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, 2019 and 2018

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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 years ended June 30, 2019 and 2018. Our audits were conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

We were engaged to conduct our 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 1, 2019

TABLE OF CONTENTS

PAGE

Report Summary 1

Background 3

Auditors' Findings and Recommendations 7

Independent Auditors' Report 8

Management's Discussion and Analysis – Proprietary Funds (Unaudited) 11

Basic Financial Statements – Combined Proprietary Funds

Statements of Net Position 19
Statements of Revenues, Expenses and Changes in Net Position 21
Statements of Cash Flows 22
Notes to Financial Statements 24

Required Supplementary Information 59

Management's Discussion and Analysis – Fiduciary Fund (Unaudited) Private Purpose Trust Fund 62

Basic Financial Statements – Fiduciary Fund

Statements of Fiduciary Net Position 65
Statements of Changes in Fiduciary Net Position 66
Notes to Financial Statements 67

SUPPLEMENTARY INFORMATION

Combining Schedules of Net Position – Proprietary Funds 71
Combining Schedules of Revenues, Expenses and Changes in Net Position – Proprietary Funds 72
Combining Schedules of Cash Flows – Proprietary Funds 73

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on the Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* 76

Independent Auditors' Audit Committee Communication 78

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
Fiscal Years Ended June 30, 2019 and 2018

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 years ended June 30, 2019 and 2018. 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 years ended June 30, 2019 and 2018, 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, 2019.

- 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 years ended June 30, 2019 and 2018.

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.

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
Fiscal Years Ended June 30, 2019 and 2018

Summary of Audit Recommendations

There are no findings and recommendations reported for the year ended June 30, 2019 and 2018.

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
Fiscal Years Ended June 30, 2019 and 2018

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 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 U.S. Code §428(c)(1) and §682.404(a). Default claims paid by College Assist are reimbursed by the DOE at 100%.

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, 2019 is $6.1 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.The administration of CIC is the responsibility of the Colorado Department of Higher Education (DHE). College Assist funds the CIC program through a Memorandum of Understanding (MOU) with DHE expiring on September 30, 2019. 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.

Stipend

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.

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
Fiscal Years Ended June 30, 2019 and 2018

Current Year Findings and Recommendations

There were no findings and recommendations reported for the year ended June 30, 2019.

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 years ended June 30, 2019 and 2018, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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, 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, 2019 and 2018, 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, 2019 and 2018, 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, pension information, and OPEB 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

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 relate 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 1, 2019, 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 1, 2019

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
Fiscal Years Ended June 30, 2019 and 2018

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, 2019, 2018 and 2017. 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 19.

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. The administration of CIC is the responsibility of the Colorado Department of Higher Education (DHE). College Assist funds the CIC program through a Memorandum of Understanding (MOU) with DHE expiring on September 30, 2019. 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.

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, 2019 and 2018, 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 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 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. College Assist extended the agreement with Navient through November 30, 2018 with a 2.25% discount. The agreement was extended for an additional year through November 30, 2019 with a 1.5% discount. For fiscal years 2019, 2018 and 2017 total rehabilitated loan sales were $114.0, $165.9 and $248.4 million, respectively.

In November 2016, College Assist entered into agreements with four 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. The agency agreements expire on November 1, 2019. For fiscal years 2019, 2018 and 2017, total payments to collection agencies that is included in amounts paid to service providers, was $6.7 million, $8.9 million and $13.9 million, respectively.

Management Highlights

Despite the termination of the FFEL program, College Assist continues to guarantee and service its existing loan portfolio**.** The net loan portfolio (net outstanding loans guaranteed) decreased by 11.6% from $6.9 billion as of June 30, 2018 to $6.1 billion as of June 30, 2019. 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.

Condensed Schedule of Net Position

June 30,	2019	2018	2017
ASSETS			
Current assets	$ 139,644,856	$ 121,479,013	$ 104,575,339
Restricted assets	81,166,887	77,070,117	88,488,030
Capital assets	345,103	332,632	156,002
Total Assets	$ 221,156,846	$ 198,881,762	$ 193,219,371
DEFERRED OUTFLOWS OF RESOURCES			
Pension outflows	$ 1,046,496	$ 808,228	$ 1,435,423
OPEB outflows	24,690	4,222	-
Total deferred outflows	$ 1,071,186	$ 812,450	$ 1,435,423
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 222,228,032	$ 199,694,212	$ 194,654,794
LIABILITIES			
Current liabilities	$ 1,890,007	$ 1,975,759	$ 3,421,325
Liabilities payable from restricted assets	30,720,873	30,607,945	46,332,585
Noncurrent liabilities	2,965,906	3,993,815	4,658,440
Total Liabilities	$ 35,576,786	$ 36,577,519	$ 54,412,350
DEFERRED INFLOWS OF RESOURCES			
Pension inflows	$ 1,637,613	$ 992,835	$ 1,269,493
OPEB inflows	16,510	21,537	-
Total deferred inflows	$ 1,654,123	$ 1,014,372	$ 1,269,493
NET POSITION			
Investment in capital assets	$ 345,103	$ 332,632	$ 156,002
Restricted	50,446,014	46,462,172	42,155,445
Unrestricted	134,206,006	115,307,517	96,661,504
Total net position	$ 184,997,123	$ 162,102,321	$ 138,972,951
TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	$ 222,228,032	$ 199,694,212	$ 194,654,794

Net Position Analysis

Condensed Schedule of Net Position – Fiscal Year 2019

Total assets increased $22.3 million or 11.2% due to an increase in cash on hand. Pension and OPEB deferred outflows of resources increased $259,000 or 31.8% due to the decrease in pension liability, see Note 11 and Note 12.

Total liabilities decreased by approximately $1.0 million, or 2.7%, mainly due to the decrease in Non-current liabilities. Non-current liabilities includes net pension liability of $2.8 million and net Other Post-Retirement Benefit (OPEB) liability of approximately $98,000 which decreased in fiscal year 2019 by approximately $1.1 million and increased $26,000, respectively.

The liabilities along with deferred pension and OPEB inflows decreased due to the total pension liability decreasing, see Note 11 and 12 for information regarding the pension and OPEB calculations.

Net position of the Agency increased 14.1% from $162.1 million to $185.0 million in fiscal year 2019. Net position increased due to the program's positive operating revenue, see the revenue and expense analysis below.

Condensed Schedule of Net Position – Fiscal Year 2018

Total assets increased $5.7 million or 2.9% due to an increase in cash on hand. Pension deferred outflows of resources decreased 43.4% due to the decrease in College Assist's proportionate share, see Note 11 and Note 12.

Total liabilities decreased by approximately $17.8 million, or 32.8%, due to the decrease in third party servicing fees, which was due to a decrease in collections and loan rehabilitation sales. Our third-party servicer shared 55% of our operational revenue receipts for the year ended June 30, 2018.

Non-current liabilities includes net pension liability of $3.9M and net Other Post-Retirement Benefit (OPEB) liability of approximately $72,000 which decreased in fiscal year 2018 by approximately $737,000 and increased $72,000 for OPEB due to the 2018 restated amount shown, respectively. The liabilities along with deferred pension and OPEB inflows decreased due to College Assist's proportionate share decreasing, see Note 11 and 12 for information regarding the pension and OPEB calculations.

Net position of the Agency increased 16.6% from $139.0 million to $162.1 million in fiscal year 2018. Net position increased due to the program's positive operating revenue, see the revenue and expense analysis below.

