COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
Denver, Colorado

FINANCIAL AND COMPLIANCE AUDIT
June 30, 2005 and 2004

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COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
FINANCIAL AND COMPLIANCE AUDIT
June 30, 2005

Clifton Gunderson LLP
Certified Public Accountants & Consultants

Members of the Legislative Audit Committee:

This report contains the results of the financial and compliance audit of the Student Loan Program Funds of CollegeInvest as of June 30, 2005. 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 1, 2005

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REPORT SUMMARY

COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
FINANCIAL AUDIT
FISCAL YEAR ENDED JUNE 30, 2005

Purpose and Scope

The Office of the State Auditor, State of Colorado engaged Clifton Gunderson LLP to conduct the financial and compliance audit of CollegeInvest Student Loan Program Funds (Student Loan Program Funds) for the Fiscal Year ended June 30, 2005. 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, 2005.

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, 2005.

Summary of Key Findings and Recommendations

There were no findings or recommendations for the years ended June 30, 2005 and 2004.

Required Communication

Significant Accounting Policies. There was one significant accounting policy implemented during the year. Effective July 1, 2004, the Funds adopted statement number 40 of the Governmental Accounting Standards Board (GASB). Statement 40 is titled *Deposit and Investment Risk Disclosures.* The required implementation date for GASB statement 40 is for periods beginning after June 15, 2004.

Management Judgments and Accounting Estimates. There were no significant accounting estimates of financial data which would be particularly sensitive and require substantial judgments by management.

Audit Adjustments. There was one audit adjustment made during the completion of fieldwork:

- To remove $551,000 accrual for scholarship payable on the Borrower Benefit Fund and record as a liability of the Bond Fund.

Uncorrected Misstatements. There was one uncorrected misstatement noted by us during our current audit and pertaining to the most recent period presented in the financial statements. Management has determined that this uncorrected misstatement is immaterial to the financial statements taken as a whole.

- Entry to record a reduction of $36,427 in the excess interest liability due to a revised calculation.

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

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 Funds' financial statements or our report on those financial statements.

Consultation with Other Accountants. We were informed by management that they made no consultations with other accountants on the application of generally accepted accounting principal and generally accepted accounting standards.

Major Issues Discussed with Management Prior to Retention. There were no major issues, including the application of accounting principles and auditing standards, which were discussed with management prior to our retention as auditors.

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

DESCRIPTION OF THE
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, Direct Portfolio Fund and Stable Value Plus Fund), which are administered by CollegeInvest. The programs assist students 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.

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

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Certified Public Accountants & Consultants

Independent Auditor's Report

Members of the Legislative Audit Committee:

We have audited the accompanying financial statements of the business-type activities and each major fund of CollegeInvest, (a division of the Department of Higher Education, State of Colorado) Student Loan Program Funds, as of and for the years ending June 30, 2005 and 2004, which collectively comprise CollegeInvest Student Loan Program Funds basic financial statements as listed in the table of contents. These financial statements are the responsibility of CollegeInvest, Student Loan Program Funds' management. Our responsibility is to express opinions on these financial statements based on our audits.

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

As discussed in Note 1 – Organization and Summary of Significant Accounting Policies, the financial statements of the Student Loan Program Funds are intended to present the financial position, and results of operations and cash flows for only that portion of the financial reporting entity, the State of Colorado, that is attributable to the transactions of CollegeInvest, Student Loan Program Funds. They do not purport to, and do not present fairly, the financial position of the State of Colorado as of June 30, 2005 and 2004 and the changes in its financial position and its cash flows, where applicable, for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and each major fund of CollegeInvest, Student Loan Program Funds, as of June 30, 2005 and 2004, 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.

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In accordance with *Government Auditing Standards,* we have also issued our report dated September 1, 2005 on our consideration of CollegeInvest, Student Loan Program Funds' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 7 to 18, is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this supplemental information. However, we did not audit the information and express no opinion on it.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary 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 Gunderson LLP

Greenwood Village, Colorado
September 1, 2005

COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2005 AND 2004

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, 2005, 2004 and 2003. CollegeInvest, a division of the Department of Higher Education (Department) of the State of Colorado administers the Funds, the Prepaid Tuition Fund, and the College Savings Program, which consists of the Scholars Choice Fund, Stable Value Plus Fund and Direct Portfolio 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 Funds' financial statements.

Overview of the Financial Statements:

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

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

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

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

Analysis of Financial Activities:

CollegeInvest Student Loan Program Funds consists of two major funds, 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. For the years ended June 30, 2004 and 2003, the Borrower Benefit Fund and the Bond Funds were originally presented as combined on the financial statements. In accordance with Governmental Accounting Standard No. 34, the Borrower Benefit Fund and the Bond Funds are presented separately on these financial statements.

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

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.

Analysis of Financial Activities (continued):

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, 2005, the Funds had such agreements with four institutions of higher education. Subsequent to June 30, 2005, the Funds have signed an agreement with another institution of higher education.

The Funds utilize the Borrower Benefit Fund for payment of general and administrative expenses and other activities of the Bond Funds, and the Prepaid Tuition Fund, Scholars Choice Fund, Stable Value Plus Fund and Direct Portfolio 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), to fund a scholarship program and provide reserves for operating expenses and cash flow timing differences of the Prepaid Tuition Fund.

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 Years:

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

	2005	2004	2003
	(dollar amounts expressed in thousands)		
Assets:			
Cash and investments	**$ 24,940**	$ 27,093	$ 27,718
Interest and other receivables and prepaid expenses	**70**	380	238
Capital assets, net	**1,172**	1,387	1,575
Net interfund receivable	**804**	9,020	8,929
Total assets	**26,986**	37,880	38,460
Total liabilities	**319**	678	818
Net assets:			
Invested in capital assets	**1,172**	1,387	1,575
Restricted	**-**	120	-
Unrestricted	**25,495**	35,695	36,067
Total net assets	**$ 26,667**	$ 37,202	$ 37,642

Cash and investments of the Borrower Benefit Fund decreased $2.2 million from June 30, 2004 to June 30, 2005, primarily due to a transfer of $1.6 million to the Prepaid Tuition Fund and payment of $1.3 million in bond issuance costs on behalf of the Bond Funds. These decreases were somewhat offset by an increase in cash from interest income. Cash and investments decreased $625,000 from June 30, 2003 to 2004, primarily due to the timing of expenses paid on behalf of the other Funds as of June 30, 2004, which were not yet reimbursed.

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

The interfund receivable decreased primarily due to the forgiveness of bond issuance costs of $9.5 million during the year ended June 30, 2005, which were paid by the Borrower Benefit Fund on behalf of the Bond Funds in prior years. This was recorded as a transfer to the Bond Funds on the Statement of Revenues, Expenses and Changes in Fund Net Assets.

