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, 2010 and 2009

LEGISLATIVE AUDIT COMMITTEE
2010 MEMBERS

Senator David Schultheis
Chair

Senator Lois Tochtrop
Vice-Chair

Senator Morgan Carroll
Representative James Kerr
Representative Joe Miklosi
Senator Shawn Mitchell
Senator Dianne Primavera
Representative Mark Waller

Office of the State Auditor Staff

Sally Symanski
State Auditor

Dianne Ray
Deputy State Auditor

Gina Faulkner
Legislative Auditor

Clifton Gunderson LLP
Contract Auditors

Clifton Gunderson LLP
Certified Public Accountants & Consultants

Members of the Legislative Audit Committee:

We have completed the financial statement audits of the Colorado Student Loan Program dba College Assist, Department of Higher Education, State of Colorado as of and for the years ended June 30, 2010 and 2009. Our audits were conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

Clifton Gunderson LLP

Denver, Colorado
December 8, 2010

TABLE OF CONTENTS

	PAGE
Report Summary	1
Recommendation Locator	4
Enterprise Background	5
Auditor's Findings and Recommendations	9
Independent Auditor's Report	14
Management's Discussion and Analysis – Proprietary Fund	16
Basic Financial Statements – Proprietary Fund	
Statements of Net Assets	25
Statements of Revenues, Expenses and Changes in Net Assets	27
Statements of Cash Flows	28
Notes to Financial Statements	30
Management's Discussion and Analysis – Fiduciary Fund	48
Basic Financial Statements – Fiduciary Fund	
Statements of Fiduciary Net Assets	51
Statements of Changes in Fiduciary Net Assets	52
Notes to Financial Statements	53
SUPPLEMENTARY INFORMATION	
Combining Schedules of Net Assets – Proprietary Funds	58
Combining Schedules of Revenues, Expenses, and Changes in Net Assets – Proprietary Funds	60
Combining Schedules of Cash Flows – Proprietary Funds	61
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	63
Required Communications to Legislative Audit Committee	65
Corrected Audit Adjustments Schedule	67
Uncorrected Misstatements	68
Audit Report Distribution Information	69

COLORADO STUDENT LOAN PROGRAM dba COLLEGE ASSIST DEPARTMENT OF HIGHER EDUCATION STATE OF COLORADO Fiscal Years Ended June 30, 2010 and 2009

Authority, Purpose, and Scope

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

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

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

Audit Opinions and Reports

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

We expressed unqualified opinions on College Assist's basic financial statements for the year ended June 30, 2010.

There was one audit adjustment that was proposed and not made to the basic financial statements:

- An adjustment that would have decreased assets and revenue by approximately $475,000 and decreased liabilities and expenses by approximately $494,000. These amounts were determined based on a projected error found during testing.

Summary of Audit Findings and Recommendations

The auditor's findings and recommendations section contains the following recommendations:

Claims Expense and Reinsurance Revenue

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

During our testing of the claims payable balance, we noted not all claims dated prior to year-end were included in the claims payable balance at June 30, 2010. The corresponding reinsurance receivable and reinsurance revenue was also not recorded. An audit adjustment was recorded to correct these balances.

College Assist should improve controls over accruals for claims expense and related reinsurance revenue by establishing and implementing proper review procedures. The management of College Assist should review the NGS estimated claims report for accuracy and completeness when using the report to develop the claims payable and reinsurance receivable journal entry.

Default Aversion Fee Revenues and Rebates

College Assist receives requests from lenders to engage in default aversion activities designed to prevent the default of a loan. The guaranty agency receives a default aversion fee (DAF), calculated based on 1 percent of the total unpaid principal and accrued interest owed on loans where the lender has requested default aversion assistance. On a monthly basis, College Assist transfers the earned default aversion fee from the restricted Federal Fund to its unrestricted Operating Fund. Subsequently, if a loan on which College Assist has received a default aversion fee defaults, the default aversion fee must be rebated back to the restricted Federal Fund.

During our testing of 40 defaulted loans, we noted two instances in which the DAF was not transferred to the operating fund, nor refunded back to the federal fund upon default.

NGS discovered the exception was a result of an error which occurred during the loan database system conversion which occurred on November 1, 2008.

College Assist should modify the loan database system configuration to include all rehabilitated or repurchased loans for eligibility of default aversion fees and required rebates and establish procedures to periodically test the accuracy and completeness of the default aversion billing and rebate query reports. Such periodic reviews should include testing a sample of defaulted loans to ensure the default aversion fees have been properly billed and rebated and the system controls are functioning as designed.

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

Summary of Progress in Implementing Prior Year Audit Recommendations

The audit report for the year ended June 30, 2009 included two recommendations. The progress of the audit recommendations are as follows:

Implemented	—
Partially implemented/in progress	2
Not implemented	—
	2

The 2009 audit report included no recommendations that were reported as not implemented or partially implemented for the year ended June 30, 2008.

Auditor's Communication to the Legislative Audit Committee

The auditor's communication to the Legislative Audit Committee describes the auditor's responsibility under auditing standards generally accepted in the United States of America and significant management judgments and estimates. It also notes that there were corrected misstatements as a result of audit procedures for the fiscal year ended June 30, 2009. This communication is located on page 65.

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
Fiscal Years Ended June 30, 2010 and 2009

Recommendation Number	Page Number	Recommendation Summary	Response	Implementation Date
1	9	College Assist should establish proper review procedures to ensure that commitment and contingent liabilities are properly recorded at year-end. Additionally, management should continue to review the Nelnet Guarantor Solutions (NGS) estimated claims report for accuracy and completeness when using the report to develop the claims liability and reinsurance receivable journal entry.	Agree	September 2010
2	10	College Assist should improve controls for identifying accounts eligible for default aversion billings and accounts eligible for default aversion refunds. This should be done by modifying the loan database system to include all eligible loans and establishing procedures to test the accuracy and completeness of the reports from the system.	Agree	January 2011

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
Fiscal Years Ended June 30, 2010 and 2009

Background on College Assist

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

The Enterprise is a self-supporting enterprise of the State of Colorado and does not receive any State appropriations to fund operations. The primary mission of the Enterprise is to assist Colorado residents with planning for college and supporting lenders and Colorado institutions of higher education by administering the Federal Family Education Loan program (FFEL) for the U.S. Department of Education (DE). Effective July 1, 2010, the FFEL program was terminated as a result of enactment of the Federal Health Care and Education Reconciliation Act of 2010. As a result, no new loans can be originated or guaranteed under this program, however, the Enterprise will continue to guarantee and service the existing loan portfolio.

The Enterprise utilizes a third-party service provider, NLS Holding Co., LLC, (NLS Holding or the service provider), a wholly-owned subsidiary of Nelnet, Inc. with its principal offices in Lincoln, Nebraska. NLS Holding was created for the purpose of holding guarantor servicing operations and will subcontract the appropriate guarantor services defined under the original agreement with the Enterprise to Nelnet Guarantor Solutions, LLC, (NGS), a wholly-owned subsidiary of NLS Holding. Through an administrative support agreement with NLS Holding, NGS performs all day-to-day operational support services related to guaranty operations on behalf of the Enterprise. Under the oversight of the Enterprise, NGS performs loan origination services, 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, is for ten years, expiring on October 31, 2015. The agreement, as amended, can be cancelled after seven years if revenues or expenses change and can be renewed for a second ten year term if both parties agree.

The Enterprise represents a partnership between NGS and lenders, schools, and the Federal government. The loan capital is provided by approximately 39 private lenders including banks, savings and loan associations, credit unions, pension funds, insurance companies, and secondary markets. With the support of Nelnet Servicing, the Enterprise administers the FFEL program and guarantees the loans made to students and parents in accordance with Federal regulations established pursuant to *Title IV, Part B, of the Higher Education Act of 1965 (P.L. 89-329) as amended,* (20 U.S.C. 1071 *et seq)* (the Act or HEA). Student borrowers attend 53 participating Colorado schools, and any federally eligible school located outside of Colorado – including colleges, universities, community colleges, career schools (proprietary), graduate, and professional. The school certifies both student enrollment and financial costs.

The Enterprise insures the lender against financial loss from default, disability, death, or bankruptcy. Through its partnership with NGS, the Enterprise also provides needed technical and training assistance to schools and lenders to assure that both schools and lenders are performing in accordance with applicable laws, regulations, and policies. NGS also assists borrowers through default prevention activities and outsources collection activities of defaulted loans on behalf of and under the oversight of the Enterprise. Upon termination of the FFEL program, the Enterprise will continue to provide guarantee related services to borrowers but will not continue to provide services to schools.

The Federal government serves as the reinsurer. If the Enterprise must reimburse a lender for an uncollectible loan, it files a claim for reimbursement with the DE pursuant to Code of Federal Regulations (CFR) §428(c)(1) and §682.404(a). Claims paid by the Enterprise are reimbursed by the DE at 95%.

Federal Family Education Loan Program

Since inception of the Enterprise in 1979, approximately $21.5 billion of net loans have been guaranteed. The total net outstanding loan portfolio at June 30, 2010, is $12.4 billion. The FFEL program consists of Stafford, Parent Loans for Undergraduate Students (PLUS), and Consolidation Loans as described below.

Federal Stafford Loans (Subsidized and Unsubsidized)

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

Inception to date, net guaranteed Stafford loans total over $7.4 billion. The Enterprise guaranteed a total of $306 million in net Stafford Loan originations in fiscal year 2010.

Federal PLUS Loans

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

Since inception of the Enterprise, parents participating in the PLUS program have received over $683 million in net guaranteed loans. In fiscal year 2010, the net PLUS loans totaled $31 million.

Federal Consolidation Loans

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

Since inception of the program, net guaranteed loan consolidations total $13.1 billion. In fiscal year 2010, $208,486 in net loan consolidations were generated.

College Opportunity Fund (Fiduciary Fund)

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

<u>Background of the College Opportunity Fund</u>

The College Opportunity Fund was established in Fall 2005 to increase the number of Coloradans pursuing education beyond high school. The fundamental belief is that a postsecondary education experience for Coloradans is essential for the State to compete in the new global economy and to develop a new generation of leaders and active participants in State and local affairs. This new funding system should encourage access and student enrollment for undergraduate students while maintaining distinctive missions of universities and colleges and encouraging geographical access. It is intended to fundamentally change the process by which the State finances postsecondary education from funding institutions to funding individuals in 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 student receives 145 lifetime credit hours that may be applied toward the cost of total in-state tuition for undergraduate degree programming. Caps do not exist on the number of credit hours that a student may take in any given academic year. Students who are unable to complete a baccalaureate degree within 145 credit hours may apply through either their institution or the Colorado Department of Higher Education for a one-time waiver of their lifetime-credit-hour allocation. Those students who exhaust their lifetime credit hour cap and are not provided a waiver will be required to pay the full cost of in-state tuition for the completion of their degree.

