

State of Illinois
Office of the Treasurer

THE ILLINOIS FUNDS

FINANCIAL AUDIT

For the years ended June 30, 2005 and 2004

Performed as Special Assistant
Auditors for the Auditor General,
State of Illinois

State of Illinois
Office of the Treasurer

THE ILLINOIS FUNDS

TABLE OF CONTENTS

	Page
TREASURER'S OFFICE OFFICIALS	3
FINANCIAL STATEMENT REPORT	
SUMMARY	4
INDEPENDENT AUDITORS' REPORT	5
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	7
STATEMENTS OF FIDUCIARY NET ASSETS	9
STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS	11
NOTES TO FINANCIAL STATEMENTS	12
SUPPLEMENTARY INFORMATION	
PORTFOLIO OF INVESTMENTS	21
STATEMENT OF FIDUCIARY NET ASSETS BY INVESTOR TYPE AND CHANGES IN FIDUCIARY NET ASSETS BY INVESTOR TYPE	30
MONEY MARKET FUND – INVESTMENT POLICY	31
PRIME FUND – INVESTMENT POLICY	36

State of Illinois
Office of the Treasurer

THE ILLINOIS FUNDS

TREASURER'S OFFICE OFFICIALS

Treasurer	Honorable Judy Baar Topinka
Chief of Staff	Ms. Nancy Kimme
Chief Fiscal Officer/ Deputy Chief of Staff for Operations	Mr. Edward Buckles
Deputy Chief of Staff for Law & Policy	Mr. Martin Noven
Director of Economic Opportunity	Mr. Rick Hackler
Assistant Director of The Illinois Funds	Mr. Randy Coffey
Portfolio Manager	Mr. Mark Polistina
Inspector General	Mr. David Wells
Chief Internal Auditor	Ms. Barbara Ringler

The Office of the Treasurer maintains four office locations:

- Executive Office
State Capitol
219 State House
Springfield, Illinois 62702
- Operational divisions
Jefferson Terrace
300 West Jefferson Street
Springfield, Illinois 62702
- Unclaimed Property and other divisions
Myers Building
1 W. Old State Capitol Plaza
Springfield, Illinois 62701
- Chicago Office and Personnel/Legal/Programmatic
James R. Thompson Center
100 West Randolph Street
Suites 15-600 and 4-100
Chicago, Illinois 60601

FINANCIAL STATEMENT REPORT

State of Illinois
Office of the Treasurer

THE ILLINOIS FUNDS

FINANCIAL STATEMENT REPORT

SUMMARY

The audit of the accompanying financial statements of The Illinois Funds of the State of Illinois, Office of the Treasurer was performed by Crowe Chizek and Company LLC as of and for the year ended June 30, 2005.

Based on their audit, the auditors expressed an unqualified opinion on The Illinois Funds of the State of Illinois, Office of the Treasurer's financial statements.



Crowe Chizek and Company LLC
Member Horwath International

Independent Auditors' Report

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of The Illinois Funds (a fiduciary fund) of the State of Illinois, Office of the Treasurer as of and for the year then ended June 30, 2005, as listed in the Table of Contents. These financial statements are the responsibility of the management of the State of Illinois, Office of the Treasurer. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of The Illinois Funds of the State of Illinois, Office of the Treasurer as of and for the year ended June 30, 2004 were audited by other auditors whose report dated October 1, 2004, 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 the 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 A, the financial statements of The Illinois Funds of the State of Illinois, Office of the Treasurer present only this fiduciary fund and do not purport to, and do not, present fairly the financial position of the State of Illinois, Office of the Treasurer as of June 30, 2005 and 2004, and its changes in financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Illinois Funds of the State of Illinois, Office of the Treasurer as of June 30, 2005, and the changes in its financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 7, 2005 on our consideration of The Illinois Funds of the State of Illinois, Office of the Treasurer's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 audits.

Our audit was conducted for the purpose of forming an opinion on the financial statements of The Illinois Funds of the State of Illinois, Office of the Treasurer. The portfolio of investments, the statement of fiduciary net assets by investor type, the statement of changes in fiduciary net assets by investor type, and the investment policies listed in the Table of Contents on pages 21 to 41 are presented for purposes of additional analysis and are not a required part of the financial statements. The portfolio of investments and the detailed statement of fiduciary net assets by investor type and the statement of changes in fiduciary net assets by investor type have been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole. The investment policies have not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on them.

Crowe Chizek and Company LLC
Crowe Chizek and Company LLC

Oak Brook, Illinois
October 7, 2005



Crowe Chizek and Company LLC
Member Horwath International

Report on Internal Control over Financial Reporting
And on Compliance and Other Matters
Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards*

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited The Illinois Funds of the State of Illinois, Office of the Treasurer as of and for the year ended June 30, 2005, and have issued our report thereon dated October 7, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

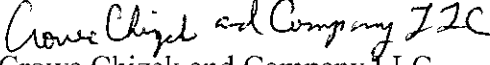
In planning and performing our audit, we considered the State of Illinois, Office of the Treasurer's internal control over financial reporting of The Illinois Funds in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of Illinois, Office of the Treasurer'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 Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, and the State of Illinois, Office of the Treasurer, The Illinois Funds' management, and is not intended to be and should not be used by anyone other than these specified parties.


Crowe Chizek and Company LLC

Oak Brook, Illinois
October 7, 2005

State of Illinois
Office of the Treasurer

THE ILLINOIS FUNDS

STATEMENTS OF FIDUCIARY NET ASSETS

June 30

ASSETS

	<u>2005</u>	<u>2004</u>
Cash equivalents		
Repurchase agreements, including accrued interest of \$ 344,062 and \$ 139,056, 2005 and 2004, respectively	\$ 4,040,344,062	\$ 3,875,139,056
U.S. Treasury obligations		
Treasury Bills, net of unamortized discount of \$ 61,522, in 2004	-	44,938,477
U.S. Agency obligations		
Federal Home Loan Mortgage Corporation Discount Notes, net of unamortized discount of \$ 185 and \$ 6,250 , 2005 and 2004, respectively	549,815	4,993,750
Federal Home Loan Bank Discount Notes, net of unamortized discount of \$ 1,678 in 2005	3,998,322	-
Federal National Mortgage Association Discount Notes, net of unamortized discount of \$ 0 and \$ 23,067, 2005 and 2004, respectively	2,350,000	14,976,934
	<hr/>	<hr/>
Total cash equivalents	4,047,242,199	3,940,048,217
Deposits and investments		
Money market mutual funds	842,595,202	413,495,978
Certificates of deposit, including accrued interest of \$ 504,991 and \$ 295,416, 2005 and 2004, respectively	218,212,991	219,438,416
U.S. Treasury obligations		
Treasury Bills, net of unamortized discount of \$ 842,554 and \$ 95,254, 2005 and 2004, respectively	179,157,446	69,904,747
Treasury Notes, net of unamortized premium of \$ 1,830,581 in 2004	-	436,830,581
Treasury Bonds, net of unamortized premium of \$ 376,151 in 2004	-	10,376,151
U.S. Agency obligations		
Federal Home Loan Bank Debentures, net of unamortized discount of \$ 142 in 2004	-	57,499,858
Federal Home Loan Mortgage Corporation interest bearing notes	2,000,000	-

State of Illinois
Office of the Treasurer

THE ILLINOIS FUNDS

STATEMENTS OF FIDUCIARY NET ASSETS - CONTINUED

June 30

ASSETS - CONTINUED

	<u>2005</u>	<u>2004</u>
U.S. Agency obligations - Continued		
Federal Home Loan Mortgage Corporation Discount Notes, net of unamortized discount of \$ 66,090 and \$ 32,227 , 2005 and 2004, respectively	\$ 24,933,910	\$ 12,852,773
Federal National Mortgage Association Notes	2,000,000	10,000,000
Federal National Mortgage Association Discount Notes, net of unamortized discount of \$ 118,866 and \$ 67,590, 2005 and 2004, respectively	15,881,134	12,929,409
Federal Farm Credit interest bearing notes	-	1,000,000
	1,284,780,683	1,244,327,913
Accrued interest receivable	1,039,353	3,064,691
	5,333,062,235	5,187,440,821

LIABILITIES AND NET ASSETS

Accrued liabilities		
Bank custodial fees	160,722	158,252
State management fees	259,787	252,608
	420,509	410,860
Net assets available to participants	\$ 5,332,641,726	\$ 5,187,029,961
The pricing of shares		
Participant shares outstanding, (\$ 1.00 par, unlimited shares authorized)	5,332,641,726	5,187,029,961
Participant net asset value, offering and redemption price per share	\$ 1.00	\$ 1.00

The accompanying notes are an integral part of these statements.

