COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
Denver, Colorado

FINANCIAL AND COMPLIANCE AUDIT
June 30, 2011 and 2010

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Deputy State Auditor

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Legislative Audit Manager

Clifton Gunderson LLP
Contractor Auditors

Members of the Legislative Audit Committee:

This report contains the results of the financial and compliance audit of the Student Loan Program Funds of CollegeInvest as of June 30, 2011. The audit was conducted pursuant to Section 2-3-103 and 23-3.1-201, C.R.S., which authorizes the State Auditor to conduct audits of the departments, institutions and agencies of State government.

Clifton Gunderson LLP

Greenwood Village, Colorado
December 8, 2011

COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
FINANCIAL AND COMPLIANCE AUDIT
June 30, 2011

REPORT SUMMARY

COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
FINANCIAL AUDIT
FISCAL YEAR ENDED JUNE 30, 2011

Purpose and Scope

The Office of the State Auditor, State of Colorado engaged Clifton Gunderson LLP to conduct the financial and compliance audit of CollegeInvest Student Loan Program Funds (Student Loan Program Funds) for the Fiscal Year ended June 30, 2011. Clifton Gunderson LLP performed this audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

The purpose and scope of our audit was to express an opinion on the Student Loan Program Funds' basic financial statements as of and for the Fiscal Year ended June 30, 2011.

Audit Opinions and Reports

We expressed an unqualified opinion on the Student Loan Program Funds' basic financial statements as of and for the year ended June 30, 2011.

Summary of Key Findings and Recommendations

There were no findings for the year ended June 30, 2011.

Summary of Progress in Implementing Prior Year audit Recommendations

There were no findings for the year ended June 30, 2010.

**DESCRIPTION OF THE
COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS**

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 consists of the Borrower Benefit Fund and Bond Funds), a post secondary education expense program (Prepaid Tuition Fund), an Internal Revenue Code Section 529 college savings program (Scholars Choice Fund, Direct Portfolio Fund, Smart Choice College Savings Funds, and Stable Value Plus Fund), a scholarship trust program (CollegeInvest Early Achievers Scholarship Fund), a Nursing Teacher Loan Forgiveness Program (Nursing Teacher Loan Forgiveness Fund), a Job Retraining Cash Fund, and a Financial Need Scholarship Fund, which are administered by CollegeInvest. The programs assist families 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, including appointing the Director. 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.

Student Loan Program Funds

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

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

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

Effective March 2010, the Federal Health Care and Education Affordability Reconciliation Act (HCEARA) of 2010 was signed into law by the President of the United States terminating the authority to make or insure any additional loans in the Federal Family Education Loan (FFELP) program after June 30, 2010. In part, as a result of this law, and the ongoing credit market conditions, CollegeInvest entered into an agreement with Nelnet, Inc. to sell certain FFELP loans and certain private loans. CollegeInvest sold substantially all of its student loans and accrued interest receivable to Nelnet in May 2010. CollegeInvest sold substantially all remaining student loans to the Department of Education in September 2010.

Early Achievers Scholarship Trust Fund

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

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

Nursing Teacher Loan Forgiveness Fund

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

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

Financial Need Scholarship Fund

A Financial Need Scholarship Fund was created by Colorado statute CRS 23-3.1-206.2 during the 2010 Legislative Session to award scholarships or grants based upon financial need. Amounts in the Financial Need Scholarship Fund may be used to reduce General Fund appropriations to the Department for need-based grants. The source of the funds was from the proceeds of the sale of CollegeInvest's student loans and accrued interest receivable to Nelnet. As of June 30, 2011, $29.2 million has been transferred into the Fund. The financial activities of the Fund consist of monies deposited in the State Treasurer's cash fund.

Jobs Retraining Cash Fund

Effective in June 2010, Senate Bill 10-202 established a tax deduction for matching contributions made by employers to lifelong learner accounts. The new State tax deduction will decrease state income tax revenue. Colorado statute authorized $100,000 to be transferred into the Jobs Retraining Cash (JRC) Fund to offset this tax revenue decrease. The source of the funds was from the sale of CollegeInvest's student loans and accrued interest receivable to Nelnet. During fiscal year 2011, CollegeInvest transferred $33,000 from the JRC Fund to the General Fund. Under the legislation, CollegeInvest is required to transfer $33,000 to the General Fund in fiscal year 2012 and to transfer the balance remaining in the JRC Fund to the General Fund in fiscal year 2013. The financial activities of the JRC Fund consist of monies deposited in the State Treasurer's cash fund.

Clifton Gunderson LLP
Certified Public Accountants & Consultants

Independent Auditor's Report

Members of the Legislative Audit Committee:

We have audited the accompanying financial statements of the business-type activities and each major fund of CollegeInvest, (a division of the Department of Higher Education, State of Colorado) Student Loan Program Funds, as of and for the years ending June 30, 2011 and 2010, which collectively comprise CollegeInvest Student Loan Program Funds' basic financial statements as listed in the table of contents. These financial statements are the responsibility of CollegeInvest Student Loan Program Funds' management. Our responsibility is to express opinions on these financial statements based on our audits.

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

As discussed in Note 1 – Organization and Summary of Significant Accounting Policies, the financial statements of the Student Loan Program Funds are intended to present the financial position, and results of operations and cash flows for only that portion of the financial reporting entity, the State of Colorado, that is attributable to the transactions of CollegeInvest Student Loan Program Funds. They do not purport to, and do not present fairly, the financial position of the State of Colorado as of June 30, 2011 and 2010 and the changes in its financial position and its cash flows, where applicable, for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and each major fund of CollegeInvest Student Loan Program Funds, as of June 30, 2011 and 2010, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Member of HLB International

In accordance with *Government Auditing* Standards, we have also issued our report dated December 8, 2011 on our consideration of CollegeInvest Student Loan Program Funds' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 8 to 19 is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this supplemental information. However, we did not audit the information and express no opinion on it.

Clifton Gunderson LLP

Greenwood Village, Colorado
December 8, 2011

COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2011 AND 2010

This section of the Student Loan Program Funds' (Funds) financial statements is a discussion and analysis of the financial performance of the Funds for the fiscal years ended June 30, 2011, 2010, and 2009. CollegeInvest, a division of the Colorado Department of Higher Education (Department) of the State of Colorado, administers the Funds, the Prepaid Tuition Fund, and the College Savings Program, which consists of the Scholars Choice, Stable Value Plus, Smart Choice and Direct Portfolio Funds. The Funds' financial results are presented as a proprietary fund in the State of Colorado Comprehensive Annual Financial Report. Management of CollegeInvest is responsible for the financial statements, footnotes, and this discussion. The management's discussion and analysis should be read in conjunction with the Funds' financial statements.

Overview of the Financial Statements:

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

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

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

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

Analysis of Major Funds:

CollegeInvest Student Loan Program Funds consists of six funds, the Bond Funds, the Borrower Benefit Fund, the CollegeInvest Early Achievers Scholarship Trust Fund (CEAS Trust), the Nursing Teacher Loan Forgiveness Fund (NTLF Fund), the Financial Need Scholarship Fund (FNS), and the Job Retraining Cash Fund (JRC Fund). All of the Funds are accounted for as separate enterprise funds within the State of Colorado's financial reporting system. However, the State Controller's Office combines these six Funds in the State's Comprehensive Annual Financial Report.

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

Bond Funds:

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

Effective March 2010, the Federal Health Care and Education Affordability Reconciliation Act of 2010 (HCEARA) was signed into law by the President of the United States terminating the authority to make or insure any additional loans in the Federal Family Education Loan Program (FFELP) after June 30, 2010. In part, as a result of this law, and the ongoing credit market conditions, CollegeInvest entered into an agreement with Nelnet, Inc. (Nelnet) to sell

Analysis of Major Funds (continued):

Bond Fund (continued):

certain FFELP and private loans. CollegeInvest sold substantially all student loans and accrued interest receivable in the Bond Funds to Nelnet on May 7, 2010. On the same date, CollegeInvest either paid or defeased all financings of the Bond Funds. As of June 30, 2010, all financings were redeemed. Activity in the Bond Funds for the year ended June 30, 2011, consisted primarily of winding down the student loan program.

Borrower Benefit Fund:

The Funds, as well as the Prepaid Tuition Fund and College Savings Program, utilize the Borrower Benefit Fund for payment of general and administrative expenses and other activities necessary to fulfill their purposes. The general and administrative expenses and activities have been allocated to the respective Funds, the Prepaid Tuition and the College Savings Program. Additionally, cash in the Borrower Benefit Fund has been committed by CollegeInvest's Board of Directors (Board) to fund scholarships, to pay for operating expenses of the Borrower Benefit Fund, capital expenditures, and to provide reserves for operating expenses and cash flow timing differences of the Prepaid Tuition Fund.

In August 2008, the U.S. Department of Education (USDE) implemented the Loan Purchase Commitment Program (Purchase Program) and the Loan Participation Program (Participation Program) pursuant to the Ensuring Continued Access to Student Loans Act, Public Law 110-227 (ECASLA) in response to concerns that credit market conditions could disrupt federal student loan availability. CollegeInvest entered into agreements with the USDE in order to participate in these Programs due to its inability to access credit markets at reasonable financing costs. The activities of these Programs are recorded in the Bond Funds and the Borrower Benefit Fund.

Under the Purchase Program, the USDE will purchase loans at a price equal to the sum of (i) par value, (ii) accrued interest, (iii) the one-percent origination fee paid to the USDE, and (iv) a fixed amount of $75 per loan. Under the Participation Program, the USDE provides interim short term liquidity to Family Federal Education Loan Program (FFELP) lenders by purchasing participation interests in pools of FFELP loans. FFELP lenders are charged an annual rate of interest by using the Commercial Paper Rate plus 50 basis points on the principal amount of participation interests outstanding. This rate is re-set on a quarterly basis. Loans funded under the Participation Program must have been either refinanced by the lender or put to the USDE pursuant to the Purchase Program prior to its expiration on October 15, 2009. CollegeInvest put $258.1 million of eligible student loans and interest receivable to the USDE under this Program and all participation interests were redeemed.

In November 2008, the USDE implemented Public Law 10-350 which extended the Participation and Purchase Programs for the 2009-2010 academic year (ECASLA II). CollegeInvest once again entered into agreements with the USDE in order to continue to participate in this Program. The programs were extended under substantially the same terms and expired on October 15, 2010. CollegeInvest put $200.3 million of student loans and interest receivable in the Participation Program to the USDE under the extended Program.

During fiscal year 2009, the State of Colorado was awarded a federal College Access Challenge Grant (CACG). The Governor's office selected the Colorado Department of Higher Education (Department) to administer the CACG and CollegeInvest was assigned administration of the grant from the Department. The CACG is a two-year federal grant with the opportunity for carry-over of its remaining funds for a third year. The required fifty percent match for the grant is funded by CollegeInvest through its outreach, collateral, and scholarship activities recorded in the Bond Funds and the College Savings Programs.

Analysis of Major Funds (continued):

Borrower Benefit Fund (continued):

The federal amount for the first year was $852,698 and the state match was $426,349. In the second year, the federal amount was $904,838 and the state match was $452,419. $143,000 and $1.2 million was incurred in the fiscal years ending June 30, 2011 and 2010, respectively. Reimbursement from the USDE is recorded as intergovernmental revenue in the Borrower Benefit Fund. Funds must be used to increase access to post-secondary education for low-income students in high school and college. Through the HCEARA, $150 million had been appropriated nationwide for fiscal years 2010 through 2014 for the CACG program. All future awards granted to the State, along with the remaining balance of $74,000 carried forward, is administered by the Department effective August 16, 2010.

CollegeInvest Early Achievers Scholarship Trust Fund (CEAS Trust):

The CEAS Trust was established by Colorado Senate Bill 05-003 on April 7, 2005. This trust is designed to make college a reality for deserving students who work hard academically, but whose families cannot afford college. The scholarship encourages students to begin planning for college early and provides financial support for high-need students. The CEAS Trust was originally funded by contributions from the Borrower Benefit Fund, the Bond Funds and the Colorado Student Loan Program dba College Assist (CA). CA is discussed in more detail within the Notes under Related Party Transactions.

Statute 23-3.1-206.9 effective on July 1, 2009 which required the CEAS Trust to transfer $15 million to the State of Colorado's General Fund to assist in meeting state budget shortfalls. Additionally, Colorado House Bill 10-1383 was passed calling for additional $29.8 million transfer effective in June 2010 and $15.4 million to be transferred effective in July 2010. As a result of this bill, new CEAS applications are no longer accepted. The funds remaining in the Trust are estimated to be sufficient to fund two additional cohorts of students in the fall of 2010 and 2011.