Condensed Schedule of Revenues

Years Ended June 30,	2019	2018	2017
OPERATING REVENUES			
Federal reinsurance	$ 217,954,492	$ 213,447,906	$ 267,953,969
Federal grants and contracts	15,985,725	21,869,032	30,308,288
Complement received on collections	1,746,162	3,766,051	7,991,437
Interest on loan sales	2,522,078	3,953,095	4,696,131
Other revenues	20,475	-	-
Total operating revenues	$ 238,228,932	$ 243,036,084	$ 310,949,825
NON OPERATING REVENUES			
Earnings/(loss) on Investments	6,954,800	738,438	670,978
TOTAL REVENUES BEFORE TRANSFERS	$ 245,183,732	$ 243,774,522	$ 311,620,803
TRANSFERS			
Direct distribution transfer to PERA	19,250	-	-
TOTAL REVENUES	$ 245,202,982	$ 243,774,522	$ 311,620,803

Revenue Analysis

Condensed Schedule of Revenues – Fiscal Year 2019

Federal reinsurance (reimbursements from the DOE on defaulted loans) increased in fiscal year 2019 by approximately $4.6 million, or 2.1%, from $213.4 million in 2018 to $218.0 million in 2019. The increase is due to an increase in default claims filed by lenders.

Federal Grants and Contracts Revenue, which is made up of Federal Reinsurance, Collections on Loans and Bankruptcies, Federal Fee Revenue, net of Amounts Paid to Providers, decreased by approximately $5.9 million, or 26.9%, in fiscal year 2019, compared to fiscal year 2018. The decrease was due to a decrease in collection payments and rehabilitation sales. Approximately $19.1 million of collections and federal fee revenue was shared directly with the third-party service providers, ECMC, and outside collection agencies.

Complement on collections is the percentage of collection revenue that is required to be retained in the Federal Reserve Fund. Complement on collections decreased by approximately $2.0 million due to a decrease in rehabilitated loan sales and collections.

During fiscal year 2019 Interest on Loan Sales decreased by approximately $1.4 million from $4.0 million to $2.5 million, due to a decrease in bankruptcy repurchase interest received.

Condensed Schedule of Revenues – Fiscal Year 2018

Federal reinsurance (reimbursements from the DOE on defaulted loans) decreased in fiscal year 2018 by $54.5 million, or 20.3%, from $268.0 million in 2017 to $213.4 million in 2018. The decrease is due to a decrease in default claims filed by lenders.

Federal Grants and Contracts Revenue, which is made up of Federal Reinsurance, Collections on Loans and Bankruptcies, Federal Fee Revenue, and Complement Received on Collections, net of Amounts Paid to Providers, decreased by $8.4 million, or 27.8%, in fiscal year 2018, compared to fiscal year 2017. The decrease was due to a decrease in collection payments and rehabilitation sales. Approximately $26.5 million of collections and federal fee revenue was shared directly with the third-party service providers, ECMC, and outside collection agencies.

Complement on collections is the percentage of collection revenue that is required to be retained in the Federal Reserve Fund. Complement on collections decreased by $4.2 million due to a decrease in rehabilitated loan sales and a change in reinsurance rates.

During fiscal year 2018 Interest on Loan Sales decreased by approximately $743,000 from $4.7 million to $4.0 million, due to a decrease in bankruptcy repurchase interest received.

Condensed Schedule of Expenses

Years Ended June 30,	2019	2018	2017
OPERATING EXPENSES			
Guarantee claims paid to lending institutions	$ 218,032,105	$ 213,458,682	$ 268,100,898
Rehabilitated loan discount	2,116,941	4,157,418	6,446,992
Salaries and benefits	634,411	755,343	678,946
Operating	1,457,066	2,052,010	2,888,616
Depreciation	67,657	129,109	150,387
TOTAL OPERATING EXPENSES	$ 222,308,180	$ 220,552,562	$ 278,265,839

Expense Analysis

Condensed Schedule of Expenses – Fiscal Year 2019

Guarantee claims paid to lending institutions under College Assist's Lender Participation Agreements increased by $4.6 million, or 2.1%, from $213.5 million in fiscal year 2018 to $218.0 million in fiscal year 2019, due to an increase in claims volume submitted for reinsurance.

In fiscal year 2019, the loan sale agreement called for rehabilitated loans to be sold at a discount. Sales of rehabilitated loans resulted in a net discount of $2.1 million and $4.2 million in fiscal year 2019 and fiscal year 2018, respectively. Gross rehabilitated loan sales in fiscal year 2019 were $114.0 million versus $165.9 million in fiscal year 2018.

Salaries and fringe benefits decreased between fiscal year 2019 and fiscal year 2018 due to an increase in salaries offset by a decrease in the GASB 68 pension calculations.

Condensed Schedule of Expenses – Fiscal Year 2018

Guarantee claims paid to lending institutions under College Assist's Lender Participation Agreements decreased by $54.6 million, or 20.4%, from $268.1 million in fiscal year 2017 to $213.5 million in fiscal year 2018, 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.

In fiscal year 2018, the loan sale agreement called for rehabilitated loans to be sold at a discount. Sales of rehabilitated loans resulted in a net discount of $4.2 million and $6.4 million in fiscal year 2018 and fiscal year 2017, respectively. Gross rehabilitated loan sales in fiscal year 2018 were $165.9 million versus $248.4 million in fiscal year 2017.

Salaries and fringe benefits increased between fiscal year 2018 and fiscal year 2017 due to an increase in salaries offset by decreases in the GASB 68 and GASB 75 pension calculations.

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, 2019, 2018, and 2017.

Financial Contact

If you have any questions about this report, please contact:
College Assist
1600 Broadway, Suite 2300
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, 2019 and 2018

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	2019	2018
CURRENT ASSETS		
Cash and pooled cash investments	$ 138,570,634	$ 120,312,419
Federal fees receivable	925,107	1,044,557
Other receivables, net	100,723	85,531
Prepaid expenses	48,392	36,506
Total current assets	139,644,856	121,479,013
RESTRICTED ASSETS		
Restricted cash and pooled cash investments	41,596,461	41,708,449
Federal reinsurance receivable	39,570,426	35,361,668
Total restricted assets	81,166,887	77,070,117
CAPITAL ASSETS		
Computer hardware and software	772,315	692,187
Leasehold improvements	92,700	92,700
Total capital assets	865,015	784,887
Less accumulated depreciation	(519,912)	(452,255)
Capital assets, net	345,103	332,632
TOTAL ASSETS	221,156,846	198,881,762
DEFERRED OUTFLOWS OF RESOURCES		
Pension related items	1,046,496	808,228
OPEB related items	24,690	4,222
Total deferred outflows	1,071,186	812,450
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 222,228,032	$ 199,694,212

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
COMBINED PROPRIETARY FUNDS
STATEMENTS OF NET POSITION
June 30, 2019 and 2018

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

	2019	2018
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 35,358	$ 61,162
Other current liabilities	1,793,449	1,876,297
Accrued compensated absences	61,200	38,300
Total current liabilities	1,890,007	1,975,759
LIABILITIES PAYABLE FROM RESTRICTED ASSETS		
Claims due to lenders	29,709,609	24,351,584
Loan collections and other liabilities due to federal government	1,011,264	6,256,361
Total liabilities payable from restricted assets	30,720,873	30,607,945
NONCURRENT LIABILITIES		
Accrued compensated absences	75,100	65,800
Net pension liability	2,792,915	3,856,491
Net OPEB liability	97,891	71,524
Total noncurrent liabilities	2,965,906	3,993,815
Total liabilities	35,576,786	36,577,519
DEFERRED INFLOWS OF RESOURCES		
Pension related items	1,637,613	992,835
OPEB related items	16,510	21,537
Total deferred inflows	1,654,123	1,014,372
NET POSITION		
Investment in capital assets	345,103	332,632
Restricted	50,446,014	46,462,172
Unrestricted	134,206,006	115,307,517
Total net position	184,997,123	162,102,321
TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	$ 222,228,032	$ 199,694,212