State of Illinois
Office of the Treasurer

THE ILLINOIS FUNDS

STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS

For the year ended June 30

	<u>2005</u>	<u>2004</u>
Operations		
Revenues		
Investment earnings	\$ 105,244,187	\$ 50,635,007
Expenses		
Bank custodial fees	1,849,515	1,815,589
State management fees	2,893,575	2,804,431
	<u>4,743,090</u>	<u>4,620,020</u>
Total expenses		
Net investment earnings	<u>100,501,097</u>	<u>46,014,987</u>
Dividends to shareholders from net investment income	(100,501,097)	(46,014,987)
Share transactions (dollar amounts and number of shares are the same)		
Subscriptions	14,868,120,369	15,143,829,432
Reinvestments	98,309,924	42,933,450
Redemptions	<u>(14,820,818,528)</u>	<u>(14,933,583,684)</u>
Net increase in net assets and shares resulting from share transactions	145,611,765	253,179,198
Net assets, beginning of year	<u>5,187,029,961</u>	<u>4,933,850,763</u>
Net assets, end of year	<u>\$ 5,332,641,726</u>	<u>\$ 5,187,029,961</u>

The accompanying notes are an integral part of these statements.

State of Illinois
Office of the Treasurer
THE ILLINOIS FUNDS
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2005 and 2004

Background

The Illinois Funds was established in 1976 to supplement and enhance the investment opportunities available to custodians of public agency funds throughout the State of Illinois. The management, custodianship and operation of The Illinois Funds are under the supervision of the State of Illinois, Office of the Treasurer ("Treasurer").

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

As described in the Illinois Comprehensive Annual Financial Report, the State of Illinois is the primary government which includes all funds, elected offices, departments and agencies of the State, as well as boards, commissions, authorities, universities and colleges over which the State's executive or legislative branches exercise legal control.

The Illinois Funds is not legally separate from the State of Illinois, and is, therefore, determined to be part of the primary government. The Illinois Funds is included in the Illinois Comprehensive Annual Financial Report as an investment trust fund. The Illinois Funds consists of an internal and external portion. The internal portion is the portion that belongs to the State and its component units. The external portion is the portion belonging to the noncomponent-unit participants. The scope of The Illinois Funds' financial statements presented herein is limited to the financial position of The Illinois Funds, including net assets available to all participants, both internal and external, and the changes in net assets. The internal portion of the Illinois Funds is included in the various funds in the Illinois Comprehensive Annual Financial Report as an investment.

Securities held by the Custodian, U.S. Bank of Illinois, for safekeeping on behalf of The Illinois Funds' participants under a separate agreement are not recorded in the accounts nor reported in the accompanying financial statements of The Illinois Funds. This service is provided by U.S. Bank to all Illinois Funds' participants at a discounted fee.

Fiduciary Fund

The Illinois Funds is classified as an investment trust fund. This investment trust fund is used to account for assets held by The Illinois Funds in a trustee capacity or as an agent for public treasurers and other custodians of public monies throughout the State of Illinois. This investment trust fund is not held in the State Treasury and is a non-appropriated fund.

State of Illinois
Office of the Treasurer
THE ILLINOIS FUNDS
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2005 and 2004

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting and Measurement Focus

The accounts of The Illinois Funds are maintained and reported using the accrual basis of accounting. Under the accrual basis of accounting, additions are recorded in the accounting period earned. Deductions are recognized in the accounting period in which the liability is incurred.

Deposits and Investments

Money market mutual funds are purchased from various brokerage firms and are comprised of U.S. Treasury obligations. Mutual fund yields are subject to market rate fluctuations.

Repurchase agreements (securities purchased under agreements to resell) are carried at the amounts at which the securities will be subsequently resold, including accrued interest (which represents current value), as specified in the agreements.

Time deposits, including certificates of deposit with financial institutions, are stated at cost plus accrued interest, which represents current value. Certificates of deposit may be subject to certain withdrawal restrictions. It is the intent of management to hold the time deposits to maturity.

Commercial paper is stated at amortized cost, which excludes accrued interest and includes accretion of discounts and amortization of premiums. Commercial paper utilizes the straight-line method of amortization or accretion. It is the intent of management to hold commercial paper to maturity.

U.S. Treasury obligations are stated at amortized cost, which excludes accrued interest and includes accretion of discounts and amortization of premiums. Treasury notes utilize the constant yield method and strips and bills use straight-line amortization. It is the intent of management to hold U.S. Treasury obligations to maturity unless market conditions provide for realization of a gain, and management determines a sale would be in the best interest of The Illinois Funds.

U.S. Agency obligations are stated at amortized cost, which excludes accrued interest and includes accretion of discounts and amortization of premiums. U.S. Agency discount notes utilize the constant yield method and all others use straight-line amortization. It is the intent of management to hold U.S. Agency securities to maturity unless market conditions provide for realization of a gain, and management determines a sale would be in the best interest of The Illinois Funds.

State of Illinois
Office of the Treasurer
THE ILLINOIS FUNDS
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2005 and 2004

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Management Estimates

To prepare financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make certain estimates 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 reported period. These estimates may differ from actual results.

NOTE B - DEPOSITS AND INVESTMENTS

Governmental Accounting Standards Board Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, established standards for accounting for investments held by governmental entities. The Illinois Funds operates as a 2a7-like pool and thus reports all investments at amortized cost rather than market value.

Permitted Deposits and Investments

The Treasurer's investment activities are governed by the Treasurer's published investment policies, which were developed in accordance with the State statute and the desire to maintain The Illinois Funds' AAAM rating from Standard & Poor's. In addition, the Treasurer's Office has adopted its own investment practices, which supplement the statutory requirements.

The Illinois Funds offers two investment options, the Money Market Fund and the Prime Fund.

For the Money Market Fund, the Treasurer may invest in time deposits and other interest-bearing accounts in banks and savings and loan associations located in Illinois which are insured by the Federal Deposit Insurance Corporation ("FDIC"), credit unions whose principal office is located in Illinois, obligations of the United States and its agencies, short-term obligations of corporations whose obligations are rated among the three highest classifications established by at least two standard rating services, repurchase agreements or other investments approved by State law. The Treasurer's current investment practice for the Money Market Fund does not include any investment in short-term obligations of corporations (commercial paper).

State of Illinois
Office of the Treasurer
THE ILLINOIS FUNDS
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2005 and 2004

NOTE B - DEPOSITS AND INVESTMENTS (Continued)

For the Prime Fund, the Treasurer may invest time deposits and other interest-bearing accounts in banks and savings and loan associations located in Illinois which are insured by the Federal Deposit Insurance Corporation ("FDIC"), credit unions whose principal office is located in Illinois, high-grade commercial paper rated A1/P1 or higher, U.S. government agency securities, The Illinois Funds money market fund, repurchase agreements and AAA rated money market funds. The Prime Funds' investment in the Illinois Funds Money Market Fund was rated AAAM by Standard and Poor's Ratings.

Credit Risk: The risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Illinois Funds' investments in U.S. Agency Obligations were rated P-1 by Moody's Investors Service and F1+ by Fitch Ratings. Its investments in repurchase agreements were rated P-1 by Moody's Investors Service and A-1+ by Standard and Poor's Ratings, except for those issued by Bear Stearns, Goldman Sachs, and Morgan Stanley which were rated A-1.

The Treasurer's policy requires all time deposits and other interest-bearing deposits to have collateral equal to at least 110% of the amount of the deposit not covered by Federal deposit insurance. Securities eligible to be pledged as collateral are U.S. Treasury obligations.

Obligations pledged to secure deposits must be delivered to the appointed Custodian of The Illinois Funds. Prior to placing the deposit, and at least weekly, thereafter, the Treasurer determines that the collateral has a market value adequate to secure the deposit.

Repurchase agreements are purchased from various brokerage firms and financial institutions. Securities pledged as collateral to secure these agreements are required to have a market value of at least 102% of the agreement. The agreements require both parties to maintain an acceptable margin (yield) on underlying securities to ensure that the agreements are adequately collateralized. The Treasurer accepts U.S. Treasury obligations and U.S. Agency obligations as collateral for repurchase agreements. All securities pledged to secure repurchase agreements are required to be delivered to the appointed Custodian of The Illinois Funds.

Other instruments, such as U.S. Treasury obligations, may be purchased from various brokerage firms and held in safekeeping by the appointed Custodian of The Illinois Funds.

Deposits

Certificates of deposit had both carrying values and bank balances (excluding accrued interest) of \$ 217,708,000 and \$ 219,143,000, at June 30, 2005 and 2004, respectively. These deposits were fully insured or collateralized by securities held by the Treasurer or by her agent in the name of The Illinois Funds at June 30, 2005 and 2004.

State of Illinois
Office of the Treasurer
THE ILLINOIS FUNDS
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2005 and 2004

NOTE B - DEPOSITS AND INVESTMENTS (Continued)

Investments

At June 30, 2005 and 2004 in accordance with Governmental Accounting Standards Board Statement 40, Deposit and Investment Risk Disclosures (GASB 40), there is no custodial credit risk assumed by the Illinois Funds because the investments are represented by specific identifiable investment securities, are insured or registered, or are securities held by the Treasurer or her agent in the name of the Illinois Funds. Excluding time deposits, the Illinois Funds had the following investments, stated at carrying value, and maturities as of June 30. (Amounts are in thousands.)

