaries and fringe benefits decreased approximately 3% from $2,342,893 in 2008 to $2,284,483 in fiscal year 2009. The decrease is primarily due to staff reductions. Operating and travel decreased approximately 32% from $4,915,093 in 2008 to $3,328,472 in 2009, primarily due to decreased expenses for advertising, website enhancements, outreach educational efforts, and purchases of uninsured accounts.

Agency Operating Fund – Fiscal Year 2008

Salaries and fringe benefits decreased approximately 20% from $2,917,798 in 2007 to $2,342,893 in fiscal year 2008. The decrease is primarily due to a reclass of litigation expenses to operating expenses in fiscal year 2008. Operating and travel increased approximately 58% from $3,112,566 in 2007 to $4,915,093 in 2008, primarily due to increased contract commitments for website maintenance and enhancements, outreach educational efforts, and allowance for uncollectible accounts.

Federal Reserve Fund – Fiscal Year 2009

Guarantee claims paid to lending institutions increased approximately 6% from $309,887,085 in fiscal year 2008 to $327,613,478 in fiscal year 2009, due to factors noted under the revenue analysis above. In attempts to prevent a default claim, default aversion assistance is provided to lenders upon request when a borrower falls at least sixty days in arrears on their student loan payment. College Assist's historical published default rates have been an average of over 2.5% below the national average. Published default rates have increased significantly from 2.5% to 4% over a one-year period. Current claims volume activity indicates a continued upward trend in default rates. Additionally, assistance is provided to students and parents to understand their rights, responsibilities, and the options available to avoid default.

Federal Reserve Fund – Fiscal Year 2008

Guarantee claims paid to lending institutions increased approximately 94% from $159,744,253 in fiscal year 2007 to $309,887,085 in fiscal year 2008, due to factors noted under the revenue analysis above.

Capital Assets

In fiscal year 2009, capital assets decreased by 97% from a cost basis net of accumulated depreciation of $374,887 in fiscal year 2008 to $10,136 in fiscal year 2009. The decrease was due to liquidation of assets owned by the Enterprise, but held and used by NGS as stipulated in the amendment to the original contract with NLS Holding. There were no significant purchases of capital assets in 2009 or 2008.

Economic Facts and Conditions for the Future

Effective July 1, 2004, the DE granted the Enterprise a three-year contract with the DE known as the VFA. Based upon statutory changes in the FFEL program, the VFA was terminated effective January 1, 2008 by the DE. As a result, the Enterprise experienced a substantial decrease in federal fee revenue in 2008, which continued into fiscal year 2009, as the Enterprise operated for a full year without the VFA. In addition to the revenue impacts of the VFA termination, the CCRAA became effective October 1, 2007, which further eroded federal fee revenues.

In fiscal year 2009 and 2008, credit liquidity constrictions in the student loan capital markets caused banks and lenders to tighten lending standards which created instability and disruptions for student loan borrowers. Several major lenders were forced to scale back lending activity in the federally guaranteed student loan program or exit the marketplace entirely. The CCRAA also reduced revenue for lenders, as did the Higher Education Reconciliation Act (HERA) enacted in

2008. With the revenue reductions and the continuing financial liquidity issues, market conditions throughout 2008 and 2009 continued to remain unfavorable. In an effort to ensure stability in the federal loan markets, and encourage eligible FFEL lenders to provide students and parents access to loans, the Ensuring Continued Access to Student Loans Act (ECASLA) was signed into law on May 7, 2008. Generally, ECASLA raised various loan limits, established new optional repayment terms for parent PLUS loans, gave the DE authority to advance funds to lenders and temporary authority to purchase FFEL loans, and loosened restrictions on who is eligible for Lender of Last Resort loans. Under ECASLA provisions, the DE created various programs to purchase student loans, and, thereby, infused capital back into the FFEL market. As a result, the effect on guaranty agencies was a reduction in the guarantee portfolio for all loans sold or (put) to the DE. Further legislation was enacted to extend portions of ECASLA that grants authority to the DE to purchase guaranteed student FFEL loans for an additional year and for other purposes. The expiration date in the original law was changed from June 1, 2009, to September 30, 2010.

The HEA of 1965, as amended, was reauthorized through the HEA Opportunity Act of 2008 (HEOA) and enacted on August 14, 2008. Significant changes affecting guaranty agencies and/or FFEL loans included: 1) code of conduct requirements, 2) prohibited inducement provisions governing interactions of lenders and guaranty agencies with schools, and 3) various requirements on disclosures and providing information to schools, students and borrowers. The HEOA had little direct revenue impact on guaranty agencies. Technical corrections to the HEOA were enacted on July 1, 2009. Those corrections potentially allow the DE to purchase rehabilitated loans through July 1, 2010. The changes also could allow guaranty agencies to assign rehabilitated loans to the DE if a lender cannot be found to purchase the loan through September 30, 2010. However, the purchase or assignment of rehabilitated loans has not been implemented because the DE must first determine a need for the program and establish terms.

Due to the continuing credit instability, lenders have taken substantial advantage of the short term federal purchase program offered under ECASLA. While the changes have kept FFEL student loans available, the sales to the DE have substantial negative consequences on guaranty agencies, thereby, reducing guaranty agency loan portfolios, which ultimately affects their financial condition and opportunities.

Congress may continue further amending the HEA as part of reauthorization of other provision of the HEA. Any such amendments could affect federal student loans. 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 the Enterprise. There can be no assurance that the HEA, or other relevant law or regulations, will not be changed in a manner that could adversely affect the Enterprise.

In compliance with the HERA of 2005, the Enterprise began depositing a 1% default fee for loans disbursed after July 1, 2006, into the Federal Reserve Fund. The fee is 1% of the net loan amount disbursed, and it is intended to increase the assets of the Federal Reserve Fund. The Enterprise decided not to charge the borrower this fee for fiscal year 2009, 2008 and 2007; instead the default fee was paid from its Agency Operating Fund. The Enterprise will not fund any portion of the default fee for loans first disbursed after December 31 2009, 50% of the 1% fee, subject to management discretion. The decision to fund the default fee from the Agency Operating Fund or charge the borrower the fee in future years will be made on an annual basis. For fiscal year 2009, no additional funding or transfers to the Federal Reserve Fund was required to meet the reserve ratio minimum. However, current projections for future years indicate significant transfers from the Agency Operating Fund to the Federal Reserve Fund will be required to meet this minimum.

Financial Contact

If you have any questions about this report, please contact

College Assist
1560 Broadway, Suite 1700
Denver, Colorado 80202
Attention: Chief Financial Officer

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
PROPRIETARY FUND
STATEMENTS OF NET ASSETS
For the Years Ended June 30, 2009 and 2008

ASSETS

	2009	2008
CURRENT ASSETS		
Cash and pooled cash investments	$ 47,244,490	$ 49,203,792
Federal fees receivable	2,259,985	2,177,486
Other receivables, net	404,456	186,999
Interagency receivable	7,012,727	-
Prepaid expenses	329,573	212,658
Total current assets	57,251,231	51,780,935
RESTRICTED ASSETS		
Restricted cash and pooled cash investments	23,607,774	30,640,426
Federal reinsurance receivable	41,793,787	35,017,704
Total restricted assets	65,401,561	65,658,130
CAPITAL ASSETS		
Office furniture and equipment	-	1,616,182
Computer hardware and software	31,254	3,626,434
Leasehold improvements	-	97,946
	31,254	5,340,562
Less accumulated depreciation	(21,118)	(4,965,675)
Capital assets, net	10,136	374,887
TOTAL ASSETS	$122,662,928	$ 117,813,952

LIABILITIES AND NET ASSETS

	2009	2008
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 439,296	$ 722,104
Accrued compensated absences	26,388	33,033
Other current liabilities	7,871,833	3,171,164
Total current liabilities	8,337,517	3,926,301
LIABILITIES PAYABLE FROM RESTRICTED ASSETS		
Loan collections and other liabilities due to federal government	14,314,790	106,585
Claims due to lenders	23,232,610	29,383,935
Total liabilities payable from restricted assets	37,547,400	29,490,520
NONCURRENT LIABILITIES		
Accrued compensated absences	105,754	100,555
Other long term liabilities	4,274,361	117,744
Total noncurrent liabilities	4,380,115	218,299
Total liabilities	50,265,032	33,635,120
NET ASSETS		
Invested in capital assets	10,136	374,887
Restricted	27,932,500	36,167,610
Unrestricted	44,455,260	47,636,335
Total net assets	72,397,896	84,178,832
TOTAL LIABILITIES AND NET ASSETS	$ 122,662,928	$ 117,813,952

This information is an integral part of the accompanying financial statements.