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, 2019 and 2018

	2019	2018
OPERATING REVENUES		
Federal grants and contracts		
Federal reinsurance	$ 217,954,492	$ 213,447,906
Collections on loans and bankruptcies	31,316,668	44,042,215
Federal fee revenue	3,810,931	4,280,017
Complement received on collections	1,746,162	3,766,051
Amount paid to service provider	(19,141,874)	(26,453,200)
Interest on loan sales	2,522,078	3,953,095
Other revenues	20,475	-
Total operating revenues	238,228,932	243,036,084
OPERATING EXPENSES		
Guarantee claims paid to lending institutions	218,032,105	213,458,682
Rehabilitated loan discount	2,116,941	4,157,418
Salaries and benefits	634,411	755,343
Operating	1,457,066	2,052,010
Depreciation	67,657	129,109
Total operating expenses	222,308,180	220,552,562
OPERATING INCOME	15,920,752	22,483,522
NON-OPERATING REVENUES		
Earnings on pooled cash investments	6,954,800	738,438
Total non-operating revenues	6,954,800	738,438
TRANSFERS		
Direct distribution transfer to PERA	19,250	-
CHANGE IN NET POSITION	22,894,802	23,221,960
NET POSITION, BEGINNING OF YEAR (AS PREVIOUSLY REPORTED)	162,102,321	138,972,951
CHANGE IN ACCOUNTING PRINCIPLE	-	(92,590)
NET POSITION, END OF YEAR	$ 184,997,123	$ 162,102,321

Only 2018 beginning balance represented restated amounts.

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, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from:		
Federal grants and contracts	$ 243,747,686	$ 263,654,913
Amount paid to service provider	(19,224,722)	(27,881,948)
Complement received on collections	1,746,162	3,766,051
Interest on loan sales	2,522,078	3,953,095
Other sources	5,283	19,889
	228,796,487	243,512,000
Cash disbursed for:		
Guarantee claims paid to lending institutions	(212,674,080)	(227,711,793)
Rehabilitated loan discount	(2,116,941)	(4,157,418)
Salaries and benefits	(1,258,405)	(1,159,406)
Operating expenses	(1,494,756)	(2,061,060)
	(217,544,182)	(235,089,677)
Net cash provided by operating activities	11,252,305	8,422,323
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers	19,250	-
Net noncapital financing activities	19,250	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of property and equipment	(80,128)	(305,739)
Net cash used in capital and related financing activities	(80,128)	(305,739)
CASH FLOWS FROM INVESTING ACTIVITIES		
Earnings on pooled cash investments	6,954,800	738,438
Net cash provided by investing activities	6,954,800	738,438
NET CHANGE IN CASH AND POOLED CASH INVESTMENTS	18,146,227	8,855,022
CASH AND POOLED CASH INVESTMENTS, BEGINNING OF YEAR	162,020,868	153,165,846
CASH AND POOLED CASH INVESTMENTS, END OF YEAR	$ 180,167,095	$ 162,020,868
NONCASH INVESTING ACTIVITIES		
Unrealized gains/(loss)	$ 900,485	$ (2,050,076)

COLORADO STUDENT LOAN PROGRAM
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DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
COMBINED PROPRIETARY FUNDS
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2019 and 2018

	2019	2018
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES		
Operating income	$ 15,920,752	$ 22,483,522
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	67,657	129,109
Effects of changes in assets, deferred outflows of resources, liabilities and deferred inflow of resources:		
Decrease (increase) in receivables	(4,104,500)	3,376,193
Increase in prepaid expenses	(11,886)	(6,932)
Decrease (increase) in deferred outflows	(258,736)	622,973
Decrease accounts payable and accrued liabilities	(25,804)	(2,118)
Decrease in other current liabilities	(82,848)	(1,428,748)
Decrease in loan collections and other liabilities due to federal government	(5,245,097)	(1,471,529)
Increase (decrease) in claims paid to lenders	5,358,025	(14,253,111)
Increase (decrease) in accrued compensated absences	32,200	(14,100)
Decrease in net pension liability	(1,037,209)	(757,815)
Increase (decrease) in deferred inflows	639,751	(255,121)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 11,252,305	$ 8,422,323

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 (TABOR).

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 which expires on September 30, 2019. 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, 2019 and 2018, 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 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 non-operating 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 and OPEB plans.

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.

The Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years. The bill was signed into law by Governor Hickenlooper on June 4, 2018. A brief description of some of the major changes to plan provisions required by SB 18-200 for the SDTF are listed below. A full copy of the bill can be found online at www.leg.colorado.gov.

- Increases employer contribution rates for the SDTF by 0.25 percent on July 1, 2019.
- Increases employee contribution rates for the SDTF by a total of 2 percent (to be phased in over a period of 3 years starting on July 1, 2019).
- As specified in C.R.S. § 24-51-413, the State is required to contribute $225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SDTF based on the proportionate amount of annual payroll of the SDTF to the total annual payroll of the SDTF, School Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. College Assist's portion of the direct distribution was $19,250.
- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, increases the highest average salary for employees with less than five years of service credit on December 31, 2019 and raises the retirement age for new employees.
- Member contributions, employer contributions, the direct distribution from the State, and the annual increases will be adjusted based on certain statutory parameters beginning July 1, 2020, and then each year thereafter, to help keep PERA on path to full funding in 30 years.

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

- Expands eligibility to participate in the PERA DC Plan to certain new members of the State Division hired on or after January 1, 2019, who are classified State College and University employees. Beginning January 1, 2021, and every year thereafter, employer contribution rates for the SDTF will be adjusted to include a defined contribution supplement based on the employer contribution amount paid to defined contribution plan participant accounts that would have otherwise gone to the defined benefit trusts to pay down the unfunded liability plus any defined benefit investment earnings thereon.

OTHER POST EMPLOYMENT BENEFITS (OPEB)

College Assist participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or 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 and OPEB plans.

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.

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

Classification of Revenues and Expenses

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

Loan Defaults

Student loans guaranteed by College Assist that subsequently default are eligible for reinsurance from the 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 for the DOE. College Assist collects payments on student loans for defaults and bankruptcies. 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 2019 and 2018.

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.

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

The rate of annual losses (defaults), also known as the 'trigger rate" for purposes of the application for Federal reinsurance, is a result of the year-to-date incurred losses divided by the original amount of guaranteed loans in repayment status at the beginning of the year. Default claims are subject to certain "trigger figures," which 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, 2019 and 2018 did not exceed 5%.

Budgets and Budgetary Accounting

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

For fiscal year, ended June 30, 2019, total budgeted operating revenues for the Agency Operating Fund and Federal Reserve Fund were $13.8 million and $259.6 million, respectively, as compared with actual operating revenues of $18.5 million and $219.7 million, respectively. Total budgeted operating expenses for those funds were $6.8 million and $257.6 million, respectively, as compared with actual operating expenses of $4.3 million and $218.0 million, respectively, for the fiscal year ended June 30, 2019.

For fiscal year, ended June 30, 2018, total budgeted operating revenues for the Agency Operating Fund and Federal Reserve Fund were $10.8 million and $255.9 million, respectively, as compared with actual operating revenues of $25.8 million and $217.2 million, respectively. Total budgeted operating expenses for those funds were $8.3 million and $251.8 million, respectively, as compared with actual operating expenses of $7.1 million and $213.5 million, respectively, for the fiscal year ended June 30, 2018.