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

Financial Aid

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

Students Attending Private Institutions

A portion of the COF was established to provide Pell-eligible students attending selected private institutions the ability to receive one half of the stipend or a final $22 per credit hour during the 2009-10 academic year. For participation purposes, these students must have graduated from a Colorado high school and be considered an in-state resident.

Performance Contracts

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

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

Fee-for-Service Contracts

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

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

Current Year Findings and Recommendations

Claims Expense and Reinsurance Revenue

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

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

What was the purpose of the audit work?

The purpose of the audit work was to ensure completeness of the claims payable and related reinsurance receivable balance at June 30, 2010.

What audit work was performed and how were results measured?

We selected a sample of claim payment vouchers issued subsequent to year-end. For those claims incurred prior to June 30, 2010, we ensured the claims were included in the claims payable detail dated June 30, 2010.

What problem did the audit work identify?

We noted during our testing that five claims from our sample selected were dated prior to year-end but were not included in the claims payable listing at June 30, 2010. After further research by College Assist, it was noted a total of $1,251,683 of claims payable and claims expense were improperly excluded at June 30, 2010. The corresponding reinsurance receivable and reinsurance revenue was also not recorded for $1,199,420, for a decrease in net assets of $52,263.

Why does this problem matter?

An adjustment to claims payable and reinsurance receivable was required to be made to correct the financial statements.

Why did the problem occur?

The Nelnet Guarantor Solutions (NGS) preparer of the report did not foot and total the report prior to sending to College Assist. College Assist recorded the claims payable and related receivable journal based on the report received from Nelnet and the review by College Assist management did not detect the error.

Classification of Finding: Significant Deficiency

Recommendation No. 1:

College Assist should improve controls over accruals for claims expense and related reinsurance revenue by establishing and implementing proper review procedures. The management of College Assist should review the NGS estimated claims report for accuracy and completeness when using the report to develop the claims payable and reinsurance receivable journal entry.

College Assist's Response:

Agree. Implementation Date: September 2010. The Enterprise has developed and implemented additional procedures for the year-end reporting to ensure that commitment and contingency liabilities are reasonably estimated. Specifically, College Assist will perform monthly procedures to review all electronic files in detail, rather than in summary and agree sub-totals to total amounts. The reviewer will document whether any procedural changes have occurred before, during or after the processing of the reports. At year-end, additional procedures will be performed to test accruals by social security number to subsequent claims paid to ensure accuracy and completeness of accrual estimates. NGS has implemented cross training procedures to ensure knowledgeable, trained back up personnel are available to perform functions within its scope of responsibility. College Assist will continue to evaluate and enhance those procedures as needed.

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

CONTROLS OVER DEFAULT AVERSION FEES

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

What was the purpose of the audit work?

The purpose of the audit work was to ascertain if College Assist has adequate controls in place to ensure that DAF fees are rebated to the Federal Fund subsequent to the loan entering default status.

What audit work was performed and how were results measured?

The audit work included selecting a sample of loans guaranteed by College Assist which had entered into default status during the year and testing for evidence of the required 1% DAF fee rebate upon default. To test compliance with the DAF fee requirements, a total sample of 40 default status loans were tested. For each loan which was eligible for rebate, we reviewed the journal voucher transferring the funds from the Operating Fund to the restricted Federal Fund.

What problem did the audit work identify?

During the testing, we noted that DAF fees for rehabilitation and repurchased loans only were not received into the unrestricted fund by College Assist and were not rebated into the restricted fund for 2 of the 40 loans which had entered into default in fiscal year 2010. All loans reviewed other than rehabilitated and repurchased loans were billed and rebated correctly.

Why does this problem matter?

By not receiving and rebating DAF fees, College Assist is not in compliance with the program requirements.

Why did the problem occur?

College Assist researched the two exceptions and discovered that both of the loans were considered *rehabilitated* loans, in which the loans had defaulted once, were rehabilitated and later defaulted a second time. The second default was the occurrence selected for testing. Further research showed that after the loan database system conversion that took place on November 1, 2008, rehabilitated or repurchased delinquent loans were not included on the query report created for calculating the default aversion fees. Repurchased loans represent loans which were in default status due to variable circumstances but were then repurchased by the guarantor, thus removing the default status. As such, default aversion fees for rehabilitated or repurchased delinquent loans were never transferred to the operating fund, nor were they transferred back to the federal fund upon default after November 1, 2008.

A query within the loan database system was run to determine the total amount of rehabilitated or repurchased loans for which DAF fees were never taken or refunded. The total DAF fees which were not taken amounted to $694,634 and the total not rebated was $107,269. The impact to the financial statements is a $587,365 reclass from restricted net assets to unrestricted net assets.

Classification of Finding: Significant Deficiency

Recommendation No. 2:

College Assist should improve its controls for identifying accounts eligible for default aversion billings and accounts required for default aversion rebates by:

a. Modifying the loan database system configuration to include all rehabilitated or repurchased loans for eligibility of default aversion fees and required rebates.
b. Establishing procedures to periodically test the accuracy and completeness of the default aversion billing and rebate query reports to ensure proper functioning of the new system. Such periodic reviews should include testing a sample of defaulted loans to ensure the default aversion fees have been properly billed and rebated and the system controls are functioning as designed.

College Assist's Response:

Agree. Implementation Date: January 2011. The Enterprise initiated a process to modify the system configuration to allow for default aversion fee billing and subsequent rebate if the loan later defaults on rehabilitated and repurchased loans. In addition, the Enterprise will establish monthly procedures to test a sample of defaulted loans to ensure proper default aversion fee billing and applicable rebate is occurring.

Disposition of Prior Year Audit Recommendations

Following are the audit recommendations and their status for the year ended June 30, 2009:

Recommendation	Disposition
2009 Recommendation No. 1 – College Assist should establish policies and procedures to ensure that commitment and contingent liabilities are properly estimated at year-end. Additionally, management should continue to review the Nelnet Guarantor Solutions (NGS) estimated claims report for accuracy and completeness when using the report to develop the claims liability and reinsurance receivable journal entry.	Partially implemented. See current year Recommendation No.1.
2009 Recommendation No. 2 – College Assist should establish procedures to ensure the proper functioning of the new loan servicing system used by NGS and periodically test the completeness of the default aversion rebate reports.	Partially implemented. See current year Recommendation No.2.

Clifton Gunderson LLP
Certified Public Accountants & Consultants

Independent Auditor's Report

Members of the Legislative Audit Committee:

We have audited the accompanying financial statements of the business-type activities and the remaining fund information of the Colorado Student Loan Program dba College Assist, Department of Higher Education, State of Colorado (College Assist) as of and for the years ended June 30, 2010 and 2009, which collectively comprise College Assist's basic financial statements as listed in the table of contents. These financial statements are the responsibility of College Assist's management. Our responsibility is to express opinions on these financial statements based on our audits.

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

As discussed in Note 1, the basic financial statements of College Assist are intended to present the financial position, results of operations and, where applicable, cash flows for only that portion of the financial reporting entity, the State of Colorado, that is attributable to the transactions of College Assist. They do not purport to, and do not present fairly, the financial position of the State of Colorado as of June 30, 2010 and 2009, and the changes in its financial position and its cash flows, where applicable, for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the remaining fund information of College Assist as of June 30, 2010 and 2009, and the respective changes in financial position and, where applicable, cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2010, on our consideration of College Assist's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

The management's discussion and analysis on pages 16 through 24 and pages 48 through 50 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise College Assist's basic financial statements. The accompanying supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to College Assist's basic financial statements taken as a whole.

Clifton Gunderson LLP

Denver, Colorado
December 8, 2010

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
Fiscal Years Ended June 30, 2010 and 2009

The Management Discussion and Analysis (MD&A) is required by Governmental Accounting Standards. It was prepared by the Colorado Student Loan Program dba College Assist (the Enterprise or College Assist) management and is designed to provide an analysis of the Enterprise's financial condition and operating results for the fiscal years ended June 30, 2010 and 2009. The MD&A also informs the reader of the financial issues and activities related to the Enterprise. It should be read in conjunction with the Enterprise's financial statements, which begin on page 25.

The Enterprise is a state agency that provides origination and collection services on behalf of private and non-profit lenders participating in the Federal Family Education Loan program (FFEL) pursuant to Title IV, Part B, of the Higher Education Act of 1965 (P.L. 89-329) as amended, (20 U.S.C. 1071 et seq*)* (HEA). 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, the Enterprise will continue to guarantee and service the existing loan portfolio.

Basic Financial Statements

The financial report include 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 Enterprise.

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

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

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

Financial Overview

College Assist is an enterprise fund of the State of Colorado and is reported as one fund in accordance with generally accepted accounting principles. However, the Enterprise's activities are accounted for in two separate funds – the Agency Operating Fund and the Federal Reserve Fund. Management's discussions and analysis will focus on these funds in order to better describe the operations of the entity. The Agency Operating Fund is the property of the guaranty agency, except for funds that have been transferred from the Federal Reserve Fund. During periods in which the Agency Operating Fund contains funds transferred from the Federal Reserve Fund, the Agency Operating Fund may be used only as permitted by the Higher Education Act (HEA). As of June 30, 2010 and 2009, the Agency Operating Fund did not contain funds transferred from the Federal Reserve Fund.

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

Effective July 1, 2004, the Enterprise entered into and operated under a separate agreement with the DE known as the Voluntary Flexible Agreement (VFA). That agreement was terminated by the DE effective January 1, 2008, and is only relevant for fiscal year 2009 comparative discussion and analysis purposes.

The Enterprise 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 loan origination services and activities in accordance with Lender Participation Agreements. NGS also provides services including maintenance of the guaranty computer system, data exchange, and other agreed upon services on behalf of the Enterprise. As part of this agreement, NLS Holding and the Enterprise share revenue receipts at 80% and 20%, respectively.