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
PROPRIETARY FUND
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Years Ended June 30, 2009 and 2008

	2009	2008
OPERATING REVENUES		
Federal grants and contracts		
Collections on loans and bankruptcies	$ 28,481,850	$ 16,064,976
Federal fee revenue	10,585,235	25,501,479
Amount paid to service provider	(36,535,540)	(33,927,861)
Federal reinsurance	314,155,368	302,956,902
Grant Revenue	137,374	-
Interest on purchased loans and other	593,090	687,081
Other revenues	1,966,911	295,415
Total operating revenues	319,384,288	311,577,992
OPERATING EXPENSES		
Guarantee claims paid to lending institutions	327,613,478	309,887,085
Salaries and fringe benefits	2,284,483	2,342,893
Operating and travel	3,328,472	4,915,093
Federal fee expense	-	847,113
Depreciation	117,158	253,195
Total operating expenses	333,343,591	318,245,379
OPERATING LOSS	(13,959,303)	(6,667,387)
NON-OPERATING REVENUES (EXPENSES)		
Earnings on pooled cash investments	2,518,780	5,041,387
Loss on disposal of equipment	(240,594)	-
Expenses to other agencies	(99,819)	(127,340)
Total non-operating revenues	2,178,367	4,914,047
CHANGE IN NET ASSETS	(11,780,936)	(1,753,340)
NET ASSETS, BEGINNING OF YEAR	84,178,832	85,932,172
NET ASSETS, END OF YEAR	$ 72,397,896	$ 84,178,832

This information is an integral part of the accompanying financial statements.

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
PROPRIETARY FUND
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2009 and 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from:		
Fees for service	$ 7,283	$ 211,185
Federal grants and contracts	361,624,970	312,333,702
Amount paid to service provider	(27,678,255)	(36,450,911)
Interest on purchased loans and other	593,090	687,081
Other sources	826,652	295,415
	335,373,740	277,076,472
Cash disbursed for:		
Guarantee claims paid to lending institutions	(333,764,803)	(284,216,228)
Employees	(2,285,929)	(3,024,140)
Suppliers	(3,740,924)	(3,892,373)
Federal fee expense	-	(847,113)
Recall reserves paid to U.S. Department of Education	-	(1,531,547)
	(339,791,656)	(293,511,401)
Net cash used in operating activities	(4,417,916)	(16,434,929)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Intergovernmental payment	(99,819)	(127,340)
Net cash used in noncapital activities	(99,819)	(127,340)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Sale of capital assets	7,000	-
Net cash provided by capital and related financing activities	7,000	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Loan to other agency	(37,000,000)	-
Repayments of loan from other agency	30,000,000	-
Earnings on pooled cash investments	2,518,781	5,041,387
Net cash used in investing activities	(4,481,219)	5,041,387
NET CHANGE IN CASH AND POOLED CASH INVESTMENTS	(8,991,954)	(11,520,882)
CASH AND POOLED CASH INVESTMENTS, BEGINNING OF YEAR	79,844,218	91,365,100
CASH AND POOLED CASH INVESTMENTS, END OF YEAR	$ 70,852,264	$ 79,844,218

	2009	2008
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Net operating loss	$ (13,959,303)	$ (6,667,387)
Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	117,158	253,195
Receivables	(7,076,041)	(26,742,996)
Interagency receivable	(12,727)	-
Supplies inventory	-	4,767
Prepaid expenses	(116,915)	(21,738)
Accounts payable and accrued liabilities	(282,808)	363,583
Other current liabilities	4,700,669	(2,407,057)
Recall reserves due to U.S. Department of Education	-	(1,531,546)
Loan collections and other liabilities due to federal government	14,208,207	(5,235,475)
Claims paid to lenders	(6,151,325)	25,670,857
Accrued compensated absences	(1,446)	(5,139)
Other long term liabilities	4,156,615	(115,993)
NET CASH USED IN OPERATING ACTIVITIES	$ (4,417,916)	$ (16,434,929)

This information is an integral part of the accompanying financial statements.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Colorado Student Loan Program dba College Assist (the Enterprise) is a self-supporting Enterprise Fund of the State of Colorado. It was established as an entity of the Colorado Department of Higher Education pursuant to Title 23, Article 3.1, Part 1, Colorado Revised Statutes, 1973*,* as amended and was created July 1, 1979. The Enterprise's legal name is Colorado Student Loan Program which became effective July 1, 2006, per CRS 23-3.1-106 (1)(b), as amended. The Enterprise administers the Federal Family Loan program (FFEL), which consists of Stafford, PLUS, SLS, and Consolidation Loans Programs (CLP). As part of this program, the Enterprise guarantees loans made by lending institutions to students attending postsecondary schools, in compliance with operating agreements (Agreements) with the U.S. Department of Education (DE), pursuant to Section 428 of the Higher Education Act (HEA) of 1965, as amended.

Basis of Accounting and Presentation

For financial reporting purposes, the Enterprise is considered a special-purpose government engaged only in business-type activities. Accordingly, the Enterprise uses the economic resources measurement focus and the accrual basis of accounting to summarize its activities. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when an obligation is incurred.

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

The guidelines further require that intra-fund accounting transactions be eliminated. The Enterprise has the option to apply all FASB pronouncements issued after November 30, 1989, unless those pronouncements conflict with GASB standards. The Enterprise has elected not to apply FASB pronouncements after the applicable date.

The basic financial statements of the Enterprise present the financial position, results of operations, and, where applicable, cash flows for only the entity. They do not purport to, and do not present, the financial position of the State of Colorado as of June 30, 2009 and 2008, or the results of operations, or cash flows where applicable, for the years then ended.

The Enterprise entered into a new funding agreement known as the Voluntary Flexible Agreement (VFA) with the DE effective July 1, 2004. The VFA allowed the Enterprise to receive compensation performance incentives based on its success at preventing student loan

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

delinquencies and defaults. Instead of receiving a majority of its fees for collections of defaulted loans, fees were primarily earned by implementing strategies to prevent delinquencies and defaults. Effective January 1, 2008, the VFA was terminated by the DE. Since termination of the VFA, the Enterprise has been operating under the standard guaranty agency fee structure agreement with the DE.

Use of Estimates in Preparation of Financial Statements

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

Cash and Pooled Cash Investments

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

Receivables

Amounts owed from the DE are reported as federal fees receivable. Interagency receivable are loans outstanding and grant monies due from CollegeInvest (see Note 5). Loans purchased from lenders are reported as other receivables, net. Other receivables, net are reported net of the estimated allowance for uncollectible accounts. Receivables that are restricted in nature are reported as such in the financials.

