

**COLORADO STUDENT OBLIGATION BOND AUTHORITY
d/b/a COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
Denver, Colorado**

**FINANCIAL AND COMPLIANCE AUDIT
June 30, 2004 and 2003**

**LEGISLATIVE AUDIT COMMITTEE
2005 MEMBERS**

Representative Val Vigil
Chair

Senator Norma Anderson
Vice-Chair

Representative Fran Coleman
Representative Deanna Hanna
Representative David Schultheis
Senator Stephanie Takis
Senator Jack Taylor
Representative Al White

Office of the State Auditor Staff

Joanne Hill
State Auditor

Sally Symanski
Deputy State Auditor

Dianne Ray
Legislative Auditor

Clifton Gunderson LLP
Contract Auditors

COLORADO STUDENT OBLIGATION BOND AUTHORITY
d/b/a COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
FINANCIAL AND COMPLIANCE AUDIT
June 30, 2004

Report Summary.....1

FINANCIAL AUDIT REPORT SECTION

Description of the Colorado Student Obligation Bond Authority
Student Loan Program Funds3

Disposition of Prior Audit Recommendations.....4

STUDENT LOAN PROGRAM FUNDS

Independent Auditor’s Report.....6

Management’s Discussion and Analysis8

Basic Financial Statements

Student Loan Program Funds Statement of Net Assets19

**Student Loan Program Funds Statement of Revenues, Expenses and
Changes in Net Assets.....21**

Student Loan Program Funds Statement of Cash Flows22

Student Loan Program Funds Notes to Financial Statements.....24

**Independent Auditor’s Report on Internal Control Over
Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements Performed
in Accordance With Government Auditing Standards43**

SUPPLEMENTARY INFORMATION.....45

Combining Schedule of Net Assets46

Combining Schedule of Revenues, Expenses and Changes in Net Assets.....48



Members of the Legislative Audit Committee:

This report contains the results of the financial and compliance audit of the Student Loan Program Fund of the Colorado Student Obligation Bond Authority d/b/a CollegeInvest as of June 30, 2004. The audit was conducted pursuant to Section 2-3-103, C.R.S., which authorizes the State Auditor to conduct audits of the departments, institutions and agencies of State government.

Clifton Gunderson LLP

Greenwood Village, Colorado
September 3, 2004

6399 S. Fiddler's Green Circle
Suite 100
Greenwood Village, Colorado 80111
tel: (303) 779-5710
fax: (303) 779-0348

www.cliftoncpa.com

Offices in 13 states and Washington, DC



REPORT SUMMARY

COLORADO STUDENT OBLIGATION BOND AUTHORITY
d/b/a COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
FINANCIAL AUDIT
FISCAL YEAR ENDED JUNE 30, 2004

Purpose and Scope

The Office of the State Auditor, State of Colorado engaged Clifton Gunderson LLP to conduct the financial and compliance audit of the Colorado Student Obligation Bond Authority d/b/a CollegeInvest (CollegeInvest) Student Loan Program Funds (Student Loan Program Funds) for the Fiscal Year ended June 30, 2004. Clifton Gunderson LLP performed this audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

The purpose and scope of our audit was to express an opinion on the Student Loan Program Funds basic financial statements as of and for the Fiscal Year ended June 30, 2004.

Audit Opinions and Reports

We expressed an unqualified opinion on the Student Loan Program Funds basic financial statements as of and for the year ended June 30, 2004.

Summary of Key Findings and Recommendations

There were no findings or recommendations for the year ended June 30, 2004.

Summary of Progress in Implementing Prior Year Audit Recommendations

The audit report for the year ended June 30, 2003 included three recommendations. The disposition of these audit recommendations as of September 3, 2004, is as follows:

Implemented	2
Partially Implemented/Ongoing	1
Not Implemented	<u>-</u>
Total	<u><u>3</u></u>

Required Communication

Management Judgements and Accounting Estimates. The Student Loan Program Funds record a significant accounting estimate of financial data which is an allowance for student loan losses based on factors such as historical loss experience, quality of student loan servicing and collection, and economic conditions.

Significant Audit Adjustments. There were no audit adjustments made during the completion of fieldwork.

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

**DESCRIPTION OF THE
COLORADO STUDENT OBLIGATION BOND AUTHORITY
d/b/a COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS**

Organization

The Colorado General Assembly, pursuant to Colorado Revised Statutes 23-3.1-2 and 23-3.1-3, established a student obligation bond program (Student Loan Program Funds), a post secondary education expense program (Prepaid Tuition Fund), and an Internal Revenue Code Section 529 college savings program (Scholars Choice Fund and Stable Value Plus Fund), which are administered by the Colorado Student Obligation Bond Authority d/b/a CollegeInvest. The programs assist residents in meeting the expenses incurred in availing themselves of higher education opportunities. The Executive Director of the Colorado Department of Higher Education has responsibility for oversight and management of CollegeInvest. In addition, CollegeInvest has a nine-person Board of Directors (Board) designated by the Governor and approved by the State Senate to serve four-year terms.

Student Loan Program Funds

Primary operations of the student obligation bond program commenced in 1981. In meeting its legislative mandate, CollegeInvest issues tax-exempt and taxable financings. The amount of tax-exempt financing authority is limited by federal volume caps allocated to Colorado and by Colorado's allocation of these caps among state and local governments that issue debt. The proceeds from such financings are used to originate and purchase student loans. CollegeInvest is authorized to issue its own revenue bonds, notes and other obligations in the aggregate amount of \$1.3 billion. The bonds do not constitute an indebtedness, debt or liability of the State of Colorado.

The financial statements of the Student Loan Program Funds present the activities of the Bond Funds and CollegeInvest's Borrower Benefit Fund. Each Bond Fund represents bond proceeds that are restricted by the financing documents of each individual bond issue. Each Bond Fund is accounted for separately and is a separate trust estate.

The Borrower Benefit Fund consists of assets and revenue that are not pledged as collateral to the Bond Funds. These monies are available for the administration of CollegeInvest and for use in other programs in accordance with CRS 23-3.1-201 that are authorized by the General Assembly.

DISPOSITION OF PRIOR AUDIT RECOMMENDATIONS

The following audit recommendations are from CollegeInvest Student Loan Program Fund's financial and compliance audit for the fiscal year ended June 30, 2003:

Recommendation

Disposition

1. CollegeInvest should adopt a policy requiring that certain safeguards be in place for changes in interpretations of the federal regulations prior to implementation. The policy should include 1) requiring that adequate research be performed and written documentation obtained, such as opinions from third party consultants, to support the interpretation and 2) obtaining formal documented approval from management and the Board of Directors on new interpretations and procedures.

Implemented on January 1, 2004

2. Although a compensating control is in place to identify errors during the annual review of Bond IDs, CollegeInvest should strengthen internal controls and minimize the risk of errors by implementing a policy that requires changes/transfers of groups of loans within each of the existing bond indentures or any new Bond IDs created or changed be in writing and approved at a higher level within management than the employee requesting the change.

Implemented in January 2004.

Recommendation

3. CollegeInvest should work with the State Controller's Office to resolve discrepancies between the Statement of Cash Flows prepared by CollegeInvest and by the State Controller's Office by 1) determining what additional accounts need to be created on the CollegeInvest accounting system to facilitate the mapping of accounts to COFRS; 2) utilizing the new accounts in the development of the Statement of Cash Flows; 3) testing the procedures by preparing and reconciling the Statement of Cash Flows for an interim period agreed upon with the State Controller's Office; and 4) upon resolution of discrepancies, document the procedures that should be used to prepare the Statement of Cash Flows, including information on how accounts map to COFRS.

Disposition

Ongoing. CollegeInvest has created and utilized new accounts in the development of the Statement of Cash Flows and established procedures for interim reconciliations to minimize discrepancies at year end.



Independent Auditor's Report

Members of the Legislative Audit Committee:

We have audited the accompanying basic financial statements of the Colorado Student Obligation Bond Authority d/b/a CollegeInvest, (a division of the Department of Higher Education, State of Colorado) Student Loan Program Funds, as of and for the years ending June 30, 2004 and 2003, as listed in the table of contents. These financial statements are the responsibility of the Colorado Student Obligation Bond Authority d/b/a CollegeInvest, Student Loan Program Funds' management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As discussed in Note 1 – Organization and Summary of Significant Accounting Policies, the financial statements of the Student Loan Program Funds are intended to present the financial position, and results of operations and cash flows for only that portion of the financial reporting entity, the State of Colorado, that is attributable to the transactions of the Colorado Student Obligation Bond Authority d/b/a CollegeInvest, Student Loan Program Funds. They do not purport to, and do not present fairly, the financial position of the State of Colorado as of June 30, 2004 and 2003 and the changes in its financial position and its cash flows, where applicable, for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Colorado Student Obligation Bond Authority d/b/a CollegeInvest, Student Loan Program Funds, as of June 30, 2004 and 2003, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 3, 2004 on our consideration of the Colorado Student Obligation Bond Authority d/b/a CollegeInvest, Student Loan Program Funds' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis (MD&A) on pages 8 to 18, is not a required part of the financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this supplemental information. However, we did not audit the information and express no opinion on it.

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

Clifton Anderson LLP

Greenwood Village, Colorado
September 3, 2004

COLORADO STUDENT OBLIGATION BOND AUTHORITY
d/b/a COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2004 AND 2003

This section of the Student Loan Program Funds' (Funds) financial statements is a discussion and analysis of the financial performance of the Funds for the years ended June 30, 2004 and 2003. The Colorado Student Obligation Bond Authority d/b/a CollegeInvest (CollegeInvest), a division of the Department of Higher Education (Department) of the State of Colorado administers the Funds, the Prepaid Tuition Fund, the Scholars Choice Fund and the Stable Value Plus Fund. The Funds' financial results are presented as a proprietary fund in the State of Colorado Comprehensive Annual Financial Report. Management of CollegeInvest is responsible for the financial statements, footnotes and this discussion. The management's discussion and analysis should be read in conjunction with the Fund's financial statements.

Overview of the Financial Statements:

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

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

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

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

Analysis of Financial Activities:

The Funds present the combined financial statements of the Borrower Benefit Fund and the Bond Funds. The Borrower Benefit and Bond Funds are accounted for as separate enterprise funds within the State of Colorado's financial reporting system. However, for financial statement purposes they are presented as a single enterprise fund in a combined financial statement.

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

COLORADO STUDENT OBLIGATION BOND AUTHORITY
d/b/a COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2004 AND 2003

Analysis of Financial Activities (continued):

The net assets of the Funds are restricted by statute for the purpose of administering programs to assist higher education students in paying tuition, unless otherwise provided for by law or trust indenture.