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, 2019, College Assist had $180.2 million of cash on deposit with the Treasurer, which represented approximately 2.0% of the total $9,096.5 billion fair value of deposits in the State Treasurer's Pool (Pool). As of June 30, 2019, the Pool's resources included $73.7 million of cash on hand and $9,022.8 million of investments.

On the basis of College Assist's participation in the Pool, College Assist reports an increase or decrease in cash for its share of the Treasurer's unrealized gains and losses on the Pool's underlying investments. The 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, 2019.

The following summarizes cash and pooled cash investments:

	2019	2018
Cash on deposit with State Treasurer	$ 179,266,410	$ 164,070,744
State Treasurer pooled cash investments – unrealized gain (loss)	900,485	(2,050,076)
Cash on hand with State Treasurer	180,166,895	162,020,668
Petty cash	200	200
Total	$ 180,167,095	$ 162,020,868

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

	2019	2018
Cash and pooled cash investments	$ 138,570,634	$ 120,312,419
Restricted cash and pooled cash investments	41,596,461	41,708,449
Total	$ 180,167,095	$ 162,020,868

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 $1.4 million at June 30, 2019 and 2018. An allowance for uncollectible loans equal to 93% of the purchased loans receivable balance is recorded at $1.3 million and $1.4 million at June 30, 2019 and 2018, respectively. 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, 2019 and 2018:

	Balance June 30, 2018	Additions	Disposals	Balance June 30, 2019
Computer software	$ 329,963		$ -	$ 329,963
Computer hardware	362,223	80,128	-	442,351
Leasehold improvements	92,700	-	-	92,700
Total	784,886	80,128	-	865,014
Less: Accumulated depreciation	(452,254)	(67,657)	-	(519,911)
Capital assets, net	$ 332,632	$ 12,471	$ -	$ 345,103

	Balance June 30, 2017	Additions	Disposals	Balance June 30, 2018
Computer software	$ 329,963	$ -	$ -	$ 329,963
Computer hardware	149,184	213,039	-	362,223
Leasehold improvements	121,170	92,700	(121,170)	92,700
Total	600,317	305,739	(121,170)	784,886
Less: Accumulated depreciation	(444,315)	(129,109)	121,170	(452,254)
Capital assets, net	$ 156,002	$ 176,630	$ -	$ 332,632

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 2019 and 2018 are to be paid in July of the following fiscal year. An accrued liability was recorded as of June 30, 2019 and 2018 of approximately $28,000 and $42,000, 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 $1.7 million and $1.8 million, and loan servicing liabilities of approximately $76,000 and $60,000 for fiscal years 2019 and 2018, respectively.

NOTE 8 – NONCURRENT LIABILITIES

During the fiscal years ended June 30, 2019 and 2018, the following changes occurred with noncurrent liabilities:

	Balance June 30, 2018	Increases	Decreases	Balance June 30, 2019	Amounts Due Within One Year
Accrued compensated absences	$ 104,100	$ 124,248	$ (92,048)	$ 136,300	$ 61,200
Total	$ 104,100	$ 124,248	$ (92,048)	$ 136,300	$ 61,200

	Balance June 30, 2017	Increases	Decreases	Balance June 30, 2018	Amounts Due Within One Year
Accrued compensated absences	$ 118,200	$ 96,676	$ (110,776)	$ 104,100	$ 38,300
Total	$ 118,200	$ 96,676	$ (110,776)	$ 104,100	$ 38,300

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.

NOTE 9 – RELATED-PARTY TRANSACTIONS (CONTINUED)

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, 2019, renewable annually. These MOUs were renewed for the year ending June 30, 2020.

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, 2019 and 2018.

Commitment

College Assist entered into an MOU agreement with the Colorado Department of Higher Education (DHE) to fund certain activities for CIC and the COF Program effective July 1, 2019. College Assist has agreed to reimburse actual expenses through September 30, 2019.

Loan Guarantees

The net outstanding principal balance of student loans guaranteed by College Assist at June 30, 2019 and 2018 is approximately $6.1 billion and $6.9 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, 2019 or 2018. The trigger rate for the periods ended September 30, 2019 and 2018 was 1.39% and 0.61 %, 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 as of December 31, 2018

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.

In all cases the service retirement benefit is limited to 100 percent 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.

NOTE 11 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

As of December 31, 2018, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments in certain years, referred to as annual increases in the C.R.S. Pursuant to SB 18-200, there are no annual increases (AI) for 2018 and 2019 for all benefit recipients. Thereafter, benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure will receive an annual increase, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 1.5 percent 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 will receive the lesser of an annual increase of 1.5 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SDTF. The automatic adjustment provision may raise or lower the aforementioned AI for a given year by up to one-quarter of 1 percent based on the parameters specified C.R.S. § 24-51-413. 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

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 provisions as of June 30, 2019

Eligible employees of College Assist are required to contribute to the SDTF at a rate set by Colorado statute. The contribution requirements for the SDTF are established under C.R.S. § 24-51-401, et seq. and § 24-51-413. Employee contribution rates for the period of July 2018 through June 2019 are summarized in the table below:

	January 1, 2018 Through December 31, 2018	January 1, 2019 Through June 30, 2019	July 1, 2019 Through June 30, 2020
Employee contribution (all employees except State Troopers)	8.00%	8.00%	8.75%
State Troopers Only	10.00%	10.00%	10.75%

Contribution rates for the SDTF are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

NOTE 11 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

The employer contribution requirements for all employees except State Troopers are summarized in the table below:

	January 1, 2018 Through December 31, 2018	January 1, 2019 Through June 30, 2019	July 1, 2019 Through June 30, 2020
Employer contribution rate	10.15%	10.15%	10.40%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)	(1.02)%	(1.02)%	(1.02)%
Amount apportioned to the SDTF	9.13%	9.13%	9.38%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	5.00%	5.00%	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	5.00%	5.00%	5.00%
Total employer contribution rate to the SDTF	19.13%	19.13%	19.38%

Contribution rates for the SDTF are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

As specified in C.R.S. § 24-51-413, the State is required to contribute $225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SDTF based on the proportionate amount of annual payroll of the SDTF to the total annual payroll of the SDTF, School Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. College Assist's portion of the direct distribution was $19,250.

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 $164,000 and $138,000 for the years ended June 30, 2019 and 2018, 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

The net pension liability for SDTF was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll forward the total pension liability to December 31, 2018. College Assist's proportion of the net pension liability was based on College Assist's contributions to the SDTF for the calendar year 2018 relative to the total contributions of participating employers to the SDTF that are outside of the State's financial reporting entity.

At June 30, 2019 and 2018, College Assist reported a liability of $2.8 and $3.9 million, respectively, for its proportionate share of the net pension liability.

