State of Illinois
Illinois Student Assistance Commission

Financial Audit
For the Year Ended June 30, 2013

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

McGladrey

Assurance ▪ Tax ▪ Consulting

State of Illinois
Illinois Student Assistance Commission
Financial Audit
For the Year Ended June 30, 2013

Table of Contents

Table of Contents

Agency Officials

Executive Director	Eric Zarnikow
Chief Financial Officer	Shoba Nandhan
Chief Investment Officer	Kent Custer
General Counsel (through 10/11/13)	Annie Pike
Acting General Counsel (10/12/13 to present)	Karen Salas

Agency offices are located at:

1755 Lake Cook Road
Deerfield, IL 60015

500 West Monroe
Springfield, IL 62704

100 West Randolph
Suite 3-200
Chicago, IL 60601

Financial Statement Report

Summary

The audit of the accompanying financial statements of the State of Illinois, Illinois Student Assistance Commission (Commission) was performed by McGladrey LLP.

Based on their audit, the auditors expressed an unmodified opinion on the Commission's basic financial statements.

Summary of Findings

The auditors identified a matter involving the Commission's internal control over financial reporting that they considered to be a significant deficiency. The significant deficiency is described in the accompanying Schedule of Findings on pages 120 – 121, as finding 2013-002 (Inadequate Collateral Coverage).

The auditors also identified instances of noncompliance and other matters. The instances of noncompliance and other matters are described in the accompanying Schedule of Findings on pages 120 – 121, as findings 2013-001 (Debt Covenant Violation) and 2013-002 (Inadequate Collateral Coverage).

Exit Conference

In correspondence received from Eric Zarnikow, Executive Director, on December 5, 2013, the Commission elected to waive a formal exit conference. The responses to the recommendations were provided by Brian Begrowicz, Deputy Chief Financial Officer of the Illinois Designated Account Purchase Program, in correspondence dated December 9, 2013.

McGladrey

Independent Auditor's Report

Honorable William G. Holland
Auditor General
State of Illinois, and

Ms. Kym Hubbard
Honorable Chair of the Governing Board
Illinois Student Assistance Commission

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State of Illinois, Illinois Student Assistance Commission, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the State of Illinois, Illinois Student Assistance Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the State of Illinois, Illinois Student Assistance Commission, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2, the financial statements of the State of Illinois, Illinois Student Assistance Commission are intended to present the financial position, the changes in financial position and, where applicable, cash flows of only that portion of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State that is attributable to the transactions of the State of Illinois, Illinois Student Assistance Commission. They do not purport to, and do not, present fairly the financial position of the State of Illinois as of June 30, 2013, and the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Also, as discussed in Note 13, the Illinois Prepaid Tuition Program Fund has a deficit as of June 30, 2013 of $389 million. The amount of the fund deficit is highly dependent on the actuarial assumptions used to calculate the present value of the future tuition benefits obligation. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America, require that the budgetary comparison information on pages 63–64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response 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.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Illinois, Illinois Student Assistance Commission's basic financial statements. The accompanying supplementary information, consisting of combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2014 on our consideration of the State of Illinois, Illinois Student Assistance Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Illinois, Illinois Student Assistance Commission's internal control over financial reporting and compliance.

Restricted Use of this Auditor's Report

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, the Comptroller, the Commission Board and Audit Committee, and Commission management and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey LLP

Schaumburg, Illinois
January 15, 2014

State of Illinois
Illinois Student Assistance Commission

Statement of Net Position
June 30, 2013
(All dollar amounts are expressed in thousands)

	Governmental Activities	Business-type Activities	Total
Assets			
Current			
Unrestricted			
Unexpended appropriations	$ 15,260	$ -	$ 15,260
Cash and cash equivalents	596	71,813	72,409
Investments	-	145,647	145,647
Receivables			
Contracts	-	32,360	32,360
Intergovernmental	-	27,123	27,123
Accrued interest on investments	-	17	17
Other	375	-	375
Securities lending collateral	-	35,499	35,499
Due from other State funds	-	547	547
Due from State of Illinois component units	247	4	251
Due from other ISAC funds	(2)	2	-
Total current assets - unrestricted	16,476	313,012	329,488
Restricted			
Cash and cash equivalents	-	21,927	21,927
Receivables			
Student loans	-	90,192	90,192
Accrued interest on loans	-	12,485	12,485
Accrued interest on investments	-	3	3
Other	-	19	19
Total current assets - restricted	-	124,626	124,626
Non-current			
Unrestricted			
Investments	-	931,453	931,453
Contracts receivable	-	59,416	59,416
Notes receivable	4,379	-	4,379
Capital assets, net of accumulated depreciation	11,375	3,050	14,425
Total non-current assets - unrestricted	15,754	993,919	1,009,673
Restricted			
Student loans receivable, net	-	554,040	554,040
Unamortized debt issuance costs	-	3,578	3,578
Total non-current assets - restricted	-	557,618	557,618
Total assets	$ 32,230	$ 1,989,175	$ 2,021,405

