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, 2013 and 2012

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Members of the Legislative Audit Committee:

We have completed the financial statement audit of the Colorado Student Loan Program dba College Assist, Department of Higher Education, State of Colorado (College Assist), as of and for the year ended June 30, 2013. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

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

BKD, LLP

December 5, 2013

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Purposes and Scope of Audit

The Office of the State Auditor engaged BKD, LLP (BKD) to conduct a financial and compliance audit of the Colorado Student Loan Program dba College Assist, Department of Higher Education, State of Colorado (College Assist) for the year ended June 30, 2013. BKD performed the audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations.*

The purposes of the audits were to:

- Express opinions on the financial statements of College Assist as of and for the year ended June 30, 2013, including consideration of internal control over financial reporting as required by auditing standards generally accepted in the United States of America and *Government Auditing Standards*.

- Evaluate compliance with certain provisions of laws, regulations, contracts and grants governing the expenditure of federal and state funds for the year ended June 30, 2013.

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

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

Audit Opinions and Reports

The independent auditors' reports, included herein expressed unmodified opinions on College Assist's financial statements and remaining fund information as of and for the year ended June 30, 2013.

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

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

There are no findings and recommendations reported for the year ended June 30, 2013.

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Recommendation Number	Page Number	Recommendation Summary	Response	Implementation Date

There were no findings and recommendations reported for the year ended June 30, 2013.

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Background on College Assist

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

Federal Family Education Loan Program

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

College Assist utilizes a third-party service provider, NLS Holding Co., LLC, (NLS Holding or the service provider), a wholly owned subsidiary of Nelnet, Inc. with its principal offices in Lincoln, Nebraska. NLS Holding was created for the purpose of holding guarantor servicing operations and subcontracts the appropriate guarantor services defined under the original agreement with College Assist to Nelnet Guarantor Solutions, LLC (NGS), a wholly owned subsidiary of NLS Holding. Through an administrative support agreement with NLS Holding, NGS performs all day-to-day operational support services related to guaranty operations on behalf of College Assist. Under the oversight of College Assist, NGS assists with activities in accordance with the Lender Participation Agreements, maintenance of the guaranty computer system, data exchange, and other agreed upon services. The NLS Holding agreement, as amended, is for ten years, expiring on October 31, 2015 and may be renewed for a second ten-year term if both parties agree.

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

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

Since inception of College Assist in 1979, approximately $21.5 billion of net loans have been guaranteed. The total net outstanding loan portfolio at June 30, 2013, is $9.9 billion. The existing FFEL program loans consist of Stafford (Subsidized and Unsubsidized), Parent Loans for Undergraduate Students (PLUS), Federal Supplemental Loans (SLS) and Consolidation Loans with balances as described below:

Loan Type	**Net Guaranteed**	**Net Outstanding**
	(In billions)	
Federal Stafford Loans	$ 7.38	$ 1.08
Federal PLUS Loans	$ 0.68	$ 0.10
Federal Supplemental Loans	$ 0.32	$ -
Federal Consolidation Loans	$ 13.11	$ 8.68

Financial Literacy and Outreach

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

College Opportunity Fund (Fiduciary Fund)

The College Opportunity Fund (COF) is a private purpose trust fund, established by Colorado State Statute, 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 stipend payments of the College Opportunity Fund.

<u>Background</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 global economy and to develop leaders and active participants in State and local affairs. This funding system should encourage access and student enrollment for undergraduate students while maintaining distinctive missions of universities and colleges and encouraging geographical access throughout Colorado. It is intended to fundamentally change the process by which the State finances postsecondary education from funding institutions to funding individuals in the form of a stipend. While the intent is to change the process of funding for postsecondary education, funding for postsecondary education is not an entitlement. During periods of revenue shortfalls, the General Assembly may use a variety of mechanisms to balance the State's budget, including reducing appropriations to institutions of higher education, decreasing the value of the stipend, or placing a limit on the number of stipends funded under this act based upon the overall budgetary needs of the State.

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

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

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

Financial Aid

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

Students Attending Private Institutions

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

Performance Contracts

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

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

Fee-for-Service Contracts

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

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Current Year Findings and Recommendations

There were no findings and recommendations reported for the year ended June 30, 2013.

BKD LLP
CPAs & Advisors

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Independent Auditor's Report on Financial Statements and Supplementary Information

Members of the Legislative Audit Committee

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the remaining fund information of the Colorado Student Loan Program dba College Assist, Department of Higher Education, State of Colorado (College Assist), an enterprise fund of the State of Colorado, as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise College Assist's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

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, 2013 and 2012 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of College Assist, State of Colorado, are intended to present the financial position, the changes in financial position and, where applicable, cash flows of only that portion of the business-type activities and the aggregate remaining fund information of the State that is attributable to the transactions of the College Assist. They do not purport to, and do not, present fairly the financial position of the State of Colorado as of June 30, 2013, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our opinion is not modified with respect to this matter.

Required Supplementary Information

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

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2013, on our consideration of College Assist's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering College Assist's internal control over financial reporting and compliance.

BKD, LLP

Denver, Colorado
December 5, 2013

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The Management's Discussion and Analysis (MD&A) is required by Governmental Accounting Standards. It was prepared by the Colorado Student Loan Program dba College Assist management and is designed to provide an analysis of College Assist's financial condition and operating results for the fiscal years ended June 30, 2013 and 2012. The MD&A also informs the reader of the financial issues and activities related to College Assist. It should be read in conjunction with College Assist's financial statements, which begin on page 21.

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

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

The College Opportunity Fund (COF) is a private purpose trust fund, established by Colorado State Statute, 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 stipend payments of the College Opportunity Fund.

Basic Financial Statements

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

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

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

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

Financial Overview

College Assist is an enterprise fund of the State of Colorado and is reported as one fund in the financial statements in accordance with generally accepted accounting principles. However, College Assist's activities are accounted for in two separate funds—the Agency Operating Fund and the Federal Reserve Fund. Management's discussion and analysis will focus on these funds in order to better describe the operations of the entity. The Agency Operating Fund is the property of the guaranty agency, except for funds that have been transferred from the Federal Reserve Fund. During periods in which the Agency Operating Fund contains funds transferred from the Federal Reserve Fund, the Agency Operating Fund may be used only as permitted by the HEA. As of June 30, 2013 and 2012, the Agency Operating Fund did not contain funds transferred from the Federal Reserve Fund. Per the HEA, the Agency Operating Fund may be used for guaranty agency related activities, financial aid awareness and related outreach activities, and other student financial aid related activities. COF is a Fiduciary Fund and is presented separately from College Assist.

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

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

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

Amendment	Date	Stafford, PLUS, and GradPLUS Discount	Consolidation Discount
2nd	January 21, 2011	5.00%	6.00%
3rd	January 21, 2012	3.75%	4.50%
4th	January 1, 2013	3.00–3.75%	2.50 - 4.50%
5th	April 1, 2013	2.00–2.70%	0.08 - 2.75%

As of June 30, 2013, 2012, and 2011 total rehabilitated loan sales to Nelnet were $150.9, $133.2 and $100.5 million, net of discounts and adjustments of $5.0, $7.3, and $7.1 million, respectively.

Management Highlights

Despite the termination of the FFEL program, College Assist continues to guarantee and service its existing loan portfolio**.** The net loan portfolio (net outstanding loans guaranteed) decreased by 7.8% from $10.7 billion in fiscal year 2012 to $9.9 billion in fiscal year 2013. 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 loans paid in full.