Capital Assets

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

Depreciation is charged using a straight-line method over the estimated useful lives of the assets. Generally, furniture, equipment, and software are depreciated over 3 to 10 years. Leasehold improvements are depreciated over the lesser of 5 years or the life of the lease in which the renovation was made. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and resulting gains or losses

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

are recorded as non-operating revenues (expenses). There was a loss of $240,594 on the sale or disposal of capital assets in fiscal year 2009. The book value net of accumulated depreciation of $247,594, less cash received represents the loss on disposal of assets. There was no gain or loss on disposal during fiscal year 2008.

Liabilities

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

Compensated Absences

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

Net Assets

The net assets of the Enterprise are classified as follows:

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

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

Unrestricted net assets: Unrestricted net assets represent resources derived from services provided to borrowers, lenders, and collection activities. These resources are used to pay the operating costs of the Enterprise.

Classification of Revenues and Expenses

The Enterprise has classified its revenues and expenses as either operating or non-operating. Operating revenues and expenses generally result from providing services or incurring expenses in connection with the Enterprise's principal activities. Non-operating revenues and expenses include transactions such as interest revenue earned on deposits, loss on disposal of capital assets, and indirect costs paid to other agencies.

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

Loan Defaults

Student loans guaranteed by the Enterprise that subsequently fall into default status are purchased by the Enterprise. This occurs after a claim is paid to the lending institution. Once a claim is paid to a lender, the Enterprise becomes the holder of the loan and seeks to collect on the loan from the DE. Although claim payments are made on defaults, deaths, disabilities and bankruptcies, only loans in default and loans included under Chapter 7 and Chapter 13 bankruptcies are collectible by the Enterprise. A guaranty agency may charge a borrower reasonable costs incurred to collect on defaulted loans per CFR 682.410(b)(2). In fiscal year 2009 and 2008, the Enterprise charged a collection cost rate of 15.64% on regular default borrower payments (excluding federal consolidations of FFEL default loans and rehabilitations).

Federal consolidations of FFEL default loans and rehabilitations are subject to a rate charge limit equal to the lesser of the rate computed per the formula in 34 CFR 30.60 or the rate assessed if the loan is held by the DE. For these loans, the Enterprise charges a one-time consolidation and rehabilitation fee of 18.5% as allowed per federal regulations.

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

Federal Reinsurance

Under the agreement with the DE, in accordance with Section 428 of the Act, the Enterprise was reimbursed by the DE for 100% of claims under the VFA, prior to January 1, 2008. Upon termination of the VFA, the Enterprise is subject to the applicable statutorily defined federal reinsurance rates. Statutory Federal reinsurance on defaulted loans is paid according to the following schedule:

Rate of Annual Losses (Defaults)	Federal Reinsurance on Loans Made Prior to October 1, 1993	Federal Reinsurance on Loans Made October 1, 1993 Through September 30, 1998	Federal Reinsurance on Loans Made October 1, 1998 Through September 30, 2010 (VFA Reinsurance)
0% to 5%	100%	98%	95% (100%)
More than 5% but less than or equal to 9%	90%	88%	85% (85%)
Over 9%	80%	78%	75% (75%)

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

The rate of annual losses (defaults) for purposes of the application for Federal reinsurance is a result of the year-to-date incurred losses divided by the original amount of guaranteed loans in repayment status at the beginning of the year. The Enterprise's annual rate of default for the Federal years ended September 30, 2009 and September 30, 2008, did not exceed 5% in either period.

Budgets and Budgetary Accounting

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

In summary, the total final budgeted revenues for Agency Operating Fund and Federal Reserve Fund were $10.4 million and $262.4 million, respectively, as compared with actual revenues of $8.6 million and $350.1 million, respectively for the fiscal year ended June 30, 2009. The total final budgeted expenses for Agency Operating Fund and Federal Reserve Fund were $17.7 million and $360.2 million, compared to actual expenses of $12.4 million and $360.2 million.

Application of Restricted and Unrestricted Resources

When both restricted and unrestricted resources are available to pay an expense, the Enterprise's policy is to first use restricted resources.

Reclassifications

Certain reclassifications have been made to 2008 balances to conform to the 2009 presentation.

NOTE 2 – CASH AND POOLED CASH INVESTMENTS

The Enterprise deposits cash with the Colorado State Treasurer as required by the Colorado Revised Statutes (CRS). The State Treasurer pools these deposits and invests them in securities approved by CRS 24-75-601.1. The Enterprise reports its share of the Treasurer's unrealized gains and losses based on its participation in the State Treasurer's pooled cash and investments. All of the investments are reported at fair value, which is determined based on quoted market prices at June 30, 2009 and 2008. Detailed information on the State Treasurer's pooled cash and investments is available from that office. It may also be obtained in the State of Colorado's Comprehensive Annual Financial Report.

NOTE 2 – CASH AND POOLED CASH INVESTMENTS (CONTINUED)

Including restricted amounts, the Enterprise had $70,852,064 and $79,844,018 on deposit with the State Treasurer at June 30, 2009 and 2008, respectively. Cash on hand, including petty cash funds was $200 at June 30, 2009 and 2008.

The following summarizes cash and pooled cash investments:

	2009	2008
Cash on deposit with State Treasurer	$69,953,469	$ 79,416,965
State Treasurer pooled cash investments – unrealized gain	898,595	427,053
Cash on hand and in transit to State Treasurer	70,852,064	79,844,018
Petty cash	200	200
Total	$70,852,264	$ 79,844,218

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

	2009	2008
Cash and pooled cash investments	$ 47,244,490	$ 49,203,792
Restricted cash and pooled cash investments	23,607,774	30,640,426
Total	$ 70,852,264	$ 79,844,218

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

NOTE 3 – FEDERAL FEES RECEIVABLE

Federal fees receivable are fees due from the DE and include the Account Maintenance Fee and Loan Processing and Issuance Fees.

NOTE 4 – OTHER RECEIVABLES, NET

Other receivables – net, includes purchased student loans. Purchased student loans represent loan balances not reinsured by the DE that are the property of the Enterprise. Since the loans are purchased by the Enterprise and become an asset of the Enterprise, they do not fall within the scope of reinsurance from the DE. An allowance for uncollectible loans equaled 93% of the

NOTE 4 – OTHER RECEIVABLES, NET (CONTINUED)

purchased loans receivable, for a balance of $1,415,142 and $1,190,227 at June 30, 2009 and 2008, respectively. These rates are based on historical collection activity for purchased student loans. The net purchased loans receivable included on the accompanying statements of net assets in Other Receivables – net at June 30, 2009 and 2008 is $106,516 and $89,587, respectively. The remainder of Other receivables, net on the statement of net assets is comprised of several small balances, most of which is due from Nelnet Guarantor Solutions (NGS), the Enterprise's third-party service provider.

NOTE 5 – INTERAGENCY RECEIVABLE

On December 17, 2008, the Enterprise entered into an interagency revolving financing agreement with CollegeInvest, a related party. The Enterprise provided to CollegeInvest secured working capital loans, evidenced by a nonrecourse note, for an aggregate amount not to exceed $30 million. The proceeds of the working capital loans were used to originate or acquire eligible student loans or to originate subsequent disbursements on eligible loans. The loans mature on September 30, 2010, with interest due and payable monthly. The interest rate is equal to the rate the Enterprise would otherwise earn while the monies are invested with the State Treasurer. The Enterprise may at any time and for any reason in its sole discretion declare the loan(s), including principal and interest, due and payable in full upon fifteen days written notice. The agreement was amended to a maximum aggregate amount not to exceed $20 million on June 12, 2009.

As of June 30, 2009, loans plus interest to CollegeInvest were $7,006,233. In July 2009, CollegeInvest was provided with additional loans including interest totaling $10,346,129.

