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

FINANCIAL AND COMPLIANCE AUDITS
Fiscal Years Ended June 30, 2015 and 2014

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BKD LLP
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Members of the Legislative Audit Committee:

We have completed the financial statement audit of the Colorado Student Loan Program dba College Assist, Department of Higher Education, State of Colorado (College Assist), as of and for the year ended June 30, 2015. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

We were engaged to conduct our audit pursuant to Section 2-3-103, C.R.S., which authorizes the State Auditor to conduct or cause to be conducted audits of all departments, institutions and agencies of state government. The reports that we have issued as a result of this engagement are set forth in the table of contents, which follows.

BKD, LLP

December 4, 2015

TABLE OF CONTENTS

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
Fiscal Years Ended June 30, 2015 and 2014

Purposes and Scope of Audit

The Office of the State Auditor engaged BKD, LLP (BKD) to conduct a financial and compliance audit of the Colorado Student Loan Program dba College Assist, Department of Higher Education, State of Colorado (College Assist) for the year ended June 30, 2015. BKD performed the audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations.*

The purpose of the audit was to:

- Express opinions on the financial statements of College Assist as of and for the year ended June 30, 2015, including consideration of internal control over financial reporting as required by auditing standards generally accepted in the United States of America and *Government Auditing Standards*.

- Evaluate compliance with certain provisions of laws, regulations, contracts and grants governing the expenditure of federal and state funds for the year ended June 30, 2015.

- Issue a report on College Assist's compliance with certain provisions of laws, regulations, contracts and grants on internal control over financial reporting based on our audit of the financial statements performed in accordance with *Government Auditing Standards*.

College Assist's schedule of expenditure of federal awards and applicable opinions thereon, issued by the Office of the State Auditor, are included in the Statewide Single Audit Report issued under separate cover.

Audit Opinions and Reports

The independent auditor's report, included herein expressed unmodified opinions on College Assist's financial statements and remaining fund information as of and for the year ended June 30, 2015.

No material weaknesses in internal control over financial reporting were identified.

No instances of noncompliance considered material to the financial statements were disclosed by the audit.

We noted one other matter related to potential noncompliance with state statute. This area is discussed in the Auditor's Findings and Recommendations section of this report.

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
Fiscal Years Ended June 30, 2015 and 2014

Summary of Audit Recommendation

College Opportunity Fund Administration

There was one finding related to potential noncompliance with state statute. The finding related to a Memorandum of Understanding (MOU) between College Assist and the Colorado Department of Higher Education (DHE) in relation to the administration of the College Opportunity Fund (COF) program (see Recommendation No. 1 in this report).

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
Fiscal Years Ended June 30, 2015 and 2014

Recommendation Number	Page Number	Recommendation Summary	Response	Implementation Date
1	8	College Assist should consult with the Attorney General to make a determination as to whether the memorandum with DHE regarding the administration of COF was within statutory authority. If not, and if College Assist wants to continue the arrangement, it should work with the General Assembly to seek a statutory change.	Agree	Immediate

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
Fiscal Years Ended June 30, 2015 and 2014

Background on College Assist

Colorado Student Loan Program dba College Assist was created by an act of the Colorado Legislature in July 1979. College Assist is a self-supporting enterprise of the State of Colorado and does not receive any State appropriations to fund operations.

Federal Family Education Loan Program

The primary mission of College Assist is to assist Colorado residents with planning for college and supporting lenders and Colorado institutions of higher education by administering the Federal Family Education Loan program (FFEL) for the U.S. Department of Education (DE) in accordance with Federal regulations established pursuant to *Title IV, Part B, of the Higher Education Act of 1965 (P.L. 89-329) as amended,* (20 U.S.C. 1071 *et seq)* (the Act or HEA). Effective July 1, 2010, the FFEL program was terminated as a result of enactment of the Health Care and Education Reconciliation Act of 2010. No new loans can be originated or guaranteed under this program; however, College Assist continues to guarantee and service its existing loan portfolio.

College Assist utilizes a third-party service provider, NLS Holding Co., LLC, (NLS Holding or the service provider), a wholly owned subsidiary of Nelnet, Inc. with its principal offices in Lincoln, Nebraska. NLS Holding was created for the purpose of holding guarantor servicing operations and subcontracts the appropriate guarantor services defined under the original agreement with College Assist to Nelnet Guarantor Solutions, LLC (NGS), a wholly owned subsidiary of NLS Holding. Through an administrative support agreement with NLS Holding, NGS performs all day-to-day operational support services related to guaranty operations on behalf of College Assist. Under the oversight of College Assist, NGS assists with activities in accordance with the Lender Participation Agreements, maintenance of the guaranty computer system, data exchange, and other agreed upon services. The NLS Holding agreement, as amended, expires on October 31, 2015. College Assist completed a Request for Proposal and has awarded the third-party servicing of its portfolio to Educational Credit Management Corporation (ECMC) effective November 1, 2015.

Under the Lender Participation Agreements, College Assist insures the lender against financial loss from default, disability, death, or bankruptcy. The Federal government serves as the reinsurer. If College Assist must reimburse a lender for an uncollectible loan, it files a claim for reimbursement with the DE pursuant to §428(c)(1) and §682.404(a). Default claims paid by College Assist are reimbursed by the DE at 95%.

Through its partnership with College Assist, NGS assists borrowers with default prevention activities and outsources collection activities of defaulted loans on behalf of and under the oversight of College Assist. With termination of the FFEL program, College Assist will continue to provide guaranty-related services to borrowers.

Since inception of College Assist in 1979, approximately $21.5 billion of net loans have been guaranteed. The total net outstanding loan portfolio at June 30, 2015 is $8.6 billion. The existing FFEL program loans consist of Stafford (Subsidized and Unsubsidized), Parent Loans for Undergraduate Students (PLUS), Federal Supplemental Loans (SLS), and Consolidation Loans with balances as described below:

Loan Type	**Net Guaranteed**	**Net Outstanding**
	(In billions)	
Federal Stafford Loans	$ 7.38	$ 0.81
Federal PLUS Loans	0.68	0.07
Federal Supplemental Loans	0.32	-
Federal Consolidation Loans	13.11	7.73
Loan Type Total	$ 21.49	$ 8.61

Financial Literacy and Outreach

As allowed under its contract with the DE, College Assist funds the College In Colorado (CIC) financial literacy and outreach program. CIC was initiated by the Colorado Department of Higher Education (DHE), which serves the citizens of the State of Colorado by promoting access to, affordability of, and success in higher education for all students. CIC is charged with helping all Coloradans explore career and education pathways, break down barriers to postsecondary attainment, and create a plan for their postsecondary and workforce success. The CIC team reaches out to students, parents, educators and workforce centers through ongoing events and training opportunities, as well as providing practical tools to assist every student in Colorado in furthering his or her education past high school. CIC may also receive and expend grant money from other organizations to fulfill its purpose. All of CIC's grant revenue and operating expenses are reported in College Assist's Operating Fund.

College Opportunity Fund (Fiduciary Fund)

The College Opportunity Fund (COF) is a private purpose trust fund, established by Colorado State Statute. As allowed under its contract with the DE, College Assist funds the Colorado Opportunity Fund administrative operations. The College Opportunity Fund's activities are accounted for in a fiduciary fund that resides with the State. On an annual basis, the Colorado General Assembly appropriates funds to the Department of Higher Education for purposes of supporting the stipend payments of the College Opportunity Fund.

Background

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

Each eligible student receives 145 lifetime credit hours that may be applied toward the cost of total in-state tuition for undergraduate degree programming. Student eligibility is defined under Colorado Revised Statute (C.R.S.) Section 23-18-102.5(a). Undergraduate students enrolled at state colleges are eligible if they are classified as in-state students for tuition purposes. Undergraduate students enrolled at participating private colleges or universities *may* be eligible if the college or university is approved for participation in the College Opportunity Fund by the Colorado Commission on Higher Education (CCHE) and the student is classified as an in-state student for tuition purposes, is a graduate of a Colorado high school or has successfully completed a non-public home-based educational program in Colorado as defined under C.R.S. 22-33-104.5, is financially eligible by demonstrating financial need through the student's eligibility for the federal Pell grant, is not pursuing a professional degree in theology; and meets any other eligibility requirements established by the CCHE.

There are no caps on the number of credit hours that a student may take in any given academic year. Students who are unable to complete a baccalaureate degree within 145 credit hours may apply for a one-time waiver of their lifetime credit hour allocation. Those students who exhaust their lifetime credit hour cap and are not provided a waiver will be required to pay the full cost of in-state tuition for the completion of their degree.

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

Financial Aid

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

Students Attending Private Institutions

A portion of the COF was established to provide Pell-eligible students attending selected private institutions the ability to receive one-half of the stipend per credit hour established each academic year.

Performance Contracts

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

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

Fee-for-Service Contracts

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

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
Fiscal Years Ended June 30, 2015 and 2014

Current Year Findings and Recommendations

College Opportunity Fund Administration

After the end of Fiscal Year 2015, effective July 1, 2015, the Colorado Student Loan Program dba College Assist entered into an intra-division memorandum of understanding (the Memorandum) with the Colorado Department of Higher Education (DHE) to provide administration of the College Opportunity Fund (COF).

The COF is a program of DHE providing a state-funded tuition stipend to eligible undergraduate students in Colorado and is administered by College Assist under *Colorado Revised Statute (CRS) 23-18-201*. The Memorandum indicates that College Assist is statutorily located within DHE and authorized by the *Code of Federal Regulations (CFR) 34 Section 682.401(f) and Section 682.423 (C)(1)(vii)* to financially support college access initiatives. Under the terms of the Memorandum, College Assist will provide funding to DHE for:

- Salaries and benefits of two COF administrative staff
- DHE administration for items and services directly related to administration and promotion of the COF program
- Rent for COF administration
- Salary and benefits for IT support of the COF database and system

Prior to this Memorandum, these personnel (and the related costs) were paid directly by College Assist.

What was the purpose of the audit work?

The purpose of the audit work was to evaluate the impact of the assignment of the COF responsibilities to the DHE.

What audit work was performed and how were results measured?

As a matter of legal interpretation, audit procedures were limited to inquiry and discussion with the Office of the State Auditor and management of College Assist, as well as review of applicable State statutes. Statutes specifically require College Assist to administer the College Opportunity Fund Program.

> Section 23-18-201(1), C.R.S. states: "There is hereby created in the Department of Higher Education the College Opportunity Fund Program, which shall be administered by the Colorado Student Loan Program [College Assist]."

> Section 23-18-202(1)(b)(I), C.R.S. states: "The Colorado Student Loan Program [College Assist] shall administer and disburse the funds in the College Opportunity Fund on behalf of eligible undergraduate students as provided in this part 2."

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
Fiscal Years Ended June 30, 2015 and 2014

What problem did the audit work identify?

The Memorandum contains various provisions related to DHE's "COF administration" and "COF administration unit" and College Assist's reimbursement of the related expenses. The Memorandum outlines the funding that College Assist will provide for COF administration, as previously mentioned, and the administrative process of that funding; however, it does not outline any COF administrative responsibilities that College Assist retains. It is unclear if there is statutory authority for College Assist to transfer all or part of the administration of the College Opportunity Fund to the DHE through a memorandum of understanding. Therefore, we were unable to determine if College Assist is complying with State statutes related to the College Opportunity Fund.

Why did the problem occur?

College Assist management indicated that they believe that they are in compliance with the COF statute. Specifically, they reported that, while the DHE employees and related costs facilitate the COF processes, the administration of stipend receipts and payments continues to be managed by College Assist personnel and all costs, including those related to these employees transferred to DHE, are paid by College Assist and subject to College Assist's oversight.

College Assist did not seek an opinion from the Colorado Attorney General's office regarding College Assist's statutory authority to outsource a portion of the administration of the program.

Why does this problem matter?

It is essential for State agencies to comply with established statutory requirements in order to ensure that they function in accordance with the legislative intent of the program. Without providing assurance that it is functioning within its statutory authority, College Assist cannot demonstrate to the General Assembly that they are meeting the legislative intent of the College Opportunity Fund.