(Continued)

State of Illinois
Illinois Student Assistance Commission

Statement of Net Position (Continued)
June 30, 2013
(All dollar amounts are expressed in thousands)

	Governmental Activities	Business-type Activities	Total
Liabilities			
Current			
Accounts payable and accrued liabilities	$ 15,484	$ 16,692	$ 32,176
Accrued interest payable	-	940	940
Federal special allowance and interest subsidy	-	1,745	1,745
Due to other State funds	10	313	323
Due to State of Illinois component units	281	46	327
Unearned revenue	2	-	2
Securities lending collateral obligation	-	35,499	35,499
Intergovernmental payable	-	9,515	9,515
Due to U.S. Department of Education	30	-	30
Compensated absences	-	370	370
Tuition obligation	-	160,592	160,592
Line of credit	-	240,607	240,607
Total current liabilities	15,807	466,319	482,126
Non-current			
Revenue bonds and notes payable, net	-	429,388	429,388
Compensated absences	-	2,037	2,037
Tuition obligation	-	1,396,898	1,396,898
Total non-current liabilities	-	1,828,323	1,828,323
Total liabilities	15,807	2,294,642	2,310,449
Net Position			
Net investment in capital assets	11,375	3,050	14,425
Restricted for debt service	-	9,567	9,567
Restricted for federal programs	-	40,289	40,289
Unrestricted	5,048	(358,373)	(353,325)
Total net position	$ 16,423	$ (305,467)	$ (289,044)

See Notes to Financial Statements.

State of Illinois
Illinois Student Assistance Commission

Statement of Activities
Year Ended June 30, 2013
(All dollar amounts are expressed in thousands)

		Program Revenues	
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**
Governmental activities			
Education			
Scholarships, awards and grants	$ 385,204	$ -	$ 4,650
Interest	96	-	-
Total governmental activities	385,300	-	4,650
Business-type activities			
Education			
Student loan purchase program	27,902	29,846	-
Prepaid tuition	94,691	34,441	91,585
Loan guarantee program	208,570	43,645	171,387
Total business-type activities	331,163	107,932	262,972
Total Commission	$ 716,463	$ 107,932	$ 267,622

General revenues and transfers
General revenues
Appropriations from State resources
Lapsed appropriations
Receipts remitted to State Treasury
Investment income
Miscellaneous
Transfers
Total general revenues and transfers

Change in net position

Net position (deficit) July 1, 2012

Net position (deficit) June 30, 2013

See Notes to Financial Statements.

Net (Expenses) Revenue and Changes in Net Position		
Governmental Activities	**Business-type Activities**	**Total**
$ (380,554)	$ -	$ (380,554)
(96)	-	(96)
(380,650)	-	(380,650)
-	1,944	1,944
-	31,335	31,335
-	6,462	6,462
-	39,741	39,741
(380,650)	39,741	(340,909)
380,679	-	380,679
(968)	-	(968)
(2,370)	-	(2,370)
-	189	189
310	-	310
2,151	(2,151)	-
379,802	(1,962)	377,840
(848)	37,779	36,931
17,271	(343,246)	(325,975)
$ 16,423	$ (305,467)	$ (289,044)

State of Illinois
Illinois Student Assistance Commission

Balance Sheet
Governmental Funds
June 30, 2013
(All dollar amounts are expressed in thousands)

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Unexpended appropriations	$ 15,260	$ -	$ 15,260
Cash and cash equivalents	-	596	596
Due from State of Illinois component units	247	-	247
Other receivables	205	170	375
Notes receivable, net of allowance of $24,191	4,379	-	4,379
Total assets	$ 20,091	$ 766	$ 20,857
Liabilities			
Accounts payable and accrued liabilities	$ 15,453	$ 31	$ 15,484
Due to other ISAC funds	-	2	2
Due to other State funds	-	10	10
Due to State of Illinois component units	54	227	281
Deferred revenues	-	2	2
Due to U.S. Department of Education	-	30	30
Total liabilities	15,507	302	15,809
Fund Balances			
Nonspendable - notes receivable	4,379	-	4,379
Committed	-	464	464
Unassigned	205	-	205
Total fund balances	4,584	464	5,048
Total liabilities and fund balances	$ 20,091	$ 766	$ 20,857

See Notes to Financial Statements.