The Enterprise is a sub-recipient of the College Access Challenge Grant which was granted to CollegeInvest. The Enterprise uses the grant money to fund outreach staff and other outreach related expenses. As of June 30, 2009, the outstanding receivable due from CollegeInvest was $6,494.

The following is an analysis of changes in Interagency Receivable for the year ended June 30, 2009:

	Balance July 1, 2008	Issuances/ Accrued	Repayments Received	Balance June 30, 2009
Working Capital Loan	$ -	$ 37,000,000	$(30,000,000)	$ 7,000,000
Accrued Interest on Loans	-	60,503	(54,270)	6,233
Grant Revenue	-	137,374	(130,880)	6,494
Total	$ -	$ 37,197,877	$(30,185,150)	$ 7,012,727

Interest rates on the working capital loans range from 2.5% to 3.0% based on and equal to rates paid by State Treasury. No such loans were made during the year ended June 30, 2008.

NOTE 6 – CAPITAL ASSETS

A summary of changes in capital assets is as follows for the years ended June 30, 2009 and 2008:

	Balance July 1, 2008	Additions	Disposals	Balance June 30, 2009
Office furniture and equipment	$ 1,616,182	$ -	$ (1,616,182)	$ -
Computer hardware	3,626,434	-	(3,595,179)	31,255
Leasehold improvements	97,946	-	(97,946)	-
Total	5,340,562	-	(5,309,307)	31,255
Less accumulated depreciation	(4,965,675)	(117,158)	5,061,714	(21,119)
Capital assets, net	$ 374,887	$ (117,158)	$ (247,593)	$ 10,136

	Balance July 1, 2007	Additions	Disposals	Balance June 30, 2008
Office furniture and equipment	$ 1,616,182	$ -	$ -	$ 1,616,182
Computer hardware	3,626,434	-	-	3,626,434
Leasehold improvements	97,946	-	-	97,946
Total	5,340,562	-	-	5,340,562
Less accumulated depreciation	(4,712,480)	(253,195)	-	(4,965,675)
Capital assets, net	$ 628,082	$ (253,195)	$ -	$ 374,887

During fiscal year 2009, the Enterprise sold assets owned by the Enterprise, but held and used by NGS, as stipulated in the contract with the third-party service provider (see Note 19).

NOTE 7 – ACCRUED LIABILITIES

Under Colorado Revised Statute 24-75-201, salaries and wages for June 2009 and 2008 that were earned during the month were paid at the beginning of July. This created an accrued liability at June 30, 2009 and 2008 of $151,774 and $175,106, respectively, for incurred but unpaid salaries and wages which is included in accounts payable and accrued liabilities on the accompanying statements of net assets.

NOTE 8 – OTHER CURRENT LIABILITIES

Other current liabilities consist of fees due to NGS Holding of $7,454,969 and other liabilities.

NOTE 9 – LEASES AND NONCURRENT LIABILITIES

The Enterprise leases office space under an Intra-Department Memorandum of Understanding (MOU) with CollegeInvest, a related party. Under the agreement, the Enterprise is required to pay rent of approximately $23,000 per month. The MOU expired on June 30, 2009, and a new MOU was put into place, expiring on June 30, 2010. Total rent expense for the years ended June 30, 2009 and 2008 was $271,997 and $253,116, respectively.

During the fiscal years ended June 30, 2009 and 2008, the following changes occurred with noncurrent liabilities:

	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009	Amounts Due Within One Year
Accrued compensated absences	$ 133,588	$ 185,044	$ (186,490)	$ 132,142	$ 26,388
Other liabilities	117,744	4,274,361	(117,744)	4,274,361	-
Total	$ 251,332	$4,459,405	$ (304,234)	$ 4,406,503	$ 26,388

	Balance July 1, 2007	Increases	Decreases	Balance June 30, 2008	Amounts Due Within One Year
Accrued compensated absences	$ 138,727	$ 196,635	$ (201,774)	$ 133,588	$ 33,033
Other liabilities	233,737	-	(115,993)	117,744	-
Total	$ 372,464	$ 196,635	$ (317,767)	$ 251,332	$ 33,033

Other liabilities of $4,274,361 as of June 30, 2009, are comprised of deferred payments owed to NGS as discussed in Note 19.

NOTE 10 – RELATED PARTY TRANSACTIONS

In addition to the lease transaction as discussed in Note 9, the working capital loan agreement and grant activities as discussed in Note 5, the Enterprise also shares the cost of human resources personnel, information systems personnel, and other administrative operating expenses with CollegeInvest under the terms of two separate MOUs. The current MOUs expired on June 30, 2009, and were renewed and expire on June 30, 2010.

NOTE 10 – RELATED PARTY TRANSACTIONS (CONTINUED)

Significant related party transactions incurred for fiscal years 2009 and 2008 include:

	2009	2008
Working Capital Loans to CollegeInvest, net of repayments	$ 7,006,233	$ -
Rehabilitated Loan Sales to CollegeInvest	54,365,580	25,518,417
Default Claims paid to CollegeInvest	53,726,986	46,824,624

NOTE 11 – COMMITMENTS

Statutory Federal Reserve Fund Requirements

The Enterprise is required by Federal regulations and State statute to maintain a minimum Federal Reserve Fund reserve of 25% of the unpaid balance of outstanding loans. The Enterprise has met this requirement as of September 30, 2009 and 2008, and believes it will continue to meet the reserve requirement. The DE reassesses the required reserve amount at September 30 of each year.

Commitment

The Enterprise entered into a long-term contract for systems operations and maintenance.

Future minimum payments required under this agreement consist of the following:

Year Ending June 30:	
2010	$ 1,118,633
2011	1,185,751
2012	1,256,895
2013	894,444
2014	242,396
Total	$ 4,698,119

NOTE 12 – CONTINGENCIES

Loan Guarantees

The outstanding principal balance of student loans guaranteed by the Enterprise through June 30, 2009, is more than $13.3 billion. As disclosed in Note 1, the Federal government reinsured new loans guaranteed under the VFA at a minimum rate of 100% until the Enterprise's rate of annual losses (defaults) exceeded 5%. Upon termination of the VFA, the Federal government

NOTE 12 – CONTINGENCIES (CONTINUED)

reinsures new loans guaranteed at a minimum rate of 95%. If the Enterprise exceeds the 5% threshold (the trigger rate) as calculated on September 30 of each year, it may be liable for up to a maximum 25% of the outstanding balance of loans in repayment at the beginning of each year. The trigger rate is calculated September 30 of each year for purposes of reinsurance rate applicable for subsequent year. The Enterprise did not exceed its trigger rate for the period ended September 30, 2008, or in prior periods. The trigger rate for the period ended September 30, 2008, was 2.01%. Additionally, any liability that may result would be capped at the Enterprise's total net assets.

NOTE 13 – EMPLOYEE PENSION PLAN

Plan Description

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

Beginning on July 1, 2009, the administration of the state's defined contribution retirement plan will be transferred to PERA. New non-higher education employees will have the choice of participating in either the PERA defined benefit or the PERA defined contribution plan. Existing plan members will become participants in the PERA defined contribution plan and retain their current vesting schedule on employer contributions. 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. PERA members electing the defined contribution plan are allowed an irrevocable election between the

NOTE 13 – EMPLOYEE PENSION PLAN (CONTINUED)

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% 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% 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.