(Classification of Finding: Not Classified – not an internal control issue.)

Recommendation No. 1:

College Assist should consult with the Attorney General to make a determination as to whether entering into the Memorandum with the Department of Higher Education regarding the administration of the College Opportunity Fund was within its statutory authority. If the Attorney General determines that it was not, if College Assist wants to continue this arrangement, it should work with the General Assembly to seek a statutory change to allow the arrangement.

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
Fiscal Years Ended June 30, 2015 and 2014

Response:

Agree. Implementation date: Immediately. College Assist will consult with the Attorney General to make a determination regarding the administration of the College Opportunity Fund (COF) and its statutory authority to outsource the administration of the Fund to the Colorado Department of Higher Education by January 31, 2016. Based on the determination, College Assist will continue the outsourcing arrangement, if approved. If not approved, College Assist will either discontinue the outsourcing arrangement or seek a statutory change in the 2016 legislative session to move the administration of the Fund to the Colorado Department of Higher Education, based on the recommendation of the Executive Director of the Colorado Department of Higher Education. If a legislative change is not obtained, the COF administration will move back to College Assist effective July 1, 2016.

BKD LLP
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Independent Auditor's Report

Members of the Legislative Audit Committee:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the fiduciary activities of the Colorado Student Loan Program dba College Assist, Department of Higher Education, State of Colorado (College Assist), an enterprise fund of the State of Colorado, as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise College Assist's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the fiduciary activities of College Assist as of June 30, 2015 and 2014 and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1, the financial statements of College Assist are intended to present the financial position, the changes in financial position and, where applicable, cash flows of only that portion of the business-type activities and the fiduciary activities of the State of Colorado that is attributable to the transactions of College Assist. They do not purport to, and do not, present fairly the financial position of the State of Colorado as of June 30, 2015 and 2014, and the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 11 to the financial statements, in 2015, the System adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27.*

Our opinions are not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise College Assist's basic financial statements. The combining schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2015, on our consideration of College Assist's internal control over financial reporting and 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* in considering College Assist's internal control over financial reporting and compliance.

BKD, LLP

Denver, Colorado
December 4, 2015

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
Fiscal Years Ended June 30, 2015 and 2014

The Management's Discussion and Analysis (MD&A) is required by Governmental Accounting Standards. It was prepared by the Colorado Student Loan Program dba College Assist management and is designed to provide an analysis of College Assist's financial condition and operating results for the fiscal years ended June 30, 2015 and 2014. The MD&A also informs the reader of the financial issues and activities related to College Assist. It should be read in conjunction with College Assist's financial statements, which begin on page 22.

College Assist is a state agency that assists Colorado residents with planning for college and provides loan guarantee, default aversion and prevention, and collection services on behalf of private and non-profit lenders participating in the Federal Family Education Loan (FFEL) program pursuant to Title IV, Part B of the Higher Education Act of 1965 (P.L. 89-329), as amended (20 U.S.C. 1071 et seq*)* (HEA). Effective July 1, 2010, the FFEL program was eliminated as a result of enactment of the Health Care and Education Reconciliation Act of 2010. As of this date, no new loans can be originated or guaranteed under this program. However, College Assist continues to guarantee and service its existing loan portfolio.

As allowed under its contract with the DE, College Assist funds the College In Colorado (CIC) financial literacy and outreach program. CIC was initiated by the Colorado Department of Higher Education (DHE), which serves the citizens of the State of Colorado by promoting access to, affordability of, and success in higher education for all students. CIC is charged with helping all Coloradans explore career and education pathways, break down barriers to postsecondary attainment, and create a plan for their postsecondary and workforce success. The CIC team reaches out to students, parents, educators and workforce centers through ongoing events and training opportunities, as well as providing practical tools to assist every student in Colorado in furthering his or her education past high school. All of CIC's grant revenue and expenses are reported in College Assist's Operating Fund.

The College Opportunity Fund (COF) is a private purpose trust fund, established by Colorado State Statute. As allowed under its contract with the DE, College Assist funds the Colorado Opportunity Fund's administrative operations. The College Opportunity Fund's activities are accounted for in a fiduciary fund that resides with the State. On an annual basis, the Colorado General Assembly appropriates funds to the Colorado Department of Higher Education for purposes of supporting the stipend payments of the College Opportunity Fund.

Basic Financial Statements

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

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

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

The Statements of Cash Flows present information related to cash inflows and outflows summarized by operating, capital and related financing, and investing activities. Operating activities represent the day-to-day activities of College Assist. Investing activities represent investment earnings on pooled cash investments. Capital and related financing activities represent acquisitions of capital assets.

Financial Overview

College Assist is an enterprise fund of the State of Colorado and is reported as one fund in the financial statements in accordance with generally accepted accounting principles. However, College Assist's activities are accounted for in two separate funds—the Agency Operating Fund and the Federal Reserve Fund. Management's discussion and analysis will focus on these funds in order to better describe the operations of the entity. The Agency Operating Fund is the property of the guaranty agency, except during periods in which the Operating Fund contains funds owed to the Federal Reserve Fund. As of June 30, 2015 and 2014, the Agency Operating Fund did not contain funds owed to the Federal Reserve Fund. Per the HEA, the Agency Operating Fund may be used for guaranty agency related activities, financial aid awareness and related outreach activities, and other student financial aid related activities. COF is a Fiduciary Fund and is presented separately from College Assist.

Assets of the Federal Reserve Fund are designated for paying lender claims, transfer of default aversion fees to the Agency Operating Fund, refund of appropriate payments made by or on behalf of a borrower, paying the DE's share of borrower payments, refunding insurance premiums related to loans cancelled or refunded to the lender, returning to the DE portions of the Federal Reserve Fund required to be returned by the HEA, and for any other purpose authorized by the DE. The assets of the Federal Reserve Fund are restricted for use as directed by the Federal government.

College Assist utilizes a third-party service provider, NLS Holding Co., LLC (NLS Holding) to provide operational support services related to guaranty agency operations. Nelnet Guarantor Solutions, LLC (NGS), per a servicing agreement with NLS Holding, performs activities in accordance with Lender Participation Agreements. Lenders conducting business with College Assist are required to complete Lender Participation Agreements, agreeing to comply with requirements of the HEA. Services performed by NGS include maintenance of the guaranty computer system, data exchange, and other agreed upon services on behalf of College Assist. As part of this agreement, NLS Holding and College Assist share revenue receipts at 80% and 20%, respectively.

In January 2010, College Assist entered into a Rehabilitation Loan Purchase Agreement with National Education Loan Network, Inc., (Nelnet) to sell to Nelnet eligible rehabilitated loans. The agreement has been subsequently amended as follows:

Amendment	Date	Stafford, PLUS, and GradPLUS Discount/(Premium)	Consolidation Discount/(Premium)
4th	January 1, 2013	3.00 - 3.75%	2.50 - 4.50%
5th	April 1, 2013	2.00 - 2.70%	0.08 - 2.75%
6th	March 6, 2014	0.50 - 2.70%	2.75 – (1.50)%
7th	August 25, 2014	(.71)%	(1.50)%
8th	June 30, 2015	.50 – 0.00%	.75 – (1.00)%

As of June 30, 2015, 2014 and 2013 total rehabilitated loan sales to Nelnet were $138.8, $192.1 and $150.9 million, respectively. The agreement terminated on September 30, 2015.

Management Highlights

Despite the termination of the FFEL program, College Assist continues to guarantee and service its existing loan portfolio**.** The net loan portfolio (net outstanding loans guaranteed) decreased by 7.5% from $9.3 billion in fiscal year 2014 to $8.6 billion in fiscal year 2015. The net outstanding loans are computed by subtracting loan cancellations, loans paid in full, claims paid, loans transferred out to the DE, and uninsured loans from the gross loan volume. The decrease is due to a maturing portfolio.

Agency Operating Fund

CONDENSED SCHEDULE OF NET POSITION

June 30,	Agency Operating Fund 2015	2014	2013
ASSETS			
Current Assets	$ 69,093,263	$ 65,406,389	$ 46,399,992
Capital Assets	323,756	396,360	347,637
Total Assets	69,417,019	65,802,749	46,747,629
DEFERRED OUTFLOWS OF RESOURCES			
Pension outflows	248,936	-	-
Total Deferred Outflows	248,936	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 69,665,955	$ 65,802,749	$ 46,747,629
LIABILITIES			
Current Liabilities	$ 5,749,866	$ 9,370,041	$ 7,243,505
Noncurrent Liabilities	5,059,154	76,700	92,910
Total Liabilities	10,809,020	9,446,741	7,336,415
DEFERRED INFLOWS OF RESOURCES			
Pension inflows	534,568	-	-
Total Deferred Inflows	534,568	-	-
NET POSITION			
Net investment in Capital Assets	323,756	396,360	347,637
Unrestricted	57,998,611	55,959,648	39,063,577
Total Net Position	58,322,367	56,356,008	39,411,214
TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	$ 69,665,955	$ 65,802,749	$ 46,747,629

Net Position Analysis

Condensed Schedule of Net Position – Fiscal Year 2015

Net position of the Agency Operating Fund increased 3.5% from $56.4 million to $58.3 million in fiscal year 2015. Net position increased due to the program's positive operating revenue. Total assets and deferred outflows of resources increased 5.9% as compared to the prior year increase of 40.8%. See the revenue and expense analysis below.

Total liabilities increased by $1.4 million, or 14.4%. As of June 30, 2015, College Assist adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and recorded a $5.0 net pension liability. The net pension liability was not recorded as of June 30, 2014. The pension outflows in the asset section and pension inflows in the liability section are also a result of adopting GASB Statement No. 68. The adoption of GASB Statement No. 68 also resulted in a restatement that reduced net position at July 1, 2014 by $5,428,266. See Note 11 – Defined Benefit Pension Plan for more details regarding the new standard. The increase in the net pension liability was offset by a decrease of $3.6 million in fees payable to NLS Holdings for decreased collections revenue resulting from the July 1, 2014 enactment of the *Amendments to the Balanced Budget and Emergency Deficit Control Act of 1985.* This Act decreased the amount guaranty agencies can collect and retain on rehabilitated loan sales.

Condensed Schedule of Net Position – Fiscal Year 2014

Net position of the Agency Operating Fund increased 43.0% from $39.4 million to $56.4 million in fiscal year 2014. Net position increased primarily due to the increase in collection revenue resulting from increased rehabilitated loan sales and a decrease in the transfer to the Federal Reserve Fund to meet the 0.25% minimum Federal Reserve requirement. Total assets increased 40.8% as compared to the prior year increase of 19.4% primarily due to an increase in cash collected from the increase in collections revenue.

Total liabilities increased by $2.1 million, or 28.8%, primarily due to fees payable to NLS Holdings for increased collections revenue resulting from increased rehabilitated loan sales. Rehabilitated loan sales have increased due to incentives offered to outside collection agencies for borrowers to complete rehabilitation programs.

CONDENSED SCHEDULE OF REVENUES

	Agency Operating Fund		
Years Ended June 30,	**2015**	**2014**	**2013**
OPERATING REVENUES			
Federal Grants and Contracts, net	$ 5,093,551	$ 13,149,814	$ 10,967,958
Interest on Loan Sales	5,532,375	7,900,106	3,788,088
Other Grant Revenue	1,492,675	320,022	159,999
Rehabilitated Loan Premium	1,445,413	56,227	-
Other	51,727	35,899	90,837
Total Operating Revenues	13,615,741	21,462,068	15,006,882
Nonoperating Revenues			
Earnings/(loss) on Investments	504,234	692,002	(34,004)
TOTAL REVENUES	$ 14,119,975	$ 22,154,070	$ 14,972,878

Revenue Analysis

Condensed Schedule of Revenues – Fiscal Year 2015

Federal Grants and Contracts net revenue decreased by $8.1 million, or 61.3%, in fiscal year 2015 compared to fiscal year 2014. The decrease was primarily due to the July 1, 2014 enactment of the *Amendments to the Balanced Budget and Emergency Deficit Control Act of 1985,* which decreased the amount guaranty agencies can collect and retain on rehabilitated loan sales. Approximately $35.7 million of both collections and federal fee revenue was shared directly with NLS Holding.