Nursing Teachers Loan Forgiveness (NTLF):

The NTLF Fund was established for the 2006-2007 academic year by Colorado Senate Bill 06-136 on June 1, 2006 and is designed to increase the supply of teachers in the nursing field by helping them repay their student loans. The program will provide for a payment of up to $4,000 per year for five consecutive academic years after receiving an advanced degree. The maximum award for the five year teaching commitment is $20,000. The payment may be applied to the principal and interest on a loan for persons who teach courses in nursing at an eligible institution of higher education. Effective July 1, 2011, Colorado House Bill 11-1281transferred administration of the NTLF to the Department of Public Health and Environment. Under the legislation to move the NTLF, CollegeInvest will retain $227,000 to finish administration and payment of loan forgiveness amounts for all existing participants. No new participants will be accepted into the NTLF by CollegeInvest.

Financial Need Scholarship Fund (FNS):

A Financial Need Scholarship Fund (FNS) was created by Colorado statute to award scholarship or grants based upon financial need. Amounts in the FNS Fund may be used to reduce General Fund appropriations to the Department for need-based grants. The source of the funds was from the proceeds of the sale of CollegeInvest's student loans and accrued interest receivable to Nelnet. As of June 30, 2011, $29.2 million has been transferred into the Fund. The financial activities of the FNS Fund consist of monies deposited in the State Treasurer's cash fund.

Analysis of Major Funds (continued):

Jobs Retraining Cash Fund (JRC)

In June 2010, Senate Bill 10-202 established a tax deduction for matching contributions made by employers to lifelong learner accounts. The new State tax deduction will decrease state income tax revenue. Colorado statute authorized $100,000 to be transferred into the JRC Fund to offset this tax revenue decrease. The source of the funds was from the sale of CollegeInvest's student loans and accrued interest receivable to Nelnet. During fiscal year 2011, CollegeInvest transferred $33,000 from the JRC Fund to the General Fund. Under the legislation, CollegeInvest is required to transfer $33,000 to the General Fund in fiscal year 2012 and to transfer the balance remaining in the JRC Fund to the General Fund in fiscal year 2013. The financial activities of the JRC Fund consist of monies deposited in the State Treasurer's cash fund.

Comparison of Current Year Results to Prior Years:

Bond Funds:

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

	2011	2010	2009
	(dollar amounts expressed in thousands)		
Assets:			
Current:			
Cash and investments	**$ 3,274**	$ 43,110	$ 70,784
Arbitrage rebate receivable	**1,577**	-	-
Student loans, interest and other receivables	**-**	956	94,712
Total current assets	**4,851**	44,066	165,496
Noncurrent:			
Student loans, net	**-**	-	1,664,815
Bond and note issuance costs, net	**-**	-	9,649
Total noncurrent assets	**-**	-	1,674,464
Total assets	**4,851**	44,066	1,839,960
Liabilities:			
Current:			
Accounts payable, interest payable and other liabilities	**38**	11,000	2,299
Intrafund payable (receivable)	**579**	(4,470)	1,810
Due to Department of Education	**-**	1,898	9,620
Bonds and notes payable	**-**	-	24,000
Arbitrage rebate payable	**-**	673	-
Total current liabilities	**617**	9,101	37,729
Noncurrent:			
Arbitrage rebate payable	**-**	-	17,730
Bonds and notes payable	**-**	-	1,677,330
Total noncurrent liabilities	**-**	-	1,695,060
Total liabilities	**617**	9,101	1,732,789
Restricted net assets	**$ 4,234**	$ 34,965	$ 107,171

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

Bond Funds (continued):

CollegeInvest sold primarily all of its FFELP and alternative student loans and accrued interest receivable to Nelnet on May 7, 2010. Activities in fiscal year 2011 consist primarily of winding down the student loan program. The decrease of cash and investments of $39.8 million from June 30, 2010 to June 30, 2011 was primarily due to the final loan sale reconciliation payment to Nelnet of $11.0 million and a transfer of $29.2 million to the Financial Need Scholarship Fund as required under Colorado House Bill 10-1428. The decrease in cash and investments of $27.7 million and the decrease in student loans, net of $1.8 billion in the Bond Funds from June 30, 2009 to June 30, 2010, was primarily due to the sale of student loans and the redemption of all bonds with the proceeds from that sale.

Accounts payable, interest payable and other liabilities decreased from $11.0 million as of June 30, 2010 to $38,000 as of June 30, 2011 due to the loan reconciliation payment to Nelnet noted above. Due to Department of Education consisted of amounts due for lender fees and special allowance payments. The decrease from $1.9 million as of June 30, 2010 to zero as of June 30, 2011 was a result of terminating the student loan program.

The arbitrage rebate payable is composed of excess interest and arbitrage rebate fees. As a result of the student loan sale, CollegeInvest redeemed all bonds and notes payable in fiscal year 2010 and made an estimated arbitrage rebate liability payment in July 2010. CollegeInvest completed the calculations and filed final calculations in September 2010 and has recorded a receivable of $1.6 million from the IRS as of June 30, 2011. As of June 30, 2010, CollegeInvest had an arbitrage rebate payable of $673,000. The decrease of $17.1 million from June 30, 2009 to June 30, 2010, is due primarily to a decrease in excess interest liability of approximately $15.6 million and a decrease in the arbitrage rebate liability of $1.5 million.

Bonds and notes payable decreased from $1.7 billion as of June 30, 2009 to zero as of June 30, 2010. When CollegeInvest sold substantially all of its student loans held in the Bond Funds in May 2010, it redeemed all of its outstanding debt obligations.

Restricted net assets include net assets that are restricted for use either by creditors, grantors, contributors, or laws and regulations of other governments or by law through constitutional provisions or enabling legislation. The Bond Funds had restricted net assets of $4.2 million, $35.0 million and $107.2 million as of June 30, 2011, 2010, and 2009, respectively.

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

Bond Funds (continued):

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

	2011	2010	2009
	(dollar amounts expressed in thousands)		
Operating revenues:			
Loan interest, net	**$ 6**	$ 25,821	$ 51,304
Investment income	**78**	107	1,256
Miscellaneous income	**-**	4,040	-
Total operating revenues	**84**	29,968	52,560
Less provision for loan losses	**-**	709	1,461
Total operating revenues after provision for loan losses	**84**	29,259	51,099
Operating expenses:			
Interest expense	-	13,504	36,127
Rebate tax expense, net	-	(17,057)	(256)
Loan servicing costs and bond fees	**239**	8,597	10,467
General and administrative expenses	**1,317**	2,269	2,711
Total operating expenses	**1,556**	7,313	49,049
Net income before special items and transfers	**(1,472)**	21,946	2,050
Special items:			
Loss on sale of student loans	**(5)**	(82,188)	-
Loss on bond redemptions	**-**	(6,971)	-
Total special items	**(5)**	(89,159)	-
Intrafund transfers	**(29,254)**	(4,993)	(18)
Change in net assets	**(30,731)**	(72,206)	2,032
Net assets, beginning of year	**34,965**	107,171	105,139
Net assets, end of year	**$ 4,234**	$ 34,965	$ 107,171

Investment income in fiscal year 2011 consists of interest earned on the State Treasurer's cash pool. Operating expenses in fiscal year 2011 consists of loan forgiveness and general and administrative expenses incurred to wind down the student loan program. These expenses are not comparable to prior years.

Loan interest, net decreased by $25.5 million from the year ended June 30, 2009 to the year ended June 30, 2010. Since CollegeInvest sold its student loans at the beginning of May 2010, the decrease is due in part to ten months of operations in 2010 compared to twelve months of operations in 2009. The average student loan balance decreased by $470.0 million while the average interest rate on student loans overall was consistent between years at 5.4%.

Miscellaneous income of $4.0 million for the year ended June 30, 2010 consists of reimbursement of the upfront one-percent lender fee and $75 per loan that was paid to CollegeInvest when it put $148.1 million in student loans and interest receivable from the Bond Funds to the USDE in September and October 2009.

Interest expense is comprised of interest on bonds and amortization of bond issuance costs. Interest on bonds for the year ended June 30, 2010 decreased by $22.6 million from the year ended June 30, 2009. The weighted average bond balance outstanding in 2010 was $1.48 billion as compared to $1.71 billion in 2009. The average interest rate on debt for the years ended June 30, 2010 and 2009 was 0.9% and 2.1%, respectively.

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

Bond Funds (continued):

Rebate tax expense includes excess interest and arbitrage rebate expenses. The excess interest liability was reduced in fiscal years 2010 and 2009. Therefore, excess interest expense resulted in a credit. The credit increased approximately $14.5 million for the year ended June 30, 2010. This was primarily due to the sale of student loans at a loss which decreased the yield on the loans significantly. The arbitrage rebate expense is the amount of interest earned from investments using tax-exempt financing above the allowable spread. This expense decreased approximately $2.3 million in total from June 30, 2009 to June 30, 2010 due to a decrease in the spread between the interest earned on investments and the interest paid on tax-exempt bonds.

Loan servicing costs and bond fees were 0.7% and 0.6% of the average student loan balance for the years ended June 30, 2010 and 2009. General and administrative expenses support the student loan activity and were 0.2% of the average net student loan balance for 2010 and 2009.

When CollegeInvest sold its student loans receivable from its indentures to Nelnet on May 7, 2010, the initial sales price was 96% of FFELP student loans and accrued interest receivable and 70% of alternative student loans and accrued interest receivable. Per the agreement with Nelnet, the initial sales price was adjusted such that net settlement proceeds to CollegeInvest would equal $35.0 million. The discount on the student loans, after adjustment, amounted to $69.3 million. CollegeInvest wrote off capitalized borrower benefits, premiums and prepaid expenses, net of discounts of $15.4 million. A reduction in the allowance for loan loss of $2.5 million offset the amounts above for a total loss of $82.2 million.

Loss on bond redemptions in fiscal year 2010 was the result of purchasing bonds from bondholders at a discount, less the write-off of all remaining issuance costs after all bonds were redeemed. $32.1 million in bonds was purchased at a discount of $3.1 million and issuance costs of $10.1 million were written off for a total loss of $7.0 million.

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

Borrower Benefit Fund:

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

	2011	2010	2009
	(dollar amounts expressed in thousands)		
Assets:			
Cash and investments	$ 30,114	$ 24,777	$ 8,446
Student loans, net	-	195,753	114,674
Interest, other receivables and prepaid expenses	77	4,755	2,246
Capital assets, net	11	67	196
Total assets	30,202	225,352	125,562
Liabilities:			
Accounts payable and accrued expenses	294	1,310	490
Due to other funds and other agencies	4,092	10,055	8,375
Due to USDE	1	200,279	108,675
Long term liabilities	130	159	185
Total liabilities	4,517	211,803	117,725
Net assets:			
Invested in capital assets	11	67	196
Unrestricted	25,674	13,482	7,641
Total net assets	$ 25,685	$ 13,549	$ 7,837

As noted above, CollegeInvest entered into an agreement with the USDE in order to participate in the ECASLA program. Prior to CollegeInvest entering into the Participation Program, student loans were originated in the Bond Funds. In December 2008, CollegeInvest began originating student loans in its Borrower Benefit Fund. The Participation Program was terminated in fiscal year 2011 and therefore, all student loans were put to the USDE and the liability was extinguished.

Cash and investments increased by $5.3 million from June 30, 2010 to June 30, 2011, primarily due to the receipt of $6.6 million in Floor SAP under billing (see Footnote 13). The increase was offset by a reduction in the reserve for administrative fees, marketing & scholarship commitments of the College Savings Programs of $1.3 million.

Cash and investments of the Borrower Benefit Fund increased $16.3 million from June 30, 2009 to June 30, 2010 due primarily to the cash transfer of approximately $4.2 million from the Bond Funds for administrative fees allowed in excess of actual expenses, approximately $8.6 million in claim loans from the Bond Funds that were not included in the loan sale to Nelnet, and an increase in the reserve for administrative fees, marketing and scholarship commitments of the College Savings Programs of $1.4 million.

Student loans, net, increased from $114.7 million as of June 30, 2009 to $195.8 million as of June 30, 2010 due to an increase in Participation Program loans with the USDE. CollegeInvest participated loans for a full year in fiscal year 2010 as compared to seven months in fiscal year 2009.

Due to other Funds and other agencies decreased by $6.0 million from $10.1 million as of June 30, 2010 to $4.1 million as of June 30, 2011 primarily due to the transfer of amounts collected by the Borrower Benefit Fund for claim loans that were due to the Bond Funds as of June 30, 2010. Due to other Funds and other agencies increased

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

Borrower Benefit Fund (continued):

by $1.7 million from $8.4 million on June 30, 2009 to $10.1 million on June 30, 2010 primarily as a result of paying down CollegeInvest's line of credit with CA which was used to facilitate the Participation Program, offset by an increase in the amount due to the Bond Funds as a result of claim loan payments received but not yet transferred to the Bond Funds.