NOTE 13 – EMPLOYEE PENSION PLAN (CONTINUED)

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

- Hired before July 1, 2005 – 3.5%, compounded annually.
- Hired between July 1, 2005 and December 31, 2006 – the lesser of 3% or the actual increase in the national Consumer Price Index.
- Hired on or after January 1, 2007 – the lesser of 3% or the actual increase in the national Consumer Price Index, limited to a 10% 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 who are 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% (10.0% for state troopers) of their salary, as defined in CRS 24-51-101(42), to an individual account in the plan. From July 1, 2008, to December 31, 2008, the state contributed 12.05% (14.75% for state troopers and 15.56% for the Judicial Branch) of the employee's salary. From January 1, 2009, through June 30, 2009, the state contributed 12.95% (15.65% for state troopers and 16.46% for the Judicial Branch). During all of fiscal year 2008-09, 1.02% of the employees' total salary was allocated to the Health Care Trust Fund.

Per Colorado Revised Statutes, an amortization period of 30 years is deemed actuarially sound. At December 31, 2008, the division of PERA in which the state participates was underfunded with an infinite amortization period, which means that the unfunded actuarially accrued liability would never be fully funded at the current contribution rate.

In the 2004 legislative session, the general assembly authorized an Amortization Equalization Disbursement (AED) to address a pension-funding shortfall. The AED requires PERA employers to pay an additional 0.5% of salary beginning January 1, 2006, an additional 0.5% of salary in 2007, and subsequent year increases of 0.4% of salary until the additional payment reaches 3.0% in 2012.

NOTE 13 – EMPLOYEE PENSION PLAN (CONTINUED)

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%.

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.

The Enterprise's contributions to the three programs described above for the years ended June 30, 2009, 2008 and 2007 were $205,113, $201,081, and $189,957, respectively. These contributions met the contribution requirement for each year.

NOTE 14 – VOLUNTARY TAX-DEFERRED RETIREMENT PLANS

PERA offers a voluntary 401k plan entirely separate from the defined benefit pension plan and, beginning on July 1, 2009, will administer the 457 deferred compensation plan previously administered by the state. Certain agencies and institutions of the state also offer 403(b) or 401(a) plans.

NOTE 15 – POSTRETIREMENT HEALTH CARE

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

NOTE 15 – POSTRETIREMENT HEALTH CARE (CONTINUED)

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% 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 9. Beginning July 1, 2004, state agencies/institutions are required to contribute 1.02% of gross covered wages to the Health Care Trust Fund. College Assist contributed $16,712, $17,021, and $17,377 as required by statute in fiscal years 2008-09, 2007-08, and 2006-07, respectively. In each year the amount contributed was 100% 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, 2008, there were 45,888 enrolled participants, including spouses and dependents, from all contributors to the plan. At December 31, 2008, the Health Care Trust Fund had an unfunded actuarial accrued liability of $1.11 billion, a funded ratio of 18.7% and a 39-year amortization period.

NOTE 16 – FEDERAL AND STATE LEGISLATIVE IMPACTS ON THE ENTERPRISE

In October 1998, legislation known as the 1998 Reauthorization of Higher Education Act was passed re-authorizing the HEA. One of the provisions of reauthorization requires the guaranty agencies to pay back reserves to the Federal Treasury of $250 million by September 30, 2007. The Enterprise's share of this recall was $4,641,050. The Enterprise paid the DE $1,531,546 and $1,577,957 in fiscal years 2007 and 2003, respectively. The final payment of $1,531,547 was paid in fiscal year 2008.

NOTE 17 – RISK MANAGEMENT

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

The Enterprise participates in the Risk Management Fund of the State of Colorado. Agency premiums are based on an assessment of risk exposure and historical experience. Liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount of claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes

NOTE 17 – RISK MANAGEMENT (CONTINUED)

in legal doctrines and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. There were no significant reductions or changes in insurance coverage from the prior year in any of the above mentioned risk management arrangements. Settlements did not exceed insurance coverage in any of the past three fiscal years.

NOTE 18 – TAX, SPENDING AND DEBT LIMITATIONS

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The amendment excludes from its provision Enterprise operations. Enterprises are defined as government-owned businesses authorized to issue revenue bonds, which receive less than 10% of their annual revenue in grants from all state and local governments combined. Colorado Student Loan Program qualifies as an Enterprise pursuant to *Title 23, Article 3.1, Part 103.5, Colorado Revised Statutes, 2006,* as amended.

NOTE 19 – SIGNIFICANT OPERATING AGREEMENTS

The Enterprise entered into a new funding agreement known as the Voluntary Flexible Agreement (VFA) with the DE effective July 1, 2004. The VFA allowed the Enterprise to receive compensation performance incentives based on its success at preventing student loan delinquencies and defaults. Instead of receiving a majority of its fees for collections of defaulted loans, fees were primarily earned by implementing strategies to prevent delinquencies and defaults. Effective January 1, 2008, the VFA was terminated by the DE. Since termination of the VFA, the Enterprise has been operating under the standard guaranty agency fee structure agreement with the DE.

On November 1, 2005, the Enterprise entered into an agreement with NLS Holdings to expand its existing relationship with NGS, a wholly-owned subsidiary of NLS Holdings. Under this expanded agreement, NGS operates all aspects of the guarantee servicing operations for the agency. This represents the majority of the agency's business operations.

The agreement also requires that NLS Holdings be responsible for all operating expenses associated with this expanded servicing contract. This includes, but is not limited to, personnel, operating, rent, and other expenses normally associated with operating a government agency. NLS Holdings received 70% of the Enterprise fees included in operating revenues under the expanded agreement to pay for these operating expenses. The Enterprise itself retained 30% of these fees to pay for contract monitoring, financial and regulatory reporting, and related activities under the agreement. The agreement further specifies that upon termination of the VFA, the fees will be split 80% to NLS Holdings, while the Enterprise retains 20% to compensate NLS Holdings for reduced fee revenue. The VFA was terminated effective January 1, 2008.

NOTE 19 – SIGNIFICANT AGREEMENTS (CONTINUED)

The agreement was amended in fiscal year 2009. The amendment includes the following provisions: 1) NLS Holdings will receive 100% of the Enterprise's direct loan consolidation retention on and after January 1, 2008, a change from 80%. 2) NLS Holdings will pay 80% of rehabilitated loan discounts up to a 5% discount or other mutually agreed upon discount. 3) NLS Holdings will share 50% in the cost of the default aversion refund. Additionally, under the terms of the agreement, payment of certain other amounts due and payable to NLS Holdings are to be deferred. The amount deferred related to direct loan consolidation retention and federal default fee is $946,486 and, $3,327,875 respectively. The total deferred amount of $4,274,361 is due and payable on December 31, 2010, and is included in other long term liabilities on the statements of net assets.

The term of the contract and its related amendment is for ten years, cancelable after seven years (October 31, 2012) by the agency if revenues or expenses change, and can be renewed for a second ten year term if both parties agree.

NOTE 20 – PRIOR PERIOD ADJUSTMENTS

During the year ended June 30, 2009, the Enterprise discovered that certain federal fund receivables and payables totaling $28,106,295 and $29,383,935, respectively, should have been recorded in the prior year. An adjustment to prior year's revenue and expense has been recorded to recognize the net effect. The adjustment results in a net decrease of $1,277,640 to the ending Net Assets at June 30, 2008, as follows:

Net assets, June 30, 2008, as previously reported	$ 85,456,472
Prior period adjustments	
Addition to Federal reinsurance receivable	28,106,295
Addition to claims due lenders	(29,383,935)
Net assets, June 30, 2008, as restated	$ 84,178,832

NOTE 21 – SUBSEQUENT EVENT

As discussed in Note 5, in July 2009, the Enterprise loaned CollegeInvest, a related party, an additional $10,346,129.