Under certain agreements, the Funds provide lines of credit to institutions of higher education to make loans to their graduate students. The Funds and the institutions also enter into loan purchase agreements providing that the Funds shall purchase the student loans from the institutions each year at an agreed upon price. The proceeds from the sale are to be used by the institutions to pay principal and interest due on their lines of credit and to enhance financial aid to the students. As of June 30, 2004, the Funds had such agreements with four institutions of higher education.

The Funds utilize the Borrower Benefit Fund for payment of general and administrative expenses and other activities of the Bond Funds, the Prepaid Tuition Fund, the Scholars Choice Fund and the Stable Value Plus Fund necessary to fulfill their purposes. The general and administrative expenses and activities have been allocated to the respective funds. Additionally, cash in the Borrower Benefit Fund has been committed by CollegeInvest's Board of Directors (Board) to fund issuance costs of certain Bond Funds, to pay for operating expenses of the Borrower Benefit Fund and capital expenditures, to fund the Loan Incentives For Teachers program (a loan forgiveness program), and to fund a portion of certain lines of credit to Colorado institutions of higher education.

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

Comparison of Current Year Results to Prior Year:

Condensed Statement of Net Assets as of June 30,

	2004			2003		
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
	(dollar amounts expressed in thousands)					
<i>Assets:</i>						
Cash and investments	\$ 26,973	\$ 111,840	\$ 138,813	\$27,718	\$228,685	\$256,403
Student loans, interest, other receivables	496	886,353	886,849	238	789,226	789,464
Other assets, net	-	4,649	4,649	-	5,190	5,190
Capital assets, net	<u>1,387</u>	<u>-</u>	<u>1,387</u>	<u>1,575</u>	<u>-</u>	<u>1,575</u>
<i>Total assets</i>	<u>28,856</u>	<u>1,002,842</u>	<u>1,031,698</u>	<u>29,531</u>	<u>1,023,101</u>	<u>1,052,632</u>

COLORADO STUDENT OBLIGATION BOND AUTHORITY
d/b/a COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2004 AND 2003

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

	2004			2003		
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
	(dollar amounts expressed in thousands)					
<i>Liabilities:</i>						
<i>Current:</i>						
Accounts payable, interest payable and other liabilities	582	2,226	2,808	724	2,063	2,787
Bonds and notes payable	<u>-</u>	<u>46,765</u>	<u>46,765</u>	<u>-</u>	<u>38,891</u>	<u>38,891</u>
<i>Total current liabilities</i>	<u>582</u>	<u>48,991</u>	<u>49,573</u>	<u>724</u>	<u>40,954</u>	<u>41,678</u>
<i>Noncurrent:</i>						
Other liabilities	96	-	96	94	-	94
Arbitrage rebate payable	-	18,822	18,822	-	18,840	18,840
Bonds and notes payable	<u>-</u>	<u>835,832</u>	<u>835,832</u>	<u>-</u>	<u>882,596</u>	<u>882,596</u>
<i>Total noncurrent liabilities</i>	<u>96</u>	<u>854,654</u>	<u>854,750</u>	<u>94</u>	<u>901,436</u>	<u>901,530</u>
<i>Total liabilities</i>	<u>678</u>	<u>903,645</u>	<u>904,323</u>	<u>818</u>	<u>942,390</u>	<u>943,208</u>
Interfund receivable (payable)	9,024	(9,024)	-	8,929	(8,929)	-
<i>Net assets:</i>						
Invested in capital assets	1,387	-	1,387	1,575	-	1,575
Restricted	-	90,173	90,173	-	71,782	71,782
Unrestricted	<u>35,815</u>	<u>-</u>	<u>35,815</u>	<u>36,067</u>	<u>-</u>	<u>36,067</u>
<i>Total net assets</i>	<u>\$ 37,202</u>	<u>\$ 90,173</u>	<u>\$ 127,375</u>	<u>\$ 37,642</u>	<u>\$ 71,782</u>	<u>\$ 109,424</u>

Cash and investments have decreased since 2003 by almost \$118 million primarily due to the acquisition of student loans in excess of repayment of existing student loans by approximately \$70 million plus the payment of principal and interest on debt. The Bond Funds originate student loans to borrowers in school, purchase student loans from other financial institutions, and consolidate existing loans. Cash was also used to fund operating expenses and pay scheduled debt redemptions.

Student loans, interest and other receivables increased by \$97.4 million from Fiscal Year end 2003 to 2004. Student loans, including premiums and borrower benefits, increased by \$98.9 million due to the acquisition of \$249.3 million in student loans during 2004 and decreased as a result of student loan principal repayments of \$150.4 million. The Bond Funds provide a benefit to borrowers through a 3% reduction in the principal amount of the loan. The premiums and borrower benefits are capitalized and amortized over five years. A comparison of volume to the prior year is as follows:

COLORADO STUDENT OBLIGATION BOND AUTHORITY
d/b/a COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2004 AND 2003

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

	<u>2004</u>	<u>2003</u>
	(dollar amounts expressed in thousands)	
Originations	\$ 67.6	\$ 45.2
Purchases	104.5	127.3
Consolidations	77.2	66.3
Payments received	(150.4)	(133.7)
Net increase	<u>\$ 98.9</u>	<u>\$105.1</u>

The increases in new loan originations and consolidations are a result of several different factors. CollegeInvest has increased its educational outreach and incorporated a more diversified marketing plan that has resulted in additional market share. Also, students are borrowing more to pay for college due to the rising costs of education and CollegeInvest has captured a share of the increased volume. Low student loan interest rates have played a significant role in the increased loan consolidation. The increased overall consumer awareness of the benefits of consolidating has had a direct effect on our program.

The decrease in purchases from the prior year was due in part to the timing of purchases totaling \$54.1 million from one graduate lending school, which resulted in two years of volume recorded in Fiscal Year 2003.

The increase in payments received is largely attributable to the increase in consolidation awareness. Consolidating borrowers payoff existing Stafford and PLUS loans to refinance into a fixed rate Consolidation loan. The increased payments are a direct result of the prepayment on the existing loans. In addition, CollegeInvest held a slightly higher repayment loan balance in Fiscal Year 2004.

Interest and other receivables have decreased by \$1.5 million primarily due to the timing of student loan purchases from Colorado institutions of higher education.

The arbitrage rebate payable is composed of excess earnings and arbitrage rebate fees. The small decrease in arbitrage rebate payable of approximately \$18,000 from June 30, 2003 is due to a combination of an increase of \$527,000 in the excess earnings liability and a decrease in the rebate liability of \$545,000.

U.S Treasury regulations limit the yield on student loans, to a certain spread above the corresponding bond yield for tax-exempt financings. The increase for the excess earnings liability from 2003 to 2004 was \$527,000 compared to an increase from 2002 to 2003 of \$6.3 million. This reduction in the increase in the liability was due primarily to portfolio management strategies implemented at the end of fiscal year 2003. The strategies matched loans to bonds in an effort to minimize excess earnings. This resulted in a decrease in the excess earnings expense from \$5.3 million for Fiscal Year ended June 30, 2003 to \$500,000 for Fiscal Year ended June 30, 2004.

COLORADO STUDENT OBLIGATION BOND AUTHORITY
d/b/a COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2004 AND 2003

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

U.S. Treasury regulations also limit the amount of interest income from investments to the bond yield on tax-exempt bond issues. The interest rate spread between the investments and the bond yield from year to year resulted in a reduction of \$98,000 in the rebate tax liability. Additionally, the liability was reduced by \$447,000 due to a payment made to the IRS for a portion of the liability.

Bonds and notes payable decreased by \$38.9 million. This was due to scheduled debt redemptions during the year.

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

	2004	2003
	(dollar amounts expressed in thousands)	
Interest and special allowance on student loans (pledged as security on revenue bonds and notes)	\$ 48,158	\$ 46,559
Interest income (pledged as security on revenue bonds and notes)	2,252	2,671
Net investment income (loss)	(308)	1,654
Reimbursement of operating expenses	<u>-</u>	<u>202</u>
Total operating revenues	<u>50,102</u>	<u>51,086</u>
Interest expense	17,862	17,559
Rebate tax expense, net	3,978	8,432
Loan servicing costs and bond fees	6,623	6,403
General and administrative expenses	1,911	1,380
Salaries and benefits	1,442	1,275
Depreciation and amortization	<u>329</u>	<u>402</u>
Total operating expenses	<u>32,145</u>	<u>35,451</u>
Operating income	17,957	15,635
Transfer to Stable Value Plus Fund	(6)	(241)
Transfer to Prepaid Tuition Fund	<u>-</u>	<u>(7,952)</u>
Change in net assets	17,951	7,442
Net assets, beginning of year	109,424	101,982
Net assets, end of year	<u>\$127,375</u>	<u>\$109,424</u>

Detail of the Funds' pledged interest and special allowance on student loans is as follows:

Borrower interest	\$ 37,838	\$ 38,668
Special allowance payments	<u>10,320</u>	<u>7,891</u>
Total pledged interest and special allowance on student loans	<u>\$ 48,158</u>	<u>\$46,559</u>

COLORADO STUDENT OBLIGATION BOND AUTHORITY
d/b/a COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2004 AND 2003

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

Pledged borrower interest decreased by \$830,000 due primarily to a lower overall average interest rate on CollegeInvest's student loan portfolio. Interest rates on the Stafford loans in the portfolio are variable and are set based on the 91-day U. S. Treasury bill rate. All variable rate student loans are reset July 1st and remain fixed for one year. The rate set on July 1, 2003 was 1.12% as compared to 1.76% set on July 1, 2002. Additionally, the average interest rate on the consolidation loans covering 44.2% of the June 30, 2004 portfolio decreased from 7.04% in 2003 to 6.50% in 2004. The reduction in interest rates on both Stafford and consolidations loans was somewhat offset by an increase in the overall student loan balance. The average fiscal year balance of student loans increased from \$723.0 million in 2003 to \$806.5 million in 2004.

Pledged special allowance payments increased by approximately \$2.4 million. Special allowance is paid to lenders by the federal government and is the difference between the borrower interest rate and a "market" rate defined by the Higher Education Act of 1965, as amended. On approximately 26% of Student Loan Program Fund's loan portfolio for Fiscal Year 2004, the market rate is computed such that the total return is 9.5%. Since borrower rates were lower for Fiscal Year 2004, as discussed above, special allowance payments increased.