State of Illinois
Illinois Student Assistance Commission

Reconciliation of the Balance Sheet -
Governmental Funds to the Statement of Net Position
June 30, 2013
(All dollar amounts are expressed in thousands)

Total fund balances - governmental funds		$ 5,048
Amounts reported for governmental activities in the Statement of Net Position are different due to:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Land	$ 2,700	
Buildings	18,521	
Equipment	216	
Accumulated depreciation	(10,062)	
Total capital assets		11,375
Net position of governmental activities		$ 16,423

See Notes to Financial Statements.

State of Illinois
Illinois Student Assistance Commission

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2013
(All dollar amounts are expressed in thousands)

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Federal government	$ -	$ 4,650	$ 4,650
Other	3	307	310
Total revenues	3	4,957	4,960
Expenditures			
Education			
Scholarships, awards and grants	379,846	4,894	384,740
Capital outlay - building improvement	-	210	210
Debt Service			
Principal	-	1,845	1,845
Interest	-	96	96
Total expenditures	379,846	7,045	386,891
Deficiency of revenues over expenditures	(379,843)	(2,088)	(381,931)
Other sources (uses) of financial resources			
Appropriations from State resources	380,629	50	380,679
Lapsed appropriations	(968)	-	(968)
Receipts remitted to (from) State Treasury	(2,370)	-	(2,370)
Transfers in	-	2,151	2,151
Net other sources (uses) of financial resources	377,291	2,201	379,492
Net change in fund balance	(2,552)	113	(2,439)
Fund balance, July 1, 2012	7,136	351	7,487
Fund balance, June 30, 2013	$ 4,584	$ 464	$ 5,048

See Notes to Financial Statements.

State of Illinois
Illinois Student Assistance Commission

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities
Year Ended June 30, 2013
(All dollar amounts are expressed in thousands)

Net change in fund balances - total governmental funds	$ (2,439)
Amounts reported for governmental activities in the Statement of Activities are different due to:	
Governmental funds report capital outlays as expenditures while the Statement of Activities reports depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which depreciation ($464) exceeded capital outlay ($210) in FY2013.	(254)
Payment of principal on installment purchases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	1,845
Change in net position of governmental activities	$ (848)

See Notes to Financial Statements.

State of Illinois
Illinois Student Assistance Commission

Statement of Net Position
Enterprise Funds
June 30, 2013
(All dollar amounts are expressed in thousands)

	Illinois Designated Account Purchase Program Fund	Illinois Prepaid Tuition Program Fund	Nonmajor Enterprise Funds	Total
Assets				
Current				
Unrestricted				
Cash and cash equivalents	$ 10,853	$ 6,998	$ 53,962	$ 71,813
Investments	6,004	139,643	-	145,647
Receivables				
Contracts	-	32,360	-	32,360
Intergovernmental	-	-	27,123	27,123
Accrued interest on investments	-	-	17	17
Securities lending collateral	-	-	35,499	35,499
Due from other State funds	-	-	547	547
Due from State of Illinois component units	-	-	4	4
Due from other ISAC funds	-	-	2,723	2,723
Total current assets - unrestricted	16,857	179,001	119,875	315,733
Restricted				
Cash and cash equivalents	21,927	-	-	21,927
Receivables				
Student loans receivable, net of allowance of $7,065	90,192	-	-	90,192
Accrued interest on loans	12,485	-	-	12,485
Accrued interest on investments	3	-	-	3
Other	19	-	-	19
Due from other ISAC funds	3	-	-	3
Total current assets - restricted	124,629	-	-	124,629
Noncurrent				
Unrestricted				
Investments	-	931,453	-	931,453
Contracts receivable	-	59,416	-	59,416
Capital assets, net of accumulated depreciation	-	-	3,050	3,050
Total noncurrent assets - unrestricted	-	990,869	3,050	993,919
Restricted				
Student loans receivable, net of allowance of $43,398	554,040	-	-	554,040
Unamortized debt issuance costs	3,578	-	-	3,578
Total noncurrent assets - restricted	557,618	-	-	557,618
Total assets	$ 699,104	$ 1,169,870	$ 122,925	$ 1,991,899