Agency Operating Fund

CONDENSED SCHEDULE OF NET POSITION

	Agency Operating Fund		
June 30,	**2013**	**2012**	**2011**
ASSETS			
Current Assets	$ 46,399,992	$ 39,156,154	$ 37,798,225
Capital Assets	347,637	-	-
Total Assets	$ 46,747,629	$ 39,156,154	$ 37,798,225
LIABILITIES			
Current Liabilities	$ 7,243,505	$ 5,949,676	$ 4,757,930
Noncurrent Liabilities	92,910	52,590	105,774
Total Liabilities	$ 7,336,415	$ 6,002,266	$ 4,863,704
NET POSITION			
Net investment in Capital Assets	$ 347,637	$ -	$ -
Unrestricted	39,063,577	33,153,888	32,934,521
Total Net Position	$ 39,411,214	$ 33,153,888	$ 32,934,521

Net Position Analysis

Condensed Schedule of Net Position – Fiscal Year 2013

Net position of the Agency Operating Fund increased 18.9% from $33.2 million to $39.4 million in fiscal year 2013. Net position increased primarily due to the increase in collection revenue resulting from increased rehabilitated loan sales and a decrease in the transfer to the Federal Reserve Fund to meet the 0.25% minimum Federal Reserve requirement. Total assets increased 19.4% as compared to the prior year increase of 3.6% primarily due to an increase in cash collected from the increase in collections revenue.

Total liabilities increased by $1.3 million, or 22.2% primarily due to fees payable to NLS Holdings for increased collections revenue resulting from increased rehabilitated loan sales. Rehabilitated loan sales have increased due to incentives offered to outside collection agencies for borrowers to complete rehabilitation programs.

Condensed Schedule of Net Position – Fiscal Year 2012

Net position of the Agency Operating Fund remained consistent with a 1.0% increase from $32.9 million to $33.2 million in fiscal year 2012. Net position remained consistent despite the cash transfer of $10 million to the Federal Reserve Fund to meet the 0.25% minimum Federal Reserve requirement, primarily due to the increase in collection revenue resulting from increased rehabilitated loan sales. Total assets increased 3.6% as compared to the prior year decrease of 19.3% primarily due to the increase in collections revenue.

Total liabilities increased by $1.1 million, or 23% primarily due to fees payable to NLS Holdings for increased collections revenue resulting from increased rehabilitated loan sales.

CONDENSED SCHEDULE OF REVENUES

	Agency Operating Fund		
Years Ended June 30,	**2013**	**2012**	**2011**
OPERATING REVENUES			
Federal Grants and Contracts	$ 10,967,958	$ 8,655,525	$ 5,999,553
Interest on Purchased Loans	3,788,088	4,407,326	2,425,453
Grant Revenue	159,999	26,667	160,000
Other	90,837	42,294	31,851
Total Operating Revenues	15,006,882	13,131,812	8,616,857
Nonoperating Revenues			
Earnings/(loss) on Investments	(34,004)	390,667	342,385
TOTAL REVENUES	$ 14,972,878	$ 13,522,479	$ 8,959,242

Revenue Analysis

Condensed Schedule of Revenues – Fiscal Year 2013

Federal Grants and Contracts revenue increased by $2.3 million or 26.7% in fiscal year 2013 compared to fiscal year 2012. The increase was primarily due to an increase in collections revenue resulting from increased rehabilitated loan sales. Approximately $58.9 million of both collections and federal fee revenue was shared directly with NLS Holding.

Condensed Schedule of Revenues – Fiscal Year 2012

Federal Grants and Contracts revenue increased by $2.7 million or 44.3% in fiscal year 2012 compared to fiscal year 2011. The increase was primarily due to an increase in collections revenue resulting from increased rehabilitated loan sales. Approximately $53.9 million of both collections and federal fee revenue was shared directly with NLS Holding.

CONDENSED SCHEDULE OF EXPENSES

	Agency Operating Fund		
Years Ended June 30,	**2013**	**2012**	**2011**
OPERATING EXPENSES			
Rehabiliated loan discount	$ 992,901	$ 1,458,117	$ 1,350,576
Salaries and Benefits	2,017,205	1,879,861	1,909,134
Operating	2,495,985	2,409,537	2,413,560
Depreciation	11,944	-	2,419
Total Operating Expenses	5,518,035	5,747,515	5,675,689
NON OPERATING EXPENSES			
Interfund Transfers	3,197,517	7,555,597	7,790,844
TOTAL EXPENSES	$ 8,715,552	$ 13,303,112	$ 13,466,533

Expense Analysis

Condensed Schedule of Expenses – Fiscal Year 2013

Rehabilitated loan discount decreased 31.9% from fiscal year 2012 to 2013 due to College Assist amending the rehabilitated loan sales contract with Nelnet to decrease the discount rates in both January and April 2013. Salaries and fringe benefits and operating expenses remained relatively consistent between years. Interfund transfers generally include cash transfers to the Federal Reserve Fund to meet the minimum required reserve balance, default aversion fees and related rebates. Interfund transfers decreased $4.4 million or 57.7% in fiscal year 2013 due to increased complement (portion of collection revenue retained by the Federal Fund) received on collections and decreased claim payments in the Federal Fund.

Condensed Schedule of Expenses – Fiscal Year 2012

Salaries and fringe benefits and operating expenses remained consistent between years. Interfund transfers generally include cash transfers to the Federal Reserve Fund to meet the minimum required reserve balance, default aversion fees and related rebates.

Federal Reserve Fund

CONDENSED SCHEDULE OF NET POSITION

	Federal Reserve Fund		
June 30,	**2013**	**2012**	**2011**
ASSETS			
Restricted Assets	$ 64,270,297	$ 85,457,076	$ 50,901,599
Total Assets	$ 64,270,297	$ 85,457,076	$ 50,901,599
LIABILITIES			
Current Liabilities	$ 6,506,908	$ 4,919,861	$ 111,008
Liabilities Payable from Restricted Assets	33,594,230	53,050,916	23,307,600
Total Liabilities	$ 40,101,138	$ 57,970,777	$ 23,418,608
NET POSITION			
Restricted	$ 24,169,159	$ 27,486,299	$ 27,482,991
Total Net Position	$ 24,169,159	$ 27,486,299	$ 27,482,991

Net Position Analysis

Condensed Schedule of Net Position – Fiscal Year 2013

Total assets decreased in fiscal year 2013 by $21.2 million or 24.8% due to a decrease of $30.8 million in reinsurance due from the DE, offset by an increase of $9.6 million in restricted cash. The decrease in reinsurance due from the DE, and the increase in cash is due to increased collections and a decrease in reinsurance claims.

Total liabilities decreased in fiscal year 2013 by $17.9 million or 30.8%, primarily due to a decrease of $23.7 million in outstanding claims due to lenders offset by an increase of $4.2 million due to the DE for collections at year end as compared to the prior year.

Condensed Schedule of Net Position – Fiscal Year 2012

Total assets increased in fiscal year 2012 by $34.6 million or 67.9%, primarily due to an increase of $54.2 million in reinsurance due from the DE, offset by a decrease in cash of $20.0 million as compared to prior year. The increase in reinsurance due from the DE, and the decrease in cash is due to increased reinsurance claims.

Total liabilities increased in fiscal year 2012 by $34.6 million or 147.5%, primarily due to an increase of $29.9 million in outstanding claims due to lenders at year end as compared to prior year.

CONDENSED SCHEDULE OF REVENUES

	Federal Reserve Fund		
Years Ended June 30,	**2013**	**2012**	**2011**
OPERATING REVENUES			
Federal Reinsurance	$ 330,097,991	$ 334,826,554	$ 338,638,139
Complement Received on Collections	6,162,775	5,388,306	3,949,073
Total Operating Revenues	336,260,766	340,214,860	342,587,212
Nonoperating Revenues			
Earnings on Investments	47,621	328,137	258,526
Interfund Transfers	3,197,517	7,555,597	7,790,844
TOTAL REVENUES	$ 339,505,904	$ 348,098,594	$ 350,636,582

Revenue Analysis

Condensed Schedule of Revenues – Fiscal Year 2013

Federal Reinsurance (reimbursements from the DE on defaulted loans) decreased in fiscal year 2013 by $4.7 million or 1.4% from $334.8 million in 2012 to $330.1 million in 2013. The decrease is primarily due to a reduction in default claims due to a declining portfolio. Complement on collections increased by approximately $775,000 in fiscal year 2013 due to the increase in the portion of collections retained in the Federal Reserve Fund due to increased rehabilitated loan sales.