In total, interest and special allowance payments on student loans generated a 6.0% and 6.6% average return for the years ending June 30, 2004 and 2003, respectively.

The decrease in pledged interest income of approximately \$419,000 for the year ended June 30, 2004 from the previous year was due to reduced rates of return during the year which more than offset a higher average cash and investment balance. The average cash and investment balance in the Fiscal Year ending 2004 was \$184.8 million with an average return of 1.2% while the average cash and investment balance for the Fiscal Year ending 2003 was \$140.1 million with an average rate of return of 1.8%.

Net investment income not pledged decreased by over \$1.9 million. Net investment income not pledged consists of the following:

	2004	2003
	(dollar amounts expressed in thousands)	
Interest on investments	\$ 398	\$ 1,046
Unrealized gain (loss) on investments	<u>(706)</u>	<u>608</u>
Net investment income (loss) – not pledged	<u>\$ (308)</u>	<u>\$ 1,654</u>

An unrealized loss of \$706,000 was allocated to the Funds by the State Treasurer's office for the Fiscal Year ended June 30, 2004 as compared to an allocation of \$608,000 of unrealized gain for the Fiscal Year ended June 30, 2003. Investment income earned was lower by \$648,000 due to a combination of a lower average cash balance during the year and lower market interest rates. The average cash and investment balance in the Fiscal Year ending 2004 was \$26.6 million with an average return of 1.5% while the average cash and investment balance for the Fiscal Year ending 2003 was \$33.8 million with an average rate of return of 3.0%.

**COLORADO STUDENT OBLIGATION BOND AUTHORITY
d/b/a COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2004 AND 2003**

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

Interest expense is comprised of interest and amortization of bond issuance costs, premiums and borrower benefits. Interest expense on bonds decreased by \$966,000 even though the average outstanding debt balance was higher during the Fiscal Year ended June 30, 2004. A lower interest rate more than offset the increase in debt balance. As of June 30, 2004 and 2003, average balances and returns on debt were as follows:

	Weighted Average Debt Outstanding 2004	% of Debt	Weighted Average Interest Rate	Weighted Average Debt Outstanding 2003	% of Debt	Weighted Average Interest Rate
	(dollar amounts expressed in thousands)					
Taxable	\$481,695	53.2%	1.9%	\$406,144	51.8%	2.3%
Tax-exempt	<u>424,505</u>	<u>46.8%</u>	<u>1.4%</u>	<u>377,547</u>	<u>48.2%</u>	1.7%
Total	<u>906,200</u>	<u>100.0%</u>	<u>1.6%</u>	<u>783,691</u>	<u>100.0%</u>	2.0%
Variable	817,440	90.2%	1.2%	692,891	88.4%	1.5%
Fixed	<u>88,760</u>	<u>9.8%</u>	<u>5.9%</u>	<u>90,800</u>	<u>11.6%</u>	5.8%
Total	<u>\$906,200</u>	<u>100.0%</u>	<u>1.6%</u>	<u>\$783,691</u>	<u>100.0%</u>	2.0%

Average debt outstanding for the Fiscal Year ending 2004 was \$906.2 million compared to \$783.7 million for the Fiscal Year ending 2003, while the average interest rate decreased from 2.0% to 1.6%.

Bond issuance cost amortization increased by over \$200,000 due to the increase in weighted average debt outstanding as a result of \$185 million in new debt issued in April 2003.

Premium and borrower benefit amortization increased by almost \$1.1 million due to an increase in the amount of student loans in the graduate lending program. CollegeInvest pays a premium to acquire the loans. Premiums and borrower benefits paid and amortized for the fiscal years ending June 30 were as follows:

COLORADO STUDENT OBLIGATION BOND AUTHORITY
d/b/a COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2004 AND 2003

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

	<u>2004</u>	<u>2003</u>
	(dollar amounts expressed in thousands)	
Beginning balance, net	\$ 8,334	\$ 3,937
Premiums paid	4,344	5,471
Borrower benefits paid	2,000	428
Amortization	<u>(2,564)</u>	<u>(1,502)</u>
Ending balance, net	<u>\$12,114</u>	<u>8,334</u>

Additionally, CollegeInvest increased its borrower benefits from 1% credit of the principal balance on Stafford loan originations to 3% on July 1, 2003. Borrower benefits increased from \$1.3 million in Fiscal Year 2003 to \$3.3 million in Fiscal Year 2004.

Rebate tax expense includes excess interest, rebate and consolidation rebate expenses as follows:

	<u>2004</u>	<u>2003</u>
	(dollar amounts expressed in thousands)	
Excess interest	\$ 527	\$ 5,337
Arbitrage rebate	(98)	84
Consolidation rebate	<u>3,549</u>	<u>3,011</u>
Total rebate tax expense	<u>\$ 3,978</u>	<u>8,432</u>

The decrease in excess interest expense of approximately \$4.8 million for the year ended June 30, 2004 from the previous year was due to a reduction in the excess spread between student loan yield and bond yield as discussed above in arbitrage rebate payable. A significant amount of premiums paid on student loans that were offset against excess earnings caused most of the decrease. The rebate expense is the amount of excess spread between income from investments and bond yield. The decrease of \$182,000 in rebate expense between the year ended June 30, 2004 from 2003 was due to a narrowing of the spread between investment income and the bond cost. Consolidation rebate expense is a fee paid monthly to the U.S. Department of Education on any loans consolidated by CollegeInvest after October 1, 1993. Consolidation rebate fees increased during the Fiscal Year ended June 30, 2004 over the Fiscal Year ended June 30, 2003 by approximately \$538,000. The balance of consolidation loans in the Funds' portfolio increased by \$51.9 million during the Fiscal Year ending 2004.

COLORADO STUDENT OBLIGATION BOND AUTHORITY
d/b/a COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2004 AND 2003

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

Loan servicing costs and bond fees were \$220,000 higher in the Fiscal Year ended June 30, 2004 than for the Fiscal Year ended June 30, 2003. Even though the dollar amount of loans serviced was higher, there were fewer loans serviced and, therefore, costs were only higher by approximately \$22,000. Bond fees expenses increased by approximately \$198,000 due primarily to the increase in the weighted average level of weighted average debt outstanding. Bond fees as a percentage of the average debt outstanding were 27 basis points for Fiscal Year end 2004 as compared to 28 basis points in Fiscal Year end 2003.

General and administrative expenses were \$531,000 or 38.5% higher in the Fiscal Year ended June 30, 2004 than for the Fiscal Year ended June 30, 2003. The student loan division has increased efforts to educate students and families on the advantages of borrowing student loan, as an option to finance educational costs. We have increased awareness by employing multiple avenues of media, public relations, community programs and partnerships as well as additional personnel to meet with families in their communities. CollegeInvest also incurred certain set-up costs as we diversified our student loan servicing by adding one additional partner in Fiscal Year End 2004.

Salaries and benefits increased by \$167,000 or 13.1% during the year ended June 30, 2004. This increase was in part due to the addition of two new positions to increase and support growth in our student loan business. Net student loans increased by \$98.9 million or 13.0% from June 30, 2003 to June 30, 2004. This is in addition to a \$105.1 million or 16.0% increase in net student loans from June 30, 2002 to June 30, 2003.

The Borrower Benefit Fund transferred \$7.7 million in cash during the Fiscal Year ended June 30, 2003, as well as forgave \$252,000 of general and administrative expenses and computer utilization charges of the Prepaid Tuition Fund. The cash transfer of \$7.7 million was provided to assist the Prepaid Tuition Fund increase its stabilization reserve which had decreased due to market losses in prior years. \$252,000 was transferred to cover general and administrative expenses of the Prepaid Tuition Fund that were in excess of the limitation in general and administrative expenses of 1% of investors' contract value. There were no transfers to the Prepaid Tuition Fund during the Fiscal Year ended June 30, 2004.

COLORADO STUDENT OBLIGATION BOND AUTHORITY
d/b/a COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2004 AND 2003

Capital Assets:

The Funds' investment in capital assets at June 30, 2004 amounted to \$1.4 million, net of accumulated depreciation. The capital assets consist of furniture, equipment and software. The changes in capital assets were as follows:

	June 30, <u>2003</u>	Additions (Deletions)	Depreciation & Amortization	June 30, <u>2004</u>
(dollar amounts expressed in thousands)				
Software	\$ 1,435	\$ (3)	\$ 286	\$ 1,146
Furniture and equipment	<u>140</u>	<u>144</u>	<u>43</u>	<u>241</u>
Total capital assets, net	<u>\$ 1,575</u>	<u>\$ 141</u>	<u>\$ 329</u>	<u>\$ 1,387</u>

Long-term Debt:

As of June 30, 2004, the Funds had \$882.6 million in bonds and notes payable. The decrease in bonds and notes payable of \$38.9 million from June 30, 2003 was due to scheduled payments. Additionally, the Funds amortized \$2,000 of discount on bonds and notes.

Restricted Net Assets:

Restricted net assets include net assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The Funds had restricted net assets of \$90.2 million and \$71.8 million as of June 30, 2004 and 2003, respectively. The Bond Funds restrict net assets to uses prescribed in the respective financing documents. All financings are revenue bonds or notes that are collateralized as provided in the financing agreements, by an assignment and pledge to a Trustee of all CollegeInvest's rights, title and interest in the investments, student loans, and loans purchased from Colorado institutions of higher education and the revenues and receipts derived there from.

Economic Factors and Future Years' Rates:

- ❖ Periodically, the U.S. Congress must reauthorize the Higher Education Act of 1965 (Act), as amended. In October 2004, Congress extended the current Act with no changes for one year. It is likely they will consider a bill to reauthorize the Act during the next legislative session. Significant changes to the Act could impact the overall program.

COLORADO STUDENT OBLIGATION BOND AUTHORITY
d/b/a COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2004 AND 2003

Economic Factors and Future Years' Rates (continued):

- ❖ Every July 1st in accordance with the Higher Education Act of 1965, as amended, the borrower's interest rate on Stafford loans is reset based on the 91-day Treasury bill rate determined in the last Treasury bill auction in May of each year. Stafford loans make up 52.8% of CollegeInvest's portfolio as of June 30, 2004. These borrower rates decreased by approximately .05 percentage points as of July 1, 2004. If student loan balances remain at the same level, next year's borrower interest will increase or decrease based upon the short-term Treasury rate in effect in late May.
- ❖ For the Fiscal Year ending June 30, 2004, 90.2% of CollegeInvest's weighted average debt outstanding was variable. If debt levels remain at the same level, economic conditions that cause variances in interest rates may have a positive or negative effect on interest expense.
- ❖ CollegeInvest's net income will increase or decrease depending on the interest rate spread between the borrower rates earned, as described above, and the auction reset rates it experiences on its variable debt.
- ❖ Under the terms of federal grants, periodic audits are required and certain costs may be questioned as not being appropriate expenses under the terms of the grants. Such audits could lead to reimbursement to the grantor agency or the U.S. Department of Education (USDE). There are no such audits currently in process by USDE as of the date of this report.