Due to USDE decreased from $200.3 million as of June 30, 2010 to $1,000 as of June 30, 2011. This liability consists of amounts due to the USDE for participated loans and for yield payments due to the USDE under the Participation Program. CollegeInvest redeemed its participation interests and paid down the liability to the USDE in September 2010. The remaining $1,000 due to the USDE was for special allowance on student loans that were not eligible for put to the USDE and were sold to Nelnet in June 2011. Due to USDE increased from $108.7 million as of June 30, 2009 to $200.3 million as of June 30, 2010. CollegeInvest participated loans for a full year in fiscal year 2010 as compared to seven months in fiscal year 2009.

Net assets are restricted for use either by creditors, grantors, contributors, or laws and regulations of other governments or by law through constitutional provisions or enabling legislation. Under the Participation Program, the principal, interest receivable and revenues associated with the student loans are restricted for payment of the related liability to the USDE.

Capital Assets:

The investment in capital assets at June 30, 2011 and 2010 amounted to $11,000 and $67,000, respectively, net of accumulated depreciation. Capital assets consist of furniture, equipment and software. The changes in capital assets were as follows:

	Balance June 30, 2010	Additions (Deletions)	Depreciation & Amortization	**Balance June 30, 2011**
	(dollar amounts expressed in thousands)			
Software	$ 24	$ -	$ 19	$ **5**
Leasehold Improvements	10	-	4	**6**
Furniture and equipment	33	-	33	**-**
Total capital assets, net	$ 67	$ -	$ 56	$ **11**

	Balance June 30, 2009	Additions (Deletions)	Depreciation & Amortization	Balance June 30, 2010
	(dollar amounts expressed in thousands)			
Software	$ 44	$ -	$ 20	$ 24
Leasehold Improvements	14	-	4	10
Furniture and equipment	138	-	105	33
Total capital assets, net	$ 196	$ -	$ 129	$ 67

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

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

Borrower Benefit Fund (continued):

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

	2011	2010	2009
	(dollar amounts expressed in thousands)		
Operating revenues:			
Loan interest , net	**$ 7,473**	$ 615	**$** 27
Investment income	**470**	858	270
Miscellaneous income	**5,280**	2,600	-
Total operating revenues	**13,223**	4,073	297
Operating expenses:			
Interest expense	**431**	1,389	1,039
Loan servicing and financing fees	**594**	1,748	278
General and administrative expenses	**196**	1,460	387
Total operating expenses	**1,221**	4,597	1,704
Net income before other income and transfers	**12,002**	(524)	(1,407)
Intergovernmental revenue	**143**	1,243	298
Transfers	**(9)**	4,993	-
Change in net assets	**12,136**	5,712	(1,109)
Net assets, beginning of year	**13,549**	7,837	8,946
Net assets, end of year	**$ 25,685**	$ 13,549	**$** 7,837

Investment income consists of the following:

	2011	2010	2009
	(dollar amounts expressed in thousands)		
Interest on investments	**$ 505**	$ 435	$ 250
Unrealized gain on investments	**(35)**	423	20
Investment income	**$ 470**	$ 858	$ 270

Loan interest, net increased by $6.9 million from $615,000 during the fiscal year ended June 30, 2010 to $7.5 million during the fiscal year ended June 30, 2011. This was primarily due to receipt of $6.6 million in Floor special allowance payments from the USDE (See Footnote 13). Loan interest increased by $588,000 for the year ended June 30, 2010 due to income received as a result of the Participation Program.

Interest expense is related to the Participation Program. Interest expense decreased from $1.4 million in fiscal year 2010 to $431,000 in fiscal year 2011. The decrease was due to three months of outstanding participation interests in fiscal year 2011 as compared to twelve months outstanding in fiscal year 2010. Interest expense increased from $1.0 million on June 30, 2009 to $1.4 million on June 30, 2010 due to participating loans for the entire fiscal year in 2010 compared to seven months in fiscal year 2009. The average amount outstanding under the Participation Program was $57.5 million, $140.4 million and $46.7 million for the fiscal years ended June 30, 2011, 2010 and 2009, respectively. The average interest rate paid to the USDE was 0.7%, 0.8% and 2.0% for the fiscal years ended June 30, 2011, 2010 and 2009, respectively.

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

Borrower Benefit Fund (continued):

Loan servicing costs are expenses associated with the Participation Program. Loan servicing costs decreased from $1.7 million in fiscal year 2010 to $594,000 in fiscal year 2011. Loan servicing costs increased from $278,000 in fiscal year 2009 to $1.7 million in fiscal year 2010 due to participating loans for varying lengths of time in each year.

General and administrative expenses varied in each year primarily due to the inclusion of CACG expenses. This was offset by reimbursement of these costs through payments from the USDE under the grant. Intergovernmental revenues of $143,000 in 2011, $1.2 million in 2010 and $298,000 in 2009 reimbursed these expenses under the grant. Funds from the CACG were used to increase statewide CollegeInvest outreach efforts in English and Spanish, enhance College In Colorado web and outreach services to adult students, develop a financial literacy program to assist students in access to and retention in higher education, and offer a counselor loan forgiveness program.

During fiscal years 2011 and 2010, the Borrower Benefit Fund put $200.3 million of its 2009-2010 academic year student loans receivable and accrued borrower interest and $105.7 million of its 2008-2009 academic year student loans receivable and accrued borrower interest under the Purchase Program and recorded miscellaneous income of $5.1 million and $2.6 million, respectively.

CollegeInvest Early Achievers Scholarship Trust Fund:

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

	2011	2010	2009
	(dollar amounts expressed in thousands)		
Assets:			
Cash and investments	**$ 18,025**	$ 30,960	$ 68,046
Interest and other receivables	**-**	2	24
Total assets	**18,025**	30,962	68,070
Accounts payable and accrued expenses	**2**	80	61
Intrafund payable	**109**	46	612
Total liabilities	**111**	126	673
Net assets (all restricted)	**$ 17,914**	$ 30,836	$ 67,397

Statute 23-3.1-206.9 effective on July 1, 2009 required the CEAS Trust to transfer $15 million to the State of Colorado's General Fund to assist in meeting state budget shortfalls. Additionally, Colorado House Bill 10-1383 was passed calling for additional transfers of $29.8 million effective in June 2010 and $15.4 million effective in July 2010. As a result of this bill, it is estimated that only two additional cohorts of students in the fall of 2010 and 2011 will be eligible to receive scholarships.

Cash and investments decreased by $12.9 million from June 30, 2010 to June 30, 2011 primarily due to the $15.4 million transfer noted above and $1.1 million paid in scholarships and administrative expenses, offset by net investment income of $3.6 million. Cash and investments decreased by approximately $37.1 million from June 30, 2009 to June 30, 2010 primarily due to the transfers cited above, offset by an increase in investment income of $8.6 million.

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

CollegeInvest Early Achievers Scholarship Trust Fund (continued):

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

	2011	2010	2009
	(dollar amounts expressed in thousands)		
Operating revenues:			
Net investment income	**$ 3,568**	$ 8,603	$ (7,776)
Operating expenses:			
General and administrative expenses	**1,090**	364	211
Change in net assets before transfers	**2,478**	8,239	(7,987)
Transfers to State of Colorado General Fund	**(15,400)**	(44,800)	-
Change in net assets	**(12,922)**	(36,561)	(7,987)
Net assets, beginning of year	**30,836**	67,397	75,384
Net assets, end of year	**$ 17,914**	$ 30,836	$ 67,397

Net investment income has fluctuated each year based primarily on equity market conditions. In April 2011, due to the changes in the statute noted above and the resulting limited time horizon of the CEAS Trust, CollegeInvest revised its investment policy. All current investments were liquidated and invested in fixed income mutual funds to reflect the investment strategy changes.

Scholarships were awarded to students beginning in the 2008-2009 academic year. 1,882, 386 and 75 students received an average award of $482, $714, and $1,200 in fiscal years 2011, 2010 and 2009, respectively.

Economic Factors and Future Years' Rates:

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

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

Requests for Information:

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

COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
STATEMENTS OF NET ASSETS
JUNE 30, 2011 AND 2010
(dollar amounts expressed in thousands)

	2011							2010					
	Bond Funds	**Borrower Benefit Fund**	**CollegeInvest Early Achievers Scholarship**	**Nursing Teacher Loan Forgiveness**	**Financial Need Scholarship Fund**	**Jobs Retraining Cash Fund**	**Total**	Bond Funds	Borrower Benefit Fund	CollegeInvest Early Achievers Scholarship	Nursing Teacher Loan Forgiveness	Health Care Provider Loan Repayment	Total
Assets:													
Current assets:													
Cash and investments	$ 3,274	$ 30,114	$ 18,025	$ 723	$ 29,864	$ 69	$ 82,069	$ 43,110	$ 24,777	$ 30,960	$ 613	$ -	$ 99,460
Arbitrage rebate receivable	1,577	-	-	-	-	-	1,577	-	-	-	-	-	-
Student loans, net	-	-	-	-	-	-	-	901	195,753	-	-	-	196,654
Interest and other receivables	-	20	-	-	-	-	20	55	4,612	-	-	-	4,667
Prepaid expenses	-	57	-	-	-	-	57	-	143	2	-	-	145
Total current assets	4,851	30,191	18,025	723	29,864	69	83,723	44,066	225,285	30,962	613	-	300,926
Noncurrent assets:													
Capital assets, net	-	11	-	-	-	-	11	-	67	-	-	-	67
Total noncurrent assets	-	11	-	-	-	-	11	-	67	-	-	-	67
Total assets	4,851	30,202	18,025	723	29,864	69	83,734	44,066	225,352	30,962	613	-	300,993
Liabilities:													
Current liabilities:													
Accounts payable and accrued expenses	38	294	2	-	-	-	334	11,000	1,310	80	4	-	12,394
Due to (from) other Funds and other agencies	579	4,092	109	4	-	-	4,784	(4,470)	10,055	46	-	-	5,631
Due to USDE	-	1	-	-	-	-	1	1,898	200,279	-	-	-	202,177
Arbitrage rebate payable	-	-	-	-	-	-	-	673	-	-	-	-	673
Total current liabilities	617	4,387	111	4	-	-	5,119	9,101	211,644	126	4	-	220,202
Noncurrent liabilities:													
Accrued compensated absences	-	130	-	-	-	-	130	-	159	-	-	-	159
Total noncurrent liabilities	-	130	-	-	-	-	130	-	159	-	-	-	159
Total liabilities	617	4,517	111	4	-	-	5,249	9,101	211,803	126	4	-	220,361
Net assets:													
Invested in capital assets	-	11	-	-	-	-	11	-	67	-	-	-	67
Restricted	4,234	-	17,914	719	29,864	69	52,800	34,965	-	30,836	609	-	66,410
Unrestricted	-	25,674	-	-	-	-	25,674	-	13,482	-	-	-	13,482
Total net assets	$ 4,234	$ 25,685	$ 17,914	$ 719	$ 29,864	$ 69	$ 78,485	$ 34,965	$ 13,549	$ 30,836	$ 609	$ -	$ 79,959

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

COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010
(dollar amounts expressed in thousands)