In fiscal year 2009, the Enterprise entered into an amendment to this agreement. The amendment included various changes affecting revenues and expenses. Additional terms included the deferment of billing by NLS Holding and payment of certain amounts for services otherwise due to NLS Holding on December 31, 2010. As of June 30, 2010, the deferred billings are included in current liabilities in the amount of $4,357,146.

Management Highlights

The Enterprise's largest source of revenue in the Federal Reserve Fund is reinsurance from the DE on claims paid to lenders on defaulted loans. Claims are reimbursed at 95%. In fiscal year 2010, claims continued to increase over prior years, which caused an overall increase in reinsurance. For fiscal years 2010 and 2009, this represented an 11.1% ($348,922,977) and 4% ($314,155,368) increase, respectively. Total claims paid to lenders for fiscal years 2010 and 2009, were $364,653,191 and $327,613,478, respectively. This represents an 11.3% increase from fiscal year 2009 to 2010. The total year-end Federal Reserve Fund net assets decreased by 6.6% from $27,932,500 in fiscal year 2009 to $26,091,951 in fiscal year 2010, due primarily to the increased default risk resulting from increased claims, offset by Agency Operating Fund transfers in. The default risk is the difference between the percentage paid to lenders for defaults and the reinsurance paid by the DE.

Effective July 1, 2006, the HEA as amended, established a 1% default fee to be collected by the Enterprise from either lenders or borrowers or on behalf of borrowers. The default fee was established for the purpose of sustaining the Federal Reserve Fund. For fiscal years 2010, the Enterprise paid one-half of the 1% fee on behalf of borrowers for the first six months of the year, and 0% for the last months totaling $1,465,127. In 2009, the Enterprise paid the full 1% default fee on behalf of borrowers totaling $6,655,751.

The Enterprise is in the business of guaranteeing student loans and performing collection efforts on defaulted loans. During fiscal years 2010, 2009 and 2008, new gross loan volume guaranteed totaled $441,208,128, $788,062,555, and $1,397,147,819, respectively. The difference between fiscal years 2010 and 2009 of $346,854,427 represents a 44% decrease in new loans guaranteed. The difference between fiscal years 2009 and 2008 of $609,085,264 represents a 44% decrease in new loans guaranteed. The decrease in new loan guarantees resulted primarily from a significant decrease in new loan originations as lenders exited the FFEL student loan market and schools began converting to the Federal Direct Loan Program in anticipation of federal legislative changes to terminate the FFEL program. New consolidation loans guaranteed for fiscal years 2010, 2009 and 2008 were $219,768, $1,892,568, and $645,710,610, respectively. Consolidation volume is created when borrowers combine all outstanding loans into a single loan that is often repaid over a longer term. Due to the changes to the HEA implemented in October 2007, substantially all lenders discontinued originating consolidation loans resulting in the significant decrease in loan guarantees. This trend continued through fiscal year 2010.

The Enterprise's net loan portfolio (net outstanding loans guaranteed) decreased by 6.4% from $13,254,022,448 in fiscal year 2009 to $12,411,918,085 in fiscal year 2010. 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 primarily to a significant reduction in new loan originations, reductions in the portfolio due to loans transferred out to the DE, and a decrease in the number of lenders originating loans. Loans transferred out to the DE are made up of FFELP loans sold to the DE by lenders under the Purchase "PUT" Program. In August 2008 the DE implemented the Loan Purchase Commitment Program (aka "PUT" or "Purchase Program") and the Loan Participation Program (Participation Program) pursuant to the Ensuring Continued Access to Student Loans Act, Public Law 110-227 (ECASLA) in response to concerns that credit market conditions could disrupt federal student loan availability. Loans funded under these programs must have been either refinanced by the lender or sold to the DE prior to its expiration date on October 15, 2009. In November 2008, the DE implemented Public Law 10-350 which extended the Purchase and Participation Program for the 2009-10 academic year under ECASLA II and expire on October 15, 2010. In fiscal year 2010, The Enterprise transferred to the DE $568.4 million of eligible student loans under this Program, which represents approximately 4.6% of the net loan portfolio. The Enterprise anticipates transferring an additional $393.6 million to the DE in fiscal year 2011.

Agency Operating Fund net assets decreased by 16% from $44,465,396 in fiscal year 2009 to $37,441,812 in fiscal year 2010. The decrease is primarily due to transfer of funds of $10.9 million to the Federal Reserve Fund to meet the 0.25% minimum federal required reserve, reduction in federal fee revenue due to decreased loan portfolio, offset by increased collections.

CONDENSED SCHEDULE OF NET ASSETS

	Agency Operating Fund			Federal Reserve and Drawdown Funds		
June 30,	**2010**	**2009**	**2008**	**2010**	**2009**	**2008**
ASSETS						
Current Assets	$ 46,824,154	$ 57,172,892	$ 51,780,935	$ -	$ 78,339	$ -
Restricted Assets	-	-	-	58,056,030	65,401,561	65,658,130
Capital Assets	2,419	10,136	374,887	-	-	-
Total Assets	$ 46,826,573	$ 57,183,028	$ 52,155,822	$ 58,056,030	$ 65,479,900	$ 65,658,130
LIABILITIES						
Current Liabilities	$ 9,283,189	$ 8,337,517	$ 3,926,301	$ 39,773	$ -	$ -
Noncurrent Liabilities	101,572	4,380,115	218,299	-	-	-
Liabilities Payable from Restricted Assets	-	-	-	31,924,306	37,547,400	29,490,520
Total Liabilities	$ 9,384,761	$ 12,717,632	$ 4,144,600	$ 31,964,079	$ 37,547,400	$ 29,490,520
NET ASSETS						
Invested in Capital Assets	$ 2,419	$ 10,136	$ 374,887	$ -	$ -	$ -
Restricted Assets	-	-	-	26,091,951	27,932,500	36,167,610
Unrestricted	37,439,393	44,455,260	47,636,335	-	-	-
Total Net Assets	$ 37,441,812	$ 44,465,396	$ 48,011,222	$ 26,091,951	$ 27,932,500	$ 36,167,610

Net Assets Analysis

Agency Operating Fund – Fiscal Year 2010

Unrestricted net assets of the Agency Operating Fund decreased from $44,455,260 to $37,439,393 or 16% in fiscal year 2010. The decrease which primarily occurred in current assets was due to cash transfers of $10.9 million to the Federal Reserve Fund to meet the 0.25% minimum federal reserve requirement, reduction in federal fee revenue due to decreased portfolio, offset by increased collections. The overall Enterprise cash decreased by 6%, as compared to the prior year decrease of 4%. The current year decrease was primarily due to the transfer of cash of over $10.9 million to the Federal Reserve Fund. Available cash and cash flow are expected to continue to decline under the current funding model.

Total liabilities decreased in 2010 by $3.3 million, or 26%, primarily due to decreased revenue sharing amounts due and payable to NLS Holding at year-end. The decrease is due to lower rehabilitated loan sales outstanding in fiscal year 2010, as compared to prior year.

Agency Operating Fund – Fiscal Year 2009

Unrestricted net assets of the Agency Operating Fund decreased from $47,636,335 to $44,455,260 or 7% in fiscal year 2009. The decrease was primarily due to reduced federal fee revenue of $5.1 million, offset by a reduction of salaries and operating expenses of $1.8 million. The reduction in federal fee revenue was caused by reduced fees upon termination of the VFA agreement with the DE, resulting in the elimination of certain fees which are not paid under the standard guaranty agency agreement fee structure, reduced fees due to legislative changes which became effective in October 2007, reduction in the revenue sharing percentage retained by the Enterprise under the revenue sharing arrangement with NLS Holding, and changes or clarifications to revenue and expense sharing resulting from the amended NLS Holding agreement in 2009.

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

Federal Reserve Fund – Fiscal Year 2010

Total assets decreased in fiscal year 2010 by $7,423,870 or 11.3%, primarily due to a reduction in reinsurance receivable on rehabilitated loans outstanding as compared to prior year.

Total liabilities decreased in fiscal year 2010 by $5,583,321 or 15%, primarily due to a reduction in amounts due and payable to the DE of $10.8 million for their share of collections, offset by an increase in claims of $5.2 million due to lenders at year-end.

Federal Reserve Fund – Fiscal Year 2009

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

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

CONDENSED SCHEDULE OF REVENUES

	Agency Operating Fund			Federal Reserve and Drawdown Funds		
Years Ended June 30,	**2010**	**2009**	**2008**	**2010**	**2009**	**2008**
OPERATING REVENUES						
Federal Grants and Contracts	$ 3,481,506	$ 2,531,545	$ 7,638,594	$ 348,922,977	$314,155,368	$302,956,902
Grant Revenue	166,912	137,374	-	-	-	-
Interest on Purchased Loans	1,562,767	593,090	687,081	-	-	-
Other	217,432	973,051	174,431	4,901,593	993,860	120,984
Total Operating Revenues	5,428,617	4,235,060	8,500,106	353,824,570	315,149,228	303,077,886
NON-OPERATING REVENUES						
Earnings on Investments	1,334,520	1,749,770	2,645,912	1,075,196	769,010	2,395,475
Interfund Transfers	-	-	-	7,912,876	3,460,130	2,158,513
TOTAL REVENUES	$ 6,763,137	$ 5,984,830	$ 11,146,018	$ 362,812,642	$319,378,368	$307,631,874

Revenue Analysis

Agency Operating Fund – Fiscal Year 2010

Net Federal Grants and Contracts revenue increased in fiscal year 2010 from $2,531,545 to $3,481,506 or 38%. The increase was due primarily to an increase in collections revenue resulting from rehabilitated loan sales. A total of approximately $40.8 million of both collections and federal fee revenue was shared directly with NLS Holding.

Non-operating revenues consisted of earnings on pooled cash investments. Investment earnings decreased 24% from $1,749,770 in fiscal year 2009 to $1,334,520 in fiscal year 2010. The decrease reflects a lower average interest rate, and interest earned on a lower average monthly cash balance, as compared to the prior year. Available cash is invested by the State Treasurer.