Requests for Information:

This report is designed to provide a general overview of the Funds' finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Kenton J. Spuehler, Chief Financial Officer, CollegeInvest, 1801 Broadway, Suite 1300, Denver, CO 80202.

COLORADO STUDENT OBLIGATION BOND AUTHORITY
d/b/a COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2004 AND 2003
(dollar amounts expressed in thousands)

	<u>2004</u>	<u>2003</u>
Assets:		
Current assets:		
Unrestricted current assets:		
Cash deposits and investments	\$ 26,973	\$ 27,718
Interest and other receivables	238	137
Due from other Funds and other agencies	1,046	773
Prepaid expenses	77	22
Total unrestricted current assets	<u>28,334</u>	<u>28,650</u>
Restricted current assets:		
Cash deposits and investments	111,840	228,685
Student loans, net	27,989	26,133
Interest and other receivables	17,140	16,680
CollegeLender receivable	6,207	8,426
Due from other agencies and other Funds	625	754
Total restricted current assets	<u>163,801</u>	<u>280,678</u>
Total current assets	<u>192,135</u>	<u>309,328</u>
Noncurrent assets:		
Unrestricted noncurrent assets:		
Due from Bond Funds	8,159	8,159
Capital assets, net	1,387	1,575
Total unrestricted noncurrent assets	<u>9,546</u>	<u>9,734</u>
Restricted noncurrent assets:		
Student loans, net	834,392	737,309
Bond and note issuance costs, net	4,649	5,190
Total restricted noncurrent assets	<u>839,041</u>	<u>742,499</u>
Total noncurrent assets	<u>848,587</u>	<u>752,233</u>
Total assets	<u>1,040,722</u>	<u>1,061,561</u>

(Continued)

COLORADO STUDENT OBLIGATION BOND AUTHORITY
d/b/a COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
STATEMENT OF NET ASSETS (CONTINUED)
JUNE 30, 2004 AND 2003
(dollar amounts expressed in thousands)

	<u>2004</u>	<u>2003</u>
Liabilities:		
Current liabilities:		
Current liabilities payable from unrestricted assets:		
Accounts payable and accrued expenses	582	560
Due to Prepaid Tuition Fund	-	164
Total current liabilities payable from unrestricted assets	<u>582</u>	<u>724</u>
Current liabilities payable from restricted assets:		
Accounts payable and accrued expenses	804	672
Due to other agencies and other Funds	1,123	904
Interest payable	1,164	1,257
Bonds and notes payable	46,765	38,891
Total current liabilities payable from restricted assets	<u>49,856</u>	<u>41,724</u>
Total current liabilities	<u>50,438</u>	<u>42,448</u>
Noncurrent liabilities:		
Noncurrent liabilities payable from unrestricted assets:		
Accrued compensated absences	96	94
Total noncurrent liabilities payable from unrestricted assets	<u>96</u>	<u>94</u>
Noncurrent liabilities payable from restricted assets:		
Due to Borrower Benefit Fund	8,159	8,159
Arbitrage rebate payable	18,822	18,840
Bonds and notes payable	835,832	882,596
Total noncurrent liabilities payable from restricted assets	<u>862,813</u>	<u>909,595</u>
Total noncurrent liabilities	<u>862,909</u>	<u>909,689</u>
Total liabilities	<u>913,347</u>	<u>952,137</u>
Net assets:		
Invested in capital assets	1,387	1,575
Restricted	90,173	71,782
Unrestricted	35,815	36,067
Total net assets	<u>\$ 127,375</u>	<u>\$ 109,424</u>

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

COLORADO STUDENT OBLIGATION BOND AUTHORITY
d/b/a COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003
(dollar amounts expressed in thousands)

	2004	2003
Operating revenues:		
Interest and special allowance on student loans (pledged as security on revenue bonds and notes)	\$ 48,158	\$ 46,559
Interest income (pledged as security on revenue bonds and notes)	2,252	2,671
Net investment income (loss)	(308)	1,654
Reimbursement of operating expenses	-	202
Total operating revenues	50,102	51,086
Operating expenses:		
Interest expense	17,862	17,559
Loan servicing costs	4,263	4,241
Rebate tax expense, net	3,978	8,432
Bond fees	2,360	2,162
General and administrative expenses	1,911	1,380
Salaries and benefits	1,442	1,275
Depreciation and amortization	329	402
Total operating expenses	32,145	35,451
Operating income before transfers	17,957	15,635
Transfer to Stable Value Plus Fund from Borrower Benefit Fund unrestricted assets	(6)	(241)
Transfer to Prepaid Tuition Fund from Borrower Benefit Fund unrestricted assets	-	(7,952)
Change in net assets	17,951	7,442
Net assets, beginning of year	109,424	101,982
Net assets, end of year	\$ 127,375	\$ 109,424

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

COLORADO STUDENT OBLIGATION BOND AUTHORITY
d/b/a COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003
(dollar amounts expressed in thousands)

	2004	2003
Cash Flows from Operating Activities:		
Cash received from student loans	\$ 179,178	\$ 166,782
Cash received from the federal government	14,363	12,288
Cash purchases of student loans	(249,335)	(239,400)
Cash received from educational institutions	81,666	79,937
Cash loaned to educational institutions	(79,447)	(61,790)
Cash payments to suppliers for goods and services	(11,161)	(7,856)
Cash payments to employees for service	(1,442)	(1,275)
Net cash used by operating activities	(66,178)	(51,314)
Cash Flows from Investing Activities:		
Proceeds from maturities of investments	1,532,599	1,668,400
Purchase of investments	(1,415,585)	(1,802,289)
Income received from investments	2,477	4,175
Net cash provided (used) by investing activities	119,491	(129,714)
Cash Flows from Non-Capital Financing Activities:		
Transfer to Prepaid Tuition Fund	-	(7,952)
Transfer to Stable Value Plus Fund	(6)	(241)
Payment of bond and note issuance costs	(44)	(2,167)
Issuance of bonds and notes	-	295,000
Repayment of bonds and notes	(38,892)	(71,268)
Interest paid on bonds and notes	(14,806)	(15,871)
Net cash provided (used) in non-capital financing activities	(53,748)	197,501
Cash Flows from Capital Financing Activities:		
Purchase of capital assets	(141)	(173)
Net cash used in capital financing activities	(141)	(173)
Increase (decrease) in cash and cash equivalents	(576)	16,300
Cash and cash equivalents, beginning of year	27,148	10,848
Cash and cash equivalents, end of year	\$ 26,572	\$ 27,148

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

COLORADO STUDENT OBLIGATION BOND AUTHORITY
d/b/a COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003
(dollar amounts expressed in thousands)

	2004	2003
Reconciliation of operating income to net cash provided by operating activities:		
Operating income before transfers	\$ 17,957	\$ 15,635
Items reflected as investing and non-capital financing activities:		
Income received from investments	(2,477)	(4,175)
Interest paid on bonds and notes	14,806	15,871
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Amortization of loss on defeasance	-	10
Amortization of bond discount	2	2
Amortization of bond and note issuance costs	585	368
Amortization of premium costs	2,564	1,501
Depreciation expense	329	402
Change in allowance for loan losses	(129)	(142)
Changes in operating assets and liabilities:		
Student loans	(101,374)	(106,468)
Interest and other receivables	(748)	1,452
CollegeLender receivable	2,219	18,148
Prepaid expenses	(19)	(34)
Interfund receivable/payable	49	511
Due to/from other agencies	13	-
Accounts payable and accrued expenses	156	10
Interest payable	(93)	180
Arbitrage rebate payable	(18)	5,415
Net cash used by operating activities	\$ (66,178)	\$ (51,314)

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

COLORADO STUDENT OBLIGATION BOND AUTHORITY
d/b/a COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003

1. Organization and Summary of Significant Accounting Policies:

Pursuant to Colorado Revised Statutes 23-3.1-2 and 23-3.1-3, as amended, the Colorado Student Obligation Bond Authority d/b/a CollegeInvest (CollegeInvest) is a division of the Colorado Department of Higher Education. The Executive Director of the Department (Executive Director) has responsibility for oversight and management of CollegeInvest. In addition, CollegeInvest has a nine-person Board of Directors (Board) designated by the Governor and approved by the State Senate to serve four-year terms.

The Colorado General Assembly established a student obligation bond program, (Student Loan Program Funds), a post secondary education expense program (Prepaid Tuition Fund), and a Section 529 college savings program (Scholars Choice Fund and Stable Value Plus Fund) which are administered by CollegeInvest. The mission of CollegeInvest is to be Colorado's higher education financing leader and to help Colorado families break down the financial barriers to college. The financial statements presented here do not include operations of the post secondary education expense program or the college savings program.

CollegeInvest receives no grants from, and is not otherwise financially assisted by, the State or any local government of the State. CollegeInvest is an enterprise under Section 20, Article X of the Colorado Constitution.

Primary operations of the student obligation bond program commenced in 1981. In meeting its legislative mandate, CollegeInvest issues tax-exempt and taxable financings. The proceeds from such financings are used to originate and purchase student loans and to make loans to institutions of higher education. Pursuant to Colorado Revised Statute 23-3.1-208, as amended, CollegeInvest is authorized to issue its own revenue bonds, notes and other obligations in the aggregate amount of \$1.3 billion, which are not deemed to constitute indebtedness, a debt or liability of the State of Colorado.

Reporting Entity:

The Student Loan Program Funds (Funds) present the combined financial statements of the Borrower Benefit Fund and the Bond Funds. The Borrower Benefit and Bond Funds are accounted for as separate enterprise funds. An enterprise fund is established to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the fund be self-supporting.

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

Borrower Benefit Fund

CollegeInvest utilizes a Borrower Benefit Fund for payment of general and administrative expenses and other activities of the Bond Funds, the Prepaid Tuition Fund, the Scholars Choice Fund, and the Stable Value Plus Fund necessary to fulfill their purposes. These expenses and activities have been allocated to the respective funds.

