CollegeInvest Prepaid Tuition Fund

Financial Statements and Independent Auditors' Reports

Financial Audit

Years Ended June 30, 2012 and 2011

Compliance Audit

Year Ended June 30, 2012

LEGISLATIVE AUDIT COMMITTEE
2012 MEMBERS

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Dianne E. Ray
State Auditor

Kerri Hunter
Deputy State Auditor

Crystal Dorsey
Legislative Audit Manager

BKD, LLP
Contractor Auditors

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BKD LLP
CPAs & Advisors

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November 16, 2012

Members of the Legislative Audit Committee:

We have completed the financial statement audit of CollegeInvest Prepaid Tuition Fund as of and for the year ended June 30, 2012. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. We did not audit the financial statements of the CollegeInvest Prepaid Tuition Fund as of and for the year ended June 30, 2011 as those financial statements were audited by other auditors.

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 which we have issued as a result of this engagement are set forth in the table of contents which follows.

BKD, LLP

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CollegeInvest
Prepaid Tuition Fund
June 30, 2012

Table of Contents

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CollegeInvest
Prepaid Tuition Fund
Fiscal Year Ended June 30, 2012

REPORT SUMMARY

Purposes and Scope

The Office of the State Auditor, State of Colorado engaged BKD, LLP to conduct the financial and compliance audit of CollegeInvest (a division of the Department of Higher Education, State of Colorado) Prepaid Tuition Fund (Prepaid Tuition Fund) as of and for the fiscal year ended June 30, 2012. BKD, LLP 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 financial audit of CollegeInvest Prepaid Tuition Fund for the fiscal year ended June 30, 2011 was conducted by other auditors.

The purposes and scope of our audit were to (i) express an opinion on CollegeInvest Prepaid Tuition Fund's basic financial statements as of and for the fiscal year ended June 30, 2012 and (ii) issue a report on CollegeInvest Prepaid Tuition Fund's internal control over financial reporting and on compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters based on our audit of the financial statements performed in accordance with *Government Auditing Standards* for the year ended June 30, 2012.

Audit Opinions and Reports

We expressed an unqualified opinion on CollegeInvest Prepaid Tuition Fund's basic financial statements, as of and for the fiscal year ended June 30, 2012.

Summary of Key Findings and Recommendations

There were no findings for the fiscal year ended June 30, 2012.

Summary of Progress in Implementing Prior Year Audit Recommendations

There were no findings for the fiscal year ended June 30, 2011.

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CollegeInvest
Prepaid Tuition Fund
Fiscal Year Ended June 30, 2012

DESCRIPTION OF COLLEGEINVEST PREPAID TUITION FUND

Organization

The Colorado General Assembly, pursuant to Colorado Revised Statutes 23-3.1-201, et seq., and 23-3.1-301, et seq., established a student obligation bond program (Student Loan Program Funds which consists of the Borrower Benefit Fund and Bond Funds), a postsecondary education expense program (Prepaid Tuition Fund), an Internal Revenue Code Section 529 college savings program (Scholars Choice Fund, Direct Portfolio Fund, Smart Choice College Savings Funds, and Stable Value Plus Fund), a scholarship trust program (CollegeInvest Early Achievers Scholarship Fund), a Nursing Teacher Loan Forgiveness Program (Nursing Teacher Loan Forgiveness Fund), a Job Retraining Fund, and a Financial Need Scholarship Fund, which are administered by CollegeInvest. The programs assist families in meeting the expenses incurred in availing themselves of higher education opportunities. The Executive Director of the Colorado Department of Higher Education has responsibility for oversight and management of CollegeInvest, including appointing the Director. In addition, CollegeInvest has a nine person Board of Directors (Board) designated by the Governor with the consent of the State Senate to serve four-year terms.

Colorado Prepaid Tuition Fund

The Prepaid Tuition Fund was established in 1997 to provide families with an opportunity to save for future college education expenses. The Prepaid Tuition Fund offered an annual enrollment period for purchasers to buy prepaid tuition contracts. The Prepaid Tuition Fund offers certain federal and state tax advantages to investors and was designed to keep pace with average tuition inflation in Colorado. Originally, the investment was valued at and paid out at the level of average tuition or an average minimum of 4% per year over the life of the contract (when held until the first payment date), whichever was greater, at the time of payment. The contract terms were amended on February 20, 2003. Under the new terms, the investment is valued and paid out at the lesser of 1) the percentage increase in actual average tuition or 2) 5.5%. A purchaser can use amounts paid from the Prepaid Tuition Fund to pay for eligible expenses at private and public colleges, universities, and vocational schools throughout the United States.

DESCRIPTION OF COLLEGEINVEST PREPAID TUITION FUND (continued)

The Colorado Constitution and other State laws prohibit the State from providing its full faith and credit to obligations of other entities, such as the Prepaid Tuition Fund. As a result, payments from the Prepaid Tuition Fund are not guaranteed in any way by the State, and are not considered to have created a debt or obligation of the State. Such payments are limited obligations, payable from the Prepaid Tuition Fund, but not from the other assets of the State or CollegeInvest. In accordance with State law, if it is determined that the Prepaid Tuition Fund is not actuarially sound as determined by an actuarial valuation, CollegeInvest may direct the distribution of available assets. If it is determined that the Prepaid Tuition Fund is not financially sound as determined by an annual audit, then CollegeInvest may discontinue permanently or for a period of time may suspend a particular aspect of the Prepaid Tuition Fund and the execution of additional contracts. As of August 1, 2002, the Fund was closed to new investors.

During the March 2004 legislative session, the General Assembly enacted H.B. 04-1350, making changes to the Prepaid Tuition Fund. Effective July 1, 2004, the State Treasurer is required to invest moneys in the Prepaid Tuition Fund based upon direction from CollegeInvest's Board of Directors. Prior to July 1, 2004, the State Treasurer invested moneys in the Prepaid Tuition Fund based on the advice and recommendations of CollegeInvest. CollegeInvest is required to evaluate the actuarial soundness of the Fund if, on the last day of the fiscal year, more than ten percent of the Fund is invested in 1) common or preferred stock, 2) corporate bonds, notes or debentures that are convertible into common stock, or preferred stock, or 3) investment trust shares. CollegeInvest may contract with a private consultant to provide this evaluation. As of June 30, 2012, none of these criteria were met, thus an evaluation was not necessary.

BKD LLP
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Independent Auditors' Report on Financial Statements and Supplementary Information

Members of the Legislative Audit Committee:

We have audited the accompanying financial statements of CollegeInvest (a division of the Department of Higher Education, State of Colorado) Prepaid Tuition Fund as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of CollegeInvest Prepaid Tuition Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of CollegeInvest (a division of the Department of Higher Education, State of Colorado) Prepaid Tuition Fund as of and for the year ended June 30, 2011, were audited by other auditors whose report dated December 8, 2011, expressed an unqualified opinion on those statements.