	2005			2004		
	Cash Equivalents	Less than 1 year	Total	Cash Equivalents	Less than 1 year	Total
Repurchase agreements	\$ 4,040,344	\$ -	\$ 4,040,344	\$ 3,875,139	\$ -	\$ 3,875,139
U.S. Treasury obligations	-	179,158	179,158	44,938	517,112	562,050
U.S. Agency securities	6,898	44,815	51,713	19,971	94,282	114,253
Subtotal	<u>\$ 4,047,242</u>	<u>\$ 223,973</u>	4,271,215	<u>\$ 3,940,048</u>	<u>\$ 611,394</u>	4,551,442
Treasury-only money market mutual funds			<u>842,595</u>			<u>413,496</u>
Total investments, excluding time deposits			<u>\$ 5,113,810</u>			<u>\$ 4,964,938</u>

The master repurchase agreements utilized by The Illinois Funds require the broker or financial institution to maintain the market value of collateral securities at 102% of the agreement. The carrying amount of the repurchase agreements was \$ 4,040,000,000 and \$ 3,875,000,000 and the market value, including accrued interest, of the underlying securities to be resold based on commitments under the repurchase agreements was approximately \$ 4,129,818,573 and \$ 3,973,435,626 as of June 30, 2005 and 2004 respectively.

Interest Rate Risk: The risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates, the investment policies limit the investment portfolio maturities. The Money Market Fund investment policy limits its investment portfolio to maturities not to exceed two years with a minimum of 75% required to be in authorized investments with less than one-year maturity. Additionally, certificates of deposit held in the Money Market Funds' portfolio cannot constitute more than 10% of any single financial institution's total deposits and no investment category shall exceed 25% of the portfolio, with the exception of cash investment portfolio to the same limitations as those provided for the investment funds of the

State of Illinois
Office of the Treasurer
THE ILLINOIS FUNDS
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2005 and 2004

NOTE B - DEPOSITS AND INVESTMENTS (Continued)

State Treasury. Therefore, the Prime Fund investment policy limits the investment portfolio to maturities not to exceed three years. However, the Prime Fund investment policy specifically requires that no more than 50% of total assets can be invested in securities with maturities greater than 30 days issued by any single permissible United States Government Agency or Instrumentality; no more than 5% of total assets can be invested in securities issued by any single Commercial Paper Issuer (calculated at the time of purchase); and, a maximum of 33.3% of the portfolio may be invested in direct Commercial Paper Obligations that do not exceed 180 days to maturity. Additionally, a maximum of 25% of the Prime Funds' total assets may be invested in any approved AAAM Money Market Fund (i.e. the Illinois Funds Money Market Fund).

Concentration of Credit Risk: The risk of loss attributed to the magnitude of a government's investment in a single issuer. The following investments exceeded 5 percent of the Illinois Funds total investments at June 30. (Amounts are in thousands.)

	2005		2004	
	Carrying Value	% of Total Investments	Carrying Value	% of Total Investments
Repurchase agreements:				
Bank of America	\$ 225,036	5.27	\$ -	-
Barclay's	-	-	250,009	5.49
Bear Stearns	665,053	15.57	800,029	17.58
Goldman Sachs	650,050	15.22	-	-
Greenwich Capital	-	-	800,029	17.58
HSBC	350,028	8.20	400,015	8.79
JP Morgan	-	-	250,008	5.49
Morgan Stanley	1,175,096	27.51	800,029	17.58
Nesbitt Burns	800,065	18.73	375,013	8.00

NOTE C - INVESTMENT INCOME

The Illinois Funds follows the accounting practice known as equalization. Accordingly, distributable investment income is allocated daily and paid monthly to participants on a pro rata (per share) basis and accumulated investment income payable is credited to The Illinois Funds' net asset base. A portion of the proceeds from sales and costs of repurchases of The Illinois Funds' capital shares (equivalent, on a per share basis, to the amount of distributable investment income on the date of the transaction) are credited or charged to undistributed income. As a result, undistributed investment income per share is unaffected by sales or redemptions of The Illinois Funds capital shares.

State of Illinois
Office of the Treasurer
THE ILLINOIS FUNDS
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2005 and 2004

NOTE C - INVESTMENT INCOME (Continued)

Periodically, throughout the fiscal year, market conditions may enable The Illinois Funds to realize capital gains by selling securities, which have appreciated in value. These gains are placed in a separate account within The Illinois Funds' portfolio. These gains may be distributed to participants during the fiscal year based on average daily account balance. During fiscal year 2005, there were none of these sales. During fiscal year 2004, capital gains of \$3,199 were recognized and distributed to the Illinois Funds' participants. At June 30, 2005 and 2004, the capital gain account had no balance.

NOTE D - ADMINISTRATIVE FEES

To administer The Illinois Funds, the Treasurer has established a division entitled the "The Illinois Funds' Administrative Office." This division had 20 and 22 employees as of June 30, 2005 and 2004, respectively. The revenues and expenditures of the division are recorded in an enterprise fund maintained by the Treasurer entitled The Illinois Funds' Administrative Trust Fund No. 195.

U.S. Bank of Illinois (USB) performs the custodial responsibilities for the administration of The Illinois Funds. USB calculates the administrative and custodial fees paid to the State Treasurer and USB, respectively. Fees are calculated on a tiered structure. Both fees are paid from a charge based on the net asset value of The Illinois Funds. The fee is accrued daily and withdrawn monthly from the fund. The custodian's fee for the Money Market Fund is calculated at .05% for the first \$ 2,000,000,000; .025% for the next \$ 1,000,000,000; .0248% for the next \$ 500,000,000; and .0246% for the amount over \$ 3,500,000,000 per annum of the market value of the total amount of The Illinois Funds. The custodian's fee for the Prime Fund is calculated at .0516% for the first \$ 500,000,000; .0295% for the next \$ 500,000,000; .0265% for the next \$ 500,000,000; .0255% for the next \$ 500,000,000; and .025% for the amount over \$ 2,000,000,000 per annum of the market value of the total amount of the fund.

The State Treasurer receives .06% per annum of the net asset value of The Illinois Funds. This fee is used to defray administrative costs associated with investing The Illinois Funds' assets, to increase marketing efforts needed to expand participation in The Illinois Funds, and to improve the level of service to participants.

The Treasurer's Office has the ability to rebate to The Illinois Funds' participants any excess administrative fees collected during the fiscal year. There were no excess administrative fees rebated to The Illinois Funds' participants during fiscal 2005 and 2004.

State of Illinois
Office of the Treasurer
THE ILLINOIS FUNDS
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2005 and 2004

NOTE D - ADMINISTRATIVE FEES (Continued)

The Treasurer received fees and paid expenditures from the Administrative Trust Fund No. 195 as follows:

	<u>2005</u>	<u>2004</u>
Fees received	\$ 2,893,575	\$ 2,802,431
Expenditures	2,620,000	2,812,000

NOTE E - NET ASSETS AVAILABLE TO PARTICIPANTS

The net assets available to participants represents the total value of all participant deposits including late deposits held in an overnight investment account as of June 30.

The Illinois Funds operates as an open-end mutual fund. Participants' deposits and withdrawals were accounted for as purchases and sales of The Illinois Funds' capital shares. The amount of net proceeds from the sale of shares represents the gross withdrawals, which were redeemed from The Illinois Funds' shares during the year. The cost of shares purchased represents the gross deposits, which were invested in The Illinois Funds' shares during the year. These amounts did not include deposits or earnings, which were remitted directly to participants versus invested (or reinvested) in The Illinois Funds' shares.

Net assets for the Money Market Fund were \$ 4,623,955,494 and \$ 4,354,885,085, as of June 30, 2005 and 2004, respectively. Net assets for the Prime Fund were \$ 708,686,232 and \$ 832,144,876 as of June 30, 2005 and 2004, respectively.

NOTE F - RELATED PARTIES

The Illinois Funds' Administrative Office, a division of the State Treasurer's Office, is responsible for the administration of The Illinois Funds, including management of investments and marketing services. The Illinois Funds' Administrative Office received fees as stated in Note D during fiscal 2005 and 2004, respectively. The Illinois Funds' Administrative Trust Fund No. 195 was maintained by the Treasurer in a separate investment account of The Illinois Funds. The cash balance at June 30, 2005 and 2004, was approximately \$ 1,146,000 and \$ 926,000, respectively.

