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

FINANCIAL AND COMPLIANCE AUDITS
Fiscal Years Ended June 30, 2017 and 2016

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CliftonLarsonAllen LLP
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Members of the Legislative Audit Committee:

We have completed the financial statement and compliance audits of the Colorado Student Loan Program dba College Assist, Department of Higher Education, State of Colorado (College Assist), as of and for the year ended June 30, 2017. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Broomfield, Colorado
November 16, 2017

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DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
Fiscal Years Ended June 30, 2017 and 2016

Purposes and Scope of Audit

The Office of the State Auditor engaged CliftonLarsonAllen LLP (CLA) to conduct a financial and compliance audit of the Colorado Student Loan Program dba College Assist, Department of Higher Education, State of Colorado (College Assist) for the year ended June 30, 2017. CLA performed the 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 of the audit was to:

- Express opinions on the financial statements of College Assist as of and for the year ended June 30, 2017, including consideration of internal control over financial reporting as required by auditing standards generally accepted in the United States of America and *Government Auditing Standards*.

- Evaluate compliance with certain provisions of laws, regulations, contracts and grants governing the expenditure of federal and state funds for the year ended June 30, 2017.

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

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

Audit Opinions and Reports

The independent auditors' report, included herein expressed unmodified opinions on College Assist's financial statements and remaining fund information as of and for the year ended June 30, 2017.

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

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

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Summary of Audit Recommendations

There are no findings and recommendations reported for the year ended June 30, 2017.

Summary of Progress in Implementing Prior Year Audit Recommendation

For the June 30, 2016 audit, other auditors performed audit procedures to determine the disposition of the prior year recommendation relating to the June 30, 2015 audit. For the year ended June 30, 2015, there was one finding and recommendation relating to potential noncompliance with state statute. For the year ended June 30, 2016, per the other auditors' report dated December 20, 2016, they noted that College Assist consulted with the State of Colorado Attorney General's office to determine if College Assist had the statutory authority to transfer the administration of the College Opportunity Fund (COF) program to the Colorado Department of Higher Education. After the consultation, it was determined that it would be cost prohibitive to obtain a formal opinion and that seeking a legislative change would be the preferred course of action. As such, College Assist obtained a legislative sponsor to introduce a bill during the 2017 legislative session to seek a statutory change that would ensure College Assist is in compliance with state statute for administration of the Colorado Opportunity Fund.

For the June 30, 2017 audit, we performed audit procedures to determine status of the above prior year audit recommendation relating to the June 30, 2016 audit performed by other auditors. We noted the Legislative Audit Committee bill addressing COF administration, HB 17-1131, was passed during fiscal year 2017. As a result, this prior year audit recommendation is considered implemented for the year ended June 30, 2017.

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Recommendation Number	Page Number	Recommendation Summary	Response	Implementation Date

There were no findings and recommendations reported for the year ended June 30, 2017.

COLORADO STUDENT LOAN PROGRAM
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Background on College Assist

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

Federal Family Education Loan Program

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

College Assist utilizes a third-party service provider to provide operational support services related to guaranty agency operations. Lenders conducting business with College Assist are required to complete Lender Participation Agreements, agreeing to comply with requirements of the HEA. Services performed by the third-party servicer include maintenance of the guaranty computer system, data exchange, and other agreed upon services on behalf of College Assist.

College Assist’s ten-year third-party service agreement with NLS Holding Co., LLC (NLS Holding) to provide operational support services related to guaranty agency operations expired on October 31, 2015. As part of this agreement, NLS Holding and College Assist shared operational revenue receipts at 80% and 20%, respectively. College Assist entered into a ten-year third party service agreement with Educational Credit Management Corporations (ECMC) to provide operational support services related to guaranty agency operations effective November 1, 2015. As part of this agreement ECMC and College Assist, share operational revenue receipts at 55% and 45%, respectively.

Under the Lender Participation Agreements, College Assist insures the lender against financial loss from default, disability, death, or bankruptcy. The Federal government serves as the reinsurer. If College Assist must reimburse a lender for an uncollectible loan, it files a claim for reimbursement with the DOE pursuant to §428(c)(1) and §682.404(a). Default claims paid by College Assist are reimbursed by the DOE at 100% effective December 1, 2015. Default claims paid by College Assist were previously reimbursed by the DOE at 95%.

Through its partnership with College Assist, the third-party servicer assists borrowers with default prevention activities. Collection activities of defaulted loans on behalf of and under the oversight of College Assist, are outsourced. With termination of the FFEL program, College Assist does not guarantee new loans but will continue to provide guaranty-related services to borrowers for loans that were originated prior to termination of the program.

Since inception of College Assist in 1979, approximately $21.5 billion of net loans have been guaranteed. The total net outstanding loan portfolio at June 30, 2017 is $7.7 billion. The existing FFEL program loans consist of Stafford (Subsidized and Unsubsidized), Parent Loans for Undergraduate Students (PLUS), Federal Supplemental Loans (SLS), and Consolidation Loans.

Financial Literacy and Outreach

As allowed under its contract with the DOE, College Assist funds the College In Colorado (CIC) financial literacy and outreach program. CIC was initiated by the Colorado Department of Higher Education (DHE), which serves the citizens of the State of Colorado by promoting access to, affordability of, and success in higher education for all students. CIC is charged with helping all Coloradans explore career and education pathways, break down barriers to postsecondary attainment, and create a plan for their postsecondary and workforce success. The CIC team reaches out to students, parents, educators and workforce centers through ongoing events and training opportunities, as well as providing practical tools to assist every student in Colorado in furthering his or her education past high school. CIC may also receive and expend grant money from other organizations to fulfill its purpose. Effective fiscal year 2016, the administration of CIC was transferred to the Colorado Department of Higher Education (DHE). College Assist funds the CIC program through a Memorandum of Understanding (MOU) with DHE. Non-grant funded CIC expenses, including salaries and fringe benefits, are reported in College Assist's Operating Fund.

College Opportunity Fund (Fiduciary Fund)

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

Background

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

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

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

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

Financial Aid

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

Students Attending Private Institutions

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

Performance Contracts

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

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

Fee-for-Service Contracts

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

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Current Year Findings and Recommendations

There were no findings and recommendations reported for the year ended June 30, 2017.

INDEPENDENT AUDITORS' REPORT

Members of the Legislative Audit Committee
Colorado Student Loan Program dba College Assist,
Department of Higher Education, State of Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the fiduciary activities of Colorado Student Loan Program dba College Assist, Department of Higher Education, State of Colorado, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the fiduciary activities of Colorado Student Loan Program dba College Assist, Department of Higher Education, State of Colorado as of June 30, 2017 and 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of Colorado Student Loan Program dba College Assist, Department of Higher Education, State of Colorado, are intended to present the financial position, the changes in financial position, and, where applicable, cash flows of only that portion of the business-type activities and the fiduciary activities of the State of Colorado that is attributable to the transactions of Colorado Student Loan Program dba College Assist, Department of Higher Education, State of Colorado. They do not purport to, and do not, present fairly the financial position of the State of Colorado as of June 30, 2017 and 2016, the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

The 2016 financial statements of the business-type activities and the fiduciary activities of Colorado Student Loan Program dba College Assist, Department of Higher Education, State of Colorado, were audited by other auditors, whose report dated December 20, 2016, expressed unmodified opinions.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Colorado Student Loan Program dba College Assist, Department of Higher Education, State of Colorado's basic financial statements. The combining schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining schedules listed in the table of contents are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining schedules listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The background information listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2017, on our consideration of the Colorado Student Loan Program dba College Assist, Department of Higher Education, State of Colorado's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Colorado Student Loan Program dba College Assist, Department of Higher Education, State of Colorado's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Colorado Student Loan Program dba College Assist, Department of Higher Education, State of Colorado's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Broomfield, Colorado
November 16, 2017

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DEPARTMENT OF HIGHER EDUCATION
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The Management's Discussion and Analysis (MD&A) is required by Governmental Accounting Standards. It was prepared by the Colorado Student Loan Program dba College Assist management and is designed to provide an analysis of College Assist's financial condition and operating results for the fiscal years ended June 30, 2017 and 2016. The MD&A also informs the reader of the financial issues and activities related to College Assist. It should be read in conjunction with College Assist's financial statements, which begin on page 22.

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

As allowed under its contract with the DOE, College Assist funds the College In Colorado (CIC) financial literacy and outreach program. CIC was initiated by the Colorado Department of Higher Education (DHE), which serves the citizens of the State of Colorado with planning for college by promoting access to, affordability of, and success in higher education for all students. CIC is charged with helping Coloradans explore career and education pathways, break down barriers to postsecondary attainment, and create a plan for their postsecondary and workforce success. The CIC team reaches out to students, parents, educators and workforce centers through ongoing events and training opportunities, as well as providing practical tools to assist every student in Colorado in furthering his or her education past high school. Through fiscal year 2015, all CIC's grant revenue and expenses are reported in College Assist's Operating Fund. Effective fiscal year 2016, the administration of CIC was transferred to the Colorado Department of Higher Education (DHE). College Assist funds the CIC program through a Memorandum of Understanding (MOU) with DHE. Non-grant funded CIC expenses, including salaries and fringe benefits, are reimbursed to DHE by College Assist and are reported in College Assist's Operating Fund.