As of June 30, 2014 and 2015 Interest on Loan Sales decreased from $7.9 million to $5.5 million, respectively, due to the decrease in rehabilitated loan sales from $192.1 million to

$138.8 million. Sales of rehabilitated loans resulted in a net premium of $1.4 million in fiscal year 2015, as compared with a net premium of $56,000 in fiscal year 2014. College Assist amended the rehabilitated loan sales contract with Nelnet in both August 2014 and June 2015. The August 2014 amended agreement offered a premium on all loan types for the majority of the fiscal year, while in 2013, all loans were sold at a discount.

Condensed Schedule of Revenues – Fiscal Year 2014

Federal Grants and Contracts net revenue increased by $2.2 million or 19.9% in fiscal year 2014 compared to fiscal year 2013. The increase was primarily due to an increase in collections revenue resulting from increased rehabilitated loan sales. Approximately $69.5 million of both collections and federal fee revenue was shared directly with NLS Holding.

CONDENSED SCHEDULE OF EXPENSES

	Agency Operating Fund		
Years Ended June 30,	**2015**	**2014**	**2013**
OPERATING EXPENSES			
Rehabilitated Loan Discount	$ -	$ -	$ 992,901
Salaries and Benefits	1,919,757	2,010,334	2,017,205
Operating	3,158,314	2,684,404	2,495,985
Depreciation	84,435	76,907	11,944
Total Operating Expenses	5,162,506	4,771,645	5,518,035
NONOPERATING EXPENSES			
Interfund Transfers	1,562,844	437,631	3,197,517
TOTAL EXPENSES	$ 6,725,350	$ 5,209,276	$ 8,715,552

Expense Analysis

Condensed Schedule of Expenses – Fiscal Year 2015

Salaries and fringe benefits remained relatively consistent between fiscal years 2014 and 2015. Operating expenses increased due to additional grant funds received for the CIC outreach program. Interfund transfers generally include cash transfers to the Federal Reserve Fund to meet the minimum required reserve balance, offsetting default aversion fees and related rebates. Interfund transfers increased $1.1 million or 257.1% in fiscal year 2015 due to a decrease in offsetting Default Aversion transfers received from the Federal Fund to the Operating Fund.

Condensed Schedule of Expenses – Fiscal Year 2014

Sales of rehabilitated loans resulted in a net premium of $56,000 in fiscal year 2014. College Assist amended the rehabilitated loan sales contract with Nelnet in March 2014. The amended agreement called for a decrease in the discount on Stafford, Plus, and Grad Plus loans and a portion of Consolidation loans. A portion of the Consolidation loans now receive a premium instead of a discount. The premium received on the consolidation loans exceeded the discounts on the other loans and therefore resulted in a net premium. Salaries and fringe benefits and operating expenses remained relatively consistent between years. Interfund transfers generally include cash transfers to the Federal Reserve Fund to meet the minimum required reserve balance, default aversion fees and related rebates. Interfund transfers decreased $2.8 million or 86.3% in fiscal year 2014 due to increased complement (portion of collection revenue retained by the Federal Fund) received on collections and decreased claim payments in the Federal Fund.

Federal Reserve Fund

CONDENSED SCHEDULE OF NET POSITION

	Federal Reserve Fund		
June 30,	**2015**	**2014**	**2013**
ASSETS			
Restricted Assets	$ 42,472,100	$ 52,827,244	$ 64,270,297
Total Assets	$ 42,472,100	$ 52,827,244	$ 64,270,297
LIABILITIES			
Current Liabilities	$ -	$ 20,531	$ 6,506,908
Liabilities Payable from Restricted Assets	21,069,268	29,388,811	33,594,230
Total Liabilities	21,069,268	29,409,342	40,101,138
NET POSITION			
Restricted	21,402,832	23,417,902	24,169,159
Total Net Position	21,402,832	23,417,902	24,169,159
TOTAL LIABILITIES AND NET POSITION	$ 42,472,100	$ 52,827,244	$ 64,270,297

Net Position Analysis

Condensed Schedule of Net Position – Fiscal Year 2015

Total assets decreased in fiscal year 2015 by $10.4 million, or 19.6%, due primarily to an increase in payments of default claims.

Total liabilities decreased in fiscal year 2015 by $8.3 million, or 28.4%, primarily due to a $9.9 million decrease in the claims accrual at year-end as compared to the prior year which was offset by an increase of $1.6 million in outstanding claims.

Condensed Schedule of Net Position – Fiscal Year 2014

Total assets decreased in fiscal year 2014 by $11.4 million, or 17.8%, due to the timing of $10.8 million in claims payments processed on June 30, 2014.

Total liabilities decreased in fiscal year 2014 by $10.7 million, or 26.7%, primarily due to a decrease of $6.5 million in outstanding claims and a $4.0 million decrease in the claims accrual at year-end as compared to the prior year.

CONDENSED SCHEDULE OF REVENUES

	Federal Reserve Fund		
Years Ended June 30,	**2015**	**2014**	**2013**
OPERATING REVENUES			
Federal Reinsurance	$ 287,384,639	$ 258,349,545	$ 330,097,991
Complement Received on Collections	6,442,194	7,474,724	6,162,775
Total Operating Revenues	293,826,833	265,824,269	336,260,766
Nonoperating Revenues			
Earnings on Investments	301,396	428,564	47,621
Interfund Transfers	1,562,844	437,631	3,197,517
TOTAL REVENUES	$ 295,691,073	$ 266,690,464	$ 339,505,904

Revenue Analysis

Condensed Schedule of Revenues – Fiscal Year 2015

Federal Reinsurance (reimbursements from the DE on defaulted loans) increased in fiscal year 2015 by $29.0 million, or 11.2%, from $258.3 million in 2014 to $287.4 million in 2015. The increase is primarily due to an increase in default claims due to a maturing portfolio. Complement on collections is the percentage of collection revenue that is required to be retained in the Federal Reserve Fund. Complement on collections decreased by approximately $1.0 million in fiscal year 2015 due to decreased rehabilitated loan sales.

Condensed Schedule of Revenues – Fiscal Year 2014

Federal Reinsurance (reimbursements from the DE on defaulted loans) decreased in fiscal year 2014 by $71.7 million, or 21.7%, from $330.1 million in 2013 to $258.3 million in 2014. The decrease is primarily due to a reduction in default claims due to a maturing portfolio and changes in collection techniques. Complement on collections increased by approximately $1.3 million in fiscal year 2014 due to the increase in the portion of collections retained in the Federal Reserve Fund from increased rehabilitated loan sales.

CONDENSED SCHEDULE OF EXPENSES

	Federal Reserve Fund		
Years Ended June 30,	**2015**	**2014**	**2013**
OPERATING EXPENSES			
Guarantee Claims Paid to Lending Institutions	$ 297,706,143	$ 267,441,721	$ 342,823,044
Total Operating Expenses	297,706,143	267,441,721	342,823,044
TOTAL EXPENSES	$ 297,706,143	$ 267,441,721	$ 342,823,044

Expense Analysis

Condensed Schedule of Expenses – Fiscal Year 2015

Guarantee claims paid to lending institutions under College Assist's Lender Participation Agreements increased by $30.3 million, or 11.3%, from $267.4 million in fiscal year 2014 to $297.7 million in fiscal year 2015, due to an increase in claims volume submitted for reinsurance. In attempts to prevent a default claim, default aversion assistance is provided to lenders upon request when a borrower falls at least sixty days in arrears on his or her student loan payment. Additionally, assistance is provided to students and parents to understand their rights, responsibilities, and the options available to avoid default.

Condensed Schedule of Expenses – Fiscal Year 2014

Guarantee claims paid to lending institutions under College Assist's Lender Participation Agreements decreased by $75.4 million, or 22.0%, from $342.8 million in fiscal year 2013 to $267.4 million in fiscal year 2014, due to a declining portfolio and changes in collection techniques.

Economic Facts and Conditions for the Future

Effective July 1, 2010, the *Health Care and Education Reconciliation Act of 2010* terminated the FFEL program and all new federally guaranteed student loans are now originated under the Federal Direct Loan Program. Elimination of new loan guarantees under the FFEL program resulted in reductions in revenues for both the Agency Operating Fund and the Federal Reserve Fund of College Assist in the prior three years.

All revenues related to loan origination and disbursements were eliminated. In addition, the 1% federal default fee charged on all new loans was eliminated. The default fee was deposited into the Federal Reserve Fund, and was intended to provide sufficient funds to maintain the minimum reserve requirement of 0.25%. For combined fiscal years 2015 and 2014, the Agency Operating Fund has transferred $4.0 million to maintain the Federal Reserve requirement. Current projections for future years indicate transfers from the Agency Operating Fund to the Federal Reserve Fund will continue to be required to meet the minimum required balance.

The DE has contracted with College Assist to provide guarantee services under the *Higher Education Act of 1965* and may only terminate the agreement for cause, or may suspend the agreement in order to prevent substantial harm to federal interests. Failure to maintain the minimum reserve requirements could result in the suspension and/or termination of this agreement.

In September 2013, College Assist submitted a Voluntary Flexible Agreement (VFA) proposal in partnership with NGS. The proposal was in response to Federal Register, Vol. 78, No. 157 issued August 14, 2013. College Assist is awaiting communication from the DE regarding the proposal. There is no deadline for the DE to respond to the VFA proposals. If accepted, College Assist will operate under the requirements of the VFA in lieu of the guaranty agency agreements established under sections 428(b) and (c) of the HEA. A VFA may provide that the guaranty agency will earn revenues and fees in a manner different than that provided under the regular guaranty agency agreements under sections 428(b) and (c) of the HEA. This alternative structure could mean increased revenue to College Assist over a greater period of time. The overall cost to the Federal government of the VFA cannot exceed the cost to the government under the regular guaranty agency agreements. As part of a VFA with the guaranty agency, the Secretary may waive or modify statutory and regulatory requirements as necessary, except that the Secretary may not waive any statutory requirements related to the terms and conditions attached to the student loans or to default claim amounts paid to FFEL Program lenders. If College Assist's proposal is not accepted, there are no changes to current operating procedures or revenues anticipated in the foreseeable future.

Effective July 1, 2014, guaranty agency rehabilitation revenues were reduced as a result of enactment of the *Amendments to the Balanced Budget and Emergency Deficit Control Act of 1985*. In prior years, guaranty agencies charged borrowers collections costs equal to 18.5% of the outstanding principal and interest on rehabilitated loan sales. The Act lowered the collection fee to 16%. In addition, guaranty agencies were able to retain 18.5% of principal balance as collection revenue at the time of the rehabilitation sale. This rate decreased to zero, thus requiring the agency to return 100% of the federal default reinsurance payment to the Department of Education.