Capital Assets:

The investment in capital assets at June 30, 2005 amounted to $1.2 million, net of accumulated depreciation. Capital assets consists of furniture, equipment and software. The changes in capital assets were as follows:

	Balance June 30, 2004	Additions (Deletions)	Depreciation & Amortization	**Balance June 30, 2005**
	(dollar amounts expressed in thousands)			
Software	$ 1,146	$ -	$ 287	$ **859**
Furniture and equipment	241	118	46	**313**
Total capital assets, net	$ 1,387	$ 118	$ 333	$ **1,172**

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

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

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

	2005	2004	2003
	(dollar amounts expressed in thousands)		
Operating revenues:			
Net investment income (loss), not pledged	**$ 350**	$ (308)	$ 1,654
Reimbursement of operating expenses	**-**	-	202
Operating expenses:			
General and administrative expenses	**72**	126	263
Change in net assets before transfers	**278**	(434)	1,593
Transfer from (to) Stable Value Plus Fund	**247**	(6)	(241)
Transfer to Bond Funds	**(9,460)**	-	-
Transfer to Prepaid Tuition Fund	**(1,600)**	-	(7,952)
Change in net assets	**(10,535)**	(440)	(6,600)
Net assets, beginning of year	**37,202**	37,642	44,242
Net assets, end of year	**$ 26,667**	$ 37,202	$ 37,642

Net investment income consists of the following:

	2005	2004	2003
	(dollar amounts expressed in thousands)		
Interest on investments	**$ 566**	$ 398	$ 1,046
Unrealized gain (loss) on investments	**(216)**	(706)	608
Net investment income (loss)	**$ 350**	$ (308)	$ 1,654

Net investment income (loss) increased $658,000 in 2005 due primarily to the improvement in the underlying investment values of the State Treasurer's cash pool. An unrealized loss of $216,000 was allocated to the Borrower Benefit Fund from the State Treasurer for the year ended June 30, 2005 compared to an unrealized loss of $706,000 and an unrealized gain of $608,000 for the years ended June 30, 2004 and 2003, respectively. Interest on investments was higher for the year ended June 30, 2005, by $168,000, compared to the year ended June 30, 2004, due primarily to an increase in market interest rates during the year. Interest on investments for the year ended June 30, 2004, was lower by $648,000 compared to the year ended June 30, 2003, due to a combination of a lower average cash balance during the year and lower market interest rates. The average cash and investment balances for the years ended June 30, 2005, 2004 and 2003 were $25.8 million, $26.6 million and $33.8 million, respectively and with average interest returns of 2.2%, 1.5% and 3.1%, respectively.

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

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

	2005	2004	2003
	(dollar amounts expressed in thousands)		
Assets:			
Cash and investments	**$ 182,784**	$ 111,720	$ 228,685
Student loans, interest, other receivables	**1,011,391**	886,013	789,226
Other assets, net	**5,953**	4,649	5,190
Total assets	**1,200,128**	1,002,382	1,023,101
Liabilities:			
Current:			
Accounts payable, interest payable and other liabilities	**4,058**	1,968	2,063
Bonds and notes payable	**43,948**	46,765	38,891
Total current liabilities	**48,006**	48,733	40,954
Noncurrent:			
Arbitrage rebate payable	**20,259**	18,822	18,840
Bonds and notes payable	**1,014,916**	835,832	882,596
Total noncurrent liabilities	**1,035,175**	854,654	901,436
Total liabilities	**1,083,181**	903,387	942,390
Intrafund payable	**(734)**	(8,822)	(8,929)
Net assets (all restricted)	**$ 116,213**	$ 90,173	$ 71,782

Cash and investments of the Bond Funds increased $71.1 million from June 30, 2004 to June 30, 2005. The increase was due primarily to the issuance of bonds and notes of $229.0 million which was offset by $52.7 million in redemptions of bonds and notes. Cash was also used to purchase student loans in excess of repayment of existing student loans by approximately $119.4 million. Cash and investments decreased by approximately $117.0 million from June 30, 2003 to June 30, 2004, 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 during each period to fund operating expenses and pay scheduled debt redemptions. See below for a discussion of debt issuance and repayment in each year.

Student loans, interest and other receivables increased $125.4 million from June 30, 2004 to June 30, 2005 and increased by $96.8 million from June 30, 2003 to June 30, 2004. During 2005, student loans, including premiums and borrower benefits, increased by $119.4 million due to the acquisition of $298.2 million in student loans and decreased as a result of student loan principal repayments of $178.8 million. During 2004, student loans, including premiums and borrower benefits, increased by $98.9 million due to the acquisition of $248.7 million in student loans and decreased as a result of student loan principal repayments of $149.8 million. The Bond Funds provide a benefit to borrowers through a 3% reduction in the principal amount of the loan for originations, effective July 1, 2003, and 1% of the principal of the loan for consolidations, effective November 1, 2004. The Bond Funds also pay a premium on purchases of student loans ranging from 1% to 6% of the principal amount of the loans, depending on the attributes of the loans purchased. The

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

premiums and borrower benefits are capitalized and amortized over five years. A comparison of volume to the prior year is as follows:

	2005	2004	2003
	(dollar amounts expressed in millions)		
Originations	**$ 101.9**	$ 69.1	$ 45.4
Purchases	**105.7**	102.4	127.1
Consolidations	**90.6**	77.2	66.3
Payments received	**(178.8)**	(149.8)	(133.7)
Net increase	**$ 119.4**	$ 98.9	$ 105.1

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 and increased guaranteed volume as a percentage of the total volume guaranteed by College Access Network (formerly Colorado Student Loan Program), the guarantor. The increases in guaranteed volume were 7.0%, 3.3% and 3.9% for the years ended June 30, 2005, 2004 and 2003, respectively. 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. The number of students borrowing increased 6.1% and 5% for the years ended June 30, 2005 and 2004, respectively. Additionally, the students average borrower indebtedness increased by 10.3%, 7.0% and 10.5% for the years ended June 30, 2005, 2004 and 2003, respectively. 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 in 2004 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 the year ended 2003.

The increases in payments received during the years ended June 30, 2005 and 2004, is largely attributable to the increase in consolidation activity due to the low interest rate environment. Consolidating borrowers payoff existing variable rate loans by refinancing into a fixed rate consolidation loan.

Interest and other receivables as of June 30, 2005, 2004 and 2003, were $30.0 million, $24.0 million, and $25.9 million, respectively. Changes in these balances are primarily due to the timing of student loan purchases from Colorado institutions of higher education.

The arbitrage rebate payable is composed of excess interest and arbitrage rebate fees. The increase of $1.4 million from June 30, 2004 to June 30, 2005, is due primarily to an increase in excess interest liability of approximately $2.3 million and a decrease in arbitrage rebate liability of approximately $869,000. The small decrease in arbitrage rebate payable of approximately $18,000 from June 30, 2003 to June 30, 2004, is due to a combination of an increase of $527,000 in the excess interest liability and a decrease in the arbitrage rebate liability of $545,000.

U.S Treasury regulations limit the earnings on student loans financed with tax-exempt bond proceeds. Earnings above that allowed must be rebated to the US Treasury through the excess interest payable liability. The increase in the excess earnings liability from 2004 to 2005 was $2.3 million as compared to an increase from 2003 to 2004 of $527,000 and an increase from 2002 to 2003 of $5.3 million. Earnings on loans financed with tax-exempt bond proceeds were higher in 2005, generating an increase in the liability.

Comparison of Current Year Results to Prior Years (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 the year ended June 30, 2004 to the year ended June 30, 2005 and from the year ended June 30, 2003 to the year ended June 30, 2004 resulted in a reduction of $99,000 and $98,000, respectively, in the rebate tax liability. Additionally, during the years ended June 30, 2005 and 2004, the liability was reduced by $770,000 and $447,000, respectively, due to payments made to the IRS.