Condensed Schedule of Revenues – Fiscal Year 2012

Federal Reinsurance (reimbursements from the DE on defaulted loans) decreased in fiscal year 2012 by $3.8 million or 1.1% from $338.6 million in 2011 to $334.8 million in 2012. The decrease is primarily due to a reduction in default claims due to a declining portfolio. Default claims are expected to decline going forward as the portfolio matures. Complement on collections increased by approximately $1.4 million in fiscal year 2012 due to the increase in the portion of collections retained in the Federal Reserve Fund due to increased rehabilitated loan sales.

CONDENSED SCHEDULE OF EXPENSES

	Federal Reserve Fund		
Years Ended June 30,	**2013**	**2012**	**2011**
OPERATING EXPENSES			
Guarantee Claims Paid to Lending Institutions	$ 342,823,044	$ 348,095,286	$ 351,831,128
Total Operating Expenses	342,823,044	348,095,286	351,831,128
TOTAL EXPENSES	$ 342,823,044	$ 348,095,286	$ 351,831,128

Expense Analysis

Condensed Schedule of Expenses – Fiscal Year 2013

Guarantee claims paid to lending institutions under College Assist's Lender Participation Agreements decreased by $5.3 million or 1.5% from $348.1 million in fiscal year 2012 to $342.8 million in fiscal year 2013, due to a declining portfolio. In attempts to prevent a default claim, default aversion assistance is provided to lenders upon request when a borrower falls at least sixty days in arrears on his or her student loan payment. Additionally, assistance is provided to students and parents to understand their rights, responsibilities, and the options available to avoid default.

Condensed Schedule of Expenses – Fiscal Year 2012

Guarantee claims paid to lending institutions under College Assist's Lender Participation Agreements decreased by $3.7 million or 1.1% from $351.8 million in fiscal year 2011 to $348.1 million in fiscal year 2012, due to a declining portfolio.

Economic Facts and Conditions for the Future

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

All revenues related to loan origination and disbursements were eliminated. In addition, the 1% federal default fee charged on all new loans was eliminated. The default fee was deposited into the Federal Reserve Fund, and was intended to provide sufficient funds to maintain the minimum reserve requirement of 0.25%. For combined fiscal years 2013 and 2012, the Agency Operating Fund has transferred $14.0 million to maintain the Federal Reserve requirement. Current projections for future years indicate transfers from the Agency Operating Fund to the Federal Reserve Fund will continue to be required to meet the minimum required balance.

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

College Assist submitted a Voluntary Flexible Agreement (VFA) proposal in accordance with Federal Register, Vol. 78, No. 157 issued August 14, 2013. In response to the Federal Register, College Assist submitted a VFA proposal in September 2013, in partnership with NGS. College Assist is awaiting communication from the DE regarding the proposal. There is no deadline for the DE to respond to the VFAs. If accepted, College Assist will operate under the requirements of the VFA in lieu of the guaranty agency agreements established under sections 428(b) and (c) of the HEA. A VFA may provide that the guaranty agency will earn revenues and fees in a manner different than that provided under the regular guaranty agency agreements under sections 428(b) and (c) of the HEA. This alternative structure could mean increased revenue to College Assist over a greater period of time. The overall cost to the Federal government of the

VFA cannot exceed the cost to the government under the regular guaranty agency agreements. As part of a VFA with the guaranty agency, the Secretary may waive or modify statutory and regulatory requirements as necessary, except that the Secretary may not waive any statutory requirements related to the terms and conditions attached to the student loans or to default claim amounts paid to FFEL Program lenders. If College Assist’s proposal is not accepted, there are no changes to current operating procedures or revenues anticipated in the foreseeable future.

Financial Contact

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

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

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
COMBINED PROPRIETARY FUNDS
STATEMENTS OF NET POSITION
June 30, 2013 and 2012

ASSETS

	2013	2012
CURRENT ASSETS		
Cash and pooled cash investments	$ 44,672,207	$ 37,125,386
Federal fees receivable	1,509,621	1,633,138
Other receivables, net	127,477	135,521
Prepaid expenses	90,687	262,109
Total current assets	46,399,992	39,156,154
RESTRICTED ASSETS		
Restricted cash and pooled cash investments	20,594,095	11,022,910
Federal reinsurance receivable	43,676,202	74,434,166
Total restricted assets	64,270,297	85,457,076
CAPITAL ASSETS		
Computer hardware and software	390,835	31,254
Less accumulated depreciation	(43,198)	(31,254)
Capital assets, net	347,637	-
TOTAL ASSETS	$ 111,017,926	$ 124,613,230

See Notes to Financial Statements.

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
COMBINED PROPRIETARY FUNDS
STATEMENTS OF NET POSITION
June 30, 2013 and 2012

LIABILITIES AND NET POSITION

	2013	2012
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 6,857,859	$ 5,664,512
Other current liabilities	6,811,454	5,129,125
Accrued compensated absences	81,100	75,900
Total current liabilities	13,750,413	10,869,537
LIABILITIES PAYABLE FROM RESTRICTED ASSETS		
Claims due to lenders	27,287,226	50,951,922
Loan collections and other liabilities due to federal government	6,307,004	2,098,994
Total liabilities payable from restricted assets	33,594,230	53,050,916
NONCURRENT LIABILITIES		
Accrued compensated absences	92,910	52,590
Total noncurrent liabilities	92,910	52,590
Total liabilities	47,437,553	63,973,043
NET POSITION		
Net investment in capital assets	347,637	-
Restricted	24,169,159	27,486,299
Unrestricted	39,063,577	33,153,888
Total net position	63,580,373	60,640,187
TOTAL LIABILITIES AND NET POSITION	$ 111,017,926	$ 124,613,230

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
COMBINED PROPRIETARY FUNDS
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Years Ended June 30, 2013 and 2012

	2013	2012
OPERATING REVENUES		
Federal grants and contracts		
Federal reinsurance	$ 330,097,991	$ 334,826,554
Collections on loans and bankruptcies	63,721,384	55,947,251
Federal fee revenue	6,126,747	6,649,539
Amount paid to service provider	(58,880,173)	(53,941,265)
Grant revenue	159,999	26,667
Complement received on collections	6,162,775	5,388,306
Interest on purchased loans	3,788,088	4,407,326
Other revenues	90,837	42,294
Total operating revenues	351,267,648	353,346,672
OPERATING EXPENSES		
Guarantee claims paid to lending institutions	342,823,044	348,095,286
Rehabilitated loan discount	992,901	1,458,117
Salaries and benefits	2,017,205	1,879,861
Operating	2,495,985	2,409,537
Depreciation	11,944	-
Total operating expenses	348,341,079	353,842,801
OPERATING INCOME/(LOSS)	2,926,569	(496,129)
NON-OPERATING REVENUES		
Earnings on pooled cash investments	13,617	718,804
Total non-operating revenues	13,617	718,804
CHANGE IN NET POSITION	2,940,186	222,675
NET POSITION, BEGINNING OF YEAR	60,640,187	60,417,512
NET POSITION, END OF YEAR	$ 63,580,373	$ 60,640,187

See Notes to Financial Statements.

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
COMBINED PROPRIETARY FUNDS
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2013 and 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from:		
Federal grants and contracts	$ 435,195,612	$ 343,181,860
Amount paid to service provider	(57,197,844)	(53,266,823)
Complement received on collections	6,162,775	5,388,306
Interest on purchased loans	3,788,088	4,407,326
Other sources	98,881	61,254
	388,047,512	299,771,923
Cash disbursed for:		
Guarantee claims paid to lending institutions	(364,900,693)	(313,406,367)
Rehabilitated loan discount	(992,901)	(1,458,117)
Salaries and benefits	(1,971,685)	(1,891,573)
Operating expenses	(2,718,263)	(1,847,908)
	(370,583,542)	(318,603,965)
Net cash provided by/(used in) operating activities	17,463,970	(18,832,042)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of property and equipment	(292,973)	-
Capitalized software development costs	(66,608)	-
Net cash used in capital and related financing activities	(359,581)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Earnings on pooled cash investments	13,617	718,804
Net cash provided by investing activities	13,617	718,804
NET CHANGE IN CASH AND POOLED CASH INVESTMENTS	17,118,006	(18,113,238)
CASH AND POOLED CASH INVESTMENTS, BEGINNING OF YEAR	48,148,296	66,261,534
CASH AND POOLED CASH INVESTMENTS, END OF YEAR	$ 65,266,302	$ 48,148,296
NONCASH INVESTING ACTIVITIES		
Unrealized gains	$ 126,363	$ 862,679

See Notes to Financial Statements.