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

As discussed in Note 1 – Organization and Summary of Significant Accounting Policies, the financial statements of the CollegeInvest Prepaid Tuition Fund are intended to present the financial position and the changes in financial position and cash flows of only that portion of the financial reporting entity, State of Colorado, that is attributable to the transactions of CollegeInvest Prepaid Tuition Fund. They do not purport to, and do not, present fairly the financial position of the State of Colorado as of June 30, 2012 and 2011, and 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CollegeInvest Prepaid Tuition Fund as of June 30, 2012 and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Members of the Legislative Audit Committee:

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2012 on our consideration of CollegeInvest Prepaid Tuition Fund's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

BKD, LLP

November 16, 2012

CollegeInvest
Prepaid Tuition Fund
Management's Discussion and Analysis
(Unaudited)
June 30, 2012 and 2011

This section of the Prepaid Tuition Fund's financial statements is a discussion and analysis of the financial performance of the Prepaid Tuition Fund (Fund) for the years ended June 30, 2012 and 2011. The Fund is a qualified state tuition program pursuant to Internal Revenue Code (IRC) Section 529 administered by CollegeInvest. CollegeInvest, a division of the Department of Higher Education of the State of Colorado, also administers the Student Loan Program Funds, which consists of the Borrower Benefit Fund, the Bond Funds, the CollegeInvest Early Achievers Scholarship Fund, the Nursing Teacher Loan Forgiveness Fund, the Financial Need Scholarship Fund, and the Job Retraining Fund; and the College Savings Program, which consists of the Scholars Choice, Direct Portfolio, Stable Value Plus and Smart Choice College Savings Funds. The Fund is presented as a proprietary fund in the State of Colorado Comprehensive Annual Financial Report. CollegeInvest's Board of Directors (Board) approves the annual budget and the investment policy of the Fund. Management of CollegeInvest is responsible for the financial statements, footnotes and this discussion. The management's discussion and analysis should be read in conjunction with the Fund's financial statements.

Overview of the Financial Statements:

This annual report contains two sections – management's discussion and analysis (this section) and the basic financial statements. The basic financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets, a Statement of Cash Flows and Notes to Financial Statements. The Notes to Financial Statements present additional information to support the financial statements and are commonly referred to as "Notes". Their purpose is to clarify and expand on the information in the financial statements.

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

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

The Statement of Cash Flows reports the Fund's cash flows from operating, investing, and noncapital financing activities.

CollegeInvest
Prepaid Tuition Fund
Management's Discussion and Analysis
(Unaudited)
June 30, 2012 and 2011

Analysis of Financial Activities:

The Fund was designed to provide families with an opportunity to save for future college education expenses. The Fund offers certain federal and State tax advantages to investors. A purchaser can use amounts paid from the Fund to pay for eligible expenses at private and public colleges, universities, and vocational schools throughout the United States. As of August 1, 2002, the Fund was closed to new enrollments and gifts, although current investors with installment contracts may continue to make contract payments.

Effective February 20, 2003, the contract terms were amended as follows:

- Prior to the First Payout Date (the date identified in the contract as the anticipated date funds are needed to pay for school) withdrawals can be made from the Fund accounts at the lesser of:

    1) a pro rata share of assets in the Fund;
    2) the amount contributed; or
    3) average tuition as defined in the contract.

- The value of annual tuition unit increases for distributions will be limited to the lesser of 1) the percentage increase in actual average tuition at Colorado public colleges and universities (as defined in the Program Disclosure Statement), or 2) 5.5%.

CollegeInvest utilizes the Borrower Benefit Fund (within the Student Loan Program Funds of CollegeInvest) for payment of general and administrative expenses and other activities necessary to fulfill the purposes of the various funds, including the Fund. Expenses paid from the Borrower Benefit Fund related to the Fund are allocated to and reimbursed by the Fund.

CollegeInvest
Prepaid Tuition Fund

Management's Discussion and Analysis
(Unaudited)

June 30, 2012 and 2011

Comparison of Current Year Results to Prior Year:

	2012	2011	2010
	(dollar amounts expressed in thousands)		
Assets:			
Cash and investments	**$ 27,247**	$ 29,048	$ 31,172
Advance payment contract receivables	**460**	694	996
Interest receivable	**246**	273	280
Total assets	**27,953**	30,015	32,448
Liabilities:			
Accounts payable, accrued expenses and amounts due to Student Loan Program Funds	**37**	52	79
Contracts and benefits payable - current	**4,997**	4,842	4,788
Contracts and benefits payable - noncurrent	**23,256**	25,709	27,828
Total liabilities	**28,290**	30,603	32,695
Net assets (deficit) - unrestricted	**$ (337)**	$ (588)	$ (247)

Cash and investments decreased by $1.8 million and $2.1 million during the years ended June 30, 2012 and 2011, respectively. In fiscal year 2012, this change is due to a net decrease in cash of $822,000 and a decrease in investments of $980,000. In fiscal year 2011, this change is due to a net decrease in cash of $100,000 and a decrease in investments of $2.0 million. Overall, cash and investments continue to decrease as the program pays off the liability to current participants, and no new participants are allowed to be added.

For the fiscal year ended June 30, 2012, cash decreased by $822,000. This was a result of an increase of $1.7 million from investments redeemed, $200,000 from installment payments on advance payment contracts, and $900,000 from interest on investments. These increases were offset by tuition payments, cancellations, rollovers and administrative expenses of $3.6 million. For the fiscal year ended June 30, 2011, cash decreased by $100,000. This was a result of cash increases of $4.7 million from investments redeemed, $300,000 from installment payments on advance payment contracts and $1.0 million from interest on investments. These increases were offset by tuition payments, cancellations, rollovers, purchases of investments and administrative expenses of $6.1 million.

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

In fiscal year 2012, the decrease in investments was due to a redemption of $1.7 million which was offset by an increase in fair market value of $700,000. In fiscal year 2011, the investments decreased by $2.0 million due to redemption of investments of $4.7 million, offset by purchases of investments of $2.1 million and an increase in fair market value of $600,000. Average investments decreased to $21.6 million in 2012 from $24.0 million in 2011 and $26.6 million in 2010.

Advance payment contract receivables decreased by $234,000 from June 30, 2011 to June 30, 2012. The decrease was a combination of installment contract principal payments of $211,000 and cancellations of $23,000. Advance payment contract receivables decreased by $302,000 from June 30, 2010 to June 30, 2011. The decrease was a combination of installment contract principal payments of $283,000 and cancellations of $19,000.

The decrease of $2.3 million in contracts and benefits payable from June 30, 2011 to June 30, 2012 was the net result of 1) a decrease of approximately $3.5 million for payments to contract holders for current tuition payments, cancellations and rollovers, and 2) an increase in the liability of approximately $1.2 million due to the accumulation of future benefits to contract holders.

The decrease of $2.1 million in contracts and benefits payable from June 30, 2010 to June 30, 2011 was the net result of 1) a decrease of approximately $3.8 million for payments to contract holders for current tuition payments, cancellations and rollovers, and 2) an increase in the liability of approximately $1.7 million due to the accumulation of future benefits to contract holders.

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

	2012	2011	2010
	(dollar amounts expressed in thousands)		
Operating revenues:			
Contract income	$ **35**	$ 58	$ 71
Investment income	**1,534**	1,502	3,227
Total operating revenues	**1,569**	1,560	3,298
Operating expenses:			
Contracts and benefits expense	**1,175**	1,730	2,246
Other expenses	**155**	180	169
Total operating expenses	**1,330**	1,910	2,415
Operating income (loss) before transfers	**239**	(350)	883
Transfer from Student Loan Program Funds	**12**	9	-
Change in net assets	**251**	(341)	883
Net assets (deficit), beginning of year	**(588)**	(247)	(1,130)
Net assets (deficit), end of year	$ **(337)**	(588)	(247)

Contract income decreased by $23,000 and $13,000 for the years ended June 30, 2012 and 2011 due primarily to the continued reduction in the number of participants making installment contract payments. The number of installment contracts decreased by approximately 92 from 384 as of June 30, 2011 to 292 as of June 30, 2012 and by 101 contracts from 485 as of June 30, 2010, to 384 as of June 30, 2011. This was primarily a result of final installment payments received from contract holders. Additionally, as the contract is paid down, more of the monthly payment is applied to principal, resulting in a decrease in contract income.