State of Illinois
Office of the Treasurer
THE ILLINOIS FUNDS
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2005 and 2004

NOTE F - RELATED PARTIES (Continued)

The State of Illinois, its agencies and universities invest in The Illinois Funds. The detail follows:

	<u>2005</u>	<u>2004</u>
Total number of participants	2,056	1,981
Number of State of Illinois participants	26	29
Balance of State of Illinois investments	\$ 1,574,730,119	\$ 1,633,588,523

NOTE G - RECLASSIFICATIONS

Certain reclassifications have been made to the 2004 financial statements to conform to the 2005 presentation.

SUPPLEMENTARY INFORMATION

State of Illinois
Office of the Treasurer

THE ILLINOIS FUNDS

PORTFOLIO OF INVESTMENTS

June 30, 2005

	<u>Execution Date</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Face Amount</u>	<u>Current Value*</u>
Repurchase Agreements					
BANK OF AMERICA	06/29/05	2.890%	07/01/05	\$ 225,000,000	\$ 225,036,125
BARCLAY'S CAPITAL MARKETS	06/30/05	3.350%	07/01/05	175,000,000	175,016,285
BEAR STEARNS	06/30/05	2.750%	07/01/05	500,000,000	500,038,194
BEAR STEARNS	06/30/05	3.250%	07/01/05	165,000,000	165,014,896
GOLDMAN SACHS	06/30/05	2.780%	07/01/05	650,000,000	650,050,194
HSBC	06/30/05	2.900%	07/01/05	350,000,000	350,028,194
MORGAN STANLEY	06/30/05	2.850%	07/01/05	1,000,000,000	1,000,079,167
MORGAN STANLEY	06/30/05	3.350%	07/01/05	175,000,000	175,016,285
NESBITT BURNS	06/30/05	2.880%	07/01/05	500,000,000	500,040,000
NESBITT BURNS	06/30/05	2.800%	07/01/05	200,000,000	200,015,555
NESBITT BURNS	06/30/05	3.300%	07/01/05	100,000,000	100,009,167
				<u>\$ 4,040,000,000</u>	<u>\$ 4,040,344,062</u>
Total Repurchase Agreements					

State of Illinois
Office of the Treasurer

THE ILLINOIS FUNDS

PORTFOLIO OF INVESTMENTS - CONTINUED

June 30, 2005

	<u>Execution Date</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Face Amount</u>	<u>Current Value*</u>
Certificates of Deposits					
PARTNERS BANK - GLEN CARBON	11/18/03	3.140%	02/09/06	\$ 1,500,000	\$ 1,503,871
ANNA NATIONAL BANK OF ANNA	08/10/04	2.190%	08/10/05	400,000	400,720
GREATER NORTH BANK-ANTIOCH	06/07/04	3.470%	06/07/06	390,000	391,021
GREATER NORTH BANK- ANTIOCH	12/09/03	2.350%	10/04/05	475,000	475,918
GREATER NORTH BANK ANTIOCH	12/02/03	2.250%	09/21/05	500,000	500,925
ARCOLA HOMESTEAD SAVINGS ARCOLA	01/27/04	2.800%	07/25/05	95,000	95,219
CENTRAL BANK ASHKUM	05/07/04	3.460%	05/05/06	300,000	300,853
STATE BANK OF AUBURN	07/19/04	2.140%	07/19/05	900,000	901,583
STATE BANK OF BEMENT	11/14/03	2.740%	12/08/05	100,000	100,225
FIRST NATIONAL BANK BROWNSTOWN	07/26/04	2.190%	07/26/05	200,000	200,360
FIRST NATIONAL BANK BROWNSTOWN	08/03/04	2.310%	08/03/05	400,000	400,759
AMERICAN ENTERPRISE-BUFF GRVE	02/11/04	3.120%	01/06/06	750,000	751,923
AMERICAN ENTERPRISE BNK-BUFF GRV	01/02/04	2.730%	09/02/05	1,000,000	1,002,244
CARLINVILLE NATIONAL BANK	01/06/04	2.810%	12/02/05	1,000,000	1,002,310
BANK OF ILLINOIS CHAMPAIGN	02/13/04	2.010%	08/11/05	2,000,000	2,003,304
BANK OF ILLINOIS-CHAMPAIGN	03/16/04	2.950%	07/11/05	3,000,000	3,007,274
CHAPIN STATE BANK	03/19/04	3.480%	03/17/06	500,000	501,430
UNITED COMMUNITY BANK-CHATHAM	07/02/04	3.600%	06/27/06	1,000,000	1,001,955
UNITED COMMUNITY BANK CHATHAM	02/13/04	2.010%	08/11/05	5,000,000	5,008,260
UNITED COMMUNITY BANK CHATHAM	02/13/04	2.600%	11/09/05	5,000,000	5,010,685
AMERICAN METRO BANK-CHICAGO	03/26/04	3.580%	03/24/06	200,000	200,589
AMERICAN METRO BANK-CHICAGO	03/12/04	3.410%	02/06/06	100,000	100,280
AMERICAN METRO BANK-CHICAGO	04/06/04	3.530%	03/02/06	200,000	200,580
COLUMBUS SAVINGS BANK	11/03/03	2.160%	07/26/05	95,000	95,169
DEVON BANK-CHICAGO	03/02/04	2.980%	12/22/05	1,000,000	1,002,449
DEVON BANK CHICAGO	03/05/04	3.370%	02/02/06	1,000,000	1,002,770

State of Illinois
Office of the Treasurer

THE ILLINOIS FUNDS

PORTFOLIO OF INVESTMENTS - CONTINUED

June 30, 2005

	<u>Execution Date</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Face Amount</u>	<u>Current Value*</u>
Certificates of Deposits - Continued					
BANK ONE-CHICAGO	12/01/03	2.810%	12/02/05	\$ 5,000,000	\$ 5,011,548
BANK ONE-CHICAGO	12/01/03	2.920%	01/04/06	22,850,000	22,904,840
BANK ONE-CHICAGO	12/01/03	2.300%	10/04/05	1,000,000	1,001,890
BANK ONE CHICAGO	02/02/04	2.810%	12/02/05	10,500,000	10,524,251
BANK ONE CHICAGO	04/01/04	2.300%	10/04/05	10,500,000	10,519,849
BANK ONE CHICAGO	05/03/04	2.390%	11/02/05	10,000,000	10,019,644
BANK ONE CHICAGO	05/03/04	2.300%	10/04/05	10,000,000	10,018,904
BANK ONE - CHICAGO	05/24/04	3.170%	02/17/06	8,500,000	8,522,147
BANK ONE - CHICAGO	05/24/04	3.110%	09/19/05	8,000,000	8,017,784
HIGHLAND COMMUNITY BANK CHICAGO	02/04/04	2.220%	08/05/05	100,000	100,183
INTERNATIONAL BANK OF CHICAGO	12/24/03	2.840%	11/18/05	1,000,000	1,002,334
INTERNATIONAL BANK CHICAGO	11/14/03	2.570%	11/10/05	1,500,000	1,503,169
INTERNATIONAL BANK OF CHICAGO	01/27/04	2.840%	09/23/05	425,000	425,992
INTERNATIONAL BANK OF CHICAGO	03/19/04	3.480%	03/17/06	1,500,000	1,504,290
LABE BANK-CHICAGO	03/12/04	3.390%	02/06/06	100,000	100,279
LAKE BANK CHICAGO	04/05/04	3.550%	04/05/06	8,500,000	8,524,801
LAKESIDE BANK-CHICAGO	01/20/04	2.220%	09/12/05	100,000	100,183
MB FINANCIAL BANK CHICAGO	05/03/04	2.880%	08/03/05	5,000,000	5,011,836
PULASKI SAVINGS BANK CHICAGO	05/03/04	3.460%	05/03/06	95,000	95,270
PULLMAN BANK & TRUST	01/16/04	2.970%	12/12/05	95,000	95,232
WASHINGTON FEDERAL BANK SVGS	07/23/04	2.080%	07/22/05	95,000	95,162
BANK CALUMET	11/04/03	3.290%	11/02/05	250,000	250,676
BANK CALUMET CHICAGO HEIGHTS	12/05/03	2.120%	08/26/05	5,400,000	5,409,409
OAK BROOK BANK	07/09/04	2.080%	07/08/05	180,000	180,308
FIRST NATIONAL BANK CHRISMAN	01/12/04	2.260%	02/02/06	1,000,000	1,001,858
FIRST NATIONAL BANK CHRISMAN	04/01/04	2.650%	07/21/05	1,000,000	1,002,178