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

Basic Financial Statements

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

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

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

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

Financial Overview

College Assist is an enterprise fund of the State of Colorado and is reported as one fund in the financial statements in accordance with generally accepted accounting principles. However, College Assist's activities are accounted for in two separate funds—the Agency Operating Fund and the Federal Reserve Fund. Management's discussion and analysis will focus on these funds in order to better describe the operations of the entity. The Agency Operating Fund is the property of the guaranty agency, except during periods in which the Operating Fund contains funds owed to the Federal Reserve Fund. As of June 30, 2017 and 2016, the Agency Operating Fund did not contain funds owed to the Federal Reserve Fund. Per the HEA, the Agency Operating Fund may be used for guaranty agency related activities, financial aid awareness and related outreach activities, and other student financial aid related activities. COF is a Fiduciary Fund and is presented separately from College Assist.

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

College Assist utilizes a third-party service provider to provide operational support services related to guaranty agency operations. Lenders conducting business with College Assist are required to complete Lender Participation Agreements, agreeing to comply with requirements of the HEA. Services performed by the third-party servicer include maintenance of the guaranty computer system, data exchange, and other agreed upon services on behalf of College Assist.

College Assist's ten-year third-party service agreement with NLS Holding Co., LLC (NLS Holding) to provide operational support services related to guaranty agency operations expired on October 31, 2015. As part of this agreement, NLS Holding and College Assist shared operational revenue receipts at 80% and 20%, respectively. College Assist entered into a ten-year third-party service agreement with Educational Credit Management Corporations (ECMC) to provide operational support services related to guaranty agency operations effective November 1, 2015. As part of this agreement ECMC and College Assist, share operational revenue receipts at 55% and 45%, respectively.

In January 2010, College Assist entered into a Rehabilitation Loan Purchase Agreement with National Education Loan Network, Inc., (Nelnet) to sell to Nelnet eligible rehabilitated loans. The agreement and subsequent amendments called for purchasing rehabilitated loans ranging from a discount of 4.00% to a premium of 1.50%. The agreement terminated in October 2015.

In November 2015, College Assist entered into a one-year Rehabilitation Loan Purchase Agreement with Fortis Bank, formerly Front Range Bank, to sell eligible rehabilitation loans at a 2% discount. In December 2016, College Assist entered into a one-year Rehabilitation Loan Purchase Agreement with Navient Credit Finance Corporation to sell eligible rehabilitation loans at a 2.75% discount. The agreement may be extended for an additional one-year term. For fiscal years 2017, 2016 and 2015 total rehabilitated loan sales were $248.4, $170.3 and $138.8 million, respectively.

In November 2015, College Assist entered into agreements with five outside collection agencies to collect on defaulted student loans for a one-year term. The collection agencies receive a percentage of amounts collected on College Assist's behalf. The agreements may be renewed annually for a one-year term if both parties agree. Four of the five agencies were renewed November 2016. For fiscal years 2017 and 2016, total payments to collection agencies that is included in amounts paid to service providers, was $13.9 million and $7.5 million, respectively. Previous to November 2015, the collection agency agreements were between NLS Holding and the collection agencies.

Management Highlights

Despite the termination of the FFEL program, College Assist continues to guarantee and service its existing loan portfolio**.** The net loan portfolio (net outstanding loans guaranteed) decreased by 7.2% from $8.3 billion as of June 30, 2016 to $7.7 billion as of June 30, 2017. The net outstanding loans are computed by subtracting loan cancellations, loans paid in full, claims paid, loans transferred out to the DOE, and uninsured loans from the gross loan volume. The decrease is due to a maturing portfolio.

Agency Operating Fund

June 30,	Agency Operating Fund 2017	2016	2015
ASSETS			
Current Assets	$ 104,575,339	$ 79,199,152	$ 69,093,263
Capital Assets	156,002	299,422	323,756
Total Assets	$ 104,731,341	$ 79,498,574	$ 69,417,019
DEFERRED OUTFLOWS OF RESOURCES			
Pension Outflows	$ 1,435,423	$ 452,280	$ 248,936
Total Deferred Outflows	$ 1,435,423	$ 452,280	$ 248,936
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 106,166,764	$ 79,950,854	$ 69,665,955
LIABILITIES			
Current Liabilities	$ 3,421,325	$ 3,160,011	$ 5,749,866
Noncurrent Liabilities	4,658,440	4,142,661	5,059,154
Total Liabilities	$ 8,079,765	$ 7,302,672	$ 10,809,020
DEFERRED INFLOWS OF RESOURCES			
Pension inflows	$ 1,269,493	$ 1,184,361	$ 534,568
Total deferred inflows	$ 1,269,493	$ 1,184,361	$ 534,568
NET POSITION			
Investment in Capital Assets	$ 156,002	$ 299,422	$ 323,756
Unrestricted	96,661,504	71,164,399	57,998,611
Total Net Position	$ 96,817,506	$ 71,463,821	$ 58,322,367
TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	$ 106,166,764	$ 79,950,854	$ 69,665,955

Net Position Analysis

Condensed Schedule of Net Position – Fiscal Year 2017

Net position of the Agency Operating Fund increased 35.5% from $71.5 million to $96.8 million in fiscal year 2017. Net position increased due to the program’s positive operating revenue. Total assets and deferred outflows of resources increased 32.8% as compared to the prior year increase of 14.8%. See the revenue and expense analysis below.

Total liabilities increased by approximately $777,100, or 10.64%, due to the increase in third party servicing fees, which was due to an increase in loan rehabilitation sales. Our third-party servicer shared 55% of our operational revenue receipts for the years ended June 30, 2017. The net pension liability increased in fiscal year 2017 by approximately $488,000. The increase is due to a change in PERA assumptions and funding status see Note 11.

Condensed Schedule of Net Position – Fiscal Year 2016

Net position of the Agency Operating Fund increased 22.6% from $58.3 million to $71.5 million in fiscal year 2016. Net position increased due to the program's positive operating revenue. Total assets and deferred outflows of resources increased 14.8% as compared to the prior year increase of 5.9%. See the revenue and expense analysis below.

Total liabilities decreased by $3.5 million, or 32.4%, due to the decrease in third party servicing fees. Our third-party servicer shared 55% and 80% of our operational revenue receipts for the years ended June 30, 2016 and 2015, respectively. Net pension liability decreased in fiscal year 2016 by $906,000 due to a decrease in College Assist's proportionate share percentage.

	Agency Operating Fund		
Years Ended June 30,	**2017**	**2016**	**2015**
OPERATING REVENUES			
Federal Grants and Contracts, Net	$ 30,308,288	$ 17,235,705	$ 5,093,551
Interest on Loan Sales	4,696,131	7,894,563	5,532,375
Other Grant Revenue	-	-	1,492,675
Rehabilitated Loan Premium	-	-	1,445,413
Other	-	8,120	51,727
Total Operating Revenues	35,004,419	25,138,388	13,615,741
NON OPERATING REVENUES			
Earnings/(loss) on Investments	416,872	878,298	504,234
TOTAL REVENUES	$ 35,421,291	$ 26,016,686	$ 14,119,975

Revenue Analysis

Condensed Schedule of Revenues – Fiscal Year 2017

Federal Grants and Contracts, net revenue increased by $13.1 million, or 75.9%, in fiscal year 2017, compared to fiscal year 2016. The increase was due to an increase in collection payments and rehabilitation sales. Approximately $37.2 million of collections and federal fee revenue was shared directly with the third-party service providers, ECMC, and outside collection agencies.

During fiscal year 2017 Interest on Loan Sales decreased by $3.2 million from $7.9 million to $4.7 million, due to a decrease in bankruptcy repurchase interest received.

Condensed Schedule of Revenues – Fiscal Year 2016

Federal Grants and Contracts net revenue increased by $12.1 million, or 238.4%, in fiscal year 2016, compared to fiscal year 2015. The increase was due to an increase in collection payments and rehabilitation sales. Approximately $34.1 million of collections and federal fee revenue was shared directly with the third-party service providers, NLS Holding, ECMC, and outside collection agencies.

During fiscal year 2016 Interest on Loan Sales increased by $2.4 million from $5.5 million to $7.9 million, due to an increase in bankruptcy repurchase interest received. Sales of rehabilitated loans resulted in a net discount of $2.0 million, which is recorded as an expense in fiscal year 2016 compared to a net premium of $1.4 million in fiscal year 2015. Rehabilitated loan sales in fiscal year 2016 were $170.3 million versus $138.8 million in fiscal year 2015. Other grant revenue consisted of grants received for the CIC program. Any grant revenue received for the CIC program transferred to DHE in fiscal year 2016, along with expenses related to those grants. Certain expenses related to CIC outreach activities, including salaries and fringe benefits, are reimbursed to DHE and continue to be reported as expenses of the operating fund in fiscal year 2016.

	Agency Operating Fund		
Years Ended June 30,	**2017**	**2016**	**2015**
OPERATING EXPENSES			
Rehabilitated Loan Discount	$ 6,446,992	$ 2,014,176	$ -
Salaries and Benefits	678,946	498,796	1,919,757
Operating	2,888,616	3,133,120	3,158,314
Depreciation	150,387	120,642	84,435
Total Operating Expenses	10,164,941	5,766,734	5,162,506
NON OPERATING EXPENSES			
Interfund Transfers	(97,335)	7,108,498	1,562,844
TOTAL EXPENSES	$ 10,067,606	$ 12,875,232	$ 6,725,350

Expense Analysis

Condensed Schedule of Expenses – Fiscal Year 2017

In fiscal year 2017, the loan sale agreement called for rehabilitated loans to be sold at a discount. Sales of rehabilitated loans resulted in a net discount of $6.5 million and $2.0 million in fiscal year 2017 and fiscal year 2016, respectively. Rehabilitated loan sales in fiscal year 2017 were $248.4 million versus $170.3 million in fiscal year 2016. Salaries and fringe benefits increased between fiscal year 2017 and 2016 due to an increase in salaries offset by decreases in the GASB 68 pension calculations.