COLORADO STUDENT OBLIGATION BOND AUTHORITY
d/b/a COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2004 AND 2003

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

Reporting Entity (continued):

Assets and revenues of the Borrower Benefit Fund are not pledged as collateral for the Bond Funds. As of June 30, 2004, the Borrower Benefit Fund had a receivable balance of \$9.0 million from various Bond Funds to pay bond and note issuance costs and operating expenses. In addition, the Borrower Benefit Fund owed \$164,000 to the Prepaid Tuition Fund for reimbursement of operating expenses for the Fiscal Year ended June 30, 2003 that exceeded 1% of the contract value of the Prepaid Tuition Fund as limited by Colorado Revised Statutes 23-3.1-206.7(5)(e)(I). This amount was paid during the Fiscal Year ended June 30, 2004.

Bond Funds

The financial activities of the Bond Funds are recorded in funds and accounts established under various financing documents. The financing documents for each Bond Fund restrict assets held in the respective trust estate for the payment of the outstanding obligations. Each Bond Fund is accounted for separately and is a separate trust estate. All obligations are revenue bonds or notes and are collateralized as provided in the bond or note indentures, by an assignment and pledge to the Trustee of all CollegeInvest's right, title and interest in the investments, student loans, and loans purchased from Colorado institutions of higher education and the revenues and receipts derived there from.

Budgets and Budgetary Accounting:

By statute, the Funds are continuously appropriated through user charges. Therefore, the budget is not legislatively adopted and a Statement of Revenues and Expenses – Budget to Actual is not a required part of these financial statements. Total budgeted expenses for the Funds for the Fiscal Year ended June 30, 2004 were \$45.9 million, compared with actual expenses of \$32.1 million. The total expenditures of \$13.8 million under budget is due primarily to decreases in bond interest and arbitrage rebate expenses of the Funds. Total budgeted revenues of the Funds were \$57.5 million as compared with actual revenues of \$50.1 million. The lower interest income was due primarily to a lower than planned interest rate on student loans and investments. The Executive Director and the Board exercise oversight responsibilities, including budgetary and financial oversight.

Basis of Accounting:

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

COLORADO STUDENT OBLIGATION BOND AUTHORITY
d/b/a COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2004 AND 2003

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

Operating Revenues and Expenses:

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

Cash and Cash Equivalents:

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

Investments:

Investments are carried at fair value, which is determined primarily based on quoted market prices at June 30, 2004 and 2003.

Student Loans:

Student loans are carried at their uncollected principal balances net of an allowance for loan losses. The Bond Funds may purchase student loans from lenders at a premium or discount. The Bond Funds also originate student loans directly to borrowers. The Bond Funds provide a benefit to borrowers through a 3% reduction in the principal amount of the loan. Premiums, guarantee, and origination fees are capitalized and amortized over the estimated life of the loan using a method approximating the effective interest method. Unamortized premiums, guarantee, and origination fees collectively were \$12.1 million and \$8.3 million at June 30, 2004 and 2003, respectively.

Allowance for Loan Losses:

The provision for loan losses is included in general and administrative expenses and is determined by management's evaluation of the student loan portfolios. This evaluation considers such factors as historical loss experience, quality of student loan servicing and collection, and economic conditions. When this evaluation determines that an exposure to loss is probable and can be reasonably estimated, a provision against current operations net of student loan recoveries is recorded. Actual losses are charged against the allowance for loan losses as they occur. The allowance for loan loss was \$1.0 million and \$898,000 at June 30, 2004 and 2003, respectively.

COLORADO STUDENT OBLIGATION BOND AUTHORITY
d/b/a COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2004 AND 2003

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

Due from Other Agencies:

Due from other agencies – unrestricted of \$8,000 and \$-0- for the Fiscal Year ended June 30, 2004 and 2003, respectively, is for reimbursement from the Colorado Student Loan Program for a sponsorship paid by CollegeInvest on the Program's behalf. Due from other agencies – restricted of \$340,000 and \$357,000 for the Fiscal Years ended June 30, 2004 and 2003, respectively, is for amounts collected from borrowers by the Colorado Student Loan Program as a servicer of CollegeInvest loans that have not been transferred to CollegeInvest by year end.

Capital Assets:

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

Bond and Note Issuance Costs:

Bond and note issuance costs are carried at cost, less accumulated amortization. Amortization of issuance costs is computed using a method approximating the effective interest method over the life of the bond or note issue, unless the bonds or notes are retired early, at which time the remaining issuance costs related to the retired bonds or notes are expensed.

Compensated Absences:

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

Due to Other Agencies:

Due to other agencies of \$138,000 and \$134,000 as of June 30, 2004 and 2003, respectively, is for loan servicing fees charged to the Funds by the Colorado Student Loan Program that were not paid as of year end.

COLORADO STUDENT OBLIGATION BOND AUTHORITY
d/b/a COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2004 AND 2003

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

Arbitrage Rebate Payable:

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

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

Transfers from/to Other Funds:

During the Fiscal Year ended June 30, 2003, the Borrower Benefit Fund of CollegeInvest transferred \$7.7 million as a contribution to the Prepaid Tuition Fund and forgave \$252,000 of general and administrative expenses and computer utilization charges.

The Borrower Benefit Fund also paid \$6,000 of excess operating costs and \$241,000 of start up expenses and excess operating costs incurred by the Stable Value Plus Fund during the Fiscal Years ended June 30, 2004 and 2003, respectively.

Net Assets:

The Borrower Benefit Fund has intrafund loans of \$9.0 million and \$8.9 million as of June 30, 2004 and 2003, respectively, to the Bond Funds to pay bond and note issuance costs and operating expenses.

The Borrower Benefit Fund has interfund loans of \$144,000 and \$3,000 as of June 30, 2004 and 2003, respectively, from the Stable Value Plus Fund to pay operating expenses.

The Borrower Benefit Fund has an interfund loan of \$76,000 as of June 30, 2003, due from the Scholars Choice Fund to pay operating expenses. There was no amount due from the Scholars Choice Fund as of June 30, 2004. The Borrower Benefit Fund has an interfund loan of \$120,000 due to the Scholars Choice Fund for administrative fees collected on behalf of the Scholars Choice Fund as of June 30, 2004. There was no amount due to the Scholars Choice Fund as of June 30, 2003.

The Borrower Benefit Fund has an interfund loan of \$29,000 as of June 30, 2004, due from the Prepaid Tuition Fund to pay operating expenses. An interfund loan of \$164,000 due to the Prepaid Tuition Fund as of June 30, 2003 was related to the absorption of general and administrative expenses that were in excess of the 1% of contract value cap of the Prepaid Tuition Fund.

COLORADO STUDENT OBLIGATION BOND AUTHORITY
d/b/a COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2004 AND 2003

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

Revenues:

Revenue consists of interest income on student loans, investment income and a special allowance on student loans. Pursuant to the Higher Education Act (Act), special allowance payments are intended to assure that the limitation on interest rates and other conditions imposed by the Act do not impede the carrying out of the purposes of the Act or cause the return to holders of loans made and insured under the Act to be less than equitable. The rate of special allowance payments for loans depends on the date of disbursement of the loan, and the source of the holder's funding to acquire the loan.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles 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 or revenues and expenses during the reporting period. Actual results could differ significantly from these estimates.

2. Cash Deposits and Investments:

Cash Deposits:

All cash deposits are held by a bank, a trustee as agent for CollegeInvest, or the State Treasurer. Payments and cash receipts are deposited to demand deposit accounts daily. Monies in the demand deposit accounts are insured by federal depository insurance for the first \$100,000. Deposits in excess of the \$100,000 limit are collateralized subject to the provisions of the State's Public Deposit Protection Act (PDPA) for monies held within the State. Monies held by the trustee are collateralized with U.S. government securities. Collected balances are transferred daily into money market funds.

Cash deposits as of June 30 are as follows:

	2004		2003	
	Unrestricted	Restricted	Unrestricted	Restricted
	(dollar amounts expressed in thousands)			
Demand deposit account	\$ 2	\$ -	\$ 1	\$ -
State Treasurer's cash pool	26,450	120	27,147	-
Total cash deposits	\$26,452	\$ 120	\$27,148	\$ -

The carrying amount and bank balance of demand deposit accounts of \$2,000 and \$2,000 as of June 30, 2004 and \$1,000 and \$1,000 as of June 30, 2003, were fully insured by the FDIC.

COLORADO STUDENT OBLIGATION BOND AUTHORITY
d/b/a COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2004 AND 2003

2. Cash Deposits and Investments (continued):

Investments:

In accordance with GASB Statement No. 3, as amended by GASB Statement No. 31, CollegeInvest's cash, cash equivalents, and investments have been categorized into the following three categories of credit risk:

Category 1 --- Investments that are insured or registered, or investments which are held by CollegeInvest's agent in CollegeInvest's name.

Category 2 --- Investments that are uninsured or unregistered which are held by an agent or trust department in CollegeInvest's name.

Category 3 --- Investments that are uninsured or unregistered which are held by an agent or trust department but not in CollegeInvest's name.

The Board approves the investment policy for CollegeInvest. The investment policy allows investment in direct obligations of the U.S. government and its agencies, demand deposits, certificates of deposit, bankers acceptances, commercial paper, money market funds, written reverse and repurchase agreements, general or revenue obligations of any state in the United States, and investment agreements as authorized by the Colorado Revised Statutes Section 24-75-6. With respect to these investments, CollegeInvest is subject to market risk, which represents the exposure to changes in the market, such as a change in interest rates or a change in price or principal value of a security. Credit risk is the exposure to the default of the issuer of the investment securities.

Investment agreements are between the trustees as agent for CollegeInvest, and various AAA or AA rated financial institutions. The agreements pay interest monthly, quarterly or semiannually at either a fixed rate or a rate of the one month London Inter Bank Offering Rate (LIBOR) between minus 6 and 26 basis points of the three month LIBOR.