Financial Contact

If you have any questions about this report, please contact:

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

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
COMBINED PROPRIETARY FUNDS
STATEMENTS OF NET POSITION
June 30, 2015 and 2014

ASSETS AND DEFERRED OUTFLOWS

	2015	2014
CURRENT ASSETS		
Cash and pooled cash investments	$ 67,513,170	$ 63,638,249
Federal fees receivable	1,341,143	1,436,883
Other receivables, net	209,951	313,896
Prepaid expenses	28,999	17,361
Total current assets	69,093,263	65,406,389
RESTRICTED ASSETS		
Restricted cash and pooled cash investments	10,863,084	7,941,830
Federal reinsurance receivable	31,609,016	44,885,414
Total restricted assets	42,472,100	52,827,244
CAPITAL ASSETS		
Computer hardware and software	478,677	440,322
Leasehold improvements	49,619	76,143
Total capital assets	528,296	516,465
Less accumulated depreciation	(204,540)	(120,105)
Capital assets, net	323,756	396,360
TOTAL ASSETS	111,889,119	118,629,993
DEFERRED OUTFLOWS OF RESOURCES		
Pension investments	102,186	-
Pension contributions after measurement date	146,750	-
Total deferred outflows	248,936	-
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 112,138,055	$ 118,629,993

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
COMBINED PROPRIETARY FUNDS
STATEMENTS OF NET POSITION
June 30, 2015 and 2014

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

	2015	2014
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 333,725	$ 855,082
Other current liabilities	5,312,641	8,452,990
Accrued compensated absences	103,500	82,500
Total current liabilities	5,749,866	9,390,572
LIABILITIES PAYABLE FROM RESTRICTED ASSETS		
Claims due to lenders	13,409,452	23,308,138
Loan collections and other liabilities due to federal government	7,659,816	6,080,673
Total liabilities payable from restricted assets	21,069,268	29,388,811
NONCURRENT LIABILITIES		
Accrued compensated absences	47,600	76,700
Net pension liability	5,011,554	-
Total noncurrent liabilities	5,059,154	76,700
Total liabilities	31,878,288	38,856,083
DEFERRED INFLOWS OF RESOURCES		
Pension experience gains and losses	371	-
Pension proportionate share	534,197	-
Total deferred inflows	534,568	-
NET POSITION		
Net investment in capital assets	323,756	396,360
Restricted	21,402,832	23,417,902
Unrestricted	57,998,611	55,959,648
Total net position	79,725,199	79,773,910
TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	$ 112,138,055	$ 118,629,993

See Notes to Financial Statements

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
COMBINED PROPRIETARY FUNDS
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Years Ended June 30, 2015 and 2014

	2015	2014
OPERATING REVENUES		
Federal grants and contracts		
Federal reinsurance	$ 287,384,639	$ 258,349,545
Collections on loans and bankruptcies	35,320,331	76,834,640
Federal fee revenue	5,482,663	5,812,251
Complement received on collections	6,442,194	7,474,724
Amount paid to service provider	(35,709,443)	(69,497,077)
Grant revenue	1,492,675	320,022
Rehabilitated loan premium	1,445,413	56,227
Interest on loan sales	5,532,375	7,900,106
Other revenues	51,727	35,899
Total operating revenues	307,442,574	287,286,337
OPERATING EXPENSES		
Guarantee claims paid to lending institutions	297,706,143	267,441,721
Salaries and benefits	1,919,757	2,010,334
Operating	3,158,314	2,684,404
Depreciation	84,435	76,907
Total operating expenses	302,868,649	272,213,366
OPERATING INCOME	4,573,925	15,072,971
NONOPERATING REVENUES		
Earnings on pooled cash investments	805,630	1,120,566
Total nonoperating revenues	805,630	1,120,566
CHANGE IN NET POSITION	5,379,555	16,193,537
NET POSITION, BEGINNING OF YEAR, AS PREVIOUSLY REPORTED	79,773,910	63,580,373
ADJUSTMENT FOR CHANGE IN ACCOUNTING PRINCIPLE	(5,428,266)	-
NET POSITION, BEGINNING OF YEAR, AS RESTATED	74,345,644	63,580,373
NET POSITION, END OF YEAR	$ 79,725,199	$ 79,773,910

See Notes to Financial Statements

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
COMBINED PROPRIETARY FUNDS
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from:		
Federal grants and contracts	$ 344,631,589	$ 339,953,653
Amount paid to service provider	(38,849,792)	(67,855,541)
Complement received on collections	6,442,194	7,474,724
Interest on loan sales	5,532,375	7,900,106
Rehabilitated loan premium	1,445,413	56,227
Other sources	155,672	(150,520)
	319,357,451	287,378,649
Cash disbursed for:		
Guarantee claims paid to lending institutions	(307,625,360)	(277,907,186)
Salaries and benefits	(2,058,937)	(2,025,144)
Operating expenses	(3,670,778)	(2,127,478)
	(313,355,075)	(282,059,808)
Net cash provided by operating activities	6,002,376	5,318,841
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of property and equipment	(8,690)	(21,300)
Purchase of leasehold improvements	26,525	(76,143)
Capitalized software development costs	(29,666)	(28,187)
Net cash used in capital and related financing activities	(11,831)	(125,630)
CASH FLOWS FROM INVESTING ACTIVITIES		
Earnings on pooled cash investments	805,630	1,120,566
Net cash provided by investing activities	805,630	1,120,566
NET CHANGE IN CASH AND POOLED CASH INVESTMENTS	6,796,175	6,313,777
CASH AND POOLED CASH INVESTMENTS, BEGINNING OF YEAR	71,580,079	65,266,302
CASH AND POOLED CASH INVESTMENTS, END OF YEAR	$ 78,376,254	$ 71,580,079
NONCASH INVESTING ACTIVITIES		
Unrealized gains	$ 296,980	$ 384,902

See Notes to Financial Statements

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
COMBINED PROPRIETARY FUNDS
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2015 and 2014

	2015	2014
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$ 4,573,925	$ 15,072,971
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	84,435	76,907
Effects of changes in net assets and liabilities:		
Receivables	13,476,083	(1,322,893)
Prepaid expenses	(11,638)	73,326
Accounts payable and accrued liabilities	(521,357)	(6,002,777)
Other current liabilities	(3,140,349)	1,641,536
Loan collections and other liabilities due to federal government	1,579,143	(226,331)
Claims paid to lenders	(9,898,686)	(3,979,088)
Accrued compensated absences	(8,100)	(14,810)
Pension liability and related items	(131,080)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 6,002,376	$ 5,318,841

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Colorado Student Loan Program dba College Assist is a self-supporting Enterprise Fund of the State of Colorado. It was established as an entity of the Colorado Department of Higher Education pursuant to Title 23, Article 3.1, Part 1, Colorado Revised Statutes (CRS), 1973, as amended and was created July 1, 1979 by statute. College Assist's legal name is Colorado Student Loan Program, which became effective July 1, 2006, per CRS 23-3.1-106 (1)(b), as amended. College Assist administers the Federal Family Education Loan (FFEL) program, consisting of Stafford Loans, Parent Loans for Undergraduate Students (PLUS), Supplemental Loans for Students (SLS), and the Consolidation Loans Program (CLP). As part of the FFEL program, College Assist guarantees loans made by lending institutions to students attending postsecondary schools, in compliance with operating agreements (Agreements) with the U.S. Department of Education (DE), pursuant to Section 428 of the Higher Education Act (HEA) of 1965, as amended. Effective July 1, 2010, the FFEL program was eliminated as a result of enactment of the Health Care and Education Reconciliation Act of 2010. As of this date, no new loans can be originated or guaranteed under this program. College Assist continues to guarantee and service its existing loan portfolio.

College Assist 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.

Under the HEA, College Assist provides funding for the College In Colorado (CIC) outreach program. CIC was initiated by the Colorado Department of Higher Education (DHE), which serves the citizens of the State of Colorado by promoting access to, affordability of, and success in higher education for all students. CIC is charged with helping all Coloradans explore career and education pathways, break down barriers to postsecondary attainment, and create a plan for their postsecondary and workforce success. The CIC team reaches out to students, parents, educators and workforce centers through ongoing events and training opportunities, as well as providing practical tools to assist every student in Colorado in furthering his or her education past high school. All of CIC's grant revenue and expenses are reported in College Assist's Operating Fund as of June 30, 2015 and 2014.

The College Opportunity Fund (COF) is a private purpose trust fund, established by Colorado State Statute. As allowed under its contract with the DE, College Assist funds COF administrative operations. The COF's stipend activities are accounted for in a fiduciary fund that resides with the State and is reported separately. On an annual basis, the Colorado General Assembly appropriates funds to the Department of Higher Education for purposes of supporting the stipend payments of the College Opportunity Fund.

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

Basis of Accounting and Presentation

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

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

The basic financial statements of College Assist present the financial position, results of operations, and, where applicable, cash flows for only the entity. They do not purport to, and do not present, the financial position of the State of Colorado as of June 30, 2015 and 2014, or the results of operations, or cash flows where applicable, for the years then ended.

Adoption of New Accounting Standard

Effective July 1, 2014, College Assist adopted the provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* (Statement No. 68). Statement No. 68 requires College Assist, as a participant in the multi-employer cost-sharing PERA defined benefit retirement program to record its proportionate share, as defined in Statement No. 68 of PERA's unfunded pension liability. College Assist has no legal obligation to fund this shortfall, nor does it have any ability to affect funding, benefit, or annual required contribution decisions made by PERA or the General Assembly.

Use of Estimates in Preparation of Financial Statements

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

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

Cash and Pooled Cash Investments

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

Receivables

Amounts due from the DE are reported as federal fees receivable and federal reinsurance receivable. Other receivables, net are loans purchased from lenders and are reported net of the estimated allowance for uncollectible accounts. Receivables that are restricted in nature are reported as such in the financial statements.

Capital Assets

Depreciable capital assets are recorded at cost on the date of acquisition. College Assist's capitalization policy is $5,000 or more per individual piece of equipment with an estimated useful life of greater than one year.

Depreciation is charged using a straight-line method over the estimated useful lives of the assets. Generally, furniture, equipment, and software are depreciated over three to ten years. Leasehold improvements are depreciated over the lesser of five years or the life of the lease. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and resulting gains or losses are recorded as nonoperating revenues or expenses.

Deferred Outflows of Resources

With the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27,* College Assist now carries a deferred outflows of resources related to pensions.

Liabilities

Amounts due within one year are reported as current liabilities. Amounts owed after one year are reported as noncurrent liabilities. Liabilities payable from restricted assets are distinguished as such in the financial statements.

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

Compensated Absences

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

Pensions

College Assist participates in the State Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employee’s Retirement Association of Colorado (PERA). The net pension liability, deferred outflows of resources, and deferred inflows of resources, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the SDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Deferred Inflows of Resources

With the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27,* College Assist now carries deferred inflows of resources related to Pensions.

Net Position

The net position of College Assist is classified as follows:

Invested in capital assets: This balance represents College Assist’s net investment in capital assets.

Restricted net position: Restricted net position represents resources derived from guaranty services provided to lenders for student loan default activity. College Assist is contractually obligated to spend or reserve these resources in accordance with restrictions imposed by the FFEL program.

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

Unrestricted net position: Unrestricted net position represents resources derived from services provided to borrowers, lenders, and collection activities. These resources are used to pay the operating costs of College Assist.

Classification of Revenues and Expenses

College Assist has classified its revenues and expenses as either operating or nonoperating. Operating revenues and expenses generally result from providing services or incurring expenses in connection with College Assist's principal activities. Nonoperating revenues and expenses include transactions such as interest earned on deposits and loss on disposal of capital assets.

Loan Defaults

Student loans guaranteed by College Assist that subsequently default are eligible for reinsurance from the DE. Claims are paid to the lending institution for defaults, death, disabilities and bankruptcies. Once a claim is paid to a lender, College Assist becomes the holder of the loan and seeks to collect on the loan from the DE. College Assist collects payments on student loans for defaults and bankruptcies on behalf of the DE. A guaranty agency may charge a borrower reasonable costs incurred to collect on defaulted loans per CFR 682.410(b)(2). The collection cost rate charged to borrowers was 19.58% on regular default borrower payments (excluding Federal consolidations of FFEL default loans and rehabilitations), in fiscal years 2015 and 2014.

Federal consolidations of FFEL default loans and rehabilitations are subject to a collection cost rate charge limit equal to the lesser of the rate computed per the formula in 34 CFR 30.60 or the rate assessed if the loan is held by the DE. For these loans, College Assist charges a one-time consolidation and rehabilitation fee to borrowers of 18.5% and 16%, respectively, as allowed per Federal regulations.

Loans that meet certain criteria are subrogated or assigned to the DE. The U.S. Treasurer's Offset Program is utilized to pursue collections of these defaulted loans. Under this program, Federal income tax refunds are applied or offset against defaulted student loans.

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

Federal Reinsurance

College Assist is subject to applicable statutorily defined Federal reinsurance rates. Statutory Federal reinsurance on defaulted loans is paid according to the following schedule:

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

The rate of annual losses (defaults), also known as the ‘trigger rate” for purposes of the application for Federal reinsurance, is a result of the year-to-date incurred losses divided by the original amount of guaranteed loans in repayment status at the beginning of the year. Default claims are subject to certain “trigger figures,” which may result in reduced Federal reinsurance rates. When the annual rate of losses (defaults) exceeds 5% of the loans in repayment, it “triggers” the DE to reimburse College Assist a reduced reinsurance rate. College Assist’s annual rate of losses (defaults) or trigger rate for the federal fiscal years ended September 30, 2015 and 2014 did not exceed 5%.