Interfund transfers generally include cash transfers to the Federal Reserve Fund to meet the minimum required reserve balance, offsetting default aversion fees and related rebates. An Interfund transfer for the Operating Fund to the Federal Fund was not necessary in fiscal year 2017, which decreased the transfers from 2016 by $7.2 million. The only transfer to the Operating Fund for fiscal year 2017 was for default prevention fees of approximately $97,300.

Condensed Schedule of Expenses – Fiscal Year 2016

In fiscal year 2016, the loan sale agreement called for rehabilitated loans to be sold at a discount. As previously noted, rehabilitated loans were sold at a premium in fiscal year 2015. Salaries and fringe benefits decreased between fiscal year 2015 and 2016 due to the transfer of CIC and COF employees to DHE. The amounts paid to DHE in fiscal year 2016, including salaries and fringe benefits, for the CIC and COF programs are included in operating expenses. Interfund transfers generally include cash transfers to the Federal Reserve Fund to meet the minimum required reserve balance, offsetting default aversion fees and related rebates. Interfund transfers increased $5.5 million in fiscal year 2016.

Federal Reserve Fund

	Federal Reserve Fund		
June 30,	**2017**	**2016**	**2015**
ASSETS			
Restricted Assets	$ 88,488,030	$ 72,001,427	$ 42,472,100
Total Assets	$ 88,488,030	$ 72,001,427	$ 42,472,100
LIABILITIES			
Liabilities Payable from Restricted Assets	$ 46,332,585	$ 37,847,261	$ 21,069,268
Total Liabilities	$ 46,332,585	$ 37,847,261	$ 21,069,268
NET POSITION			
Restricted	$ 42,155,445	$ 34,154,166	$ 21,402,832
Total Net Position	$ 42,155,445	$ 34,154,166	$ 21,402,832
TOTAL LIABILITIES AND NET POSITION	$ 88,488,030	$ 72,001,427	$ 42,472,100

Net Position Analysis

Condensed Schedule of Net Position – Fiscal Year 2017

Total assets increased in fiscal year 2017 by $16.5 million, or 22.9%, due to the program's positive operating revenue and $1.8 million increase in the claims accrual at year-end. See the revenue and expense analysis below.

Total liabilities increased in fiscal year 2017 by $8.5 million, or 22.4%, due to a $6.7 million increase in liabilities due to the DOE and a $1.8 million increase in the claims accrual at year-end as compared to the prior year.

Condensed Schedule of Net Position – Fiscal Year 2016

Total assets increased in fiscal year 2016 by $29.5 million, or 69.5%, due to $23.8 million increase in the claims accrual at year-end and a $7.1 million interfund transfer.

Total liabilities increased in fiscal year 2016 by $16.8 million, or 79.6%, primarily due to a $23.4 million increase in the claims accrual at year-end as compared to the prior year, which was offset by a decrease of $6.6 million in liabilities due to the DOE.

	Federal Reserve Fund		
Years Ended June 30,	**2017**	**2016**	**2015**
OPERATING REVENUES			
Federal Reinsurance	$ 267,953,969	$ 278,464,144	$ 287,384,639
Complement Received on Collections	7,991,437	7,483,424	6,442,194
Total Operating Revenues	275,945,406	285,947,568	293,826,833
NON OPERATING REVENUE			
Earnings on Investments	254,106	567,846	301,396
Interfund Transfers	(97,335)	7,108,498	1,562,844
TOTAL REVENUES	$ 276,102,177	$ 293,623,912	$ 295,691,073

Revenue Analysis

Condensed Schedule of Revenues – Fiscal Year 2017

Federal Reinsurance (reimbursements from the DOE on defaulted loans) decreased in fiscal year 2017 by $10.5 million, or 3.8%, from $278.5 million in 2016 to $268.0 million in 2017. The decrease is primarily due to a decrease in default claims filed by lenders. Complement on collections is the percentage of collection revenue that is required to be retained in the Federal Reserve Fund. Complement on collections increased by approximately $508 thousand in fiscal year 2017 due to increased rehabilitated loan sales.

Condensed Schedule of Revenues – Fiscal Year 2016

Federal Reinsurance (reimbursements from the DOE on defaulted loans) decreased in fiscal year 2016 by $8.9 million, or 3.1%, from $287.4 million in 2015 to $278.5 million in 2016. The decrease is primarily due to a decrease in default claims filed by lenders. In fiscal year 2016, the DOE increased the reinsurance percentage on all claims to 100% from 95% of the claim payment value effective December 1, 2015. Complement on collections is the percentage of collection revenue that is required to be retained in the Federal Reserve Fund. Complement on collections increased by approximately $1.0 million in fiscal year 2016 due to increased rehabilitated loan sales.

	Federal Reserve Fund		
Years Ended June 30,	**2017**	**2016**	**2015**
OPERATING EXPENSES			
Guarantee Claims Paid to Lending Institutions	$ 268,100,898	$ 280,872,578	$ 297,706,143
Total Operating Expenses	268,100,898	280,872,578	297,706,143
TOTAL EXPENSES	$ 268,100,898	$ 280,872,578	$ 297,706,143

Expense Analysis

Condensed Schedule of Expenses – Fiscal Year 2017

Guarantee claims paid to lending institutions under College Assist's Lender Participation Agreements decreased by $12.8 million, or 4.6%, from $280.9 million in fiscal year 2016 to $268.1 million in fiscal year 2017, due to a decrease in claims volume submitted for reinsurance. In attempts to prevent a default claim, default aversion assistance is provided to lenders upon request when a borrower falls at least sixty days in arrears on his or her student loan payment. Additionally, assistance is provided to students and parents to understand their rights, responsibilities, and the options available to avoid default.

Condensed Schedule of Expenses – Fiscal Year 2016

Guarantee claims paid to lending institutions under College Assist's Lender Participation Agreements decreased by $16.8 million, or 5.7%, from $297.7 million in fiscal year 2015 to $280.9 million in fiscal year 2016, due to a decrease in claims volume submitted for reinsurance. In attempts to prevent a default claim, default aversion assistance is provided to lenders upon request when a borrower falls at least sixty days in arrears on his or her student loan payment. Additionally, assistance is provided to students and parents to understand their rights, responsibilities, and the options available to avoid default.

Economic Facts and Conditions for the Future

Effective July 1, 2010, the FFEL program was eliminated as a result of enactment of the *Health Care and Education Reconciliation Act of 2010.* Guaranty agencies may no longer guarantee new student loan originations under the FFEL program. New loan originations will be made under the Federal Direct Loan Program. Elimination of the FFEL program will have a significant impact on and reduction of revenues earned by College Assist in the future.

The DOE has contracted with College Assist to provide guarantee services under the *Higher Education Act of 1965* and may only terminate the agreement for cause, or may suspend the agreement in order to prevent substantial harm to federal interests. College Assist is required by Federal regulations and State statute to maintain a minimum Federal Reserve Fund balance of 0.25% of the unpaid balance of net outstanding loans to meet future default claims as of September 30 each year. College Assist has met this requirement as of September 30, 2017 and 2016.

Effective December 18, 2015, reinsurance revenue was increased as a result of *The Consolidated Appropriations Act, 2016* that changed the maximum reinsurance reimbursement percentage for guaranty agencies to 100% from 95%. The change was effective December 1, 2015.

Financial Contact

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

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

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
COMBINED PROPRIETARY FUNDS
STATEMENTS OF NET POSITION
June 30, 2017 and 2016

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	2017	2016
CURRENT ASSETS		
Cash and pooled cash investments	$ 103,282,512	$ 77,683,790
Federal fees receivable	1,157,833	1,259,438
Other receivables, net	105,420	242,787
Prepaid expenses	29,574	13,137
Total current assets	104,575,339	79,199,152
RESTRICTED ASSETS		
Restricted cash and pooled cash investments	49,883,334	31,992,200
Federal reinsurance receivable	38,604,696	40,009,227
Total restricted assets	88,488,030	72,001,427
CAPITAL ASSETS		
Computer hardware and software	479,147	503,434
Leasehold improvements	121,170	121,170
Total capital assets	600,317	624,604
Less accumulated depreciation	(444,315)	(325,182)
Capital assets, net	156,002	299,422
TOTAL ASSETS	193,219,371	151,500,001
DEFERRED OUTFLOWS OF RESOURCES		
Pension related items	1,435,423	452,280
Total deferred outflows	1,435,423	452,280
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 194,654,794	$ 151,952,281

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
COMBINED PROPRIETARY FUNDS
STATEMENTS OF NET POSITION
June 30, 2017 and 2016

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

	2017	2016
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 63,280	$ 37,485
Other current liabilities	3,305,045	3,061,526
Accrued compensated absences	53,000	61,000
Total current liabilities	3,421,325	3,160,011
LIABILITIES PAYABLE FROM RESTRICTED ASSETS		
Claims due to lenders	38,604,695	36,767,811
Loan collections and other liabilities due to federal government	7,727,890	1,079,450
Total liabilities payable from restricted assets	46,332,585	37,847,261
NONCURRENT LIABILITIES		
Accrued compensated absences	65,200	37,200
Net pension liability	4,593,240	4,105,461
Total noncurrent liabilities	4,658,440	4,142,661
Total liabilities	54,412,350	45,149,933
DEFERRED INFLOWS OF RESOURCES		
Pension related items	1,269,493	1,184,361
Total deferred inflows	1,269,493	1,184,361
NET POSITION		
Investment in capital assets	156,002	299,422
Restricted	42,155,445	34,154,166
Unrestricted	96,661,504	71,164,399
Total net position	138,972,951	105,617,987
TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	$ 194,654,794	$ 151,952,281

See Notes to Financial Statements

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
COMBINED PROPRIETARY FUNDS
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
For the Years Ended June 30, 2017 and 2016