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
COMBINED PROPRIETARY FUNDS
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2013 and 2012

	2013	2012
RECONCILIATION OF OPERATING INCOME / (LOSS) TO NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES		
Operating income/(loss)	$ 2,926,569	$ (496,129)
Adjustments to reconcile operating income/(loss) to net cash provided by/(used in) operating activities:		
Depreciation	11,944	-
Effects of changes in net assets and liabilities:		
Receivables	30,889,525	(54,112,441)
Prepaid expenses	171,422	85,797
Accounts payable and accrued liabilities	1,193,347	5,284,685
Other current liabilities	1,682,329	674,442
Loan collections and other liabilities due to federal government	4,208,010	(136,750)
Claims paid to lenders	(23,664,696)	29,880,066
Accrued compensated absences	45,520	(11,712)
NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES	$ 17,463,970	$ (18,832,042)

See Notes to Financial Statements.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

Under the HEA, College Assist provides funding for the College In Colorado (CIC) outreach program. CIC was initiated by the Department of Higher Education (DHE), which serves the citizens of the State of Colorado by promoting access to, affordability of, and success in higher education for all students. CIC is charged with helping all Coloradans explore career and education pathways, break down barriers to postsecondary attainment, and create a plan for their postsecondary and workforce success. The CIC team reaches out to students, parents, educators and workforce centers through ongoing events and training opportunities, as well as providing practical tools to assist every student in Colorado in furthering his or her education past high school. All of CIC's grant revenue and expenses are reported in College Assist's Operating Fund as of June 30, 2013 and 2012.

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 stipend activities are accounted for in a fiduciary fund that resides with the State and is reported separately. On an annual basis, the Colorado General Assembly appropriates funds to the Department of Higher Education for purposes of supporting the stipend payments of the College Opportunity Fund.

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

Basis of Accounting and Presentation

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

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

The basic financial statements of College Assist present the financial position, results of operations, and, where applicable, cash flows for only the entity. They do not purport to, and do not present, the financial position of the State of Colorado as of June 30, 2013 and 2012, or the results of operations, or cash flows where applicable, for the years then ended.

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.

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

Receivables

Amounts due from the DE are reported as federal fees receivable and federal reinsurance receivable. 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 financial statements.

Capital Assets

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

Depreciation is charged using a straight-line method over the estimated useful lives of the assets. Generally, furniture, equipment, and software are depreciated over three to ten years. Leasehold improvements are depreciated over the lesser of five years or the life of the lease 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 or expenses.

Liabilities

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

Compensated Absences

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

Net Position

The net position of College Assist is classified as follows:

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

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

Restricted net position: Restricted net position represents resources in which College Assist is contractually obligated to spend or reserve in accordance with restrictions imposed by external parties.

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

Classification of Revenues and Expenses

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

Loan Defaults

Student loans guaranteed by College Assist that subsequently default are eligible for reinsurance from the DE. Claims are paid to the lending institution for defaults, death, disabilities and bankruptcies. Once a claim is paid to a lender, College Assist becomes the holder of the loan and seeks to collect on the loan from the DE. College Assist collects payments on student loans for defaults and bankruptcies on behalf of the DE. A guaranty agency may charge a borrower reasonable costs incurred to collect on defaulted loans per CFR 682.410(b)(2). The collection cost rate charged to borrowers was 19.58% on regular default borrower payments (excluding Federal consolidations of FFEL default loans and rehabilitations), in fiscal years 2013 and 2012.

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

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

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

Federal Reinsurance

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

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

The rate of annual losses (defaults) also known as the ‘trigger rate” for purposes of the application for Federal reinsurance is a result of the year-to-date incurred losses divided by the original amount of guaranteed loans in repayment status at the beginning of the year. Default claims are subject to certain “trigger figures,” which may result in reduced Federal reinsurance rates. When the annual rate of losses (defaults) exceeds 5% of the loans in repayment it “triggers” the DE to reimburse College Assist a reduced reinsurance rate. College Assist’s annual rate of losses (defaults) or trigger rate for the federal fiscal years ended September 30, 2013 and September 30, 2012, did not exceed 5%.

Budgets and Budgetary Accounting

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

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

In summary, total budgeted operating revenues for the Agency Operating Fund and Federal Reserve Fund were $9.7 million and $377.1 million, respectively, as compared with actual operating revenues of $15.0 million and $336.3 million, respectively, for the fiscal year ended June 30, 2013. Total budgeted operating expenses for the Agency Operating Fund and Federal Reserve Fund were $6.7 million and $384.4 million, compared to actual operating expenses of $5.5 million and $342.8 million, respectively, for the fiscal year ended June 30, 2013.

Application of Restricted and Unrestricted Resources

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

Reclassifications

Certain reclassifications have been made to the 2012 financial statements to conform to the 2013 financial statement presentation. These reclassifications had no effect on net earnings.

NOTE 2 – CASH AND POOLED CASH INVESTMENTS

College Assist deposits its cash with the Colorado State Treasurer (Treasurer) as required by Colorado Revised Statutes (C.R.S.). The Treasurer pools these deposits and invests them in securities authorized by Section 24-75-601.1, C.R.S. The Treasurer acts as a bank for all state agencies and institutions of higher education. Monies deposited with the Treasurer are invested until the cash is needed. College Assist had $65.3 million of cash on deposit with the Treasurer as of June 30, 2013, which represented approximately 0.9% of the total $7.3 billion fair value of deposits in the State Treasurer's Pool (Pool).

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

Investments in the Treasurer's Pool are exposed to custodial credit risk if the securities are uninsured, are not registered in the state's name, and are held by either the counterparty to the investment purchase or the counterparty's trust department or agent but not in the State's name. As of June 30, 2013, none of the investments in the Pool are subject to custodial credit risk.

NOTE 2 – CASH AND POOLED CASH INVESTMENTS (CONTINUED)

Credit quality risk is the risk that the issuer or other counterparty to a debt security will not fulfill its obligations. This risk is assessed by national rating agencies that assign a credit quality rating for many investments. Credit quality ratings for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not reported; however, credit quality ratings are reported for obligations of U.S. government agencies that are not explicitly guaranteed by the U.S. government. Based on these parameters, as of June 30, 2013,

approximately 88.5% of investments of the Pool are subject to credit quality risk reporting. Except for $41.1 million of corporate bonds rated lower medium, these investments are rated from upper medium to the highest quality, which indicates that the issuer has strong capacity to pay principal and interest when due.

Interest rate risk is the risk that changes in the market rate of interest will adversely affect the value of an investment. In addition to statutory limitations on the types of investments, the State Treasurer's investment policy mitigates interest rate risk through the use of maturity limits set to meet the needs of the individual fund if the Treasurer is investing for a specific fund rather than the Pool. The Treasurer actively manages the time to maturity in reacting to changes in the yield curve, economic forecasts, and liquidity needs of the participating funds. The Treasurer further limits investment risk by setting a minimum/maximum range for the percentage of investments subject to interest rate risk and by laddering maturities and credit ratings. As of June 30, 2013, the weighted average maturity of investments in the Pool is 0.053 years for Commercial Paper (1.0% of the Pool), 1.370 years for U.S. Government Securities (63.9% of the Pool), 3.388 years for Asset Backed Securities (16.0% of the Pool), and 3.110 years for Corporate Bonds (19.1% of the Pool).

The Pool was not subject to foreign currency risk or concentration of credit risk in Fiscal Year 2012–13.

Additional information on investments of the Pool may be obtained in the State's Comprehensive Annual Financial Report for the year ended June 30, 2013.