The Bond Funds had bonds and notes payable as of June 30,

	2005	2004	2003
	(dollar amounts expressed in thousands)		
Beginning balance	**$ 882,597**	$ 921,487	$ 697,743
Bond and note issuance	**229,025**	-	295,000
Redemptions of bonds and notes	**(52,764)**	(38,891)	(71,268)
Amortization of bond discount and defeasance	**6**	1	12
Bonds and notes payable	**$ 1,058,864**	$ 882,597	$ 921,487

The Bond Funds issue and redeem bonds in an effort to maximize its ability to originate, purchase and consolidate loans and take advantage of favorable tax-exempt and taxable debt attributes while minimizing its carrying costs of debt and costs of issuance.

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 Bond Funds had restricted net assets of $116.2 million, $90.2 million and $71.8 million as of June 30, 2005, 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, lines of credit due from Colorado institutions of higher education and the revenues and receipts derived there from.

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

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

	2005	2004	2003
	(dollar amounts expressed in thousands)		
Operating revenues:			
Interest and special allowance on student loans (pledged as security on revenue bonds and notes)	**$ 59,065**	$ 48,158	$ 46,559
Interest income (pledged as security on revenue bonds and notes)	**5,170**	2,252	2,671
Total operating revenues	**64,235**	50,410	49,230
Operating expenses:			
Interest expense	**30,292**	17,862	17,559
Rebate tax expense, net	**6,334**	3,978	8,432
Loan servicing costs and bond fees	**7,188**	6,623	6,403
General and administrative expenses	**2,167**	1,884	1,117
Salaries and benefits	**1,414**	1,442	1,275
Depreciation and amortization	**260**	230	402
Total operating expenses	**47,655**	32,019	35,188
Operating income before transfers	**16,580**	18,391	14,042
Transfer from Borrower Benefit Fund	**9,460**	-	-
Change in net assets	**26,040**	18,391	14,042
Net assets, beginning of year	**90,173**	71,782	57,740
Net assets, end of year	**$ 116,213**	$ 90,173	$ 71,782

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

	2005	2004	2003
	(dollar amounts expressed in thousands)		
Borrower interest	**$ 39,560**	$ 37,839	$ 38,668
Special allowance payments	**19,505**	10,319	7,891
Total pledged interest and special allowance on student loans	**$ 59,065**	$ 48,158	$ 46,559

Pledged borrower interest increased from the year ended June 30, 2004 to the year ended June 30, 2005 by $1.7 million and decreased from the year ended June 30, 2003 to the year ended June 30, 2004 by $829,000. The changes in interest income are due primarily to the overall average interest rate on CollegeInvest's student loan portfolio and an increase in the student loan balance. 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 1 of each year and remain fixed for one year. The rates set on July 1, 2004, 2003 and 2002, were 1.07%, 1.12% and 1.76%, respectively. Additionally, the average interest rate on the

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

consolidation loans decreased from 7.04% as of June 30, 2003 to 6.50% as of June 30, 2004 and to 5.9% as of June 30, 2005. The reduction in interest rates on both Stafford and consolidation loans was more than offset by an increase in the overall student loan balance for the year ended June 30, 2005. The average monthly balance of student loans increased from $723.0 million in 2003 to $806.5 million in 2004 and to $913.6 in 2005.

Pledged special allowance payments increased by approximately $9.2 million from the year ended June 30, 2004 to the year ended June 30, 2005 and by $2.4 million from the year ended June 30, 2003 to the year ended June 30, 2004. 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 31% of the Bond Funds' loan portfolio for 2005, the market rate is computed such that the total return is 9.5%. Since borrower rates were lower for the year ended June 30, 2004, as discussed above, special allowance payments increased. On the remaining 69% of the portfolio, the market rate is computed such that the total return is equivalent to the 3-month commercial paper rate or the 91-day Treasury bill rate plus a stated spread. As short-term interest rates increased throughout 2005, special allowance payments increased proportionally.

In total, interest and special allowance payments on student loans generated a 6.5%, 6.0% and 6.6% average return for the years ended June 30, 2005, 2004 and 2003, respectively.

The increase in pledged interest income of approximately $2.9 million from the year ended June 30, 2004 to the year ended June 30, 2005 is due to a combination of higher interest rates earned during the year and a higher average cash balance. The decrease in pledged interest income of approximately $419,000 for the year ended June 30, 2004 from the year ended June 30, 2003 is due to reduced rates of return during the year which more than offset a higher average cash and investment balance. The average monthly cash and investment balance for the years ending June 30, 2005, 2004 and 2003 were $233.7 million, $184.8 million, and $140.1 million, respectively, with an average return of 2.2 %, 1.2% and 1.8%, respectively.

Interest expense is comprised of interest and amortization of bond issuance costs, premiums and borrower benefits. Interest expense on bonds for the year ended June 30, 2005 increased by $11.2 million from the year ended June 30, 2004. This was due to a combination of an increase in the debt outstanding as well as an increase in the weighted average interest rate on debt. Interest expense on bonds for the year ended June 30, 2004 decreased by $966,000 compared to the prior year even though the average outstanding debt balance was higher during the year ended June 30, 2004. Lower interest rates more than offset the increase in the average outstanding debt. As of June 30, 2005, 2004 and 2003, average balances and rates on debt were as follows:

	Weighted Average Debt Outstanding 2005	**% of Debt**	**Weighted Average Interest Rate**	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	**$ 526,751**	**50.1%**	**2.8%**	$ 481,695	53.2%	1.9%	$ 406,144	51.8%	2.3%
Tax-exempt	**524,048**	**49.9%**	**2.2%**	424,505	46.8%	1.4%	377,547	48.2%	1.7%
Total	**1,050,799**	**100.0%**	**2.5%**	906,200	100.0%	1.6%	783,691	100.0%	2.0%
Variable	**984,535**	**93.7%**	**2.2%**	817,440	90.2%	1.2%	692,891	88.4%	1.5%
Fixed	**66,264**	**6.3%**	**5.9%**	88,760	9.8%	5.9%	90,800	11.6%	5.8%
Total	**$ 1,050,799**	**100.0%**	**2.5%**	$ 906,200	100.0%	1.6%	$ 783,691	100.0%	2.0%

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

Average debt outstanding for the years ended June 30, 2005, 2004 and 2003 was $1,050.8 million, $906.2 million and $783.7 million, respectively. The average interest rate for the years ended June 30, 2005, 2004 and 2003 was 2.5%, 1.6% and 2.0%, respectively.