Budgets and Budgetary Accounting

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

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

In summary, total budgeted operating revenues for the Agency Operating Fund and Federal Reserve Fund were $18.8 million and $339.9 million, respectively, as compared with actual operating revenues of $13.6 million and $293.8 million, respectively, for the fiscal year ended June 30, 2015. Total budgeted operating expenses for those funds were $8.5 million and $348.3 million, respectively, as compared with actual operating expenses of $5.2 million and $297.7 million, respectively, for the fiscal year ended June 30, 2015.

Total budgeted operating revenues for the Agency Operating Fund and Federal Reserve Fund were $16.0 million and $366.6 million, respectively, as compared with actual operating revenues of $21.5 million and $265.8 million, respectively, for the fiscal year ended June 30, 2014. Total budgeted operating expenses for those funds were $7.4 million and $373.3 million, respectively, as compared with actual operating expenses of $4.8 million and $267.4 million, respectively, for the fiscal year ended June 30, 2014.

Application of Restricted and Unrestricted Resources

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

NOTE 2 – CASH AND POOLED CASH INVESTMENTS

College Assist deposits its cash with the Colorado State Treasurer (Treasurer) as required by Colorado Revised Statutes (C.R.S.). The Treasurer pools these deposits and invests them in securities authorized by Section 24-75-601.1, C.R.S. The State Treasurer acts as a bank for all state agencies and institutions of higher education. Monies deposited with the Treasurer are invested until the cash is needed. As of June 30, 2015, College Assist had $78.1 million of cash on deposit with the Treasurer, which represented approximately 1.0% of the total $7.662 billion fair value of deposits in the State Treasurer's Pool (Pool).

For financial reporting purposes all of the Treasurer's investments are reported at fair value, which is determined based on quoted market prices at fiscal year-end. On the basis of College Assist's participation in the Pool, College Assist reports as an increase or decrease in cash for its share of the Treasurer's unrealized gains and losses on the Pool's underlying investments. The State Treasurer does not invest any of the Pool's resources in any external investment pool, and there is no assignment of income related to participation in the Pool. The unrealized gains/losses included in income reflect only the change in fair value for the fiscal year.

Investments in the Treasurer's Pool are exposed to custodial credit risk if the securities are uninsured, are not registered in the state's name, and are held by either the counterparty to the investment purchase or the counterparty's trust department or agent but not in the state's name.

NOTE 2 – CASH AND POOLED CASH INVESTMENTS (CONTINUED)

As of June 30, 2015, none of the investments in the State Treasurer's Pool are subject to custodial credit risk.

Credit quality risk is the risk that the issuer or other counterparty to a debt security will not fulfill its obligations. This risk is assessed by national rating agencies that assign a credit quality rating for many investments. Credit quality ratings for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not reported; however, credit quality ratings are reported for obligations of U.S. government agencies that are not explicitly guaranteed by the U.S. government. Based on these parameters, as of June 30, 2015, approximately 88.0% of investments of the Treasurer's Pool are subject to credit quality risk reporting. Except for $87.4 million of corporate bonds rated lower medium and $25.0 million of corporate bonds rated very speculative, these investments are rated from upper medium to the highest quality, which indicates that the issuer has strong capacity to pay principal and interest when due.

Interest rate risk is the risk that changes in the market rate of interest will adversely affect the value of an investment. In addition to statutory limitations on the types of investments, the State Treasurer's investment policy mitigates interest rate risk through the use of maturity limits set to meet the needs of the individual fund if the Treasurer is investing for a specific fund rather than the Pool. The Treasurer actively manages the time to maturity in reacting to changes in the yield curve, economic forecasts, and liquidity needs of the participating funds. The Treasurer further limits investment risk by setting a minimum/maximum range for the percentage of investments subject to interest rate risk and by laddering maturities and credit ratings. As of June 30, 2015, the weighted average maturity of investments in the Treasurer's Pool is 0.063 years for Commercial Paper (6.3% of the Pool), 1.339 years for U.S. Government Securities (47.5% of the Pool), 2.528 years for Asset Backed Securities (18.5% of the Pool), 2.196 years for Corporate Bonds (22.9% of the Pool), and 0.010 years for Money Market Mutual Funds (4.8% of the Pool).

The Treasurer's Pool was not subject to foreign currency risk or concentration of credit risk in Fiscal Year 2014-15.

Additional information on investments of the Pool may be obtained in the State's Comprehensive Annual Financial Report for the year ended June 30, 2015.

NOTE 2 – CASH AND POOLED CASH INVESTMENTS (CONTINUED)

The following summarizes cash and pooled cash investments:

	2015	2014
Cash on deposit with State Treasurer	$ 78,079,074	$ 71,194,977
State Treasurer pooled cash investments – unrealized gain	296,980	384,902
Cash on hand with State Treasurer	78,376,054	71,579,879
Petty cash	200	200
Total	$ 78,376,254	$ 71,580,079

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

	2015	2014
Cash and pooled cash investments	$ 67,513,170	$ 63,638,249
Restricted cash and pooled cash investments	10,863,084	7,941,830
Total	$ 78,376,254	$ 71,580,079

NOTE 3 – FEDERAL FEES RECEIVABLE

Federal fees receivable are fees due from the DE for Account Maintenance Fees earned to manage the loan portfolio.

NOTE 4 – OTHER RECEIVABLES, NET

Other receivables, net primarily includes purchased student loans. These represent loans not eligible for reinsurance by the DE. Loans not eligible for reinsurance must be purchased by College Assist and become an asset of College Assist. Purchased student loan balances were $1.5 million at June 30, 2015 and 2014. An allowance for uncollectible loans equal to 93% of the purchased loans receivable balance is recorded at $1.4 million at June 30, 2015 and 2014. The allowance rate is based on historical collection activity for purchased student loans. Also included in other receivables, net are two grant receivables from the Colorado Community College System.

NOTE 5 – CAPITAL ASSETS

A summary of changes in capital assets is as follows for the years ended June 30, 2015 and 2014:

	Balance June 30, 2014	Additions	Disposals	Balance June 30, 2015
Computer software	$ 326,620	$ 8,690	$ -	$ 335,310
Computer hardware	113,702	29,666	-	143,368
Leasehold improvements	76,143	-	(26,525)	49,618
Total	516,465	38,356	(26,525)	528,296
Less: Accumulated depreciation	(120,105)	(84,435)	-	(204,540)
Capital assets, net	$ 396,360	$ (46,079)	$ (26,525)	$ 323,756

	Balance July 1, 2013	Additions	Disposals	Balance June 30, 2014
Computer software	$ 305,320	$ 21,300	$ -	$ 326,620
Computer hardware	85,515	28,187	-	113,702
Leasehold improvements	-	76,143	-	76,143
Total	390,835	125,630	-	516,465
Less: Accumulated depreciation	(43,198)	(76,907)	-	(120,105)
Capital assets, net	$ 347,637	$ 48,723	$ -	$ 396,360

NOTE 6 – ACCRUED LIABILITIES

Under CRS 24-75-201, salaries and wages earned during the months of June 2015 and 2014 are to be paid in July of the following fiscal year. An accrued liability was recorded as of June 30, 2015 and 2014 of approximately $123,000 and $163,000, respectively, for incurred but unpaid salaries and wages. The liability is included in accounts payable and accrued liabilities on the accompanying statements of net position.

NOTE 7 – OTHER CURRENT LIABILITIES

Other current liabilities consist primarily of fees due to NGS of $5.1 million and $8.3 million, and loan servicing liabilities of approximately $83,800 and $105,000 for fiscal years 2015 and 2014, respectively.

NOTE 8 – NONCURRENT LIABILITIES

During the fiscal years ended June 30, 2015 and 2014, the following changes occurred with noncurrent liabilities:

	Balance June 30, 2014	Increases	Decreases	Balance June 30, 2015	Amounts Due Within One Year
Accrued compensated absences	$ 159,200	$ 201,961	$ (210,061)	$ 151,100	$ 103,500
Net pension liability	-	5,565,807	(554,253)	5,011,554	-
Total	$ 159,200	$ 5,767,768	$ (764,314)	$ 5,162,654	$ 103,500

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014	Amounts Due Within One Year
Accrued compensated absences	$ 174,010	$ 172,581	$ (187,391)	$ 159,200	$ 82,500
Total	$ 174,010	$ 172,581	$ (187,391)	$ 159,200	$ 82,500

NOTE 9 – RELATED-PARTY TRANSACTIONS

CollegeInvest was established in 1979 as a division of the Colorado Department of Higher Education. Effective January 6, 2006, the Director of CollegeInvest was appointed the Director of College Assist. Although CollegeInvest and College Assist 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 College Assist) retains the ability to enforce contractual obligations against the other.

College Assist shares the cost of human resources, accounting, information systems personnel, and other administrative and operating expenses with CollegeInvest under the terms of two separate Memorandums of Understanding (MOUs), expiring on June 30, 2015, renewable annually. These MOUs were renewed for the year ending June 30, 2016.

NOTE 10 – COMMITMENTS

Statutory Federal Reserve Fund Requirements

College Assist is required by Federal regulations and State statute to maintain a minimum Federal Reserve Fund balance of 0.25% of the unpaid balance of net outstanding loans to meet future default claims as of September 30 each year. College Assist has met this requirement as of September 30, 2015 and 2014.

Commitment

College Assist entered into an agreement with the Colorado Department of Higher Education (DHE) to fund certain activities for CIC and the COF Program effective July 1, 2015. College Assist has agreed to reimburse actual expenses up to $5,977,677 over a five year period not to exceed $1.8 million in any one year.

Loan Guarantees

The net outstanding principal balance of student loans guaranteed by College Assist at June 30, 2015 and 2014 is approximately $8.6 billion and $9.3 billion, respectively.

Generally, guaranteed defaulted loans are reimbursed by the DE at a minimum rate of 95%. Defaulted loans (claims) are subject to certain trigger figures (trigger rate) which may result in a reduced reimbursement rate. The trigger rate is calculated as of September 30 of each year for purposes of determining the reimbursement rate applicable for the subsequent year.

When the default claim losses exceed 5% of the loans in repayment, it triggers DE to reimburse the default claim at a reduced amount. If the default losses exceed 9%, the reimbursement is reduced further. If College Assist exceeds the threshold trigger rate of 9%, it may be liable for up to a maximum of 25% of the default claim losses. College Assist did not exceed either trigger rate for the periods ended September 30, 2015 or 2014. The trigger rate for the periods ended September 30, 2015 and 2014 was 2.45% and 1.94%, respectively. Any liability that may result would be capped at College Assist's total net position.

NOTE 11 – DEFINED BENEFIT PENSION PLAN

Plan Description

Eligible employees of College Assist are provided with pensions through the State Division Trust Fund (SDTF) a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits Provided

PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

The lifetime retirement benefit for all eligible retiring employees under the PERA Benefit Structure is the greater of the:

- Highest average salary multiplied by 2.5% and then multiplied by years of service credit

- The value of the retiring employee's member contribution account plus a 100% match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

The service retirement benefit is limited to 100% of highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50% or 100% on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether five years of service credit has been obtained and the benefit structure under which contributions were made.