	2017	2016
OPERATING REVENUES		
Federal grants and contracts		
Federal reinsurance	$ 267,953,969	$ 278,464,144
Collections on loans and bankruptcies	62,771,375	46,220,881
Federal fee revenue	4,718,170	5,124,183
Complement received on collections	7,991,437	7,483,424
Amount paid to service provider	(37,181,257)	(34,109,359)
Interest on loan sales	4,696,131	7,894,563
Other revenues	-	8,120
Total operating revenues	310,949,825	311,085,956
OPERATING EXPENSES		
Guarantee claims paid to lending institutions	268,100,898	280,872,578
Rehabilitated loan discount	6,446,992	2,014,176
Salaries and benefits	678,946	498,796
Operating	2,888,616	3,133,120
Depreciation	150,387	120,642
Total operating expenses	278,265,839	286,639,312
OPERATING INCOME	32,683,986	24,446,644
NON-OPERATING REVENUES		
Earnings on pooled cash investments	670,978	1,446,144
Total non-operating revenues	670,978	1,446,144
CHANGE IN NET POSITION	33,354,964	25,892,788
NET POSITION, BEGINNING OF YEAR	105,617,987	79,725,199
NET POSITION, END OF YEAR	$ 138,972,951	$ 105,617,987

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
COMBINED PROPRIETARY FUNDS
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from:		
Federal grants and contracts	$ 343,598,090	$ 314,910,336
Amount paid to service provider	(36,937,738)	(36,360,474)
Complement received on collections	7,991,437	7,483,424
Interest on loan sales	4,696,131	7,894,563
Other sources	137,367	(24,716)
	319,485,287	293,903,133
Cash disbursed for:		
Guarantee claims paid to lending institutions	(266,264,014)	(257,514,219)
Rehabilitated loan discount	(6,446,992)	(2,014,176)
Salaries and benefits	(1,069,178)	(1,011,340)
Operating expenses	(2,879,258)	(3,413,498)
	(276,659,442)	(263,953,233)
Net cash provided by operating activities	42,825,845	29,949,900
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of property and equipment	(6,967)	(17,757)
Purchase of leasehold improvements	-	(71,551)
Capitalized software costs	-	(7,000)
Net cash used in capital and related financing activities	(6,967)	(96,308)
CASH FLOWS FROM INVESTING ACTIVITIES		
Earnings on pooled cash investments	670,978	1,446,144
Net cash provided by investing activities	670,978	1,446,144
NET CHANGE IN CASH AND POOLED CASH INVESTMENTS	43,489,856	31,299,736
CASH AND POOLED CASH INVESTMENTS, BEGINNING OF YEAR	109,675,990	78,376,254
CASH AND POOLED CASH INVESTMENTS, END OF YEAR	$ 153,165,846	$ 109,675,990
NONCASH INVESTING ACTIVITIES		
Unrealized gains/(loss)	$ (70,804)	$ 811,757

See Notes to Financial Statements

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
COMBINED PROPRIETARY FUNDS
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2017 and 2016

	2017	2016
RECONCILIATION OF OPERATING INCOME		
TO NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES		
Operating income	$ 32,683,986	$ 24,446,644
Adjustments to reconcile operating income		
to net cash provided by operating activities:		
Depreciation	150,387	120,642
Effects of changes in assets, deferred outflows		
of resources, liabilities and deferred inflow		
of resources:		
Receivables	1,643,503	(8,351,342)
Prepaid expenses	(16,437)	15,862
Increase in deferred outflows	(983,143)	(203,344)
Accounts payable and accrued liabilities	25,795	(296,240)
Other current liabilities	243,519	(2,251,115)
Loan collections and other liabilities		
due to federal government	6,648,440	(6,580,366)
Claims paid to lenders	1,836,884	23,358,359
Accrued compensated absences	20,000	(52,900)
Increase (decrease) in net pension liability	487,779	(906,093)
Increase in deferred outflows	85,132	649,793
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 42,825,845	$ 29,949,900

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

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

The College Opportunity Fund (COF) is a private purpose trust fund, established by Colorado State Statute. As allowed under its contract with the DOE, College Assist funds COF administrative operations. The COF's stipend activities are accounted for in a fiduciary fund that resides with the State and is reported separately. On an annual basis, the Colorado General Assembly appropriates funds to the DHE for purposes of supporting the stipend payments of the College Opportunity Fund. Beginning in fiscal year 2016, the COF is administered by DHE on College Assist's behalf.

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

Basis of Accounting and Presentation

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

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

The basic financial statements of College Assist present the financial position, results of operations, and, where applicable, cash flows for only the entity. They do not purport to, and do not present, the financial position of the State of Colorado as of June 30, 2017 and 2016, or the results of operations, or cash flows where applicable, for the years then ended.

Use of Estimates in Preparation of Financial Statements

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

Cash and Pooled Cash Investments

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

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

Receivables

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

Capital Assets

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

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

Deferred Outflows of Resources

A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period. Deferred outflows of resources include items related to the PERA pension plan.

Liabilities

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

Compensated Absences

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

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

Pensions

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

Deferred Inflows of Resources

A deferred inflow of resources is an acquisition of net position that is applicable to a future reporting period. Deferred inflows of resources include items related to the PERA pension plan.

Net Position

The net position of College Assist is classified as follows:

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

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

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

Classification of Revenues and Expenses

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

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

Loan Defaults

Student loans guaranteed by College Assist that subsequently default are eligible for reinsurance from the DOE. Claims are paid to the lending institution for defaults, death, disabilities and bankruptcies. Once a claim is paid to a lender, College Assist becomes the holder of the loan and seeks to collect on the loan from the DOE. College Assist collects payments on student loans for defaults and bankruptcies on behalf of the DOE. A guaranty agency may charge a borrower reasonable costs incurred to collect on defaulted loans per CFR 682.410(b)(2). The collection cost rate charged to borrowers was 19.58% on regular default borrower payments (excluding Federal consolidations of FFEL default loans and rehabilitations), in fiscal years 2017 and 2016.

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

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

Federal Reinsurance

College Assist is subject to applicable statutorily defined Federal reinsurance rates. Effective December 18, 2015, reinsurance revenue was increased as a result of The Consolidated Appropriations Act, 2016 which changed the maximum reinsurance reimbursement percentage for guaranty agencies to 100% from 95%. The change was effective for all claims paid after December 1, 2015.

The rate of annual losses (defaults), also known as the 'trigger rate" for purposes of the application for Federal reinsurance, is a result of the year-to-date incurred losses divided by the original amount of guaranteed loans in repayment status at the beginning of the year. Default claims are subject to certain "trigger figures," which may result in reduced Federal reinsurance rates. When the annual rate of losses (defaults) exceeds 5% of the loans in repayment, it "triggers" the DOE to reimburse College Assist a reduced reinsurance rate. College Assist's annual rate of losses (defaults) or trigger rate for the federal fiscal years ended September 30, 2017 and 2016 did not exceed 5%.

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

Budgets and Budgetary Accounting

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

For fiscal year, ended June 30, 2017, total budgeted operating revenues for the Agency Operating Fund and Federal Reserve Fund were $9.1 million and $295.2 million, respectively, as compared with actual operating revenues of $35.0 million and $275.9 million, respectively. Total budgeted operating expenses for those funds were $4.8 million and $289.5 million, respectively, as compared with actual operating expenses of $10.2 million and $268.1 million, respectively, for the fiscal year ended June 30, 2017.

For fiscal year, ended June 30, 2016, total budgeted operating revenues for the Agency Operating Fund and Federal Reserve Fund were $11.5 million and $285.7 million, respectively, as compared with actual operating revenues of $25.1 million and $285.9 million, respectively. Total budgeted operating expenses for those funds were $4.7 million and $289.5 million, respectively, as compared with actual operating expenses of $5.7 million and $280.9 million, respectively, for the fiscal year ended June 30, 2016.

Application of Restricted and Unrestricted Resources

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

NOTE 2 – CASH AND POOLED CASH INVESTMENTS

College Assist deposits its cash with the Colorado State Treasurer (Treasurer) as required by Colorado Revised Statutes (C.R.S.). The Treasurer pools these deposits and invests them in securities authorized by Section 24-75-601.1, C.R.S. The State Treasurer acts as a bank for all state agencies and institutions of higher education. Monies deposited with the Treasurer are invested until the cash is needed. As of June 30, 2017, College Assist had $153.2 million of cash on deposit with the Treasurer, which represented approximately 2.3% of the total $6,770.2 billion fair value of deposits in the State Treasurer's Pool (Pool).

NOTE 2 – CASH AND POOLED CASH INVESTMENTS (CONTINUED)

On the basis of College Assist's participation in the Pool, College Assist reports as an increase or decrease in cash for its share of the Treasurer's unrealized gains and losses on the Pool's underlying investments. The State Treasurer does not invest any of the Pool's resources in any external investment pool, and there is no assignment of income related to participation in the Pool. The unrealized gains/losses included in income reflect only the change in fair value for the fiscal year.

Additional information on investments of the Pool may be obtained in the State's Comprehensive Annual Financial Report for the year ended June 30, 2017.