Investment income consists of interest on corporate and treasury bonds and interest on the State Treasurer's cash pool, net of investment fees, and realized and unrealized gains on investments. Interest income decreased by $160,000 and $137,000 during the years ended June 30, 2012 and 2011, respectively. The decreases are a result of decreases in the average monthly investment balance of $2.4 million in fiscal year 2012 and $2.6 million in fiscal year 2011. CollegeInvest redeems bonds in order to fund withdrawal activity for the year.

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

One bond matured during fiscal year 2012, resulting in a realized loss of $72,000 recognized at June 30, 2012. This was a result of the difference in the maturity at the par amount compared to the original cost, including the premium paid. Two bonds matured during fiscal year 2011, resulting in a realized loss of $73,000 recognized at June 30, 2011. This was a result of the difference in the maturity at the par amount compared to original cost, including the premium paid. One bond was called prior to maturity, which resulted in a $33,000 realized loss.

The fixed income investment portfolio had an unrealized gain of $743,000 and $594,000 during the fiscal years ended June 30, 2012 and 2011, respectively, due to market adjustments of investment values. The State Treasurer's cash pool had unrealized losses of $19,000 and $27,000 during the years ended June 30, 2012 and 2011, respectively. The annualized yield on fixed income investments, including unrealized gains and losses of the Fund was 5.1% and 1.9% for the fiscal years ended June 30, 2012 and 2011, respectively.

Contracts and benefits expense consists of the annual accrual of future benefits adjusted for the actual experience of tuition payments, cancellations, and rollovers during the year. This expense decreased by $555,000 and $516,000 for the years ended June 30, 2012 and 2011, respectively. The reduction in expense for the fiscal years ended June 30, 2012 and 2011 was due to a decreasing number of contracts outstanding in each year.

The Fund's statute limits its administrative expenses to 1% of contract price. The Fund's expenses subject to this limit have been as follows:

	2012	2011	2010
	(dollar amounts expressed in thousands)		
Expenses subject to the 1% cap	**$ 155,000**	$ 175,000	$ 169,000
1% cap	**$ 143,000**	$ 166,000	$ 192,000

Expenses exceeded the 1% cap of contract price by $12,000 and $9,000 for the fiscal years ended June 30, 2012 and 2011, respectively. A transfer was made from the Student Loan Program Funds to the Fund to cover these expenses in both years. Expenses did not exceed the 1% cap of contract price for the year ended June 30, 2010. There is no assurance that the 1% cap will be sufficient to cover operating costs in the future as the overall program assets decrease.

Economic Factors and Future Years' Rates:

- As of August 1, 2002, the Fund suspended execution of new contracts. The Fund is collecting payments on installment contracts but does not have any other incoming cash payments except what it receives in interest income.

- The Fund's amended contract terms limit the annual percentage increases in average tuition for distributions to the lesser of 1) the percentage increase in actual average tuition of Colorado public colleges and universities, or 2) 5.5%. In addition, the Fund offers a minimum cumulative return of 4% per annum calculated at the time of distribution. Average tuition as computed under these contract terms increased 5.5% in fiscal years 2010, 2011 and 2012, from $40.35 per unit as of August 1, 2010, to $42.57 as of August 1, 2011 and to $44.91 as of August 1, 2012. Actual average tuition of Colorado public colleges and universities increased by 10.6% and 8.2% for the 2011-2012 and 2012-2013 school years, respectively.

- Future fair market valuation of fixed income securities may fluctuate based on interest rates and/or the underlying credit of the securities. The Fund's intent is to hold these investments to maturity. The Fund may record a realized loss on the maturity if the fair market value of the investment was greater than the par amount on the financial statement date prior to the maturity. The Fund has not voluntarily liquidated any investments prior to maturity since the amended investment policy was placed into effect during fiscal year 2005 except to decrease the concentration of investments in one issuer which resulted in an $18,000 gain. However, during the fiscal year ended June 30, 2011 one bond was called prior to maturity, which resulted in a $33,000 loss. A downgrade in the rating of any fixed income securities or changes in liquidity needs of the Fund could cause the Fund to liquidate fixed income securities prior to maturity. If the Fund liquidated fixed income securities prior to maturity it may experience different returns than expected. The Fund may also experience losses as a result of a default by an issuer of its fixed income securities.

Economic Factors and Future Years' Rates (continued):

- The contract and benefit liability is calculated based on assumptions determined by management. Management utilizes past experience, as well as consultation with an actuary who is experienced in prepaid tuition plans, to determine the assumptions used in the liability calculation. In June of 2010, changes to the assumptions were made which primarily included setting tuition inflation at 5.5% for five years and 5.25% thereafter rather than 5.5% for one year and 5.25% thereafter, and reallocating the withdrawal usage percentages to 45% for year one, 20% for year two, 15% for year three, 10% for year four, 5% for year five, 2.5% for year six and 2.5% for year ten. The assumptions related to the timing of cash flows are used as a basis for management's investment decisions. Variances between the cash flows experienced by the Fund and the assumptions utilized by management may impact the ability of the Fund to meet its obligations as they come due.

- If it is determined that the Fund is not financially sound, then the Fund may discontinue permanently or for a period of time may suspend that particular aspect of the Fund.

Requests for Information:

This report is designed to provide a general overview of the Fund's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Wendy Hause, Controller, CollegeInvest, 1560 Broadway, Suite 1700, Denver, CO 80202.

CollegeInvest
Prepaid Tuition Fund
Statements of Net Assets
June 30, 2012 and 2011
(dollar amounts expressed in thousands)

	2012	2011
Assets		
Current assets:		
Cash and cash equivalents	**$ 3,354**	$ 4,176
Investments	**1,522**	1,723
Advance payment contract receivables	**166**	209
Interest receivable	**246**	273
Total current assets	**5,288**	6,381
Noncurrent assets:		
Investments	**22,371**	23,149
Advance payment contract receivables	**294**	485
Total noncurrent assets	**22,665**	23,634
Total assets	**27,953**	30,015
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	**10**	14
Due to Student Loan Program Funds	**27**	38
Contracts and benefits payable	**4,997**	4,842
Total current liabilities	**5,034**	4,894
Noncurrent liabilities:		
Contracts and benefits payable	**23,256**	25,709
Total noncurrent liabilities	**23,256**	25,709
Total liabilities	**28,290**	30,603
Net assets (deficit) - unrestricted	**(337)**	(588)
Total net assets (deficit)	**$ (337)**	$ (588)

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

CollegeInvest
Prepaid Tuition Fund
Statements of Revenues, Expenses and Changes in Fund Net Assets
Years Ended June 30, 2012 and 2011
(dollar amounts expressed in thousands)

	2012	2011
Operating revenues:		
Contract income	**$ 35**	$ 58
Investment income	**1,534**	1,502
Total operating revenues	**1,569**	1,560
Operating expenses:		
Contracts and benefits expense	**1,175**	1,730
General and administrative expenses	**105**	137
Salaries and benefits	**50**	43
Total operating expenses	**1,330**	1,910
Operating income (loss) before transfers	**239**	(350)
Transfer from Student Loan Program Funds	**12**	9
Change in net assets	**251**	**(341)**
Net assets (deficit), beginning of year	**(588)**	(247)
Net assets (deficit), end of year	**$ (337)**	$ **(588)**

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

CollegeInvest
Prepaid Tuition Fund
Statements of Cash Flows
Years Ended June 30, 2012 and 2011
(dollar amounts expressed in thousands)