Agency Operating Fund – Fiscal Year 2009

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

Federal Reserve Fund – Fiscal Year 2010

Federal Grants and Contracts revenue increased in fiscal year 2010 by 11% from $314,155,368 in 2009 to $348,922,977 in 2010. The increase is primarily due to an increase in reinsurance reimbursement from the DE resulting from an increase in the number of default claims paid to lenders. The number of default claims increased 15% over the prior year primarily due to the continuing poor economic conditions. Other revenue increased by $3.9 million in fiscal year 2010 due to an increase of $1.8 million in the complement on collections and a $2.1 million increase in federal default fees. In fiscal year 2010, the majority of federal default fees were collected directly from the borrower, rather than paid by the Operating Fund on behalf of the borrower as in previous years. The complement on collections increased due to increased collections. The complement on collections is the portion of the collections due to the DE but retained in the Federal Reserve Fund.

Federal Reserve Fund – Fiscal Year 2009

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

CONDENSED SCHEDULE OF EXPENSES

	Agency Operating Fund			Federal Reserve and Drawdown Funds		
Years Ended June 30,	**2010**	**2009**	**2008**	**2010**	**2009**	**2008**
OPERATING EXPENSES						
Guarantee Claims Paid to Lending Institutions	$ -	$ -	$ -	$364,653,191	$327,613,478	$309,887,085
Salaries and Fringe Benefits	2,053,073	2,284,483	2,342,893	-	-	-
Operating and Travel	3,813,055	3,428,291	5,042,433	-	-	-
Federal Fee Expense	-	-	-	-	-	847,113
Depreciation	7,717	117,158	253,195	-	-	-
Total Operating Expenses	5,873,845	5,829,932	7,638,521	364,653,191	327,613,478	310,734,198
NON OPERATING EXPENSES						
Loss on Sale of Equipment	-	240,594	-	-	-	-
Interfund Transfers	7,912,876	3,460,130	2,158,513	-	-	-
TOTAL EXPENSES	$ 13,786,721	$9,530,656	$9,797,034	$364,653,191	$327,613,478	$310,734,198

INTERFUND TRANSFERS

	2010	**2009**	**2008**
Transfers from Agency Operating Fund to Federal Reserve Fund:			
Federal Default Fee	$ (1,465,127)	$ (6,655,751)	$ (5,206,273)
Complement on Collections	-	-	(176,650)
Refund of Default Aversion Fees	(2,957,124)	(2,726,550)	(1,232,587)
Federal Reserve Requirement	(10,948,317)	-	-
Transfers from Federal Reserve Fund to Agency Operating Fund:			
Default Aversion Fees	7,457,692	5,922,171	4,456,997
Net Transfers to/ (from) Agency Operating Fund to Federal Reserve Fund	$ (7,912,876)	$ (3,460,130)	$ (2,158,513)

Expense Analysis

Agency Operating Fund – Fiscal Year 2010

Salaries and fringe benefits decreased approximately 10% from $2,284,483 in 2009 to $2,053,073 in fiscal year 2010. The decrease is primarily due to continued staff reductions and furloughs. Operating and travel increased approximately 11% from $3,428,291 in 2009 to $3,813,055 in 2010, primarily due to increased expenses for website enhancements, and outreach educational efforts largely funded through grant revenue received from the federal College Access and Challenge Grant. Interfund transfers generally include cash transfers to the Federal Reserve Fund to meet the minimum required reserve balance, default aversion fees and related rebate, and federal default fees paid by the Agency Operating Fund on behalf of the borrower.

Agency Operating Fund – Fiscal Year 2009

Salaries and fringe benefits decreased approximately 3% from $2,342,893 in 2008 to $2,284,483 in fiscal year 2009. The decrease is primarily due to staff reductions. Operating and travel decreased approximately 30% from $4,915,093 in 2008 to $3,428,291 in 2009, primarily due to decreased expenses for advertising, website enhancements, outreach educational efforts, purchases of uninsured accounts, and reclass of intergovernmental expenses to operating expenses.

Federal Reserve Fund – Fiscal Year 2010

Guarantee claims paid to lending institutions increased approximately 11% from $327,613,478 in fiscal year 2009 to $364,653,191 in fiscal year 2010, due to factors noted under the revenue analysis above. In attempts to prevent a default claim, default aversion assistance is provided to lenders upon request when a borrower falls at least sixty days in arrears on their student loan payment. Since 2006, College Assist's historical published default rates have been on average over 1% below the national average. Since 2006, College Assist's published default rates have increased significantly from 2.5% to 9% over a three-year period. Current claims volume activity indicates a continued upward trend in default rates. Additionally, assistance is provided to students and parents to understand their rights, responsibilities, and the options available to avoid default.

Federal Reserve Fund – Fiscal Year 2009

Guarantee claims paid to lending institutions increased approximately 6% from $309,887,085 in fiscal year 2008 to $327,613,478 in fiscal year 2009, due to an increase in the number of default claims paid to lenders and an increase in the average principal amount of individual lender claims. The latter results from borrowers with larger-balance consolidation loans entering default, while the former may be primarily due to economic conditions.

Capital Assets

In fiscal year 2010, capital assets decreased by 76% from a cost basis net of accumulated depreciation of $10,136 in fiscal year 2009 to $2,419 in fiscal year 2010. The decrease was due to current years' depreciation expense. There were no significant purchases of capital assets in 2010 or 2009.

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. As a result, there are no new loans under the FFEL Program to be guaranteed. Elimination of new loan guarantees will result in a significant reduction in revenues for both the Agency Operating Fund and the Federal Reserve Fund of the Enterprise.

All revenues related to loan origination and disbursement will be eliminated. In addition, the 1% federal default fee charged on all new loans will be eliminated. The default fee is deposited into the Federal Reserve Fund, and is intended to provide sufficient funds to maintain the minimum reserve requirement of 0.25% of the unpaid balance of net outstanding loans. However, in fiscal years 2011 and 2010, the Enterprise funded $10 million and $10.9 million, respectively, from the Operating Fund to maintain this reserve requirement. Current projections for future years indicate significant transfers from the Agency Operating Fund to the Federal Reserve Fund will be required to meet the minimum required balance.

The DE has contracted with the Enterprise to provide guarantee services under the *Higher Education Act of 1965* and may only terminate the agreement for cause, and 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.

Financial Contact

If you have any questions about this report, please contact

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

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
PROPRIETARY FUND
STATEMENTS OF NET ASSETS
For the Years Ended June 30, 2010 and 2009

ASSETS

	2010	2009
CURRENT ASSETS		
Cash and pooled cash investments	$ 44,215,066	$ 47,244,490
Federal fees receivable	2,036,839	2,259,985
Other receivables, net	242,112	404,456
Interagency receivable	-	7,012,727
Prepaid expenses	330,137	329,573
Total current assets	46,824,154	57,251,231
RESTRICTED ASSETS		
Restricted cash and pooled cash investments	23,589,153	23,607,774
Federal reinsurance receivable	34,466,877	41,793,787
Total restricted assets	58,056,030	65,401,561
CAPITAL ASSETS		
Computer hardware and software	31,254	31,254
Less accumulated depreciation	(28,835)	(21,118)
Capital assets, net	2,419	10,136
TOTAL ASSETS	$ 104,882,603	$ 122,662,928

LIABILITIES AND NET ASSETS

	2010	2009
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 235,030	$ 439,296
Accrued compensated absences	28,145	26,388
Other current liabilities	9,059,787	7,871,833
Total current liabilities	9,322,962	8,337,517
LIABILITIES PAYABLE FROM RESTRICTED ASSETS		
Loan collections and other liabilities due to federal government	3,486,094	14,314,790
Claims due to lenders	28,438,212	23,232,610
Total liabilities payable from restricted assets	31,924,306	37,547,400
NONCURRENT LIABILITIES		
Accrued compensated absences	101,572	105,754
Other long term liabilities	-	4,274,361
Total noncurrent liabilities	101,572	4,380,115
Total liabilities	41,348,840	50,265,032
NET ASSETS		
Invested in capital assets	2,419	10,136
Restricted	26,091,951	27,932,500
Unrestricted	37,439,393	44,455,260
Total net assets	63,533,763	72,397,896
TOTAL LIABILITIES AND NET ASSETS	$ 104,882,603	$ 122,662,928

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

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
PROPRIETARY FUND
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Years Ended June 30, 2010 and 2009

	2010	2009
OPERATING REVENUES		
Federal grants and contracts		
Collections on loans and bankruptcies	$ 34,858,532	$ 28,481,850
Federal fee revenue	9,375,790	10,585,235
Amount paid to service provider	(40,752,816)	(36,535,540)
Federal reinsurance	348,922,977	314,155,368
Grant revenue	166,912	137,374
Interest on purchased loans and other	1,562,767	593,090
Other revenues	5,119,025	1,966,911
Total operating revenues	359,253,187	319,384,288
OPERATING EXPENSES		
Guarantee claims paid to lending institutions	364,653,191	327,613,478
Salaries and fringe benefits	2,053,073	2,284,483
Operating and travel	3,813,055	3,428,291
Depreciation	7,717	117,158
Total operating expenses	370,527,036	333,443,410
OPERATING LOSS	(11,273,849)	(14,059,122)
NON-OPERATING REVENUES (EXPENSES)		
Earnings on pooled cash investments	2,409,716	2,518,780
Loss on disposal of equipment	-	(240,594)
Total non-operating revenues	2,409,716	2,278,186
CHANGE IN NET ASSETS	(8,864,133)	(11,780,936)
NET ASSETS, BEGINNING OF YEAR	72,397,896	84,178,832
NET ASSETS, END OF YEAR	$ 63,533,763	$ 72,397,896

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

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
PROPRIETARY FUND
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2010 and 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from:		
Federal grants and contracts	$395,025,503	$361,624,970
Amount paid to service provider	(43,839,222)	(27,678,255)
Interest on purchased loans and other	1,562,767	593,090
Other sources	301,437	833,935
	353,050,485	335,373,740
Cash disbursed for:		
Guarantee claims paid to lending institutions	(359,407,816)	(333,764,803)
Employees	(2,055,499)	(2,285,929)
Suppliers	(4,051,164)	(3,846,976)
	(365,514,479)	(339,897,708)
Net cash used in operating activities	(12,463,994)	(4,523,968)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Sale of capital assets	-	7,000
Net cash provided by capital and related financing activities	-	7,000
CASH FLOWS FROM INVESTING ACTIVITIES		
Loan to other agency	(20,000,000)	(37,000,000)
Repayments of loan from other agency	27,000,000	30,000,000
Earnings on pooled cash investments	2,415,949	2,525,014
Net cash provided (used) by investing activities	9,415,949	(4,474,986)
NET CHANGE IN CASH AND POOLED CASH INVESTMENTS	(3,048,045)	(8,991,954)
CASH AND POOLED CASH INVESTMENTS, BEGINNING OF YEAR	70,852,264	79,844,218
CASH AND POOLED CASH INVESTMENTS, END OF YEAR	$ 67,804,219	$ 70,852,264

	2010	2009
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Net operating loss	$ (11,273,849)	$ (14,059,122)
Adjustments to reconcile net operating loss to net cash used in operating activities:		
Depreciation	7,717	117,158
Receivables	7,712,400	(7,076,041)
Interagency receivable	6,494	(18,960)
Prepaid expenses	(564)	(116,915)
Accounts payable and accrued liabilities	(204,266)	(282,808)
Other current liabilities	1,187,954	4,700,669
Loan collections and other liabilities due to federal government	(10,828,696)	14,208,207
Claims paid to lenders	5,205,602	(6,151,325)
Accrued compensated absences	(2,425)	(1,446)
Other long term liabilities	(4,274,361)	4,156,615
NET CASH USED IN OPERATING ACTIVITIES	$ (12,463,994)	$ (4,523,968)

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

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

Basis of Accounting and Presentation

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

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

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

The basic financial statements of the Enterprise present the financial position, results of operations, and, where applicable, cash flows for only the entity. They do not purport to, and do not present, the financial position of the State of Colorado as of June 30, 2010 and 2009, or the results of operations, or cash flows where applicable, for the years then ended.