	2011							2010					
	Bond Funds	**Borrower Benefit Fund**	**CollegeInvest Early Achievers Scholarship**	**Nursing Teacher Loan Forgiveness**	**Financial Need Scholarship Fund**	**Jobs Retraining Cash Fund**	**Total**	Bond Funds	Borrower Benefit Fund	CollegeInvest Early Achievers Scholarship	Nursing Teacher Loan Forgiveness	Health Care Provider Loan Repayment	Total
Operating revenues:													
Loan interest	**$ 6**	**$ 7,473**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 7,479**	$ 25,821	$ 615	$ -	$ -	$ -	$ 26,436
Investment income	**78**	**470**	**3,568**	**13**	**710**	**2**	**4,841**	107	858	8,603	21	-	9,589
Miscellaneous income	**-**	**5,280**	**-**	**-**	**-**	**-**	**5,280**	4,040	2,600	-	-	-	6,640
Total operating revenues	**84**	**13,223**	**3,568**	**13**	**710**	**2**	**17,600**	29,968	4,073	8,603	21	-	42,665
Less provision for loan losses	**-**	**-**	**-**	**-**	**-**	**-**	**-**	709	-	-	-	-	709
Total operating revenues after provision for loan losses	**84**	**13,223**	**3,568**	**13**	**710**	**2**	**17,600**	29,259	4,073	8,603	21	-	41,956
Operating expenses:													
Interest expense	**-**	**431**	**-**	**-**	**-**	**-**	**431**	13,504	1,389	-	-	-	14,893
Loan servicing costs	**239**	**582**	**-**	**65**	**-**	**-**	**886**	6,598	1,673	276	40	-	8,587
Rebate tax expense, net	**-**	**-**	**-**	**-**	**-**	**-**	**-**	(17,057)	-	-	-	-	(17,057)
Financing fees	**-**	**12**	**-**	**-**	**-**	**-**	**12**	1,999	75	-	-	-	2,074
General and administrative expenses	**863**	**168**	**974**	**-**	**-**	**-**	**2,005**	780	1,274	32	-	-	2,086
Salaries and benefits	**438**	**28**	**116**	**-**	**-**	**-**	**582**	1,391	186	56	-	-	1,633
Depreciation and amortization	**16**	**-**	**-**	**-**	**-**	**-**	**16**	98	-	-	-	-	98
Total operating expenses	**1,556**	**1,221**	**1,090**	**65**	**-**	**-**	**3,932**	7,313	4,597	364	40	-	12,314
Operating income (loss) before special items and transfers	**(1,472)**	**12,002**	**2,478**	**(52)**	**710**	**2**	**13,668**	21,946	(524)	8,239	(19)	-	29,642
Special items:													
Loss on sale of student loans	**(5)**	**-**	**-**	**-**	**-**	**-**	**(5)**	(82,188)	-	-	-	-	(82,188)
Loss on bond redemptions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	(6,971)	-	-	-	-	(6,971)
Total special items	**(5)**	**-**	**-**	**-**	**-**	**-**	**(5)**	(89,159)	-	-	-	-	(89,159)
Intergovernmental revenue (expense)	**-**	**143**	**(15,400)**	**162**	**-**	**(33)**	**(15,128)**	-	1,243	(44,800)	162	(101)	(43,496)
Transfers from (to) other Funds	**(29,254)**	**(9)**	**-**	**-**	**29,154**	**100**	**(9)**	(4,993)	4,993	-	-	-	-
Change in net assets	**(30,731)**	**12,136**	**(12,922)**	**110**	**29,864**	**69**	**(1,474)**	(72,206)	5,712	(36,561)	143	(101)	(103,013)
Net assets, beginning of year	**34,965**	**13,549**	**30,836**	**609**	**-**	**-**	**79,959**	107,171	7,837	67,397	466	101	182,972
Net assets, end of year	**$ 4,234**	**$ 25,685**	**$ 17,914**	**$ 719**	**$ 29,864**	**$ 69**	**$ 78,485**	$ 34,965	$ 13,549	$ 30,836	$ 609	$ -	$ 79,959

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

COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010
(dollar amounts expressed in thousands)

	2011							2010					
	Bond Funds	Borrower Benefit Fund	CollegeInvest Early Achievers Scholarship	Nursing Teacher Loan Forgiveness	Financial Need Scholarship Fund	Jobs Retraining Cash Fund	Total	Bond Funds	Borrower Benefit Fund	CollegeInvest Early Achievers Scholarship	Nursing Teacher Loan Forgiveness	Health Care Provider Loan Repayment	Total
Cash Flows from Operating Activities:													
Borrower principal and interest payments received	$ 643	$ 8,425	$ -	$ -	$ -	$ -	$ 9,068	$ 179,926	$ 2,904	$ -	$ -	$ -	$ 182,830
Loans participated with the USDE	-	194,800	-	-	-	-	194,800	-	206,735	-	-	-	206,735
Borrower interest subsidy received from USDE	1,054	8,763	-	-	-	-	9,817	16,067	2,857	-	-	-	18,924
Cash sales of student loans	314	874	-	-	-	-	1,188	1,627,775	-	-	-	-	1,627,775
Cash received from (paid to) plan managers and other Funds	5,073	(5,360)	-	-	-	-	(287)	-	8,395	-	-	-	8,395
Cash borrowed from other agency	-	-	-	-	-	-	-	-	20,000	-	-	-	20,000
Cash repaid to other agency	-	-	-	-	-	-	-	-	(27,000)	-	-	-	(27,000)
Purchases/redemptions of student loans	-	(196,386)	-	-	-	-	(196,386)	(1,765)	(185,687)	-	-	-	(187,452)
Cash payments to federal government	(5,205)	(4,551)	-	-	-	-	(9,756)	(38,672)	(8,193)	-	-	-	(46,865)
Cash payments to suppliers for goods and services	(1,115)	(1,390)	(987)	(65)	-	-	(3,557)	(7,968)	(9,514)	(833)	-	-	(18,315)
Cash payments to employees for service	(438)	(28)	(116)	-	-	-	(582)	(1,391)	-	(56)	(36)	-	(1,483)
Net cash provided (used) by operating activities	326	5,147	(1,103)	(65)	-	-	4,305	1,773,972	10,497	(889)	(36)	-	1,783,544
Cash Flows from Investing Activities:													
Proceeds from maturities of investments	42,456	401	19,711	-	-	-	62,568	28,305	(135)	56,280	-	-	84,450
Income received from cash and investments	30	506	51	15	264	1	867	126	435	3,915	14	-	4,490
Increase (decrease) from unrealized gain (loss) on cash and investments	48	(35)	(634)	(2)	446	1	(176)	-	-	894	7	-	901
Net cash provided by investing activities	42,534	872	19,128	13	710	2	63,259	28,431	300	61,089	21	-	89,841
Cash Flows from Non-Capital Financing Activities:													
Repayment of bonds and notes	-	-	-	-	-	-	-	(1,698,228)	-	-	-	-	(1,698,228)
Sale of student loans	(10,963)	-	-	-	-	-	(10,963)	(82,188)	-	-	-	-	(82,188)
Interest paid on bonds, notes and participation	-	(431)	-	-	-	-	(431)	(14,364)	(1,389)	-	-	-	(15,753)
Payment of bond fees	-	-	-	-	-	-	-	(1,999)	-	-	-	-	(1,999)
Contribution from (to) intergovenmental agency	-	706	(15,400)	162	-	(33)	(14,565)	-	788	(44,800)	162	-	(43,850)
Intrafund transfers	(29,254)	-	-	-	29,154	100	-	(4,993)	4,993	-	-	(101)	(101)
Net cash provided (used) in non-capital financing activities	(40,217)	275	(15,400)	162	29,154	67	(25,959)	(1,801,772)	4,392	(44,800)	162	(101)	(1,842,119)
Cash Flows from Capital Financing Activities:													
Cash received from other Funds for depreciation reimbursement	-	56	-	-	-	-	56	-	129	-	-	-	129
Net cash provided by capital financing activities	-	56	-	-	-	-	56	-	129	-	-	-	129
Increase (decrease) in cash and cash equivalents	2,643	6,350	2,625	110	29,864	69	41,661	631	15,318	15,400	147	(101)	31,395
Cash and cash equivalents, beginning of year	631	23,764	15,400	613	-	-	40,408	-	8,446	-	466	101	9,013
Cash and cash equivalents, end of year	$ 3,274	$ 30,114	$ 18,025	$ 723	$ 29,864	$ 69	$ 82,069	$ 631	$ 23,764	$ 15,400	$ 613	$ -	$ 40,408

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

COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010
(dollar amounts expressed in thousands)

	2011							2010					
	Bond Funds	**Borrower Benefit Fund**	**CollegeInvest Early Achievers Scholarship**	**Nursing Teacher Loan Forgiveness**	**Financial Need Scholarship Fund**	**Jobs Retraining Cash Fund**	**Total**	Bond Funds	Borrower Benefit Fund	CollegeInvest Early Achievers Scholarship	Nursing Teacher Loan Forgiveness	Health Care Provider Loan Repayment	Total
Reconciliation of operating income to net cash provided by operating activities:													
Income before transfers	$ (1,472)	12,002	2,478	(52)	$ 710	$ 2	$ 13,668	$ 21,946	$ (524)	$ 8,239	$ (19)	$ -	$ 29,642
Items reflected as investing and non-capital financing activities:													
Income received from cash and investments	(30)	(506)	(4,202)	(15)	(264)	(1)	(5,018)	(126)	(435)	(3,915)	(14)	-	(4,490)
Interest paid on bonds, notes and participations	-	432	-	-	-	-	432	14,364	1,389	-	-	-	15,753
Bond fees	-	-	-	-	-	-	-	1,999	-	-	-	-	1,999
Amortization of bond and note issuance costs	-	-	-	-	-	-	-	331	-	-	-	-	331
Prepaid expenses	-	-	-	-	-	-	-	(9)	-	-	-	-	(9)
Accounts payable and accrued expenses	-	-	-	-	-	-	-	(344)	-	-	-	-	(344)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:													
Amortization of premium costs	-	-	-	-	-	-	-	7,671	-	-	-	-	7,671
Change in allowance for loan losses	(19)	10	-	-	-	-	(9)	(715)	104	-	-	-	(611)
Depreciation expense	-	56	-	-	-	-	56	-	129	-	-	-	129
Depreciation expense allocated to other Funds	-	(56)	-	-	-	-	(56)	-	(129)	-	-	-	(129)
Net (appreciation) depreciation of fair value of investments and State Treasurer's cash pool	(48)	35	634	2	(446)	(1)	176	-	(423)	(4,688)	(7)	-	(5,118)
Changes in operating assets and liabilities:													
Student loans	901	195,753	-	-	-	-	196,654	1,710,984	(81,183)	-	-	-	1,629,801
Interest and other receivables	55	4,592	-	-	-	-	4,647	39,693	(2,653)	22	-	-	37,062
Due from IRS	(1,577)	-	-	-	-	-	(1,577)	-	-	-	-	-	-
Prepaid expenses	-	86	2	-	-	-	88	192	144	-	-	-	336
Due (to) from other funds and other agencies	5,049	(5,963)	63	4	-	-	(847)	(6,280)	1,780	(566)	-	-	(5,066)
Due to USDE	(1,898)	(200,278)	-	-	-	-	(202,176)	(7,722)	91,604	-	-	-	83,882
Accounts payable and accrued expenses	38	(1,016)	(78)	(4)	-	-	(1,060)	9,045	694	19	4	-	9,762
Arbitrage rebate payable	(673)	-	-	-	-	-	(673)	(17,057)	-	-	-	-	(17,057)
Net cash provided by (used) by operating activities	$ 326	$ 5,147	$ (1,103)	$ (65)	$ -	$ -	$ 4,305	$ 1,773,972	$ 10,497	$ (889)	$ (36)	$ -	$ 1,783,544

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

1. Organization and Summary of Significant Accounting Policies:

Pursuant to Colorado Revised Statutes (CRS) 23-3.1-201, et seq., and 23-3.1-301, et seq., as amended, CollegeInvest is a division of the Colorado Department of Higher Education (Department). The Executive Director of the Department (Executive Director) has responsibility for oversight and management of CollegeInvest. In addition, CollegeInvest has a nine-person 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 (Bond Funds), a scholarship trust program (CollegeInvest Early Achievers Scholarship), a Section 529 post-secondary education expense program (Prepaid Tuition Fund), a Section 529 college savings program (Scholars Choice, Stable Value Plus, Direct Portfolio and Smart Choice Funds), a loan forgiveness program for nursing teachers (Nursing Teacher Loan Forgiveness), a financial need scholarship (Financial Need Scholarship Fund), and a jobs retraining program (Jobs Retraining Cash Fund), which are administered by CollegeInvest. The financial statements presented here do not include operations of the post-secondary education expense program or the college savings program.

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

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

Effective March 2010, the Federal Health Care and Education Affordability Reconciliation Act (HCEARA) of 2010 was signed into law by the President of the United States terminating the authority to make or insure any additional loans in the Federal Family Education Loan program after June 30, 2010. In part, as a result of this law, and the ongoing credit market conditions, CollegeInvest entered into an agreement with Nelnet, Inc. to sell certain FFELP loans and certain private loans. CollegeInvest sold substantially all of its student loans and accrued interest receivable to Nelnet in May 2010. See the Bond Funds section of this report for details of this transaction.

Reporting Entity:

The Student Loan Program Funds (Funds) present the financial statements of the Borrower Benefit Fund, the Bond Funds, the CollegeInvest Early Achievers Scholarship Trust Fund (CEAS Trust), the Nursing Teacher Loan Forgiveness Fund (NTLF Fund), the Financial Need Scholarship Fund (FNS Fund), and the Jobs Retraining Cash Fund (JRC Fund). All of these Funds are accounted for as separate enterprise funds within the State of Colorado’s financial reporting system. The CEAS Trust and the NTLF Fund were established by statute in July 2005 and July 2006, respectively. The FNS Fund and the JRC Fund were established by statute in June 2010. An enterprise fund is established to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the fund be self-supporting.