Investments in money market funds and investment agreements are not categorized because they are not evidenced by securities that exist in physical or book entry form. Investments are stated at fair value. Investments as of June 30 are as follows:

	2004		2003	
	Unrestricted Assets	Restricted Assets	Unrestricted Assets	Restricted Assets
	(dollar amounts expressed in thousands)			
Uncategorized investments				
Money market funds	\$ 521	\$ 23,456	\$ 570	\$ 41,770
Investment agreements	-	88,264	-	186,915
 Total Investments	 \$ 521	 \$ 111,720	 \$ 570	 \$ 228,685

COLORADO STUDENT OBLIGATION BOND AUTHORITY
d/b/a COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2004 AND 2003

2. Cash Deposits and Investments (continued):

Investments (continued):

Net investment income (loss) as of June 30, 2004 and 2003 was comprised of the following:

	2004	2003
	(dollar amounts expressed in thousands)	
Interest and dividends	\$ 397	\$ 1,046
Change in fair value of State Treasurer's cash pool	(705)	608
Net investment income	\$ (308)	\$ 1,654

3. Student Loans:

The Bond Funds originate student loans directly to the borrower and purchase student loans from originating lenders in accordance with the provisions of the Higher Education Act (Act). The U. S. Department of Education administers and regulates the Federal Family Education Loan Program (Program). Student loans in the Bond Funds have been originated under the Program. The Program includes loans originated in the Federal Stafford Loan program, formerly the Guaranteed Student Loan program, the Federal Parent Loan for Undergraduate Students program, and the Federal Consolidation Loan program. Loan terms and interest rates vary depending on the respective loan program and date of origination. Loan terms generally provide repayment of principal and interest on a monthly basis over a period of up to thirty years. Interest rates range from 2.8% to 12.0% (not including borrower benefits).

Interest to the borrower is either at a fixed or variable rate subject to a maximum rate. The loan yield to the Bond Funds is the maximum interest rate to the borrower or a rate indexed to the 91-day Treasury bill rate for each calendar quarter, for loans originated before January 1, 2000 or a rate indexed to the 91-day commercial paper rate for each calendar quarter for loans originated on or after January 1, 2000.

Principally, the Colorado Student Loan Program (CSLP) guarantees Program loans against the borrower's default, death, disability and bankruptcy. CSLP is reinsured under the Act. The loan guarantee is subject to applicable procedures relating to the origination and servicing of student loans. There are penalties up to loss of guarantee if the applicable procedures are not met. CollegeInvest can reinstate guarantees under certain circumstances. CollegeInvest also has recourse provisions with its lenders and its servicers for any loss of guarantee. Loans disbursed on or after October 1, 1993 are insured up to 98% of principal and accrued interest in the case of default. As of June 1, 2004, and through May 31, 2005, one of CollegeInvest's student loan servicers has obtained a designation from the Department which allows loss of guarantee reimbursement at 100%. Certain due diligence standards must be met by the servicer to retain this designation. These standards will be evaluated on a quarterly basis. Management has provided an allowance for loan losses of principal and/or interest due to claim penalties, loss of guarantee and insurance below 100%.

COLORADO STUDENT OBLIGATION BOND AUTHORITY
d/b/a COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2004 AND 2003

4. Capital Assets:

Capital assets activity for the Fiscal Years ended June 30 was as follows:

	<u>Balance</u> <u>June 30, 2003</u>	<u>Additions</u> <u>(Deletions)</u>	<u>Depreciation</u>	<u>Balance</u> <u>June 30, 2004</u>
	(dollar amounts expressed in thousands)			
Software	\$ 2,788	\$ (3)	\$ -	\$ 2,785
Furniture and equipment	263	144	-	407
Accumulated depreciation	<u>(1,476)</u>	<u>-</u>	<u>(329)</u>	<u>(1,805)</u>
Total capital assets, net	<u>\$ 1,575</u>	<u>\$ 141</u>	<u>\$ 329</u>	<u>\$ 1,387</u>

Depreciation expense for the years ended June 30, 2004 and 2003 was \$329,000 and \$402,000, respectively, and was charged to operations.

5. Bond and Note Issuance Costs:

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

	<u>2004</u>	<u>2003</u>
	(dollar amounts expressed in thousands)	
Bond and note issuance costs	\$ 7,594	\$ 7,550
Less accumulated amortization	<u>(2,945)</u>	<u>(2,360)</u>
Bond and note issuance costs, net	<u>\$ 4,649</u>	<u>\$ 5,190</u>

6. Bonds and Notes Payable:

CollegeInvest issues bonds and notes to originate and purchase student loans. Each bond or note payable is a separate financing. All financings are revenue bonds or notes that are collateralized as provided in the financing agreements, by an assignment and pledge to a Trustee of all CollegeInvest's rights, title and interest in the investments, student loans, and loans purchased from Colorado institutions of higher education and the revenues and receipts derived there from. CollegeInvest has issued bonds and notes in different series under master indentures which allows cross collateralizing, greater efficiency and the ability to issue additional bonds and notes.

Restrictive Covenants:

Certain indentures of trust and insurance policies include, among other requirements, covenants relative to restrictions on additional indebtedness, limits as to direct and indirect administrative expenses, restrictions to student loan portfolio mix, and requirements for maintaining certain financial ratios. Also, certain indentures of trust require the establishment of reserve accounts. CollegeInvest was in compliance with such covenants as of June 30, 2004 and 2003.

COLORADO STUDENT OBLIGATION BOND AUTHORITY
d/b/a COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2004 AND 2003

6. Bonds and Notes Payable (continued):

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

Refunding:

In addition to the bond issues discussed on subsequent pages, other bonds previously issued by CollegeInvest were defeased (debt legally satisfied) by the issuance of refunding bonds during Fiscal Year 1999.

The refunding resulted in a deferred loss, which is the difference between the reacquisition price and the net carrying amount of the old debt, of \$2.5 million. This difference is reported as a deduction from notes and bonds payable and is charged to operations through Fiscal Year 2003 using a method approximating the effective interest method. For the Fiscal Year ended June 30, 2003, \$10,000 was amortized against operations.

The refunding resulted in an economic gain (difference in the present values of the old and new debt service payments) of \$1.5 million, based on gross savings of \$312,000. All of the defeased bonds had been paid as of June 30, 2004.

COLORADO STUDENT OBLIGATION BOND AUTHORITY
d/b/a COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2004 AND 2003

6. Bonds and Notes Payable (continued):

The following bonds and notes payable are outstanding:

	Authorized And Issued	Outstanding June 30, 2003	Issued/Amortized (Redeemed) During 2004	Outstanding June 30, 2004	Due Within One Year
(dollar amounts expressed in thousands)					
1999 Series A Master Indenture, Variable Rate Notes/Bonds:					
<i>Weekly Adjustable Interest Rate Bonds</i>					
1989A, Jun. 8, 1989	\$ 80,000	\$ 80,000	\$ -	\$ 80,000	\$ -
1990A, Jan. 4, 1990	66,655	60,655	-	60,655	-
1999A-2, Mar. 24, 1999	56,000	56,000	-	56,000	-
1999A-3, Mar. 24, 1999	32,300	32,300	-	32,300	-
<i>Monthly Adjustable Interest Rate Notes</i>					
1999A-4, Mar. 24, 1999	209,000	121,390	(29,032)	92,358	26,988
1999 Series IV Master Indenture, Variable Rate Notes/Bonds:					
<i>Monthly Adjustable Interest Rate Notes/Bonds</i>					
Series 1999IV-A1, Nov. 1, 1999	96,800	64,900	-	64,900	-
Series 1999IV-A2, Nov. 1, 1999	96,800	64,900	-	64,900	-
Series 1999IV-A4, Nov. 1, 1999	19,300	19,300	-	19,300	-
Series 2001V-A, July 31, 2001	36,250	36,250	-	36,250	-
Series 2002VII-A1, August 20, 2002	32,000	32,000	-	32,000	-
Series 2002VII-A2, August 20, 2002	16,000	16,000	-	16,000	-
Series 2002VII-A3, August 20, 2003	62,000	62,000	-	62,000	-
Series 2003VIII-A1, April 24, 2003	65,000	65,000	-	65,000	-
<i>Quarterly Adjustable Interest Rate Notes</i>					
Series 2003VIII-A2, April 24, 2003	120,000	120,000	-	120,000	-
<i>Fixed Interest Rate Notes</i>					
Series 2001VI-A, July 31, 2001	63,800	63,800	(9,859)	53,941	19,777
<i>Fixed Interest Rate Subordinate Notes/Bonds</i>					
Series 1993I-B, Dec. 1, 1993	6,000	5,999	-	5,999	-
Series 1995II-B, Jun. 29, 1995	21,000	20,993	1	20,994	-
Bonds and notes payable	<u>\$ 1,078,905</u>	<u>\$ 921,487</u>	<u>\$ (38,890)</u>	<u>\$ 882,597</u>	<u>\$ 46,765</u>

COLORADO STUDENT OBLIGATION BOND AUTHORITY
d/b/a COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2004 AND 2003

6. Bonds and Notes Payable (continued):

Liquidity and Insurance Agreements:

CollegeInvest has entered into agreements with two liquidity providers. Pursuant to the Standby Agreements, the Liquidity Providers agreed, subject to the terms and conditions therein, to purchase certain 1999 Series A-2 and A-3 Bonds, Series 1989A Bonds or Series 1990A Bonds which are tendered by the owners thereof to the Tender Agent or are subject to mandatory purchase but are not remarketed by the Remarketing Agents. The liquidity fees on principal and interest are paid quarterly.

On March 24, 1999, CollegeInvest entered into an agreement to obtain municipal bond insurance on the Series 1999A-2, A-3, and A-4 Bonds, Series 1989A Bonds and Series 1990A Bonds. The policy insures payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. The term of the policy is for the life of the bonds and requires an annual fee.

Weekly Adjustable Interest Rate Bonds:

The weekly adjustable interest rate bonds are subject to purchase on demand of the holder at a price equal to principal plus accrued interest on seven days notice and delivery to CollegeInvest's Remarketing Agent and Trustee. The Remarketing Agent is authorized to sell the repurchased bonds at par by adjusting the interest rate. Interest is paid quarterly at a variable rate established weekly by the Remarketing Agent. The annual effective interest rate for such bonds was 1.03% for the year ended June 30, 2004. Under certain conditions, the bonds may be converted to a variable rate with varying interest rate periods or to a fixed rate. Bond principal matures on March 1, 2024, September 1, 2024, July 1, 2027, and September 1, 2034.

Monthly Adjustable Interest Rate Notes/Bonds:

CollegeInvest issued Taxable Senior Asset-Backed Notes that are subject to an auction every 28 days when the Auction Agent determines the interest rate for the subsequent period. The annual effective interest rate for such notes was 1.13% for the year ended June 30, 2004. Note principal matures on December 1, 2032, 2034 and 2037.

CollegeInvest issued Tax-Exempt Senior Asset-Backed Bonds that are subject to an auction every 35 days when the Auction Agent determines the interest rate for the subsequent period. The effective interest rate for such bonds was 1.00% for the year ended June 30, 2004. Bond principal matures on November 27, 2012, June 1, 2036 and June 1, 2037.