The following summarizes cash and pooled cash investments:

	2017	2016
Cash on deposit with State Treasurer	$ 153,236,450	$ 108,864,033
State Treasurer pooled cash investments – unrealized gain (loss)	(70,804)	811,757
Cash on hand with State Treasurer	153,165,646	109,675,790
Petty cash	200	200
Total	$ 153,165,846	$ 109,675,990

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

	2017	2016
Cash and pooled cash investments	$ 103,282,512	$ 77,683,790
Restricted cash and pooled cash investments	49,883,334	31,992,200
Total	$ 153,165,846	$ 109,675,990

NOTE 3 – FEDERAL FEES RECEIVABLE

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

NOTE 4 – OTHER RECEIVABLES, NET

Other receivables, net includes purchased student loans. These represent loans not eligible for reinsurance by the DOE. Loans not eligible for reinsurance must be purchased by College Assist and become an asset of College Assist. Purchased student loan balances were $1.5 million at June 30, 2017 and 2016. An allowance for uncollectible loans equal to 93% of the purchased loans receivable balance is recorded at $1.4 million at June 30, 2017 and 2016. The allowance rate is based on historical collection activity for purchased student loans. Also included in other receivables, net are amounts due from our previous third party servicer for reimbursable expenses.

NOTE 5 – CAPITAL ASSETS

A summary of changes in capital assets is as follows for the years ended June 30, 2017 and 2016:

	Balance June 30, 2016	Additions	Disposals	Balance June 30, 2017
Computer software	$ 342,310	$ -	$ (12,347)	$ 329,963
Computer hardware	161,124	6,967	(18,907)	149,184
Leasehold improvements	121,170	-	-	121,170
Total	624,604	6,967	(31,254)	600,317
Less: Accumulated depreciation	(325,182)	(150,387)	31,254	(444,315)
Capital assets, net	$ 299,422	$ (143,420)	$ -	$ 156,002

	Balance July 1, 2015	Additions	Disposals	Balance June 30, 2016
Computer software	$ 335,310	$ 7,000	$ -	$ 342,310
Computer hardware	143,367	17,757	-	161,124
Leasehold improvements	49,619	71,551	-	121,170
Total	528,296	96,308	-	624,604
Less: Accumulated depreciation	(204,540)	(120,642)	-	(325,182)
Capital assets, net	$ 323,756	$ (24,334)	$ -	$ 299,422

NOTE 6 – ACCOUNTS PAYABLE & ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of vendor payments and accrued salaries. Under CRS 24-75-201, salaries and wages earned during the months of June 2017 and 2016 are to be paid in July of the following fiscal year. An accrued liability was recorded as of June 30, 2017 and 2016 of approximately $53,000 and $61,000, respectively, for incurred but unpaid salaries and wages.

NOTE 7 – OTHER CURRENT LIABILITIES

Other current liabilities consist primarily of fees due to service providers of $3.2 million and $3.0 million, and loan servicing liabilities of approximately $76,000 and $79,000 for fiscal years 2017 and 2016, respectively.

NOTE 8 – NONCURRENT LIABILITIES

During the fiscal years ended June 30, 2017 and 2016, the following changes occurred with noncurrent liabilities:

	Balance June 30, 2016	Increases	Decreases	Balance June 30, 2017	Amounts Due Within One Year
Accrued compensated absences	$ 98,200	$ 113,476	$ (93,476)	$ 118,200	$ 53,000
Total	$ 98,200	$ 113,476	$ (93,476)	$ 118,200	$ 53,000

	Balance June 30, 2015	Increases	Decreases	Balance June 30, 2016	Amounts Due Within One Year
Accrued compensated absences	$ 151,100	$ 101,627	$ (154,527)	$ 98,200	$ 61,000
Total	$ 151,100	$ 101,627	$ (154,527)	$ 98,200	$ 61,000

NOTE 9 – RELATED-PARTY TRANSACTIONS

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

College Assist shares the cost of human resources, accounting, information systems personnel, and other administrative and operating expenses with CollegeInvest and the DHE under the terms of two separate Memorandums of Understanding (MOUs), expiring on June 30, 2017, renewable annually. These MOUs were renewed for the year ending June 30, 2018.

NOTE 10 – COMMITMENTS

Statutory Federal Reserve Fund Requirements

College Assist is required by Federal regulations and State statute to maintain a minimum Federal Reserve Fund balance of 0.25% of the unpaid balance of net outstanding loans to meet future default claims as of September 30 each year. College Assist has met this requirement as of September 30, 2017 and 2016.

Commitment

College Assist entered into an agreement with the Colorado Department of Higher Education (DHE) to fund certain activities for CIC and the COF Program effective July 1, 2016. College Assist has agreed to reimburse actual expenses up to $1.3 million and $175,000, respectively for state fiscal year 2018.

Loan Guarantees

The net outstanding principal balance of student loans guaranteed by College Assist at June 30, 2017 and 2016 is approximately $7.7 billion and $8.3 billion, respectively.

Effective December 18, 2015, reinsurance revenue was increased as a result of *The Consolidated Appropriations Act, 2016* that changed the maximum reinsurance reimbursement percentage for guaranty agencies to 100% from 95%. The change was effective for claims paid after December 1, 2015.

Defaulted loans (claims) are subject to certain trigger figures (trigger rate) which may result in a reduced reimbursement rate. The trigger rate is calculated as of September 30 of each year for purposes of determining the reimbursement rate applicable for the subsequent year.

When the default claim losses exceed 5% of the loans in repayment, it triggers DOE to reimburse the default claim at a reduced amount. If the default losses exceed 9%, the reimbursement is reduced further. If College Assist exceeds the threshold trigger rate of 9%, it may be liable for up to a maximum of 25% of the default claim losses. College Assist did not exceed either trigger rate for the periods ended September 30, 2017 or 2016. The trigger rate for the periods ended September 30, 2017 and 2016 was 0.00% and 2.29 %, respectively. Any liability that may result would be capped at College Assist's total net position.

NOTE 11 – DEFINED BENEFIT PENSION PLAN

Plan Description

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

Benefits Provided

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

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

- Highest average salary multiplied by 2.5% and then multiplied by years of service credit.
- The value of the retiring employee’s member contribution account plus a 100% match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

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

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

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

NOTE 11 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

Contributions

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

	Fiscal Year 2015		Fiscal Year 2016		Fiscal Year 2017	
	CY14	CY15		CY16		CY17
	7-1-14 to 12-31-14	1-1-15 to 6-30-15	7-1-15 to 12-31-15	1-1-16 to 6-30-16	7-1-16 to 12-31-16	1-1-17 to 6-30-17
Employer Contribution Rate[1]	10.15%	10.15%	10.15%	10.15%	10.15%	10.15%
Amount of Employer Contribution Apportioned to the Heath Care Trust Fund as specified in C.R.S. Section 24-51-208(1)(f)[1]	-1.02%	-1.02%	-1.02%	-1.02%	-1.02%	-1.02%
Amount Apportioned to the SDTF	9.13%	9.13%	9.13%	9.13%	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. Section 24-51-411[1]	3.80%	4.20%	4.20%	4.60%	4.60%	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S., Section 24-51-411[1]	3.50%	4.00%	4.00%	4.50%	4.50%	5.00%
Total Employer Contribution Rate to the SDTF[1]	16.43%	17.33%	17.33%	18.23%	18.23%	19.13%

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

Employer contributions are recognized by the SDTF in the period in which the compensation becomes payable to the member and College Assist is statutorily committed to pay the contributions to the SDTF. Employer contributions recognized by the SDTF from College Assist were approximately $131,000 and $129,000 for the years ended June 30, 2017 and 2016, respectively.

NOTE 11 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

At June 30, 2017, College Assist reported a liability of $4.6 million for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. Standard update procedures were used to roll forward the total pension liability to December 31, 2016. College Assist's proportion of the net pension liability was based on College Assist's contributions to the SDTF for the calendar year 2016 relative to the total contributions of participating employers to the SDTF.

At December 31, 2016, College Assist's proportion was 0.03%, which was a decrease of 0.01% from its proportion measured as of December 31, 2015. The College Assist proportionate share includes an allocated value for the shared employee cost with CollegeInvest. See Note 9.

For the year ended June 30, 2017, College Assist recognized a reduction in pension expense of $410,000. At June 30, 2017, College Assist reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$45,657	$ -
Changes of assumptions or other inputs	1,168,550	14,138
Net difference between projected and actual earnings on pension plan investments	152,270	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	416	1,255,355
Contributions subsequent to the measurement date	68,530	-
Total	$1,435,423	$1,269,493

College Assist reported $68,530 as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	
2018	$ (143,241)
2019	196,804
2020	42,225
2021	1,612
	$ 97,400

NOTE 11 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Assumptions

The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions and other inputs:

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

Based on the 2016 experience analysis the October 28, 2016 actuarial assumptions workshop, revised economic and demographic assumptions were adopted by PERA's Board on November 18, 2016 and effective as of December 31, 2016. These revised assumptions shown below were reflected in the roll-forward calculation of the total pension liability from December 31, 2015 to December 31, 2016:

Actuarial cost method	Entry age
Price inflation	2.40%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50% – 9.17%
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	5.26%
Post-retirement benefit increases:	
PERA Benefit Structure hired prior to January 1, 2007	2.00%
PERA Benefit Structure hired after December 31, 2006 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Mortality rates used in the December 31, 2015 valuation were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with males set back one year, and females set back two years. Active member mortality was based upon the same mortality rates but adjusted to 55 percent of the base rate for males and 40 percent of the base rate for females. For disabled retirees, the RP-2000 Disabled Mortality Table (set back 2 years for males and set back 2 years for females) was assumed.

NOTE 11 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA's Board on November 13, 2012, and an economic assumption study, adopted by PERA's Board on November 15, 2013 and January 17, 2014.

As a result of the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic actuarial assumptions including withdrawal rates, retirement rates for early reduced and unreduced retirement, disability rates, administrative expense load, and pre- and post-retirement and disability mortality rates were adopted by PERA's Board on November 18, 2016 to more closely reflect PERA's actual experience. As the revised economic and demographic assumptions are effective as of the measurement date, December 31, 2016, these revised assumptions were reflected in the total pension liability roll-forward procedures.