	2012	2011
Cash Flows from Operating Activities:		
Cash receipts from advance payment contracts	$ 246	$ 347
Cash distributions for advance payment contracts	(3,452)	(3,787)
Cash payments to suppliers for goods and services	(143)	(193)
Cash payments to employees for service	(50)	(43)
Net cash used in operating activities	(3,399)	(3,676)
Cash Flows from Investing Activities:		
Redemptions of investments	1,729	4,698
Purchases of investments	-	(2,097)
Income received from investments	836	942
Net cash provided by investing activities	2,565	3,543
Cash Flows from Noncapital Financing Activities:		
Transfers from Student Loan Program Funds	12	9
Net cash provided by noncapital financing activities	12	9
Decrease in cash and cash equivalents	(822)	(124)
Cash and cash equivalents, beginning of period	4,176	4,300
Cash and cash equivalents, end of period	$ 3,354	$ 4,176

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

CollegeInvest
Prepaid Tuition Fund
Statements of Cash Flows (continued)
Years Ended June 30, 2012 and 2011
(dollar amounts expressed in thousands)

		2012		2011
Reconciliation of operating income (loss) before transfers to net cash used in operating activities:				
Operating income (loss) before transfers	**$**	**239**	$	(350)
Adjustments to reconcile operating income (loss) before transfers to net cash used in operating activities:				
Income received from investments included in investing activities		**(836)**		(942)
Net appreciation of fair value of investments included in operating income (loss) before transfers		**(724)**		(594)
Changes in operating assets and liabilities:				
Advance payment contract receivables		**235**		302
Accounts payable and accrued expenses		**(4)**		(15)
Due to Student Loan Program Funds		**(11)**		(12)
Contracts and benefits payable		**(2,298)**		(2,065)
Net cash used in operating activities	**$**	**(3,399)**	$	(3,676)

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

CollegeInvest
Prepaid Tuition Fund
Notes to Financial Statements
June 30, 2012 and 2011

1. Organization and Summary of Significant Accounting Policies:

Pursuant to the Colorado Revised Statutes (CRS) 23-3.1-201, et seq., and 23-3.1-301, et seq., as amended, CollegeInvest is a division of the Colorado Department of Higher Education (Department) of the State of Colorado. The Executive Director of the Department (Executive Director) has responsibility for oversight and management of CollegeInvest and appoints the Director of CollegeInvest. In addition, CollegeInvest has a nine-person Board of Directors (Board) designated by the Governor with the consent of and approval by the State Senate to serve four-year terms.

The Colorado General Assembly established a student obligation bond program (Student Loan Program Funds), a post secondary education expense program (Prepaid Tuition Fund), a college savings program (Scholars Choice, Direct Portfolio, Stable Value Plus and Smart Choice College Savings Funds), a scholarship trust program (CollegeInvest Early Achievers Scholarship Fund), a Nursing Teacher Loan Forgiveness program (Nursing Teacher Loan Forgiveness Fund), a Financial Need Scholarship Fund, and a Job Retraining Cash Fund which are administered by CollegeInvest. This report contains only the Prepaid Tuition Fund (Fund). The mission of CollegeInvest is to be Colorado's higher education financing leader and to help Colorado families break down the financial barriers to college. The operations of the programs of CollegeInvest are accounted for under generally accepted accounting principles. CollegeInvest 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.

Prepaid Tuition Fund

The Fund was established in 1997 to provide families with an opportunity to save for future college education expenses. The Fund offered an annual enrollment period for purchasers to buy prepaid tuition contracts until July 31, 2002. Effective August 1, 2002, the Fund ceased accepting new contracts. The contract terms were amended on February 20, 2003 and state that the annual increase in average tuition as defined below is limited to the lesser of 1) the percentage increase in actual average tuition at Colorado public colleges and universities, or 2) 5.5%. The Fund offers certain federal and State tax advantages to investors.

Average tuition is determined annually by the Fund by adding 1) the sum of the applicable year's resident, undergraduate, general full-time tuition at all Colorado public four-year colleges and universities, to 2) the average full-time tuition at the State community colleges for that year. Full-time tuition equates to the tuition charged for the equivalent of fifteen credit hours for each of two semesters. The total of 1) and 2) above is then divided by the number of Colorado public four-year colleges and universities in existence at such time plus one for the State community colleges.

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

Prepaid Tuition Fund (continued)

A purchaser can use amounts contributed and earned in the Fund to pay eligible expenses at private and public colleges, universities and vocational schools throughout the United States.

A qualified withdrawal is a withdrawal made to pay qualified higher education expenses of the student. All withdrawals other than qualified withdrawals are considered non-qualified withdrawals. Non-qualified withdrawals are subject to a 10% penalty on earnings per Section 529 of the Internal Revenue Code. A non-qualified withdrawal is not subject to the 10% penalty only if the withdrawal is: (i) made on account of the death or disability of the student; (ii) made on account of a scholarship received by the student, to the extent that the withdrawal does not exceed the amount of the scholarship; or (iii) a nontaxable transfer to another account or to another Section 529 program on behalf of a student or for a different student who is a family member of the original student. A nonqualified withdrawal may also be subject to recapture in the event a deduction has been taken from Colorado taxable income.

The Colorado Constitution and other State laws prohibit the State from providing its full faith and credit to obligations of other entities, such as the Fund. As a result, payments from the Fund are not guaranteed in any way by the State, and are not considered to have created a debt or obligation of the State. Such payments are limited obligations, payable from the Fund, but not from the other assets of CollegeInvest or the State.

In accordance with the CRS 23-3.1-206.7(5)(d), CollegeInvest shall evaluate the actuarial soundness of the Prepaid Tuition Fund if, on the last day of the fiscal year, more than ten percent of the Fund is invested in common or preferred stock; corporate bonds, notes, or debentures that are convertible into common or preferred stock; or investment trust shares. As of June 30, 2012 and 2011 investments of the Fund were 100% fixed income and therefore, an actuarial valuation was not obtained. The Fund has estimated its contract and benefit liability as of June 30, 2012 and 2011 based on cash flows. The CRS also states that if it is determined that the Fund is not financially sound, then the Fund may discontinue permanently or for a period of time may suspend a particular aspect of the Fund and the execution of additional contracts. Likewise, if it is determined that an excess amount exists in the Fund, CollegeInvest would calculate the portion of such excess that would be attributable on a pro rata basis to each tuition unit.

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

Reporting Entity:

The Fund was established to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges. Purchaser payments and the earnings thereon are invested to meet the obligations for future higher education expenses of a named student under each contract. The payment of general and administrative expenses and other activities of the Fund necessary to fulfill its purposes are recorded within the Fund. There are no other funds of CollegeInvest combined with the Fund in the accompanying financial statements. Thus, the financial statements of the CollegeInvest Prepaid Tuition Fund are intended to present the financial position and the changes in financial position and cash flows of only that portion of the financial reporting entity, State of Colorado, that is attributable to the transactions of CollegeInvest Prepaid Tuition Fund. They do not purport to, and do not, present fairly the financial position of the State of Colorado as of June 30, 2012 and 2011, and 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.

Budgets and Budgetary Accounting:

By statute, the Fund is continuously appropriated through user charges. Therefore, the budget is not legislatively adopted and a Statement of Revenues and Expenses – Budget to Actual is not a required part of these financial statements. Total budgeted expenses for the Prepaid Tuition Fund for the fiscal year ended June 30, 2012 were $1,461,000, compared to actual expenses of $1,330,000. The actual contract and benefit expense was less than budget by approximately $128,000. The actuarial assumptions used in the budget process differed from actual cash flows, therefore, the budget was overstated by the effect of these differences. The actual contract and benefit expense for the fiscal year ended June 30, 2012 is determined using actuarial cash flows while the budget is determined based on a variety of cash inflow and outflow assumptions using historical data.

The Executive Director and the Board exercise oversight responsibilities, including budgetary and financial oversight.

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

Basis of Accounting:

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and standards of the Governmental Accounting Standards Board (GASB). The Fund has applied pronouncements issued on or before November 30, 1989 by the Financial Accounting Standards Board, the Accounting Principles Board, and the Committee on Accounting Procedure, except for pronouncements that conflict with or contradict those of the GASB.