NOTE 11 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs), referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 receive an annual increase of 2%, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2% or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2% or the average CPI-W for the prior calendar year, not to exceed 10% of PERA's Annual Increase Reserve for the SDTF.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

Contributions

Eligible employees and College Assist are required to contribute to the SDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, et seq. Eligible employees are required to contribute 8% of their PERA-includable salary. The employer contribution requirements for all employees except State Troopers are summarized in the table below:

NOTE 11 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

	Fiscal Year 2013		Fiscal Year 2014		Fiscal Year 2015	
	CY12	CY13		CY14		CY15
	7-1-12 to 12-31-12	1-1-13 to 6-30-13	7-1-13 to 12-31-13	1-1-14 to 6-30-14	7-1-14 to 12-31-14	1-1-15 to 6-30-15
Employer Contribution Rate	10.15%	10.15%	10.15%	10.15%	10.15%	10.15%
Amount of Employer Contribution Apportioned to the Heath Care Trust Fund as specified in C.R.S. Section 24-51-208(1)(f)	-1.02%	-1.02%	-1.02%	-1.02%	-1.02%	-1.02%
Amount Apportioned to the SDTF	9.13%	9.13%	9.13%	9.13%	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. Section 24-51-411	3.00%	3.40%	3.40%	3.80%	3.80%	4.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S., Section 24-51-411	2.50%	3.00%	3.00%	3.50%	3.50%	4.00%
Total Employer Contribution Rate to the SDTF	14.63%	15.53%	15.53%	16.43%	16.43%	17.33%

Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42)

Employer contributions are recognized by the SDTF in the period in which the compensation becomes payable to the member and College Assist is statutorily committed to pay the contributions to the SDTF. Employer contributions recognized by the SDTF from College Assist were $300,289, $293,516 and $223,123 for the years ended June 30, 2015, 2014 and 2013, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, College Assist reported a liability of $5.0 million for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013. Standard update procedures were used to roll forward the total pension liability to December 31, 2014. College Assist's proportion of the net pension liability was based on College Assist's contributions to the SDTF for the calendar year 2014 relative to the total contributions of participating employers to the SDTF.

At December 31, 2014, College Assist's proportion was 0.05%, which was a decrease of 0.01% from its proportion measured as of December 31, 2013. The College Assist proportionate share includes an allocated value for the shared employee cost with CollegeInvest. See Note 9.

NOTE 11 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

For the year ended June 30, 2015, College Assist recognized pension expense of $169,200. At June 30, 2015, College Assist reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ —	$ 371
Net difference between projected and actual earnings on pension plan investments	102,186	—
Changes in proportion and differences between contributions recognized and proportionate share of contributions	—	534,197
Contributions subsequent to the measurement date	146,750	—
Total	$ 248,936	$ 534,568

College Assist reported $146,800 as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	
2016	$ (260,300)
2017	(223,200)
2018	25,000
2019	25,000

NOTE 11 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Assumptions

The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Price inflation	2.80%
Real wage growth	1.10%
Wage inflation	3.90%
Salary increases, including wage inflation	3.90% – 9.57%
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50%
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to January 1, 2007	2.00%
PERA Benefit Structure hired after December 31, 2006 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back one year, and Females set back two years.

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA's Board on November 13, 2012, and an economic assumption study, adopted by PERA's Board on November 15, 2013 and January 17, 2014.

The SDTF's long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the most recent analysis of the long-term expected rate of return, presented to the PERA Board on November 15, 2013, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

NOTE 11 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Asset Class	Target Allocation	10 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	26.76%	5.00%
U.S. Equity – Small Cap	4.40%	5.19%
Non U.S. Equity – Developed	22.06%	5.29%
Non U.S. Equity – Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Gov't/Credit	0.53%	1.57%
Emerging Marking Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
Total	100.00%	

* In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.50%

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the fixed statutory rates specified in law, including current and future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Based on those assumptions, the SDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

NOTE 11 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Sensitivity of College Assist's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	$6.4 million	$5.0 million	$3.8 million

Pension Plan Fiduciary Net Position

Detailed information about the SDTF's fiduciary net position is available in PERA's comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

To the extent practical, changes made to comply with Statement No. 68 should be presented as a restatement to the fiscal year 2014 financial statements. However, PERA did not provide the information required to restate College Assist's fiscal year 2014 financial statements; therefore, the impact of adoption of Statement No. 68 is shown as a cumulative effect adjustment to Net Position, beginning of the year, in fiscal year 2015. The impact of the adoption of Statement No. 68 is detailed below:

Net position, beginning of year	$79,773,910
Cumulative effect of change in accounting principal for GASB 68	(5,428,266)
Net position, beginning of year, as restated	$74,345,644

College Assist's proportionate share of PERA's net pension liability directly reduces unrestricted net position. Beginning unrestricted net position of $79.8 million was reduced by the cumulative effect of adopting Statement No. 68.

NOTE 11 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Prior to the adoption of Statement No. 68, the requirements of Statement No. 27. *Accounting for Pensions by State and Local Governmental Employers* and Statement No. 50, *Pension Disclosures – an amendment of GASB Statements No. 25 and No. 27,* were followed as part of participating in the multi-employer cost-sharing PERA programs. The focus of the previously followed GASB statements was the pension costs, while the focus of Statement No. 68 is the liability and the unfunded status of the pension plan.

NOTE 12 – OTHER RETIREMENT PLANS

Defined Contribution Retirement Plan (DC Plan)

Employees of the State of Colorado that were hired on or after January 1, 2006 and employees of certain community colleges that were hired on or after January 1, 2008 which were eligible to participate in the SDTF, a cost-sharing multiple-employer defined benefit pension plan, have the option to participate in the SDTF or the Defined Contribution Retirement Plan (PERA DC Plan). The PERA DC Plan is an Internal Revenue Code Section 401(a) governmental profit-sharing defined contribution plan. Title 24, Article 51, Part 15 of the C.R.S., as amended, assigns the authority to establish Plan provisions to the PERA Board of Trustees. The DC Plan is also included in PERA's comprehensive annual financial report as referred to above.

Funding Policy – All participating employees in the PERA DC Plan are required to contribute 8.00% of their PERA-includable salary and the State of Colorado is required to contribute 10.15% of PERA-includable salary on behalf of these employees. Additionally, the State of Colorado is required to contribute AED and SAED to the SDTF as follows:

	Fiscal Year 2013		Fiscal Year 2014		Fiscal Year 2015	
	CY12	CY13		CY14		CY15
	7-1-12 to 12-31-12	1-1-13 to 6-30-13	7-1-13 to 12-31-13	1-1-14 to 6-30-14	7-1-14 to 12-31-14	1-1-15 to 6-30-15
Amortization Equalization Disbursement (AED) as specified in C.R.S. Section 24-51-411	3.00%	3.40%	3.40%	3.80%	3.80%	4.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S., Section 24-51-411	2.50%	3.00%	3.00%	3.50%	3.50%	4.00%
Total Employer Contribution Rate to the SDTF	5.50%	6.40%	6.40%	7.30%	7.30%	8.20%

Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42)

NOTE 12 – OTHER RETIREMENT PLANS (CONTINUED)

Contribution requirements are established under Title 24, Article 51, Section 1505 of the C.R.S., as amended. Participating employees of the PERA DC Plan are immediately vested in their own contributions and investment earnings and are immediately 50% vested in the amount of employer contributions made on their behalf. For each full year of participation, vesting of employer contributions increases by 10%. Forfeitures are used to pay expenses of the PERA DC Plan in accordance with PERA Rule 16.08 as adopted by the PERA Board of Trustees in accordance with Title 24, Article 51, Section 204 of the C.R.S. As a result, forfeitures do not reduce pension expense. Employer contributions recognized by the PERA DC Plan from College Assist were $15,563, $12,666 and $1,201 for the years ended June 30, 2015, 2014 and 2013, respectively.

401(k) Defined Contribution Plan

Employees of College Assist that are also members of the SDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S., as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available comprehensive annual financial report for the Program. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy

The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended.

NOTE 12 – OTHER RETIREMENT PLANS (CONTINUED)

457 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 2014, participants were allowed to make contributions of up to 100% of their annual gross salary (reduced by their 8% PERA contribution) to a maximum of $17,500. Participants who are age 50 and older and contributing the maximum amount allowable were allowed to make an additional $5,500 contribution in 2014, for total contributions of $23,000. Contributions and earnings are tax deferred. At December 31, 2014, the plan had 17,738 participants.

College Assist made contributions to other retirement plans totaling $0 for the years ended June, 2015 and 2014.

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS

Health Care Trust Fund

College Assist contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF and sets forth a framework that grants authority to the PERA Board to contract, self-insure and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at www.copera.org/investments/pera-financial-reports.

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Funding Policy

College Assist is required to contribute at a rate of 1.02% of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for College Assist are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ended June 30, 2015, 2014 and 2013, College Assist contributions to the HCTF were $13,100, $16,600 and $12,380, respectively, equal to their required contributions for each year.

NOTE 14 – FEDERAL AND STATE LEGISLATIVE IMPACTS ON COLLEGE ASSIST

Effective July 1, 2010, the FFEL program was eliminated as a result of enactment of the *Health Care and Education Reconciliation Act of 2010.* Guaranty agencies may no longer guarantee new student loan originations under the FFEL program. New loan originations will be made under the Federal Direct Loan Program. Elimination of the FFEL program will have a significant impact on and reduction of revenues earned by College Assist in the future. Current projections for future years indicate significant transfers from the Agency Operating Fund to the Federal Reserve Fund will be required to meet the Federal Reserve minimum required balance.

Effective July 1, 2014, guaranty agency rehabilitation revenues were reduced as a result of enactment of the Amendments to the Balanced Budget and Emergency Deficit Control Act of 1985. In prior years, guaranty agencies charged borrowers collections costs equal to 18.5% of the outstanding principal and interest on rehabilitated loan sales. The Act lowered the collection fee to 16%. In addition, guaranty agencies were able to retain 18.5% of principal balance as collection revenue at the time of the rehabilitation sale. This rate decreased to zero, thus requiring the agency to return 100% of the federal default reinsurance payment to the Department of Education.

NOTE 15 – RISK MANAGEMENT

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

NOTE 15 – RISK MANAGEMENT (CONTINUED)

College Assist participates in the Risk Management Fund of the State of Colorado. Agency premiums are based on an assessment of risk exposure and historical experience. Liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount of claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. There were no significant reductions or changes in insurance coverage from the prior year in any of the above mentioned risk management arrangements. Settlements did not exceed insurance coverage in any of the past three fiscal years.

NOTE 16 – SIGNIFICANT OPERATING AGREEMENTS

On November 1, 2005, College Assist entered into an agreement with NLS Holding to expand its existing relationship with NGS, a wholly owned subsidiary of NLS Holding. Under this expanded agreement, NGS operates all aspects of the guaranty servicing operations on behalf of College Assist. This represents a large portion of College Assist's guaranty business operations.

The agreement also requires that NLS Holding be responsible for all operating expenses associated with the expanded servicing contract. This includes, but is not limited to, personnel, operating, rent, and other expenses normally associated with operating a guaranty agency.

NLS Holding receives 80% of the revenue earned from the DE in performing these services. College Assist retains 20% of the fees to pay for contract monitoring, financial and regulatory reporting, and related activities under the agreement. The term of the contract and its related amendment expires on October 31, 2015.

NOTE 16 – SIGNIFICANT OPERATING AGREEMENTS (CONTINUED)

In January 2010, College Assist entered into a Rehabilitation Loan Purchase Agreement with National Education Loan Network, Inc. (Nelnet) to purchase eligible rehabilitated loans at a discount. The agreement has been subsequently amended as follows:

Amendment	Date	Stafford, PLUS, and GradPLUS Discount	Consolidation Discount/(Premium)
4th	January 1, 2013	3.00-3.75%	2.50-4.50%
5th	April 1, 2013	2.00-2.70%	0.08-2.75%
6th	March 6, 2014	0.50-2.70%	2.75 – (1.50)%
7th	August 25, 2014	(.71)%	(1.50)%
8th	June 30, 2015	.50 – 0.00%	.75 – (1.00)%

As of June 30, 2015, 2014 and 2013, total rehabilitated loan sales to Nelnet were $138.8, $192.1 and $150.9 million, respectively. The agreement terminated on September 30, 2015.

On June 30, 2015, College Assist entered into an agreement with Educational Credit Management Corporation (ECMC) to operate all aspects of the guaranty servicing operations on behalf of College Assist effective November 1, 2015. ECMC will receive 55% of the revenue earned from the DE in performing these services. College Assist will retain 45% of the fees to pay for contract monitoring, financial and regulatory reporting, and related activities under the agreement. The term of the contract and its related amendment is for ten years, expiring on October 31, 2025, and can be renewed for a second ten-year term if both parties agree.