The following summarizes cash and pooled cash investments:

	2013	2012
Cash on deposit with State Treasurer	$ 65,139,739	$ 47,285,417
State Treasurer pooled cash investments – unrealized gain	126,363	862,679
Cash on hand with State Treasurer	65,266,102	48,148,096
Petty cash	200	200
Total	$ 65,266,302	$ 48,148,296

NOTE 2 – CASH AND POOLED CASH INVESTMENTS (CONTINUED)

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

	2013	2012
Cash and pooled cash investments	$ 44,672,207	$ 37,125,386
Restricted cash and pooled cash investments	20,594,095	11,022,910
Total	$ 65,266,302	$ 48,148,296

NOTE 3 – FEDERAL FEES RECEIVABLE

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

NOTE 4 – OTHER RECEIVABLES, NET

Other receivables – net primarily includes purchased student loans. These represent loans not eligible for reinsurance by the DE. Loans not eligible for reinsurance must be purchased by College Assist and become an asset of College Assist. Purchased student loan balances were $1.6 million and $1.7 million at June 30, 2013 and 2012, respectively. An allowance for uncollectible loans equal to 93% of the purchased loans receivable balance is recorded at $1.5 million and $1.6 million at June 30, 2013 and 2012, respectively. The allowance rate is based on historical collection activity for purchased student loans.

NOTE 5 – CAPITAL ASSETS

A summary of changes in capital assets is as follows for the years ended June 30, 2013 and 2012:

	Balance July 1, 2012	Additions	Disposals	Balance June 30, 2013
Computer software	$ 12,347	$ 292,973	$ -	$ 305,320
Computer hardware	18,907	66,608	-	85,515
Total	31,254	359,581	-	390,835
Less: Accumulated depreciation	(31,254)	(11,944)	-	(43,198)
Capital assets, net	$ -	$ 347,637	$ -	$ 347,637

NOTE 5 – CAPITAL ASSETS (CONTINUED)

	Balance July 1, 2011	Additions	Disposals	Balance June 30, 2012
Computer software	$ 12,347	$ -	$ -	$ 12,347
Computer hardware	18,907	-	-	18,907
Total	31,254	-	-	31,254
Less: Accumulated depreciation	(31,254)	-	-	(31,254)
Capital assets, net	$ -	$ -	$ -	$ -

NOTE 6 – ACCRUED LIABILITIES

Under CRS 24-75-201, salaries and wages earned during the months of June 2013 and 2012 are paid in July of the following year. An accrued liability was recorded as of June 30, 2013 and 2012 of approximately $153,000 and $139,000, respectively, for incurred but unpaid salaries and wages. The liability is included in accounts payable and accrued liabilities on the accompanying statements of net position.

NOTE 7 – OTHER CURRENT LIABILITIES

Other current liabilities consist primarily of fees due to NGS of $6.7 million and $5.0 million, and loan servicing liabilities of approximately $111,000 and $114,000 for fiscal years 2013 and 2012, respectively.

NOTE 8 – NONCURRENT LIABILITIES

During the fiscal years ended June 30, 2013 and 2012, the following changes occurred with noncurrent liabilities:

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013	Amounts Due Within One Year
Accrued compensated absences	$ 128,490	$ 186,342	$ (140,822)	$ 174,010	$ 81,100
Total	$ 128,490	$ 186,342	$ (140,822)	$ 174,010	$ 81,100

NOTE 8 – NONCURRENT LIABILITIES (CONTINUED)

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012	Amounts Due Within One Year
Accrued compensated absences	$ 140,202	$ 156,414	$ (168,126)	$ 128,490	$ 75,900
Total	$ 140,202	$ 156,414	$ (168,126)	$ 128,490	$ 75,900

NOTE 9 – RELATED PARTY TRANSACTIONS

CollegeInvest was established in 1979 as a division of the Colorado Department of Higher Education. Effective January 6, 2006, the Director of CollegeInvest was appointed the Director of College Assist. Although CollegeInvest and College Assist are both divisions of the Department, they are each constituted and operate as separate enterprises of the State under the direction of the same Director, and each (CollegeInvest and College Assist) retains the ability to enforce contractual obligations against the other.

College Assist shares the cost of human resources, accounting, information systems personnel, and other administrative and operating expenses with CollegeInvest under the terms of two separate Memorandums of Understanding (MOUs), expiring on June 30, 2013, renewable annually.

NOTE 10 – COMMITMENTS

Statutory Federal Reserve Fund Requirements

College Assist is required by Federal regulations and State statute to maintain a minimum Federal Reserve Fund balance of 0.25% of the unpaid balance of net outstanding loans to meet future default claims as of September 30th each year. College Assist has met this requirement as of September 30, 2013 and 2012.

Commitment

College Assist entered into a long-term contract ending January 31, 2014, for the CIC website's systems operations and maintenance. Future minimum payments required under this agreement are approximately $888,000 for the year ended June 30, 2014.

NOTE 10 – COMMITMENTS (CONTINUED)

Loan Guarantees

The net outstanding principal balance of student loans guaranteed by College Assist at June 30, 2013 and June 30, 2012 is approximately $9.9 billion and $10.7 billion, respectively.

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

When the default claim losses exceed 5% of the loans in repayment, it triggers DE to reimburse the default claim at a reduced amount. If the default losses exceed 9%, the reimbursement is reduced further. If College Assist exceeds the threshold trigger rate of 9%, it may be liable for up to a maximum of 25% of the default claim losses. College Assist did not exceed either trigger rate for the period ended September 30, 2013 or September 30, 2012. The trigger rate for the periods ended September 30, 2013 and 2012 was 2.47%. Any liability that may result would be capped at College Assist's total net position.

NOTE 11 – EMPLOYEE PENSION PLAN

Plan Description

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

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

Prior to legislation passed during the 2006 session, higher education employees may have participated in social security, PERA's defined benefit plan, or the institution's optional retirement plan. Currently, higher education employees, except for community college

NOTE 11 – EMPLOYEE PENSION PLAN (CONTINUED)

employees, are required to participate in their institution's optional plan, if available, unless they are active or inactive members of PERA with at least one year of service credit. In that case they may elect either PERA or their institution's optional plan. Community college employees hired after January 1, 2010, are required to become members of PERA and must elect either PERA's defined benefit or defined contribution plan within 60 days, unless they had been a PERA member within the prior twelve months. In that case, they are required to remain in the PERA plan in which they participated previously.

PERA members electing the defined contribution plan are allowed an irrevocable election between the second and fifth year to use their defined contribution account to purchase service credit and be covered under the defined benefit retirement plan. However, making this election subjects the member to the rules in effect for those hired on or after January 1, 2007, as discussed below. Employer contributions to the defined contribution plan are the same as the contributions to the PERA defined benefit plan.

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

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

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

- Hired between January 1, 2007 and December 31, 2010 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 25 years of service, or age 65 with 5 years of service. For members with less than five years of service credit as of January 1, 2011 age and service requirements increase to those required for members hired between January 1, 2007 and December 31, 2010.

- Hired between January 1, 2011 and December 31, 2016 – any age with 35 years of service, age 58 with 30 years of service, or age 65 with 5 years of service.

- Hired on or after January 1, 2017 – any age with 35 years of service, age 60 with 30 years of service, or age 65 with 5 years of service.

Members 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.

NOTE 11 – EMPLOYEE PENSION PLAN (CONTINUED)

- Hired between January 1, 2007 and December 31, 2010 – age 55 with a minimum of 5 years of service credit and age plus years of service equals 85 or more. Age plus years of service requirements increase to 85 for members with less than five years of service credit as of January 1, 2011.

- Hired between January 1, 2011 and December 31, 2016 – age 58 and age plus years of service equals 88 or more.

- Hired on or after January 1, 2017 – age 60 and age plus years of service equals 90 or more.

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

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

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

- Hired before July 1, 2007 – the lesser of 2% or the average of the monthly Consumer Price Index increases.

- Hired on or after January 1, 2007 – the lesser of 2% 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.)

- The upper limits on benefits increase by one-quarter percentage point each year when the funded ratio of PERA equals or exceeds 103% and declines by one-quarter percentage point when the funded ratio drops below 90% after having exceeded 103%. The funded ratio increase does not apply for three years when a negative return on investment occurs.

NOTE 11 – EMPLOYEE PENSION PLAN (CONTINUED)

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, his or her eligible children under the age of 18 (23 if a full-time student) or his or her spouse may be entitled to a single payment or monthly benefit payments. If there is no eligible child or spouse, then financially dependent parents, beneficiaries, or the member's estate may be entitled to a survivor's benefit.