CollegeInvest issued Taxable Notes under a master indenture. Interest on such notes is paid monthly at a variable rate equal to a predetermined percentage above the LIBOR rate. The annual effective interest rate for such notes was 1.39% for the year ended June 30, 2004. Note principal matures on December 1, March 1, June 1 and September 1 through March 1, 2009.

COLORADO STUDENT OBLIGATION BOND AUTHORITY
d/b/a COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2004 AND 2003

6. Bonds and Notes Payable (continued):

Quarterly Adjustable Interest Rate Notes:

CollegeInvest issued Taxable Senior Asset-Backed Floating Rate notes at an interest rate equal to Three-Month LIBOR plus 0.225%. The initial floating rate term is through June 1, 2008. Subsequent to the initial floating rate term, the notes will be subject to a quarterly auction. The annual effective interest rate for such notes was 1.41% for the year ended June 30, 2004. Note principal matures on December 1, 2032.

Fixed Interest Rate Notes:

CollegeInvest issued its Taxable Senior Asset-Backed Notes in accordance with the terms of the master indenture. Interest on the notes is paid on September 1, December 1, March 1 and June 1. The annual effective interest rate for such notes was 5.65% for the year ended June 30, 2004. Note principal matures on December 1, 2011.

Fixed Interest Rate Subordinate Notes/Bonds (net of discount):

CollegeInvest issued its Tax-Exempt Subordinate Asset-Backed Notes/Bonds concurrently with the issuance of the Taxable Senior Asset-Backed Notes/Bonds. The Subordinate Notes/Bonds are payable from the Trust Estate on a subordinate basis to the Senior Notes/Bonds in accordance with the terms of the master indenture. Interest on the subordinate notes/bonds is paid on June 1 and December 1. The annual effective interest rate for such notes/bonds was 6.09% for the year ended June 30, 2004. Note/bond principal matures on December 1, 2006 and 2008.

The scheduled principal and interest payments (based on interest rates at June 30, 2004) relating to CollegeInvest's bonds and notes is as follows:

	Principal	Interest	Total
	(dollar amounts expressed in thousands)		
2005	\$ 46,765	\$ 14,712	\$ 61,477
2006	43,947	13,236	57,183
2007	45,612	11,698	57,310
2008	15,974	10,786	26,760
2009	21,000	9,941	30,941
2010-2014	19,300	46,231	65,531
2015-2019	-	45,761	45,761
2020-2024	101,000	44,565	145,565
2025-2029	95,655	36,242	131,897
2030-2034	120,000	32,018	152,018
2035-2039	373,344	7,518	380,862
Total bonds and notes payable	\$ 882,597	\$ 272,708	\$ 1,155,305

COLORADO STUDENT OBLIGATION BOND AUTHORITY
d/b/a COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2004 AND 2003

7. Commitments and Contingencies:

Grants and Other:

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

Cash Commitments:

As of June 30, 2004 and 2003, CollegeInvest has committed \$18.0 million and \$18.0 million, respectively, of cash and future collection of receivables in the Borrower Benefit Fund to provide for a portion of certain lines of credit to Colorado institutions of higher education and \$2.4 million and \$3.6 million as of June 30, 2004 and 2003, respectively, to provide for a Loan Incentives For Teachers program. As of June 30, 2004, CollegeInvest has committed \$600,000 to pay future operating expenses of the Prepaid Tuition Fund.

Purchase Commitments:

CollegeInvest has entered into agreements to purchase student loans from institutions of higher education. The agreements are for various periods of time and expire over the next three years. The following is a chart with the estimated purchase commitments through expiration of the agreements (dollar amounts expressed in thousands):

2005	\$ 85,000
2006	74,000
2007	<u>1,000</u>
	<u>\$ 160,000</u>

Lease Commitments:

CollegeInvest leases certain office facilities under an operating lease agreement which expires on February 29, 2008. The total rent expense for the Fiscal Years ended June 30, 2004 and 2003 was \$144,000 and \$185,000, respectively. Minimum future lease payments under the agreement are as follows:

2005	\$ 149,000
2006	149,000
2007	149,000
2008	<u>99,000</u>
	<u>\$ 546,000</u>

COLORADO STUDENT OBLIGATION BOND AUTHORITY
d/b/a COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2004 AND 2003

8. Retirement Plan:

Plan Description:

Virtually all of CollegeInvest's employees participate in the Combined State and School Division Trust Fund (CSSDTF), a defined benefit pension plan. The plan's purpose is to provide income to members and their families at retirement or in case of death or disability. The plan is a cost sharing multiple-employer plan administered by the Public Employees' Retirement Association (PERA). PERA was established by state statute in 1931. Responsibility for the organization and administration of the plan is placed with the Board of Trustees of PERA. Title 24, Article 51 of the Colorado Revised Statutes (CRS), as amended, assigns the authority to establish benefit provisions to the General Assembly. Changes to the plan require 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 1300 Logan Street, Denver, Colorado 80203 or by calling PERA at 303-832-9550 or 1-800-729-PERA(7372).

Plan members vest after five years of service and are eligible for retirement benefits at age 50 with 30 years of service, age 60 with 20 years of service or at age 65 with 5 years of service. Members are also eligible for retirement benefits without a reduction for early retirement if they are at least 55 and have a minimum of 5 years of service credit, and their age plus years of service equals 80 or more. State troopers and judges comprise a small percentage of plan members but have higher contribution rates and are eligible for retirement benefits at different ages and years of service. Monthly benefits are calculated as a percentage of highest average salary (HAS). HAS is 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.

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

Funding Policy:

Plan members and the State are required to contribute to the CSSDTF at a rate set by statute. Most employees contribute 8.0% of their gross covered wages to an individual account in the plan. During fiscal years 2004-2003, the State contributed 10.15% and 10.04%, respectively, of the employees' gross covered wages. Before January 1, 2003, 1.64% of the total contribution was allocated to the Health Care Trust Fund, and after January 1, 2003, 1.1% of the total contribution was allocated to the Health Care Trust Fund. Through May 31, 2004, the amount needed to meet the match requirement established by the PERA Board was allocated to the Matchmaker program (See Note 9 below.) The balance remaining after allocations to the Matchmaker program and the Health Care Trust Fund was allocated to the defined benefit plan.

COLORADO STUDENT OBLIGATION BOND AUTHORITY
d/b/a COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2004 AND 2003

8. Retirement Plan (continued):

Funding Policy (continued):

The annual gross covered wages subject to PERA is the 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. The contribution requirements of plan members and their employers are established under Title 24, Article 51, Part 4 of the CRS, as amended, and may be amended, by the General Assembly.

CollegeInvest's contributions on behalf of the Funds to the three programs described above for the Fiscal Years ending June 30, 2004, 2003 and 2002 were \$96,000, \$111,000 and \$91,000, respectively. These contributions met the contribution requirement for each year.

9. Voluntary Tax-deferred Retirement Plans:

Beginning on January 1, 2001, the Matchmaker Program established a state match for PERA members' voluntary contributions to tax-deferred retirement plans. For calendar years 2001 and 2002, the match was 100% of up to 3% of the employees' gross covered wages paid during the month. For calendar year 2003, the match was 100% of up to 2% of employees' gross covered wages paid during the month. For calendar year 2004 through May 31, 2004, the match was 100% of up to 1% of employee's gross covered wages paid during the month. The PERA Board sets the level of the match with 2% of gross salary plus 50% of any reduction in the overall contribution rate due to overfunding of the pension plan available for the match. While the plan was not overfunded in the current year, the maximum one-year change in the match rate is statutorily limited to 1%, and therefore, the match changed from 2% to 1% on January 1, 2004. Legislation passed in the 2004 session of the General Assembly terminated the match for pay periods ending after May 31, 2004. The match will resume when the actuarial value of the defined benefit plan assets are 110% of actuarially accrued plan liabilities.

PERA offers a voluntary 401k 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 a 403b plan. Members who contribute to any of these plans also receive the State match, if available.

10. Postretirement Health Care and Life Insurance Benefits:

Health Care Program

PERACare (formerly known as 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 Trust Fund (HCTF). Under this program, PERA subsidizes a portion of the monthly premium for health care coverage. Title 24, Article 51, Part 12 of the CRS, as amended, assigns the authority to establish the HCTF benefit provisions to the General Assembly. The benefit recipient pays any remaining amount of that premium through an automatic deduction from the monthly retirement benefit.

COLORADO STUDENT OBLIGATION BOND AUTHORITY
d/b/a COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2004 AND 2003

10. Postretirement Health Care and Life Insurance Benefits (continued):

Health Care Program (continued)

During fiscal year 2004, the premium subsidy was \$115.00 for those with 20 years of service credit (\$230.00 for members under age 65), and it was reduced by 5% for each year of service fewer than 20. Medicare eligibility also affects the premium subsidy.

The Health Care Trust Fund is maintained by an employer's contribution as discussed above in Note 8.

Monthly premium costs for participants depend on the health care plan selected, the number of persons covered, Medicare eligibility, and the number of years of service credit. PERA contracts with a major medical indemnity carrier to administer claims for self-insured plans, and with health maintenance organizations providing services within Colorado. As of December 31, 2003 there were 37,067 enrollees in the plan.

Life Insurance Program

PERA provides its members access to two group life insurance plans offered by Prudential and Anthem Life (formerly known as Rocky Mountain Life). Members may join one or both plans, and they may continue coverage into retirement. Premiums are collected monthly by payroll deduction or other means.

11. Risk Management:

Self Insurance

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

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

COLORADO STUDENT OBLIGATION BOND AUTHORITY
d/b/a COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2004 AND 2003

11. Risk Management (continued):

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

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

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

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

Furniture and Equipment

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

12. Net Assets:

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

Invested in capital assets consists of capital assets, net of accumulated depreciation. The Funds have no debt outstanding related to capital assets. As of June 30, 2004 and 2003, the Funds had invested in capital assets of \$1.4 million and \$1.6 million, respectively.

Restricted assets include net assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The Funds had restricted net assets of \$90.2 million and \$71.8 million as of June 30, 2004 and 2003, respectively. The Bond Funds restrict net assets to uses prescribed in the respective financing documents.

COLORADO STUDENT OBLIGATION BOND AUTHORITY
d/b/a COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2004 AND 2003

12. Net Assets (continued):

Unrestricted net assets consists of net assets that do not meet the definition of invested in capital assets or restricted net assets. As of June 30, 2004 and 2003, the Funds had unrestricted net assets of \$35.8 million and \$36.0 million, respectively. Although the Funds report unrestricted net assets on the face of the statement of net assets, unrestricted net assets are to be used by CollegeInvest for the payment of obligations incurred by CollegeInvest in carrying out its statutory powers and duties and are to remain in the fund and not be transferred or revert to the general fund of the State of Colorado as outlined in 23.3-1-205.4 of the Colorado Revised Statutes.