State of Illinois
Office of the Treasurer

THE ILLINOIS FUNDS

PORTFOLIO OF INVESTMENTS - CONTINUED

June 30, 2005

	<u>Execution Date</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Face Amount</u>	<u>Current Value*</u>
Certificates of Deposits - Continued					
FIRST NATIONAL BANK CHRISMAN	06/08/05	3.140%	09/07/05	\$ 500,000	\$ 500,989
STATE BANK OF CHRISMAN	03/05/04	3.100%	02/03/06	600,000	601,529
STATE BANK OF CHRISMAN	06/24/05	3.470%	01/20/06	500,000	500,333
STATE BANK OF CHRISMAN	06/07/04	3.470%	06/07/06	100,000	100,262
FIRST NATIONAL BANK AND TRUST	04/21/04	3.370%	03/17/06	600,000	601,662
COLLINSVILLE BUILDING & LOAN	02/04/04	3.090%	01/04/06	95,000	95,241
FIRST NATIONAL BANK DIETERICH	11/03/03	3.120%	09/22/05	300,000	300,769
FIRST NATIONAL BANK DIETERICH	11/17/03	2.170%	09/14/05	800,000	801,427
FIRST NATIONAL BANK DIETERICH	04/12/04	3.160%	10/04/05	300,000	300,779
DUQUOIN STATE BANK	11/04/03	2.350%	11/02/05	1,800,000	1,803,477
DUQUOIN STATE BANK	12/05/03	2.120%	08/02/05	600,000	601,046
DUQUOIN STATE BANK	12/23/03	2.230%	09/13/05	1,000,000	1,001,833
BANK OF DWIGHT	06/04/04	3.490%	06/02/06	1,000,000	1,002,787
NATIONAL BANK OF EARLVILLE	08/10/04	3.470%	06/06/06	400,000	401,064
EAST DUBUQUE SAVINGS BANK	11/03/03	2.280%	09/27/05	500,000	500,937
CROSSROADS BANK - EFFINGHAM	05/25/04	3.340%	12/16/05	1,000,000	1,002,745
STATE BANK OF ELGIN	09/03/04	2.110%	09/02/05	100,000	100,173
FARMER'S STATE BANK, EMDEN	01/16/04	3.000%	12/12/05	600,000	601,479
GALENA STATE BANK & TRUST GALENA	04/12/04	2.900%	12/05/05	1,050,000	1,052,503
GALENA STATE BANK AND TRUST	05/13/05	3.580%	05/12/06	700,000	702,060
GALENA STATE BANK	04/12/04	2.760%	09/06/05	1,000,000	1,002,269
GERMANTOWN TRUST	12/23/03	2.620%	09/13/05	400,000	400,861
GERMANTOWN TRUST AND SAVINGS	08/10/04	3.570%	05/09/06	500,000	501,467
GERMANTOWN TRUST & SAVINGS	06/07/04	3.520%	06/07/06	200,000	200,530
GUARDIAN SVGS BANK GRANITE CITY	11/03/03	2.280%	09/27/05	100,000	100,187
FIRST NATIONAL BANK GRANT PARK	11/07/03	3.000%	11/02/05	100,000	100,247

State of Illinois
Office of the Treasurer

THE ILLINOIS FUNDS

PORTFOLIO OF INVESTMENTS - CONTINUED

June 30, 2005

	<u>Execution Date</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Face Amount</u>	<u>Current Value*</u>
Certificates of Deposits - Continued					
MUTUAL BANK HARVEY	11/03/03	3.100%	02/02/06	\$ 3,000,000	\$ 3,007,644
PARKWAY BANK AND TRUST-HARDWAY	05/06/04	3.460%	05/05/06	8,000,000	8,022,751
HERRIN SECURITY BANK	04/09/04	3.530%	03/06/06	500,000	501,451
IROQUOIS FARMERS STATE BANK	01/12/04	2.070%	07/12/05	300,000	300,510
IROQUOIS FARMERS STATE BANK	01/20/04	2.140%	07/19/05	200,000	200,352
SOUTHERN ILLINOIS BANK	12/19/03	2.100%	07/15/05	250,000	250,432
SOUTHERN ILLINOIS BANK	12/19/03	2.920%	09/12/05	250,000	250,600
SOUTHERN ILLINOIS	12/19/03	3.600%	06/16/06	250,000	250,603
SOUTHERN ILLINOIS BANK FRANKFORT	06/21/04	3.350%	12/13/05	250,000	250,688
SOUTHERN ILLINOIS BANK FRANKFORT	06/21/04	3.640%	05/17/06	250,000	250,549
SOUTHERN IL BANK WEST FRANKFORT	06/03/05	3.350%	01/04/06	250,000	250,642
LAKE FOREST BANK AND TRUST	03/16/04	3.550%	04/11/06	5,000,000	5,014,589
FIRST NATIONAL BANK LITCHFIELD	02/17/04	2.040%	08/16/05	200,000	200,335
WEST SUBURBAN BANK	12/23/03	2.820%	12/22/05	5,000,000	5,011,589
CITIZENS COMMUNITY BANK MASCOUTH	04/12/04	3.340%	01/04/06	1,000,000	1,002,745
FEDERAL SAVINGS BANK MASCOUTAH	09/01/04	3.260%	09/26/05	95,000	95,255
PEOPLES NATIONAL BANK MCLEANSBOR	11/07/03	3.500%	01/04/06	100,000	100,288
MIDWEST BANK WESTERN IL MONMOUTH	06/21/04	3.010%	08/19/05	300,000	300,607
FIRST BANK MONTICELLO	04/01/04	3.580%	04/04/06	2,100,000	2,106,179
FIRST NATIONAL BANK MT. AUBURN	02/09/04	2.900%	08/08/05	450,000	451,073
WABASH SAVINGS BANK MT CARMEL	08/02/04	2.210%	08/02/05	95,000	95,173
FARMERS BANK OF MT PULASKI	03/15/04	2.170%	08/09/05	300,000	300,535
CORN BELT & TRUST CO PITTSFIELD	07/15/04	2.100%	07/15/05	400,000	400,690
CORN BELT BANK & TRUST	10/01/04	2.260%	09/27/05	200,000	200,372
CORN BELT BANK & TRUST CO PITTSF	10/21/04	2.230%	09/16/05	95,000	95,174
OAKBROOK BANK	03/01/04	3.120%	09/22/05	498,000	499,277

State of Illinois
Office of the Treasurer

THE ILLINOIS FUNDS

PORTFOLIO OF INVESTMENTS - CONTINUED

June 30, 2005

	<u>Execution Date</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Face Amount</u>	<u>Current Value*</u>
Certificates of Deposits - Continued					
BANK OF OFALLON	03/08/04	3.130%	08/03/05	\$ 3,500,000	\$ 3,509,004
BANK OF OFALLON	04/01/04	2.900%	09/06/05	3,500,000	3,508,343
OLD EXCHANGE NATIONAL OKAWVILLE	04/01/04	2.300%	10/04/05	600,000	601,134
BANKORION	12/16/03	2.790%	11/10/05	1,000,000	1,002,293
PEKIN NATL BANK	12/01/03	2.100%	08/26/05	750,000	751,295
PEKIN NATIONAL BANK	08/26/04	2.100%	08/26/05	250,000	250,432
BANK OF PONTIAC	02/02/04	3.580%	03/02/06	750,000	752,207
TOWN AND COUNTRY BANK QUINCY	04/22/04	3.430%	03/17/06	1,000,000	1,002,819
NORTH COUNTY SAVINGS	12/23/03	2.580%	10/13/05	95,000	95,201
FARMERS ST BK-SOMONAUK	04/09/04	3.180%	09/06/05	95,000	95,248
AMERICAN EAGLE BANK-S ELGIN	08/13/04	2.040%	08/12/05	100,000	100,168
MARINE BANK-SPFLD	12/23/03	2.700%	11/17/05	5,000,000	5,011,096
TOWN AND COUNTY BANK SPRINGFIELD	11/17/03	2.620%	11/16/05	1,000,000	1,002,153
STREATOR HOME BUILDING & ASSOC	01/22/04	3.040%	12/16/05	95,000	95,237
AMER HEARTLAND BK	11/13/03	3.610%	05/11/06	250,000	250,742
AMER HEARTLAND BK	11/13/03	2.550%	10/07/05	250,000	250,524
AMERICAN HEARTLAND BANK & TRUST	02/18/04	2.090%	08/16/05	250,000	250,429
AMERICAN HEARTLAND & TRUST SGR	02/13/04	3.120%	01/06/06	250,000	250,641
AMERICAN HEARTLAND BNK & TRST	02/09/05	2.900%	08/08/05	250,000	250,596
AMERICAN HEARTLAND BNK & TRST	06/04/04	2.790%	11/02/05	250,000	250,573
AM HEARTLAND BK	04/09/04	3.530%	03/06/06	250,000	250,725
AMERICAN HEARTLAND AND TRUST	02/18/04	3.160%	02/17/06	250,000	250,649
AMERICAN HEARTLAND BANK & TRUST	04/27/04	3.480%	04/25/06	250,000	250,715
AMERICAN HEARTLAND & TRUST	01/16/04	2.860%	09/12/05	300,000	300,705
AMERICAN HEARTLAND-SUGAR GROVE	02/09/05	3.120%	01/06/06	250,000	250,641
AMERICAN HEARTLAND BANK-SUGAR GR	06/04/04	3.540%	06/02/06	250,000	250,707

