



**COLLEGEINVEST
COLLEGE SAVINGS PROGRAM FUNDS
Denver, Colorado**

**FINANCIAL STATEMENTS
June 30, 2009 and 2008**

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Members of the Legislative Audit Committee:

This report contains the results of the financial audit of the College Savings Program Funds of CollegeInvest as of June 30, 2009. The audit was conducted pursuant to Section 2-3-103, C.R.S., which authorizes the State Auditor to conduct audits of the departments, institutions and agencies of State government.

Clifton Gunderson LLP

Greenwood Village, Colorado
December 18, 2009

**COLLEGEINVEST
COLLEGE SAVINGS PROGRAM FUNDS
FINANCIAL AUDIT**
June 30, 2009

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REPORT SUMMARY

COLLEGEINVEST COLLEGE SAVINGS PROGRAM FUNDS FINANCIAL AUDIT FISCAL YEAR ENDED JUNE 30, 2009

Purpose and Scope

The Office of the State Auditor, State of Colorado, engaged Clifton Gunderson LLP to conduct the financial audit of CollegeInvest College Savings Program Funds for the fiscal year ended June 30, 2009. Clifton Gunderson LLP performed this audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

The purpose and scope of our audit was to express an opinion on CollegeInvest's College Savings Program Funds' basic financial statements as of and for the fiscal year ended June 30, 2009.

Audit Opinions and Reports

We expressed an unqualified opinion on CollegeInvest's College Savings Program Funds' basic financial statements, as of and for the fiscal year ended June 30, 2009.

Summary of Key Findings and Recommendations

There was a significant deficiency relating to the review and approval of journal entries. The finding is represented as Finding #1 in the Findings and Recommendations section of this report.

Summary of Progress in Implementing Prior Year Audit Recommendations

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

**COLLEGEINVEST COLLEGE SAVINGS PLANS
RECOMMENDATION LOCATOR
FISCAL YEAR ENDED JUNE 30, 2009**

<u>Rec. No.</u>	<u>Page No.</u>	<u>Recommendation Summary</u>	<u>Entity's Response</u>	<u>Implementation Date</u>
1	7	CollegeInvest should establish a process that requires review of all general ledger entries prior to posting.	Agree	April 1, 2010

**DESCRIPTION OF THE
COLLEGEINVEST
COLLEGE SAVINGS PROGRAM FUNDS
FINANCIAL AUDIT
FISCAL YEAR ENDED JUNE 30, 2009**

Organization

The Colorado General Assembly pursuant to Colorado Revised Statutes 23-3.1-201, et seq. and 23-3.1-301, et seq. established a student obligation bond program (Student Loan Program Funds, which consist of the Borrower Benefit Fund, Bond Funds, the CollegeInvest Early Achievers Scholarship Fund, the Nursing Teacher Loan Forgiveness Fund, and the Health Care Provider Fund), a post secondary education expense program (Prepaid Tuition Fund), and an Internal Revenue Code Section 529 college savings program (Scholars Choice Fund, Direct Portfolio Fund, and Stable Value Plus Fund), which are administered by CollegeInvest. The programs assist students in meeting the expenses incurred in availing themselves of higher education opportunities. The Executive Director of the Colorado Department of Higher Education has responsibility for oversight and management of CollegeInvest and appoints the Director of CollegeInvest. In addition, CollegeInvest has a nine person Board of Directors (Board) designated by the Governor with the consent of the State Senate to serve four year terms.

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

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

Scholars Choice Fund

The Scholars Choice Fund was established in October 1999. The Scholars Choice Fund had \$2.0 billion in net assets as of June 30, 2009. Officials at CollegeInvest oversee the Fund but contract with a private financial service firm, Legg Mason Global Asset Allocation, LLC (LMGAA) to manage the Fund.

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

- **Age-Based Option** – Contributions are invested in a series of up to seven portfolios over time. As the beneficiary gets older and closer to college age, the fund manager automatically moves investments from higher risk portfolios to lower risk portfolios.
- **Balanced 50/50 Option** – Contributions are invested in a portfolio with a median degree of risk, with 50% invested in stocks and 50% invested in bonds.
- **Years-to-Enrollment Option** – Contributions are invested in a series of up to five portfolios depending on the time to account for maturity, similar to the age based option, but with a more limited, lower risk, range of portfolios.
- **All Equity Option** – Contributions are invested in equity mutual funds that are shifted to bond and money market funds throughout the life of the account. This option carries the highest potential for risk and return through its focus on the equity markets.
- **All Fixed Income Option** – Contributions are invested in bond funds throughout the life of the account. This option seeks stable returns on fixed income investments.
- **Equity 80% Option** – Contributions are invested 80% in equity mutual funds while maintaining 20% in one portfolio with exposure to more stable returns of fixed income investments throughout the life of the account.
- **Fixed Income 80% Option** – Contributions are invested 80% in more stable returns of fixed income investments while maintaining 20% in one portfolio with exposure to the long-term capital appreciation potential of equity mutual funds.
- **Cash Reserve Option** – Contributions are invested in the Western Asset Money Market Fund. The investment objective of the Cash Reserve Option is to seek maximum current income and preservation of capital.

Direct Portfolio Fund

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

The Direct Portfolio Fund had \$812 million in net assets as of June 30, 2009. Officials at CollegeInvest oversee the Direct Portfolio Fund but contract with two private financial service firms, Upromise Investments, Inc. and The Vanguard Group, to manage the Fund.

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

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

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

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

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

Stable Value Plus Fund

The Stable Value Plus Fund (Fund) began accepting contributions in February 2003. The Stable Value Plus Fund had \$29 million in net assets as of June 30, 2009. CollegeInvest is the trustee and the administrator of the Fund and MetLife is the manager of the Fund.

The Stable Value Plus Fund was designed to provide participants a fixed rate of return, determined on an annual basis, net of an administrative fee calculated on the average daily net assets of the Fund. The current annual rate of return is 4.10% and the current administrative fee is .75%. Therefore, the net rate of return is currently 3.35%. Investments in the Fund are guaranteed solely by MetLife.

FINDINGS AND RECOMMENDATIONS

College Savings Plans

Finding #1: Review of adjusting general journal entries

CollegeInvest makes manual entries into its general ledger to adjust for transactions that occur outside the normal cash receipt and disbursement cycles. Such entries include, but are not limited to, wire transfers between cash and investment accounts, indirect cost allocations, and accruals of various receivables and liabilities. A strong internal control structure should include a process for the review of all entries to the general ledger prior to posting, including a review of documentation such as source documents or other justification of amounts posted. A process to review and approve journal entries and support prior to posting to the general ledger will insure the accuracy of the entry and the affected account balances. Without proper support, it is impossible to determine if entries made to the general ledger are accurate.

During our testing, we noted that there is no process for review and approval of general ledger entries prior to posting. We further noted certain general ledger entries that were not supported by source documentation. We understand that CollegeInvest was undergoing certain staffing issues that impacted its review of journal entries prior to posting and that reconciliations of accounts were able to identify general journal entry errors. However, without a system to review and approve entries as they are made, unsupported and/or inaccurate entries could be made that would misstate the financial statements.

Recommendation #1:

CollegeInvest should establish a process that requires the review and approval of all general ledger entries prior to them being posted to the general ledger. All entries should be documented with appropriate supporting information and should be reviewed and approved by an individual other than the preparer, who is knowledgeable about the proposed adjustments.

CollegeInvest's response:

Agree. CollegeInvest agrees that all journal entries should be reviewed and approved prior to entering into the general ledger. CollegeInvest does prepare supporting documentation, but will clarify its procedures to ensure that it reviews, approves and retains all signed copies of journal entries, along with supporting documentation, that are entered into the general ledger.

CollegeInvest will implement a review and approve all journal entries into the general ledger no later than April 1, 2010.

DISPOSITION OF PRIOR AUDIT RECOMMENDATIONS

There were no findings or recommendations reported in the financial audit of the College Savings Plans for the fiscal year ended June 30, 2008.

Independent Auditor's Report

Members of the Legislative Audit Committee:

We have audited the accompanying financial statements of each major fiduciary fund of CollegeInvest, (a division of the Department of Higher Education, State of Colorado) College Savings Program Funds, as of and for the years ending June 30, 2009 and 2008 which collectively comprise the basic financial statements of the CollegeInvest College Savings Program Funds, as listed in the table of contents. These financial statements are the responsibility of CollegeInvest College Savings Program Funds' management. Our responsibility is to express opinions on these financial statements based on our audits.