The accrual basis of accounting is utilized by the Fund. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period they are incurred.

Operating Revenues and Expenses:

The Fund distinguishes between operating revenues and expenses and nonoperating items in the Statements of Revenues, Expenses and Changes in Fund Net Assets. Operating revenues and expenses generally result from providing services in connection with the Fund's purpose of providing a college savings vehicle to its customers. As the Fund's principal ongoing operation is investing to meet its purpose, operating revenues consist of investment income and fees collected from contract holders. Operating expenses include the cost of payments for tuition, cancellations and rollovers of contracts and for service and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions.

Cash and Cash Equivalents:

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

Investments:

Investments are carried at fair value, which are primarily determined based on quoted market prices at June 30, 2012 and 2011.

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

Advance Payment Contract Receivables:

Advance payment contract receivables are recorded at the contract base price. Contract income represents a 7.0% charge for paying over time on all installment contracts (an approximate effective rate of 6.78%).

Compensated Absences:

Compensated absences, known as general leave, includes vacation pay and sick pay for employees who are expected to retire and are included in due to student loan program funds line item on the statement of net assets. Compensated absences are based on an employee's length of service and are earned ratably during the term of employment. Vested and accumulated general leave that is expected to be liquidated by employees of the Fund is accrued and charged against current operations.

Due to Student Loan Program Funds:

The Borrower Benefit Fund within the Student Loan Program Funds of CollegeInvest advances the Fund monies for operating expenses. Expenses paid from the Borrower Benefit Fund related to the Fund are allocated to and reimbursed by the Fund quarterly without interest.

Contracts and Benefits Payable/Expense:

Contracts and benefits payable represent the actuarially determined net present value of education expenses that will be paid in future years to students when they attend the college or university of their choice. The contracts and benefits payable is adjusted and reflected as contracts and benefits expense for the effects of future tuition increases and contract cancellations in accordance with contract terms as amended.

Revenue Recognition:

Advance payment contracts are recorded gross with the cash or receivable offset by contracts and benefits payable with no effect on the change in net assets. Interest charged to account holders for paying over time is recorded as contract income.

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

Expense Limitation:

The annual administrative expenses of the Fund (excluding contracts and benefits expense and amortization of software costs) is limited by the CRS 23-3.1-206.7(5)(e)(I) to 1% of the contract price. For the fiscal years ended June 30, 2012 and 2011, the expenses subject to the 1% cap were $155,000 and $175,000, respectively, exceeding the cap by $12,000 and $9,000, respectively. Transfers were made from the Student Loan Program Funds for these amounts in both years in order to remain in compliance with the Statute. For the fiscal years ended June 30, 2012 and 2011, the Fund was in compliance with this requirement.

Use of Estimates:

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

2. Cash Deposits and Investments:

Cash Deposits:

All cash deposits are held by a bank as agent for the Fund or the State Treasurer. Receipts on installment contracts are deposited to demand deposit accounts daily.

CollegeInvest deposits cash with the Colorado State Treasurer as required by CRS. The State Treasurer pools these deposits and invests them in securities approved by CRS 24-75-601.1. CollegeInvest reports its share of the treasurer's unrealized gains/losses based on its participation in the State Treasurer's pool. All of the State Treasurer's investments are reported at fair value, which is determined based on quoted market prices at June 30, 2012 and 2011. The State Treasurer does not invest any of the pool resources in any external investment pool, and there is no assignment of income related to participation in the pool. The unrealized gain included in "Investment Income" reflects only the change in fair value during the current fiscal year.

2. Cash Deposits and Investments (continued):

Cash Deposits (continued):

As of June 30, 2012, CollegeInvest had $3.1 million of cash on deposit with the State Treasurer which represented approximately .05% of the total $6,595.6 million for market value of deposits in the State Treasurer's pool. As of June 30, 2011, CollegeInvest had $4.1 million of cash on deposit with the State Treasurer which represented approximately .07% of the total $6,141.1 million fair market value of deposits in the State Treasurer's pool. Additional information on the Treasurer's pool may be obtained in the State of Colorado's Comprehensive Annual Financial Report.

Cash and cash equivalents as of June 30 are as follows:

	2012	2011
	(dollar amounts expressed in thousands)	
State Treasurer's Cash Pool	**$ 3,117**	$ 4,096
Demand Deposit Accounts	**237**	80
Total cash and cash equivalents	**$ 3,354**	$ 4,176

Custodial Credit Risk – Cash Deposits:

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the Fund will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Monies in the demand deposit accounts are insured by federal depository insurance for the first $250,000. Deposits in excess of the $250,000 limit are collateralized subject to the provisions of the State's Public Deposit Protection Act (PDPA) for monies held within the State.

The carrying amount and bank balance of demand deposit accounts was $237,000 as of June 30, 2012 and $80,000 as of June 30, 2011. All amounts were fully insured by the FDIC and therefore, the Fund did not have any custodial credit risk on its cash deposits as of June 30, 2012 and 2011.

2. Cash Deposits and Investments (continued):

Investment Authority and Policy:

Under the Colorado Revised Statutes 23-3.1-216, the State of Colorado Treasury has responsibility for the investment of the Fund's monies, based on the direction of CollegeInvest's Board of Directors.

The Fund's goal is to have cash available for future distributions, cancellations, and expenses. The primary investment objective for the Fund's investable assets is to match bond maturities and bond coupon payments to expected net cash outflows. The table below identifies the investment types that are authorized for the Fund:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Certificates of Deposit	12 months	[B]	[B]
Commercial Paper	9 months	None	[A]
Corporate Debt	None	None	[A]
Repurchase Agreements [C]	None	None	[A]
Banker's Acceptances	None	None	[A]
Money Market Funds	N/A	None	[A]

[A] No more than 10% of the total amount of the fixed-income portion shall be committed to the securities of any one issuer at the time of purchase, with the exception of securities issued or guaranteed by the full faith and credit of the United States or AAA rated securities issued by governmental agencies as to which there is no limit.
[B] No more than 5% of the assets of the short-term investment account shall be committed to certificates of deposit from one institution.
[C] Repurchase agreements must be secured by U.S. Treasury Obligations or U.S. Agency Securities.

Custodial Credit Risk – Investments:

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the Fund will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Fund's securities are held by the counterparty in the Fund's name and therefore, custodial credit risk is minimal.

2. Cash Deposits and Investments (continued):

Interest Rate Risk:

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Fund manages exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity as necessary to provide the cash flow and liquidity needed for operations. The Fund monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The Fund has no specific limitations with respect to this metric. Additionally, the Fund intends to hold its fixed income investments to maturity. The Fund had $2.1 million and $3.8 million of corporate bonds subject to call options for the years ended June 30, 2012 and 2011, respectively.