(Continued)

State of Illinois
Illinois Student Assistance Commission

Statement of Net Position (Continued)
Enterprise Funds
June 30, 2013
(All dollar amounts are expressed in thousands)

	Illinois Designated Account Purchase Program Fund	Illinois Prepaid Tuition Program Fund	Nonmajor Enterprise Funds	Total
Liabilities				
Current				
Accounts payable and accrued liabilities	$ 398	1,083	$ 15,211	$ 16,692
Accrued interest payable	940	-	-	940
Tuition obligation	-	160,592	-	160,592
Federal special allowance and interest subsidy	1,745	-	-	1,745
Due to other ISAC funds	2,420	304	-	2,724
Due to other State funds	-	-	313	313
Due to State of Illinois component units	-	46	-	46
Securities lending collateral obligation	-	-	35,499	35,499
Intergovernmental payable	-	-	9,515	9,515
Compensated absences	44	-	326	370
Revolving credit line	240,607	-	-	240,607
Total current liabilities	246,154	162,025	60,864	469,043
Noncurrent				
Tuition obligation	-	1,396,898	-	1,396,898
Revenue bonds and notes payable, net	429,388	-	-	429,388
Compensated absences	162	-	1,875	2,037
Total noncurrent liabilities	429,550	1,396,898	1,875	1,828,323
Total liabilities	675,704	1,558,923	62,739	2,297,366
Net Position				
Net investment in capital assets	-	-	3,050	3,050
Restricted for debt service	9,567	-	-	9,567
Restricted for federal grant programs	-	-	40,289	40,289
Unrestricted	13,833	(389,053)	16,847	(358,373)
Total net position	23,400	(389,053)	60,186	(305,467)
Total liabilities and net position	$ 699,104	$ 1,169,870	$ 122,925	$ 1,991,899

See Notes to Financial Statements.

State of Illinois
Illinois Student Assistance Commission

Statement of Revenues, Expenses and Changes in Net Position - Enterprise Funds
Year Ended June 30, 2013
(All dollar amounts are expressed in thousands)

	Illinois Designated Account Purchase Program Fund	Illinois Prepaid Tuition Program Fund	Nonmajor Enterprise Funds	Total
Operating revenues				
Investment income				
Interest - student loans	$ 29,518	$ -	$ -	$ 29,518
Income - investments (net of closed end funds investment management fees of $3,570)	12	91,397	-	91,409
Interest - other	-	188	-	188
Total investment income	29,530	91,585	-	121,115
Other operating revenues				
Fees	328	824	-	1,152
Contribution	-	33,617	-	33,617
Portfolio maintenance fees	-	-	3,098	3,098
Direct consolidation cost	-	-	8,140	8,140
Collections on student loans previously reimbursed by the U.S. Department of Education	-	-	29,797	29,797
Other	-	-	2,610	2,610
Total other operating revenues	328	34,441	43,645	78,414
Total operating revenues	29,858	126,026	43,645	199,529
Operating expenses				
Interest and other student loan expenses				
Interest expense				
Revenue bonds and notes	(37)	-	-	(37)
Amortization of loan premiums and fees	2,016	-	-	2,016
Other student loan fees	2,128	-	-	2,128
Provision for loan losses	8,685	-	-	8,685
Total interest and other student loan expenses	12,792	-	-	12,792

(Continued)

State of Illinois
Illinois Student Assistance Commission

Statement of Revenues, Expenses and Changes in Net Position - Enterprise Funds (Continued)
Year Ended June 30, 2013
(All dollar amounts are expressed in thousands)