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

As discussed in Note 1 – Organization and Summary of Significant Accounting Policies, the financial statements of the CollegeInvest College Savings Program Funds are intended to present the financial position and results of operations for only that portion of the financial reporting entity, State of Colorado, that is attributable to the transactions of CollegeInvest College Savings Program Funds. They do not purport to, and do not present fairly, the financial position of the State of Colorado as of June 30, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of each major fiduciary fund of CollegeInvest's College Savings Program Funds, as of June 30, 2009 and 2008, and the changes in net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

The Management's Discussion and Analysis (MD&A) on pages 11 to 16 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this supplemental information. However, we did not audit the information and express no opinion on it.

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

Clifton Henderson LLP

Greenwood Village, Colorado
December 18, 2009

**COLLEGEINVEST
COLLEGE SAVINGS PROGRAM FUNDS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009 AND 2008**

This section of the College Savings Program Funds' (Funds) financial statements is a discussion and analysis of the financial performance of the Funds for the years ended June 30, 2009 and 2008 prepared by management. The Funds are Internal Revenue Code (IRC) Section 529 college savings plans administered by CollegeInvest. CollegeInvest, a division of the Department of Higher Education of the State of Colorado, administers the Funds, the Student Loan Program Funds, the Prepaid Tuition Fund, the CollegeInvest Early Achievers Scholarship Fund, the Nursing Teacher Loan Forgiveness Fund and the Health Care Provider Fund. The Scholars Choice, Direct Portfolio, and Stable Value Plus Funds are plans within the Section 529 college savings program of CollegeInvest (Program). The Funds are presented as fiduciary funds (specifically, private purpose trust funds) in the State of Colorado Comprehensive Annual Financial Report. Management is responsible for the financial statements, footnotes, and this discussion. The management's discussion and analysis should be read in conjunction with the Funds' financial statements.

Overview of the Financial Statements:

This annual report contains two sections – management's discussion and analysis (this section) and the basic financial statements. The basic financial statements include the Statement of Fiduciary Net Assets, the Statement of Changes in Fiduciary Net Assets, and the Footnotes.

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

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

Analysis of Financial Activities:

The Executive Director of the Department of Higher Education of the State of Colorado (Executive Director) and CollegeInvest's Board of Directors approve the annual budget and the investment policies of the Funds. The Scholars Choice Fund began operations and accepting participant contributions in October 1999. The Stable Value Plus Fund began accepting participant contributions in February 2003. The Direct Portfolio Fund began operations in October 2004.

**COLLEGEINVEST
COLLEGE SAVINGS PROGRAM FUNDS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009 AND 2008**

Analysis of Financial Activities (continued):

Scholars Choice Fund:

On October 22, 2004, CollegeInvest entered into an agreement with ClearBridge Advisors, LLC (formerly known as CAM North America, LLC) (CBA) and Legg Mason Investor Services, LLC (LMIS) to manage the advisor sold accounts of the Scholars Choice Fund (SCF). Both CBA and LMIS are wholly-owned subsidiaries of Legg Mason. CBA performed investment advisory functions and LMIS performs administrative duties and recordkeeping for SCF. Effective September 15, 2008, investment advisory services with respect to SCF have been performed by Legg Mason Global Asset Allocation, LLC (LMGAA), which is also a wholly-owned subsidiary of Legg Mason. The agreement is for management of the advisor sold accounts only and expires on December 31, 2022, subject to possible extension.

CollegeInvest acts as trustee to the SCF, and LMGAA holds the assets of the SCF in a segregated custody account. Assets of the SCF are held "in trust" for the exclusive benefit of account owners and beneficiaries. SCF offers eight investment options in which participants may invest. Each investment option is comprised of one or more of the ten portfolios within SCF. The investment return for SCF is based on the market performance of underlying investments. These investment options are designed to help meet diverse investment goals of investors.

Direct Portfolio Fund:

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

CollegeInvest acts as trustee to the DPF, and the Managers hold the assets of the DPF in a segregated custody account. Assets of the DPF are held "in trust" for the exclusive benefit of account owners and beneficiaries. The investment return for DPF is based on the market performance of investments. DPF offers eleven investment options, including three age-based options and eight blended and individual portfolios, in which participants may invest. Each investment option is comprised of one or more of the eight portfolios within DPF. These investment options are designed to help meet diverse investment goals of investors.

**COLLEGEINVEST
COLLEGE SAVINGS PROGRAM FUNDS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009 AND 2008**

Analysis of Financial Activities (continued):

Stable Value Plus Fund:

CollegeInvest administers the Stable Value Plus Fund. CollegeInvest entered into a funding agreement as of January 2003 (MetLife Agreement) with MetLife Insurance Company of Connecticut (MetLife), a wholly-owned subsidiary of MetLife, Inc., to provide a guarantee on the principal and earnings of the Stable Value Plus Fund (SVP). The SVP offers an investment return based on an interest rate that is reset annually by MetLife each January 1. The agreement expires on January 1, 2012, with the option to extend two additional one year periods.

Under the MetLife Agreement, MetLife has agreed that the annual interest rate calculated each year will not be less than the greater of (i) the Colorado minimum nonforfeiture interest rate for annuity contracts (currently 3.00%), or (ii) 2.00%. The current minimum investment return on accounts in the SVP could be as low as 2.25%, which is the current minimum annual rate of 3.00% less the current CollegeInvest administrative fee of .75%. The rate was 4.10% from July 1, 2007 through June 30, 2009.

Comparison of Current Year Results to Prior Year:

Condensed Statements of Fiduciary Net Assets as of June 30:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
	(dollar amounts expressed in thousands)		
Cash and investments	\$ 2,797,000	\$ 3,197,383	\$ 3,255,440
Receivables and other	<u>6,253</u>	<u>10,702</u>	<u>11,761</u>
Total fiduciary assets	2,803,253	3,208,085	3,267,201
Total liabilities	<u>7,522</u>	<u>7,736</u>	<u>9,073</u>
Total fiduciary net assets, held in trust	<u>\$ 2,795,731</u>	<u>\$ 3,200,349</u>	<u>\$ 3,258,128</u>

Combined cash and investments of the Program decreased by \$400.4 million, or 12.5%, from June 30, 2008 to June 30, 2009. Cash and investments decreased by \$58.1 million, or 1.8%, from June 30, 2007 to June 30, 2008. The decrease in cash and investments for 2009 and 2008 was primarily due to a decrease in market values of investments during the year. Net participant contributions were \$117.6 million, \$355.6 million, and \$429.6 million during the years ended June 30, 2009, 2008, and 2007, respectively. Net investment income was \$(503.2) million, \$(390.0) million, \$384.6 million, during the years ended June 30, 2009, 2008 and 2007, respectively.

**COLLEGEINVEST
COLLEGE SAVINGS PROGRAM FUNDS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009 AND 2008**

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

Receivables consist primarily of contributions received but not invested, and dividends and interest receivable and due to Student Loan Programs. Receivables decreased by \$4.4 million in 2009 and by \$1.1 million in 2008. Receivables from contributions received but not invested are a result of differences between the trade date and settlement date of contributions.

Liabilities consist of amounts payable for investments purchased, service and investment fees payable, deferred revenue, and due to participants. Total liabilities decreased by \$214,000 in 2009 and by \$1.3 million in 2008. The fluctuation in both years is primarily due to the amount of the payables for investments purchased in the SCF. These amounts correlate to the timing of contributions, withdrawals, and portfolio exchanges within the SCF on June 30th of each year.