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

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

Reporting Entity (continued):

Bond Funds

Effective March 2010, the Federal Health Care and Education Affordability Reconciliation Act of 2010 (HCEARA) was signed into law by the President of the United States terminating the authority to make or insure any additional loans in the Federal Family Education Loan Program (FFELP) after June 30, 2010. In part, as a result of this law, and the ongoing credit market conditions, CollegeInvest entered into an agreement with Nelnet, Inc. (Nelnet) to sell certain FFELP loans and certain private loans. CollegeInvest sold substantially all student loans and accrued interest receivable in the Bond Funds to Nelnet on May 7, 2010 for a net settlement amount of $35.0 million. On the same date, CollegeInvest either paid or defeased all financings of the Bond Funds. As of June 30, 2010, all financings were redeemed. These transactions were recorded as special items in the financial statements.

Colorado Statute required a transfer from the proceeds of the sale of student loans and accrued interest receivable to the Financial Need Scholarship Fund. The remaining proceeds of $10.0 million were designated to two reserves of $5.0 million each. One reserve is to repurchase student loans sold if the guarantee agency refuses to honor a claim, and to pay all liabilities, costs and expenses of CollegeInvest's loan forgiveness programs. The other reserve is to pay costs and expenses associated with the transition and wind-down of CollegeInvest's student loan program. Any money remaining from these reserves, after all obligations are satisfied, is to be transferred to the FNS Fund. In addition to the $25.0 million required transfer, CollegeInvest transferred an additional $4.2 million from the reserves to the FNS Fund during fiscal year 2011. As of June 30, 2011, $4.2 million remains in the reserves.

CollegeInvest administers the Loan Incentives for Teachers Program (LIFT). The Program provides for loan forgiveness for teachers in a qualified position. Because this program was established within the statute that established the Student Loan Program, it is not separately appropriated and therefore the activity of this Program is not presented in a separate fund. Under the LIFT program, CollegeInvest forgave $217,000 and $391,000 for the years ended June 30, 2011 and 2010, respectively. The last cohort of teachers to receive the loan forgiveness were for the 2008-2009 academic year. Assuming they receive their full four years of loan forgiveness, the program is set to end in December 2012.

Borrower Benefit Fund

In August 2008, the U.S. Department of Education (USDE) implemented the Loan Purchase Commitment Program (Purchase Program) and the Loan Participation Program (Participation Program) pursuant to the Ensuring Continued Access to Student Loans Act, Public Law 110-227 (ECASLA) in response to concerns that credit market conditions could disrupt federal student loan availability. CollegeInvest entered into agreements with the USDE in order to participate in these Programs due to its inability to access credit markets at reasonable financing costs. The activities of these Programs are recorded in the Borrower Benefit Fund.

Under the Purchase Program, the USDE will purchase loans at a price equal to the sum of (i) par value, (ii) accrued interest, (iii) the one-percent upfront origination fee paid to the USDE, and (iv) a fixed amount of $75 per loan. Under the Participation Program, the USDE provides interim short term liquidity to Family Federal Education Loan Program (FFELP) lenders by purchasing participation interests in pools of FFELP loans. FFELP lenders are charged an annual rate of interest by using Commercial Paper plus 50 basis points on the principal amount of participation interests outstanding. This rate is re-set on a quarterly basis. Loans funded under the Participation Program must be either refinanced by the lender or put to the USDE pursuant to the Purchase Program prior to its expiration on October 15, 2009. In November 2008, the USDE announced the replication of the terms of the Participation and Purchase Program, which will include FFELP student loans made for the 2009-2010 academic year. CollegeInvest also utilized this Program.

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

Reporting Entity (continued):

Borrower Benefit Fund (continued):

During 2009, the State of Colorado was awarded a federal College Access Challenge Grant (CACG). The Governor's office selected the Colorado Department of Higher Education (Department) to administer the CACG and CollegeInvest was assigned administration of the grant from the Department. The CACG is a two-year federal grant with the opportunity for carry-over of its remaining funds for a third year. The required fifty percent match for the grant is funded by CollegeInvest (CI) through its outreach, collateral, and scholarship activities recorded in the Bond Funds and the College Savings Programs. The federal amount for the first year is $852,698 and the state match is $426,349. In the second year, the federal amount is $904,838 and the state match is $452,419. $143,000 and $1.2 million was incurred in the fiscal years ended June 30, 2011 and 2010, respectively. Reimbursement from the USDE is recorded as intergovernmental revenue in the Borrower Benefit Fund. Funds must be used to increase access to post-secondary education for low-income students in high school and college. Administration of the CACG, as well as $76,000 in carryover funds, transferred to the Department effective August 16, 2010.

The Funds, as well as the Prepaid Tuition Fund and College Savings Programs, utilize the Borrower Benefit Fund for payment of general and administrative expenses and other activities. These expenses and activities have been allocated to the respective Funds, the Prepaid Tuition Fund and the College Savings Programs. As of June 30, 2010 assets associated with the Participation Program are pledged as collateral to the USDE. As of June 30, 2011, all outstanding Participation Program interests were redeemed.

CollegeInvest Early Achievers Scholarship Trust Fund

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

The financial activities of the CEAS Trust consist of investment of monies deposited to the trust by CollegeInvest and the Colorado Student Loan Program, dba College Assist. Distribution of scholarships are recorded in the CEAS Trust in conformance with the eligibility requirements established by the Board. Scholarships expense is included in general and administrative expenses in the statement of revenues, expenses and changes in net assets. Moneys in the trust may be used by CollegeInvest to fund the costs of implementing, marketing, and administering the Scholarship Program.

Statute 23-3.1-206.9 which was effective on July 1, 2009, required the CEAS Trust to transfer $15 million to the State of Colorado's General Fund to assist in meeting state budget shortfalls. Colorado House Bill 10-1383 was passed in fiscal year 2010, calling for an additional $29.8 million transfer in June 2010 to the state and a $15.4 million transfer to the Department in fiscal year 2011 to assist in meeting state budget shortfalls. As a result of this bill, new CEAS applications are no longer accepted. The funds remaining in the Trust are estimated to be sufficient to fund two additional cohorts of students in the fall of 2010 and 2011.

Nursing Teacher Loan Forgiveness Fund

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

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

Reporting Entity (continued):

Nursing Teacher Loan Forgiveness Fund (continued)

The financial activities of the NTLF Fund consist of monies deposited in the State Treasurer's cash fund. CollegeInvest is also authorized to receive and expend gifts, grants, and donations or moneys appropriated by the General Assembly for the purpose of implementing the program. Moneys in the trust may be used by CollegeInvest for the payment of $4,000 per year up to $20,000 for all or part of the principal and interest on a loan for persons who teach courses in nursing at an eligible institution of higher education for at least five consecutive academic years after receipt of an advanced degree. The State appropriated $160,000 in fiscal years 2007 through 2011 for repayment of student loans for the five year forgiveness period and $1,600 annually to administer the program. All amounts shown as loan servicing costs in the statement of revenues, expenses and changes in net assets are related to the loan forgiveness program.

Financial Need Scholarship Fund

A financial need scholarship was created by Colorado statute to award scholarship or grants based upon financial need. Amounts in the FNS Fund may be used to reduce General Fund appropriations to the Department for need-based grants. The source of the funds was from the proceeds of the sale of CollegeInvest's student loans and accrued interest receivable to Nelnet. As of June 30, 2011, $29.2 million has been transferred into the Fund. The financial activities of the FNS Fund consist of monies deposited in the State Treasurer's cash fund.

Jobs Retraining Cash Fund

In June 2010, Senate Bill 10-202 established a tax deduction for matching contributions made by employers to lifelong learner accounts. The new State tax deduction will decrease state income tax revenue. Colorado statute authorized $100,000 to be transferred into the JRC Fund to offset this tax revenue decrease. The source of the funds was from the sale of CollegeInvest's student loans and accrued interest receivable to Nelnet. During fiscal year 2011, CollegeInvest transferred $33,000 from the JRC Fund to the General Fund. Under the legislation, CollegeInvest is required to transfer $33,000 to the General Fund in fiscal year 2012 and to transfer the balance remaining in the JRC Fund to the General Fund in fiscal year 2013. The financial activities of the FNS Fund consist of monies deposited in the State Treasurer's cash fund.

Budgets and Budgetary Accounting:

By statute, the Funds are continuously appropriated through user charges. Therefore, the budget is not legislatively adopted and a Statement of Revenues and Expenses – Budget to Actual is not a required part of these financial statements. However, the Board does approve an annual budget for all funds.

Total budgeted expenses for the Funds for the year ended June 30, 2011 were $5.0 million, compared with actual expenses of $3.9 million. Total budgeted operating revenues of the Funds for the year ended June 30, 2011 were $6.3 million as compared with actual revenues of $17.6 million. Total expenses and total operating revenues for the Funds were $800,000 under budget and $11.9 million over budget, respectively. Expenses were under budget primarily due to a delay in implementing a new scholarship program. Revenues are over budget due to receiving Floor Special Allowance Payments (SAP) under billing payments of $6.6 million. The Early Achiever's Scholarship Trust revenues were also substantially higher than budgeted due to equity market conditions. The Executive Director and the Board exercise oversight responsibilities, including budgetary and financial oversight.

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

Basis of Accounting:

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

Operating Revenues and Expenses:

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

Cash and Cash Equivalents:

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

Investments:

Investments are carried at fair value, which is determined primarily based on quoted market prices at June 30, 2011 and 2010.

Student Loans:

As of June 30, 2011, student loans receivable was zero. Student loans are carried at their uncollected principal balances net of an allowance for loan losses at June 30, 2010.

Allowance for Loan Losses:

The provision for loan losses is determined by management's evaluation of the student loan portfolios. This evaluation considers such factors as historical loss experience, quality of student loan servicing and collection, and economic conditions. When this evaluation determines that an exposure to loss is probable and can be reasonably estimated, a provision against current operations net of student loan recoveries is recorded. Actual losses are charged against the allowance for loan losses as they occur. The allowance for loan loss was $0 and $123,000 at June 30, 2011 and 2010, respectively.

Capital Assets:

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

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

Compensated Absences:

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

Arbitrage Rebate:

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

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

CollegeInvest filed final arbitrage rebate calculations with the IRS in fiscal year 2011, including an estimated payment. As of June 30, 2011, CollegeInvest has a receivable from the IRS of $1.6 million. As of June 30, 2010, CollegeInvest had a payable of $673,000.

Transfers From/To Other Funds:

During the year ended June 30, 2011, the Bond Funds transferred $29.2 million to the FNS Fund to cover the decrease in appropriation to the Department for need based financial aid and $100,000 to the JRC Fund to cover a portion of the decrease in State tax revenue from the new State income tax deduction for matching contributions made by employers to lifelong learner 529 plan accounts. During the year ended June 30, 2010, the Bond Funds transferred administrative fees allowed in excess of actual expenses of $5.0 million to the Borrower Benefit Fund.

Due From/To Other Funds and Other Agencies:

As of June 30, 2011 and 2010, $1,000 and $2,000 was due from College Assist, (CA), the State of Colorado’s designated FFELP Guarantee Agency, respectively. As of June 30, 2011 and June 30, 2010, $79,000 and $94,000, respectively, was due to the State Auditor’s Office. As of June 30, 2011, $24,000 was due from the Department.

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

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

The following interfund and interagency balances exist as of June 30, 2011:

Interfunds loans due from (to):	Borrower Benefit Funds	Bond Funds	Early Achievers Scholarship	Stable Value Plus Fund	Prepaid Tuition Fund	Nursing Loan Forgiveness	Smart Choice Fund	Scholars Choice Fund	Direct Portfolio Fund	Other agencies
	(dollars amounts expressed in thousands)									
Bond Funds	**$579**	**($579)**	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Early Achievers Scholarship	**109**	-	**(109)**	-	-	-	-	-	-	-
Stable Value Plus Fund	**51**	-	-	**(51)**	-	-	-	-	-	-
Prepaid Tuition Fund	**38**	-	-	-	**(38)**	-	-	-	-	-
Nursing Loan Forgiveness	**4**	-	-	-	-	**(4)**	-	-	-	-
Smart Choice Fund	**1**	-	-	-	-	-	**(1)**	-	-	-
Scholar's Choice Fund	**(4,262)**	-	-	-	-	-	-	**4,262**	-	-
Direct Portfolio Fund	**(556)**	-	-	-	-	-	-	-	**556**	-
Other agencies	**(56)**	-	-	-	-	-	-	-	-	**56**
Total:	**($4,092)**	**($579)**	**($109)**	**($51)**	**($38)**	**($4)**	**($1)**	**$4,262**	**$556**	**$56**

The following interfund and interagency balances exist as of June 30, 2010:

Interfunds loans due from (to):	Borrower Benefit Funds	Stable Value Plus Fund	Prepaid Tuition Fund	Early Achievers Scholarship	Scholars Choice Fund	Bond Funds	Direct Portfolio Fund	Nursing Teacher Loan Forgiveness	Other agencies
	(dollars amounts expressed in thousands)								
Stable Value Plus Fund	$54	($54)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Prepaid Tuition Fund	50	-	(50)	-	-	-	-	-	-
Early Achievers Scholarship	46	-	-	(46)	-	-		-	-
Scholar's Choice Fund	(5,131)	-	-	-	5,131	-	-	-	-
Bond Funds	(4,470)	-	-	-	-	4,470		-	-
Direct Portfolio Fund	(508)	-	-	-	-	-	508	-	-
Other agencies	(96)	-	-	-	-	-		-	96
Total:	($10,055)	($54)	($50)	($46)	$5,131	$4,470	$508	$ -	$96

Revenues:

Revenue consists of interest income on student loans, investment income, special allowance on student loans, net of consolidation rebate fees, and reimbursement of origination and servicing fees under the Participation Program. Pursuant to the Higher Education Act (Act), special allowance payments are intended to assure that the limitation on interest rates and other conditions imposed by the Act do not impede the carrying out of the purposes of the Act or cause the return to holders of loans made and insured under the Act to be less than equitable. The rate of special allowance payments for loans depends on the date of disbursement of the loan, and the source of the holder's funding to acquire the loan. Special allowance is the difference between the borrower interest rate and a "market" rate defined by the Higher Education Act (HEA) of 1965, as amended. If the borrower rate is higher than the "market" rate, then CollegeInvest pays the allowance to the U. S. Department of Education's (USDE). The USDE pays CollegeInvest if the opposite occurs.