	Illinois Designated Account Purchase Program Fund	Illinois Prepaid Tuition Program Fund	Nonmajor Enterprise Funds	Total
Other operating expenses				
Salaries and employee benefits	$ 1,985	$ 2,076	$ 26,794	$ 30,855
Loan guarantee	-	-	177,412	177,412
External loan servicing	2,657	-	-	2,657
Accreted tuition expenses	-	84,485	-	84,485
Occupancy expense	2	-	-	2
Investment management fees	-	1,355	-	1,355
Investment advisory fees	-	2,813	-	2,813
Management and professional services	1,275	3,962	4,235	9,472
MAP and other State grants	-	-	(119)	(119)
Depreciation	4	-	248	252
Other	150	-	-	150
Total other operating expenses	6,073	94,691	208,570	309,334
Total operating expenses	18,865	94,691	208,570	322,126
Operating income (loss)	10,993	31,335	(164,925)	(122,597)
Non-operating revenues (expenses)				
Federal government special allowance and interest subsidy	(7,434)	-	-	(7,434)
Loss on sale of loan portfolio	(1,603)	-	-	(1,603)
Federal government	-	-	171,387	171,387
Interest revenue	-	-	177	177
Total non-operating revenues (expenses)	(9,037)	-	171,564	162,527
Income (loss) before transfers	1,956	31,335	6,639	39,930
Transfers out	-	-	(2,151)	(2,151)
Change in net position	1,956	31,335	4,488	37,779
Net position (deficit), July 1, 2012	21,444	(420,388)	55,698	(343,246)
Net position (deficit), June 30, 2013	$ 23,400	$ (389,053)	$ 60,186	$ (305,467)

See Notes to Financial Statements.

State of Illinois
Illinois Student Assistance Commission

Statement of Cash Flows - Enterprise Funds
Year Ended June 30, 2013
(All dollar amounts are expressed in thousands)

	Illinois Designated Account Purchase Program Fund	Illinois Prepaid Tuition Program Fund	Nonmajor Enterprise Funds	Total
Cash flows from operating activities				
Cash received from fees and other charges	$ -	$ 823	$ 135,029	$ 135,852
Cash payments for tuition	-	(103,725)	-	(103,725)
Cash payments to suppliers for goods and services	(6,403)	(4,251)	(2,576)	(13,230)
Cash payments to employees for services	(1,940)	(2,141)	(23,960)	(28,041)
Cash payments for loan guarantees	-	-	(181,495)	(181,495)
Cash receipts from prepaid tuition contracts	-	47,267	-	47,267
Cash payments for student loans	(2,791)	-	-	(2,791)
Cash payments for refund of contracts	-	(18,046)	-	(18,046)
Cash received from other operating activities	138,606	-	-	138,606
Cash payments for other operating activities	-	-	(99,701)	(99,701)
Proceeds from sale of student loan portfolio	49,565	-	-	49,565
Expenses from sale of student loan portfolio	(320)	-	-	(320)
Net cash provided (used) by operating activities	176,717	(80,073)	(172,703)	(76,059)
Cash flows from noncapital financing activities				
Principal paid on revenue bonds and other borrowings	(127,712)	-	-	(127,712)
Principal paid on early extinguishment of debt	(59,950)	-	-	(59,950)
Interest paid on revenue bonds and other borrowings	(7,445)	-	-	(7,445)
Special allowance and interest subsidy	(7,864)	-	-	(7,864)
Transfers in	-	-	32,642	32,642
Transfers out	-	-	(34,794)	(34,794)
Federal government grants	-	-	175,093	175,093
Net cash provided (used) by noncapital financing activities	(202,971)	-	172,941	(30,030)
Cash flows from capital and related financing activities				
Acquisition and construction of capital assets	-	-	(1,493)	(1,493)
Cash flows from investing activities				
Purchase of investment securities	(5,003)	(313,174)	-	(318,177)
Proceeds from sales and maturities of investment securities	5,991	369,292	-	375,283
Interest and dividends on investments	18	24,891	178	25,087
Cash paid to investment managers	-	(1,355)	-	(1,355)
Net cash provided by investing activities	1,006	79,654	178	80,838
Increase (decrease) in cash and cash equivalents	(25,248)	(419)	(1,077)	(26,744)
Cash and cash equivalents, July 1, 2012	58,028	7,417	55,039	120,484
Cash and cash equivalents, June 30, 2013	$ 32,780	$ 6,998	$ 53,962	$ 93,740

(Continued)

State of Illinois
Illinois Student Assistance Commission

Statement of Cash Flows - Enterprise Funds (Continued)
Year Ended June 30, 2013
(All dollar amounts are expressed in thousands)