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>
	(dollar amounts expressed in thousands)		
Net investment income	\$ (503,240)	\$ (390,005)	\$ 384,584
Participant contributions	444,289	663,371	665,281
Fee income	628	603	619
Total additions	<u>(58,323)</u>	<u>273,969</u>	<u>1,050,484</u>
Benefits paid to participants and withdrawals	326,708	307,813	235,700
Administrative, marketing expenses and service fees	18,817	22,793	19,905
Total deductions	<u>345,525</u>	<u>330,606</u>	<u>255,605</u>
Net change in fiduciary net assets before transfers	(403,848)	(56,637)	794,879
Transfers and change in due to participants	(770)	(1,142)	(916)
Fiduciary net assets, beginning of year	<u>3,200,349</u>	<u>3,258,128</u>	<u>2,464,165</u>
Fiduciary net assets, end of year	<u>\$ 2,795,731</u>	<u>\$ 3,200,349</u>	<u>\$ 3,258,128</u>

Net investment income is comprised of dividends, interest income, and net realized and unrealized gains and losses from security transactions. Net realized and unrealized gains and losses on security transactions were \$(596.5) million, \$(600.0) million and \$279.6 million for the years ended June 30, 2009, 2008, and 2007, respectively. Increases and decreases in net realized and unrealized gains and losses on security transactions reflect market conditions during each corresponding year. Investment income was \$94.6 million, \$211.5 million, and \$106.5 million, for the years ended June 30, 2009, 2008, and 2007, respectively. The decrease in investment

**COLLEGEINVEST
COLLEGE SAVINGS PROGRAM FUNDS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009 AND 2008**

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

income in 2009 is primarily a result of overall economic conditions and declines in the capital markets. The increase in investment income in 2008 is primarily a result of an increase in investment balances of the Program and overall economic conditions. The Program participant contributions, net of withdrawals, decreased by \$238.0 million to \$117.6 million for the year ended June 30, 2009 as compared to a decrease of \$74.0 million to \$355.6 million for the year ended June 30, 2008.

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>
	(dollar amounts expressed in thousands)		
Participant contributions:			
Scholars Choice Fund	\$ 269,565	\$ 434,678	\$ 458,772
Direct Portfolio Fund	161,478	218,088	197,991
Stable Value Plus Fund	13,246	10,605	8,518
Total participant contributions	<u>\$ 444,289</u>	<u>\$ 663,371</u>	<u>\$ 665,281</u>
Benefits paid to participants and withdrawals:			
Scholars Choice Fund	\$ 253,295	\$ 243,035	\$ 186,444
Direct Portfolio Fund	62,849	55,496	40,582
Stable Value Plus Fund	10,564	9,282	8,674
Total benefits paid to participants and withdrawals	<u>\$ 326,708</u>	<u>\$ 307,813</u>	<u>\$ 235,700</u>
Net participant contributions	<u>\$ 117,581</u>	<u>\$ 355,558</u>	<u>\$ 429,581</u>

Participant contributions were 14.8%, 20.5%, and 23.2% of average net assets for the years ended June 30, 2009, 2008, and 2007, respectively. Benefits paid to participants and withdrawals were 10.9%, 9.5%, and 8.2% of average net assets for the years ended June 30, 2009, 2008, and 2007, respectively.

Fee income is primarily comprised of funds received from Legg Mason and the Managers for marketing and promotion of the Funds. CollegeInvest received \$394,000 and \$233,000 in fee income from Legg Mason and the Managers, respectively, for the year ended June 30, 2009. The fee income received from Legg Mason and the Managers for the year ended June 30, 2008

**COLLEGEINVEST
COLLEGE SAVINGS PROGRAM FUNDS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009 AND 2008**

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

was \$386,000 and \$216,000, respectively, and the fee income received from Legg Mason and the Managers was \$278,000 and \$341,000, respectively, for the year ended June 30, 2007.

Administrative and service fees are charged to participants as a percentage of net assets based on the investment option chosen. These charges were approximately 0.6% of average net assets for the year ended June 30, 2009, and 0.7% for 2008 and 2007.

Economic Factors:

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

Requests for Information:

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

COLLEGEINVEST
COLLEGE SAVINGS PROGRAM FUNDS
STATEMENTS OF FIDUCIARY NET ASSETS
JUNE 30, 2009 AND 2008
(Dollar amounts expressed in thousands)

	2009				2008			
	Scholars Choice Fund	Direct Portfolio Fund	Stable Value Plus Fund	Total Private Purpose Trust Funds	Scholars Choice Fund	Direct Portfolio Fund	Stable Value Plus Fund	Total Private Purpose Trust Funds
Fiduciary assets:								
Cash and cash equivalents	\$ 1,350	\$ 257	\$ -	\$ 1,607	\$ 348	\$ 439	\$ 93	\$ 880
Investments, at fair value	1,953,642	812,188	29,563	2,795,393	2,342,620	827,988	25,895	3,196,503
Receivable for portfolio units sold	1,893	-	-	1,893	2,555	-	-	2,555
Interest receivable	-	241	-	241	3,935	1,255	-	5,190
Due from plan managers	161	67	75	303	192	69	40	301
Due from (to) Student Loan Program Funds	3,670	212	(66)	3,816	2,542	230	(116)	2,656
Total fiduciary assets	1,960,716	812,965	29,572	2,803,253	2,352,192	829,981	25,912	3,208,085
Liabilities:								
Accounts payable	4	-	83	87	29	9	-	38
Payable for investments purchased	1,518	-	248	1,766	2,576	-	226	2,802
Service and investment fees payable	1,114	450	-	1,564	1,422	477	-	1,899
Deferred revenue	500	278	-	778	149	291	-	440
Due to participants	3,327	-	-	3,327	2,557	-	-	2,557
Total liabilities	6,463	728	331	7,522	6,733	777	226	7,736
Total fiduciary net assets, held in trust	\$ 1,954,253	\$ 812,237	\$ 29,241	\$ 2,795,731	\$ 2,345,459	\$ 829,204	\$ 25,686	\$ 3,200,349

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

COLLEGEINVEST
COLLEGE SAVINGS PROGRAM FUNDS
STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008
(Dollar amounts expressed in thousands)

	2009				2008			
	Scholars Choice Fund	Direct Portfolio Fund	Stable Value Plus Fund	Total Private Purpose Trust Funds	Scholars Choice Fund	Direct Portfolio Fund	Stable Value Plus Fund	Total Private Purpose Trust Funds
Additions:								
Gross earnings on investments:								
Interest and dividends	\$ 68,932	\$ 24,635	\$ 1,075	\$ 94,642	\$ 184,987	\$ 25,588	\$ 973	\$ 211,548
Net realized and unrealized gains (losses) from securities transactions	(461,869)	(134,592)	-	(596,461)	(536,451)	(63,544)	-	(599,995)
	(392,937)	(109,957)	1,075	(501,819)	(351,464)	(37,956)	973	(388,447)
Less investment fees	(925)	(496)	-	(1,421)	(1,052)	-	-	(1,558)
Net investment income	(393,862)	(110,453)	1,075	(503,240)	(352,516)	(38,462)	973	(390,005)
Participant contributions	269,565	161,478	13,246	444,289	434,678	218,088	10,605	663,371
Fee income	394	233	1	628	386	216	1	603
Total additions	(123,903)	51,258	14,322	(58,323)	82,548	179,842	11,579	273,969
Deductions:								
Benefits paid to participants and withdrawals	253,295	62,849	10,564	326,708	243,035	55,496	9,282	307,813
Service fees	11,697	4,391	-	16,088	15,316	4,594	-	19,910
Administrative fees	1,917	752	203	2,872	2,483	785	155	3,423
Marketing expenses	394	233	-	627	386	216	-	602
Excess (reduced) operating expenses	(1,028)	206	52	(770)	(1,402)	153	107	(1,142)
Total deductions	266,275	68,431	10,819	345,525	259,818	61,244	9,544	330,606
Net change in fiduciary net assets before transfers	(390,178)	(17,173)	3,503	(403,848)	(177,270)	118,598	2,035	(56,637)
Intraplan administrative fee transfers	(258)	206	52	-	(260)	153	107	-
Change in due to participants	(770)	-	-	(770)	(1,142)	-	-	(1,142)
Fiduciary net assets, beginning of year	2,345,459	829,204	25,686	3,200,349	2,524,131	710,453	23,544	3,258,128
Fiduciary net assets, end of year	\$ 1,954,253	\$ 812,237	\$ 29,241	\$ 2,795,731	\$ 2,345,459	\$ 829,204	\$ 25,686	\$ 3,200,349

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

**COLLEGEINVEST
COLLEGE SAVINGS PROGRAM FUNDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

1. Organization and Summary of Significant Accounting Policies:

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

The Colorado General Assembly established a student obligation bond program (Student Loan Program Funds), a Section 529 post secondary education expense program (Prepaid Tuition Fund), a scholarship trust program (CollegeInvest Early Achievers Scholarship), a loan forgiveness program (Nursing Teacher Loan Forgiveness), a loan repayment program (Health Care Provider Fund), and a Section 529 college savings program (Program). The Program includes the Scholars Choice Fund (SCF), Direct Portfolio Fund (DPF), and Stable Value Plus Fund (SVP) (Funds), all of which are administered by CollegeInvest. The operations of the Funds are accounted for under accounting principles generally accepted in the United States of America as a private-purpose trust. CollegeInvest receives no grants from, and is not otherwise financially assisted by, the State or any local government of the State. CollegeInvest is an enterprise activity under Section 20, Article X of the Colorado Constitution.