NOTE 17 – SUBSEQUENT EVENTS

The Department of Education's Office of the Inspector General (OIG) issued an audit report on September 29, 2014 covering the Federal Student Aid's (FSA) oversight of guaranty agencies during the wind-down of the Federal Family Education Loan Program (FFELP). The report states that the methodology that FSA uses to calculate agency compliance with the statutory 25 basis point minimum reserve ratio is flawed. In response to the audit report, the FSA said it will cease adding in allowances and other noncash charges beginning with the Federal Fiscal Year 2015 calculation. The change in the methodology resulted in a one-time transfer on September 30, 2015 from the Operating Fund to the Federal Fund of $6.3 million.

Effective July 1, 2015, certain activities for CIC and the COF Program were transferred to the Colorado Department of Education (DHE) College Assist has agreed to further fund CIC and COF Program expenses through a Memorandum of Understanding with DHE. See Note 10 for future commitments.

REQUIRED SUPPLEMENTARY INFORMATION

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
Fiscal Years Ended June 30, 2015 and 2014

RSI - Schedule of College Assist's Proportionate Share of the Net Pension Liability

	2015	2014
College Assist's proportion of the net pension liability (asset)	0.053%	0.062%
College Assist's proportionate share of the net pension liability (asset)	$ 5,011,554	$ 5,565,807
College Assist's covered-employee payroll	$ 1,580,449	$ 1,769,292
College Assist's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	317.10%	314.58%
Plan fiduciary net position as a percentage of the total pension liability (asset)	59.84%	61.08%

Information above is presented as of the measurement date
Information is not currently available for prior years; additional years will be displayed as they become available

RSI - Schedule of College Assist's Contributions

	2015	2014
Contractually required contribution	$ 300,289	$ 293,516
Contributions in relation to the contractually required contribution	300,289	293,516
Contribution deficiency (excess)	$ -	$ -
College Assist's covered-employee payroll	$ 1,778,960	$ 1,836,770
Contributions as a percentage of covered-employee payroll	16.88%	15.98%

Information above is presented as of the entity's fiscal year
Information is not currently available for prior years; additional years will be displayed as they become available

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
Fiscal Years Ended June 30, 2015 and 2014

The Management's Discussion and Analysis (MD&A) is required by Governmental Accounting Standards. The MD&A below was prepared by College Assist's management on behalf of the College Opportunity Fund (COF) and is designed to provide an analysis of the COF's financial condition and operating results for the fiscal years ended June 30, 2015 and 2014. The MD&A also informs the reader of the financial issues and activities related to the COF. It should be read in conjunction with the COF's financial statements, which begin on page 56.

Basic Financial Statements – College Opportunity Fund

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

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

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

Financial Overview

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

Management Highlights

The COF was established in fiscal year 2006 and continues to be funded through fiscal year 2015. Under CRS Article 23, Section 18, Colorado changed its funding system for public higher education to a student-stipend program known as the COF in Fall 2005. Under the current system, funds are provided to public and private higher education institutions on behalf of resident undergraduate students in the form of a stipend.

Stipend rates are set annually by the General Assembly during the State's budget process. The allocation is defined on a per-credit-hour basis where the appropriated amount is representative of a full-time student taking 30 credit hours each year. For the 2014–15 and 2013–14 academic years, the State provided each participating student with $1,980 or $66 and $1,920 or a $64 per credit hour stipend, respectively. Eligible participating students attending private higher education institutions receive one-half of the stipend.

Schedule of Net Position – Fiscal Year 2015

Restricted Net Position of the COF at year-end was $37,495. During the fiscal year, there was $290.9 million in stipend receipts appropriated to the Colorado Department of Higher Education for use under the COF statutes. Of the total amount appropriated for COF, 100% was used for stipends for Colorado students attending Colorado Higher Education Institutions. Total assets at year-end were $37,495 for unused private college funds.

Schedule of Net Position – Fiscal Year 2014

Restricted Net Position of the COF at year-end was $12,269. During the fiscal year, there was $257.1 million in stipend receipts appropriated to the Colorado Department of Higher Education for use under the COF statutes. Of the total amount appropriated for COF, 100% was used for stipends for Colorado students attending Colorado Higher Education Institutions. Total assets at year-end were $12,481 for unused private college funds due from the Colorado Department of Education and a stipend over payment receivable from one institution. Outstanding liabilities at year-end were $212 due to a cash advance from the State Controller.

Additions and Deductions – Fiscal Year 2015

During fiscal year 2015, the General Assembly appropriated stipends of $296.1 million, of which $290.1 million was paid to Colorado Higher Education Institutions for student stipends used to offset tuition costs. All State funded universities and university systems are eligible to participate in the COF program per Statute. Also included in participation are three private institutions: the University of Denver, Regis University and Colorado Christian University. Of the total amount appropriated for the COF, $1.3 million was provided to the three private institutions.

Additions and Deductions – Fiscal Year 2014

During fiscal year 2014, the General Assembly appropriated stipends of $257.1 million, of which $257.1 million was paid to Colorado Higher Education Institutions for student stipends used to offset tuition costs. All State funded universities and university systems are eligible to participate in the COF program per Statute. Also included in participation are three private institutions: the University of Denver, Regis University and Colorado Christian University. Of the total amount appropriated for the COF, $1.5 million was provided to the three private institutions.

Economic Facts and Conditions for the Future

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

During periods of revenue shortfalls, the General Assembly may use a variety of mechanisms to balance the State's budget, including changes to the COF program.

The stipend rate appropriated for the 2015–16 academic year increased to $75 per credit hour compared to the 2014–15 academic year at $66 per credit hour. As of the date of the financial statements, there has been no legislation introduced or enacted regarding significant changes to the COF.

Effective July 1, 2015, certain activities for the COF Program were transferred to DHE. College Assist has agreed to further fund COF Program expenses through a Memorandum of Understanding with DHE.

Financial Contact

If you have any questions about this report, please contact:

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

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
FIDUCIARY FUND - PRIVATE PURPOSE TRUST FUND
STATEMENTS OF FIDUCIARY NET POSITION
June 30, 2015 and 2014

ASSETS

	2015	2014
CURRENT ASSETS		
Operating cash	$ 37,495	$ -
Accounts receivable	-	12,481
Total current assets	37,495	12,481
TOTAL ASSETS	$ 37,495	$ 12,481

LIABILITIES AND NET POSITION

	2015	2014
CURRENT LIABILITIES		
Accounts payable	$ -	$ 212
Total current liabilities	-	212
NET POSITION HELD IN TRUST	37,495	12,269
Total net position	37,495	12,269
TOTAL LIABILITIES AND NET POSITION	$ 37,495	$ 12,481

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
FIDUCIARY FUND - PRIVATE PURPOSE TRUST FUND
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
For the Years Ended June 30, 2015 and 2014

	2015	2014
ADDITIONS		
Stipend receipts	$ 290,869,251	$ 257,065,386
Total additions	290,869,251	257,065,386
DEDUCTIONS		
Stipend payments	290,844,025	257,053,118
Total deductions	290,844,025	257,053,118
CHANGE IN NET POSITION	25,226	12,268
NET POSITION, BEGINNING OF YEAR	12,269	1
NET POSITION, END OF YEAR	$ 37,495	$ 12,269

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity – College Opportunity Fund

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

The financial statements of the COF include receipts and payments of the COF stipend.

Stipends are set annually by the General Assembly during the State's budget process. The allocation is defined on a credit-hour basis where the advertised amount is representative of a full-time student taking 30 credit hours each year at a public institution. For the 2014–15 academic year, the State provided each participating student with a $1,980 or $66 per credit hour stipend. For the 2013-14 academic year, the State provided each participating student with $1,920, or $64 per credit hour stipend. Eligible participating students attending Colorado private higher education institutions receive one-half of the stipend.

Basis of Accounting and Presentation

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

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

Cash

Cash consists of cash on deposit with the Colorado State Treasurer (Treasurer).

Accounts Receivable

Accounts receivable is comprised primarily of interfund receivables.

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

Net Position Held In Trust

Net position held in trust represent resources in which there is a contractual obligation to spend or reserve in accordance with the State of Colorado's COF program.

Additions and Deductions

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

Budgets and Budgetary Accounting

By statute, the COF is continuously funded through appropriations authorized and approved by the General Assembly. The appropriations budget and revisions thereto are reviewed by the Colorado Department of Higher Education. The original Long Bill appropriations, excluding adjustments, for fiscal years 2015 and 2014 were $260.6 million and $267.9 million, respectively. Total additions or (reductions) to the original appropriations including fee for service transfers for fiscal years 2015 and 2014 were $35.5 million and ($10.8) million, respectively. Final COF appropriations after adjustments for fiscal years 2015 and 2014 were $296.1 million and $257.1 million, respectively.

NOTE 2 – CASH

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

The COF had cash of $37,495 and $0 on deposit with the Treasurer at June 30, 2015 and 2014, respectively. There was no cash on hand or petty cash.

NOTE 3 – FEDERAL AND STATE LEGISLATIVE IMPACTS

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

Annually, the Colorado Department of Higher Education requests that the General Assembly adjust the amount appropriated to the COF for stipends to reflect inflation and enrollment growth in the state institutions of higher education. During periods of revenue shortfalls, the General Assembly may use a variety of mechanisms to balance the State's budget, including reducing appropriations to institutions of higher education, decreasing the value of the stipend, or placing a limit on the number of stipends funded under the CRS based upon the overall budgetary needs of the State. In fiscal year 2015, COF stipends increased to $66 per credit hour as compared to fiscal year 2014 at $64 per credit hour.

NOTE 4 – RISK MANAGEMENT

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

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

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

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

NOTE 5 – TAX, SPENDING AND DEBT LIMITATIONS

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, (commonly termed the Taxpayers Bill of Rights, or "TABOR") which has several limitations, including revenue raising, spending abilities, and other specific requirements of State and local governments. The amendment excludes from its provision Enterprise operations.

Enterprises are defined as government-owned businesses authorized to issue revenue bonds, which receive less than 10% of their annual revenue in grants from all State and local governments combined.

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

NOTE 6 – SUBSEQUENT EVENTS

Effective July 1, 2015, certain activities for CIC and the COF Program were transferred to DHE. College Assist has agreed to further fund CIC and COF Program expenses through a Memorandum of Understanding with DHE. See Note 10 for future commitments.

SUPPLEMENTARY INFORMATION

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
PROPRIETARY FUNDS
COMBINING SCHEDULES OF NET POSITION
June 30, 2015
With Comparative Totals for June 30, 2014

ASSETS AND DEFERRED OUTFLOWS

	Agency Operating Fund	Federal Reserve and Drawdown Funds	Totals 2015	Totals 2014
CURRENT ASSETS				
Cash and pooled cash investments	$ 67,513,170	$ -	$ 67,513,170	$ 63,638,249
Federal fees receivable	1,341,143	-	1,341,143	1,436,883
Other receivables, net	209,951	-	209,951	313,896
Prepaid expenses	28,999	-	28,999	17,361
Total current assets	69,093,263	-	69,093,263	65,406,389
RESTRICTED ASSETS				
Restricted cash and pooled cash investments	-	10,863,084	10,863,084	7,941,830
Federal reinsurance receivable	-	31,609,016	31,609,016	44,885,414
Total restricted assets	-	42,472,100	42,472,100	52,827,244
CAPITAL ASSETS				
Computer hardware and software	478,677	-	478,677	440,322
Leasehold improvements	49,619	-	49,619	76,143
	528,296	-	528,296	516,465
Less accumulated depreciation	(204,540)	-	(204,540)	(120,105)
Capital assets, net	323,756	-	323,756	396,360
TOTAL ASSETS	69,417,019	42,472,100	111,889,119	118,629,993
DEFERRED OUTFLOWS OF RESOURCES				
Pension investments	102,186	-	102,186	-
Pension contributions after measurement date	146,750	-	146,750	-
Total deferred outflows of resources	248,936	-	248,936	-
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 69,665,955	$ 42,472,100	$ 112,138,055	$ 118,629,993

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
PROPRIETARY FUNDS
COMBINING SCHEDULES OF NET POSITION
June 30, 2015
With Comparative Totals for June 30, 2014