Use of Estimates:

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

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

Related Party Transactions:

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

CollegeInvest purchased loans that have been rehabilitated by CA. CollegeInvest purchased $1.5 million in rehabilitated loans during the year ended June 30, 2010. Purchases of rehabilitated loans include principal, collection fees and accrued borrower interest less discounts, if any. CollegeInvest received $63.3 million in student loan claim payments from College Assist as the guarantor in the year ended June 30, 2010.

In order to facilitate the Participation Program, CollegeInvest obtained short-term financing from CA. CollegeInvest entered into a Revolving Financing Agreements (RFA) with CA. Under the RFA, CollegeInvest could borrow up to $30.0 million. CollegeInvest paid interest on the unpaid average daily principal balances outstanding based on the interest rate calculated monthly and published by the State Treasurer. The RFA with CA was set to expire on September 30, 2009 but was superseded by a new RFA that allowed borrowing up to $20.0 million and expired on September 30, 2010. As of June 30, 2011 and 2010, CollegeInvest did not have any outstanding amounts due under the RFA. During 2010 CollegeInvest paid $275,000 in interest to CA.

Reclassifications:

Certain amounts in the June 30, 2010 financial statements have been reclassified to conform to the current year's presentation.

2. Cash Deposits and Investments:

Cash Deposits:

All cash deposits of the Bond Funds, Borrower Benefit Fund, NTLF Fund, the FNS Fund and the JRC Fund are held by a bank or the State Treasurer as of June 30, 2011. Receipts are deposited to demand deposit accounts daily. Collected balances were held in a money market fund as of June 30, 2010.

CollegeInvest deposits cash with the Colorado State Treasurer as required by CRS. The State Treasurer pools these deposits and invests them in securities approved by CRS 24-75-601.1. CollegeInvest reports its share of the State Treasurer's unrealized gains/losses based on its participation in the State Treasurer's pool. All of the State Treasurer's investments are reported at fair value, which is determined based on quoted market prices at June 30, 2011 and 2010. The State Treasurer does not invest any of the pool resources in any external investment pool, and there is no assignment of income related to participation in the pool. The unrealized gains or losses on the treasurer's pooled cash are shown as increases or decreases in cash balances, and therefore, are reported as noncash transactions. Additional information on the State Treasurer's pool may be obtained in the State of Colorado's Comprehensive Annual Financial Report.

2. Cash Deposits and Investments (continued):

Cash Deposits (continued):

Cash deposits of the Funds as of June 30 are as follows:

	2011			2010		
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
	(dollar amounts expressed in thousands)					
Demand deposit accounts	$ 46	-	$ 46	$ -	$ 667	$ 667
State Treasurer's cash pool	30,068	33,930	63,998	23,728	16,013	39,741
	$ 30,114	$ 33,930	$ 64,044	$ 23,728	$ 16,680	$ 40,408

Custodial Credit Risk – Cash Deposits:

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the Funds will not be able to recover their deposits or will not be able to recover collateral securities that are in the possession of an outside party. Monies in the demand deposit accounts are insured by federal depository insurance for the first $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.

Investment Authority and Policy:

The Borrower Benefit Fund allows investment in direct obligations of the U.S. government and its agencies, demand deposits, certificates of deposit, banker's acceptances, commercial paper, money market funds, written reverse repurchase agreements and written repurchase agreements, general or revenue obligations of any state in the United States, and investment agreements as authorized by the CRS Section 24-75-601.1.

As of June 30, 2010, the Bond Funds were invested in money market funds and the investments were not restricted for debt purposes because the debt was paid in full. As of June 30, 2011, the cash was invested in the State Treasurer's cash pool.

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

The appropriate asset allocation for investments of the CEAS Trust is a function of multiple factors, including projected cash flow requirements and minimizing risk. Since the Trust was closed to new participants and $60.2 million has been transferred to the State's general fund, the investment objective is to preserve capital sufficient to fully fund current participants plus two additional cohorts of 625 students each, plus operating expenses.

2. Cash Deposits and Investments (continued):

The table below identifies the broad asset categories based on the respective benchmark that were authorized for investments of the CEAS Trust as of June 30, 2011:

Dynamic Asset Allocation								
Asset Class	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7+**	**Benchmark**
Core Fixed Income	80%	70%	60%	50%	40%	30%	20%	Barclay's Capital U.S. Aggregate Bond Index
Short Duration Fixed Income / Cash	20%	30%	40%	50%	60%	70%	80%	Barclay's Capital U.S. 1-3 Year Government Float Adjusted Index

The table below identifies the broad asset categories based on the respective benchmark that were authorized for investments of the CEAS Trust as of June 30, 2010:

Asset Class	Allocation	Range	Benchmark
Fixed Income Securities	40%	+-2%	Barclay's Capital US Aggregate Bond
Small Cap Equity Securities	5%	+-2%	Russell 2000 Index
Large Cap Equity Securities	40%	+-2%	Russell 1000 Index
International Equity Securities	15%	+-2%	MSCI EAFE Index net

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

	2011			2010		
	Unrestricted	**Restricted**	**Total**	Unrestricted	Restricted	Total
	(dollar amounts expressed in thousands)					
Money market mutual funds	$ -	$ 18,025	$ 18,025	$ 402	$ 43,110	$ 43,512
Fixed income securities	-	-	-	-	6,445	6,445
International equity securities	-	-	-	-	2,284	2,284
Large cap equity securities	-	-	-	-	6,052	6,052
Small cap equity securities	-	-	-	-	759	759
	$ -	$ 18,025	$ 18,025	$ 402	$ 58,650	$ 59,052

Custodial Credit Risk:

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

Interest Rate Risk:

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The CEAS Trust invests in money market mutual funds and are exposed to interest rate risk.

2. Cash Deposits and Investments (continued):

Interest Rate Risk (continued):

Investment Type	**2011** Fair Value	**2011** Weighted Average Maturity (in years)	2010 Fair Value	2010 Weighted Average Maturity (in years)
	(dollar amounts expressed in thousands)			
Vanguard Total Bond Market Index Fund	**$14,833**	**7.4 years**	$ -	N/A
iShares Barclays Aggregate Bond Fund	**3,167**	**6.2 years**	-	N/A
Dreyfus Treasury Cash Management and Agency Fund	**25**	**< 1 year**	42,499	< 1 year
RIFL Core Bond Fund	**-**		6,445	6.3
JPMorgan 100% U.S. Treasury Securities Money Market Fund	**-**		402	< 1 year
Federated Treasury Obligation Fund	**-**		611	< 1 year

Credit Risk:

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

As of June 30, 2011:

Investment Type	Minimum Rating	Exempt From Disclosure	Standard & Poor's Rating as of Year End: AAA	A1	A2	A3	NR
				(dollar amounts expressed in thousands)			
Money market mutual funds	N/A		**$ -**	**$ 3,167**	**$ -**	**$ -**	**$14,858**

As of June 30, 2010:

Investment Type	Minimum Rating	Exempt From Disclosure	Standard & Poor's Rating as of Year End: AAA	A1	A2	A3	NR
				(dollar amounts expressed in thousands)			
Fixed income securities	N/A	$ -	$ -	$ -	$ -	$ -	$ 6,445
International equity securities	N/A	-	-	-	-	-	2,284
Large cap equity securities	N/A	-	-	-	-	-	6,052
Money market mutual funds	N/A	-	43,512	-	-	-	-
Small cap equity securities	N/A	-	-	-	-	-	759

2. Cash Deposits and Investments (continued):

Credit Risk (continued):

As of June 30, 2011:

Investment Type	Minimum Rating	Exempt From Disclosure	Moody's Rating as of Year End: Aaa	Aa3	Aa2	NR
			(dollar amounts expressed in thousands)			
Money market mutual funds	N/A	**$ -**	**$ 3,167**	**$ -**	**$ -**	**$14,858**

As of June 30, 2010:

Investment Type	Minimum Rating	Exempt From Disclosure	Moody's Rating as of Year End: Aaa	Aa3	Aa2	NR
			(dollar amounts expressed in thousands)			
Fixed income securities	N/A	$ -	$ -	$ -	$ -	$ 6,445
International equity securities	N/A	-	-	-	-	2,284
Large cap equity securities	N/A	-	-	-	-	6,052
Money market mutual funds	N/A	-	43,512	-	-	-
Small cap equity securities	N/A	-	-	-	-	759

Concentrations of Credit Risk:

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. Investments in any one issuer that represent 5% or more of total Bond Funds' and CEAS investments as of June 30, 2011 and 2010 are as follows:

Issuer	Investment Type	**2011** **Fair Value**	2010 Fair Value
		(dollar amounts expressed in thousands)	
Vanguard Total Bond Market Index Fund	Money market mutual fund	**$ 14,833**	$ -
iShares Barclays Aggregate Bond Fund	Money market mutual fund	**3,167**	-
Dreyfus Treasury Cash Management	Money market mutual fund	**25**	42,499
CTF Russell Core Bond Fund	Fixed income securities	-	6,445
CTF Russell Quantitative US Equity Fund	Large cap equity securities	-	6,052
CTF Russell Common Trust International Equity Fund	International equity securities	-	2,284

2. Cash Deposits and Investments (continued):

Investment Income:

Net investment income as of June 30, 2011 and 2010 was comprised of the following:

	2011							2010				
	Bond Funds	Borrower Benefit Fund	Early Achievers Scholarship	Nursing Teachers Loan Forgiveness	Financial Need Scholarship Fund	Jobs Retraining Cash Fund	Total	Bond Funds	Borrower Benefit Fund	Early Achievers Scholarship	Nursing Teachers Loan Forgiveness	Total
	(dollar amounts expressed in thousands)							(dollar amounts expressed in thousands)				
Interest and dividend income	**$ 30**	**$ 505**	**51**	**$ 15**	**$ 264**	**$ 1**	**$ 866**	$ 107	$ 435	$ (311)	$ 14	$ 245
Realized gain (loss) on investments	**-**	**-**	**4,151**	**-**	**-**	**-**	**4,151**	-	-	4,226	-	4,226
Unrealized gain (loss) on investments	**-**	**-**	**(634)**	**-**	**-**	**-**	**(634)**	-	-	4,688	-	4,688
Change in fair value of State Treasurer's cash pool	**48**	**(35)**		**(2)**	**446**	**1**	**458**	-	423	-	7	430
Net investment income	**$ 78**	**$ 470**	**$ 3,568**	**$ 13**	**$ 710**	**$ 2**	**$4,841**	$ 107	$ 858	$ 8,603	$ 21	$ 9,589

In the year ended June 30, 2011, Early Achievers Scholarship Trust Fund realized a $4.2 million gain as a result of liquidating investments in order to invest in fixed income securities. Given the limited life span for the remaining corpus of the CEAS Fund, a revised investment strategy was implemented in fiscal year 2011.

In the year ended June 30, 2010, Early Achievers Scholarship Trust Fund realized a $4.2 million gain as a result of liquidating investments in order to transfer a total of $44.8 million to the State of Colorado’s general Fund to assist in meeting state budget shortfalls.