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

Reporting Entity:

The Program was authorized in the 1999 legislative session and as a result, the Funds were established to provide families with additional opportunities to save for future college educational expenses. The Funds account for the operations and activities of the Section 529 savings program as private-purpose trusts, where both principal and earnings on principal may be spent for the trust's intended purpose. Participant contributions and the earnings thereon are invested to assist in meeting the obligations for future higher education expenses of a named student. The payment of general and administrative expenses and other activities of the Funds necessary to fulfill their purposes are recorded within the Funds. There are no other funds of CollegeInvest combined in the accompanying financial statements. Thus, the accompanying

COLLEGEINVEST
COLLEGE SAVINGS PROGRAM FUNDS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009 AND 2008

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

Reporting Entity (continued):

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

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

Scholars Choice Fund

The Scholars Choice Fund (SCF) began operations in October 1999. SCF offers eight investment options in which participants may invest. Each investment option is comprised of one or more of the ten active portfolios as of June 30, 2009. The accompanying financial statements report on the combined portfolios.

On October 22, 2004, CollegeInvest entered into an agreement with ClearBridge Advisors, LLC (formerly known as CAM North America, LLC) (CBA) and Legg Mason Investor Services, LLC (LMIS) to manage the advisor sold accounts of the Scholars Choice Fund (SCF). Both CBA and LMIS are wholly-owned subsidiaries of Legg Mason. CBA performed investment advisory functions and LMIS performs administrative duties and recordkeeping for SCF. Effective September 15, 2008, investment advisory services with respect to SCF have been performed by Legg Mason Global Asset Allocation, LLC (LMGAA), which is also a wholly-owned subsidiary of Legg Mason. The agreement is for management of the advisor sold accounts only and expires on December 31, 2022, subject to possible extension.

The investment return for SCF is based on the market performance of investments. Investment options are selected by CollegeInvest based on recommendations from LMGAA.

**COLLEGEINVEST
COLLEGE SAVINGS PROGRAM FUNDS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009 AND 2008**

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

Reporting Entity (continued):

Scholars Choice Fund (continued)

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

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

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

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

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

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

COLLEGEINVEST
COLLEGE SAVINGS PROGRAM FUNDS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009 AND 2008

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

Reporting Entity (continued):

Scholars Choice Fund (continued)

- **Equity 80% Option:** Contributions are invested 80% in equity mutual funds and 20% in fixed income investments (Portfolio #1). The investment objective of this option is to seek long-term capital appreciation through investments in equity mutual funds while maintaining 20% exposure to the relatively more stable returns of fixed income investments through investment in fixed income mutual funds.
- **Fixed Income 80% Option:** Contributions are invested 80% in fixed income and money market fund investments and 20% in equity mutual funds (Portfolio #6). The investment objective of this option is to seek the relatively more stable returns of a fixed income investment through investments in fixed income mutual funds while maintaining 20% exposure to the long-term capital appreciation potential of investments in equity mutual funds.
- **Cash Reserve Option:** Contributions are invested in the Western Asset Money Market Fund. The investment objective of the Cash Reserve Option is to seek maximum current income and preservation of capital.

Direct Portfolio Fund

The Direct Portfolio Fund (DPF) began operations in October 2004. DPF offers eleven investment options, including three age-based options and eight blended and individual portfolios, in which participants may invest. Each investment option is comprised of one or more of eight active portfolios within DPF as of June 30, 2009.

As the trustee for DPF, CollegeInvest entered into an agreement (DPF Service Agreement) with Upromise Investments, Inc. and The Vanguard Group, Inc. (Managers) to manage the DPF. The agreement with the Managers expires on December 31, 2009. CollegeInvest has the right to extend the term for two additional two-year periods. The investment return for DPF is based on the market performance of investments. Investment options are selected by CollegeInvest based on recommendations from the Managers.

**COLLEGEINVEST
COLLEGE SAVINGS PROGRAM FUNDS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009 AND 2008**

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

Reporting Entity (continued):

Direct Portfolio Fund (continued)

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

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

Beneficiary's Age	Conservative	Moderate	Aggressive
Newborn through 5	Moderate Growth Portfolio 50% stock funds 50% bond funds	Growth Portfolio 75% stock funds 25% bond funds	Aggressive Growth Portfolio 100% stock funds
6 through 10	Conservative Growth Portfolio 25% stock funds 75% bond funds	Moderate Growth Portfolio 50% stock funds 50% bond funds	Growth Portfolio 75% stock funds 25% bond funds
11 through 15	Income Portfolio 75% bond funds 25% money market funds	Conservative Growth Portfolio 25% stock funds 75% bond funds	Moderate Growth Portfolio 50% stock funds 50% bond funds
16 through 18	Income Portfolio 75% bond funds 25% money market funds	Income Portfolio 75% bond funds 25% money market funds	Conservative Growth Portfolio 25% stock funds 75% bond funds
19 or older	Money Market Portfolio 100% money market funds	Income Portfolio 75% bond funds 25% money market funds	Income Portfolio 75% bond funds 25% money market funds

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

COLLEGEINVEST
COLLEGE SAVINGS PROGRAM FUNDS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009 AND 2008

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

Reporting Entity (continued):

Direct Portfolio Fund (continued)

Underlying Fund	Aggressive Growth Portfolio	Growth Portfolio	Moderate Growth Portfolio	Conservative Growth Portfolio	Income Portfolio
Vanguard® Total Stock Market Index Fund	80%	60%	40%	20%	0%
Vanguard® Total International Stock Index Fund	20%	15%	10%	5%	0%
Total Stock Funds	100%	75%	50%	25%	0%
Vanguard® Total Bond Market II Index Fund	0%	25%	50%	75%	50%
Vanguard® Inflation-Protected Securities Fund	0%	0%	0%	0%	25%
Total Bond Funds	0%	25%	50%	75%	75%
Vanguard® Prime Money Market Fund	0%	0%	0%	0%	25%
Total Money Market Funds	0%	0%	0%	0%	25%
TOTAL	100%	100%	100%	100%	100%

Within the Individual Portfolios participants may invest as follows:

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

Stable Value Plus Fund

The Stable Value Plus Plan (SVP) began operations in February 2003. In January 2003, CollegeInvest entered into an agreement with MetLife (the MetLife Agreement) to provide a net rate of return to investors. Under the MetLife Agreement, the rate of return is reset annually each January 1. The agreement expires on January 1, 2012, with the option to extend two additional one year periods. MetLife has agreed that the annual interest rate calculated each year will not be less than the greater of (i) the Colorado minimum nonforfeiture interest rate for annuity

**COLLEGEINVEST
COLLEGE SAVINGS PROGRAM FUNDS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009 AND 2008**

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

Reporting Entity (continued):

Stable Value Plus Fund (continued)

contracts (currently 3.00%), or (ii) 2.00%. The current minimum investment return on accounts in the fund could be as low as 2.25%, which is the current minimum annual rate of 3.00% less the CollegeInvest administrative fee of .75%.

MetLife agreed to pay an annual rate of 4.05% for the calendar year ended December 31, 2006. MetLife increased the annual rate to 4.10% effective January 1, 2007. The annual net rate was 3.35% from July 1, 2007 through June 30, 2009.

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

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

Basis of Accounting:

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

COLLEGEINVEST
COLLEGE SAVINGS PROGRAM FUNDS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009 AND 2008

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

Cash and Cash Equivalents:

The Fund considers all cash and demand deposit accounts to be cash equivalents.