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

Use of Estimates in Preparation of Financial Statements

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

Cash and Pooled Cash Investments

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

Receivables

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

Capital Assets

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

Depreciation is charged using a straight-line method over the estimated useful lives of the assets. Generally, furniture, equipment, and software are depreciated over 3 to 10 years. Leasehold improvements are depreciated over the lesser of 5 years or the life of the lease in which the renovation was made. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and resulting gains or losses are recorded as non-operating revenues (expenses). There was a loss of $240,594 on the sale or disposal of capital assets in fiscal year 2009. The book value net of accumulated depreciation of $247,594, less cash received represents the loss on disposal of assets. There was no gain or loss on disposal during fiscal year 2010.

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

Liabilities

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

Compensated Absences

Employees of the Enterprise are entitled to paid vacations, sick days, and personal days off, depending on job classification, length of service, and other factors. The Enterprise has recorded the amount of compensation for future absences as an accrued liability in the accompanying financial statements. The estimated liability is based on hours earned up to assigned maximums. One-fourth of unused sick days or a maximum of 520 hours may be paid to employees upon retirement or death. Unused vacation days are paid to employees upon termination.

Net Assets

The net assets of the Enterprise are classified as follows:

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

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

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

Classification of Revenues and Expenses

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

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

Loan Defaults

Student loans guaranteed by the Enterprise that subsequently fall into default status are purchased by the Enterprise. This occurs after a claim is paid to the lending institution. Once a claim is paid to a lender, the Enterprise becomes the holder of the loan and seeks to collect on the loan from the DE. Although claim payments are made on defaults, deaths, disabilities and bankruptcies, only loans in default and loans included under Chapter 7 and Chapter 13 bankruptcies are collectible by the Enterprise. A guaranty agency may charge a borrower reasonable costs incurred to collect on defaulted loans per CFR 682.410(b)(2). In fiscal year 2010 and 2009, the Enterprise charged a collection cost rate of 15.64% on regular default borrower payments (excluding federal consolidations of FFEL default loans and rehabilitations).

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

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

Federal Reinsurance

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

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

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

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 result in a reduced federal reinsurance rate. When the annual rate of losses (defaults) exceeds 5% of the loans in repayment it “triggers” the DE to reimburse the Enterprise a reduced reinsurance rate. The Enterprise’s annual rate of losses (defaults) or (trigger rate) for the Federal fiscal years ended September 30, 2010 and September 30, 2009, did not exceed 5%.

Budgets and Budgetary Accounting

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

In summary, the total budgeted revenues for the Agency Operating Fund and Federal Reserve Fund were $13.4 million and $407.3 million, as compared with actual revenues of $11.2 million and $367.3 million, respectively for the fiscal year ended June 30, 2010. The total final budgeted expenses for the Agency Operating Fund and Federal Reserve Fund were $19.1 million and $407.5 million, compared to actual expenses of $18.2 million and $369.1 million.

Application of Restricted and Unrestricted Resources

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

Reclassifications

Certain reclassifications have been made to 2009 balances to conform to the 2010 presentation.

NOTE 2 – CASH AND POOLED CASH INVESTMENTS

The Enterprise deposits cash with the Colorado State Treasurer as required by the Colorado Revised Statutes (CRS). The State Treasurer pools these deposits and invests them in securities approved by CRS 24-75-601.1. The Enterprise reports its share of the Treasurer’s unrealized gains and losses based on its participation in the State Treasurer’s pooled cash and investments. All of the investments are reported at fair value, which is determined based on

NOTE 2 – CASH AND POOLED CASH INVESTMENTS (CONTINUED)

quoted market prices at June 30, 2010 and 2009. Detailed information on the State Treasurer's pooled cash and investments is available from that office. It may also be obtained in the State of Colorado's Comprehensive Annual Financial Report.

Including restricted amounts, the Enterprise had $67,804,019 and $70,852,064 on deposit with the State Treasurer at June 30, 2010 and 2009, respectively. Cash on hand, including petty cash funds was $200 at June 30, 2010 and 2009.

The following summarizes cash and pooled cash investments:

	2010	2009
Cash on deposit with State Treasurer	$ 66,068,090	$ 69,953,469
State Treasurer pooled cash investments – unrealized gain	1,735,929	898,595
Cash on hand and in transit to State Treasurer	67,804,019	70,852,064
Petty cash	200	200
Total	$ 67,804,219	$ 70,852,264

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

	2010	2009
Cash and pooled cash investments	$ 44,215,066	$ 47,244,490
Restricted cash and pooled cash investments	23,589,153	23,607,774
Total	$ 67,804,219	$ 70,852,264

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

NOTE 3 – FEDERAL FEES RECEIVABLE

Federal fees receivable are fees due from the DE which include fees earned to manage the loan portfolio (Account Maintenance Fees) and fees earned to manage new loan originations (Loan Processing and Issuance Fees). Effective July 1, 2010, Loan Processing and Issuance fees were terminated due to the elimination of the FFEL program since no new loan originations are allowed.

NOTE 4 – OTHER RECEIVABLES, NET

Other receivables – net, include purchased student loans. These represent loans not eligible for reinsurance by the DE. Unreinsurable loans must be purchased by the Enterprise and become an asset of the Enterprise. For these loans, an allowance for uncollectible loans equal to 93% of the purchased loans receivable balance is recorded at $1,515,356 and $1,415,142 at June 30, 2010 and 2009, respectively. The allowance rate is based on historical collection activity for purchased student loans. The net purchased loans receivable included on the accompanying statements of net assets at June 30, 2010 and 2009 is $114,059 and $106,516, respectively.

NOTE 5 – INTERAGENCY RECEIVABLE

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

For fiscal year 2010, interest rates on the working capital loans ranged from 2% to 3.5% based on and equal to rates paid by State Treasury. The loan(s) plus accrued interest was paid in full as of June 30, 2010. No further loan(s) will be provided under this agreement.

The Enterprise is a sub-recipient of a federal grant known as the College Access Challenge Grant which was granted to CollegeInvest. The Enterprise uses the grant money to fund outreach staff and other outreach related expenses. As of June 30, 2010, there were no outstanding receivables due from CollegeInvest.

NOTE 5 – INTERAGENCY RECEIVABLE (CONTINUED)

The following is an analysis of changes in Interagency Receivable for the year ended June 30, 2010:

	Balance July 1, 2009	Issuances/ Accrued	Repayments Received	Balance June 30, 2010
Working Capital Loan	$ 7,000,000	$ 20,000,000	$(27,000,000)	$ -
Accrued Interest on Loans	6,233	274,852	(281,085)	-
Grant Revenue	6,494	166,912	(173,406)	-
Total	$ 7,012,727	$ 20,441,764	$(27,454,491)	$ -

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

NOTE 6 – CAPITAL ASSETS

A summary of changes in capital assets is as follows for the years ended June 30, 2010 and 2009:

	Balance July 1, 2009	Additions	Disposals	Balance June 30, 2010
Computer hardware	$ 31,254	$ -	$ -	$ 31,254
Total	31,254	-	-	31,254
Less accumulated depreciation	(21,118)	(7,717)	-	(28,835)
Capital assets, net	$ 10,136	$ (7,717)	$ -	$ 2,419

NOTE 6 – CAPITAL ASSETS

	Balance July 1, 2008	Additions	Disposals	Balance June 30, 2009
Computer furniture and equipment	$ 1,616,182	$ -	$ (1,616,182)	$ -
Computer hardware	3,626,434	-	(3,595,180)	31,254
Leasehold improvements	97,946	-	(97,946)	-
Total	5,340,562	-	(5,309,308)	31,254
Less accumulated depreciation	(4,965,675)	(117,158)	5,061,715	(21,118)
Capital assets, net	$ 374,887	$ (117,158)	$ (247,593)	$ 10,136

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

NOTE 7 – ACCRUED LIABILITIES

Under Colorado Revised Statute 24-75-201, salaries and wages earned during the months of June 2010 and 2009 are paid in July of the following year. An accrued liability was recorded on June 30, 2010 and 2009 at $164,232 and $151,774, respectively, for incurred but unpaid salaries and wages. The liability is included in accounts payable and accrued liabilities on the accompanying statements of net assets.

NOTE 8 – OTHER CURRENT LIABILITIES

Other current liabilities consist mainly of fees due to NGS of $8,312,352 and $7,454,969 for fiscal years 2010 and 2009, respectively.

NOTE 9 – LEASES AND NONCURRENT LIABILITIES

The Enterprise leases office space under an Intra-Department Memorandum of Understanding (MOU) with CollegeInvest, a related party. Under the agreement, the Enterprise is required to pay base rent of approximately $23,000 per month, excluding annual operating expense adjustments. The MOU expired on June 30, 2010, and a new MOU was put into place, expiring on June 30, 2011. Total rent expense for the years ended June 30, 2010 and 2009 was $264,265 and $271,997, respectively.