	Illinois Designated Account Purchase Program Fund	Illinois Prepaid Tuition Program Fund	Nonmajor Enterprise Funds	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	$ 10,993	$ 31,335	$ (164,925)	$ (122,597)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	4	-	248	252
Investment income	(12)	(120,854)	-	(120,866)
Interest expense	(37)	-	-	(37)
Amortization of student loan premiums and fees	2,016	-	-	2,016
Accreted tuition expense	-	84,485	-	84,485
Provision for loan losses	8,685	-	-	8,685
Change in assets and liabilities				
Contracts receivable	-	13,350	-	13,350
Student loans receivable	153,206	-	-	153,206
Intergovernmental receivables	-	-	79	79
Accrued interest - loans and notes	2,724	-	-	2,724
Due from other ISAC funds	178	-	673	851
Due from other State funds	-	-	(456)	(456)
Due from State of Illinois component units	-	-	4	4
Other receivables	152	-	-	152
Accounts payable and accrued liabilities	(219)	(266)	(2,883)	(3,368)
Intergovernmental payables	-	-	1,509	1,509
Due to other ISAC funds	(976)	111	(7)	(872)
Due to other State funds and component units	-	(134)	(7,103)	(7,237)
Tuition obligation	-	(88,035)	-	(88,035)
Compensated absences	3	(65)	157	95
Other	-	-	1	1
Total adjustments	165,724	(111,408)	(7,778)	46,538
Net cash provided (used) by operating activities	$ 176,717	$ (80,073)	$ (172,703)	$ (76,059)
Supplemental disclosure of noncash transactions:				
Net appreciation (depreciation) in fair value of investments	$ (5)	$ 64,438	$ -	$ 64,433

See Notes to Financial Statements.

Note 1. Organization

The Illinois Student Assistance Commission (ISAC or Commission) is a part of the executive branch of government of the State of Illinois. ISAC operates under a budget approved by the General Assembly in which resources are appropriated for the use of ISAC. Activities of ISAC are subject to the authority of the Office of the Governor, the State's Chief Executive Officer, and other departments of the executive branch of government (such as the Department of Central Management Services, the Governor's Office of Management and Budget, the State Treasurer's Office, and the State Comptroller's Office) as defined by the Illinois General Assembly. All funds appropriated to ISAC and all other cash received are under the custody and control of the State Treasurer, with the exception of the Illinois Designated Account Purchase Program (IDAPP).

ISAC was established through the Higher Education Student Assistance Act in 1957. The agency is governed by the Commission, a board of ten persons appointed by the Governor, who serve without compensation for a term of six years, except for one member who serves for a term of two years. It employs and provides direction to an Executive Director who is responsible for overseeing and implementing the Commission's day-to-day operations. The Commission's operations office is at 1755 Lake Cook Road in Deerfield, with additional offices located at 500 West Monroe in Springfield and 100 West Randolph in Chicago.

The Commission was created to establish and administer a system of financial assistance through student loans and loan guarantees; scholarships and grant awards; and a prepaid tuition program for residents of the State to enable them to attend qualified public or private institutions of their choice within Illinois. The Commission fulfills this purpose by administering the following programs:

A. Monetary Award Program (MAP)

This program was created to provide financial assistance to qualifying students who are residents of the State of Illinois and enrolled at an approved post-secondary institution in Illinois. The monetary awards are granted on the basis of student financial need and the availability of funds. The grant provides up to $4,968 in fiscal year 2013 for the payment of tuition and mandatory fees. The program is usually funded by the General Fund appropriation**.**

B. Illinois Veteran Grant

The Illinois Veteran Grant (IVG) Program pays eligible tuition and mandatory fees at all Illinois public universities or public community colleges for veterans. Qualified applicants may use this grant at the undergraduate or graduate level for the equivalent of four academic years of full-time enrollment.

This grant is an entitlement program and is awarded to eligible applicants regardless of the funding level. If funds appropriated for the Illinois Student Assistance Commission (ISAC) are insufficient to reimburse public post-secondary institutions for all recipients, the obligation to pay is transferred to the institution. This program was not funded in fiscal year 2013.

C. Illinois Incentive for Access Program

The Illinois Incentive for Access (IIA) Program provides grant assistance to freshmen that have limited financial resources with which to pay for college. The purpose of the program is to provide access and retention for this population while reducing their loan debt. A qualified applicant may receive a one-time $500 grant. The IIA program was not funded in fiscal year 2013.

Note 1. Organization (Continued)

D. Illinois National Guard Grant

The Illinois National Guard (ING) Grant pays tuition and eligible fees at all Illinois public universities or public community colleges to members of the Illinois National Guard. This grant can be used for either undergraduate or graduate enrollment for the equivalent of four academic years of full-time enrollment.