Investments and Revenue Recognition:

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

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

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

Investments are carried at fair value, which is primarily determined based on market prices at June 30, 2009 and 2008.

Participant Contributions:

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

**COLLEGEINVEST
COLLEGE SAVINGS PROGRAM FUNDS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009 AND 2008**

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

Withdrawals:

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

Investment, Service and Administrative Fees:

Scholars Choice Fund

CollegeInvest entered into a service agreement (SCF Service Agreement) with Clear Bridge Advisors (formerly known as CAM), on October 22, 2004, pursuant to which CAM was responsible for providing administrative, record keeping, marketing, and investment management services to SCF. Effective December 1, 2005, Citigroup Inc. completed the sale of substantially all of its worldwide asset management business to Legg Mason and the SCF Service Agreement was transferred to CBA. Effective September 15, 2008, the agreement was transferred to LMGAA. The SCF Service Agreement states that LMGAA will receive investment and service fees at an annual percentage rate of average daily net assets. The rate structures can be found in the Plan Disclosure Statement for the Scholar's Choice Fund.

This rate will vary with the Unit Class the account owner chooses. During the years ended June 30, 2009 and 2008, the investment fees paid by SCF were \$0.9 million and \$1.1 million, respectively, under the SCF Service Agreement. In addition, according to the SCF Service Agreement, each participant bears certain ongoing service fees that will vary with the Unit Classes the participant chooses. These direct service fees provide for the costs associated with distribution, servicing, and administration of the Unit Classes. Such direct service fees reduce the value of the participant's account as incurred. Such fees are payable to LMGAA monthly, solely from the assets of SCF. SCF paid service fees of \$11.7 million and \$15.3 million for the years ended June 30, 2009 and 2008, respectively.

COLLEGEINVEST
COLLEGE SAVINGS PROGRAM FUNDS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009 AND 2008

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

Investment, Service and Administrative Fees (continued):

The SCF Service Agreement states that CollegeInvest will receive an administrative fee at an annual rate of up to 0.10% of average daily net assets. These fees represent charges to SCF for actual administrative costs of CollegeInvest. Such fees are payable to CollegeInvest monthly, solely from the assets of the SCF. SCF paid administrative fees of \$1.9 million and \$2.5 million for the years ended June 30, 2009 and 2008, respectively.

Direct Portfolio Fund

Under the DPF Service Agreement, the Managers are responsible for providing administrative, record keeping, marketing, and investment management services to the DPF. The DPF Service Agreement states that the Managers will receive investment and service fees at an annual percentage rate of .65% of average daily net assets. During the year ended June 30, 2009, DPF paid investment fees of \$496,000 and service fees of \$4.4 million. During the year ended June 30, 2008, DPF paid investment fees of \$506,000 and service fees of \$4.6 million. Such direct investment and service fees reduce the value of the participant's account as incurred. Such fees are payable to the Managers monthly, solely from the assets of DPF.

The DPF Service Agreement states that CollegeInvest will receive an administrative fee at an annual rate of up to 0.10% of average daily net assets. These fees represent charges to DPF for actual administrative costs of CollegeInvest. Such fees are payable to CollegeInvest monthly, solely from the assets of DPF. DPF paid administrative fees of \$752,000 and \$785,000 for the years ended June 30, 2009 and 2008, respectively.

Stable Value Plus Fund

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

The Agreement states that CollegeInvest will receive an administrative fee at an annual rate of up to 0.75% of the average daily net assets of the Fund. Such fees are payable to CollegeInvest solely from Account owners and cannot exceed actual expenses of administering the Fund as defined by Statute. SVP paid administrative fees on behalf of its participants of \$203,000 and \$155,000 for the years ended June 30, 2009 and 2008, respectively.

**COLLEGEINVEST
COLLEGE SAVINGS PROGRAM FUNDS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009 AND 2008**

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

Investment, Service and Administrative Fees (continued):

Fee Limitation:

To the extent that administrative fees collected from participants exceed the expenses of the Program, CollegeInvest shall 1) determine if such revenues are required to fund subsequent year expenses of the Program; 2) determine if such fees are required to fund prior years' unfunded expenses of the Program; or 3) reduce future fees of the plan participants for the following year.

As of June 30, 2009, \$3.3 million in fees were collected from participants in excess of actual expenses and is restricted for future expenses of CollegeInvest in its capacity as administrator of the Program. As of June 30, 2008, approximately \$2.6 million in fees were collected from participants in excess of actual expenses.

2. Cash, Cash Equivalents and Investments:

Cash and Cash Equivalents:

As contributions are received from participants, the cash is held in the respective Fund until such time as it may be invested in the underlying funds of the chosen investment portfolios. With respect to the SCF and DPF, depending upon the timing of the cash receipts, there could be up to two days delay between actual receipt of cash and the investment made on behalf of the participant. Cash and cash equivalents are held in trust by the Funds' Managers as of June 30, 2009 and 2008. With respect to SVP, contributions will be invested with MetLife within 30 days of receipt by CollegeInvest. Interest earned on contributions prior to investment with MetLife will accrue to CollegeInvest and will be used to offset administrative expenses. SVP had deposits that were not yet transferred to MetLife of \$248,000 and \$226,000 as of June 30, 2009 and 2008, respectively.

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

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

COLLEGEINVEST
COLLEGE SAVINGS PROGRAM FUNDS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009 AND 2008

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

Cash and Cash Equivalents (continued):

Cash deposits as of June 30 are as follows:

	2009	2008
	(dollar amounts expressed in thousands)	
Demand deposit accounts	\$ -	\$ 93
Money market accounts	1,607	787
Total cash deposits	\$ 1,607	\$ 880

Custodial Credit Risk - Cash Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, ColleeInvest will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Monies in the demand deposit accounts are insured by federal depository insurance for the first \$250,000. Deposits in excess of the \$250,000 limit are collateralized subject to the provisions of the State's Public Deposit Protection Act (PDPA) for monies held within the State. Monies held by the trustee are collateralized with U.S. Treasury Obligations.

Investments:

Investments, at fair value, for each plan as of June 30 are as follows:

	2009	2008
	(dollar amounts expressed in thousands)	
Scholars Choice Fund	\$ 1,953,642	\$ 2,342,620
Direct Portfolio Fund	812,188	827,988
Stable Value Plus Fund	29,563	25,895
Total investments	\$ 2,795,393	\$ 3,196,503

**COLLEGEINVEST
COLLEGE SAVINGS PROGRAM FUNDS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009 AND 2008**

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

Investment Authority and Policy:

Scholars Choice Fund and Direct Portfolio Fund

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

The table below identifies the significant investment types that are authorized for the SCF and DPF:

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

COLLEGEINVEST
COLLEGE SAVINGS PROGRAM FUNDS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009 AND 2008

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

Investment Authority and Policy (continued):

Scholars Choice Fund and Direct Portfolio Fund (continued)

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

Stable Value Plus Fund

The Board approves the investment policy for the SVP. Generally, investments include any funding agreement, guaranteed interest contract, guaranteed investment contract, annuity contract, repurchase agreement, or other similar investments which are issued by an insurance company or other investment provider with financial strength ratings in any one of the three highest rating categories by two or more nationally recognized rating agencies which regularly rate the ability of such investment providers to pay claims. The SVP may terminate any agreement with an existing investment provider should two or more of the nationally recognized rating agencies reduce their rating of the provider to a category that is below the lowest "A" rating. As of June 30, 2009, the MetLife Insurance Company of Connecticut's rating met the requirements of the investment policy.