	2012		2011	
Investment Type	**Fair Value**	**Weighted Average Maturity (in years)**	Fair Value	Weighted Average Maturity (in years)
	(dollar amounts expressed in thousands)			
U.S. Agency Securities	**$ 8,082**	**5.7**	$ 7,147	**6.7**
Corporate Debt	**15,811**	**2.9**	17,725	**3.6**
	$ 23,893		$ 24,872	

Credit Risk:

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. FNMA securities are not subject to credit risk and therefore, are not included. Presented below is the minimum rating required by (where applicable) the Fund's investment policy and the actual ratings for each investment type:

2. Cash Deposits and Investments (continued):

Credit Risk (continued):

As of June 30, 2012:

Investment Type	Minimum Rating	Standard & Poor's Rating as of Year End: AAA	AA+	AA	AA-	A+	A	A-	BBB+	NR
		(dollar amounts expressed in thousands)								
Corporate Debt	[*]	$ -	$ -	$ -	$ -	$ 1,035	$ 1,500	$ 8,709	$ 4,567	$ -

As of June 30, 2011:

Investment Type	Minimum Rating	Standard & Poor's Rating as of Year End: AAA	AA+	AA	AA-	A+	A	A-	BBB+	NR
		(dollar amounts expressed in thousands)								
Corporate Debt	[*]	$ -	$ -	$ -	$ 1,032	$ 1,444	$ 9,608	$ 2,484	$ 3,157	$ -

As of June 30, 2012:

Investment Type	Minimum Rating	Moody's Rating as of Year End: Aa3	A1	A2	A3	Baa1	Baa2	Baa3
		(dollar amounts expressed in thousands)						
Corporate Debt	[*]	$ -	$ 1,035	$ 1,014	$ 6,215	$ 1,053	$ 4,059	$ 2,435

As of June 30, 2011:

Investment Type	Minimum Rating	Moody's Rating as of Year End: Aa3	A1	A2	A3	Baa1	Baa2	NR
		(dollar amounts expressed in thousands)						
Corporate Debt	[*]	$ 1,032	$ 3,741	$ 9,463	$ 1,005	$ 2,484	$ -	$ -

2. Cash Deposits and Investments (continued):

Credit Risk (continued):

[*] The Fund's investment policy provides for a minimum rating of at least AA by at least one of the major rating agencies upon acquisition for each specific issue. Any investment downgrades will be evaluated and appropriate action taken, as necessary. The investment policy prohibits investments which cause more than 10% of the fixed income portion to be invested in securities with a less than investment grade rating, or investments which cause the fixed income portion to have an overall quality which is less than A as rated by Moody's or Standard & Poor's. During the fiscal year ended June 30, 2011, CollegeInvest's Board approved the purchase of two investments totaling $2.1 million that were rated A. The purchases did not decrease the overall credit rating of the portfolio below the required A rating.

Concentrations of Credit Risk:

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The investment policy of the Fund contains limitations on the amount that can be invested in any one issuer, as noted above. Because they are explicitly guaranteed, FNMA and FHLMA securities are not subject to concentration of credit risk and therefore, are not included.

Investments in any one issuer that represent 5% or more of total the Fund investments as of June 30, 2012 and 2011 are as follows:

Issuer	Investment Type	**2012** Fair Value	2011 Fair Value
		(dollar amounts expressed in thousands)	
Goldman Sachs	Corporate Debt	**$3,636**	$3,741
Merrill Lynch & Co.	Corporate Debt	**$3,571**	$3,638
Citigroup	Corporate Debt	**$2,435**	$2,484
Wells Fargo	Corporate Debt	**$2,411**	$2,353
Morgan Stanley	Corporate Debt	**$0**	$1,723
Verizon Pennsylvania	Corporate Debt	**$0**	$0
JP Morgan Chase	Corporate Debt	**$0**	$0
Bank of America	Corporate Debt	**$488**	$0

3. Advance Payment Contract Receivables:

Until August 1, 2002, purchasers entered into advance payment contracts for a number of tuition units. The Fund values and pays out tuition units based on future average tuition (as defined in the contract terms) to the designated student when he or she attends an eligible college of his or her choice. The contracts were purchased with a one-time lump sum payment, a monthly payment plan, or a combination plan. The monthly payment plan allowed the purchaser to determine the monthly payment amount and the number of payments the purchaser wished to make. The combination plan allowed the purchaser to begin paying with a lump sum payment as his or her first monthly payment, followed by subsequent monthly payments. Monthly payment plans are generally for full term (from the contract date until at least three months before the scheduled payout date), five years, or ten years. The full term monthly payment plan has a preset number of months based on the payout year. The full term monthly payment plans range from 10 months remaining for payout year 2013 to 94 months remaining for payout year 2020. Contracts for monthly payment plans generally provide for payment of a contract base price and a charge for paying over time (at an approximate effective rate of 6.78%). Advance payment contract receivables are $460,000 and $694,000 as of June 30, 2012 and 2011, respectively. The Fund expects to collect approximately $166,000 in contract receivables during the fiscal year ended June 30, 2013. The remaining $294,000 is expected to be collected from July 1, 2013 through January 31, 2020.

4. Contracts and Benefits Payable:

The following table presents total contracts and benefits payable of the Fund, including the obligation related to advance payment contract receivables, measured at the actuarial net present value (APV) of the future contracts and benefits expense. The valuation method reflects the present value of estimated contracts and benefits expenses that will be paid in future years and is adjusted for the effects of projected tuition increases and cancellations of certain contracts. Net assets represent assets available to meet the Fund's contracts and benefits payable obligations.

As of June 30:	**2012**	2011
	(dollar amounts expressed in thousands)	
APV of Future Contracts and Benefits Payable	**$ 28,253**	$ 30,551
Total Assets Available for Future Contracts and Benefits are as follows:		
Cash deposits	**$ 3,354**	$ 4,176
Investments	**23,893**	24,872
Advance payment contract receivables	**460**	694
Interest receivable	**246**	273
Less:		
Accounts payable and accrued expenses	**(10)**	(14)
Due to Student Loan Program Funds	**(27)**	(38)
Total Assets Available for Future Contracts and Benefits Payable	**$ 27,916**	$ 29,963
Excess (Deficit) Assets	**$ (337)**	$ (588)
Total Assets Available as a Percentage of Contracts and Benefits Payable	**99%**	98%

The following assumptions developed by management were used in the actuarial analysis as of June 30, 2012 and 2011. These assumptions are based on historical data both for the State and national trends.

Investment rates	The investment yield assumption is based on estimates of the yields that will be available on the investment portfolio and cash. For both fiscal years ended June 30, 2012 and 2011, the investment yield assumption was 4.5%. For the fiscal years ended June 30, 2012 and 2011, the actual annualized yield on investments was 5.1% and 1.9%, respectively. The actual annualized yield on advance payment contract receivables was 6.78% for both years.

4. Contracts and Benefits Payable (continued):

Tuition increases	Tuition increases are based on the current best estimate of future tuition increases for Colorado public four-year colleges and universities in existence at such time plus the State community colleges. For the fiscal year ended June 30, 2012, the tuition increases assumption is 5.5% for three years and 5.25% thereafter. For the fiscal year ended June 30, 2011, the tuition increases assumption was 5.5% for four years and 5.25% thereafter.
	For the fiscal years ended June 30, 2012 and 2011, the actual average tuition increased by 8.2% and 10.6%, respectively. Average tuition as computed under the contract terms increased 5.5% in both fiscal years ended June 30, 2012 and 2011.
Cancellations	Cancellations occur when a participant rolls funds into another type of plan or ceases to make installment payments on an outstanding contract. Contract cancellations are estimated to be 1.75% per year. Installment cancellations are estimated to be 5.12% per year. Average contract and installment cancellations over the last five years were 1.60% and 4.28%.

The following schedule of the estimated distribution of contracts and benefits payments does not convey the same information as the actuarial net present value of future contracts and benefits presented on the previous page. The actuarial net present value represents management's estimate of assets required today so that all participants will be paid in the future. The following schedule of the estimated distribution of contracts and benefits payments shows future benefits payments using an expected long-term annualized rate of tuition growth of 5.5% per annum for three years and 5.25% thereafter. The schedule assumes that contracts that have reached their matriculation will be distributed 45% in the first year, 20% in the second year, 15% in the third year, 10% in the fourth year, 5% in the fifth year, 2.5% in the sixth year and 2.5% in the tenth year. Any deficits in the Prepaid Tuition Fund will be covered by the reserve in the Student Loan Program Funds (see footnote 9).