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
Fiscal Years Ended June 30, 2009 and 2008

The Management's Discussion and Analysis (MD&A) is required by Governmental Accounting Standards. The MD&A below was prepared by the Enterprise's management on behalf of the College Opportunity Fund (COF) and is designed to provide an analysis of the COF's financial condition and operating results for the fiscal year ended June 30, 2009 and 2008. The MD&A also informs the reader of the financial issues and activities related to the COF. It should be read in conjunction with the COF's financial statements, which begin on page 50.

Basic Financial Statements – College Opportunity Fund

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

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

The Statements of Changes in Fiduciary Net Assets presents the additions to and deductions from the private-purpose trust fund during the fiscal years. These statements provide information about significant year-to-year changes in net assets.

Financial Overview

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

Management Highlights

The COF was a new program for State fiscal year 2006 and continued to be funded through fiscal year 2009.

Under CRS Article 23, Section 18, Colorado changed its funding system for public higher education to a student-stipend program known as the COF in Fall 2005. Under the new system, the State no longer makes direct lump-sum financial transactions to its public institutions for undergraduate education. Instead, these funds are provided to public and private higher education institutions on behalf of resident undergraduate students in the form of a stipend.

Stipend rates are set annually by the General Assembly during the State's budget process. The allocation is defined on a per-credit-hour basis where the advertised amount is representative of a full-time student taking 30 credit hours each year. For the 2008-09 and 2007-08 academic year, the state provided each participating student with a $2,040 or $68 per credit hour stipend and $2,670 or $89 per credit hour stipend, respectively.

Schedule of Net Assets – Fiscal Year 2009

Restricted Net Assets of the COF at year-end were $2. During the fiscal year, there was $262,450,289 of stipend receipts and $288,000 of American Recovery and Reinvestment Act (ARRA) grant receipts appropriated to the Colorado Department of Higher Education for use under the COF statutes. Of the total amount appropriated for COF in the current year, 100% was used for stipends for Colorado students attending Colorado Higher Education Institutions. Total assets at year-end were $123,482. Outstanding liabilities at year-end were $123,480, due to stipends payable to institutions at year-end.

Schedule of Net Assets – Fiscal Year 2008

Restricted Net Assets of the COF at year-end were $1. During the fiscal year, there was $328,170,090 of stipend receipts appropriated to the Colorado Department of Higher Education for use under the COF statutes. Of the total amount appropriated for COF in the current year, 100% was used for stipends for Colorado students attending Colorado Higher Education Institutions in addition to accumulated restricted net assets from prior years. Total assets as of June 30, 2008 were $1. There were no outstanding liabilities at year-end.

Additions and Deductions – Fiscal Year 2009

During fiscal year 2009, the General Assembly appropriated $262,450,289 of stipend receipts and the Governor's Office issued $288,000 of ARRA grant receipts, of which $262,738,288 was paid to Colorado Higher Education Institutions for student stipends used to offset tuition costs. All State funded universities and university systems are eligible to participate in the COF program per statute; also included in participation are two private institutions (Denver University and Regis University). Of the total amount appropriated for the COF, $1,120,401 was specifically provided to the two private institutions.

Additions and Deductions – Fiscal Year 2008

During fiscal year 2008, the General Assembly appropriated $328,170,090 of stipend receipts of which $330,004,400 was paid to Colorado Higher Education Institutions for student stipends used to offset tuition costs. Included in the amount paid during the fiscal year 2008 was $1,834,310 from the remaining accumulated fund balance from prior years. All State funded universities and university systems are eligible to participate in the COF program per statute; also included in participation are two private institutions (Denver University and Regis University). Of the total amount appropriated for the COF, $1,065,330 was specifically provided to the two private institutions.

Economic Facts and Conditions for the Future

On an annual basis, the General Assembly of the State of Colorado makes an appropriation in trust for eligible undergraduate students to the COF. Monies appropriated to the COF are for the sole purpose of disbursement on behalf of eligible undergraduate students and not for the general operation of the Enterprise. Any unexpended and unencumbered monies remaining in the COF at the end of a fiscal year are the property of the trust fund and shall remain in the fund and shall not be credited or transferred to the general fund or any other fund. The COF is statutory in nature; as such, changes to the program in terms and stipend amounts are regulated by the General Assembly.

During periods of revenue shortfalls, the General Assembly may use a variety of mechanisms to balance the state's budget, including changes to the COF program. As of the date of the financial statements, there has been no legislation introduced regarding changes to the COF.

Financial Contact

If you have any questions about this report, please contact

College Assist
1560 Broadway, Suite 1700
Denver, Colorado 80202
Attention: Chief Financial Officer

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
FIDUCIARY FUND - PRIVATE PURPOSE TRUST FUND
STATEMENTS OF FIDUCIARY NET ASSETS
June 30, 2009 and 2008

ASSETS

	2009	2008
CURRENT ASSETS		
Operating cash	$ 123,482	$ 1
Total current assets	123,482	1
TOTAL ASSETS	$ 123,482	$ 1

LIABILITIES AND NET ASSETS

	2009	2008
CURRENT LIABILITIES		
Accounts payable	$ 123,480	$ -
Total current liabilities	123,480	-
NET ASSETS HELD IN TRUST	2	1
Total net assets	2	1
TOTAL LIABILITIES AND NET ASSETS	$ 123,482	$ 1

This information is an integral part of the accompanying financial statements.

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
FIDUCIARY FUND - PRIVATE PURPOSE TRUST FUND
STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS
For the Year Ended June 30, 2009 and 2008

	2009	2008
ADDITIONS		
Stipend receipts	$ 262,450,289	$ 328,170,090
Grant receipts	288,000	-
Total additions	262,738,289	328,170,090
DEDUCTIONS		
Stipend payments	262,738,288	330,004,400
Total deductions	262,738,288	330,004,400
CHANGE IN NET ASSETS	1	(1,834,310)
NET ASSETS, BEGINNING OF YEAR	1	1,834,311
NET ASSETS, END OF YEAR	$ 2	$ 1

This information is an integral part of the accompanying financial statements.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity – College Opportunity Fund

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

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

Stipends are set annually by the General Assembly during the State's budget process. The allocation is defined on a credit-hour basis where the advertised amount is representative of a full-time student taking 30 credit hours each year. For the 2008-09 and 2007-08 academic year, the State provided each participating student with a $2,040, or $68 per credit hour stipend, and $2,670, or $89 per credit hour stipend, respectively.

Basis of Accounting and Presentation

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

The financial statements of the COF have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and other applicable guidelines or pronouncements. The COF uses self-balancing accounting funds to record its financial accounting transactions.

Use of Estimates in Preparation of Financial Statements

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

Cash

Cash consists of cash on deposit with the State Treasurer.

Liabilities

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

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

Net Assets Held In Trust

Net assets held in trust represent resources in which the COF is contractually obligated to spend or reserve in accordance with the State of Colorado's College Opportunity Fund program.

Additions and Deductions

Additions include stipend receipts, which result from government appropriated funding and grant receipts, while deductions include stipend payments resulting from incurring expenses in connection with the entity's principal activities of providing tuition stipends to institutions of higher education on behalf of eligible students.

Budgets and Budgetary Accounting

By statute, the COF is continuously funded through appropriations authorized and approved by the General Assembly. The operating budget, its appropriations and revisions thereto are reviewed by the Colorado Department of Higher Education and the Enterprise Director. The appropriations, excluding other additions and/or reductions to the Long Bill, for fiscal years 2009 and 2008 were $344,318,280 and $327,066,990, respectively. Changes to the Long Bill initial appropriations for fiscal year 2009 were as follows: 1) an additional $100,372 was appropriated in July 2008 to increase the funding to certain institutions, and 2) a decrease of $89,848,344 (a stipend decrease from $92 to $68 per credit hour) due to General Fund budget cuts, and 3) an additional $288,000 from the ARRA grant to increase stipends for private institutions, and 4) an additional $16,401 was transferred from the work study program to increase stipends and 5) an additional $8,206,248 was transferred from fee-for-service to increase fiscal year 2009 stipends. Total revised COF fund changes for 2009 and 2008 were $81,237,323 and $3,694,532, respectively.