Funding Policy

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

Most employees contribute 8.0 percent (10.0 percent for state troopers) of their salary, as defined in CRS 24-51-101(42), to an individual account in the plan. Effective July 1, 2012 the temporary contribution rate increase of 2.5 percent for members in the State and Judicial Divisions to replace the 2.5 percent reduction in employer contributions effective for Fiscal Years 2010-11 and 2011-12 expired.

From July 1, 2012, to December 31, 2012, the State contributed 15.65 percent (18.35 percent for state troopers and 17.36 percent for the Judicial Branch) of the employee's salary. From January 1, 2013, through June 30, 2013, the State contributed 16.55 percent (19.25 percent for state troopers and 17.36 percent for the Judicial Branch). During all of Fiscal Year 2012–13, 1.02 percent of the employees' total salary was allocated to the Health Care Trust Fund.

Per Colorado Revised Statutes, an amortization period of 30 years is deemed actuarially sound. At December 31, 2012, the division of PERA in which the State participates has a funded ratio of 59.2% and a 53-year amortization period based on current contribution rates. The funded ratio on the market value of assets is higher at 60.2 percent.

In the 2004 and 2010 legislative sessions, 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 percent of salary for calendar years 2006 and 2007, with subsequent year increases of 0.4 percent of salary through 2017, to a maximum of 5 percent (except for the Judicial Division whose AED contribution was frozen at the 2010 level).

NOTE 11 – EMPLOYEE PENSION PLAN (CONTINUED)

In the 2006 and 2010 legislative sessions, 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 for calendar years 2008 through 2017, to a maximum of 5 percent (except for the Judicial Division, whose SAED contribution was frozen at the 2010 level). The SAED will be deducted from the amount otherwise available to increase State employees' salaries.

At a 103 percent funding ratio, both the AED and the SAED will be reduced by one-half percentage point, and for subsequent declines to below 90 percent funded, both the AED and SAED will be increased by one-half percentage point. For the Judicial Division, if the funding ratio reaches 90 percent and subsequently declines, the AED and SAED will be increased by one-half percentage point.

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

College Assist's contributions to PERA and/or the state-defined contribution plan for the fiscal years ended June 30, 2013, 2012 and 2011 were $223,123, $172,533, and $156,498, respectively. These contributions met the contribution requirement for each year.

NOTE 12 – 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. At July 1, 2009, the State's administrative functions for the defined contribution plan were transferred to PERA. New member contributions to the plan vest from 50 percent to 100 percent evenly over 5 years. Participants in the plan are required to contribute 8 percent (10 percent for state troopers) of their salary. The temporary contribution rate increase to 10.5 percent (12.5 percent for State Troopers) effective in Fiscal Years 2010–11 and 2011–12 expired on July 1, 2012. At December 31, 2012, the plan had 4,362 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 for the 457 plan were transferred to PERA, where all costs of administration and funding are borne by the plan participants. In calendar year 2012, participants were allowed to make contributions of up to 100% of their annual gross salary (reduced by their 8 percent PERA contribution) to a maximum of

NOTE 12 – OTHER RETIREMENT PLANS (CONTINUED)

$17,000. The reduction for the 8 percent PERA contribution reflects the expiration of the temporary contribution rate increase to 10.5 percent effective in Fiscal Years 2010–11 and 2011–12. Participants who are age 50 and older and contributing the maximum amount allowable were allowed to make an additional $5,500 contribution in 2012 for total contributions of $22,500. Contributions and earnings are tax deferred. At December 31, 2012, the plan had 17,469 participants.

NOTE 13 – VOLUNTARY TAX-DEFERRED RETIREMENT PLANS

PERA also offers a voluntary 401(k) plan entirely separate from the defined benefit pension plan. The State offers a 457 deferred compensation plan and certain agencies and institutions of the State offer 403(b) and 401(a) plans.

NOTE 14 – OTHER POSTEMPLOYMENT BENEFITS AND LIFE INSURANCE

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 percent for each year less than 20 years.

Employees are not required to contribute to the Health Care Trust Fund, which is maintained by employer's contributions as discussed above in Note 11 – Funding Policy. Beginning July 1, 2004, College Assist is required to contribute 1.02 percent of gross covered wages to the Health Care Trust Fund. College Assist contributed $12,382, $13,860, and $12,303 as required by statute in fiscal years 2012–13, 2011–12, and 2010–11, respectively. In each year the amount contributed was 100 percent of the required contribution.

NOTE 14 – OTHER POSTEMPLOYMENT BENEFITS AND LIFE INSURANCE (CONTINUED)

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, 2012, there were 51,666 enrolled participants, including spouses and dependents, from all contributors to the plan. At December 31, 2012, the Health Care Trust Fund had an unfunded actuarial accrued liability of $1.43 billion, a funded ratio of 16.5 percent, and a 66-year amortization period.

NOTE 15 – FEDERAL AND STATE LEGISLATIVE IMPACTS ON COLLEGE ASSIST

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

NOTE 16 – RISK MANAGEMENT

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

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

NOTE 17 – SIGNIFICANT OPERATING AGREEMENTS

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

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

NLS Holding receives 80% of the revenue earned from the DE in performing these services. College Assist retains 20% of the fees to pay for contract monitoring, financial and regulatory reporting, and related activities under the agreement. The term of the contract and its related amendment is for ten years, expiring on October 31, 2015, and can be renewed for a second ten-year term if both parties agree.

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

Amendment	Date	Stafford, PLUS, and GradPLUS Discount	Consolidation Discount
2nd	January 21, 2011	5.00%	6.00%
3rd	January 21, 2012	3.75%	4.50%
4th	January 1, 2013	3.00–3.75%	2.50–4.50%
5th	April 1, 2013	2.00–2.70%	0.08–2.75%

As of June 30, 2013, 2012, and 2011, total rehabilitated loan sales to Nelnet were $150.9, $133.2 and $100.5 million, net of discounts and adjustments of $5.0, $7.3, and $7.1 million, respectively.

NOTE 18 – SUBSEQUENT EVENTS

College Assist submitted a Voluntary Flexible Agreement (VFA) proposal in accordance with Federal Register, Vol. 78, No. 157 issued August 14, 2013. In response to the Federal Register, College Assist submitted a VFA proposal in September 2013, in partnership with NGS. College Assist is awaiting communication from the DE regarding the proposal. There is no deadline for the DE to respond to the VFAs. If accepted, College Assist will operate under the requirements of the VFA in lieu of the guaranty agency agreements established under sections 428(b) and (c) of the HEA. A VFA may provide that the guaranty agency will earn revenues and fees in a manner different than that provided under the regular guaranty agency agreements under sections 428(b) and (c) of the HEA. This alternative structure could mean increased revenue to College Assist over a greater period of time. The overall cost to the Federal government of the

NOTE 18 – SUBSEQUENT EVENTS (CONTINUED)

VFA cannot exceed the cost to the government under the regular guaranty agency agreements. As part of a VFA with the guaranty agency, the Secretary may waive or modify statutory and regulatory requirements as necessary, except that the Secretary may not waive any statutory requirements related to the terms and conditions attached to the student loans or to default claim amounts paid to FFEL Program lenders. If College Assist's proposal is not accepted, there are no changes to current operating procedures or revenues anticipated in the foreseeable future.

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
Fiscal Years Ended June 30, 2013 and 2012

The Management's Discussion and Analysis (MD&A) is required by Governmental Accounting Standards. The MD&A below was prepared by College Assist's management on behalf of the College Opportunity Fund (COF) and is designed to provide an analysis of the COF's financial condition and operating results for the fiscal years ended June 30, 2013 and 2012. 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 47.

Basic Financial Statements – College Opportunity Fund

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

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

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

Financial Overview

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

MANAGEMENT HIGHLIGHTS

The COF was established in fiscal year 2006 and continues to be funded through fiscal year 2013. Under CRS Article 23, Section 18, Colorado changed its funding system for public higher education to a student-stipend program known as the COF in Fall 2005. Under the current system, funds are provided to public and private higher education institutions on behalf of resident undergraduate students in the form of a stipend.