At December 31, 2018, College Assist's proportion was 0.02%, which is the same as its proportion measured as of December 31, 2017. 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, 2018, College Assist recognized a reduction in pension expense of approximately $392,000. At June 30, 2018, 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	$ 60,132	$ -
Changes of assumptions or other inputs	669,634	-
Net difference between projected and actual earnings on pension plan investments	-	145,249
Changes in proportion and differences between contributions recognized and proportionate share of contributions	15,748	847,586
Contributions subsequent to the measurement date	62,714	-
Total	$ 808,228	$992,835

NOTE 11 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

For the year ended June 30, 2019, College Assist recognized a reduction in pension expense of approximately $657,000. At June 30, 2019, 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	$ 79,868	$ -
Changes of assumptions or other inputs	147,061	1,442,218
Net difference between projected and actual earnings on pension plan investments	141,074	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	594,069	195,395
Contributions subsequent to the measurement date	84,424	-
Total	$ 1,046,496	$ 1,637,613

For the year ended June 30, 2019, College Assist reported $84,424 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, 2020. 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,	
2020	$ (388,314)
2021	(371,413)
2022	6,930
2023	77,256
2024	-
Thereafter	-

Actuarial Assumptions

The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs:

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%

NOTE 11 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	4.72%
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

The revised assumptions shown below were reflected in the roll-forward calculation of the total pension liability from December 31, 2017 to December 31, 2018:

Discount rate	7.25 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (automatic)	0% through 2019 and 1.5% compounded annually, thereafter
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

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 based to reflect 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The actuarial assumptions used in the December 31, 2016, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting.

NOTE 11 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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.

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 most recent adoption of the 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 Market 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%

NOTE 11 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 7.25 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:

- 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.

- As specified in law, the State will provide an annual direct distribution of $225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.

- 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. 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 middle of the year.

NOTE 11 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Based on the above assumptions and methods, the projection test indicates the SDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent.

As of the prior measurement date, the long-term expected rate of return on plan investments of 7.25 percent and the municipal bond index rate of 3.43 percent were used in the discount rate determination resulting in a discount rate of 4.72 percent, 2.53 percent lower compared to the current measurement date.

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

For the year ended June 30, 2018, The following presents the proportionate share of the net pension liability calculated using the discount rate of 4.72%, 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 (3.72%) or 1-percentage-point higher (5.72%) than the current rate:

	1% Decrease (3.72%)	Current Discount Rate (4.72%)	1% Increase (5.72%)
Proportionate share of the net pension liability	$4.8 million	$3.9 million	$3.1 million

For the year ended June, 30, 2019 the following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, 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 (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	$3.5 million	$2.8 million	$2.2 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 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

Plan description

Eligible employees of College Assist are provided with OPEB through the HCTF—a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, 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 the premium subsidies. 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

The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit. For members who retire having service credit with employers in the Denver Public Schools (DPS) Division and one or more of the other four Divisions (State, School, Local Government and Judicial), the premium subsidy is allocated between the HCTF and the Denver Public Schools Health Care Trust Fund (DPS HCTF). The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

C.R.S. § 24-51-1202 et seq. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure and all retirees under the DPS benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare. Upon the death of a DPS benefit structure retiree, no further subsidy is paid.

Enrollment in the PERACare is voluntary and is available to benefit recipients and their eligible dependents, certain surviving spouses, and divorced spouses and guardians, among others. Eligible benefit recipients may enroll into the program upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period.

NOTE 12 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

PERA Benefit Structure

The maximum service-based premium subsidy is $230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is $115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5 percent reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For benefit recipients who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, C.R.S. § 24-51-1206(4) provides an additional subsidy. According to the statute, PERA cannot charge premiums to benefit recipients without Medicare Part A that are greater than premiums charged to benefit recipients with Part A for the same plan option, coverage level, and service credit. Currently, for each individual PERACare enrollee, the total premium for Medicare coverage is determined assuming plan participants have both Medicare Part

A and Part B and the difference in premium cost is paid by the HCTF or the DPS HCTF on behalf of benefit recipients not covered by Medicare Part A.

Contributions

Pursuant to Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the State, School, Local Government, and Judicial Divisions are required to contribute at a rate of 1.02 percent of PERA-includable salary into the HCTF.

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and College Assist is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from College Assist were approximately $7,000 for the year ended June 30, 2019 and $6,000 for the year ended June 30, 2018.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2019 and 2018, College Assist reported a liability of approximately $98,000 and $72,000 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2018. College Assist's proportion of the net OPEB liability was based on College Assist's contributions to the HCTF for the calendar year 2018 relative to the total contributions of participating employers to the HCTF.

NOTE 12 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) plan (CONTINUED)

At December 31, 2018, College Assist's proportion was 0.007 percent, which was an increase of 0.002 from its proportion measured as of December 31, 2017.

For the year ended June 30, 2018, College Assist recognized OPEB expense of approximately $4,100. At June 30, 2018, College Assist reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 338	$ -
Changes of assumptions or other inputs	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	1,197
Changes in proportion and differences between contributions recognized and proportionate share of contributions	1,138	20,340
Contributions subsequent to the measurement date	2,746	N/A
Total	$4,222	$21,537

For the year ended June 30, 2019, College Assist recognized OPEB expense of approximately $870. At June 30, 2019, College Assist reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 355	$ 149
Changes of assumptions or other inputs	687	-
Net difference between projected and actual earnings on OPEB plan investments	563	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	19,478	16,361
Contributions subsequent to the measurement date	3,607	-
Total	$ 24,690	$ 16,510

NOTE 12 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) plan (CONTINUED)

For the year ended June 30, 2019, College Assist reported $3,607 deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30,	
2020	$ 144
2021	144
2022	144
2023	535
2024	3,454
Thereafter	152

Actuarial assumptions.

The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 percent in aggregate
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	5.00 percent
Medicare Part A premiums	3.25 percent for 2018, gradually rising to 5.00 percent in 2025
DPS benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	N/A
Medicare Part A premiums	N/A

NOTE 12 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) plan (CONTINUED)

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each actuarial valuation and on the pattern of sharing of costs between employers of each fund to that point.

The actuarial assumptions used in the December 31, 2017, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA's actuary, as discussed below.

In determining the additional liability for PERACare enrollees who are age sixty–five or older and who are not eligible for premium–free Medicare Part A, the following monthly costs/premiums are assumed for 2018 for the PERA Benefit Structure:

Medicare Plan	Cost for Members Without Medicare Part A	Premiums for Members Without Medicare Part A
Self-Funded Medicare Supplement Plans	$736	$367
Kaiser Permanente Medicare Advantage HMO	602	236
Rocky Mountain Health Plans Medicare HMO	611	251
UnitedHealthcare Medicare HMO	686	213

The 2018 Medicare Part A premium is $422 per month.

In determining the additional liability for PERACare enrollees in the PERA Benefit Structure who are age sixty–five or older and who are not eligible for premium–free Medicare Part A, the following chart details the initial expected value of Medicare Part A benefits, age adjusted to age 65 for the year following the valuation date:

Medicare Plan	Cost for Members Without Medicare Part A
Self-Funded Medicare Supplement Plans	$289
Kaiser Permanente Medicare Advantage HMO	300
Rocky Mountain Health Plans Medicare HMO	270
UnitedHealthcare Medicare HMO	400

All costs are subject to the health care cost trend rates, as discussed below.

NOTE 12 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) plan (CONTINUED)

Health care cost trend rates reflect the change in per capita health costs over time due to factors such as medical inflation, utilization, plan design, and technology improvements. For the PERA benefit structure, health care cost trend rates are needed to project the future costs associated with providing benefits to those PERACare enrollees not eligible for premium-free Medicare Part A.

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and heuristics developed by health plan actuaries and administrators, and projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services. Effective December 31, 2017, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

The PERA benefit structure health care cost trend rates that were used to measure the total OPEB liability are summarized in the table below:

Year	PERACare Medicare Plans	Medicare Part A Premiums
2018	5.00%	3.25%
2019	5.00%	3.50%
2020	5.00%	3.75%
2021	5.00%	4.00%
2022	5.00%	4.25%
2023	5.00%	4.50%
2024	5.00%	4.75%
2025+	5.00%	5.00%

Mortality assumptions for the determination of the total pension liability for each of the Division Trust Funds as shown below are applied, as applicable, in the determination of the total OPEB liability for the HCTF. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

Healthy mortality assumptions for active members were based on 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.