State of Illinois
Office of the Treasurer
THE ILLINOIS FUNDS

PORTFOLIO OF INVESTMENTS - CONTINUED

June 30, 2005

	<u>Execution Date</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Face Amount</u>	<u>Current Value*</u>
Certificates of Deposits - Continued					
NATIONAL BNK & TRST SYCAMORE	12/19/03	2.560%	10/07/05	\$ 1,000,000	\$ 1,002,104
NATIONAL BANK & TRUST CO, SYCMOR	01/27/04	2.840%	09/23/05	1,250,000	1,252,918
NATIONAL BANK AND TRUST SYCAMORE	01/14/04	2.740%	12/09/05	1,000,000	1,002,252
FIRST NATIONAL BANK TAYLORVILLE	12/05/03	2.790%	11/02/05	800,000	801,835
HERITAGE BANK-TRIVOLI	08/27/04	2.100%	08/26/05	200,000	200,345
MARSHALL COUNTY STATE BANK VARNA	04/13/04	3.390%	02/06/06	300,000	300,836
MARSHALL COUNTY STATE BANK-VARNA	09/17/04	2.140%	09/16/05	500,000	500,879
FARMERS & MERCHANT VIRDEN	11/03/03	3.410%	02/02/06	300,000	300,831
COMMUNITY BANK HOOPESTON	01/07/04	3.100%	09/02/05	500,000	501,274
COMMUNITY BANK OF HOOPESTON	04/26/05	3.200%	09/23/05	1,000,000	1,002,630
COMMUNITY BANK OF HOOPESTON	04/26/05	3.500%	04/25/06	1,000,000	1,002,877
DUPAGE NATIONAL BNK-W CHICAGO	01/02/04	2.690%	07/05/06	100,000	100,221
NORTHSHORE COMMUNITY BANK	03/26/04	3.470%	03/24/06	5,000,000	5,014,260
				<u>5,000,000</u>	<u>5,014,260</u>
Total Certificates of Deposits				<u>\$ 217,708,000</u>	<u>\$ 218,212,991</u>

State of Illinois
Office of the Treasurer

THE ILLINOIS FUNDS

PORTFOLIO OF INVESTMENTS - CONTINUED

June 30, 2005

	Execution Date	Effective Yield	Maturity Date	Market Value**	Amortized Cost
United States Treasury Bills					
U. S. Treasury Bills	01/20/05	2.601%	07/07/05	\$ 9,995,400	\$ 9,995,717
U. S. Treasury Bills	01/20/05	2.633%	07/14/05	9,989,700	9,990,611
U. S. Treasury Bills	01/20/05	2.655%	07/21/05	9,984,000	9,985,444
U. S. Treasury Bills	03/28/05	2.956%	08/04/05	49,863,000	49,861,875
U. S. Treasury Bills	03/28/05	2.953%	08/04/05	49,863,000	49,861,993
U. S. Treasury Bills	05/10/05	3.148%	11/03/05	49,459,000	49,461,806
Total U.S. Treasury Bills				<u>\$ 179,154,100</u>	<u>\$ 179,157,446</u>
United States Agency Securities***					
Federal Home Loan Mtg Corp Notes					
Federal Home Loan Mtg Corp Notes	09/01/04	2.300%	09/26/05	\$ 1,994,520	\$ 2,000,000
Total Federal Home Loan Mtg Corp Notes				<u>\$ 1,994,520</u>	<u>\$ 2,000,000</u>
Federal Home Loan Mtg Corp Discount Notes					
Federal Home Loan Mtg Corp Discount Notes	06/13/05	3.026%	07/05/05	\$ 549,780	\$ 549,815
Federal Home Loan Mtg Corp Discount Notes	03/28/05	3.103%	08/01/05	24,930,000	24,933,910
Total Federal Home Loan Mtg Corp Discount Notes				<u>\$ 25,479,780</u>	<u>\$ 25,483,725</u>
Federal Home Loan Bank Discount Notes					
Federal Home Loan Bank Discount Note	06/14/05	3.036%	07/06/05	\$ 1,999,200	\$ 1,999,158
Federal Home Loan Bank Discount Note	06/14/05	3.016%	07/06/05	1,999,200	1,999,164
Total Federal Home Loan Bank Discount Notes				<u>\$ 3,998,400</u>	<u>\$ 3,998,322</u>

State of Illinois
Office of the Treasurer

THE ILLINOIS FUNDS

PORTFOLIO OF INVESTMENTS - CONTINUED

June 30, 2005

	<u>Execution Date</u>	<u>Effective Yield</u>	<u>Maturity Date</u>	<u>Market Value**</u>	<u>Amortized Cost</u>
Federal National Mortgage Association Notes					
Federal National Mortgage Association Notes	08/18/04	2.320%	09/12/05	\$ 1,995,620	\$ 2,000,000
Total Federal National Mortgage Association Notes				<u>\$ 1,995,620</u>	<u>\$ 2,000,000</u>
Federal National Mortgage Association Discount Notes					
Federal National Mortgage Association Discount Notes	06/10/05	3.015%	07/01/05	\$ 2,350,000	\$ 2,350,000
Federal National Mortgage Association Discount Notes	01/20/05	2.775%	07/06/05	1,999,200	1,999,239
Federal National Mortgage Association Discount Notes	01/20/05	2.802%	07/13/05	1,997,800	1,998,157
Federal National Mortgage Association Discount Notes	01/20/05	2.825%	07/20/05	1,996,600	1,997,060
Federal National Mortgage Association Discount Notes	05/10/05	3.344%	11/02/05	9,882,000	9,886,678
Total Federal National Mortgage Association Discount Notes				<u>\$ 18,225,600</u>	<u>\$ 18,231,134</u>

* Current value represents the face amount plus accrued interest, which approximates market.

** Market value represents the closing bid price on June 30, 2005.

*** It is the intent of management to hold direct U.S. Treasury obligations and Agency Securities to maturity unless market conditions provide for realization of a gain and management determines a sale would be in the best interest of The Illinois Funds.

State of Illinois
Office of the Treasurer

THE ILLINOIS FUNDS

For the year ended June 30, 2005
(in thousands)

STATEMENT OF FIDUCIARY NET ASSETS BY INVESTOR TYPE

	<u>Total</u>	<u>Internal</u>	<u>External</u>
Cash equivalents	\$ 4,047,242	\$ 1,195,151	\$ 2,852,091
Deposits and investments	1,284,781	379,396	905,385
Interest receivable	1,039	307	732
	<hr/>	<hr/>	<hr/>
	5,333,062	1,574,854	3,758,208
Bank fees	161	47	114
Management fees	260	77	183
	<hr/>	<hr/>	<hr/>
Net assets	<u>\$ 5,332,641</u>	<u>\$ 1,574,730</u>	<u>\$ 3,757,911</u>

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS BY INVESTOR TYPE

Participant deposits	\$ 14,966,430	\$ 8,706,040	\$ 6,260,390
Interest and other investment income	105,244	28,816	76,428
Investment expense	(4,743)	(1,401)	(3,342)
Redemptions	(14,820,819)	(8,764,285)	(6,056,534)
Dividends to Shareholders	(100,501)	(28,029)	(72,472)
	<hr/>	<hr/>	<hr/>
	145,611	(58,859)	204,470
Beginning net assets	<u>5,187,030</u>	<u>1,633,589</u>	<u>3,553,441</u>
	<hr/>	<hr/>	<hr/>
Ending net assets	<u>\$ 5,332,641</u>	<u>\$ 1,574,730</u>	<u>\$ 3,757,911</u>

State of Illinois
Office of the Treasurer

THE ILLINOIS FUNDS

MONEY MARKET FUND INVESTMENT POLICY

For the years ended June 30, 2005 and 2004

Unaudited

1.0 Policy: It is the policy of the Treasurer of the State of Illinois ("Treasurer") to invest funds pooled by local governments in the Money Market Fund within The Illinois Funds (previously referred to as the Illinois Public Treasurers' Investment Pool or IPTIP) in a manner which will provide the highest investment return using authorized instruments, while meeting the daily cash flow demands of participants and conforming to all state statutes governing the investment of public funds.

2.0 Objective: The primary objective in the investment of funds within the Money Market Fund is the safety of principal, while providing all participants a competitive rate of return and daily access to invested funds.

2.1 Safety: The safety of principal is the foremost objective of the investment program. Money Market Fund investments shall be undertaken in a manner, which seeks to ensure the preservation of capital in the portfolio. To obtain this objective, diversification is required to ensure that the Money Market Fund properly manages market, interest rate and credit risk.

2.2 Liquidity: The investment portfolio shall remain sufficiently liquid to enable the Money Market Fund to meet all operating requirements which might be reasonably anticipated.

2.3 Return on Investment: The investment portfolio shall be designed to obtain the highest available return, taking into account the Money Market Fund's investment risk constraints and cash flow needs.