Stipend rates are set annually by the General Assembly during the State's budget process. The allocation is defined on a per-credit-hour basis where the appropriated amount is representative of a full-time student taking 30 credit hours each year. For the 2012–13 and 2011–12 academic years, the state provided each participating student with $1,860 or a $62 per credit hour stipend. Eligible participating students attending private higher education institutions receive one-half of the stipend.

Schedule of Net Position – Fiscal Year 2013

Restricted Net Position of the COF at year-end was $1. During the fiscal year, there was $256.4 million in stipend receipts appropriated to the Colorado Department of Higher Education for use under the COF statutes. Of the total amount appropriated for COF, 100% was used for stipends for Colorado students attending Colorado Higher Education Institutions. Total assets at year-end were $50,376. Outstanding liabilities at year-end were $50,375 due to stipends payable to one institution.

Schedule of Net Position – Fiscal Year 2012

Restricted Net Position of the COF at year-end was $1. During the fiscal year, there was $262.7 million in stipend receipts appropriated to the Colorado Department of Higher Education for use under the COF statutes. Of the total amount appropriated for COF, 100% was used for stipends for Colorado students attending Colorado Higher Education Institutions. Total assets at year-end were $1. Outstanding liabilities at year-end were $0. There were no stipends due to institutions at year-end.

Additions and Deductions – Fiscal Year 2013

During fiscal year 2013, the General Assembly appropriated stipends of $256.4 million, of which $256.4 million was paid to Colorado Higher Education Institutions for student stipends used to offset tuition costs. All State funded universities and university systems are eligible to participate in the COF program per Statute. Also included in participation are three private institutions: the University of Denver, Regis University and Colorado Christian University. Of the total amount appropriated for the COF, $1.3 million was provided to the three private institutions.

Additions and Deductions – Fiscal Year 2012

During fiscal year 2012, the General Assembly appropriated stipends of $262.7 million, of which $262.7 million was paid to Colorado Higher Education Institutions for student stipends used to offset tuition costs. All State funded universities and university systems are eligible to participate in the COF program per Statute. Also included in participation are three private institutions: the University of Denver, Regis University and Colorado Christian University. Of the total amount appropriated for the COF, $1.3 million was provided to the three private institutions.

Economic Facts and Conditions for the Future

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

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

The stipend rate appropriated for the 2013–14 academic year increased to $64 per credit hour compared to the 2012–13 academic year at $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 POSITION
June 30, 2013 and 2012

ASSETS

	2013	2012
CURRENT ASSETS		
Operating cash	$ 50,376	$ 1
Accounts receivable	-	-
Total current assets	50,376	1
TOTAL ASSETS	$ 50,376	$ 1

LIABILITIES AND NET POSITION

	2013	2012
CURRENT LIABILITIES		
Accounts payable	$ 50,375	$ -
Total current liabilities	50,375	-
NET POSITION HELD IN TRUST	1	1
Total net position	1	1
TOTAL LIABILITIES AND NET POSITION	$ 50,376	$ 1

See Notes to 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 POSITION
For the Years Ended June 30, 2013 and 2012

	2013	2012
ADDITIONS		
Stipend receipts	$ 256,379,137	$ 262,651,633
Total additions	256,379,137	262,651,633
DEDUCTIONS		
Stipend payments	256,379,137	262,651,634
Total deductions	256,379,137	262,651,634
CHANGE IN NET POSITION	-	(1)
NET POSITION, BEGINNING OF YEAR	1	2
NET POSITION, END OF YEAR	$ 1	$ 1

See Notes to 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 and is managed by College Assist. The COF was established to forward stipend funds to Colorado Higher Education Institutions on behalf of eligible students to subsidize tuition costs.

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

Stipends are set annually by the General Assembly during the State's budget process. The allocation is defined on a credit-hour basis where the advertised amount is representative of a full-time student taking 30 credit hours each year at a public institution. For the 2012–13 and 2011–12 academic year, the State provided each participating student with a $1,860, or $62 per credit hour stipend. Eligible participating students attending Colorado private higher education institutions receive one-half of the stipend.

Basis of Accounting and Presentation

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

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

Cash

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

Net Position Held In Trust

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

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

Additions and Deductions

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

Budgets and Budgetary Accounting

By statute, the COF is continuously funded through appropriations authorized and approved by the General Assembly. The appropriations budget and revisions thereto are reviewed by the Colorado Department of Higher Education and College Assist Director. The original Long Bill appropriations, excluding adjustments, for fiscal years 2013 and 2012 were $265.0 million and $275.1 million, respectively. Total reductions to the original appropriations including fee for service transfers for fiscal years 2013 and 2012 were $8.6 million and $12.5 million, respectively. Final COF appropriations after adjustments for fiscal years 2013 and 2012 were $256.4 million and $262.7 million, respectively.

NOTE 2 – CASH

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

The COF had cash of $50,376 and $1 on deposit with the Treasurer at June 30, 2013 and June 30, 2012, respectively. There was no cash on hand or petty cash.

NOTE 3 – FEDERAL AND STATE LEGISLATIVE IMPACTS

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

NOTE 3 – FEDERAL AND STATE LEGISLATIVE IMPACTS (CONTINUED)

Annually, the Colorado Department of Higher Education requests that the General Assembly adjust the amount appropriated to the COF for stipends to reflect inflation and enrollment growth in the state institutions of higher education. During periods of revenue shortfalls, the General Assembly may use a variety of mechanisms to balance the State's budget, including reducing appropriations to institutions of higher education, decreasing the value of the stipend, or placing a limit on the number of stipends funded under the CRS based upon the overall budgetary needs of the State. In fiscal year 2013, COF stipends remained the same as fiscal year 2012 at $62 per credit hour.

NOTE 4 – RISK MANAGEMENT

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

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

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

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

NOTE 5 – TAX, SPENDING AND DEBT LIMITATIONS

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, 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.

NOTE 5 – TAX, SPENDING AND DEBT LIMITATIONS (CONTINUED)

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 POSITION
June 30, 2013
With Comparative Totals for June 30, 2012

ASSETS

	Agency Operating Fund	Federal Reserve and Drawdown Funds	Totals 2013	Totals 2012
CURRENT ASSETS				
Cash and pooled cash investments	$ 44,672,207	$ -	$ 44,672,207	$ 37,125,386
Federal fees receivable	1,509,621	-	1,509,621	1,633,138
Other receivables, net	127,477	-	127,477	135,521
Prepaid expenses	90,687	-	90,687	262,109
Total current assets	46,399,992	-	46,399,992	39,156,154
RESTRICTED ASSETS				
Restricted cash and pooled cash investments	-	20,594,095	20,594,095	11,022,910
Federal reinsurance receivable	-	43,676,202	43,676,202	74,434,166
Total restricted assets	-	64,270,297	64,270,297	85,457,076
CAPITAL ASSETS				
Computer hardware & software	390,835	-	390,835	31,254
Less accumulated depreciation	(43,198)	-	(43,198)	(31,254)
Capital assets, net	347,637	-	347,637	-
TOTAL ASSETS	$ 46,747,629	$ 64,270,297	$ 111,017,926	$ 124,613,230

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LIABILITIES AND NET POSITION

	Agency Operating Fund	Federal Reserve and Drawdown Funds	Totals 2013	Totals 2012
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	$ 350,951	$ 6,506,908	$ 6,857,859	$ 5,664,512
Other current liabilities	6,811,454	-	6,811,454	5,129,125
Accrued compensated absences	81,100	-	81,100	75,900
Total current liabilities	7,243,505	6,506,908	13,750,413	10,869,537
LIABILITIES PAYABLE FROM RESTRICTED ASSETS				
Claims due to lenders	-	27,287,226	27,287,226	50,951,922
Loan collections and other liabilities due to federal government	-	6,307,004	6,307,004	2,098,994
Total liabilities payable from restricted assets	-	33,594,230	33,594,230	53,050,916
NONCURRENT LIABILITIES				
Accrued compensated absences	92,910	-	92,910	52,590
Total noncurrent liabilities	92,910	-	92,910	52,590
Total liabilities	7,336,415	40,101,138	47,437,553	63,973,043
NET POSITION				
Net investment in capital assets	347,637	-	347,637	-
Restricted	-	24,169,159	24,169,159	27,486,299
Unrestricted	39,063,577	-	39,063,577	33,153,888
Total net position	39,411,214	24,169,159	63,580,373	60,640,187
TOTAL LIABILITIES AND NET POSITION	$ 46,747,629	$ 64,270,297	$ 111,017,926	$ 124,613,230