NOTE 12 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) plan (CONTINUED)

Healthy, post-retirement mortality assumptions for the State and Local Government Divisions were based on 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.

Healthy, post-retirement mortality assumptions for the School and Judicial Divisions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

- Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93 percent factor applied to rates for ages less than 80, a 113 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 68 percent factor applied to rates for ages less than 80, a 106 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The following health care costs assumptions were updated and used in the measurement of the obligations for the HCTF:

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2018 plan year.

- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

NOTE 12 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) plan (CONTINUED)

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.

Several factors were considered in evaluating the long-term rate of return assumption for the HCTF, 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 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 most recent adoption of the long-term expected rate of return by the PERA Board, the target asset 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 Market 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%.

NOTE 12 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Sensitivity of College Assist's proportionate share of the net OPEB liability to changes in the Health Care Cost Trend Rates. The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

June 30, 2018	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.00%	3.00%	4.00%
Ultimate Medicare Part A trend rate	3.25%	4.25%	5.25%
Net OPEB Liability	$69,556	$71,524	$73,894

June 30, 2019	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.25%	3.25%	4.25%
Ultimate Medicare Part A trend rate	4.00%	5.00%	6.00%
Net OPEB Liability	$110,000	$98,000	$9,000

Discount rate. The discount rate used to measure the total OPEB liability was 7.25 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:

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2018, measurement date.

- 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%.

- 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.

- 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.

- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits were estimated and included in the projections.

NOTE 12 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) plan (CONTINUED)

- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the projection test indicates the HCTF's fiduciary net position was projected to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent.

Sensitivity of College Assist's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

June 30, 2018	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	$80,416	$71,524	$63,935

June 30, 2019	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	$110,000	$98,000	$8,800

OPEB plan fiduciary net position. Detailed information about the HCTF'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 13 – OTHER RETIREMENT PLANS

Defined Contribution Retirement Plan (DC Plan)

Plan Description

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). SB 18-200 expands eligibility to participate in the PERA DC Plan to certain new employees hired on or after January 1, 2019, who are classified State College and University employees. 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 CAFR as referred to above.

NOTE 13 – OTHER RETIREMENT PLANS (CONTINUED)

Funding Policy

All participating employees in the PERA DC Plan and College Assist are required to contribute a percentage of the participating employees' PERA-includable salary to the PERA DC Plan. The employee and employer contribution rates for the period July 2018 through June 2019 are summarized in the tables below:

	January 1, 2018 Through December 31, 2018	January 1, 2019 Through June 30, 2019	July 1, 2019 Through June 30, 2020
Employee Contribution Rates:			
Employee contribution (all employees except State Troopers)	8.00%	8.00%	8.75%
State Troopers Only	10.00%	10.00%	10.75%
Employer Contribution Rates:			
On behalf of all employees except State Troopers)	10.15%	10.15%	10.40%
State Troopers Only	12.85%	12.85%	13.10%

Additionally the employers are required to contribute AED and SAED to the SDTF as follows:

	As of June 30, 2019
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 1	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 1	5.00%
Total employer contribution rate to the SDTF1	10.00%

1Rates 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 percent vested in the amount of employer contributions made on their behalf. For each full year of participation, vesting of employer contributions increases by 10 percent. Forfeitures are used to pay expenses of the PERA DC Plan in accordance with PERA Rule 16.80 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. College Assist recognized contributions of $16,500 and $15,900, respectively, for the PERA DC Plan as of June 30, 2019 and 2018.

NOTE 13 – OTHER RETIREMENT PLANS (CONTINUED)

Voluntary Investment Program (PERAPlus 401(k) Plan)

Plan Description

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.

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.

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.

NOTE 15 – RISK MANAGEMENT (CONTINUED)

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 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 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. College Assist extended the agreement until November 30, 2018 with a 2.25% discount. The agreement was extended for an additional year through November 30, 2019 with a 1.5% discount.

In November 2018, College Assist renewed agreements with three 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 – RESTATEMENT OF NET POSITION JUNE 30, 2018

To the extent practical, changes made to comply with Statement No. 75 should be presented as a restatement to the fiscal year 2017 financial statements. However, PERA did not provide the information required to restate College Assist's fiscal year 2017 financial statements; therefore, the impact of adoption of Statement No. 75 is shown as a cumulative effect adjustment to Net Position, beginning of the year, in fiscal year 2018. The impact of the adoption of Statement No. 75 is detailed below:

Net position, beginning of year	$138,972,951
Cumulative effect of change in accounting principle for GASB 75	(92,590)
Net position, beginning of year, as restated	$138,880,361

College Assist's proportionate share of PERA/s net OPEB liability directly reduces unrestricted net position. Beginning unrestricted net potion of $139.0 million was reduced by the cumulative effect of adopting Statement No. 75.

NOTE 18 – SUBSEQUENT EVENTS

College Assist renewed agreements with three outside collection agencies effective November 1, 2019, to collect on defaulted student loans for a one-year term. Additionally, College Assist signed a one-year collection agreement with another outside collection agency, effective October 8, 2019, to focus on older defaulted accounts. The agreements may be renewed annually for a one-year term if both parties agree.

College Assist signed a one-year Rehabilitation Loan agreement with ECMC effective December 1, 2019, to sell eligible rehabilitation loans at a 0.99% 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, 2019 and 2018

Schedule of Changes in Net Pension Liability

	2018	2017	2016	2015	2014
College Assist's proportion of the net pension liability	0.025%	0.019%	0.025%	0.039%	0.053%
College Assist's proportionate share of the net pension liability	$ 2,792,914	$ 3,856,491	$ 4,593,240	$ 4,105,461	$ 5,011,554
College Assist's covered payroll	$ 870,389	$ 792,340	$ 800,983	$ 1,214,372	$ 580,449
College Assist's proportionate share of the net pension liability as a percentage of its covered payroll	320.88%	486.72%	573.45%	338.07%	317.10%
Plan fiduciary net position as a percentage of the total pension liability	55.11%	43.20%	42.60%	56.10%	59.84%

Information above is presented as of the measurement date (December 31)

Schedule of Employer Contributions

	2019	2018	2017	2016	2015
Contractually required contribution	$ 164,183	$ 138,130	$ 131,308	$ 129,335	$ 300,289
Contributions in relation to the contractually required contribution	164,183	138,130	131,308	129,335	300,289
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
College Assists covered payroll	$ 858,249	$ 722,060	$ 702,944	$ 727,222	$ 1,778,960
Contributions as a percentage of covered payroll	19.13%	19.13%	18.68%	17.78%	16.88%

Information above is presented as of the entity's fiscal year (June 30)

Notes to Required Supplementary Information (RSI) for Net Pension Liability (NPL):

Changes in benefit terms and actuarial assumptions

Changes in assumptions or other inputs effective for the December 31, 2018 measurement period are as follow:

- The assumed investment rate of return of 7.25% was used as the discount rate, rather than using the blended rate of 4.72%

Changes in assumptions or other inputs effective for the December 31, 2017 measurement period are as follows:

- The discount rate was lowered from 5.26% to 4.72%.

Changes in assumptions or other inputs effective for the December 31, 2016 measurement period are as follows:

- The investment return assumption was lowered from 7.50% to 7.25%.