NOTE 9 – LEASES AND NONCURRENT LIABILITIES (CONTINUED)

During the fiscal years ended June 30, 2010 and 2009, the following changes occurred with noncurrent liabilities:

	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010	Amounts Due Within One Year
Accrued compensated absences	$ 132,142	$ 152,165	$ (154,590)	$ 129,717	$ 28,145
Other liabilities	4,274,361	-	(4,274,361)	-	-
Total	$ 4,406,503	$ 152,165	$ (4,428,951)	$ 129,717	$ 28,145

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

Other liabilities of $4,274,361 are comprised of deferred payments owed to NGS as of June 30, 2009, due and payable on December 31, 2010. The deferrals have been reclassed to current liabilities as of June 30, 2010 (see Note 19).

NOTE 10 – RELATED PARTY TRANSACTIONS

In addition to the lease transaction as discussed in Note 9, the working capital loan agreement and grant activities as discussed in Note 5, the Enterprise also shares the cost of human resources personnel, information systems personnel, and other administrative operating expenses with CollegeInvest under the terms of two separate MOUs. The current MOUs expired on June 30, 2010, and were renewed and expire on June 30, 2011.

Significant related party transactions incurred for fiscal years 2010 and 2009 include:

	2010	2009
Working Capital Loans to CollegeInvest, net of repayments	$ -	$ 7,006,233
Rehabilitated Loan Sales to CollegeInvest, net of discounts	-	54,365,580
Default Claims paid to CollegeInvest	63,696,015	53,726,986

NOTE 11 – COMMITMENTS

Statutory Federal Reserve Fund Requirements

The Enterprise is required by Federal regulations and State statute to maintain a minimum Federal Reserve Fund balance of .25% of the unpaid balance of net outstanding loans to meet future default claims. Management of the Enterprise believes it has met this requirement as of September 30, 2010 and 2009, and believes it will continue to meet the reserve requirement. The DE reassesses the required reserve amount at September 30 of each year.

Commitment

The Enterprise entered into a long-term contract for systems operations and maintenance services with XAP Corporation.

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

Year Ending June 30:	
2011	$ 1,188,700
2012	1,239,253
2013	1,313,609
2014	888,342
Total	$ 4,629,904

NOTE 12 – CONTINGENCIES

Loan Guarantees

The net outstanding principal balance of student loans guaranteed by the Enterprise at June 30, 2010 and June 30, 2009 is over $12.4 and $13.3 billion, respectively.

New loans guaranteed are reinsured at a minimum rate of 95%. If the Enterprise's rate (trigger rate) exceeds the 5% threshold as calculated on September 30 of each year, it may be liable for up to a maximum 25% of the outstanding balance of loans in repayment at the beginning of each year. The trigger rate is calculated September 30 of each year for purposes of determining the reinsurance rate applicable for the subsequent year. The Enterprise did not exceed the trigger rate for the period ended September 30, 2009, or in prior periods, and does not anticipate exceeding the rate for the period ended September 30, 2010. The trigger rate for the Enterprise at period ended September 30, 2009, was 1.83%. Any liability that may result would be capped at the Enterprise's total net assets.

NOTE 13 – EMPLOYEE PENSION PLAN

Plan Description

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

Prior to legislation passed during the 2006 session, higher education employees may have participated in social security, PERA's defined benefit plan, or the institution's optional retirement plan. Currently, higher education employees, excluding community college employees, are required to participate in their institution's optional plan, if available, unless they are active or inactive members of PERA with at least one year of service credit. In that case they may elect either PERA or their institution's optional plan.

New employees, excluding four-year college and university employees, are allowed 60 days to elect to participate in PERA's defined contribution plan. If that election is not made, the employee is automatically enrolled in the plan to which he or she last contributed or, if there was no prior participation, to the defined benefit plan. PERA members electing the PERA defined contribution plan are allowed an irrevocable election between the second and fifth year of membership to use their defined contribution account to purchase service credit and be covered under the defined benefit retirement plan. However, making this election subjects the member to rules in effect for those hired on or after January 1, 2007, as discussed below. The employer contribution to the defined contribution plan is the same amount as the contribution to the PERA defined benefit plan.

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

- Hired before July 1, 2005 – age 50 with 30 years of service, age 60 with 20 years of service, or age 65 with 5 years of service.

- Hired between July 1, 2005 and December 31, 2006 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 20 years of service, or age 65 with 5 years of service.

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

NOTE 13 – EMPLOYEE PENSION PLAN (CONTINUED)

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

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

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

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

Most members automatically receive the higher of the defined retirement benefit or money purchase benefit at retirement. Defined benefits are calculated as 2.5% times the number of years of service times the highest average salary (HAS). For retirements before January 1, 2009, HAS is calculated as one-twelfth of the average of the highest salaries on which contributions were paid, associated with three periods of 12 consecutive months of service credit and limited to a 15% increase between periods.

For retirements after January 1, 2009, the HAS is calculated based on original hire date as follows:

- Hired before January 1, 2007 – HAS is calculated based on three periods of service credit and is limited to a 15% increase between periods; the lowest salary of four periods is used as a base for determining the maximum allowable 15% increase.

- Hired on or after January 1, 2007 – HAS is calculated based on three periods of service credit and is limited to an 8% increase between periods; the lowest salary of four periods is used as a base for determining the maximum allowable 8% increase.

Prior to January 1, 2010, retiree benefits were increased annually based on their original hire date as follows:

- Hired before July 1, 2005 – 3.5%, compounded annually.

- Hired between July 1, 2005 and December 31, 2006 – the lesser of 3% or the actual increase in the national Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI).

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

NOTE 13 – EMPLOYEE PENSION PLAN (CONTINUED)

In the 2010 legislative session, the general assembly set the current increase as the lesser of 2% or the average of the monthly CPI amounts for calendar year 2009. The 2009 CPI was negative resulting in a calendar year 2010 increase of 0%. The 2010 legislation moved the payment date of all increases to July. New rules governing the annual increase amount will be in effect beginning January 1, 2011.

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

Funding Policy

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

Most employees contribute 8.0% (10.0% for state troopers) of their salary, as defined in CRS 24-51-101(42), to an individual account in the plan. From July 1, 2009, to December 31, 2009, the state contributed 12.95% (15.65% for state troopers and 16.46% for the Judicial Branch) of the employee's salary. From January 1, 2010, through June 30, 2010, the state contributed 13.85% (16.55% for state troopers and 17.36% for the Judicial Branch). During all of fiscal year 2009-10, 1.02% of the employees' total salary was allocated to the Health Care Trust Fund.

Per Colorado Revised Statutes, an amortization period of 30 years is deemed actuarially sound. At December 31, 2009, the division of PERA in which the state participates was underfunded with an amortization period of 43 years.

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

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

NOTE 13 – EMPLOYEE PENSION PLAN (CONTINUED)

In the 2010 legislative session, the general assembly extended both the AED and SAED. The AED will continue to increase at a rate of 0.4% of salary from calendar years 2013 through 2017. The SAED will continue to increase by one-half percentage point from calendar years 2014 through 2017. If the funding ratio reaches 103%, both the AED and the SAED will be reduced by one-half percentage point. Neither the AED nor the SAED may exceed 5%.

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

The Enterprise's contributions to PERA and/or the state defined contribution plan for the fiscal years ended June 30, 2010, 2009 and 2008 were $198,671, $205,113, and $201,081, respectively. These contributions met the contribution requirement for each year.

NOTE 14 – OTHER RETIREMENT PLANS

Defined Contribution Plan

The PERA Defined Contribution Retirement Plan was established January 1, 2006, as an alternative to the defined benefit plan. All employees, with the exception of certain higher education employees, have the option of participating in the plan. On July 1, 2009, administration of the state's defined contribution plan was transferred to PERA and participants of the state's plan became participants of the PERA defined contribution plan. Existing state plan members at the time of the transfer became participants in the PERA defined contribution plan and retained their vesting schedule for employer contributions, while employer contributions for new members will vest from 50% to 100% evenly over 5 years. Participants in the plan are required to contribute 8% (10% for state troopers) of their salary. At December 31, 2009, the plan had 3,039 participants.

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 were transferred to PERA, and all costs of administration and funding are borne by the plan participants. In calendar year 2009, 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 $16,500. Participants who are age 50 and older may contribute an additional $5,500 for total contributions of $22,000 in 2009. At December 31, 2009, the plan had 18,007 participants.

PERA also offers a voluntary 401k plan entirely separate from the defined benefit pension plan. Certain agencies and institutions of the state also offer 403(b) or 401(a) plans.

NOTE 15 – POSTEMPLOYMENT BENEFITS

Health Care Plan

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

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

Employees are not required to contribute to the Health Care Trust Fund, which is maintained by employer's contributions. Beginning July 1, 2004, state agencies/institutions are required to contribute 1.02% of gross covered wages to the Health Care Trust Fund. The Enterprise contributed $15,127, $16,712, and $17,021 as required by statute in fiscal years 2009-10, 2008-09, and 2007-08, respectively. In each year the amount contributed was 100% of the required contribution.

The Health Care Trust Fund offers two general types of plans: fully-insured plans offered through health care organizations and self-insured plans administered for PERA by third-party vendors. As of December 31, 2009, there were 46,985 enrolled participants, including spouses and dependents, from all contributors to the plan. At December 31, 2009, the Health Care Trust Fund had an unfunded actuarial accrued liability of $1.50 billion, a funded ratio of 14.8% and a 53-year amortization period.

NOTE 16 – SUBSEQUENT EVENTS

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 a result, 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 the Enterprise 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.

NOTE 17 – RISK MANAGEMENT

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

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

NOTE 18 – TAX, SPENDING AND DEBT LIMITATIONS

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

NOTE 19 – SIGNIFICANT OPERATING AGREEMENTS

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

The agreement also requires that NLS Holdings be responsible for all operating expenses associated with this expanded servicing contract. This includes, but is not limited to, personnel, operating, rent, and other expenses normally associated with operating a government agency. To pay for these services, NLS Holdings shares in and receives 80% of the revenue earned in performing these services. The Enterprise retains 20% of these fees to pay for contract monitoring, financial and regulatory reporting, and related activities under the agreement.

NOTE 19 – SIGNIFICANT OPERATING AGREEMENTS (CONTINUED)

The agreement was amended in fiscal year 2009. Under the terms of the amended agreement, certain revenue sharing changes occurred and payment of certain other amounts due and payable to NLS Holdings are deferred. As shown in Note 9, $4,274,361 has been reclassified to current liabilities as of June 30, 2010. During 2010, College Assist incurred an additional $82,785 in deferred liabilities. The total deferred amount of $4,357,146 is due and payable on December 31, 2010, and is included in current liabilities on the statements of net assets.