COLLEGEINVEST
COLLEGE SAVINGS PROGRAM FUNDS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009 AND 2008

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

Investment Authority and Policy (continued):

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

	<u>2009</u>	<u>2008</u>
	(dollar amounts expressed in thousands)	
Western Asset Core Plus Bond Portfolio Fund	\$ 444,422	\$ 512,433
Vanguard Total Stock Market Index Fund	356,122	398,800
Legg Mason Partners U.S. Large Cap Equity Fund	269,200	-
Vanguard Total Bond Market II Index Fund	261,482	-
Vanguard Total Bond Market Index Fund	-	276,386
Legg Mason Partners Short-Term Bond Fund (f/k/a Legg Mason Partners Short-Term Investment Grade Bond Fund)	208,151	220,241
Western Asset Money Market Fund	176,909	145,042
Legg Mason Value Trust Fund	164,632	300,546
Legg Mason Partners Appreciation Fund (f/k/a Legg Mason Partners Large Cap Growth Fund)	160,566	326,578
Legg Mason International Equity Trust Fund	127,256	172,273
John Hancock Classic Value Fund	105,925	194,537
Legg Mason Partners Aggressive Growth Fund	105,459	214,768
Vanguard Prime Money Market Fund	75,867	49,819
Vanguard Total International Stock Index Fund	74,027	82,373
Legg Mason Partners Small Cap Growth Fund	65,548	90,425
Pennsylvania Mutual Fund	63,352	88,921
Legg Mason Partners Global High Yield Bond Fund	62,222	76,858
Investment Agreement – MetLife	28,975	25,636
Vanguard Inflation-Protected Securities Fund	24,795	20,609
Vanguard Institutional Total Bond Market Index Fund	19,895	-
JP Morgan Prime Money Market Fund	588	259
	<u>\$ 2,795,393</u>	<u>\$ 3,196,503</u>

Interest Rate Risk:

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. CollegeInvest provides participants investment opportunities in various portfolios that are constructed from a range of mutual funds that it has

**COLLEGEINVEST
COLLEGE SAVINGS PROGRAM FUNDS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009 AND 2008**

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

Interest Rate Risk (continued):

selected. CollegeInvest does not actively manage interest rate risk except through its mutual fund selection process. LMGAA and the Managers of the Funds report interest rate risk evaluation of the fixed income mutual funds in the various portfolios based on the duration method.

	2009	2008
	<u>Duration</u>	<u>Duration</u>
Legg Mason Partners Global High Yield Bond	3.6 years	4.2 years
Legg Mason Partners Short-Term Bond Fund (f/k/a Legg Mason Partners Short-Term Investment Grade Bond Fund)	2.0 years	2.1 years
Vanguard Total Bond Market Index Fund	N/A	4.7 years
Vanguard Total Bond Market II Index Fund	4.3 years	N/A
Vanguard Inflation-Protected Securities Fund	4.2 years	7.6 years
Vanguard Institutional Total Bond Market Index Fund	4.3 years	N/A
Western Asset Core Plus Bond Portfolio Fund	5.0 years	5.5 years

Credit Risk:

Generally, credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investment options in SCF and DPF attempt to diversify risk by offering multiple portfolio options with a range of credit risk characteristics. Investments of the underlying portfolios shall be selected and managed in accordance with the standards set forth in Section 15-1-304, C.R.S. That is, (a) with the care which men of prudence, discretion and intelligence exercise in the management of the property of another, not in regard to speculation but in regard to the permanent disposition of funds, considering the probable income as well as the probable safety of capital, and (b) for the sole benefit of the beneficiary. Investment decisions shall be made in accordance with the prudent investor rule set forth in Section 15-1.1-102, C.R.S. Consistent with the above, the Committee will determine, from time to time, suitable investment parameters for the SCF and DPF which seeks to control risk through portfolio diversification. Additionally, CollegeInvest's investment policy states that all mutual fund assets are subject to the provisions of the Investment Company Act of 1940. As of June 30, 2009 and 2008, investments in the SCF and DPF portfolios and the Funding Agreement were unrated.

**COLLEGEINVEST
COLLEGE SAVINGS PROGRAM FUNDS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009 AND 2008**

3. Units:

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

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

4. State of Wyoming Agreement:

CollegeInvest entered into an Intergovernmental Agreement for marketing services with the State of Wyoming and the Wyoming Family College Savings Program Trust (Wyoming Trust) on June 14, 2006 to market and promote sales of interest in the CollegeInvest 529 Plans to State of Wyoming residents. The agreement term is for five years and may be extended for an additional five year term by CollegeInvest. Under the agreement, The Wyoming Trust will reimburse CollegeInvest \$20,000 for start up expenses and up to \$40,000 annually for marketing expenses.

5. Retirement Plan:

Most of CollegeInvest's employees participate in a defined benefit pension plan. The plan's purpose is to provide income to members and their families at retirement or in case of death or disability. The plan is a cost sharing multiple employer plan administered by the Public Employees' Retirement Association (PERA). PERA was established by state statute in 1931. Responsibility for the organization and administration of the plan is placed with the Board of Trustees of PERA. Changes to the plan require an actuarial assessment and legislation by the General Assembly. The state plan and other divisions' plans are included in PERA's financial

**COLLEGEINVEST
COLLEGE SAVINGS PROGRAM FUNDS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009 AND 2008**

5. Retirement Plan (continued):

statements, which may be obtained by writing PERA at PO Box 5800, Denver, Colorado 80217, by calling PERA at 1-800-759-PERA (7372), or by visiting <http://www.copera.org>.

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

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 contribution.

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 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.

**COLLEGEINVEST
COLLEGE SAVINGS PROGRAM FUNDS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009 AND 2008**

5. Retirement Plan (continued):

- Hired on or after January 1, 2007 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 25 years of service, or age 65 with 5 years of service.

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

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

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

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

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

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

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

**COLLEGEINVEST
COLLEGE SAVINGS PROGRAM FUNDS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009 AND 2008**

5. Retirement Plan (continued):

Funding Policy:

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

Most employees contribute 8.0 percent (10.0 percent for state troopers) of their salary, as defined in CRS 24-51-101(42), to an individual account in the plan. From July 1, 2008, to December 31, 2008, the state contributed 12.05 percent (14.75 percent for state troopers and 15.56 percent for the Judicial Branch) of the employee's salary. From January 1, 2009, through June 30, 2009, the state contributed 12.95 percent (15.65 percent for state troopers and 16.46 percent for the Judicial Branch). During all of fiscal year 2009, 1.02 percent of the employees' total salary was allocated to the Health Care Trust Fund.

Per Colorado Revised Statutes, an amortization period of 30 years is deemed actuarially sound. At December 31, 2006, the division of PERA in which the state participates was underfunded with an infinite amortization period, which means that the unfunded actuarially accrued liability would never be fully funded at the current contribution rate.

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

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

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

CollegeInvest's contributions to the Defined Benefit Plan for the fiscal years ending June 30, 2009, 2008 and 2007 were \$79,000, \$74,000, and \$68,000 respectively. These contributions met the contribution requirement for each year.

**COLLEGEINVEST
COLLEGE SAVINGS PROGRAM FUNDS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009 AND 2008**

6. Voluntary Tax-deferred Retirement Plans:

PERA offers a voluntary 401k plan entirely separate from the defined benefit pension plan. Until June 30, 2009, the State offered a 457 deferred compensation plan. Certain agencies and institutions of the State offer 403b or 401(a) plans.

7. Other Postretirement Benefits and Life Insurance:

Health Care Program

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

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

Employees are not required to contribute to the Health Care Trust Fund, which is maintained by employer's contributions as discussed above in Note 5. Beginning July 1, 2004, state agencies/institutions are required to contribute 1.02 percent of gross covered wages to the Health Care Trust Fund. CollegeInvest contributed \$7,000, \$7,000, and \$6,000 as required by statute in Fiscal Years 2009, 2008, and 2007, respectively. In each year the amount contributed was 100 percent of the required contribution.

The Health Care Trust Fund offers two general types of plans: fully-insured plans offered through health care organizations and self-insured plans administered for PERA by third party vendors. As of December 31, 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 percent, and a 39-year amortization period.

**COLLEGEINVEST
COLLEGE SAVINGS PROGRAM FUNDS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009 AND 2008**

8. Risk Management:

Self Insurance

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

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

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

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

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

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

Furniture and Equipment

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

COLLEGEINVEST
COLLEGE SAVINGS PROGRAM FUNDS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009 AND 2008

9. Net Assets:

All of the Funds' fiduciary net assets of \$2.8 billion and \$3.2 billion as of June 30, 2009 and 2008, respectively, are net assets held in trust on behalf of investors in the Funds.