4. Contracts and Benefits Payable (continued):

		Total (dollar amounts expressed in thousands)
2013	$	**5,017**
2014		**4,707**
2015		**4,458**
2016		**4,489**
2017		**3,586**
2018-2022		**8,400**
2023-2027		**951**
2028-2030		**72**
Total Estimated Contracts and Benefits Distributions	$	**31,680**

5. Retirement Plans:

Plan Description:

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

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

5. Retirement Plans (continued):

Plan Description (continued):

Prior to legislation passed during the 2006 session, higher education employees may have participated in social security, PERA's defined benefit plan, or the institution's optional retirement plan. Currently, higher education employees, except for community college employees, are required to participate in their institution's optional plan, if available, unless they are active or inactive members of PERA with at least one year of service credit. In that case they may elect either PERA or their institution's optional plan. Community college employees hired after January 1, 2010, are required to become members of PERA and must elect either PERA's defined benefit or defined contribution plan within 60 days, unless they had been a PERA member within the prior twelve months. In that case, they are required to remain in the PERA plan in which they participated previously.

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

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

- Hired before July 1, 2005 – age 50 with 30 years of service, age 60 with 20 years of service, or age 65 with 5 years of service.
- Hired between July 1, 2005 and December 31, 2006 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 20 years of service, or age 65 with any years of service.
- Hired between January 1, 2007 and December 31, 2010 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 25 years of service, or age 65 with 5 years of service. For members with less than 5 years of service credit as of January 1, 2011 age and service requirements increase to those required for members hired between January 1, 2007 and December 31, 2010.
- Hired between January 1, 2011 and December 31, 2016 – any age with 35 years of service, age 58 with 30 years of service, or age 65 with 5 years of service.

5. Retirement Plans (continued):

Plan Description (continued):

- Hired on or after January 1, 2017 – any age with 35 years of service, age 58 with 30 years of service, or age 65 with 5 years of service.

Members are also eligible for retirement benefits without a reduction for early retirement based on their original hire date, as follows:

- Hired before January 1, 2007 – age 55 with a minimum of 5 years of service credit and age plus years of service equals 80 or more.

- Hired on or after January 1, 2007 – age 55 with a minimum of 5 years of service credit and age plus years of service equals 85 or more.

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

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

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

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

5. Retirement Plans (continued):

Plan Description (continued):

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

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

- Hired on or after January 1, 2007 – the lesser of 2 percent or the actual increase in the national Consumer Price Index, limited to a 10 percent reduction in a reserve established for cost of living increases related strictly to those hired on or after January 1, 2007. (The reserve is funded by 1 percentage point of salaries contributed by employers for employees hired on or after January 1, 2007.)

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

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

Funding Policy:

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

5. Retirement Plans (continued):

Funding Policy (continued):

Most employees contribute 8.0 percent (10.0 percent for State troopers) of their salary, as defined in CRS 24-51-101(42), to an individual account in the plan. Effective July 1, 2011 Senate Bill 11-076 extended the requirement for members in the State and Judicial Divisions to pay 2.5 percent additional member contributions through June 30, 2012. Employer contributions for members in these two divisions were reduced by 2.5 percent.

From July 1, 2011 to December 31, 2011, the State contributed 12.25 percent (14.95 percent for State troopers and 14.86 percent for the Judicial Branch) of the employee's salary. From January 1, 2012 through June 30, 2012, the State contributed 13.15 percent (15.85 percent for State troopers and 14.86 percent for the Judicial Branch). During all of Fiscal Year 2011-12, 1.02 percent of the employees' total salary was allocated to the Health Care Trust Fund.

Per Colorado Revised Statutes, an amortization period of 30 years is deemed actuarially sound. At December 31, 2011, the division of PERA in which the State participates has a funded ratio of 57.7 percent and a 56 year amortization period based on current contribution rates. The funded ratio on the market value of assets is slightly lower at 57.6 percent.

In the 2004 and 2010 legislative sessions, the General Assembly authorized an Amortization Equalization Disbursement (AED) to address a pension-funding shortfall. The AED requires PERA employers to pay an additional .5 percent of salary for calendar years 2006 and 2007, with subsequent year increases of .4 percent of salary through 2017, to a maximum of 5 percent (except for the Judicial Division whose AED contribution was frozen at the 2010 level).

In the 2006 and 2010 legislative sessions, the General Assembly authorized a Supplemental Amortization Equalization Disbursement (SAED) that requires PERA employers to pay an additional one-half percentage point of total salaries, for calendar years 2008 through 2017, to a maximum of 5 percent (except for the Judicial Division whose SAED contribution was frozen at the 2010 level). The SAED will be deducted from the amount otherwise available to increase State employees' salaries.

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

5. Retirement Plans (continued):

Funding Policy (continued):

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

The Fund's contributions to PERA and/or the State defined contribution plan for the fiscal years ended June 30, 2012, 2011, and 2010 were $5,000, $4,000, and $5,400, respectively. These contributions met the contribution requirement for each year.

6. Other Retirement Plans:

Defined Contribution Plan:

The PERA Defined Contribution Retirement Plan was established January 1, 2006, as an alternative to the defined benefit plan. All employees, with the exception of certain higher education employees, have the option of participating in the plan. At July 1, 2009, the State's administrative functions for the defined contribution plan were transferred to PERA. New member contributions to the plan vest from 50 percent to 100 percent evenly over 5 years. Participants in the plan are required to contribute 8 percent (10 percent for state troopers) of their salary. For Fiscal Years 2009-10 and 2010-11 the legislature temporarily increased the required contribution rate to 10.5 percent (12.5 percent for State Troopers). At December 31, 2011, the plan had 4,029 participants.

Deferred Compensation Plan:

The PERA Deferred Compensation Plan (457) was established July 1, 2009, as a continuation of the State's deferred compensation plan which was established for state and local government employees in 1981. At July 1, 2009, the State's administrative functions for the 457 plan were transferred to PERA, where all costs of administration and funding are borne by the plan participants. In calendar year 2010, participants were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution with a temporarily increase to 10.5 percent for Fiscal Years 2010-11 and 2011-12) to a maximum of $16,500. Participants who are age 50 and older, and contributing the maximum amount allowable, were allowed to make an additional $5,500 contribution in 2010, for total contributions of $22,000. Contributions and earnings are tax deferred. At December 31, 2011, the plan had 17,821 participants.

7. Other Postemployment Benefits (continued):

Deferred Compensation Plan (continued):

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

Health Care Program:

The PERA Health Care Program began covering benefit recipients and qualified dependents on July 1, 1986. This benefit was developed after legislation in 1985 established the program and the Health Care Fund; the program was converted to a trust fund in 1999. The plan is a cost-sharing multiple-employer plan under which PERA subsidizes a portion of the monthly premium for health care coverage. The benefits and employer contributions are established in statute and may be amended by the General Assembly. PERA includes the Health Care Trust Fund in its Comprehensive Annual Financial Report, which may be obtained by writing PERA at P.O. Box 5800, Denver, Colorado 80217, by calling PERA at 1-800-759-PERA (7372), or by visiting http://www.copera.org.

After the PERA subsidy, the benefit recipient pays the balance of the premium through an automatic deduction from the monthly retirement benefit. Monthly premium costs for participants depend on the health care plan selected, the PERA subsidy amount, Medicare eligibility, and the number of persons covered. Effective July 1, 2000, the maximum monthly subsidy is $230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; and $115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The maximum subsidy is based on the recipient having 20 years of service credit, and is subject to reduction by 5 percent for each year less than 20 years.

Employees are not required to contribute to the Health Care Trust Fund, which is maintained by employer's contributions as discussed above in Note 5. Beginning July 1, 2004, State agencies/institutions are required to contribute 1.02 percent of gross covered wages to the Health Care Trust Fund. The Fund contributed $400, $400, and $500 as required by statute in Fiscal Years 2011-12, 2010-11, and 2009-10, respectively. In each year the amount contributed was 100 percent of the required contribution.