Premium and borrower benefit amortization is a component of interest expense. Premium and borrower benefit amortization increased by approximately $1.4 million for the year ended June 30, 2005 from the year ended June 30, 2004 and approximately $1.1 million for the year ended June 30, 2004 from the year ended June 30, 2003. This is due primarily to an increase in the amount of the borrower benefit percentage paid on originations and an increase in the origination volume over the last three years. The borrower benefit percentage was increased from 1% to 3% effective July 1, 2003. Additionally, effective November 1, 2004, CollegeInvest began offering a 1% borrower benefit on all new consolidation loans. Premiums and borrower benefits paid and amortized for the fiscal years ending June 30 were as follows:

	2005	2004	2003
	(dollar amounts expressed in thousands)		
Beginning balance, net	**$ 12,114**	$ 8,334	$ 3,937
Premiums paid	**4,699**	4,344	5,471
Borrower benefits paid	**3,572**	2,000	428
Amortization	**(3,946)**	(2,564)	(1,502)
Ending balance, net	**$ 16,439**	$ 12,114	$ 8,334

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

	2005	2004	2003
	(dollar amounts expressed in thousands)		
Excess interest	**$ 2,307**	$ 527	$ 5,337
Arbitrage rebate	**(99)**	(98)	84
Consolidation rebate	**4,126**	3,549	3,011
Total rebate tax expense	**$ 6,334**	$ 3,978	$ 8,432

Excess interest increased approximately $1.8 million for the year ended June 30, 2005. Earnings on loans financed with tax-exempt bond proceeds were higher than in the prior year. The increase is mostly attributable to the earnings on loans eligible for the 9.5% special allowance payments. 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 in arbitrage rebate payable on page 12. A significant amount of premiums paid on student loans that were offset against excess earnings caused most of the decrease. The arbitrage rebate expense is the amount of excess spread between income from investments and bond yield. This expense remained consistent for the years ended June 30, 2005 and 2004. The decrease of $182,000 in arbitrage rebate expense for the year ended June 30, 2004 from the year ended June 30, 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 year ended June 30, 2005 over the prior year by approximately $577,000. Consolidation rebate fees increased during the year ended June 30, 2004 over the prior year by approximately $538,000. The balance of consolidation loans in the Bond Funds' portfolio increased by $52.3 million and $51.9 million during the years ended June 30, 2005 and 2004, respectively.

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

Loan servicing costs and bond fees increased $565,000 for the year ended June 30, 2005 compared to the prior year and increased $220,000 for the year ended June 30, 2004 compared to the year ended June 30, 2003. Loan servicing costs as a percentage of the average fiscal year end student loan receivable were 0.5%, 0.5% and 0.6% for the years ended June 30, 2005, 2004 and 2003. During the year ended June 30, 2004 the total dollar amount of loans serviced was higher than the prior year but represented a fewer number of loans serviced and, therefore, costs were slightly lower as a percentage of the student loan portfolio. Bond fee expenses increased by approximately $260,000 and $198,000 for the years ended June 30, 2005 and 2004. This was due primarily to the increase in the level of weighted average debt outstanding. Bond fees as a percentage of the average debt outstanding were 25, 27, and 28 basis points for the years ended June 30, 2005, 2004 and 2003, respectively.

General and administrative expenses increased by $283,000, or 15.0%, during the year ended June 30, 2005. General and administrative expenses were $767,000, or 68.7%, higher in the year ended June 30, 2004 than for the year ended June 30, 2003. The student loan division has increased efforts to educate students and families on the advantages of student loans as an option to finance educational costs. CollegeInvest has 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 during the year ended June 30, 2004 as we diversified our student loan servicing with the addition of one additional partner that year.

Salaries and benefits were substantially the same for the year ended June 30, 2005 compared to the prior year. Salaries and benefits increased by $167,000, or 13.1%, from the year ended June 30, 2003 to the year ended June 30, 2004. This increase was due in part to the addition of two new positions to increase and support growth in our student loan business. Net student loans increased by $119.4 million, $98.9 million and $105.1 million during the years ended June 30, 2005, 2004 and 2003, respectively.

Economic Factors and Future Years' Rates:

- Periodically, the U.S. Congress must reauthorize the Higher Education Act of 1965 (Act), as amended. The U.S. Congress has extended the current Act through December 31, 2005. It is unclear when Congress will take action to reauthorize the Act or the impact of current efforts to reduce federal spending on the FFELP. Significant changes to the Act could impact the overall program.

- Every July 1st in accordance with the Higher Education Act of 1965, as amended, the Stafford loan interest rate is reset based on the 91-day Treasury bill rate, determined in the last Treasury bill auction in May of each year. Stafford loans accounted for 52.9% of CollegeInvest's portfolio as of June 30, 2005. These rates increased by 193 basis points as of July 1, 2005 over the rate set at July 1, 2004. If student loan balances remain at the same level, borrower interest will increase for the year ending June 30, 2006.

- As of June 30, 2005, 94.8% of CollegeInvest's outstanding debt 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.

COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
STATEMENTS OF NET ASSETS
JUNE 30, 2005 AND 2004
(dollar amounts expressed in thousands)

	2005			2004		
	Borrower Benefit Fund	**Bond Funds**	**Total**	Borrower Benefit Fund	Bond Funds	Total
Assets:						
Current assets:						
Cash deposits and investments	**$ 24,940**	**$ 182,784**	**$ 207,724**	$ 27,093	$ 111,720	$ 138,813
Student loans, net	**-**	**40,945**	**40,945**	-	27,942	27,942
Interest and other receivables	**9**	**22,189**	**22,198**	303	17,187	17,490
CollegeLender receivable	**-**	**7,124**	**7,124**	-	6,207	6,207
Due from other Funds and other agencies	**1,323**	**349**	**1,672**	1,046	340	1,386
Prepaid expenses	**61**	**289**	**350**	77	285	362
Total current assets	**26,333**	**253,680**	**280,013**	28,519	163,681	192,200
Noncurrent assets:						
Interfund borrowings	**-**	**-**	**-**	8,159	(8,159)	-
Capital assets, net	**1,172**	**-**	**1,172**	1,387	-	1,387
Student loans, net	**-**	**940,844**	**940,844**	-	834,392	834,392
Bond and note issuance costs, net	**-**	**5,953**	**5,953**	-	4,649	4,649
Total noncurrent assets	**1,172**	**946,797**	**947,969**	9,546	830,882	840,428
Total assets	**27,505**	**1,200,477**	**1,227,982**	38,065	994,563	1,032,628
Liabilities:						
Current liabilities:						
Accounts payable and accrued expenses	**201**	**1,576**	**1,777**	582	804	1,386
Due to other Funds and other agencies	**519**	**1,083**	**1,602**	185	1,003	1,188
Interest payable	**-**	**2,482**	**2,482**	-	1,164	1,164
Bonds and notes payable	**-**	**43,948**	**43,948**	-	46,765	46,765
Total current liabilities	**720**	**49,089**	**49,809**	767	49,736	50,503
Noncurrent liabilities:						
Accrued compensated absences	**118**	**-**	**118**	96	-	96
Arbitrage rebate payable	**-**	**20,259**	**20,259**	-	18,822	18,822
Bonds and notes payable	**-**	**1,014,916**	**1,014,916**	-	835,832	835,832
Total noncurrent liabilities	**118**	**1,035,175**	**1,035,293**	96	854,654	854,750
Total liabilities	**838**	**1,084,264**	**1,085,102**	798	904,390	905,188
Net assets:						
Invested in capital assets	**1,172**	**-**	**1,172**	1,387	-	1,387
Restricted	**-**	**116,213**	**116,213**	120	90,173	90,293
Unrestricted	**25,495**	**-**	**25,495**	35,695	-	35,695
Total net assets	**$ 26,667**	**$ 116,213**	**$ 142,880**	$ 37,202	$ 90,173	$ 127,375

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

COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004
(dollar amounts expressed in thousands)