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

On January 21, 2010, the Enterprise entered into a separate agreement to sell eligible rehabilitated loans to Nelnet at a discount of 6% and 8% for applicable Stafford, Plus, GradPlus and Consolidation loans, up to a maximum of $100 million, to terminate on January 21, 2011, unless agreed otherwise. On May 31, 2010, the agreement was amended to increase the maximum amount to $150 million. As of June 30, 2010, rehabilitated loan sales to Nelnet were $76.5 million, net of discounts and adjustments of $6.2 million.

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
Fiscal Years Ended June 30, 2010 and 2009

The Management's Discussion and Analysis (MD&A) is required by Governmental Accounting Standards. The MD&A below was prepared by the Enterprise's management on behalf of the College Opportunity Fund (COF) and is designed to provide an analysis of the COF's financial condition and operating results for the fiscal year ended June 30, 2010 and 2009. 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 51.

Basic Financial Statements – College Opportunity Fund

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

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

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

Financial Overview

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

Management Highlights

The COF was established in fiscal year 2006 and continues to be funded through fiscal year 2010. Under CRS Article 23, Section 18, Colorado changed its funding system for public higher education to a student-stipend program known as the COF in Fall 2005. Under the new system, the State no longer makes direct lump-sum financial transactions to its public institutions for undergraduate education. Instead, these funds are provided to public and private higher education institutions on behalf of resident undergraduate students in the form of a stipend.

Stipend rates are set annually by the General Assembly during the State's budget process. The allocation is defined on a per-credit-hour basis where the advertised amount is representative of a full-time student taking 30 credit hours each year. In fiscal year 2010, the stipend amount continued to decrease by 35% over prior years as budget cuts to the General Fund persisted. For the 2009-10 and 2008-09 academic year, the state provided each participating student with $1,320 or $44 per credit hour stipend and $2,040 or $68 per credit hour stipend, respectively.

Schedule of Net Assets – Fiscal Year 2010

Restricted Net Assets of the COF at year-end were $2. During the fiscal year, there was $185,657,697 of stipend receipts appropriated to the Colorado Department of Higher Education for use under the COF statutes. Of the total amount appropriated for COF in the current year, 100% was used for stipends for Colorado students attending Colorado Higher Education Institutions. Total assets at year-end were $156,956. Outstanding liabilities at year-end were $156,954, due to stipends payable to institutions at year-end.

Schedule of Net Assets – Fiscal Year 2009

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

Additions and Deductions – Fiscal Year 2010

During fiscal year 2010, the General Assembly appropriated $185,657,697 of stipend receipts, of which $185,657,697 was paid to Colorado Higher Education Institutions for student stipends used to offset tuition costs. All State funded universities and university systems are eligible to participate in the COF program per statute; also included in participation are two private institutions (Denver University and Regis University). Of the total amount appropriated for the COF, $746,334 was specifically provided to the two private institutions.

Additions and Deductions – Fiscal Year 2009

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

Economic Facts and Conditions for the Future

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

During periods of revenue shortfalls, the General Assembly may use a variety of mechanisms to balance the state's budget, including changes to the COF program. The stipend rate for the 2010-11 academic year is $62 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.

Financial Contact

If you have any questions about this report, please contact

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

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
FIDUCIARY FUND - PRIVATE PURPOSE TRUST FUND
STATEMENTS OF FIDUCIARY NET ASSETS
June 30, 2010 and 2009

ASSETS

	2010	2009
CURRENT ASSETS		
Operating cash	$ 128,148	$ 123,482
Accounts receivable	28,808	-
Total current assets	156,956	123,482
TOTAL ASSETS	$ 156,956	$ 123,482

LIABILITIES AND NET ASSETS

	2010	2009
CURRENT LIABILITIES		
Accounts payable	$ 156,954	$ 123,480
Total current liabilities	156,954	123,480
NET ASSETS HELD IN TRUST	2	2
Total net assets	2	2
TOTAL LIABILITIES AND NET ASSETS	$ 156,956	$ 123,482

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

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
FIDUCIARY FUND - PRIVATE PURPOSE TRUST FUND
STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS
For the Year Ended June 30, 2010 and 2009

	2010	2009
ADDITIONS		
Stipend receipts	$ 185,657,697	$ 262,450,289
Grant receipts	-	288,000
Total additions	185,657,697	262,738,289
DEDUCTIONS		
Stipend payments	185,657,697	262,738,288
Total deductions	185,657,697	262,738,288
CHANGE IN NET ASSETS	-	1
NET ASSETS, BEGINNING OF YEAR	2	1
NET ASSETS, END OF YEAR	$ 2	$ 2

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

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity – College Opportunity Fund

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

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

Stipends are set annually by the General Assembly during the State's budget process. The allocation is defined on a credit-hour basis where the advertised amount is representative of a full-time student taking 30 credit hours each year at a public institution. For the 2009-10 and 2008-09 academic year, the State provided each participating student with a $1,320, or $44 per credit hour stipend, and $2,040, or $68 per credit hour stipend, respectively.

Basis of Accounting and Presentation

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

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

Use of Estimates in Preparation of Financial Statements

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

Cash

Cash consists of cash on deposit with the State Treasurer.

Account Receivable

Accounts receivable consist of stipends due from Institutions of Higher Education related to reductions of COF stipends.

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

Liabilities

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

Net Assets Held In Trust

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

Additions and Deductions

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

Budgets and Budgetary Accounting

By statute, the COF is continuously funded through appropriations authorized and approved by the General Assembly. The operating budget, its appropriations and revisions thereto are reviewed by the Colorado Department of Higher Education and the Enterprise Director. The original Long Bill appropriations, excluding adjustments, for fiscal years 2010 and 2009 were $271,697,400 and $344,318,280, respectively. Total adjustments to the original appropriations including fee for service transfers for fiscal years 2010 and 2009 were $86,039,703 and $81,579,991, respectively. Final COF appropriations after adjustments for fiscal years 2010 and 2009 were $185,657,697 and $262,738,289, respectively.

NOTE 2 – CASH

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

The COF had cash of $128,148 and $123,482 on deposit with the State Treasurer at June 30, 2010 and June 30, 2009, respectively. There was no cash on hand or petty cash.

The Colorado Public Deposit Protection Act requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral

NOTE 2 – CASH (CONTINUED)

determined by the PDPA. The institution is allowed to create a single collateral pool for all public funds held. The pool is maintained by another institution or held in trust for all the uninsured public deposits as a group. The fair value of the collateral must be at least equal to 102% of the uninsured deposits.

NOTE 3 – FEDERAL AND STATE LEGISLATIVE IMPACTS

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

Annually, the Colorado Department of Higher Education requests that the General Assembly adjust the amount appropriated to the COF for stipends to reflect at least inflation and enrollment growth in the state institutions of higher education. In fiscal year 2010, the stipend amount was decreased as budget cuts to the General Fund continued, COF stipend amounts were reduced from $68 to $44 per credit hour. Even with the reductions in fiscal years 2010 and 2009, the stipend continued to be fully funded by appropriations and through the use of American Recovery and Reinvestment Act funds. Fully funded means the stipend was provided to each student who applied for and was eligible to receive the stipend.

NOTE 4 – RISK MANAGEMENT

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

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

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

NOTE 4 – RISK MANAGEMENT (CONTINUED)

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

NOTE 5 – TAX, SPENDING AND DEBT LIMITATIONS

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

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

SUPPLEMENTARY INFORMATION

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
PROPRIETARY FUNDS
COMBINING SCHEDULES OF NET ASSETS
June 30, 2010
With Comparative Totals for June 30, 2009

ASSETS

	Agency Operating Fund	Federal Reserve and Drawdown Funds	Totals 2010	Totals 2009
CURRENT ASSETS				
Cash and pooled cash investments	$ 44,215,066	$ -	$ 44,215,066	$ 47,244,490
Federal fees receivable	2,036,839	-	2,036,839	2,259,985
Other receivables, net	242,112	-	242,112	404,456
Interagency receivable	-	-	-	7,012,727
Prepaid expenses	330,137	-	330,137	329,573
Total current assets	46,824,154	-	46,824,154	57,251,231
RESTRICTED ASSETS				
Restricted cash and pooled cash investments	-	23,589,153	23,589,153	23,607,774
Federal reinsurance receivable	-	34,466,877	34,466,877	41,793,787
Total restricted assets	-	58,056,030	58,056,030	65,401,561
CAPITAL ASSETS				
Computer hardware and software	31,254	-	31,254	31,254
Less accumulated depreciation	(28,835)	-	(28,835)	(21,118)
Capital assets, net	2,419	-	2,419	10,136
TOTAL ASSETS	$ 46,826,573	$ 58,056,030	$ 104,882,603	$ 122,662,928

LIABILITIES AND NET ASSETS

	Agency Operating Fund	Federal Reserve and Drawdown Funds	Totals 2010	Totals 2009
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	$ 195,257	$ 39,773	$ 235,030	$ 439,296
Accrued compensated absences	28,145	-	28,145	26,388
Other current liabilities:	9,059,787	-	9,059,787	7,871,833
Total current liabilities	9,283,189	39,773	9,322,962	8,337,517
LIABILITIES PAYABLE FROM RESTRICTED ASSETS				
Loan collections and other liabilities due to federal government	-	3,486,094	3,486,094	14,314,790
Claims due to lenders	-	28,438,212	28,438,212	23,232,610
Total liabilities payable from restricted assets	-	31,924,306	31,924,306	37,547,400
NONCURRENT LIABILITIES				
Accrued compensated absences	101,572	-	101,572	105,754
Other long term liabilities	-	-	-	4,274,361
Total noncurrent liabilities	101,572	-	101,572	4,380,115
Total liabilities	9,384,761	31,964,079	41,348,840	50,265,032
NET ASSETS				
Invested in capital assets	2,419	-	2,419	10,136
Restricted	-	26,091,951	26,091,951	27,932,500
Unrestricted	37,439,393	-	37,439,393	44,455,260
Total net assets	37,441,812	26,091,951	63,533,763	72,397,896
TOTAL LIABILITIES AND NET ASSETS	$ 46,826,573	$ 58,056,030	$ 104,882,603	$ 122,662,928