13. Subsequent Events:

- ❖ On July 22, 2004, CollegeInvest issued its Tax-Exempt Bonds Series 2004IX-A1 and 2004IX-A2 of \$38.5 million and \$38.5 million, respectively, and its Taxable Notes Series 2004IX-A3 of \$96.0 million. The Series 2004IX-A1, A2 and A3 obligations were issued on a parity basis with the 1999 Series IV Master Indenture. Additionally, CollegeInvest issued its Tax-Exempt Bonds Series 2004IXB-4 of \$6.0 million. The 2004IXB-4 obligations were issued on a subordinate basis with the 1999 Series IV Master Indenture.

The proceeds of the Series 2004IB-4 bonds were used to currently refund and redeem the Tax-Exempt Bonds Series 1993I-B of \$6.0 million on the date of issue. CollegeInvest paid a \$60,000 call premium to redeem the Series 2004IB-4 bonds.

The refunding resulted in a deferred loss, which is the difference between the reacquisition price and the net carrying amount of the old debt, of \$71,000. This difference will be charged to operations through Fiscal Year 2005.

The refunding resulted in an economic gain (difference in the present values of the old and new debt service payments) of \$233,000, based on gross savings of \$257,000. The defeased bonds had been paid as of July 22, 2004.

The Series 2004IX-A1, A2 and A3 proceeds will be used to acquire student loans.

- ❖ Effective July 1, 2004, the Colorado Student Obligation Bond Authority's legal name was changed to CollegeInvest in its governing Statute.
- ❖ On December 15, 2004, CollegeInvest issued its Tax-Exempt Bonds Series 2004X-A1 of \$50.0 million. The Series 2004X-A1 obligations were issued on a parity basis with the 1999 Series IV Master Indenture.

The proceeds of the Series 2004X-A1 bonds will be used to acquire student loans.

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

Members of the Legislative Audit Committee:

We have audited the basic financial statements of the Colorado Student Obligation Bond Authority, d/b/a CollegeInvest Student Loan Program Funds as of and for the year ended June 30, 2004, and have issued our report thereon dated September 3, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Colorado Student Obligation Bond Authority, d/b/a CollegeInvest, Student Loan Program Funds' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

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

Clifton Gunderson LLP

Greenwood Village, Colorado
September 3, 2004

SUPPLEMENTARY INFORMATION

Colorado Student Obligation Bond Authority
d/b/a CollegeInvest
Supplementary Schedule - Student Loan Program Funds Combining Statement of Net Assets
June 30, 2004 and 2003
(dollar amounts expressed in thousands)

	1999A Bond Fund	1999IV Bond Fund	Total Bond Funds	Borrower Benefit Fund	Total Student Loan Program Funds 2004	Total Student Loan Program Funds 2003
CURRENT ASSETS:						
Unrestricted current assets:						
Cash deposits	\$ -	\$ -	\$ -	\$ 26,452	\$ 26,452	\$ 27,148
Investments	-	-	-	521	521	570
Interest and other receivables	-	-	-	238	238	137
Due from Bond Funds	-	-	-	865	865	770
Due from other funds	-	-	-	173	173	3
Due from other agencies	-	-	-	8	8	-
Prepaid expenses	-	-	-	77	77	22
Total unrestricted current assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,334</u>	<u>28,334</u>	<u>28,650</u>
Restricted current assets:						
Cash deposits	-	-	-	120	120	-
Investments	52,804	58,916	111,720	-	111,720	228,685
Student loans, net	10,663	17,326	27,989	-	27,989	26,133
Interest and other receivables	8,164	8,976	17,140	-	17,140	16,680
CollegeLender receivable	-	6,207	6,207	-	6,207	8,426
Due from other agencies	106	234	340	-	340	357
Prepaid expenses	230	55	285	-	285	321
Due from Scholars Choice Fund	-	-	-	-	-	76
Total restricted current assets	<u>71,967</u>	<u>91,714</u>	<u>163,681</u>	<u>120</u>	<u>163,801</u>	<u>280,678</u>
Total current assets	<u>71,967</u>	<u>91,714</u>	<u>163,681</u>	<u>28,454</u>	<u>192,135</u>	<u>309,328</u>
NONCURRENT ASSETS:						
Unrestricted noncurrent assets:						
Due from Bond Funds	-	-	-	8,159	8,159	8,159
Capital assets, net	-	-	-	1,387	1,387	1,575
Total unrestricted noncurrent assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,546</u>	<u>9,546</u>	<u>9,734</u>
Restricted noncurrent assets:						
Student loans, net	317,865	516,527	834,392	-	834,392	737,309
Bond and note issuance costs, net	1,326	3,323	4,649	-	4,649	5,190
Total restricted noncurrent assets	<u>319,191</u>	<u>519,850</u>	<u>839,041</u>	<u>-</u>	<u>839,041</u>	<u>742,499</u>
Total noncurrent assets	<u>319,191</u>	<u>519,850</u>	<u>839,041</u>	<u>9,546</u>	<u>848,587</u>	<u>752,233</u>
Total assets	<u>391,158</u>	<u>611,564</u>	<u>1,002,722</u>	<u>38,000</u>	<u>1,040,722</u>	<u>1,061,561</u>

(Continued)

Colorado Student Obligation Bond Authority
d/b/a CollegeInvest
Supplementary Schedule - Student Loan Program Funds Combining Statement of Net Assets
June 30, 2004 and 2003
(dollar amounts expressed in thousands)

	1999A Bond Fund	1999IV Bond Fund	Total Total Bond Funds	Borrower Benefit Fund	Total Student Loan Program Funds 2004	Total Student Loan Program Funds 2003
CURRENT LIABILITIES:						
Current liabilities payable from unrestricted assets:						
Accounts payable and accrued expenses	-	-	-	582	582	560
Due to other funds	-	-	-	-	-	164
Total current liabilities payable from unrestricted assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>582</u>	<u>582</u>	<u>724</u>
Current liabilities payable from restricted assets:						
Accounts payable and accrued expenses	324	480	804	-	804	672
Due to other agencies	53	85	138	-	138	134
Due to Borrower Benefit Fund	352	513	865	-	865	770
Due to other funds	-	-	-	120	120	-
Interest payable	308	856	1,164	-	1,164	1,257
Bonds and notes payable	26,988	19,777	46,765	-	46,765	38,891
Total current liabilities payable from restricted assets	<u>28,025</u>	<u>21,711</u>	<u>49,736</u>	<u>120</u>	<u>49,856</u>	<u>41,724</u>
Total current liabilities	<u>28,025</u>	<u>21,711</u>	<u>49,736</u>	<u>702</u>	<u>50,438</u>	<u>42,448</u>
NONCURRENT LIABILITIES:						
Noncurrent liabilities payable from unrestricted assets:						
Accrued compensated absences	-	-	-	96	96	94
Total noncurrent liabilities payable from unrestricted assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>96</u>	<u>96</u>	<u>94</u>
Noncurrent liabilities payable from restricted assets:						
Due to Borrower Benefit Fund	2,871	5,288	8,159	-	8,159	8,159
Arbitrage rebate payable	9,884	8,938	18,822	-	18,822	18,840
Bonds and notes payable	294,324	541,508	835,832	-	835,832	882,596
Total noncurrent liabilities payable from restricted assets	<u>307,079</u>	<u>555,734</u>	<u>862,813</u>	<u>-</u>	<u>862,813</u>	<u>909,595</u>
Total noncurrent liabilities	<u>307,079</u>	<u>555,734</u>	<u>862,813</u>	<u>96</u>	<u>862,909</u>	<u>909,689</u>
Total liabilities	<u>335,104</u>	<u>577,445</u>	<u>912,549</u>	<u>798</u>	<u>913,347</u>	<u>952,137</u>
Invested in capital assets						
Restricted	56,054	34,119	90,173	-	90,173	71,782
Unrestricted	-	-	-	35,815	35,815	36,067
Total net assets	<u>\$ 56,054</u>	<u>\$ 34,119</u>	<u>\$ 90,173</u>	<u>\$ 37,202</u>	<u>\$ 127,375</u>	<u>\$ 109,424</u>

See accompanying independent auditor's report.

Colorado Student Obligation Bond Authority
d/b/a CollegeInvest
Supplementary Schedule - Student Loan Program Funds Combining Statement of
Revenues, Expenses and Changes in Net Assets
For the years ended June 30, 2004 and 2003
(dollar amounts expressed in thousands)

	1999A Bond Fund	1999IV Bond Fund	Total Bond Funds (Restricted)	Borrower Benefit Fund (Unrestricted)	Total Student Loan Program Funds 2004	Total Student Loan Program Funds 2003
Operating revenues:						
Interest and special allowance on student loans (pledged as security on revenue bonds and notes)	\$ 22,075	\$ 26,083	\$ 48,158	\$ -	\$ 48,158	\$ 46,559
Interest income (pledged as security on revenue bonds and notes)	491	1,761	2,252	-	2,252	2,671
Net investment income (loss)	-	-	-	(308)	(308)	1,654
Reimbursement of operating expenses	-	-	-	-	-	202
Total operating revenues	22,566	27,844	50,410	(308)	50,102	51,086
Operating expenses:						
Interest expense	5,064	12,798	17,862	-	17,862	17,559
Loan servicing costs	1,770	2,493	4,263	-	4,263	4,241
Rebate tax expense, net	(1,256)	5,234	3,978	-	3,978	8,432
Bond fees	1,229	1,131	2,360	-	2,360	2,162
General and administrative expenses	1,145	1,659	2,804	(893)	1,911	1,380
Salaries and benefits	314	438	752	690	1,442	1,275
Depreciation and amortization	-	-	-	329	329	402
Total operating expenses	8,266	23,753	32,019	126	32,145	35,451
Operating income before transfers	14,300	4,091	18,391	(434)	17,957	15,635
Transfers to Prepaid Tuition and Stable Value Plus Funds	-	-	-	(6)	(6)	(8,193)
Net assets, beginning of year	41,754	30,028	71,782	37,642	109,424	101,982
Net assets, end of year	\$ 56,054	\$ 34,119	\$ 90,173	\$ 37,202	\$ 127,375	\$ 109,424

See accompanying independent auditor's report.

**COLORADO STUDENT OBLIGATION BOND AUTHORITY
STUDENT LOAN PROGRAM FUNDS
DISTRIBUTION**

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

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

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

Report Control Number 1606B