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STATE OF COLORADO
PROPRIETARY FUNDS
COMBINING SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended June 30, 2013
With Comparative Totals for the Year Ended June 30, 2012

	Agency Operating Fund	Federal Reserve and Drawdown Funds	Totals 2013	Totals 2012
OPERATING REVENUES				
Federal grants and contracts				
Federal reinsurance	$ -	$ 330,097,991	$ 330,097,991	$ 334,826,554
Collections on loans and bankruptcies	63,721,384	-	63,721,384	55,947,251
Federal fee revenue	6,126,747	-	6,126,747	6,649,539
Amount paid to service provider	(58,880,173)	-	(58,880,173)	(53,941,265)
Grant revenue	159,999	-	159,999	26,667
Complement received on collections	-	6,162,775	6,162,775	5,388,306
Interest on purchased loans	3,788,088	-	3,788,088	4,407,326
Other revenues	90,837	-	90,837	42,294
Total operating revenues	15,006,882	336,260,766	351,267,648	353,346,672
OPERATING EXPENSES				
Guarantee claims paid to lending institutions	-	342,823,044	342,823,044	348,095,286
Rehabilitated loan discount	992,901	-	992,901	1,458,117
Salaries and benefits	2,017,205	-	2,017,205	1,879,861
Operating	2,495,985	-	2,495,985	2,409,537
Depreciation	11,944	-	11,944	-
Total operating expenses	5,518,035	342,823,044	348,341,079	353,842,801
OPERATING INCOME/(LOSS)	9,488,847	(6,562,278)	2,926,569	(496,129)
NON-OPERATING REVENUES (EXPENSES)				
Earnings/(loss) on pooled cash investments	(34,004)	47,621	13,617	718,804
Income (loss) before transfers	9,454,843	(6,514,657)	2,940,186	222,675
Interfund transfers in/(out)	(3,197,517)	3,197,517	-	-
CHANGE IN NET POSITION	6,257,326	(3,317,140)	2,940,186	222,675
NET POSITION, BEGINNING OF YEAR	33,153,888	27,486,299	60,640,187	60,417,512
NET POSITION, END OF YEAR	$ 39,411,214	$ 24,169,159	$ 63,580,373	$ 60,640,187

COLORADO STUDENT LOAN PROGRAM
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With Comparative Totals for the Year Ended June 30, 2012

	Agency Operating Fund	Federal Reserve and Drawdown Funds	Totals 2013	Totals 2012
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from:				
Federal grants and contracts	$ 70,131,647	$ 365,063,965	$ 435,195,612	$ 343,181,860
Amount paid to service provider	(57,197,844)	-	(57,197,844)	(53,266,823)
Complement received on collections	-	6,162,775	6,162,775	5,388,306
Interest on purchased loans	3,788,088	-	3,788,088	4,407,326
Other sources	98,881	-	98,881	61,254
	16,820,772	371,226,740	388,047,512	299,771,923
Cash disbursed for:				
Guaranty claims paid to lending institutions	-	(364,900,693)	(364,900,693)	(313,406,367)
Rehabilitated loan discount	(992,901)	-	(992,901)	(1,458,117)
Salaries and benefits	(1,971,685)	-	(1,971,685)	(1,891,573)
Operating expenses	(2,718,263)	-	(2,718,263)	(1,847,908)
	(5,682,849)	(364,900,693)	(370,583,542)	(318,603,965)
Net cash provided by/(used in) operating activities	11,137,923	6,326,047	17,463,970	(18,832,042)
INTERFUND TRANSFERS	(3,197,517)	3,197,517	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of property and equipment	(292,973)	-	(292,973)	-
Capitalized software development costs	(66,608)	-	(66,608)	-
Net cash provided by capital and related financing activities	(359,581)	-	(359,581)	-
CASH FLOW FROM INVESTING ACTIVITIES				
Earnings/(loss) on pooled cash investments	(34,004)	47,621	13,617	718,804
Net cash provided by/(used in) investing activities	(34,004)	47,621	13,617	718,804
NET CHANGE IN CASH AND POOLED CASH INVESTMENTS	7,546,821	9,571,185	17,118,006	(18,113,238)
CASH AND POOLED CASH INVESTMENTS, BEGINNING OF YEAR	37,125,386	11,022,910	48,148,296	66,261,534
CASH AND POOLED CASH INVESTMENTS, END OF YEAR	$ 44,672,207	$ 20,594,095	$ 65,266,302	$ 48,148,296

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With Comparative Totals for the Year Ended June 30, 2012

	Agency Operating Fund	Federal Reserve and Drawdown Funds	Totals 2013	Totals 2012
RECONCILIATION OF OPERATING INCOME/(LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Operating gain/(loss)	$ 9,488,847	$ (6,562,278)	$ 2,926,569	$ (496,129)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	11,944	-	11,944	-
Effects of changes in assets and liabilities:				
Receivables	131,561	30,757,964	30,889,525	(54,112,441)
Prepaid expenses	171,422	-	171,422	85,797
Accounts payable and accrued liabilities	(393,700)	1,587,047	1,193,347	5,284,685
Other current liabilities	1,682,329	-	1,682,329	674,442
Loan collections and other liabilities due to federal government	-	4,208,010	4,208,010	(136,750)
Claims due to lenders	-	(23,664,696)	(23,664,696)	29,880,066
Accrued compensated absences	45,520	-	45,520	(11,712)
NET CASH PROVIDED BY / (USED IN) OPERATING ACTIVITIES	$ 11,137,923	$ 6,326,047	$ 17,463,970	$ (18,832,042)

COLORADO STUDENT LOAN PROGRAM
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PROPRIETARY FUNDS
COMBINING SCHEDULES OF CASH FLOWS
For the Year Ended June 30, 2013
With Comparative Totals for the Year Ended June 30, 2012

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

Members of the Legislative Audit Committee:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and the remaining fund information of the Colorado Student Loan Program dba College Assist, Department of Higher Education, State of Colorado (College Assist), an enterprise fund of the State of Colorado, which comprise the statement of financial position as of June 30, 2013, the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 5, 2013.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

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

BKD, LLP

Denver, Colorado
December 5, 2013

BKD LLP
CPAs & Advisors

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Independent Auditor's Audit Committee Communication

Members of the Legislative Audit Committee:

As part of our audits of the financial statements and compliance of the Colorado Student Loan Program dba College Assist, Department of Higher Education, State of Colorado (College Assist), as of and for the year ended June 30, 2013, we wish to communicate the following to you.

AUDIT SCOPE AND RESULTS

Auditor's Responsibility Under Auditing Standards Generally Accepted in the United States of America and the Standards Applicable to Financial Audits Contained in *Government Auditing Standards* Issued by the Comptroller General of the United States and U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*

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

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

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

Qualitative Aspects of Significant Accounting Policies and Practices

Significant Accounting Policies

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

Alternative Accounting Treatments

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

- No matters are reportable.

Management Judgments and Accounting Estimates

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

- Federal fees receivable
- Claims due to lenders

Financial Statement Disclosures

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

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

Audit Adjustments

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

Areas in which adjustments were proposed include:

Proposed Audit Adjustments Recorded

- No matters are reportable.

Proposed Audit Adjustments Not Recorded

- No matters are reportable.

Auditor's Judgments About the Quality of the Entity's Accounting Principles

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

- No matters are reportable.

Other Material Written Communications

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

- Management representation letter
- Communication to Management of Matters Other Than Internal Control Deficiencies

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

BKD, LLP

December 5, 2013

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

A bound report may be obtained by calling the
Office of State Auditor
303.869.2800

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

Report Control Number 1324F