7. Other Postemployment Benefits (continued):

Health Care Program (continued):

The Health Care Trust Fund offers two general types of plans: fully-insured plans offered through health care organizations and self-insured plans administered for PERA by third party vendors. As of December 31, 2011, there were 50,217 enrolled participants, including spouses and dependents, from all contributors to the plan. At December 31, 2011, the Health Care Trust Fund had an unfunded actuarial accrued liability of $1.43 billion, a funded ratio of 16.5 percent, and a 49-year amortization period.

8. Risk Management:

Self-Insurance:

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

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

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

8. Risk Management (continued):

Self-Insurance (continued):

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

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

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

Furniture and Equipment:

The State of Colorado carries a \$15,000 deductible replacement policy on all state owned furniture and equipment. For each loss incurred, CollegeInvest is responsible for the first \$5,000 of the deductible and the State of Colorado is responsible for the next \$10,000 of the deductible. Any loss in excess of \$15,000 is covered by the insurance carrier up to replacement cost.

9. Net Assets:

Restricted net assets includes net assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Net assets are restricted for the purpose of meeting future payments for higher education expenses as stipulated by the CRS 23-3.1-206.7(5)(a) and as agreed to in the advance payment contracts. CollegeInvest holds a reserve in its Student Loan Program Funds for cash flow timing differences and administrative expenses in excess of the statutory limit of the Fund.

The Fund had a deficiency in restricted net assets of \$337,000 and \$588,000 as of June 30, 2012 and 2011, respectively. Because restricted net assets cannot be a negative amount, the deficiency is reported as a net deficit – unrestricted in the statements of net assets.

10. Economic Dependency on Market Fluctuations:

The Fund had an operating loss during the year ended June 30, 2011. The Fund uses a bond laddering strategy for its investments, with the goal of matching bond maturities and coupon payments to expected net cash outflows. The bond portfolio is adjusted to fair market value and this adjustment may be positive or negative depending on financial market conditions at the time. The bond portfolio is evaluated on an annual basis and rebalanced, if necessary. The intent of the Fund is to hold the investments to maturity which should reduce the Fund's economic dependency on market fluctuations.

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

Members of the Legislative Audit Committee:

We have audited the financial statements of CollegeInvest (a division of the Department of Higher Education, State of Colorado) Prepaid Tuition Fund (the Fund) as of and for the year ended June 30, 2012, and have issued our report thereon dated November 16, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Fund is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Fund's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control over financial reporting.

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 Fund's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

Members of the Legislative Audit Committee:

Compliance and Other Matters

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

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

BKD, LLP

November 16, 2012

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Independent Auditors' Communication to Legislative Audit Committee

Members of the Legislative Audit Committee:

As part of our audit of the financial statements of CollegeInvest Prepaid Tuition Fund (Prepaid Tuition Fund) as of and for the year ended June 30, 2012, we wish to communicate the following to you.

Auditor's Responsibility Under Auditing Standards Generally Accepted in the United States of America and the Standards Applicable to Financial Audits Contained in *Government Auditing Standards* Issued by the Comptroller General of the United States

An audit performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States is designed to obtain reasonable, rather than absolute, assurance about the financial statements. In performing auditing procedures, we establish scopes of audit tests in relation to the financial statements taken as a whole. Our engagement does not include a detailed audit of every transaction.

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

An audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Qualitative Aspects of Significant Accounting Policies and Practices

Significant Accounting Policies

The Prepaid Tuition Fund's significant accounting policies are described in Note 1 of the audited financial statements.

Members of the Legislative Audit Committee:

Alternative Accounting Treatments

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

- No matters are reportable

Management Judgments and Accounting Estimates

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

- Contracts and benefits payable

Financial Statement Disclosures

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

- Contracts and benefits payable
- Net assets (deficit balance)

Audit Adjustments

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

Areas in which adjustments were proposed include:

Proposed Audit Adjustments Recorded
- No matters are reportable

Proposed Audit Adjustments Not Recorded
- Attached is a summary of uncorrected misstatements we aggregated during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements as a whole

Members of the Legislative Audit Committee:

Auditor's Judgments About the Quality of the Prepaid Tuition Fund Accounting Principles

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

- No matters are reportable

Disagreements with Management

The following matters involved disagreements which if not satisfactorily resolved would have caused a modified auditor's opinion on the financial statements:

- No matters are reportable

Consultation with Other Accountants

During our audit we became aware that management had consulted with other accountants about the following auditing or accounting matters:

- No matters are reportable

Significant Issues Discussed with Management

Prior to Retention

During our discussion with management prior to our engagement, the following issues regarding application of accounting principles or auditing standards were discussed:

- No matters are reportable

During the Audit Process

During the audit process, the following issues were discussed or were the subject of correspondence with management:

- No matters are reportable

Members of the Legislative Audit Committee:

Difficulties Encountered in Performing the Audit

Our audit requires cooperative effort between management and the audit team. During our audit, we found significant difficulties in working effectively on the following matters:

- No matters are reportable

Other Material Written Communications

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

- Management representation letter

* * * * *

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

BKD, LLP

November 16, 2012

Client: CollegeInvest

Period Ending: June 30, 2012

SCHEDULE OF UNCORRECTED MISSTATEMENTS (ADJUSTMENTS PASSED)

Prepaid Tuition

Description	Type of Misstatement (Known or Likely)	Assets		Liabilities		Operating Revenues	Operating Expenses	Nonoperating Revenues (Expenses)	Net Assets *(Beg. of year)*	Invested in Capital Assets, Net	Restricted Net Assets	Unrestricted Net Assets	Net Effect on Following Year	
		Current	*Non-Current*	*Current*	*Non-Current*								*Change in Net Assets*	*Net Assets*
		DR (CR)	DR (CR)	DR (CR)	DR (CR)	DR (CR)	DR (CR)	DR (CR)	DR (CR)	DR (CR)	DR (CR)	DR (CR)	DR (CR)	DR (CR)
PY - None														
Current Year														
To adjust the contract payable per calculation input error	**Likely**			6,000	48,564		(54,564)				(54,564)			
Total passed adjustments				6,000	48,564		(54,564)				(54,564)			

Impact on Change in Net Assets	**(54,564)**
Impact on Net Assets	**(54,564)**

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CollegeInvest
ATTACHMENT

This analysis and the attached "Schedule of Uncorrected Misstatements (Adjustments Passed)" reflects the effects on the financial statements if the uncorrected misstatements identified were corrected.

Prepaid Tuition

QUANTITATIVE ANALYSIS

	Before Misstatements	Misstatements	Subsequent to Misstatements	% Change
Current Assets	5,288,000		5,288,000	
Non-Current Assets	22,665,000		22,665,000	
Current Liabilities	(5,034,000)	6,000	(5,028,000)	-0.12%
Non-Current Liabilities	(23,256,000)	48,564	(23,207,436)	-0.21%
Current Ratio	1.050		1.052	0.19%

Total Assets	27,953,000		27,953,000	
Invest in Capital Assets, net of Debt				
Restricted Net Assets		(54,564)	(54,564)	
Unrestricted Net Assets	337,000		337,000	
Total Net Assets	337,000	(54,564)	282,436	-16.19%

Operating Revenues	(1,569,000)		(1,569,000)	
Operating Expenses	1,330,000	(54,564)	1,275,436	-4.10%
Nonoperating Revenues (Expenses)	(12,000)		(12,000)	
Change in Net Assets	(251,000)	(54,564)	(305,564)	21.74%

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

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

Report Control Number 2113A-12

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