Healthy mortality assumptions for active members reflect the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

Healthy, post-retirement mortality assumptions reflect the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was changed to reflect 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016. As a result of the October 28, 2016 actuarial assumptions workshop and the November 18, 2016 PERA Board meeting, the economic assumptions changed, effective December 31, 2016, as follows:

- Investment rate of return assumption decreased from 7.50 percent per year, compounded annually, net of investment expenses to 7.25 percent per year, compounded annually, net of investment expenses.
- Price inflation assumption decreased from 2.80 percent per year to 2.40 percent per year.

NOTE 11 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

- Real rate of investment return assumption increased from 4.70 percent per year, net of investment expenses, to 4.85 percent per year, net of investment expenses.
- Wage inflation assumption decreased from 3.90 percent per year to 3.50 percent per year.

Several factors were considered in evaluating the long-term rate of return assumption for the SDTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the November 18, 2016 adoption of the current long-term expected rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	21.20%	4.30%
U.S. Equity – Small Cap	7.42%	4.80%
Non U.S. Equity – Developed	18.55%	5.20%
Non U.S. Equity – Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income - Developed	1.84%	0.60%
Emerging Marking Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	100.00%	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25%

Discount Rate

The discount rate used to measure the total pension liability was 5.26 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

NOTE 11 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

- Updated economic and demographic actuarial assumptions adopted by PERA's Board on November 18, 2016.

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.

- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.

- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, the projection test indicates the SDTF's fiduciary net position was projected to be depleted in 2039 and, as a result, the municipal bond index rate was used in the determination of the discount rate.

NOTE 11 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

The long-term expected rate of return of 7.25 percent on pension plan investments was applied to periods through 2039 and the municipal bond index rate, the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Board of Governors of the Federal Reserve System, was applied to periods on and after 2039 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.86 percent, resulting in a discount rate of 5.26 percent.

As of the prior measurement date, the projection test indicated the SDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments of 7.50 percent was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination did not use a municipal bond index rate and the discount rate was 7.50 percent, 2.24 percent higher compared to the current measurement date.

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

The following presents the proportionate share of the net pension liability calculated using the discount rate of 5.26%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.26%) or 1-percentage-point higher (6.26%) than the current rate:

	1% Decrease (4.26%)	Current Discount Rate (5.26%)	1% Increase (6.26%)
Proportionate share of the net pension liability	$5.7 million	$4.6 million	$3.7 million

Pension Plan Fiduciary Net Position

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

NOTE 12 – OTHER RETIREMENT PLANS

Defined Contribution Retirement Plan (DC Plan)

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

NOTE 12 – OTHER RETIREMENT PLANS (CONTINUED)

Funding Policy – All participating employees in the PERA DC Plan, with the exception of State Troopers, are required to contribute 8.00 percent of their PERA-includable salary and the State of Colorado is required to contribute 10.15 percent of PERA-includable salary on behalf of these employees. All participating State Troopers are required to contribute 10.00 percent of their PERA-includable salary and the State of Colorado is required to contribute 12.85 percent of PERA-includable salary on behalf of these employees. Additionally, the State of Colorado is required to contribute AED and SAED to the SDTF as follows:

	Fiscal Year 2015		Fiscal Year 2016		Fiscal Year 2017	
	CY14	CY15		CY16		CY17
	7-1-14 to 12-31-14	1-1-15 to 6-30-15	7-1-15 to 12-31-15	1-1-16 to 6-30-16	7-1-16 to 12-31-16	1-1-17 to 6-30-17
Amortization Equalization Disbursement (AED) as specified in C.R.S. Section 24-51-411[1]	3.80%	4.20%	4.20%	4.60%	4.60%	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S., Section 24-51-411[1]	3.50%	4.00%	4.00%	4.50%	4.50%	5.00%
Total Employer Contribution Rate for AED and SAED[1]	7.30%	8.20%	8.20%	9.10%	9.10%	10.00%

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

Contribution requirements are established under Title 24, Article 51, Section 1505 of the C.R.S., as amended. Participating employees of the PERA DC Plan are immediately vested in their own contributions and investment earnings and are immediately 50% vested in the amount of employer contributions made on their behalf. For each full year of participation, vesting of employer contributions increases by 10%. Forfeitures are used to pay expenses of the PERA DC Plan in accordance with PERA Rule 16.08 as adopted by the PERA Board of Trustees in accordance with Title 24, Article 51, Section 204 of the C.R.S. As a result, forfeitures do not reduce pension expense. Employer contributions recognized by the PERA DC Plan from College Assist were $13,824, $12,838 and $15,563 for the years ended June 30, 2017, 2016 and 2015, respectively.

401(k) Defined Contribution Plan

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

NOTE 12 – OTHER RETIREMENT PLANS (CONTINUED)

Funding Policy

The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. College Assist does not match contributions made by participants of the plan. Employees are immediately vested in their own contributions and investment earnings.

457 Deferred Compensation Plan

The PERA Deferred Compensation Plan (457) was established July 1, 2009, as a continuation of the State's deferred compensation plan which was established for state and local government employees in 1981. At July 1, 2009, the State's administrative functions for the 457 plan were transferred to PERA, where all costs of administration and funding are borne by the plan participants. In calendar year 2015, participants were allowed to make contributions of up to 100% of their annual gross salary (reduced by their 8% PERA contribution) to a maximum of $18,000. Participants who are age 50 and older and contributing the maximum amount allowable were allowed to make an additional $6,000 contribution in 2016. Special 457(b) catch-up contributions allow a participant for 3 years prior to the normal retirement age to contribute the lesser of (1) Twice the annual limit ($36,000 in 2015, 2016, and 2017), or (2) The basic annual limit plus the amount of the basic limit not used in prior years (only allowed if not using age 50 or over catch-up contributions). Contributions and earnings are tax deferred. At December 31, 2016, the plan had 17,921 participants.

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS

Health Care Trust Fund

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

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Funding Policy

College Assist is required to contribute at a rate of 1.02% of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for College Assist are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ended June 30, 2017, 2016 and 2015, College Assist contributions to the HCTF were approximately $7,200, $7,000 and $13,000, respectively, equal to their required contributions for each year.

NOTE 14 – FEDERAL AND STATE LEGISLATIVE IMPACTS ON COLLEGE ASSIST

Effective July 1, 2010, the FFEL program was eliminated as a result of enactment of the *Health Care and Education Reconciliation Act of 2010.* Guaranty agencies may no longer guarantee new student loan originations under the FFEL program. New loan originations will be made under the Federal Direct Loan Program. Elimination of the FFEL program will have a significant impact on and reduction of revenues earned by College Assist in the future.

Effective December 18, 2015, reinsurance revenue was increased as a result of *The Consolidated Appropriations Act, 2016* which changed the maximum reinsurance reimbursement percentage for guaranty agencies to 100% from 95%. The change was effective for claims paid after December 1, 2015.

NOTE 15 – RISK MANAGEMENT

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

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

NOTE 16 – SIGNIFICANT OPERATING AGREEMENTS

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

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

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

In January 2010, College Assist entered into a Rehabilitation Loan Purchase Agreement with National Education Loan Network, Inc., (Nelnet) to sell to Nelnet eligible rehabilitated loans. The agreement and subsequent amendments called for purchasing rehabilitated loans ranging from a discount of 4.00% to a premium of 1.50%. The agreement terminated in October 2015.

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

In November 2015, College Assist entered into a one-year Rehabilitation Loan Purchase Agreement with Fortis Bank, formerly Front Range Bank, to sell eligible rehabilitation loans at a 2% discount. The Rehabilitation Loan Purchase Agreement with Fortis Bank expired in November 2016 and was not renewed.

In December 2016, College Assist entered into a one-year Rehabilitation Loan Agreement with Navient Credit Finance Corporation, to sell eligible rehabilitation loans at the 2.75% discount. This agreement may be renewed annually, if both parties agree.

In November 2016, College Assist renewed agreements with four outside collection agencies to collect on defaulted student loans for a one-year term. The agreements may be renewed annually for a one-year term if both parties agree.

NOTE 17 – SUBSEQUENT EVENTS

College Assist renewed agreements with four outside collection agencies effective November 2, 2017, to collect on defaulted student loans for a one-year term. The agreements may be renewed annually for a one-year term if both parties agree.

College Assist renewed a one-year Rehabilitation Loan agreement with Navient Credit Finance Corporation effective December 1, 2017, to sell eligible rehabilitation loans at a 2.25% discount. This agreement may be renewed annual if both parties agree.

REQUIRED SUPPLEMENTARY INFORMATION

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
Fiscal Years Ended June 30, 2017 and 2016

Schedule of Changes in Net Pension Liability

	2016	2015	2014
College Assist's proportion of the net pension liability (asset)	0.025%	0.039%	0.053%
College Assist's proportionate share of the net pension liability (asset)	$ 4,593,240	$ 4,105,461	$ 5,011,554
College Assist's covered payroll	$ 800,983	$ 1,214,372	$ 1,580,449
College Assist's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	573.45%	338.07%	317.10%
Plan fiduciary net position as a percentage of the total pension liability (asset)	42.60%	56.10%	59.84%

Information above is presented as of the measurement date (December 31). This information is shown on a calednar year basis.
Information is not currently available for prior years; additional years will be displayed as they become available

Schedule of Employer Contributions

	2017	2016	2015
Contractually required contribution	$ 131,308	$ 129,335	$ 300,289
Contributions in relation to the contractually required contribution	131,308	129,335	300,289
Contribution deficiency (excess)	$ -	$ -	$ -
College Assists covered payroll	$ 702,944	$ 727,222	$ 1,778,960
Contributions as a percentage of covered payroll	18.68%	17.78%	16.88%

Information above is presented as of the entity's fiscal year (June 30)
Information is not currently available for prior years; additional years will be displayed as they become available

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
Fiscal Years Ended June 30, 2017 and 2016

The Management's Discussion and Analysis (MD&A) is required by Governmental Accounting Standards. The MD&A below was prepared by College Assist's management on behalf of the College Opportunity Fund (COF) and is designed to provide an analysis of the COF's financial condition and operating results for the fiscal years ended June 30, 2017 and 2016. The MD&A also informs the reader of the financial issues and activities related to the COF. It should be read in conjunction with the COF's financial statements, which begin on page 57.