NOTE 2 – CASH

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

NOTE 2 – CASH (CONTINUED)

The COF had $123,482 and $1 on deposit with the State Treasurer at June 30, 2009 and June 30, 2008, respectively. There was no cash on hand or petty cash attributable to the COF as of June 30, 2009 or June 30, 2008.

	2009	2008
Cash on deposit with State Treasurer	$ 123,482	$ 1

Cash is presented in the accompanying statement of net assets as follows:

	2009	2008
Operating cash	$ 123,482	$ 1

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

NOTE 3 – FEDERAL AND STATE LEGISLATIVE IMPACTS

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

Annually, the Colorado Department of Higher Education requests that the General Assembly adjust the amount appropriated to the COF for stipends to reflect at least inflation and enrollment growth in the state institutions of higher education. In fiscal year 2009, the stipend amount was originally increased by 3.4% over the prior year, which fully funded both inflation and enrollment. During fiscal year 2009, as a result of budget cuts to the General Fund, COF stipend amounts were reduced from $92 to $68 per credit hour, which resulted in the reduction of COF stipends by 26% over the prior year. In fiscal year 2008, the stipend amount was increased by 3.5% over the prior year which fully funded both inflation and enrollment. Fully funded means the stipend was provided to each student who applied for and was eligible to receive the stipend.

NOTE 4 – RISK MANAGEMENT

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

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

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

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

NOTE 5 – TAX, SPENDING AND DEBT LIMITATIONS

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

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

SUPPLEMENTARY INFORMATION

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
PROPRIETARY FUNDS
COMBINING SCHEDULES OF NET ASSETS
June 30, 2009
With Comparative Totals for June 30, 2008

ASSETS

	Agency Operating Fund	Federal Reserve and Drawdown Funds	Totals 2009	Totals 2008
CURRENT ASSETS				
Cash and pooled cash investments	$ 47,244,490	$ -	$ 47,244,490	$ 49,203,792
Federal fees receivable	2,259,985	-	2,259,985	2,177,486
Other receivables, net	326,117	78,339	404,456	186,999
Interagency receivable	7,012,727	-	7,012,727	-
Prepaid expenses	329,573	-	329,573	212,658
Total current assets	57,172,892	78,339	57,251,231	51,780,935
RESTRICTED ASSETS				
Restricted cash and pooled cash investments	-	23,607,774	23,607,774	30,640,426
Federal reinsurance receivable	-	41,793,787	41,793,787	35,017,704
Total restricted assets	-	65,401,561	65,401,561	65,658,130
CAPITAL ASSETS				
Office furniture and equipment	-	-	-	1,616,182
Computer hardware and software	31,254	-	31,254	3,626,434
Leasehold improvements	-	-	-	97,946
	31,254	-	31,254	5,340,562
Less accumulated depreciation	(21,118)	-	(21,118)	(4,965,675)
Capital assets, net	10,136	-	10,136	374,887
TOTAL ASSETS	$ 57,183,028	$ 65,479,900	$ 122,662,928	$ 117,813,952

LIABILITIES AND NET ASSETS

	Agency Operating Fund	Federal Reserve and Drawdown Funds	Totals 2009	Totals 2008
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	$ 439,296	$ -	$ 439,296	$ 722,104
Accrued compensated absences	26,388	-	26,388	33,033
Other current liabilities:	7,871,833	-	7,871,833	3,171,164
Total current liabilities	8,337,517	-	8,337,517	3,926,301
LIABILITIES PAYABLE FROM RESTRICTED ASSETS				
Loan collections and other liabilities due to federal government	-	14,314,790	14,314,790	106,585
Claims due to lenders	-	23,232,610	23,232,610	29,383,935
Total liabilities payable from restricted assets	-	37,547,400	37,547,400	29,490,520
NONCURRENT LIABILITIES				
Accrued compensated absences	105,754	-	105,754	100,555
Other long term liabilities	4,274,361	-	4,274,361	117,744
Total noncurrent liabilities	4,380,115	-	4,380,115	218,299
Total liabilities	12,717,632	37,547,400	50,265,032	33,635,120
NET ASSETS				
Invested in capital assets	10,136	-	10,136	374,887
Restricted	-	27,932,500	27,932,500	36,167,610
Unrestricted	44,455,260	-	44,455,260	47,636,335
Total net assets	44,465,396	27,932,500	72,397,896	84,178,832
TOTAL LIABILITIES AND NET ASSETS	$ 57,183,028	$ 65,479,900	$ 122,662,928	$ 117,813,952

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
PROPRIETARY FUNDS
COMBINING SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2009
With Comparative Totals for the Year Ended June 30, 2008

	Agency Operating Fund	Federal Reserve and Drawdown Funds	Totals 2009	Totals 2008
OPERATING REVENUES				
Federal grants and contracts				
Collections on loans and bankruptcies	$ 28,481,850	$ -	$28,481,850	$ 16,064,976
Federal fee revenue	10,585,235	-	10,585,235	25,501,479
Less: Amount paid to service provider	(36,535,540)	-	(36,535,540)	(33,927,861)
Federal reinsurance	-	314,155,368	314,155,368	302,956,902
Grant Revenue	137,374	-	137,374	-
Interest on purchased loans and other	593,090	-	593,090	687,081
Other revenues	973,051	993,860	1,966,911	295,415
Total operating revenues	4,235,060	315,149,228	319,384,288	311,577,992
OPERATING EXPENSES				
Guarantee claims paid to lending institutions	-	327,613,478	327,613,478	309,887,085
Salaries and fringe benefits	2,284,483	-	2,284,483	2,342,893
Operating and travel	3,328,472	-	3,328,472	4,915,093
Federal fee expense	-	-	-	847,113
Depreciation	117,158	-	117,158	253,195
Total operating expenses	5,730,113	327,613,478	333,343,591	318,245,379
OPERATING LOSS	(1,495,053)	(12,464,250)	(13,959,303)	(6,667,387)
NON-OPERATING REVENUES (EXPENSES)				
Earnings on pooled cash investments	1,749,770	769,010	2,518,780	5,041,387
Loss on sale of equipment	(240,594)	-	(240,594)	-
Expenses to other agencies	(99,819)	-	(99,819)	(127,340)
Income (loss) before transfers	(85,696)	(11,695,240)	11,780,936)	(1,753,340)
Interfund transfers in/(out)	(3,460,130)	3,460,130	-	-
CHANGE IN NET ASSETS	(3,545,826)	(8,235,110)	(11,780,936)	(1,753,340)
NET ASSETS, BEGINNING OF YEAR	48,011,222	36,167,610	84,178,832	85,932,172
NET ASSETS, END OF YEAR	$ 44,465,396	$ 27,932,500	$72,397,896	$ 84,178,832

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
PROPRIETARY FUNDS
COMBINING SCHEDULES OF CASH FLOWS
For the Year Ended June 30, 2009
With Comparative Totals for the Year Ended June 30, 2008