- The price inflation assumption was lowered from 2.80% to 2.40%.
- The real rate of investment return assumption increased from 4.70% per year, net of investment expenses, to 4.85% per year, net of investment expenses.
- The wage inflation assumption was lowered from 3.90% to 3.50%.
- The mortality tables were changed from RP-2000 Combined Mortality Table for Males and Females, as appropriate, with adjustments for mortality improvements based on a projection scale of Scale AA to 2020 to RP-2014 White Collar Employee Mortality for active employees, RP2014 Healthy Annuitant Mortality tables projected to 2020 using the MP-2015 projection scale for retirees, or RP-2014 Disabled Retiree Mortality Table for disabled retirees.
- The discount rate was lowered from 7.50% to 5.26%.

There were no changes in terms or assumptions for the December 31, 2015 measurement period for pension compared to the prior year.

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
Fiscal Years Ended June 30, 2019 and 2018

Schedule of Changes in Net OPEB Liability

	2018	2017	2016
College Assist's proportion of the net OPEB liability	0.007%	0.006%	0.007%
College Assist's proportionate share of the net OPEB liability	$ 97,891	$ 71,524	$ 95,692
College Assist's covered payroll	$ 605,751	$ 562,284	$ 581,665
College Assist's proportionate share of the net OPEB liability as a percentage of its covered payroll	16.16%	12.72%	16.45%
Plan fiduciary net position as a percentage of the total OPEB liability	17.53%	17.53%	16.72%

Information above is presented as of the measurement date (December 31)

Schedule of Employer Contributions

	2019	2018	2017
Contractually required contribution	$ 7,068	$ 5,583	$ 6,163
Contributions in relation to the contractually required contribution	7,068	5,583	6,163
Contribution deficiency (excess)	$ -	$ -	$ -
College Assists covered payroll	$ 692,967	$ 547,395	$ 604,216
Contributions as a percentage of covered payroll	1.02%	1.02%	1.02%

Information above is presented as of the entity's fiscal year (June 30)

Notes to RSI for OPEB:

Changes in benefit terms and actuarial assumptions

There were no changes in assumptions or other inputs effective for the December 31, 2018 measurement period for OPEB compared to the prior year.

There were no changes in assumptions or other inputs effective for the December 31, 2017 measurement period for OPEB compared to the prior year.

COLORADO STUDENT LOAN PROGRAM
dba COLLEGE ASSIST
DEPARTMENT OF HIGHER EDUCATION
STATE OF COLORADO
Fiscal Years Ended June 30, 2019 and 2018

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, 2019 and 2018. 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 62.

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 2019. 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 2018–19 academic year and 2017–18 academic year, the State provided each participating student with $2,550 or $85 and $2,310 or $77 per credit hour stipend, respectively. Eligible participating students attending private higher education institutions receive one-half of the stipend.

Schedule of Net Position – Fiscal Year 2019

Restricted Net Position of the COF at year-end was $20,818. During the fiscal year, there was $320.0 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 $136,696 for unused private college funds.

Schedule of Net Position – Fiscal Year 2018

Restricted Net Position of the COF at year-end was $136,408. During the fiscal year, there was $293.1 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 $136,696 for unused private college funds.

Additions and Deductions – Fiscal Year 2019

The General Assembly appropriated stipends of $323.3 million for fiscal year 2019. Due to residual amounts in the COF fund from previous years and the Fee for Service transferability, $320.0 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, $1.6 million was provided to the three private institutions.

Additions and Deductions – Fiscal Year 2018

The General Assembly appropriated stipends of $292.7 million for fiscal year 2018. Due to residual amounts in the COF fund from previous years and the Fee for Service transferability, $293.2 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, $1.4 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 2018–19 academic year increased by $8 to $85 per credit hour. The 2017-18 academic year was $77 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, 2019 and 2018

ASSETS

	2019	2018
CURRENT ASSETS		
Operating cash	$ 136,410	$ 136,388
Accounts receivable	286	308
Total current assets	136,696	136,696
TOTAL ASSETS	$ 136,696	$ 136,696

LIABILITIES AND NET POSITION

	2019	2018
CURRENT LIABILITIES		
Accounts payable	$ 115,878	$ 288
Total current liabilities	115,878	288
NET POSITION HELD IN TRUST	20,818	136,408
Total net position	20,818	136,408
TOTAL LIABILITIES AND NET POSITION	$ 136,696	$ 136,696

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, 2019 and 2019

	2019	2018
ADDITIONS		
Stipend receipts	$ 319,852,641	$ 293,109,034
Total additions	319,852,641	293,109,034
DEDUCTIONS		
Stipend payments	319,968,231	293,178,152
Total deductions	319,968,231	293,178,152
CHANGE IN NET POSITION	(115,590)	(69,118)
NET POSITION, BEGINNING OF YEAR	136,408	205,526
NET POSITION, END OF YEAR	$ 20,818	$ 136,408

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 2018–19 academic year and 2017–18 academic year, the State provided each participating student with $2,550 or $85 and $2,310 or $77 per credit hour stipend, respectively. 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 2019 and 2018 were $323.3 million and $292.7 million, respectively.

NOTE 2 – CASH

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

The COF had cash of $136,410 and $136,388 on deposit with the Treasurer at June 30, 2019 and 2018, 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 2019 and 2018, COF stipends were $85 and $77 per credit hour, respectively.

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, 2019
With Comparative Totals for June 30, 2018

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	Agency Operating Fund	Federal Reserve and Drawdown Funds	Totals 2019	Totals 2018
CURRENT ASSETS				
Cash and pooled cash investments	$138,570,634	$ -	$ 138,570,634	$120,312,419
Federal fees receivable	925,107	-	925,107	1,044,557
Other receivables, net	100,723	-	100,723	85,531
Prepaid expenses	48,392	-	48,392	36,506
Total current assets	139,644,856	-	139,644,856	121,479,013
RESTRICTED ASSETS				
Restricted cash and pooled cash investments	-	41,596,461	41,596,461	41,708,449
Federal reinsurance receivable	-	39,570,426	39,570,426	35,361,668
Total restricted assets	-	81,166,887	81,166,887	77,070,117
CAPITAL ASSETS				
Computer hardware & software	772,315	-	772,315	692,187
Leasehold improvements	92,700	-	92,700	92,700
Total capital assets	865,015	-	865,015	784,887
Less accumulated depreciation	(519,912)	-	(519,912)	(452,255)
Capital assets, net	345,103	-	345,103	332,632
TOTAL ASSETS	139,989,959	81,166,887	221,156,846	198,881,762
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	$ 1,046,496	$ -	$ 1,046,496	$ 808,228
OPEB related items	24,690	-	24,690	4,222
Total deferred outflows of resources	$ 1,071,186	$ -	$ 1,071,186	$ 812,450
TOTAL ASSETS AND DEFERRED OUTFLOWS	$141,061,145	$ 81,166,887	$ 222,228,032	$199,694,212

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, 2019
With Comparative Totals for the Year Ended June 30, 2018