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
PROPRIETARY FUNDS
COMBINING SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2010
With Comparative Totals for the Year Ended June 30, 2009

	Agency Operating Fund	Federal Reserve and Drawdown Funds	Totals 2010	Totals 2009
OPERATING REVENUES				
Federal grants and contracts				
Collections on loans and bankruptcies	$ 34,858,532	$ -	$ 34,858,532	$ 28,481,850
Federal fee revenue	9,375,790	-	9,375,790	10,585,235
Less: Amount paid to service provider	(40,752,816)	-	(40,752,816)	(36,535,540)
Federal reinsurance	-	348,922,977	348,922,977	314,155,368
Grant Revenue	166,912	-	166,912	137,374
Interest on purchased loans and other	1,562,767	-	1,562,767	593,090
Other revenues	217,432	4,901,593	5,119,025	1,966,911
Total operating revenues	5,428,617	353,824,570	359,253,187	319,384,288
OPERATING EXPENSES				
Guarantee claims paid to lending institutions	-	364,653,191	364,653,191	327,613,478
Salaries and fringe benefits	2,053,073	-	2,053,073	2,284,483
Operating and travel	3,813,055	-	3,813,055	3,428,291
Depreciation	7,717	-	7,717	117,158
Total operating expenses	5,873,845	364,653,191	370,527,036	333,443,410
OPERATING INCOME/(LOSS)	(445,228)	(10,828,621)	(11,273,849)	(14,059,122)
NON-OPERATING REVENUES (EXPENSES)				
Earnings on pooled cash investments	1,334,520	1,075,196	2,409,716	2,518,780
Loss on sale of equipment	-	-	-	(240,594)
Income (loss) before transfers	889,292	(9,753,425)	(8,864,133)	(11,780,936)
Interfund transfers in/(out)	(7,912,876)	7,912,876	-	-
CHANGE IN NET ASSETS	(7,023,584)	(1,840,549)	(8,864,133)	(11,780,936)
NET ASSETS, BEGINNING OF YEAR	44,465,396	27,932,500	72,397,896	84,178,832
NET ASSETS, END OF YEAR	$ 37,441,812	$ 26,091,951	$ 63,533,763	$ 72,397,896

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, 2010
With Comparative Totals for the Year Ended June 30, 2009

	Agency Operating Fund	Federal Reserve and Drawdown Funds	Totals 2010	Totals 2009
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from:				
Federal grants and contracts	$ 44,624,380	$ 350,401,123	$ 395,025,503	$ 361,624,970
Amount paid to service provider	(43,839,222)	-	(43,839,222)	(27,678,255)
Interest on purchased loans and other	1,562,767	-	1,562,767	593,090
Other sources	301,437	-	301,437	833,935
	2,649,362	350,401,123	353,050,485	335,373,740
Cash disbursed for:				
Guarantee claims paid to lending institutions	-	(359,407,816)	(359,407,816)	(333,764,803)
Employees	(2,055,499)	-	(2,055,499)	(2,285,929)
Suppliers	(4,051,164)	-	(4,051,164)	(3,846,976)
	(6,106,663)	(359,407,816)	(365,514,479)	(339,897,708)
Net cash used in operating activities	(3,457,301)	(9,006,693)	(12,463,994)	(4,523,968)
INTERFUND TRANSFERS	(7,912,876)	7,912,876	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Sale of capital assets	-	-	-	7,000
Net cash provided by capital and related financing activities	-	-	-	7,000
CASH FLOW FROM INVESTING ACTIVITIES				
Loan to other agency	(20,000,000)	-	(20,000,000)	(37,000,000)
Repayments of loan from other agency	27,000,000	-	27,000,000	30,000,000
Interest on pooled cash investments	1,340,753	1,075,196	2,415,949	2,525,014
Net cash used by investing activities	8,340,753	1,075,196	9,415,949	(4,474,986)
NET CHANGE IN CASH AND POOLED CASH INVESTMENTS	(3,029,424)	(18,621)	(3,048,045)	(8,991,954)
CASH AND POOLED CASH INVESTMENTS, BEGINNING OF YEAR	47,244,490	23,607,774	70,852,264	79,844,218
CASH AND POOLED CASH INVESTMENTS, END OF YEAR	$ 44,215,066	$ 23,589,153	$ 67,804,219	$ 70,852,264

	Agency Operating Fund	Federal Reserve and Drawdown Funds	Totals 2010	Totals 2009
RECONCILIATION OF NET OPERATING INCOME LOSS TO NET CASH PROVIDED BY (USED IN)OPERATING ACTIVITIES				
Net operating loss	$ (445,228)	$ (10,828,621)	$ (11,273,849)	$ (14,059,122)
Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	7,717	-	7,717	117,158
Effects of changes in net assets and liabilities:				
Receivables	307,151	7,405,249	7,712,400	(7,076,041)
Interagency receivable	6,494	-	6,494	(18,960)
Prepaid expenses	(564)	-	(564)	(116,915)
Accounts payable and accrued liabilities	(244,039)	39,773	(204,266)	(282,808)
Other current liabilities	1,187,954	-	1,187,954	4,700,669
Loan collections and other liabilities due to federal government	-	(10,828,696)	(10,828,696)	14,208,207
Claims due to lenders	-	5,205,602	5,205,602	(6,151,325)
Accrued compensated absences	(2,425)	-	(2,425)	(1,446)
Other long term liabilities	(4,274,361)	-	(4,274,361)	4,156,615
NET CASH USED IN OPERATING ACTIVITIES	$ (3,457,301)	$ (9,006,693)	$ (12,463,994)	$ (4,523,968)

Clifton Gunderson LLP
Certified Public Accountants & Consultants

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

Members of the Legislative Audit Committee

We have audited the financial statements of the accompanying business-type activities and the remaining fund information of the Colorado Student Loan Program dba College Assist (College Assist) as of and for the year ended June 30, 2010, which collectively comprise College Assist's basic financial statements and have issued our report thereon dated December 8, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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 the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Auditor's Findings and Recommendations schedule to be significant deficiencies in internal control over financial reporting. We consider Recommendation No. 1 and 2, as described in the Auditor's Findings and Recommendations schedule on page 9, to be significant deficiencies in internal control over financial reporting. 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.

Compliance and Other Matters

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

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

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

Clifton Gunderson LLP

Denver, Colorado
December 8, 2010

Clifton Gunderson LLP
Certified Public Accountants & Consultants

Required Communications to the Legislative Audit Committee

Members of the Legislative Audit Committee

This letter is to provide you with information about significant matters related to our audit of the financial statements of the Colorado Student Loan Program dba College Assist (College Assist) for the year ended June 30, 2010.

The following are our observations arising from the audit that are relevant to management's responsibilities in overseeing the financial reporting process.

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

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

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

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

Qualitative Aspects of Accounting Practices.

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

We noted no transactions in controversial or emerging areas for which there is a lack of authoritative guidance or consensus. There were no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting Estimates
Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. College Assist records claims payable and reinsurance receivable amounts for the end of the year based lender claim data obtained from their third party service provider. College Assist then tests this information for completeness and accuracy. There were no other significant accounting estimates of financial data which would be particularly sensitive and require substantial judgment by management.

Financial Statement Disclosures
Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. Sensitive financial statement disclosures include those in Note 1, which relate to the termination of the Federal Family Loan Program (FFEL) effective July 1, 2010. As of this date, no new loans can be originated or guaranteed under this program; however, College Assist will continue to guarantee and service the existing loan portfolio.

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

Corrected Misstatements. The schedule on page 67 summarizes corrected misstatements, other than those that are trivial, that were brought to the attention of management as a result of audit procedures. Management has corrected all such misstatements.

Uncorrected Misstatements. The schedule on page 68 summarizes uncorrected misstatements, other than those that are trivial, aggregated by us during our current audit and pertaining to the most recent period presented in the financial statements. Management has determined that theses uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Representations from Management. We have requested and received certain representations from management that are included in the management representation letter dated December 8, 2010.

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

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

Clifton Gunderson LLP

Denver, Colorado
December 8, 2010

College Assist
Corrected Audit Adjustments Schedule
June 30, 2010

Description	Debit	Credit
Adjusting Journal Entry JE # 1		
To adjust cash held in the State Pool to fair market value.		
Operating Cash	892,440.00	
Operating Cash	843,489.00	
Unreserved Retained Earnings		526,560.00
Interest Income - Exempt		365,880.00
Unreserved Retained Earnings		372,035.00
Interest Income - Exempt		471,454.00
Total	**1,735,929.00**	**1,735,929.00**
Adjusting Journal Entry JE # 2		
To adjust claims payable and reinsurance receivable at June 30, 2010.		
IG Receivables -Federal	1,199,420.00	
Losses - Claims Paid	1,251,683.00	
IG Payables -Federal		1,251,683.00
Federal Grant/Contr-Other		1,199,420.00
Total	**2,451,103.00**	**2,451,103.00**
Adjusting Journal Entry JE # 3		
To record transfer of Default Aversion Fees (DAF) not billed from Nov 11, 2008 to June 30, 2010 to Operating Fund.		
Operating Cash	587,365.00	
OT CS DOHE Internal	107,269.00	
OT EX DOHE Internal-DAF Transfer	694,634.00	
OT CS DOHE Internal		694,634.00
Operating Cash		587,365.00
OT EX DOHE Internal-DAF Transfer		107,269.00
Total	**1,389,268.00**	**1,389,268.00**
Adjusting Journal Entry JE # 4		
To record Default Aversion Fees due to Nelnet for DAF billed November 1, 2008 to June 30, 2010.		
Personal Svcs - Professional	555,707.00	
Personal Svcs - Professional		53,634.00
Other Current Liabilities		502,073.00
Total	**555,707.00**	**555,707.00**

UNCORRECTED MISSTATEMENTS
College Assist
Year Ended 06/30/10

Description		Effect of misstatements on:			
		Assets	Liabilities	Net Assets	Change in Net Assets
To record an adjustment to Claims Payable / Reinsurance estimate subsequent to year end for recalled claims.		(475,142)	494,177	-	(19,035)
Net current year misstatements		(475,142)	494,177	-	(19,035)
Net prior year misstatements		-	-	-	-
Total misstatements	$	(475,142)	$ 494,177	$ -	$ (19,035)

Note: The above amounts are listed as either debits or (credits).

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

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

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

Report Control Number 2091-10