The Treasurer will select an accepted industry benchmark which best reflects the Money Market Fund's portfolio and will measure performance against the benchmark over a market cycle. The benchmark will be periodically reviewed for suitability.

3.0 Ethics and Conflicts of Interest: Authorized investment staff and employees in policy making positions for the Money Market Fund shall refrain from personal business activity that conflicts with proper execution of the investment program, or which impairs their ability to make impartial investment decisions. Such individuals shall disclose to the Treasurer any material financial interests in financial institutions or broker/dealers that conduct business within the State. They shall further disclose any personal investments that are related to the performance of the Money Market Fund's portfolio. In addition, such individuals shall subordinate their personal investment transactions to those of the Money Market Fund, particularly with regard to the time of purchase and sales.

State of Illinois
Office of the Treasurer

THE ILLINOIS FUNDS

MONEY MARKET FUND INVESTMENT POLICY – CONTINUED

For the years ended June 30, 2005 and 2004

Unaudited

4.0 Authorized Broker/Dealers and Financial Institutions: Authorized investment staff shall utilize the Treasurer's approved list of financial institutions when selecting institutions to provide investment services. No public deposit shall be made except in a qualified public depository as defined by state statutes.

In addition, a list shall also be maintained of approved security broker/dealers selected according to their credit worthiness, and their financial significance in the State, which shall be measured in terms of the location of the broker/dealer's corporate office and the extent to which the broker/dealer has a large labor or economic impact on the State. They may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule).

All financial institutions and brokers/dealers interested in becoming qualified parties for investment transactions must supply the Treasurer's authorized investment staff with the following or equivalent acceptable to the Treasurer, where applicable:

- audited financial statements
- proof of National Association of Security Dealers certification
- trading resolutions
- proof of state registration
- completed broker/dealer questionnaire
- certification of having read the Money Market Fund's investment policy
- depository contracts
- published reports for brokers from rating agencies with investment grade ratings
- emerging broker status
- Consolidated Reports of Condition and Income

An annual review of the financial condition and registration of qualified parties will be conducted by the Treasurer's authorized investment staff. More frequent reviews may be conducted.

A current audited financial statement or equivalent acceptable to the Treasurer is required to be on file for each financial institution and broker/dealer with which The Illinois Funds establishes a depository, trading, or safekeeping relationship. Qualified parties shall submit updated financial statements or equivalent acceptable to the Treasurer when a material change in any of the above occurs.

State of Illinois
Office of the Treasurer

THE ILLINOIS FUNDS

MONEY MARKET FUND INVESTMENT POLICY – CONTINUED

For the years ended June 30, 2005 and 2004

Unaudited

5.0 Authorized and Suitable Investments: The following investments are authorized to the extent that they are permitted investments of state funds according to the Deposit of State Moneys Act (15 ILCS 520/22.5) and the Public Funds Investment Act (30 ILCS 235/2):

- direct United States Treasury obligations
- agreements to repurchase United States Treasury obligations
- certificates of deposit issued by Illinois financial institutions
- United States Treasury-only money market mutual funds.

6.0 Investment Restrictions: The following restrictions shall apply to all Money Market Fund investment transactions:

- investments in derivative products and leveraging of assets through reverse repurchase agreements are prohibited
- repurchase agreements may only be executed with financial institutions or broker/dealers meeting the Treasurer's standards, which shall include mutual execution of a Master Repurchase Agreement adopted by the Treasurer.
- certificates of deposit may not be purchased from the Money Market Fund's custodial institution or any of its subcontractors

7.0 Collateralization: All Money Market Fund deposits and repurchase agreements shall be secured by direct U.S. Treasury and/or U.S. Agency obligations as required by the Treasurer and provided for by the Deposit of State Moneys Act (15 ILCS 520) and the Treasurer's Acceptable Collateral Listing, which may change from time to time.

8.0 Safekeeping and Custody: All security transactions entered into by the Money Market Fund shall be conducted on a delivery-versus-payment (DVP) or receipt-versus-payment (RVP) basis. Securities shall be held by a safekeeping agent designated by the Treasurer, and evidenced by safekeeping receipts.

State of Illinois
Office of the Treasurer

THE ILLINOIS FUNDS

MONEY MARKET FUND INVESTMENT POLICY – CONTINUED

For the years ended June 30, 2005 and 2004

Unaudited

9.0 Diversification: The Money Market Fund portfolio shall be diversified to eliminate the risk of loss resulting from concentration of assets in a specific maturity, a specific issuer or a specific class of securities. In order to properly manage any risk attendant to the investment of Money Market Fund assets, the Money Market Fund portfolio shall not exceed the following diversification limits unless specifically authorized by the Treasurer:

1. The Money Market Fund shall seek to achieve diversification in the portfolio by reasonably distributing investments within authorized investment categories among financial institutions, issuers and broker/dealers.
2. The Money Market Fund shall at no time hold certificates of deposit constituting more than 10 percent of any single financial institution's total deposits.
3. No investment category shall exceed 25% of the Money Market Fund portfolio, with the exception of cash equivalents and U.S. Treasury securities.
4. The Money Market Fund shall invest a minimum of 75% of its assets in authorized investments of less than one-year maturity. No investment shall exceed two years maturity.

10.0 Internal Controls: The Treasurer shall establish a system of internal controls, which shall be documented in writing and filed with the Inspector General of the Treasurer's Office for review as an adjunct to the annual independent examination of the financial statements of the Money Market Fund. The controls shall be designed to prevent losses of public funds arising from fraud, employee error, and misrepresentation by third parties, unanticipated changes in financial markets or imprudent actions by authorized investment staff of the Money Market Fund.

The Treasurer shall publish the current investment policy yearly in a newspaper of general circulation in both Springfield and Chicago.

10.1 Asset Allocation: The Treasurer shall approve asset allocation among investment categories authorized under Section 5.0 of this Investment Policy.

State of Illinois
Office of the Treasurer

THE ILLINOIS FUNDS

MONEY MARKET FUND INVESTMENT POLICY – CONTINUED

For the years ended June 30, 2005 and 2004

Unaudited

10.2 Competitive Bidding: Authorized investment staff shall obtain competitive bids from at least three broker/dealers prior to executing repurchase agreements or purchasing treasury securities from a broker/dealer. Notwithstanding the foregoing, authorized investment staff may tender bids directly through a single broker/dealer for the original auction of individual U.S. Treasury obligations. Certificates of deposit shall be purchased by authorized investment staff on the basis of a financial institution's ability to pay the Treasurer's required interest rate. Such rate is generally determined on the basis of U.S. Treasury rates for a comparable term.

11.0 Limitations of Liability: Authorized investment staff, acting in accordance with written procedures and this investment policy and exercising due diligence, shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

The Treasurer is bonded to a level of \$150,000 for the faithful performance of duties in relations to the Illinois Public Treasurers' Investment Pool.

12.0 Reporting: Reports shall be presented quarterly by the Director of The Illinois Funds to the Treasurer and The Illinois Funds participants. The quarterly report shall contain the following:

- performance as compared to the established benchmark
- asset allocation
- any deviation from the standards established in Section 9.0 above
- any change in investment policy adopted during the quarter
- the average days to maturity

A listing of all investments in the portfolio marked to market shall be provided to the Treasurer and The Illinois Funds participants annually.

The Treasurer shall develop performance reports in compliance with established industry reporting standards within six months following the adoption of this investment policy. Such reporting standards may include those sanctioned by the Association of Investment Management Research (AIMR) in accordance with Generally Accepted Accounting Principles (GAAP).

State of Illinois
Office of the Treasurer

THE ILLINOIS FUNDS

PRIME FUND INVESTMENT POLICY

For the years ended June 30, 2005 and 2004

Unaudited

1.0 Policy: The State Treasurer of Illinois has authority under Section 17 of the State Treasurer's Act (15 ILCS 505/17) to establish and administer an investment pool to supplement and enhance investment opportunities otherwise available to managers of public funds or public agencies in the state. The Treasurer may invest the assets of the investment pool in the same types of investments and subject to the same limitations provided for the investment of funds in the State Treasury. This policy specifically addresses The Illinois Funds Prime Fund. The Prime Fund will provide opportunities for public agencies to invest in a fund that has been rated AAAM by Standard & Poor's and also has the potential to generate enhanced return for public investors. This is accomplished by requiring a 30-day minimum deposit, by investing more funds in high quality instruments with a relatively higher return and maintaining a maximum weighted average portfolio maturity of 60 days.

2.0 Objective: The primary objectives of The Prime Fund are to invest public funds with a more long-term objective than the Illinois Funds Money Market Fund and create opportunities for enhanced investment return for public investors in the State of Illinois. The Fund has a AAAM rating from Standard & Poor's, which is the best rating available for a Local Government Investment Pool. The AAAM rating ensures that investments are placed only in the highest quality investments.