	2005			2004		
	Borrower Benefit Fund	**Bond Funds**	**Total**	Borrower Benefit Fund	Bond Funds	Total
Operating revenues:						
Interest and special allowance on student loans (pledged as security on revenue bonds and notes)	$ -	$ 59,065	$ 59,065	$ -	$ 48,158	$ 48,158
Interest income (pledged as security on revenue bonds and notes)	-	5,170	5,170	-	2,252	2,252
Net investment income (loss)	350	-	350	(308)	-	(308)
Total operating revenues	350	64,235	64,585	(308)	50,410	50,102
Operating expenses:						
Interest expense	-	30,292	30,292	-	17,862	17,862
Loan servicing costs	-	4,568	4,568	-	4,263	4,263
Rebate tax expense, net	-	6,334	6,334	-	3,978	3,978
Bond fees	-	2,620	2,620	-	2,360	2,360
General and administrative expenses	72	2,167	2,239	126	1,884	2,010
Salaries and benefits	-	1,414	1,414	-	1,442	1,442
Depreciation and amortization	-	260	260	-	230	230
Total operating expenses	72	47,655	47,727	126	32,019	32,145
Operating income (loss) before transfers	278	16,580	16,858	(434)	18,391	17,957
Transfer to Bond Funds from Borrower Benefit Fund unrestricted assets	(9,460)	9,460	-	-	-	-
Transfer to Prepaid Tuition Fund from Borrower Benefit Fund unrestricted assets	(1,600)	-	(1,600)	-	-	-
Transfer from (to) Stable Value Plus Fund from Borrower Benefit Fund unrestricted assets	247	-	247	(6)	-	(6)
Change in net assets	(10,535)	26,040	15,505	(440)	18,391	17,951
Net assets, beginning of year	37,202	90,173	127,375	37,642	71,782	109,424
Net assets, end of year	$ 26,667	$ 116,213	$ 142,880	$ 37,202	$ 90,173	$ 127,375

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

COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004
(dollar amounts expressed in thousands)

	2005			2004		
	Borrower Benefit Fund	**Bond Funds**	**Total**	Borrower Benefit Fund	Bond Funds	Total
Cash Flows from Operating Activities:						
Cash received from student loans	$ -	$ 209,251	$ 209,251	$ -	$ 179,181	$ 179,181
Cash received from the federal government	-	21,781	21,781	-	13,866	13,866
Cash received from educational institutions	18,000	70,893	88,893	18,000	63,667	81,667
Cash purchases of student loans	-	(297,135)	(297,135)	-	(247,800)	(247,800)
Cash receipts from plan managers and other Funds	6,146	-	6,146	5,116	-	5,116
Cash loaned to educational institutions	(18,000)	(71,890)	(89,890)	(18,000)	(61,447)	(79,447)
Cash payments to federal government	-	(7,897)	(7,897)	-	(3,451)	(3,451)
Cash payments to suppliers for goods and services	(5,649)	(5,971)	(11,620)	(5,266)	(5,681)	(10,947)
Cash payments to employees for service	-	(1,414)	(1,414)	-	(1,442)	(1,442)
Net cash used by operating activities	497	(82,382)	(81,885)	(150)	(63,107)	(63,257)
Cash Flows from Investing Activities:						
Proceeds from maturities of investments	-	1,644,660	1,644,660	49	1,532,550	1,532,599
Purchase of investments	(242)	(1,715,725)	(1,715,967)	-	(1,415,585)	(1,415,585)
Income received from investments	368	5,356	5,724	(334)	2,611	2,277
Net cash provided (used) by investing activities	126	(65,709)	(65,583)	(285)	119,576	119,291
Cash Flows from Non-Capital Financing Activities:						
Issuance of bonds and notes	-	229,025	229,025	-	-	-
Repayment of bonds and notes	-	(52,764)	(52,764)	-	(38,892)	(38,892)
Interest paid on bonds and notes	-	(24,572)	(24,572)	-	(14,806)	(14,806)
Payment of bond and arbitrage rebate fees	-	(3,145)	(3,145)	-	(2,727)	(2,727)
Payment of bond and note issuance costs	-	(1,693)	(1,693)	-	(44)	(44)
Premium paid on refunding of bonds and notes	-	(60)	(60)	-	-	-
Transfer to Prepaid Tuition Fund	(1,600)	-	(1,600)	-	-	-
Transfer from Borrower Benefit Fund	(1,300)	1,300	-	-	-	-
Net cash provided (used) in non-capital financing activities	(2,900)	148,091	145,191	-	(56,469)	(56,469)
Cash Flows from Capital Financing Activities:						
Purchase of capital assets	(118)	-	(118)	(141)	-	(141)
Net cash used in capital financing activities	(118)	-	(118)	(141)	-	(141)
Increase (decrease) in cash and cash equivalents	(2,395)	-	(2,395)	(576)	-	(576)
Cash and cash equivalents, beginning of year	26,572	-	26,572	27,148	-	27,148
Cash and cash equivalents, end of year	$ 24,177	$ -	$ 24,177	$ 26,572	$ -	$ 26,572

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

COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004
(dollar amounts expressed in thousands)

	2005			2004		
	Borrower Benefit Fund	Bond Funds	Total	Borrower Benefit Fund	Bond Funds	Total
Reconciliation of operating income to net cash provided by operating activities:						
Operating income before transfers	$ 278	$ 16,580	$ 16,858	$ (434)	$ 18,391	$ 17,957
Items reflected as investing and non-capital financing activities:						
Income received from investments	(368)	(5,356)	(5,724)	334	(2,611)	(2,277)
Interest paid on bonds and notes	-	24,572	24,572	-	14,806	14,806
Bond fees and premium paid on defeasance	-	3,205	3,205	-	2,726	2,726
Amortization of bond and note issuance costs	-	385	385	-	585	585
Amortization of loss on defeasance and bond discount	-	16	16	-	2	2
Prepaid expenses	-	11	11	-	24	24
Accounts payable and accrued expenses	-	227	227	-	43	43
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Amortization of premium costs	-	3,946	3,946	-	2,564	2,564
Change in allowance for loan losses	-	246	246	-	134	134
Depreciation expense	333	-	333	329	-	329
Depreciation expense allocated to other Funds	(333)	-	(333)	(329)	-	(329)
Net depreciation of fair value of State Treasurer's cash pool	216	-	216	706	-	706
Changes in operating assets and liabilities:						
Student loans	-	(122,334)	(122,334)	-	(101,603)	(101,603)
Interest and other receivables	294	(5,002)	(4,708)	(288)	(712)	(1,000)
CollegeLender receivable	-	(917)	(917)	-	2,219	2,219
Prepaid expenses	16	(15)	1	(55)	4	(51)
Due from other funds and other agencies	420	70	490	(437)	248	(189)
Accounts payable and accrued expenses	(359)	546	187	24	88	112
Arbitrage rebate payable	-	1,438	1,438	-	(15)	(15)
Net cash used by operating activities	$ 497	$ (82,382)	$ (81,885)	$ (150)	$ (63,107)	$ (63,257)

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

COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

1. Organization and Summary of Significant Accounting Policies:

Pursuant to Colorado Revised Statutes 23-3.1-2 and 23-3.1-3, as amended, 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 Section 529 post secondary education expense program (Prepaid Tuition Fund), and a Section 529 college savings program (Scholars Choice Fund, Stable Value Plus Fund and Direct Portfolio 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 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, the Stable Value Plus Fund and the Direct Portfolio Fund necessary to fulfill their purposes. These expenses and activities have been allocated to the respective funds.