3. Student Loans:

Until December 2008, the Bond Funds originated student loans directly to the borrower and purchased student loans from originating lenders in accordance with the provisions of the Federal Family Education Loan Program (Program) under the HEA and administered by the USDE. Almost all of the student loans in the Bond Funds have been originated under the Program. The Program includes loans originated in the Federal Stafford Loan program, the Federal Parent Loan for Undergraduate Students program, and the Federal Consolidation Loan program. Loan terms and interest rates vary depending on the respective loan program and date of origination. Loan terms generally provide repayment of principal and interest on a monthly basis over a period of up to thirty years. Interest rates range from 1.5% to 12.0% (not including borrower benefits). CollegeInvest began originating loans directly in the Borrower Benefit Fund under the USDE Participation and Purchase Program in December 2008. On May 7, 2010 and June 9, 2010, substantially all Program loans were sold to Nelnet. Principally all Participation Program loans were put to the USDE in September 2010. For loans originated under the Participation Program, interest paid by the borrower is a variable rate. The applicable rate varies based on loan type and date of origination.

Principally, CA guarantees Program loans against the borrower's default, death, disability, and bankruptcy. CA is reinsured under HEA. The loan guarantee is subject to applicable procedures relating to the origination and servicing of student loans. There are penalties up to loss of guarantee if the applicable procedures are not met. CollegeInvest could reinstate guarantees under certain circumstances. CollegeInvest also has recourse provisions with its lenders and its servicers for any loss of guarantee. Loans disbursed prior to October 1, 1993 are 100% insured while loans disbursed on or after October 1, 1993 were insured up to 98% of principal and accrued interest in the case of default. Loans disbursed after June 30, 2006 are insured up to 97% of principal and accrued interest.

COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011 AND 2010

4. Capital Assets:

Capital assets activity for the year ended June 30, 2011 and 2010 was as follows:

	Balance June 30, 2010	Additions	Deletions/ Depreciation	**Balance June 30, 2011**
	(dollar amounts expressed in thousands)			
Software	$ 2,873	$ -	$ (15)	$ **2,858**
Leasehold Improvements	19	-	-	**19**
Furniture and equipment	736	-	(573)	**163**
Accumulated depreciation	(3,561)	-	532	**(3,029)**
Total capital assets, net	$ 67	$ -	$ (56)	$ **11**

	Balance June 30, 2009	Additions	Deletions/ Depreciation	Balance June 30, 2010
	(dollar amounts expressed in thousands)			
Software	$ 2,873	$ -	$ -	$ 2,873
Leasehold Improvements	19	-	-	19
Furniture and equipment	736	-	-	736
Accumulated depreciation	(3,432)	-	(129)	(3,561)
Total capital assets, net	$ 196	$ -	$ (129)	$ 67

Depreciation expense for the years ended June 30, 2011 and 2010 was $56,000 and $129,000, respectively, of which $16,000 was allocated to the Bond Funds in the fiscal year 2011 and $98,000 was allocated to the Bond Funds in fiscal year 2010. The remaining amount was allocated to the Prepaid Tuition, Scholars Choice, Stable Value Plus, and Direct Portfolio Funds.

5. Bond and Note Issuance Costs:

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

	2011	2010
	(dollar amounts expressed in thousands)	
Bond and note issuance costs	**$** -	$ 12,250
Less accumulated amortization	-	(12,250)
Bond and note issuance costs, net	**$** -	$ -

CollegeInvest paid $1.1 million in costs associated with refinancing bonds and amortized $331,000 of bond issuance costs through May and June of 2010. $10.1 million of unamortized bond issuance costs was included in the loss on bond redemptions in fiscal year 2010.

6. Bonds and Notes Payable:

Until June 2008, CollegeInvest issued bonds and notes to originate and purchase student loans. Each bond or note payable was a separate financing. All financings were revenue bonds or notes that were collateralized as provided in the financing agreements, by an assignment and pledge to a Trustee of all CollegeInvest's rights, title and interest in the investments, student loans, and loans purchased from Colorado institutions of higher education and the revenues and receipts derived there from. CollegeInvest issued bonds and notes in different series under master indentures which allowed cross collateralizing, greater efficiency, and the ability to issue additional bonds and notes. All bonds and notes were redeemed as of June 30, 2010. The Series 1989A, 1990A, 2008-IA and the 2006XII-A4 bonds were redeemed on the date of the Nelnet sale. The remainder of the bonds in the Senior Sub Indenture were all defeased on the date of sale. The redemption dates for the bonds that were defeased and placed in escrow, were determined based on their auction rate cycle date. The auction rate securities cycled every 7, 28 or 35 days. The Series 2004IX-A3 and 2007XIII-A2 were Rate Reset Notes whose interest payment dates were on June 1, which allowed for CollegeInvest to redeem those bonds on those dates.

Restrictive Covenants:

Certain indentures of trust and insurance policies include, among other requirements, covenants relative to restrictions on additional indebtedness, limits as to direct and indirect administrative expenses, restrictions to student loan portfolio mix, and requirements for maintaining certain financial ratios. Also, certain indentures of trust required the establishment of reserve accounts. CollegeInvest was in compliance with such covenants up to the final redemption of debt requiring a reserve.

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

Liquidity and Insurance Agreements:

CollegeInvest had entered into an agreement with a liquidity provider. Pursuant to the Standby Agreement, the Liquidity Provider agreed, subject to the terms and conditions therein, to purchase certain Series 1989A Bonds or Series 1990A Bonds which were tendered by the owners thereof to the Tender Agent or were subject to mandatory purchase but are not remarketed by the Remarketing Agents. The liquidity fees on principal and interest were paid quarterly. During 2009, the Remarketing Agent was unable to remarket the bonds and the liquidity provider was required to purchase the bonds.

On March 24, 1999, CollegeInvest entered into an agreement to obtain municipal bond insurance on the Series 1989A Bonds and Series 1990A Bonds. The policy insured payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. The term of the policy was for the life of the bonds and required an annual fee.

On June 5, 2008, CollegeInvest entered into a letter of credit agreement. The letter of credit called for the trustee to draw on the letter of credit to pay the principal and accrued interest on the Series 2008 I-A bonds which if properly tendered by the owners thereof to the Trustee and not remarketed by the Remarketing Agent. The agreement was initially scheduled to expire on June 4, 2010. The letter of credit required a quarterly fee.

6. Bonds and Notes Payable (continued):

Bonds and notes payable as of June 30, 2010 and 2011 was zero. The following activity occurred in bonds and notes payable from June 30, 2009 to June 30, 2010:

	Authorized And Issued	Outstanding June 30, 2009	Issued (Redeemed) During 2010	Outstanding June 30, 2010
	(dollar amounts expressed in thousands)			
1999 Series A Master Indenture, Variable				
Weekly Adjustable Interest Rate Bonds				
1989A, Jun. 8, 1989	$ 80,000	$ 80,000	$ (80,000)	$ -
1990A, Jan. 4, 1990	66,655	60,655	(60,655)	-
1999 Series IV Master Indenture, Variable Rate Notes/Bonds:				
Monthly Adjustable Interest Rate Notes/Bonds				
Series 1999IV-A1, Nov. 1, 1999	96,800	64,900	(64,900)	-
Series 1999IV-A2, Nov. 1, 1999	96,800	64,900	(64,900)	-
Series 1999IV-A4, Nov. 1, 1999	19,300	19,300	(19,300)	-
Series 2001V-A, July 31, 2001	36,250	36,250	(36,250)	-
Series 2002VII-A1, August 20, 2002	32,000	32,000	(32,000)	-
Series 2002VII-A2, August 20. 2002	16,000	16,000	(16,000)	-
Series 2002VII-A3, August 20, 2003	62,000	62,000	(62,000)	-
Series 2003VIII-A1, April 24, 2003	65,000	65,000	(65,000)	-
Series 2003VIII-A2, April 24, 2003	120,000	96,000	(96,000)	-
Series 2004IX-A1, July 22, 2004	38,500	38,500	(38,500)	-
Series 2004IX-A2, July 22, 2004	38,525	38,525	(38,525)	-
Series 2004X-A1, December 15, 2004	50,000	50,000	(50,000)	-
Series 2005XI-A1, September 1, 2005	65,000	65,000	(65,000)	-
Series 2005XI-A2, September 1, 2005	66,000	66,000	(66,000)	-
Series 2005XI-A3, September 1, 2005	50,000	50,000	(50,000)	-
Series 2006XII-A1, August 3, 2006	49,500	49,500	(49,500)	-
Series 2006XII-A2, August 3, 2006	49,500	49,500	(49,500)	-
Series 2006XII-A3, August 3, 2006	50,500	50,500	(50,500)	-
Series 2006XII-A4, August 3, 2006	50,500	50,500	(50,500)	-
Series 2007 XIII-A1, April 17, 2007	66,000	66,000	(66,000)	-
Monthly Adjustable Interest Rate Subordinate Bonds				
Series 2004IX-B4, July 22, 2005	6,000	6,000	(6,000)	-
Series 2007XIII-B1 April 17, 2007	21,000	21,000	(21,000)	-
Series 2007XIII-B2, April 17, 2007	19,000	19,000	(19,000)	-
Quarterly Adjustable Interest Rate Notes				
Series 2004IX-A3, July 22, 2005	96,000	96,000	(96,000)	-
Series 2007XIII-A2, April 17, 2007	200,000	200,000	(200,000)	-
2008 Series I-A Master Indebture, Variable Rate Bonds:				
Weekly Adjustable Interest Rate Bonds				
Series 2008I-A	188,300	188,300	(188,300)	-
Bonds and notes payable	$ 1,795,130	$ 1,701,330	$ (1,701,330)	$ -

6. Bonds and Notes Payable (continued):

Weekly Adjustable Interest Rate Bonds:

The weekly adjustable interest rate bonds were subject to purchase on demand of the holder at a price equal to principal plus accrued interest on seven days notice and delivery to CollegeInvest's Remarketing Agent and Trustee. The Remarketing Agent was authorized to sell the repurchased bonds at par by adjusting the interest rate. Interest is paid quarterly at a variable rate established weekly by the Remarketing Agent. The annual effective interest rate for such bonds was 1.9% for the year ended June 30, 2010. The bonds were paid in full as of June 30, 2010.

Monthly Adjustable Interest Rate Notes/Bonds:

CollegeInvest issued Taxable Senior Asset-Backed Notes that were subject to an auction every 7 days when the Auction Agent determined the interest rate for the subsequent period. The annual effective interest rate for such note was 1.02% for the year ended June 30, 2010. The bonds were paid in full as of June 30, 2010.

CollegeInvest issued Taxable Senior Asset-Backed Notes that were subject to an auction every 28 days when the Auction Agent determined the interest rate for the subsequent period. The annual effective interest rate for such notes was 1.18% for the year ended June 30, 2010. The bonds were paid in full as of June 30, 2010.

CollegeInvest issued Tax-Exempt Senior Asset-Backed Bonds that are subject to an auction every 35 days when the Auction Agent determines the interest rate for the subsequent period. The effective interest rate for such bonds was .69% for the year ended June 30, 2010. The bonds were paid in full as of June 30, 2010.

Monthly Adjustable Interest Rate Subordinate Bonds:

CollegeInvest issued its Tax-Exempt Subordinate Asset-Backed Bonds concurrently with the issuance of the Taxable Senior Asset-Backed Notes/Bonds. The Subordinate Bonds were payable from the Trust Estate on a subordinate basis to the Senior Notes/Bonds in accordance with the terms of the master indenture. The Subordinate Bonds were subject to an auction every 35 days when the Auction Agent determined the interest rate for the subsequent period. Interest on the subordinate bonds was paid on June 1 and December 1. The annual effective interest rate for such bonds was .76% for the year ended June 30, 2010. The bonds were paid in full as of June 30, 2010.

Quarterly Adjustable Interest Rate Notes:

CollegeInvest issued Taxable Senior Asset-Backed Floating Rate notes at an interest rate equal to Three-Month LIBOR plus 0.225%. The initial floating rate term was through June 1, 2008. Subsequent to the initial floating rate term, the notes were subject to a quarterly auction. The annual effective interest rate for such notes was .49% for the year ended June 30, 2010. The bonds were paid in full as of June 30, 2010.

Floating Rate Notes:

In April 2003, CollegeInvest issued $120 million of Floating Rate Notes. The interest rate was reset quarterly based on 3 Month LIBOR plus 0.225%. On June 3, 2008, the Series 2003VIII-A2 Floating Rate Notes were not remarketed successfully and were converted to Auction Rate Securities per the indenture. The failed remarketing also triggered accelerated amortization of these bonds. Principal payments of $6.0 million were due on the first business day of March, June, September and December, starting in September 2008. The bonds were paid in full as of June 30, 2010.

7. Commitments and Contingencies:

Grants and Other:

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

Cash Commitments:

As of June 30, 2011 and 2010, CollegeInvest had committed $4.1 and $4.0 million, respectively, to pay future operating expenses and potential cash flow shortfalls of the Prepaid Tuition Fund. As of June 30, 2011 and 2010, CollegeInvest had committed $3.8 million to pay scholarships.