2.1 Safety: The safety of principal is one of the main objectives of the investment program. Prime Fund investments will be undertaken in a manner which seeks to ensure the preservation of principal in the portfolio while providing enhanced return. To obtain this objective, diversification among permissible investments is required to ensure that The Prime Fund properly manages market, interest rate and credit risk.

2.2 Liquidity: The investment portfolio will remain sufficiently liquid to enable The Prime Fund to meet all participant redemption demands that might be reasonably anticipated.

2.3 Return on Investment: The investment portfolio will be designed to obtain an enhanced return by requiring a minimum of 30 days for each deposit, a seven day notice for any withdrawal, and reasonable penalties for early withdrawal of funds prior to the expiration of the 30 day minimum and/or seven day notice period.

The Treasurer will select accepted industry benchmarks which best reflect The Prime Fund's portfolio and measure performance against certain benchmarks over time. The Treasurer will periodically review benchmarks for suitability.

State of Illinois
Office of the Treasurer

THE ILLINOIS FUNDS

PRIME FUND INVESTMENT POLICY

For the years ended June 30, 2005 and 2004

Unaudited

3.0 Ethics and Conflicts of Interest: Authorized investment staff and employees in policy making positions for The Prime Fund will refrain from personal business activity that conflicts with proper execution of the investment program, or which impairs their ability to make impartial investment decisions. Such individuals will disclose to the Treasurer any material financial interests in financial institutions or broker/dealers that conduct business within the State. They will further disclose any personal investments that are related to the performance of The Prime Fund's portfolio. In addition, such individuals will subordinate their personal investment transactions to those of The Prime Fund, particularly with regard to the time of purchase and sales.

4.0 Authorized Broker/Dealers and Financial Institutions: Authorized investment staff will utilize the Treasurer's approved list of broker/dealers and financial institutions when selecting institutions to provide investment services.

In addition, a list will be maintained of approved security broker/dealers selected according to their creditworthiness, and their financial significance in the State. Broker/dealers will be evaluated on the basis of the location of their corporate office and the extent to which the broker/dealer has a labor or economic impact on the State. This list may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule).

All financial institutions and broker/dealers interested in becoming qualified parties for investment transactions must supply the Treasurer's authorized investment staff with the following or equivalent acceptable to the Treasurer, where applicable:

- audited financial statements
- proof of National Association of Security Dealers certification
- trading resolutions
- proof of registration in the State of Illinois
- completed broker/dealer questionnaire
- certification of having read The Prime Fund's investment policy
- depository contracts
- published reports from rating agencies for brokers with investment grade ratings
- proof of emerging broker status
- Consolidated Reports of Condition and Income

An annual review of the financial condition and registration of qualified parties and investments will be conducted by the Treasurer's authorized investment staff. More frequent reviews may be conducted.

State of Illinois
Office of the Treasurer

THE ILLINOIS FUNDS

PRIME FUND INVESTMENT POLICY

For the years ended June 30, 2005 and 2004

Unaudited

A current audited financial statement or equivalent acceptable to the Treasurer is required to be on file for each financial institution and broker/dealer with which The Prime Fund establishes a depository, trading, or safekeeping relationship. Qualified parties will submit updated financial statements or equivalent acceptable to the Treasurer when a material change in any of the above occurs.

5.0 Authorized and Suitable Investments: The following investments are authorized to the extent that they are permitted investments of state funds according to the Deposit of State Moneys Act (15 ILCS 520/22.5) and the Public Funds Investment Act (30 ILCS 235/2):

- Direct United States Treasury Obligations and issues of United States Agencies or Instrumentalities
- Authorized securities issued by the following United States Agencies or Instrumentalities:
 - Federal National Mortgage Association (FNMA)
 - Federal Home Loan Bank (FHLB)
 - Federal Home Loan Mortgage Corporation (FHLMC)
 - Federal Farm Credit Administration
 - Federal Farm Credit Bank (FFCB)
 - Government National Mortgage Administration (GNMA)
 - Student Loan Marketing Association (SLMA)
- Agreements to repurchase United States Treasury Obligations and issues of the United States Agencies or Instrumentalities listed above
- Commercial Paper rated A1, P1 equivalent or better
- The Illinois Funds Money Market Fund
- AAA rated money market mutual funds
- Interest bearing savings accounts, interest-bearing certificates of deposits or interest bearing time deposits or any other investments constituting direct obligations of any bank as defined by the Illinois Banking Act(205 ILCS 5/1 et seq.).

State of Illinois
Office of the Treasurer

THE ILLINOIS FUNDS

PRIME FUND INVESTMENT POLICY

For the years ended June 30, 2005 and 2004

Unaudited

6.0 Investment Restrictions: The following restrictions will apply to all Prime Fund investment transactions:

- Investments in derivative products and leveraging of assets through reverse repurchase agreements are prohibited.
- Repurchase agreements may only be executed with financial institutions or broker/dealers meeting the Treasurer's standards, which will include mutual execution of a Master Repurchase Agreement adopted by the Treasurer.
- There will be no investments in mortgage-backed securities of any kind.
- There will be no investments in asset-backed securities of any kind.

7.0 Collateralization: All Prime Fund deposits and repurchase agreements shall be secured by direct U.S. Treasury and/or U.S. Agency obligations as required by the Treasurer and provided for by the Deposit of State Moneys Act (15 ILCS 520) and the Treasurer's Acceptable Collateral Listing, which may change from time to time.

8.0 Safekeeping and Custody: All direct treasury, agency and instrumentality security transactions entered into by The Prime Fund will be conducted on a delivery-versus-payment (DVP) or receipt-versus-payment (RVP) basis. Securities will be held by a safekeeping agent designated by the Treasurer, and evidenced by safekeeping receipts. Commercial Paper will settle daily with the Depository Trust Company.

State of Illinois
Office of the Treasurer

THE ILLINOIS FUNDS

PRIME FUND INVESTMENT POLICY

For the years ended June 30, 2005 and 2004

Unaudited

9.0 Diversification: The primary purpose of diversification in general is to control credit and market risk. The Prime Fund portfolio will be diversified to eliminate the risk of loss resulting from concentration of assets in a specific maturity, a specific issuer or a specific class of securities. The majority of Prime Fund investments will be in direct obligations of the United States Treasury and United States Government Agencies and Instrumentalities as listed in section 5.0. In order to properly manage any risk that may be attendant to the investment of Prime Fund assets, The Prime Fund portfolio will observe the following diversification limits:

- The Prime Fund will invest no more than 50 percent of its total assets in securities with maturities greater than 30 days issued by any single permissible United States Government Agency or Instrumentality.
- The Prime Fund will invest no more than 5 percent of its total assets in securities issued by any single Commercial Paper Issuer (calculated at the time of purchase).
- A maximum of 33.3 percent of the portfolio may be invested in direct Commercial Paper Obligations not to exceed 180 days to maturity.
- A maximum of 25 percent of total assets may be invested in any approved AAAM Money Market Fund.

The Prime Fund will seek to achieve diversification in the portfolio by reasonably distributing investments within authorized investment categories, issuers and broker/dealers.

10.0 Internal Controls: The Treasurer will establish a system of internal controls, which will be documented in writing and filed with the Inspector General of the Treasurer's Office for review as an adjunct to the annual independent examination of the financial statements of The Prime Fund. The controls will be designed to prevent loss of public funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets or imprudent actions by authorized investment staff of The Prime Fund. The Treasurer will publish the current investment policy annually in a newspaper of general circulation in both Springfield and Chicago.

11.0 Asset Allocation: The Treasurer shall approve asset allocation among investment categories authorized under Section 5.0 of this Investment Policy.

12.0 Competitive Bidding: Authorized investment staff will obtain competitive bids from at least three broker/dealers prior to executing repurchase agreements, purchasing United States Treasury

State of Illinois
Office of the Treasurer

THE ILLINOIS FUNDS

PRIME FUND INVESTMENT POLICY

For the years ended June 30, 2005 and 2004

Unaudited

securities, United States Government Agency or Instrumentality securities or Commercial Paper from a broker/dealer. Notwithstanding the foregoing, authorized investment staff may tender bids directly through a single broker/dealer for the original auction of individual U.S. Treasury obligations without obtaining competitive bids.

13.0 Liability: Authorized investment staff, acting in accordance with written procedures and this investment policy and exercising due diligence, will be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments. The Treasurer is bonded to a level of \$150,000 for the faithful performance of duties in relation to The Illinois Funds.

14.0 Reporting: A quarterly report will be presented by the Director of The Illinois Funds to the Treasurer and the Treasurer's Investment Policy Committee (listing of committee members attached). The quarterly report will contain the following:

- performance as compared to established benchmarks
- asset allocation
- any deviation from the standards established in Section 9.0 above
- any change in investment policy adopted during the quarter
- the weighted portfolio average days to maturity

An external audit listing all securities marked to market will be provided to the Treasurer and all participants annually.