10. Intraplan Administrative Fee Transfers:

CollegeInvest receives an administration fee at an annual rate of up to .75% of the average daily net assets of SVP and up to .10% of the average daily net assets of SCF and DPF. These fees are deducted monthly from each Fund and are used by CollegeInvest for the payment of administrative expenses incurred by CollegeInvest in connection with the operation of the Program in accordance with and as permitted by applicable law. SCF transferred \$206,000 and \$153,000 to DPF for the payment of expenses in excess of fees collected during fiscal years ending June 30, 2009 and 2008, respectively. Additionally, SCF transferred \$52,000 and \$107,000 to SVP for the payment of expenses in excess of fees collected during fiscal years ending June 30, 2009 and 2008, respectively.

11. Capital Markets:

During fiscal years 2008 and 2009, financial markets as a whole have incurred significant declines in values. The Plan's investment portfolio has also incurred a significant decline in the values reported in the accompanying financial statements. However, because the values of individual investments fluctuate with market conditions, the amount of investment losses that the Plan will recognize in its future financial statements, if any, cannot be determined.

12. Subsequent Events:

On October 21, 2009, CollegeInvest entered into a ten-year agreement with FirstBank Holding Company (FirstBank) to begin offering a new college savings option called the Smart Choice College Savings Plan (SCCS). SCCS was established under Section 529 of the United States Internal Revenue Code of 1986 whereby CollegeInvest acts as trustee for the Plan and FirstBank provides administrative and recordkeeping duties. The Plan is being offered to provide an additional tax-advantaged savings vehicle for participants to utilize in saving for post-secondary education by providing the benefits of a 529 plan along with the stability and security of an FDIC insured bank. The initial product offerings through the SCCS are a One-Year Time Savings Plan and a Money Market Savings Plan. CollegeInvest earns 0.10% on the daily collected balances of the accounts held in the Trust during the year. The contract expires September 30, 2019, with an option to extend for up to two additional 2-year periods.

COLLEGEINVEST
COLLEGE SAVINGS PROGRAM FUNDS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009 AND 2008

12. Subsequent Events (continued):

On November 12, 2009, CollegeInvest extended the contract with the investment managers of the DPF. Under the new contract, the administrative fees CollegeInvest receives will remain at 0.10% of average daily net assets. Fees paid to the Managers were reduced from 0.65% to 0.42% of average daily net assets, a reduction in costs to the investor, and will be implemented on December 1, 2009. Additionally, the Managers will provide \$100,000 annually towards marketing and promotions efforts and \$200,000 annually for scholarships, matching grants, or in-state marketing activities. This contract was extended for an additional five years and expires on December 31, 2014.

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

**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 each major fiduciary fund of CollegeInvest College Savings Program Funds as of and for the year ended June 30, 2009, and have issued our report thereon dated December 18, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting (Finding 1).

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. 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 CollegeInvest College Savings Program Funds' 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*.

CollegeInvest'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 CollegeInvest'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

Greenwood Village, Colorado
December 18, 2009

Required Communications to the Legislative Audit Committee

December 18, 2009

Members of the Legislative Audit Committee

This letter is to provide you with information about significant matters related to our audit of the financial statements of CollegeInvest College Savings Program Funds for the year ended June 30, 2009.

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

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

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

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

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

Qualitative Aspects of Accounting Practices.

Accounting Policies

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

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

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

Accounting Estimates

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

Financial Statement Disclosures

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

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

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

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

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

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

Clifton Gunderson LLP

SUPPLEMENTARY INFORMATION

CollegInvest
Scholars Choice Fund
Supplementary Schedule - Combining Schedule of Fiduciary Net Assets
June 30, 2009
(Dollar amounts expressed in thousands)

	Portfolio 1	Portfolio 2	Portfolio 3	Portfolio 4	Portfolio 5	Portfolio 6	Portfolio 7	Fixed Income	Equity	Cash Reserve Option	Total
Fiduciary assets:											
Cash and cash equivalents	\$ 138	\$ 195	\$ 146	\$ 174	\$ 271	\$ 138	\$ 90	\$ 14	\$ 200	\$ (16)	\$ 1,350
Investments, at fair value	173,539	143,314	220,708	387,425	233,417	238,206	102,094	30,799	359,159	64,981	1,953,642
Receivable for portfolio units sold	155	89	446	246	109	238	115	53	340	102	1,893
Due from plan managers	14	12	18	32	19	20	8	3	30	5	161
Due from Student Loan Program Funds	326	269	415	728	438	447	192	58	675	122	3,670
Total fiduciary assets	174,172	143,879	221,733	388,605	234,254	239,049	102,499	30,927	360,404	65,194	1,960,716
Liabilities:											
Accounts payable	-	-	1	1	-	1	-	-	1	-	4
Payable for investments purchased	135	71	429	106	49	215	63	53	282	115	1,518
Service and investment fees payable	94	79	127	227	138	145	64	20	207	13	1,114
Deferred revenue	44	37	56	99	60	61	26	8	92	17	500
Due to participants	296	244	376	660	397	406	174	52	611	111	3,327
Total liabilities	569	431	989	1,093	644	828	327	133	1,193	256	6,463
Total fiduciary net assets, held in trust	\$ 173,603	\$ 143,448	\$ 220,744	\$ 387,512	\$ 233,610	\$ 238,221	\$ 102,172	\$ 30,794	\$ 359,211	\$ 64,938	\$ 1,954,253
Units outstanding	17,613,545	13,838,545	20,767,673	34,671,267	21,126,678	20,498,866	8,638,460	2,350,220	49,870,350	64,939,360	254,314,964

CollegeInvest
Scholars Choice Fund
Supplementary Schedule - Combining Schedule of Changes in Fiduciary Net Assets
For the fiscal year ended June 30, 2009
(Dollar amounts expressed in thousands)

	Portfolio 1	Portfolio 2	Portfolio 3	Portfolio 4	Portfolio 5	Portfolio 6	Portfolio 7	Fixed Income	Equity	Cash Reserve Option	Total
Additions:											
Gross earnings on investments:											
Dividends and interest	\$ 5,734	\$ 5,686	\$ 9,403	\$ 17,630	\$ 10,150	\$ 8,742	\$ 2,944	\$ 2,071	\$ 6,103	\$ 469	\$ 68,932
Net realized and unrealized loss from securities transactions	(60,806)	(46,803)	(52,553)	(82,698)	(39,403)	(20,154)	(6,601)	(855)	(151,996)	-	(461,869)
Less investment fees	(55,072)	(41,117)	(43,150)	(65,068)	(29,253)	(11,412)	(3,657)	1,216	(145,893)	469	(392,937)
Net investment income (loss)	(34)	(29)	(103)	(196)	(159)	(77)	(40)	(9)	(98)	(180)	(925)
	(55,106)	(41,146)	(43,253)	(65,264)	(29,412)	(11,489)	(3,697)	1,207	(145,991)	289	(393,862)
Participant contributions	43,044	24,521	28,832	47,440	26,023	24,936	9,700	4,437	42,475	18,157	269,565
Fee income	35	29	44	78	47	48	21	6	72	14	394
	(12,027)	(16,596)	(14,377)	(17,746)	(3,342)	13,495	6,024	5,650	(103,444)	18,460	(123,903)
Deductions:											
Benefits paid to participants and withdrawals	14,997	8,880	14,766	44,789	17,053	38,101	43,652	7,595	44,641	18,821	253,295
Service fees	1,004	894	1,274	2,371	1,408	1,446	611	169	2,277	243	11,697
Administrative fees	178	153	212	381	225	223	93	25	380	47	1,917
Marketing expenses	35	29	44	79	47	48	21	6	72	13	394
Reduced operating expenses	(91)	(75)	(116)	(205)	(123)	(125)	(54)	(16)	(189)	(34)	(1,028)
	16,123	9,881	16,180	47,415	18,610	39,693	44,323	7,779	47,181	19,090	266,275
Portfolio exchanges, net	(37,518)	(40,160)	(2,282)	(12,009)	(6,139)	23,038	43,830	7,889	(16,762)	40,113	-
Net change in fiduciary net assets before transfers	(65,668)	(66,637)	(32,839)	(77,170)	(28,091)	(3,160)	5,531	5,760	(167,387)	39,483	(390,178)
Administrative fee transfer	(23)	(19)	(29)	(52)	(31)	(31)	(13)	(4)	(47)	(9)	(258)
Change in due to participants	(68)	(57)	(87)	(153)	(92)	(93)	(40)	(12)	(142)	(26)	(770)
Fiduciary net assets, beginning of year	239,362	210,161	253,699	464,887	261,824	241,505	96,694	25,050	526,787	25,490	2,345,459
Fiduciary net assets, end of year	\$ 173,603	\$ 143,448	\$ 220,744	\$ 387,512	\$ 233,610	\$ 238,221	\$ 102,172	\$ 30,794	\$ 359,211	\$ 64,938	\$ 1,954,253