Basic Financial Statements – College Opportunity Fund

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

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

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

Financial Overview

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

Management Highlights

The COF was established in fiscal year 2006 and continues to be funded through fiscal year 2017. Under CRS Article 23, Section 18, Colorado changed its funding system for public higher education to a student-stipend program known as the COF in Fall 2005. Under the current system, funds are provided to public and private higher education institutions on behalf of resident undergraduate students in the form of a stipend.

Stipend rates are set annually by the General Assembly during the State's budget process. The allocation is defined on a per-credit-hour basis where the appropriated amount is representative of a full-time student taking 30 credit hours each year. For the 2016–17 and 2015–16 academic years, the State provided each participating student with $2,250 or $75 per credit hour stipend. Eligible participating students attending private higher education institutions receive one-half of the stipend.

Schedule of Net Position – Fiscal Year 2017

Restricted Net Position of the COF at year-end was $205,526. During the fiscal year, there was $285.3 million in stipend receipts appropriated to the Colorado Department of Higher Education for use under the COF statutes. Of the total amount appropriated for COF, 100% was used for stipends for Colorado students attending Colorado Higher Education Institutions. Total assets at year-end were $205,526 for unused private college funds.

Schedule of Net Position – Fiscal Year 2016

Restricted Net Position of the COF at year-end was $143,600. During the fiscal year, there was $285.2 million in stipend receipts appropriated to the Colorado Department of Higher Education for use under the COF statutes. Of the total amount appropriated for COF, 100% was used for stipends for Colorado students attending Colorado Higher Education Institutions. Total assets at year-end were $143,600 for unused private college funds.

Additions and Deductions – Fiscal Year 2017

The General Assembly appropriated stipends of $290.8 million for fiscal year 2017, of which $285.3 million was paid to Colorado Higher Education Institutions for student stipends used to offset tuition costs. All State funded universities and university systems are eligible to participate in the COF program per Statute. Also included in participation are three private institutions: the University of Denver, Regis University and Colorado Christian University. Of the total amount appropriated for the COF, $1.4 million was provided to the three private institutions.

Additions and Deductions – Fiscal Year 2016

The General Assembly appropriated stipends of $296.1 million for fiscal year 2016, of which $285.2 million was paid to Colorado Higher Education Institutions for student stipends used to offset tuition costs. All State funded universities and university systems are eligible to participate in the COF program per Statute. Also included in participation are three private institutions: the University of Denver, Regis University and Colorado Christian University. Of the total amount appropriated for the COF, $1.3 million was provided to the three private institutions.

Economic Facts and Conditions for the Future

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

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

The stipend rate appropriated for the 2017–18 academic year increased by $2 to $77 per credit hour. The 2016-17 academic year was $75 per credit hour. As of the date of the financial statements, there has been no legislation introduced or enacted regarding significant changes to the COF.

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

Financial Contact

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

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

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
FIDUCIARY FUND – PRIVATE PURPOSE TRUST FUND
STATEMENTS OF FIDUCIARY NET POSITION
June 30, 2017 and 2016

ASSETS

	2017	2016
CURRENT ASSETS		
Operating cash	$ 205,526	$ 108,050
Accounts receivable	-	3,550
Total current assets	205,526	143,600
TOTAL ASSETS	$ 205,526	$ 143,600

LIABILITIES AND NET POSITION

	2017	2016
CURRENT LIABILITIES		
Accounts payable	$ -	$ -
Total current liabilities	-	-
NET POSITION HELD IN TRUST	205,526	143,600
Total net position	205,526	143,600
TOTAL LIABILITIES AND NET POSITION	$ 205,526	$ 143,600

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
FIDUCIARY FUND – PRIVATE PURPOSE TRUST FUND
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
For the Years Ended June 30, 2017 and 2016

	2016	2015
ADDITIONS		
Stipend receipts	$ 285,271,712	$ 285,201,029
Total additions	285,271,712	285,201,029
DEDUCTIONS		
Stipend payments	285,209,786	285,094,924
Total deductions	285,209,786	285,094,924
CHANGE IN NET POSITION	61,926	106,105
NET POSITION, BEGINNING OF YEAR	143,600	37,495
NET POSITION, END OF YEAR	$ 205,526	$ 143,600

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity – College Opportunity Fund

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

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

Stipends are set annually by the General Assembly during the State's budget process. The allocation is defined on a credit-hour basis where the advertised amount is representative of a full-time student taking 30 credit hours each year at a public institution. For the 2016–17 and 2015-16 academic years, the State provided each participating student with a $2,250 or $75 per credit hour stipend. Eligible participating students attending Colorado private higher education institutions receive one-half of the stipend.

Basis of Accounting and Presentation

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

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

Cash

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

Accounts Receivable

Accounts receivable is comprised of amounts due from institutions of higher education for adjustments to stipend payments.

Net Position Held In Trust

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

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

Additions and Deductions

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

Budgets and Budgetary Accounting

By statute, the COF is continuously funded through appropriations authorized and approved by the General Assembly. The appropriations budget and revisions thereto are reviewed by the Colorado Department of Higher Education. The original Long Bill appropriations, excluding adjustments, for fiscal years 2017 and 2016 were $290.8 million and $296.1 million, respectively.

NOTE 2 – CASH

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

The COF had cash of $205,526 and $108,050 on deposit with the Treasurer at June 30, 2017 and 2016, respectively. There was no cash on hand or petty cash.

NOTE 3 – FEDERAL AND STATE LEGISLATIVE IMPACTS

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

Annually, the Colorado Department of Higher Education requests that the General Assembly adjust the amount appropriated to the COF for stipends to reflect inflation and enrollment growth in the state institutions of higher education. During periods of revenue shortfalls, the General Assembly may use a variety of mechanisms to balance the State's budget, including reducing appropriations to institutions of higher education, decreasing the value of the stipend, or placing a limit on the number of stipends funded under the CRS based upon the overall budgetary needs of the State. In fiscal year 2017 and 2016, COF stipends was $75 per credit hour.

NOTE 4 – RISK MANAGEMENT

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

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

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

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

NOTE 5 – TAX, SPENDING AND DEBT LIMITATIONS

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

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

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

SUPPLEMENTARY INFORMATION

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
PROPRIETARY FUNDS
COMBINING SCHEDULES OF NET POSITION
June 30, 2017
With Comparative Totals for June 30, 2016

	Agency Operating Fund	Federal Reserve and Drawdown Funds	Totals 2017	Totals 2016
CURRENT ASSETS				
Cash and pooled cash investments	$ 103,282,512	$ -	$ 103,282,512	$ 77,683,790
Federal fees receivable	1,157,833	-	1,157,833	1,259,438
Other receivables, net	105,420	-	105,420	242,787
Prepaid expenses	29,574	-	29,574	13,137
Total current assets	104,575,339	-	104,575,339	79,199,152
RESTRICTED ASSETS				
Restricted cash and pooled cash investments	-	49,883,334	49,883,334	31,992,200
Federal reinsurance receivable	-	38,604,696	38,604,696	40,009,227
Total restricted assets	-	88,488,030	88,488,030	72,001,427
CAPITAL ASSETS				
Computer hardware & software	479,147	-	479,147	503,434
Leasehold improvements	121,170	-	121,170	121,170
	600,317	-	600,317	624,604
Less accumulated depreciation	(444,315)	-	(444,315)	(325,182)
Capital assets, net	156,002	-	156,002	299,422
TOTAL ASSETS	104,731,341	88,488,030	193,219,371	151,500,001
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	$ 1,435,423	$ -	$ 1,435,423	$ 452,280
Total deferred outflows of resources	$ 1,435,423	$ -	$ 1,435,423	$ 452,280
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 106,166,764	$ 88,488,030	$ 194,654,794	$ 151,952,281

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
PROPRIETARY FUNDS
COMBINING SCHEDULES OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended June 30, 2017
With Comparative Totals for the Year Ended June 30, 2016

	Agency Operating Fund	Federal Reserve and Drawdown Funds	Totals 2017	Totals 2016
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	$ 63,280	$ -	$ 63,280	$ 37,485
Other current liabilities	3,305,045	-	3,305,045	3,061,526
Accrued compensated absences	53,000	-	53,000	61,000
Total current liabilities	3,421,325	-	3,421,325	3,160,011
LIABILITIES PAYABLE FROM RESTRICTED ASSETS				
Recall reserves due to U.S. Department of Education	-	-	-	-
Claims due to lenders	-	38,604,695	38,604,695	36,767,811
Loan collections and other liabilities due to federal government	-	7,727,890	7,727,890	1,079,450
Total liabilities payable from restricted assets	-	46,332,585	46,332,585	37,847,261
NONCURRENT LIABILITIES				
Accrued compensated absences	65,200	-	65,200	37,200
Net pension liability	4,593,240	-	4,593,240	4,105,461
Total noncurrent liabilities	4,658,440	-	4,658,440	4,142,661
Total liabilities	8,079,765	46,332,585	54,412,350	45,149,933
DEFERRED INFLOWs OF RESOURCES				
Pension related items	1,269,493	-	1,269,493	1,184,361
Total deferred inflows of resources	1,269,493	-	1,269,493	1,184,361
NET POSITION				
Net investment in capital assets	156,002	-	156,002	299,422
Restricted	-	42,155,445	42,155,445	34,154,166
Unrestricted	96,661,504	-	96,661,504	71,164,399
Total net position	96,817,506	42,155,445	138,972,951	105,617,987
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	$ 106,166,764	$ 88,488,030	$ 194,654,794	$ 151,952,281