Lease Commitments:

CollegeInvest leases certain office facilities under an operating lease agreement which expires on February 28, 2018. The operating lease was amended on November 23, 2010, to reduce the office space. College Assist occupies a portion of the office space leased by CollegeInvest and reimburses CollegeInvest for its share of rent. CollegeInvest has also entered into an interagency sublease agreement with the Department for certain office space. The total rent expense for the years ended June 30, 2011 and 2010 were $457,000 and $246,000, respectively. Rent expense for the year ended June 30, 2011 includes a one-time fee of $272,000 for the office space reduction noted above. CollegeInvest allocates additional rent expenses to other Funds. Minimum future lease payments under the agreements are as follows:

	Office Lease
2012	$ 380,000
2013	380,000
2014	380,000
2015	380,000
2016	380,000
2017 - 2018	696,000
	$ 2,596,000

CollegeInvest subleases office space to College Assist, a related party, under an Intra-Department Memorandum of Understanding (MOU). Under the agreement, College Assist is required to pay rent of approximately $19,000 per month. The MOU expires on June 30, 2011, unless the parties enter into a written amendment extending the term of the agreement.

8. Retirement Plans:

Plan Description:

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

8. Retirement Plans (continued):

Plan Description (continued):

New employees, excluding four-year college and university employees, are allowed 60 days to elect to participate in PERA's defined contribution plan. If that election is not made, the employee becomes a member of PERA's defined benefit plan. Prior to legislation passed during the 2006 session, higher education employees may have participated in social security, PERA's defined benefit plan, or an institution's optional retirement plan. Currently, higher education employees, except for community college employees, are required to participate in their institution's optional plan, if available, unless they are active or inactive members of PERA with at least one year of service credit. In that case they may elect either PERA or their institution's optional plan. Community college employees hired after January 1, 2010, are required to become members of PERA's defined benefit or defined contribution plan.

PERA members electing the PERA defined contribution plan are allowed an irrevocable election between the second and fifth year of membership 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 rules in effect for those hired on or after January l, 2007, as discussed below. The employer contribution to the defined contribution plan is the same amount as the contribution to the PERA defined benefit plan.

Based on changes in the 2010 legislative session slightly different plan requirements were in effect until December 31, 2010. The following requirements were effective at June 30, 2011.

Plan members (except State troopers) are eligible to receive a monthly retirement benefit when they meet age and service requirements based on their original hire date as follows:

- Hired before July 1, 2005 – age 50 with 30 years of service, age 60 with 20 years of service, or age 65 with 5 years of service.
- Hired between July 1, 2005 and December 31, 2006 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 20 years of service, or age 65 with 5 years of service.
- Hired between January 1, 2007 and December 31, 2010 – 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. For employees hired before January 1, 2007, age and service requirements increase to those required for members hired between January 1, 2007 and December 31, 2010 if the member has less than five years of service credit as of January 1, 2011.
- Hired between January 1, 2011 and December 31, 2016 – any age with 35 years of service, age 58 with 30 years of service, or age 65 with 5 years of service.
- Hired on or after January 1, 2017 – any age with 35 years of service, age 60 with 30 years of service, or age 65 with 5 years of service.

Members with five years of service credit at January 1, 2011, are also eligible for retirement benefits without a reduction for early retirement based on the original hire date, as follows:

- Hired before January 1, 2007 – age 55 and age plus years of service equals 80 or more.
- Hired between January 1, 2007 and December 31, 2010 – age 55 and age plus years of service equals 85 or more. For members hired before January 1, 2007, age plus years of service increase to 85 for members with less than five years of service credit as of January 1, 2011.
- Hired between January 1, 2011 and December 31, 2016 – age 58 and age plus years of service equals 88 or more.
- Hired on or after January 1, 2017 – age 60 and age plus years of service equals 90.

8. Retirement Plans (continued):

Plan Description (continued):

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.

Most 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 if the salaries used were from the last three years of employment. For retirements after January 1, 2009, four periods are used and are ranked from lowest to highest with the maximum increase between years limited to 15 percent. For members hired on or after January 1, 2007, the maximum increase between ranked periods is 8 percent. Notwithstanding any other provisions, members first eligible for retirement after January 2, 2011 have a maximum increased between periods of 8 percent.

Retiree benefits are increased annually in July after one year of retirement based on the member's original hire date as follows:

- Hired before July 1, 2007 – the lesser of 2 percent or the average of the monthly Consumer Price Index increases.
- Hired on or after January 1, 2007 – the lesser of 2 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.)
- The upper limits on benefits increase by one-quarter percentage point each year when the funded ratio of PERA equals or exceeds 103 percent and declines by one-quarter percentage point when the funded ratio drops below 90 percent after having exceeded 103 percent. The funded ratio increase does not apply for three years when a negative return on investment occurs.

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

Funding Policy:

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

Most employees contribute 8.0 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. Effective July 1, 2010 Senate Bill 10-146 requires members in the State and Judicial Divisions to pay 2.5 percent additional member contributions through June 30, 2011. Employer contributions for members in these two divisions will be reduced by 2.5 percent. Senate Bill 11-076 continued these contribution rates through June 30, 2012.

From July 1, 2010, to December 31, 2010, the State contributed 11.35 percent (14.05 percent for State troopers and 14.86 percent for the Judicial Branch) of the employee's salary. From January 1, 2011, through June 30, 2011, the State contributed 12.25 percent (14.95 percent for State troopers and 14.86 percent for the Judicial Branch). During all of Fiscal Year 2010-11, 1.02 percent of the employees' total salary was allocated to the health Care Trust Fund.

8. Retirement Plans (continued):

Funding Policy (continued):

Per CRS, an amortization period of 30 years is deemed actuarially sound. At December 31, 2010, the division of PERA in which the State participates has a funded ratio of 62.8 percent and a 47 year amortization period based on current contribution rates. The funded ratio on the market value of assets is lower at 61.3 percent.

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

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

In the 2010 legislative session, the General Assembly extended both the AED and SAED. The AED will continue to increase at a rate of 0.4 percent of salary from calendar years 2013 through 2017. The SAED will continue to increase by one-half percentage point from calendar years 2014 through 2017. Both the AED and SAED will be reduced by one-half percent point when funding levels reach 103 percent, and both will be increased by one-half percent point when the funding level subsequently falls below 90 percent. Neither the AED or the SAED may exceed 5 percent.

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

The Funds' contributions to the PERA defined benefit plan and/or the defined contribution plan for the fiscal years ending June 30, 2011, 2010, and 2009 were $66,000, $186,000, and $199,000, respectively. These contributions met the contribution requirement for each year.

9. Other Retirement Plans:

Defined Contribution Plan:

The PERA Defined Contribution Retirement Plan was established January 1, 2006, as an alternative to the defined benefit plan. All employees, with the exception of certain higher education employees, have the option of participating in the plan. New member contributions to the plan vest from 50 percent to 100 percent evenly over 5 years. Participants in the plan are required to contribute 8 percent (10 percent for state troopers) of their salary. For Fiscal Years 2009-10 and 2010-11 the legislature temporarily increased the required contribution rate to 10.5 percent (12.5 percent for State Troopers). At December 31, 2010, the plan had 3,479 participants.

9. Other Retirement Plans (continued):

Deferred Compensation Plan:

The PERA Deferred Compensation Plan (457) was established July 1, 2009, as a continuation of the State's deferred compensation plan which was established for state and local government employees in 1981. At July 1, 2009, the State's administrative functions for the 457 plan were transferred to PERA, where all costs of administration and funding are borne by the plan participants. In calendar year 2010, participants were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution with a temporarily increase to 10.5 percent for Fiscal Years 2010-11 and 2011-12) to a maximum of $16,500. Participants who are age 50 and older, and contributing the maximum amount allowable, were allowed to make an additional $5,500 contribution in 2010, for total contributions of $22,000. Contributions and earnings are tax deferred. At December 31, 2010, the plan had 18,215 participants.

PERA also offers a voluntary 401k plan entirely separate from the defined benefit pension plan, the deferred compensation plan, and the defined contribution plan. Certain agencies and institutions of the State offered 403(b) or 401(a) plans.

10. Other Postemployment Benefits:

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. The Funds contributed $6,200, $16,500, and $17,600 as required by statute in Fiscal Years 2010-11, 2009-10, and 2008-09, 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, 2010, there were 48,455 enrolled participants, including spouses and dependents, from all contributors to the plan. At December 31, 2010, the Health Care Trust Fund had an unfunded actuarial accrued liability of $1.35 billion, a funded ratio of 17.5 percent, and a 42-year amortization period. The actuarial valuation was based on the entry age cost method, an 8 percent investment rate of return, a 4.5 percent projection of salary increases (assuming a 0.75 percent inflation rate), a 3.5 percent annual medical claims increase, no post-retirement benefit increases, and a level dollar amortization on an open basis over 30 years.

11. Risk Management:

Self Insurance

The State of Colorado currently self-insures its agencies, officials, and employees for the risks of losses to which they are exposed. That includes general liability, motor vehicle liability, and worker's compensation. The State Risk Management Fund is a restricted General Fund used for claims adjustment, investigation, defense, and authorization for the settlement and payment of claims or 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 are as follows:

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

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

Furniture and Equipment

The State of Colorado carries a $15,000 deductible replacement policy on all state owned furniture and equipment. For each loss incurred, CollegeInvest is responsible for the first $5,000 of the deductible and the State of Colorado is responsible for the next $10,000 of the deductible. Any loss in excess of $15,000 is covered by the insurance carrier up to replacement cost.

12. Net Assets:

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

Invested in capital assets consists of capital assets, net of accumulated depreciation. The Funds have no debt outstanding related to capital assets. As of June 30, 2011 and 2010, the Funds had invested in capital assets of $11,000 and $67,000, respectively.

12. Net Assets (continued):

Restricted assets include net assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The Funds had restricted net assets of $52.8 million and $66.4 million as of June 30, 2011 and 2010, respectively. As of June 30, 2011 and 2010, the Bond Funds and the Financial Need Scholarship Fund are restricted by statute for the purpose of paying for ongoing costs of the Nelnet sale agreement, transition costs of the student loan program and for need based financial aid. The CEAS Trust restricts net assets to uses prescribed under Senate Bill 05-003 to pay for costs of implementing, marketing, and administering the Scholarship Program for the purpose specifically outlined in the statute. In the Borrower Benefit Fund, as of June 30, 2010 under the Participation Program, the principal, interest receivable and revenues associated with the student loans are restricted for payment of the related liability to the USDE.

Unrestricted net assets consist of net assets that do not meet the definition of invested in capital assets or restricted net assets. As of June 30, 2011 and 2010, the Funds had unrestricted net assets of $25.7 million and $13.5 million, respectively. Although the Funds report unrestricted net assets on the face of the statement of net assets, unrestricted net assets are to be used by CollegeInvest for the payment of obligations incurred by CollegeInvest in carrying out its statutory powers and duties and are to remain in the Fund and not be transferred or revert to the general fund of the State of Colorado as outlined in 23.3-1-205.4 of the CRS.

13. Department of Education Review:

The USDE performed a review of CollegeInvest in May 2006. As a result, CollegeInvest received a finding from the USDE regarding under billing of 9.5% Floor Special Allowance Payments (Floor SAP) of approximately $13.6 million. Special Allowance Payments (SAP) is a government subsidy paid to student loan lenders which is designed to ensure a competitive return on student loans. Floor SAP eligible student loans receive a 9.5% total return. Student loans financed with tax-exempt bond proceeds originally issued prior to October 1, 1993 generally are eligible for Floor SAP. The under billing identified in the review began in the quarter ended March 31, 1999. CollegeInvest received Floor SAP payments of $6.6 million of during the fiscal year ended June 30, 2011 as the full settlement for the under billing.

Clifton Gunderson LLP
Certified Public Accountants & Consultants

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

Members of the Legislative Audit Committee:

We have audited the financial statements of the business-type activities and each major fund of CollegeInvest (a division of the Department of Higher Education, State of Colorado) Student Loan Program Fund as of and for the year ended June 30, 2011, and have issued our report thereon dated December 8, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control 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 material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of 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 internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

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

Clifton Gunderson LLP

Greenwood Village, Colorado
December 8, 2011

Required Communications to the Legislative Audit Committee

December 8, 2011

Members of the Legislative Audit Committee

This letter is to provide you with information about significant matters related to our audit of the financial statements of CollegeInvest Student Loan Program Funds for the year ended June 30, 2011.

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

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

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

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

Consultations with Other Accountants. We were informed by management that they made no consultations with other accountants on the application of generally accepted accounting 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 Student Loan Program Funds are described in Note 1 to the financial statements. There were no significant accounting policies or their application which were either initially selected or changed during the year.

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

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

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

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

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

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

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

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

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

COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
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Office of the State Auditor
www.state.co.us/auditor

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

Report Control Number 2113B-11