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	Agency Operating Fund	Federal Reserve and Drawdown Funds	Totals 2019	Totals 2018
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	$ 35,358	$ -	$ 35,358	$ 61,162
Other current liabilities	1,793,449	-	1,793,449	1,876,297
Accrued compensated absences	61,200	-	61,200	38,300
Total current liabilities	1,890,007	-	1,890,007	1,975,759
LIABILITIES PAYABLE FROM RESTRICTED ASSETS				
Claims due to lenders	-	29,709,609	29,709,609	24,351,584
Loan collections and other liabilities due to federal government	-	1,011,264	1,011,264	6,256,361
Total liabilities payable from restricted assets	-	30,720,873	30,720,873	30,607,945
NONCURRENT LIABILITIES				
Accrued compensated absences	75,100	-	75,100	65,800
Net pension liability	2,792,915	-	2,792,915	3,856,491
Net OPEB liability	97,891	-	97,891	71,524
Total noncurrent liabilities	2,965,906	-	2,965,906	3,993,815
Total liabilities	4,855,913	30,720,873	35,576,786	36,577,519
DEFERRED INFLOW OF RESOURCES				
Pension related items	1,637,613	-	1,637,613	992,835
OPEB related items	16,510	-	16,510	21,537
Total deferred inflows of resources	1,654,123	-	1,654,123	1,014,372
NET POSITION				
Investment in capital assets	345,103	-	345,103	332,632
Restricted	-	50,446,014	50,446,014	46,462,172
Unrestricted	134,206,006	-	134,206,006	115,307,517
Total net position	134,551,109	50,446,014	184,997,123	162,102,321
TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	$141,061,145	$ 81,166,887	$ 222,228,032	$199,694,212

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, 2019
With Comparative Totals for the Year Ended June 30, 2018

	Agency Operating Fund	Federal Reserve and Drawdown Funds	Totals 2019	Totals 2018
OPERATING REVENUES				
Federal grants and contracts				
Federal reinsurance	$ -	$217,954,492	$217,954,492	$213,447,906
Collections on loans and bankruptcies	31,316,668	-	31,316,668	44,042,215
Federal fee revenue	3,810,931	-	3,810,931	4,280,017
Complement received on collections	-	1,746,162	1,746,162	3,766,051
Amount paid to service provider	(19,141,874)	-	(19,141,874)	(26,453,200)
Interest on loan sales	2,522,078	-	2,522,078	3,953,095
Other revenues	20,475	-	20,475	-
Total operating revenues	18,528,278	219,700,654	238,228,932	243,036,084
OPERATING EXPENSES				
Guarantee claims paid to lending institutions	-	218,032,105	218,032,105	213,458,682
Rehabilitated loan discount	2,116,941	-	2,116,941	4,157,418
Salaries and benefits	634,411	-	634,411	755,343
Operating	1,457,066	-	1,457,066	2,052,010
Depreciation	67,657	-	67,657	129,109
Total operating expenses	4,276,075	218,032,105	222,308,180	220,552,562
OPERATING INCOME	14,252,203	1,668,549	15,920,752	22,483,522
NON-OPERATING REVENUES (EXPENSES)				
Earnings on pooled cash investments	4,963,699	1,991,101	6,954,800	738,438
Income before transfers	19,215,902	3,659,650	22,875,552	23,221,960
TRANSFERS				
Interfund transfers in/(out)	(324,192)	324,192	-	-
Direct distribution transfer to PERA	19,250	-	19,250	-
Total transfers	(304,942)	324,192	19,250	-
CHANGE IN NET POSITION	18,910,960	3,983,842	22,894,802	23,221,960
NET POSITION, BEGINNING OF YEAR (as previously reported)	115,640,149	46,462,172	162,102,321	138,972,951
Change in accounting principle	-	-	-	(92,590)
NET POSITION, END OF YEAR	$134,551,109	$ 50,446,014	$184,997,123	$162,102,321

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, 2019
With Comparative Totals for the Year Ended June 30, 2018

	Agency Operating Fund	Federal Reserve and Drawdown Funds	Totals 2019	Totals 2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from:				
Federal grants and contracts	$ 35,247,049	$208,500,637	$243,747,686	$263,654,913
Amount paid to service provider	(19,224,722)	-	(19,224,722)	(27,881,948)
Complement received on collections	-	1,746,162	1,746,162	3,766,051
Interest on loan sales	2,522,078	-	2,522,078	3,953,095
Other sources	5,283	-	5,283	19,889
	18,549,688	210,246,799	228,796,487	243,512,000
Cash disbursed for:				
Guaranty claims paid to lending institutions	-	(212,674,080)	(212,674,080)	(227,711,793)
Rehabilitated loan discount	(2,116,941)	-	(2,116,941)	(4,157,418)
Salaries and benefits	(1,258,405)	-	(1,258,405)	(1,159,406)
Operating expenses	(1,494,756)	-	(1,494,756)	(2,061,060)
	(4,870,102)	(212,674,080)	(217,544,182)	(235,089,677)
Net cash provided by (used in) operating activities	13,679,586	(2,427,281)	11,252,305	8,422,323
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITY				
Transfers	(304,942)	324,192	19,250	-
Net noncapital financing activities	(304,942)	324,192	19,250	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of property and equipment	(80,128)	-	(80,128)	(305,739)
Net cash used in capital and related financing activities	(80,128)	-	(80,128)	(305,739)
CASH FLOW FROM INVESTING ACTIVITIES				
Earnings on pooled cash investments	4,963,699	1,991,101	6,954,800	738,438
Net cash provided by investing activities	4,963,699	1,991,101	6,954,800	738,438
NET CHANGE IN CASH AND POOLED CASH INVESTMENTS	18,258,215	(111,988)	18,146,227	8,855,022
CASH AND POOLED CASH INVESTMENTS, BEGINNING OF YEAR	120,312,419	41,708,449	162,020,868	153,165,846
CASH AND POOLED CASH INVESTMENTS, END OF YEAR	$138,570,634	$ 41,596,461	$180,167,095	$162,020,868
NONCASH INVESTING ACTIVITIES				
Unrealized gains/(loss)	$ 645,886	$ 254,599	$ 900,485	$ (2,050,076)

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, 2019
With Comparative Totals for the Year Ended June 30, 2018

	Agency Operating Fund	Federal Reserve and Drawdown Funds	Totals 2019	Totals 2018
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Operating gain	$ 14,252,203	$ 1,668,549	$ 15,920,752	$ 22,483,522
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	67,657	-	67,657	129,109
Effects of changes in assets, deferred outflows of resources, liabilities and deferred inflow of resources:				
Decrease (increase) in receivables	104,258	(4,208,758)	(4,104,500)	3,376,193
Increase in prepaid expenses	(11,886)	-	(11,886)	(6,932)
Decrease (increase) in deferred outflows	(258,736)	-	(258,736)	622,973
Decrease in accounts payable and accrued liabilities	(25,804)	-	(25,804)	(2,118)
Decrease in other current liabilities	(82,848)	-	(82,848)	(1,428,748)
Decrease in loan collections and other liabilities due to federal government	-	(5,245,097)	(5,245,097)	(1,471,529)
Increase (decrease) in claims due to lenders	-	5,358,025	5,358,025	(14,253,111)
Increase (decrease) in accrued compensated absences	32,200	-	32,200	(14,100)
Decrease in net pension/OPEB liability	(1,037,209)		(1,037,209)	(757,815)
Increase (decrease) in deferred inflows	639,751	-	639,751	(255,121)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ 13,679,586	$ (2,427,281)	$ 11,252,305	$ 8,422,323

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 years ended June 30, 2019 and 2018, 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 1, 2019.

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 1, 2019

CliftonLarsonAllen LLP
CLAconnect.com

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 years ended June 30, 2019 and 2018, and have issued our report thereon dated November 1, 2019. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America and Government Auditing. Standards, as well as certain information related to the planned scope and timing of our audit. 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.

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.

A member of Nexia International

- Management's estimate of OPEB 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.

Financial statement disclosures

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 management representation letter dated November 1, 2019.

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 1, 2019.

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.

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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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Broomfield, Colorado
November 1, 2019