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

	Agency Operating Fund	Federal Reserve and Drawdown Funds	Totals 2015	Totals 2014
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	$ 333,725	$ -	$ 333,725	$ 855,082
Other current liabilities	5,312,641	-	5,312,641	8,452,990
Accrued compensated absences	103,500	-	103,500	82,500
Total current liabilities	5,749,866	-	5,749,866	9,390,572
LIABILITIES PAYABLE FROM RESTRICTED ASSETS				
Claims due to lenders	-	13,409,452	13,409,452	23,308,138
Loan collections and other liabilities due to federal government	-	7,659,816	7,659,816	6,080,673
Total liabilities payable from restricted assets	-	21,069,268	21,069,268	29,388,811
NONCURRENT LIABILITIES				
Accrued compensated absences	47,600	-	47,600	76,700
Net pension liability	5,011,554	-	5,011,554	-
Total noncurrent liabilities	5,059,154	-	5,059,154	76,700
Total liabilities	10,809,020	21,069,268	31,878,288	38,856,083
DEFERRED INFLOW OF RESOURCES				
Pension experience gains and losses	371	-	371	-
Pension proportionate share	534,197	-	534,197	-
Total deferred inflows of resources	534,568	-	534,568	-
NET POSITION				
Net investment in capital assets	323,756	-	323,756	396,360
Restricted	-	21,402,832	21,402,832	23,417,902
Unrestricted	57,998,611	-	57,998,611	55,959,648
Total net position	58,322,367	21,402,832	79,725,199	79,773,910
TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	$ 69,665,955	$ 42,472,100	$ 112,138,055	$ 118,629,993

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
PROPRIETARY FUNDS
COMBINING SCHEDULES OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended June 30, 2015
With Comparative Totals for the Year Ended June 30, 2014

	Agency Operating Fund	Federal Reserve and Drawdown Funds	Totals 2015	Totals 2014
OPERATING REVENUES				
Federal grants and contracts				
Federal reinsurance	$ -	$ 287,384,639	$ 287,384,639	$ 258,349,545
Complement received on collections	-	6,442,194	6,442,194	7,474,724
Collections on loans and bankruptcies	35,320,331	-	35,320,331	76,834,640
Federal fee revenue	5,482,663	-	5,482,663	5,812,251
Amount paid to service provider	(35,709,443)	-	(35,709,443)	(69,497,077)
Grant revenue	1,492,675	-	1,492,675	320,022
Interest on loan sales	5,532,375	-	5,532,375	7,900,106
Rehabilitated loan premium	1,445,413	-	1,445,413	56,227
Other revenues	51,727	-	51,727	35,899
Total operating revenues	13,615,741	293,826,833	307,442,574	287,286,337
OPERATING EXPENSES				
Guarantee claims paid to lending institutions	-	297,706,143	297,706,143	267,441,721
Salaries and benefits	1,919,757	-	1,919,757	2,010,334
Operating	3,158,314	-	3,158,314	2,684,404
Depreciation	84,435	-	84,435	76,907
Total operating expenses	5,162,506	297,706,143	302,868,649	272,213,366
OPERATING INCOME/(LOSS)	8,453,235	(3,879,310)	4,573,925	15,072,971
NONOPERATING REVENUES (EXPENSES)				
Earnings on pooled cash investments	504,234	301,396	805,630	1,120,566
Income (loss) before transfers	8,957,469	(3,577,914)	5,379,555	16,193,537
Interfund transfers in/(out)	(1,562,844)	1,562,844	-	-
CHANGE IN NET POSITION	7,394,625	(2,015,070)	5,379,555	16,193,537
NET POSITION, BEGINNING OF YEAR, AS PREVIOUSLY REPORTED	56,356,008	23,417,902	79,773,910	-
ADJUSTMENT IN ACCOUNTING PRINCIPLE	(5,428,266)	-	(5,428,266)	-
NET POSITION, BEGINNING OF YEAR, AS RESTATED	50,927,742	23,417,902	74,345,644	63,580,373
NET POSITION, END OF YEAR	$ 58,322,367	$ 21,402,832	$ 79,725,199	$ 79,773,910

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
PROPRIETARY FUNDS
COMBINING SCHEDULES OF CASH FLOWS
For the Year Ended June 30, 2015
With Comparative Totals for the Year Ended June 30, 2014

	Agency Operating Fund	Federal Reserve and Drawdown Funds	Totals 2015	Totals 2014
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from:				
Federal grants and contracts	$ 42,391,409	$ 302,240,180	$ 344,631,589	$ 339,953,653
Amount paid to service provider	(38,849,792)	-	(38,849,792)	(67,855,541)
Complement received on collections	-	6,442,194	6,442,194	7,474,724
Interest on loan sales	5,532,375	-	5,532,375	7,900,106
Rehabilitated loan premium	1,445,413	-	1,445,413	56,227
Other sources	155,672	-	155,672	(150,520)
	10,675,077	308,682,374	319,357,451	287,378,649
Cash disbursed for:				
Guaranty claims paid to lending institutions	-	(307,625,360)	(307,625,360)	(277,907,186)
Salaries and benefits	(2,058,937)	-	(2,058,937)	(2,025,144)
Operating expenses	(3,670,778)	-	(3,670,778)	(2,127,478)
	(5,729,715)	(307,625,360)	(313,355,075)	(282,059,808)
Net cash provided by operating activities	4,945,362	1,057,014	6,002,376	5,318,841
INTERFUND TRANSFERS	(1,562,844)	1,562,844	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of property and equipment	(8,690)	-	(8,690)	(21,300)
Purchases of leasehold improvements	26,525	-	26,525	(76,143)
Capitalized software development costs	(29,666)	-	(29,666)	(28,187)
Net cash used in capital and related financing activities	(11,831)	-	(11,831)	(125,630)
CASH FLOW FROM INVESTING ACTIVITIES				
Earnings on pooled cash investments	504,234	301,396	805,630	1,120,566
Net cash provided by investing activities	504,234	301,396	805,630	1,120,566
NET CHANGE IN CASH AND POOLED CASH INVESTMENTS	3,874,921	2,921,254	6,796,175	6,313,777
CASH AND POOLED CASH INVESTMENTS, BEGINNING OF YEAR	63,638,249	7,941,830	71,580,079	65,266,302
CASH AND POOLED CASH INVESTMENTS, END OF YEAR	$ 67,513,170	$ 10,863,084	$ 78,376,254	$ 71,580,079

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
PROPRIETARY FUNDS
COMBINING SCHEDULES OF CASH FLOWS
For the Year Ended June 30, 2015
With Comparative Totals for the Year Ended June 30, 2014

	Agency Operating Fund	Federal Reserve and Drawdown Funds	Totals 2015	Totals 2014
RECONCILIATION OF OPERATING INCOME/(LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Operating gain/(loss)	$ 8,453,235	$ (3,879,310)	$ 4,573,925	$ 15,072,971
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	84,435	-	84,435	76,907
Effects of changes in assets and liabilities:				
Receivables	199,685	13,276,398	13,476,083	(1,322,893)
Prepaid expenses	(11,638)	-	(11,638)	73,326
Accounts payable and accrued liabilities	(500,826)	(20,531)	(521,357)	(6,002,777)
Other current liabilities	(3,140,349)	-	(3,140,349)	1,641,536
Loan collections and other liabilities due to federal government	-	1,579,143	1,579,143	(226,331)
Claims due to lenders	-	(9,898,686)	(9,898,686)	(3,979,088)
Accrued compensated absences	(8,100)	-	(8,100)	(14,810)
Pension liability and related items	(131,080)	-	(131,080)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 4,945,362	$ 1,057,014	$ 6,002,376	$ 5,318,841

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

Members of the Legislative Audit Committee:

We have audited, 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 financial statements of the business-type activities and the remaining fund information of the Colorado Student Loan Program dba College Assist, Department of Higher Education, State of Colorado (College Assist), an enterprise fund of the State of Colorado, as of and for the year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise College Assists' basic financial statements, and have issued our report thereon dated December 4, 2015, which contained paragraphs emphasizing matters regarding the financial statements and a change in accounting principles.

Internal Control Over Financial Reporting

Management of College Assist is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit, we considered the College Assists' internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of College Assists' internal control. Accordingly, we do not express an opinion on the effectiveness of College Assists' internal control.

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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of College Assists' financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether College Assist's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the Auditor's Findings and Recommendations section as Recommendation No. 1.

College Assist's Response to the Finding

College Assist's response to the finding identified in our audit is described in the accompanying Auditor's Findings and Recommendations, College Assist's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of College Assists' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering College Assists' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Denver, Colorado
December 4, 2015

BKD LLP
CPAs & Advisors

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Independent Auditor's Audit Committee Communication

Members of the Legislative Audit Committee:

As part of our audits of the financial statements and compliance of the Colorado Student Loan Program dba College Assist, Department of Higher Education, State of Colorado (College Assist), as of and for the year ended June 30, 2015, we wish to communicate the following to you.

AUDIT SCOPE AND RESULTS

Auditor's Responsibility Under 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 and U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*

An audit performed 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 and U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* is designed to obtain reasonable, rather than absolute, assurance about the financial statements and about whether noncompliance with the types of compliance requirements described in OMB Circular A-133 that could have a direct and material effect on a major federal program occurred. In performing auditing procedures, we establish scopes of audit tests in relation to the financial statements taken as a whole. Our engagement does not include a detailed audit of every transaction. Our engagement letter more specifically describes our responsibilities.

These standards require communication of significant matters related to the financial statement and compliance audits that are relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. Such matters are communicated in the remainder of this letter or have previously been communicated during other phases of the audit. The standards do not require the auditor to design procedures for the purpose of identifying other matters to be communicated with those charged with governance.

Audits of the financial statements and compliance do not relieve management or those charged with governance of their responsibilities. Our engagement letter more specifically describes your responsibilities.

<u>Qualitative Aspects of Significant Accounting Policies and Practices</u>

<u>Significant Accounting Policies</u>

College Assist's significant accounting policies are described in Note 1 of the audited financial statements.

<u>Alternative Accounting Treatments</u>

We had discussions with management regarding alternative accounting treatments within accounting principles generally accepted in the United States of America for policies and practices for material items, including recognition, measurement and disclosure considerations related to the accounting for specific transactions as well as general accounting policies, as follows:

- No matters are reportable

<u>Management Judgments and Accounting Estimates</u>

Accounting estimates are an integral part of financial statement preparation by management, based on its judgments. The following areas involve significant areas of such estimates for which we are prepared to discuss management's estimation process and our procedures for testing the reasonableness of those estimates:

- Federal fees receivable
- Claims due to lenders
- Net pension liability

<u>Financial Statement Disclosures</u>

The following areas involve particularly sensitive financial statement disclosures for which we are prepared to discuss the issues involved and related judgments made in formulating those disclosures:

- Commitments
- Related-party transactions
- Federal and state legislative impacts on the enterprise
- Pensions

<u>Audit Adjustments</u>

During the course of any audit, an auditor may propose adjustments to financial statement amounts. Management evaluates our proposals and records those adjustments which, in its judgment, are required to prevent the financial statements from being materially misstated. Some adjustments proposed were not recorded because their aggregate effect is not currently material; however, they involve areas in which adjustments in the future could be material, individually or in the aggregate.

Areas in which adjustments were proposed include:

Proposed Audit Adjustments Recorded

- No matters are reportable

Proposed Audit Adjustments Not Recorded

- Adjustment for a premium revenue owed to a third party as part of a share arrangement

Auditor's Judgments About the Quality of College Assists' Accounting Principles

During the course of the audit, we made the following observations regarding College Assists' application of accounting principles:

- Adoption of Governmental Accounting Standards Board Statement No. 68 (GASB 68), *Accounting and Financial Reporting for Pensions – An Amendment of GASB 27*

Other Material Written Communications

Listed below are other material written communications between management and us related to the audit:

- Management representation letter

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This communication is intended solely for the information and use of the Legislative Audit Committee, the Office of the State Auditor and management, and is not intended to be and should not be used by anyone other than these specified parties. However, upon release by the Legislative Audit Committee, this report is a public document.

BKD, LLP

Denver, Colorado
December 4, 2015