Assets and revenues of the Borrower Benefit Fund are not pledged as collateral for the Bond Funds. As of June 30, 2005 and 2004, the Borrower Benefit Fund had a receivable balance of $672,000 and $9.0 million, respectively, from various Bond Funds to pay bond and note issuance costs and operating expenses. In addition, the Borrower Benefit Fund owed $519,000 and $185,000 to the Scholars Choice Fund for reimbursement of fees collected in excess of operating expenses for the years ended June 30, 2005 and 2004, respectively.

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

Reporting Entity (continued):

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, 2005 were $48.0 million, compared with actual expenses of $47.7 million. Total budgeted revenues of the Funds were $61.9 million as compared with actual revenues of $64.6 million. The higher interest income was due primarily to a higher 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.

Operating Revenues and Expenses:

The Funds distinguish between operating revenues and expenses and nonoperating items in the Statement of Revenues, Expenses and Changes in Net Assets. Operating revenues and expenses generally result from providing services in connection with the 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, 2005 and 2004.

Student Loans:

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

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 for Stafford and PLUS loans and 1% reduction in the principal amount of the loan for consolidation loans. 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 $16.4 million and $12.1 million at June 30, 2005 and 2004, 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 $1.3 million and $1.0 million at June 30, 2005 and 2004, respectively.

Due from Other Funds and Other Agencies:

Due from other funds and other agencies – Bond Funds of $349,000 and $340,000 for the years ended June 30, 2005 and 2004, respectively, is for amounts collected from borrowers by College Access Network 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.

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

Due to Other Funds and Other Agencies:

Due to other funds and other agencies – Bond Funds, includes $411,000 and $138,000 as of June 30, 2005 and 2004, respectively, for loan servicing fees charged to the Funds by College Access Network (formerly the Colorado Student Loan Program) that were not paid as of year end.

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, 2005, the Borrower Benefit Fund of CollegeInvest contributed $9.5 million to the Bond Funds due to the forgiveness of certain receivables due to the Borrower Benefit Fund. The Borrower Benefit Fund has intrafund loans of $672,000 and $9.0 million as of June 30, 2005 and 2004, respectively due from the Bond Funds to pay bond and note issuance costs and operating expenses.

During the Fiscal Year ended June 30, 2005, the Borrower Benefit Fund of CollegeInvest transferred $1.6 million as a contribution to the Prepaid Tuition Fund.

During the Fiscal Year ended June 30, 2005, the Stable Value Plus Fund transferred $247,000 for reimbursement of operating expenses previously paid by the Borrower Benefit Fund on behalf of the Stable Value Plus Fund.

The Borrower Benefit Fund paid $6,000 of excess operating costs for the year ended June 30, 2004 incurred by the Stable Value Plus Fund.

Due From/To Other Funds:

The Borrower Benefit Fund has interfund loans of $86,000 and $144,000 as of June 30, 2005 and 2004, respectively, due from the Stable Value Plus Fund to pay operating expenses.

The Borrower Benefit Fund has interfund loans of $519,000 and $185,000 due to the Scholars Choice Fund for administrative fees collected on behalf of the Scholars Choice Fund as of June 30, 2005 and 2004, respectively.

The Borrower Benefit Fund has an interfund loan of $261,000 due from the Direct Portfolio Fund for administrative fees collected on behalf of the Direct Portfolio Fund as of June 30, 2005.

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

Due From/To Other Funds (continued):

The Borrower Benefit Fund has interfund loans of $58,000 and $29,000 as of June 30, 2005 and 2004, respectively due from the Prepaid Tuition Fund to pay operating expenses.

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.

Reclassifications:

Certain amounts in the June 30, 2004 financial statements have been reclassified to conform to the current year's presentation.

2. Cash Deposits and Investments:

Cash Deposits:

All cash deposits of the Borrower Benefit Fund are held by a bank or the State Treasurer. Payments and cash receipts are deposited to demand deposit accounts daily. Collected balances are transferred daily into money market funds.

Cash deposits of the Borrower Benefit Fund as of June 30 are as follows:

	2005			2004		
	Unrestricted	**Restricted**	**Total**	Unrestricted	Restricted	Total
	(dollar amounts expressed in thousands)					
Demand deposit accounts	**$ 2**	**$ -**	**$ 2**	$ 2	$ -	$ 2
State Treasurer's cash pool	**24,175**	**-**	**24,175**	26,450	120	26,570
	$ 24,177	**$ -**	**$ 24,177**	$ 26,452	$ 120	$ 26,572

The Bond Funds allows for demand deposits, however, all funds are currently invested in money market accounts or guaranteed investment contracts.

2. Cash Deposits and Investments (continued):

Custodial Credit Risk – Cash Deposits:

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the Funds will not be able to recover their deposits or will not be able to recover collateral securities that are in the possession of an outside party. Monies in the demand deposit accounts are insured by federal depository insurance for the first $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. The carrying amount and bank balance of demand deposits accounts was $2,000 as of June 30, 2005 and $2,000 June 30, 2004. All amounts are fully insured by the FDIC.

Investment Authority and Policy:

The Borrower Benefit Fund allows investment in direct obligations of the U.S. government and its agencies, demand deposits, certificates of deposit, banker's acceptances, commercial paper, money market funds, written reverse repurchase agreements and written repurchase agreements, general or revenue obligations of any state in the United States, and investment agreements as authorized by the Colorado Revised Statutes Section 24-75-6.

Cash receipts of the Bond Funds are invested when received and are held by the bond trustee and are governed by provisions of the respective debt agreements. These investments are comprised primarily of guaranteed investment contracts. The investment agreements are between the trustee as agent for CollegeInvest, and various AAA or AA rated financial institutions.

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

	2005			2004		
	Unrestricted	**Restricted**	**Total**	Unrestricted	Restricted	Total
	(dollar amounts expressed in thousands)					
Money market mutual funds	**$ 763**	**$ 23,146**	**$ 23,909**	$ 521	$ 23,456	$ 23,977
Guaranteed investment contracts	**-**	**159,638**	**159,638**	-	88,264	88,264
	$ 763	**$ 182,784**	**$ 183,547**	$ 521	$ 111,720	$ 112,241

Custodial Credit Risk:

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

Interest Rate Risk:

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Bond Funds invest in guaranteed investment contracts and are not exposed to interest rate risk as of June 30, 2005.

2. Cash Deposits and Investments (continued):

Concentrations of Credit Risk:

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. Investments in any one issuer that represent 5% or more of total Bond Funds' investments as of June 30, 2005 are as follows:

Issuer	Investment Type	Fair Value (dollar amounts expressed in thousands)
Bayerische Landesbank	Guaranteed investment contracts	$ 70,998
Trinity Plus Funding Company	Guaranteed investment contracts	$ 82,464
Wells Fargo Treasury Plus	Money market mutual fund	$ 23,146

Investment Income:

Net investment income (loss) as of June 30, 2005 and 2004 was comprised of the following:

	2005		2004	
	Borrower Benefit Fund	**Bond Funds**	Borrower Benefit Fund	Bond Funds
	(dollar amounts expressed in thousands)			
Interest income (pledged as security on revenue bonds and notes)	**$ -**	**$ 5,170**	$ -	$ 2,252
Interest and dividends	**566**	-	398	-
Change in fair value of State Treasurer's cash pool	**(216)**	-	(706)	-
Net investment income	**$ 350**	**$ 5,170**	$ (308)	$ 2,252

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, College Access Network (formerly the Colorado Student Loan Program) guarantees Program loans against the borrower's default, death, disability and bankruptcy. College Access Network 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

3. Student Loans (continued):

case of default. For the year ended June 30, 2005, one of CollegeInvest's student loan servicers had 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 by the Department 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%.