	Agency Operating Fund	Federal Reserve and Drawdown Funds	Totals 2009	Totals 2008
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from:				
Fees for service	$ 7,283	$ -	$ 7,283	$ 211,185
Federal grants and contracts	39,121,960	322,503,010	361,624,970	312,333,702
Amount paid to service provider	(27,678,255)	-	(27,678,255)	(36,450,911)
Interest on purchased loans and other	593,090	-	593,090	687,081
Other sources	826,652	-	826,652	295,415
	12,870,730	322,503,010	335,373,740	277,076,472
Cash disbursed for:				
Guarantee claims paid to lending institutions	-	(333,764,803)	(333,764,803)	(284,216,228)
Employees	(2,285,929)	-	(2,285,929)	(3,024,140)
Suppliers	(3,740,924)	-	(3,740,924)	(3,892,373)
Federal fee expense	-	-	-	(847,113)
Recall reserves paid to U.S. Department of Education	-	-	-	(1,531,547)
	(6,026,853)	(333,764,803)	(339,791,656)	(293,511,401)
Net cash used in operating activities	6,843,877	(11,261,793)	(4,417,916)	(16,434,929)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Intergovernmental payment	99,819)	-	(99,819)	(127,340)
Net cash used in noncapital activities	(99,819)	-	(99,819)	(127,340)
INTERFUND TRANSFERS	(3,460,130)	3,460,130	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Sale of capital assets	7,000	-	7,000	-
Net cash provided by capital and related financing activities	7,000	-	7,000	-
CASH FLOW FROM INVESTING ACTIVITIES				
Loan to other agency	(37,000,000)	-	(37,000,000)	-
Repayments of loan from other agency	30,000,000	-	30,000,000	-
Interest on pooled cash investments	1,749,770	769,011	2,518,781	5,041,387
Net cash used by investing activities	(5,250,230)	769,011	(4,481,219)	5,041,387
NET CHANGE IN CASH AND POOLED CASH INVESTMENTS	(1,959,302)	(7,032,652)	(8,991,954)	(11,520,882)
CASH AND POOLED CASH INVESTMENTS, BEGINNING OF YEAR	49,203,792	30,640,426	79,844,218	91,365,100
CASH AND POOLED CASH INVESTMENTS, END OF YEAR	$ 47,244,490	$ 23,607,774	$ 70,852,264	$ 79,844,218

	Agency Operating Fund	Federal Reserve and Drawdown Funds	Totals 2009	Totals 2008
RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Net operating loss	$ (1,495,053)	$ (12,464,250)	$ (13,959,303)	$ (6,667,387)
Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	117,158	-	117,158	253,195
Effects of changes in net assets and liabilities:				
Receivables	(221,616)	(6,854,425)	(7,076,041)	(26,742,996)
Interagency receivable	(12,727)	-	(12,727)	-
Supplies inventory	-	-	-	4,767
Prepaid expenses		-	(116,915)	(21,738)
Accounts payable and accrued liabilities	(282,808)	-	(282,808)	363,583
Other current liabilities	4,700,669	-	4,700,669	(2,407,057)
Recall reserves due to U.S. Department of Education	-	-	-	(1,531,546)
Loan collections and other liabilities due to federal government	-	14,208,207	14,208,207	(5,235,475)
Claims due to lenders	-	(6,151,325)	(6,151,325)	25,670,857
Accrued compensated absences	(1,446)	-	(1,446)	(5,139)
Other long term liabilities	4,156,615	-	4,156,615	(115,993)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ 6,843,877	$ (11,261,793)	$ (4,417,916)	$ (16,434,929)

Clifton Gunderson LLP
Certified Public Accountants & Consultants

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

Members of the Legislative Audit Committee

We have audited the financial statements of the accompanying business-type activities and the remaining fund information of the Colorado Student Loan Program dba College Assist (College Assist) as of and for the year ended June 30, 2009, which collectively comprise College Assist's basic financial statements and have issued our report thereon dated December 18, 2009. Our report was modified to include an explanatory paragraph addressing College Assist's restatement of the 2008 financial statements. 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 College Assist's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider Recommendation No. 1, as described in the Auditor's Findings and Recommendations schedule on page 9, to be a significant deficiency in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether College Assist'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.*

We noted an additional matter that we reported to management of College Assist in the Auditor's Findings and Recommendations schedule of this report.

College Assist's responses to the findings identified in our audit are described in the Auditor's Findings and Recommendations schedule of this report. We did not audit College Assist's responses and, accordingly, we express no opinion on them.

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

Denver, Colorado
December 18, 2009

Clifton Gunderson LLP
Certified Public Accountants & Consultants

Required Communications to the Legislative Audit Committee

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 the Colorado Student Loan Program dba College Assist (College Assist) for the year ended June 30, 2009.

The following are our observations arising from the audit that are relevant to your 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, which have been prepared by management, 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 management of its responsibilities.

Other Information in Documents Containing Audited Financial Statements. In connection with the College Assist's financial statements, we did not perform any procedures or corroborate other information included in this 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 discussed various matters with management prior to retention as College Assist's 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 College Assist are described in Note 1 in 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. The Enterprise records claims payable and reinsurance receivable amounts for the end of the year based lender claim data obtained from their third party service provider. College Assist then tests this information for completeness and accuracy. We received management's support for estimated this liability and receivable. There were no other significant accounting estimates of financial data which would be particularly sensitive and require substantial judgment 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. The Exhibit on page 66 summarizes corrected misstatements, other than those that are trivial, that were brought to the attention of management as a result of audit procedures. Management has corrected all such misstatements.

Uncorrected Misstatements. There were no uncorrected misstatements detected as a result of our audit procedures, other than those the auditor believes to be trivial.

Representations from Management. We have requested and received certain representations from management that are included in the management representation letter dated December 18, 2009.

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

Please contact Paul Niedermuller if you have any questions regarding the matters included in this letter.

Clifton Gunderson LLP

Denver, Colorado
December 18, 2009

College Assist
Corrected Audit Adjustments Schedule
June 30, 2009

Account	Description		Debit		Credit
Adjusting Journal Entries JE # 1					
To remove FY 2008 compliment revenue posted in FY 2009.					
502-8301-	JN-Other	$	120,983.00		
502-3700-	Unreserved Retained Earnings			$	120,983.00
Total		$	**120,983.00**	**$**	**120,983.00**
Adjusting Journal Entries JE # 2					
To account for the default aversion fees through the transfer account					
501-7400-DA	FEDERAL GRANT/CONTR-OTHER	$	3,195,621.00		
502-AAGA-FD	OT CS DOHE INTERNAL		3,195,621.00		
501-AAGA-	OT CS DOHE INTERNAL			$	3,195,621.00
502-4100-	OTHER OPERATING EXPENSES				3,195,621.00
Total		**$**	**6,391,242.00**	**$**	**6,391,242.00**
Adjusting Journal Entries JE # 3					
To record the reinsurance receivable for claims with paid dates in August 2009 that were submitted before 6/30/09.					
502-1353-REIN	IG RECEIVABLES -FEDERAL	$	558,888.00		
502-7400-RE	FEDERAL GRANT/CONTR-OTHER			$	558,888.00
Total		**$**	**558,888.00**	**$**	**558,888.00**
Adjusting Journal Entries JE # 4					
To reverse the claims payable and expenses and reinsurance receivable and revenue for fiscal year 2008 from the 2009					
502-3400-REIN	FB-UNRESERVED/UNDESIGNATED	$	1,277,640.00		
502-7400-RE	FEDERAL GRANT/CONTR-OTHER		28,106,295.00		
502-4110-	LOSSES			$	29,383,935.00
Total		**$**	**29,383,935.00**	**$**	**29,383,935.00**

The electronic version of this report is available on the Web site of the
Office of the State Auditor
www.state.co.us/auditor

A bound report may be obtained by calling the
Office of the State Auditor
303-869-2800

Please refer to the Report Control Number below when requesting this report.

Report Control Number 2024