CollegeInvest
Scholars Choice Fund
Supplementary Schedule - Combining Schedule of Investments
June 30, 2009

(Dollar amounts expressed in thousands)

	Portfolio 1	Portfolio 2	Portfolio 3	Portfolio 4	Portfolio 5	Portfolio 6	Portfolio 7	Fixed Income	Equity	Cash Reserve Option	Total
Underlying funds:											
Western Asset Core Plus Bond Portfolio Fund	\$ 27,175	\$ 37,162	\$ 79,754	\$ 139,758	\$ 72,054	\$ 61,054	\$ -	\$ 27,465	\$ -	\$ -	\$ 444,422
Legg Mason Value Trust Fund	17,535	14,435	17,689	30,908	13,930	9,413	2,162	-	58,560	-	164,632
John Hancock Classic Value Fund	11,058	9,098	11,799	20,643	9,101	5,730	1,509	-	36,987	-	105,925
Legg Mason Partners U.S. Large Cap Equity Fund	29,233	23,977	27,748	49,119	22,857	16,179	3,048	-	97,039	-	269,200
Legg Mason Partners Appreciation Fund	17,177	13,811	17,101	30,091	13,691	9,257	2,015	-	57,423	-	160,566
Legg Mason Partners Short-Term Bond Fund	-	-	-	39,168	35,266	71,860	61,857	-	-	-	208,151
Legg Mason International Equity Trust Fund	25,635	14,063	21,715	18,810	11,330	-	-	-	35,703	-	127,256
Legg Mason Partners Small Cap Growth Fund	13,094	7,349	10,993	9,632	5,793	-	-	-	18,687	-	65,548
Western Asset Money Market Fund	-	-	-	-	23,090	59,008	29,830	-	-	64,981	176,909
Royce Pennsylvania Mutual Fund	12,691	6,967	10,641	9,295	5,628	-	-	-	18,130	-	63,352
Legg Mason Partners Global High Yield Bond Fund	8,855	7,381	11,505	19,461	11,686	-	-	3,334	-	-	62,222
Legg Mason Partners Aggressive Growth Fund	11,086	9,071	11,763	20,540	8,991	5,705	1,673	-	36,630	-	105,459
Total investments, at fair value	\$ 173,539	\$ 143,314	\$ 220,708	\$ 387,425	\$ 233,417	\$ 238,206	\$ 102,094	\$ 30,799	\$ 359,159	\$ 64,981	\$ 1,953,642

CollegeInvest
Direct Portfolio Fund
Supplementary Schedule - Combining Schedule of Fiduciary Net Assets
June 30, 2009

(Dollar amounts expressed in thousands)

	Aggressive Growth	Growth	Moderate Growth	Conservative Growth	Income	Stock Index	Bond Index	Money Market	Total
Fiduciary assets:									
Cash and cash equivalents	\$ 68	\$ 47	\$ 27	\$ 21	\$ (2)	\$ 35	\$ 9	\$ 52	\$ 257
Investments, at fair value	144,455	136,390	183,786	116,619	98,704	60,996	19,895	51,343	812,188
Dividends and interest receivable	-	18	50	46	36	-	70	21	241
Due from plan managers	12	11	15	10	8	5	2	4	67
Due from Student Loan Program Funds	38	36	48	30	26	16	5	13	212
Total fiduciary assets	144,573	136,502	183,926	116,726	98,772	61,052	19,981	51,433	812,965
Liabilities:									
Service and investment fees payable	80	75	102	65	55	34	11	28	450
Deferred revenue	49	47	62	40	34	21	7	18	278
Total liabilities	129	122	164	105	89	55	18	46	728
Total fiduciary net assets, held in trust	\$ 144,444	\$ 136,380	\$ 183,762	\$ 116,621	\$ 98,683	\$ 60,997	\$ 19,963	\$ 51,387	\$ 812,237
Units outstanding	15,709,103	13,647,314	16,947,280	10,037,380	8,401,696	6,610,047	1,665,172	4,464,426	77,482,418

CollegeInvest
Direct Portfolio Fund
Supplementary Schedule - Combining Schedule of Changes in Fiduciary Net Assets
For the fiscal year ended June 30, 2009
(Dollar amounts expressed in thousands)

	Aggressive Growth	Growth	Moderate Growth	Conservative Growth	Income	Stock Index	Bond Index	Money Market	Total
Additions:									
Gross earnings on investments:									
Dividends and interest	\$ 3,389	\$ 4,083	\$ 6,564	\$ 4,636	\$ 2,954	\$ 1,413	\$ 875	\$ 721	\$ 24,635
Net realized and unrealized loss from securities transactions	(47,341)	(33,081)	(26,840)	(6,691)	(123)	(20,712)	196	-	(134,592)
	(43,952)	(28,998)	(20,276)	(2,055)	2,831	(19,299)	1,071	721	(109,957)
Less investment fees	(103)	(91)	(110)	(61)	(63)	(15)	(9)	(44)	(496)
Net investment income	(44,055)	(29,089)	(20,386)	(2,116)	2,768	(19,314)	1,062	677	(110,453)
Participant contributions	37,870	29,888	25,844	14,371	14,896	9,845	3,691	25,073	161,478
Fee income	42	39	53	33	28	17	6	15	233
Total additions	(6,143)	838	5,511	12,288	17,692	(9,452)	4,759	25,765	51,258
Deductions:									
Benefits paid to participants and withdrawals	2,692	3,045	7,615	4,176	18,883	2,055	2,934	21,449	62,849
Service fees	769	757	1,027	633	505	372	106	222	4,391
Administrative fees	134	131	175	107	87	59	18	41	752
Marketing expenses	42	39	53	33	28	17	6	15	233
Excess operating expenses	37	35	46	30	25	15	5	13	206
Total deductions	3,674	4,007	8,916	4,979	19,528	2,518	3,069	21,740	68,431
Portfolio exchanges, net	(11,109)	(18,087)	(9,382)	2,425	19,329	(2,233)	1,346	17,711	-
Net change in fiduciary net assets before transfers	(20,926)	(21,256)	(12,787)	9,734	17,493	(14,203)	3,036	21,736	(17,173)
Intraplan administrative fee transfer	37	35	46	30	25	15	5	13	206
Fiduciary net assets, beginning of year	165,333	157,601	196,503	106,857	81,165	75,185	16,922	29,638	829,204
Fiduciary net assets, end of year	\$ 144,444	\$ 136,380	\$ 183,762	\$ 116,621	\$ 98,683	\$ 60,997	\$ 19,963	\$ 51,387	\$ 812,237

CollegeInvest
Direct Portfolio Fund
Supplementary Schedule - Combining Schedule of Investments
June 30, 2009

(Dollar amounts expressed in thousands)

	Aggressive Growth	Growth	Moderate Growth	Conservative Growth	Income	Stock Index	Bond Index	Money Market	Total
Underlying funds:									
Vanguard Total Stock Market Index Fund	\$ 115,462	\$ 82,217	\$ 73,687	\$ 23,760	\$ -	\$ 60,996	\$ -	\$ -	\$ 356,122
Vanguard Total Bond Market Index II Fund	-	33,555	91,644	86,898	49,385	-	-	-	261,482
Vanguard Prime Money Market Fund	-	-	-	-	24,524	-	-	51,343	75,867
Vanguard Total International Stock Index Fund	28,993	20,618	18,455	5,961	-	-	-	-	74,027
Vanguard Inflation-Protected Securities Fund	-	-	-	-	24,795	-	-	-	24,795
Vanguard Institutional Total Bond Market Index Fund	-	-	-	-	-	-	19,895	-	19,895
Total investments, at fair value	\$ 144,455	\$ 136,390	\$ 183,786	\$ 116,619	\$ 98,704	\$ 60,996	\$ 19,895	\$ 51,343	\$ 812,187

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