4. Capital Assets:

Capital assets activity for the year ended June 30, 2005 was as follows:

	Balance June 30, 2004	Additions (Deletions)	Depreciation	**Balance June 30, 2005**
	(dollar amounts expressed in thousands)			
Software	$ 2,785	$ -	$ -	$ **2,785**
Furniture and equipment	406	118	-	**524**
Accumulated depreciation	(1,804)	-	(333)	**(2,137)**
Total capital assets, net	$ 1,387	$ 118	$ (333)	$ **1,172**

Depreciation expense for the years ended June 30, 2005 and 2004 was $333,000 and $329,000, respectively, of which $260,000 and $230,000, respectively, was allocated to the Bond Funds. The remaining amount was allocated to the Prepaid Tuition, Scholars Choice, Stable Value Plus and Direct Portfolio Funds.

5. Bond and Note Issuance Costs:

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

	2005	2004
	(dollar amounts expressed in thousands)	
Bond and note issuance costs	**$ 9,255**	$ 7,594
Less accumulated amortization	**(3,302)**	(2,945)
Bond and note issuance costs, net	**$ 5,953**	$ 4,649

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.

6. Bonds and Notes Payable (continued):

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, 2005 and 2004.

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 refunded (debt legally satisfied) by the issuance of refunding bonds during Fiscal Year 2005.

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 amount was charged to operations in 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.

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.

6. Bonds and Notes Payable (continued):

The following bonds and notes payable are outstanding:

	Authorized And Issued	Outstanding June 30, 2004	Issued (Redeemed) During 2005	**Outstanding June 30, 2005**	**Due Within One Year**
	(dollar amounts expressed in thousands)				
1999 Series A Master Indenture, variable rate notes/bonds:					
Weekly adjustable interest rate bonds					
1989A, Jun. 8, 1989	$ 80,000	$ 80,000	$ -	$ **80,000**	$ -
1990A, Jan. 4, 1990	66,655	60,655	-	**60,655**	-
1999A-2, Mar. 24, 1999	56,000	56,000	-	**56,000**	-
1999A-3, Mar. 24, 1999	32,300	32,300	-	**32,300**	-
Monthly adjustable interest rate notes					
1999A-4, Mar. 24, 1999	209,000	92,358	(26,988)	**65,370**	25,545
1999 Series IV Master Indenture, variable rate notes/bonds:					
Monthly adjustable interest rate notes/bonds					
Series 1999IV-A1, Nov. 1, 1999	96,800	64,900	-	**64,900**	-
Series 1999IV-A2, Nov. 1, 1999	96,800	64,900	-	**64,900**	-
Series 1999IV-A4, Nov. 1, 1999	19,300	19,300	-	**19,300**	-
Series 2001V-A, July 31, 2001	36,250	36,250	-	**36,250**	-
Series 2002VII-A1, August 20, 2002	32,000	32,000	-	**32,000**	-
Series 2002VII-A2, August 20. 2002	16,000	16,000	-	**16,000**	-
Series 2002VII-A3, August 20, 2003	62,000	62,000	-	**62,000**	-
Series 2003VIII-A1, April 24, 2003	65,000	65,000	-	**65,000**	-
Series 2004IX-A1, July 22, 2005	38,500	-	38,500	**38,500**	-
Series 2004IX-A2, July 22, 2005	38,525	-	38,525	**38,525**	-
Series 2004X-A1, December 15, 2005	50,000	-	50,000	**50,000**	-
Monthly adjustable interest rate subordinate bonds					
Series 2004IX-B4, July 22, 2005	6,000	-	6,000	**6,000**	-
Quarterly adjustable interest rate notes					
Series 2003VIII-A2, April 24, 2003	120,000	120,000	-	**120,000**	-
Series 2004IX-A3, July 22, 2005	96,000	-	96,000	**96,000**	-
Fixed interest rate notes					
Series 2001VI-A, July 31, 2001	63,800	53,941	(19,777)	**34,164**	18,403
Fixed interest rate subordinate notes/bonds					
Series 1993I-B, Dec. 1, 1993	6,000	5,999	(5,999)	**-**	-
Series 1995II-B, Jun. 29, 1995	21,000	20,994	6	**21,000**	-
Bonds and notes payable	$ 1,307,930	$ 882,597	$ 176,267	$ **1,058,864**	$ 43,948

6. Bonds and Notes Payable (continued):

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 2.36% for the year ended June 30, 2005. 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 3.28% for the year ended June 30, 2005. Note principal matures on December 1, 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 2.84% for the year ended June 30, 2005. Bond principal matures on November 27, 2012, June 1, 2036, June 1, 2037, June 1, 2038 and December 1, 2038.

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 3.44% for the year ended June 30, 2005. Note principal matures on December 1, March 1, June 1 and September 1 through March 1, 2009.

Monthly Adjustable Interest Rate Subordinate Bonds:

CollegeInvest issued its Tax-Exempt Subordinate Asset-Backed Bonds concurrently with the issuance of the Taxable Senior Asset-Backed Notes/Bonds. The Subordinate Bonds 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 bonds is paid on June 1 and December 1. The annual effective interest rate for such bonds was 3.24% for the year ended June 30, 2005. Bond principal matures on June 1, 2038.

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 3.60% for the year ended June 30, 2005. Note principal matures on December 1, 2032 and June 1, 2033.

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 5.81% for the year ended June 30, 2005. Note principal matures on December 1, 2011.

6. Bonds and Notes Payable (continued):

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 6.20% for the year ended June 30, 2005. Note/bond principal matures on December 1, 2008.

The scheduled principal and interest payments (based on interest rates at June 30, 2005) relating to CollegeInvest's bonds and notes is as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
	(dollar amounts expressed in thousands)		
2006	$ 43,948	$ 33,073	$ 77,021
2007	39,612	31,029	70,641
2008	15,974	29,705	45,679
2009	21,000	28,660	49,660
2010	-	28,125	28,125
2011-2015	19,300	138,255	157,555
2016-2020	-	137,734	137,734
2021-2025	161,655	131,510	293,165
2026-2030	35,000	116,104	151,104
2031-2035	378,100	91,228	469,328
2036-2040	344,275	24,578	368,853
Total bonds and notes payable	$ 1,058,864	$ 790,001	$ 1,848,865

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, 2005, CollegeInvest has committed $13.8 million of cash in the Borrower Benefit Fund to provide for the College In Colorado Scholarship Trust. As of June 30, 2005 and 2004, CollegeInvest had committed to $0 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 $4.0 million and

7. Commitments and Contingencies: (continued):

$2.4 million as of June 30, 2005 and 2004, respectively, to provide for a Loan Incentives For Teachers program. As of June 30, 2005, CollegeInvest has committed $1.6 million to pay future operating expenses and potential cash flow shortfalls of the Prepaid Tuition Fund.

Purchase Commitments:

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

2006	$ 97,000
2007	10,400
2008	8,800
2009	9,300
2010	9,700
	$ 135,200

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, 2005 and 2004 was $149,000 and $144,000, respectively. Minimum future lease payments under the agreement are as follows:

2006	$ 149,000
2007	149,000
2008	99,000
	$ 397,000

8. Retirement Plan:

Plan Description:

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 most 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

8. Retirement Plan: (continued):

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 2005 and 2004, the State contributed 10.15 percent of the employees' gross covered wages. Effective July 1, 2004, 1.02% of the total contribution was allocated to the Health Care Trust Fund.