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
PROPRIETARY FUNDS
COMBINING SCHEDULES OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended June 30, 2017
With Comparative Totals for the Year Ended June 30, 2016

	Agency Operating Fund	Federal Reserve and Drawdown Funds	Totals 2017	Totals 2016
OPERATING REVENUES				
Federal grants and contracts				
Federal reinsurance	$ -	$ 267,953,969	$ 267,953,969	$ 278,464,144
Complement received on collections	-	7,991,437	7,991,437	7,483,424
Collections on loans and bankruptcies	62,771,375	-	62,771,375	46,220,881
Federal fee revenue	4,718,170	-	4,718,170	5,124,183
Amount paid to service provider	(37,181,257)	-	(37,181,257)	(34,109,359)
Grant revenue	-	-	-	-
Interest on loan sales	4,696,131	-	4,696,131	7,894,563
Rehabilitated loan premium	-	-	-	-
Other revenues	-	-	-	8,120
Total operating revenues	35,004,419	275,945,406	310,949,825	311,085,956
OPERATING EXPENSES				
Guarantee claims paid to lending institutions	-	268,100,898	268,100,898	280,872,578
Rehabilitated loan discount	6,446,992	-	6,446,992	2,014,176
Salaries and benefits	678,946	-	678,946	498,796
Operating	2,888,616	-	2,888,616	3,133,120
Depreciation	150,387	-	150,387	120,642
Total operating expenses	10,164,941	268,100,898	278,265,839	286,639,312
OPERATING INCOME	24,839,478	7,844,508	32,683,986	24,446,644
NON-OPERATING REVENUES (EXPENSES)				
Earnings on pooled cash investments	416,872	254,106	670,978	1,446,144
Income before transfers	25,256,350	8,098,614	33,354,964	25,892,788
Interfund transfers in/(out)	97,335	(97,335)	-	-
CHANGE IN NET POSITION	25,353,685	8,001,279	33,354,964	25,892,788
NET POSITION, BEGINNING OF YEAR	71,463,821	34,154,166	105,617,987	79,725,199
NET POSITION, END OF YEAR	$ 96,817,506	$ 42,155,445	$ 138,972,951	$ 105,617,987

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
PROPRIETARY FUNDS
COMBINING SCHEDULES OF CASH FLOWS
For the Year Ended June 30, 2017
With Comparative Totals for the Year Ended June 30, 2016

	Agency Operating Fund	Federal Reserve and Drawdown Funds	Totals 2017	Totals 2016
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from:				
Federal grants and contracts	$ 67,591,150	$ 276,006,940	$ 343,598,090	$ 314,910,336
Amount paid to service provider	(36,937,738)	-	(36,937,738)	(36,360,474)
Complement received on collections	-	7,991,437	7,991,437	7,483,424
Interest on loan sales	4,696,131	-	4,696,131	7,894,563
Other sources	137,367	-	137,367	(24,716)
	35,486,910	283,998,377	319,485,287	293,903,133
Cash disbursed for:				
Guaranty claims paid to lending institutions	-	(266,264,014)	(266,264,014)	(257,514,219)
Rehabilitated loan discount	(6,446,992)	-	(6,446,992)	(2,014,176)
Salaries and benefits	(1,069,178)	-	(1,069,178)	(1,011,340)
Operating expenses	(2,879,258)	-	(2,879,258)	(3,413,498)
	(10,395,428)	(266,264,014)	(276,659,442)	(263,953,233)
Net cash provided by operating activities	25,091,482	17,734,363	42,825,845	29,949,900
INTERFUND TRANSFERS	97,335	(97,335)	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of property and equipment	(6,967)	-	(6,967)	(17,757)
Purchases of leasehold improvements	-	-	-	(71,551)
Capitalized software costs	-	-	-	(7,000)
Net cash used in capital and related financing activities	(6,967)	-	(6,967)	(96,308)
CASH FLOW FROM INVESTING ACTIVITIES				
Earnings on pooled cash investments	416,872	254,106	670,978	1,446,144
Net cash provided by investing activities	416,872	254,106	670,978	1,446,144
NET CHANGE IN CASH AND POOLED CASH INVESTMENTS	25,598,722	17,891,134	43,489,856	31,299,736
CASH AND POOLED CASH INVESTMENTS, BEGINNING OF YEAR	77,683,790	31,992,200	109,675,990	78,376,254
CASH AND POOLED CASH INVESTMENTS, END OF YEAR	$ 103,282,512	$ 49,883,334	$ 153,165,846	$ 109,675,990

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
PROPRIETARY FUNDS
COMBINING SCHEDULES OF CASH FLOWS
For the Year Ended June 30, 2017
With Comparative Totals for the Year Ended June 30, 2016

	Agency Operating Fund	Federal Reserve and Drawdown Funds	Totals 2017	Totals 2016
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Operating gain	$ 24,839,478	$ 7,844,508	$ 32,683,986	$ 24,446,644
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	150,387	-	150,387	120,642
Effects of changes in assets, deferred outflows of resources, liabilities and deferred inflow of resources:				
Receivables	238,972	1,404,531	1,643,503	(8,351,342)
Prepaid expenses	(16,437)	-	(16,437)	15,862
Increase in deferred outflows	(983,143)	-	(983,143)	(203,344)
Accounts payable and accrued liabilities	25,795	-	25,795	(296,240)
Other current liabilities	243,519	-	243,519	(2,251,115)
Loan collections and other liabilities due to federal government	-	6,648,440	6,648,440	(6,580,366)
Claims due to lenders	-	1,836,884	1,836,884	23,358,359
Accrued compensated absences	20,000	-	20,000	(52,900)
Increase (decrease) in net pension liability	487,779		487,779	(906,093)
Increase in deferred inflows	85,132	-	85,132	649,793
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 25,091,482	$ 17,734,363	$ 42,825,845	$ 29,949,900

INDEPENDENT AUDITORS' 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
Colorado Student Loan Program dba College Assist,
Department of Higher Education, State of Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the fiduciary activities of Colorado Student Loan Program dba College Assist, Department of Higher Education, State of Colorado, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Colorado Student Loan Program dba College Assist, Department of Higher Education, State of Colorado's basic financial statements, and have issued our report thereon dated November 16, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Colorado Student Loan Program dba College Assist, Department of Higher Education, State of Colorado's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Colorado Student Loan Program dba College Assist, Department of Higher Education, State of Colorado's internal control. Accordingly, we do not express an opinion on the effectiveness of Colorado Student Loan Program dba College Assist, Department of Higher Education, State of Colorado's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Colorado Student Loan Program dba College Assist, Department of Higher Education, State of Colorado's financial statements are free from 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*.

Purpose of this Report

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Broomfield, Colorado
November 16, 2017

Members of the Legislative Audit Committee
Colorado Student Loan Program dba College Assist,
Department of Higher Education, State of Colorado

We have audited the financial statements of the business-type activities and fiduciary activities of Colorado Student Loan Program dba College Assist, Department of Higher Education, State of Colorado as of and for the year ended June 30, 2017, and have issued our report thereon dated November 16, 2017. Professional standards require that we communicate to you the following information related to our audit.

Significant audit findings

Qualitative aspects of accounting practices

Accounting policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Colorado Student Loan Program dba College Assist, Department of Higher Education, State of Colorado are described in Note 1 to the financial statements.

No new accounting policies were adopted and the application of existing policies was not changed during 2017.

We noted no transactions entered into by the entity during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the allowance for doubtful accounts is based on a historical determined percentage. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

- Management's estimate of the net pension liability and associated deferred inflows and outflows of resources are based on an actuarial analysis performed by the Public Employee's Retirement Association of Colorado. We evaluated the key factors and assumptions used to develop the pension liability and associated deferred inflows and outflows of resources in determining that they are reasonable in relation to the financial statements taken as a whole.

<u>Financial statement disclosures</u>

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties encountered in performing the audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Uncorrected misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management did not identify and we did not notify them of any uncorrected financial statement misstatements.

Corrected misstatements

Management did not identify and we did not notify them of any financial statement misstatements detected as a result of audit procedures.

Disagreements with management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

Management representations

We have requested certain representations from management that are included in the attached management representation letter dated November 16, 2017.

Management consultations with other independent accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the entity's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Significant issues discussed with management prior to engagement

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement as the entity's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

Other information in documents containing audited financial statements

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI.

We compared the RSI for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

With respect to the supplementary information accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period or the reasons for such changes, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated November 16, 2017.

The other information accompanying the financial statements, which is the responsibility of management, was prepared for purposes of additional analysis and is not a required part of the financial statements. Such information was not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we did not express an opinion or provide any assurance on it.

In connection with the entity's annual report, we did not perform any procedures or corroborate other information included in the annual report. Our responsibility for such other information does not extend beyond the financial information identified in our auditors' report. We have no responsibility for determining whether such other information is properly stated and do not have an obligation to perform any procedures to corroborate other information contained in such documents. However, as required by professional standards, 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. We did not identify any material inconsistencies between the other information and the audited financial statements.

Our auditors' opinion, the audited financial statements, and the notes to financial statements should only be used in their entirety. Inclusion of the audited financial statements in a document you prepare, such as an annual report, should be done only with our prior approval and review of the document.

* * *

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Broomfield, Colorado
November 16, 2017