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 years ended June 30, 2005, 2004 and 2003 were $118,000, $96,000 and $111,000, respectively. These contributions met the contribution requirement for each year.

9. Voluntary Tax-deferred Retirement Plans:

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 403b or 401(a) plans. Members who contribute to any of these plans also receive the State match, when available.

In January 2001, the Matchmaker Program established a state match for PERA members' voluntary contributions to tax-deferred retirement plans. The PERA Board sets the level of the match annually based on the actuarial funding of the defined benefit pension plan. The match is only available when the actuarial value of the defined benefit plan assets is 110 percent of actuarially accrued plan liabilities. This condition was not met during the fiscal year ended June 30, 2005.

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.

During fiscal years 2005 and 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, 2004 there were 39,668 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). Effective April 1, 2005, PERA consolidated the two plans, and Unum Provident became the administrator. Members who transition to the new plan 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.

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:

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

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

Furniture and Equipment

The State of Colorado carries a $15,000 deductible replacement policy on all State owned furniture and equipment. For each loss incurred, CollegeInvest is responsible for the first $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, 2005 and 2004, the Funds had invested in capital assets of $1.2 million and $1.4 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 $116.2 million and $90.2 million as of June 30, 2005 and 2004, respectively. The Bond Funds restrict net assets to uses prescribed in the respective financing documents.

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, 2005 and 2004, the Funds had unrestricted net assets of $25.5 million and $35.7 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:

Bond Issuance

On September 1, 2005, CollegeInvest issued its Tax-Exempt Bonds Series 2005XI-A1 and 2005XI-A2 of $65 million and $66 million, respectively, and its Taxable Notes Series 2005XI-A3 of $50.0 million. The Series 2005XI-A1, A2 and A3 obligations were issued on a parity basis with the 1999 Series IV Master Indenture.

The Series 2005XI-A1, A2 and A3 proceeds will be used to acquire student loans.

College in Colorado Scholarship Trust

During September, October and November 2005, the College in Colorado Scholarship Trust was funded with transfers from the Borrower Benefit Fund and Bond Funds of $13.8 million and $36 million, respectively.

Clifton Gunderson LLP
Certified Public Accountants & Consultants

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

Members of the Legislative Audit Committee:

We have audited the basic financial statements of CollegeInvest Student Loan Program Funds as of and for the year ended June 30, 2005, and have issued our report thereon dated September 1, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered CollegeInvest, Student Loan Program Funds' internal control over financial reporting 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 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*.

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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 1, 2005

SUPPLEMENTARY INFORMATION

CollegeInvest
Supplementary Schedule - Bond Funds Combining Schedule of Net Assets
June 30, 2005 and 2004
(dollar amounts expressed in thousands)

	2005 Insured Bond Fund	2005 Senior/ Subordinate Bond Fund	2005 Total Bond Funds	2004 Insured Bond Fund	2004 Senior/ Subordinate Bond Fund	2004 Total Bond Funds
Assets:						
Current assets:						
Restricted current assets:						
Investments	$ 74,578	$ 108,206	$ 182,784	$ 52,804	$ 58,916	$ 111,720
Student loans, net	12,145	28,800	40,945	10,663	17,326	27,989
Interest and other receivables	8,597	13,592	22,189	8,164	8,976	17,140
CollegeLender receivable	-	7,124	7,124	-	6,207	6,207
Due from other agencies	95	254	349	106	234	340
Prepaid expenses	210	79	289	230	55	285
Total restricted current assets	95,625	158,055	253,680	71,967	91,714	163,681
Noncurrent assets:						
Restricted noncurrent assets:						
Student loans, net	279,832	661,012	940,844	317,865	516,527	834,392
Bond and note issuance costs, net	1,232	4,721	5,953	1,326	3,323	4,649
Total restricted noncurrent assets	281,064	665,733	946,797	319,191	519,850	839,041
Total restricted assets	376,689	823,788	1,200,477	391,158	611,564	1,002,722
Liabilities:						
Current liabilities:						
Current liabilities payable from restricted assets:						
Accounts payable and accrued expenses	530	1,046	1,576	324	480	804
Due to other Funds and agencies	925	158	1,083	405	598	1,003
Interest payable	649	1,833	2,482	308	856	1,164
Bonds and notes payable	25,545	18,403	43,948	26,988	19,777	46,765
Total current liabilities payable from restricted assets	27,649	21,440	49,089	28,025	21,711	49,736
Noncurrent liabilities:						
Noncurrent liabilities payable from restricted assets:						
Due to Borrower Benefit Fund	-	-	-	2,871	5,288	8,159
Arbitrage rebate payable	10,080	10,179	20,259	9,884	8,938	18,822
Bonds and notes payable	268,779	746,137	1,014,916	294,324	541,508	835,832
Total noncurrent liabilities payable from restricted assets	278,859	756,316	1,035,175	307,079	555,734	862,813
Total liabilities	306,508	777,756	1,084,264	335,104	577,445	912,549
Total restricted net assets	$ 70,181	$ 46,032	$ 116,213	$ 56,054	$ 34,119	$ 90,173

See accompanying independent auditor's report.

CollegeInvest
Supplementary Schedule - Bond Funds Combining Schedule of
Revenues, Expenses and Changes in Net Assets
For the years ended June 30, 2005 and 2004
(dollar amounts expressed in thousands)

	2005			2004		
	Insured Bond Fund	**Senior/ Subordinate Bond Fund**	**Total Bond Funds (Restricted)**	Insured Bond Fund	Senior/ Subordinate Bond Fund	Total Bond Funds (Restricted)
Operating revenues:						
Interest and special allowance on student loans (pledged as security on revenue bonds and notes)	**$ 22,689**	**$ 36,376**	**$ 59,065**	$ 22,075	$ 26,083	$ 48,158
Interest income (pledged as security on revenue bonds and notes)	**1,674**	**3,496**	**5,170**	491	1,761	2,252
Total operating revenues	**24,363**	**39,872**	**64,235**	22,566	27,844	50,410
Operating expenses:						
Interest expense	**8,066**	**22,226**	**30,292**	5,064	12,798	17,862
Loan servicing costs	**1,458**	**3,110**	**4,568**	1,770	2,493	4,263
Rebate tax expense, net	**1,286**	**5,048**	**6,334**	(1,256)	5,234	3,978
Bond fees	**1,186**	**1,434**	**2,620**	1,229	1,131	2,360
General and administrative expenses	**575**	**1,592**	**2,167**	757	1,127	1,884
Salaries and benefits	**455**	**959**	**1,414**	612	830	1,442
Depreciation and amortization	**81**	**179**	**260**	90	140	230
Total operating expenses	**13,107**	**34,548**	**47,655**	8,266	23,753	32,019
Operating income before transfers	**11,256**	**5,324**	**16,580**	14,300	4,091	18,391
Transfer from Borrower Benefit Fund	**2,871**	**6,589**	**9,460**	-	-	-
Net assets, beginning of year	**56,054**	**34,119**	**90,173**	41,754	30,028	71,782
Net assets, end of year	**$ 70,181**	**$ 46,032**	**$ 116,213**	$ 56,054	$ 34,119	$ 90,173

See accompanying independent auditor's report.

COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
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