The ING Grant is an entitlement program and is awarded to eligible recipients regardless of the funding level. If funds appropriated for the Illinois Student Assistance Commission (ISAC) are insufficient to reimburse public post-secondary institutions for all recipients, the obligation to pay is transferred to the institution where the veteran attends school. This program was not funded in fiscal year 2013.

E. Illinois Future Teacher Corps Scholarships / Golden Apple Scholars of Illinois

The Illinois Future Teacher Corps (IFTC) Program encourages academically talented Illinois students, especially minority students, to pursue teaching careers, especially in teacher shortage disciplines or at hard-to-staff schools. A recipient may receive up to 4 semesters/6 quarters of scholarship assistance under this program. The total number of scholarships awarded in a given fiscal year is contingent upon available funding.

In the summer of 2009, P.A. 96-0411 instituted a transition period during which IFTC was phased out and state support was directed instead to the Golden Apple Scholars of Illinois Program. Like IFTC, the privately-operated Golden Apple program also provides grants towards tuition and fees that must be repaid by recipients who do not subsequently fulfill a work requirement; Golden Apple also provides mentoring and support services and the opportunity to attend summer institutes on teaching.

F. Illinois Scholars Program

The Illinois Scholars Program encourages recruitment and training of bright and talented high school graduates who represent a rich ethnic diversity for successful teaching careers in high need schools throughout Illinois by providing scholarships to students pursuing teaching degrees. The scholarships are disbursed through the Golden Apple Scholars of Illinois program administered by the Golden Apple Foundation.

Scholars receive financial assistance for four years to attend one of the 53 public and private universities across the state in exchange for successful completion of undergraduate college and a commitment to teach for five years in an Illinois school of need.

G. Minority Teachers Scholarship Program

The Minority Teachers of Illinois (MTI) Scholarship Program encourages academically talented minority students to pursue careers as teachers at nonprofit Illinois preschool, elementary and secondary schools. The program also aims to provide minority children with access to a greater number of positive minority role models.

Scholars receive financial assistance of up to $5,000 to attend a course of study which, upon completion, qualifies the student to be certified as a preschool, elementary or secondary school teacher by the Illinois State Board of Education, including alternative teacher certification; and in exchange the recipient pledges to teach full time (one year for each year in which scholarship assistance was received) in a nonprofit Illinois public, private, or parochial preschool, elementary or secondary school with at least 30% minority enrollment.

Note 1. Organization (Continued)

H. Nurse Educator Scholarship Program

The Nurse Educator Scholarship Program is designed to attract capable and promising students to the nursing educator profession. Increasing the number of instructors will allow more students to be educated in the field of nursing. This scholarship also provides an opportunity for individuals interested in making a career change to the nurse educator profession.

Scholarships are awarded to eligible applicants enrolled or accepted for enrollment on at least a half-time basis in an approved program of professional or practical nursing education at the graduate level at an Illinois institution of higher learning. In exchange the recipient pledges to work as an educator in an approved program of professional nursing education in Illinois or an approved program of practical nursing education in Illinois, as certified by an authorized individual at the approved Illinois institution, for a period of not less than five years. This program was not funded in fiscal year 2013.

I. Ancillary Award Programs

The following Ancillary Award programs, funded by the General Revenue Fund, supplement the scholarship and grant programs listed above:

- Bonus Incentive Grant*
- Grant Program for Dependents of Correctional Officers
- Grant Program for Dependents of Police or Fire Officers
- Illinois Special Education Teacher Tuition Waiver Program*
- Student to Student Program of Matching Grants*
- Teacher/Child Care Loan Forgiveness Program
- I TEACH Program*
- Merit Recognition Scholarships*
- Nurse Educator Loan Repayment Program
- Veterans' Home Nurse Loan Repayment Program

* These programs were not funded in fiscal year 2013.

J. Federal Family Education Loan Program (FFELP)

This program was designed to stimulate the making of educational loans by Illinois commercial lenders to qualifying students by guaranteeing repayment of the loans through payments to lenders for defaulted loans. This program is federally funded through the United States Department of Education.

The Higher Education Act of 1965 (HEA) as amended by the Higher Education Amendments of 1998 (Pub.L. 105-244) required the agency to establish two funds for the Program's Administration, the Federal Student Loan Fund (FSLF) and the Student Loan Operating Fund (SLOF).

The Federal Student Loan Fund (FSLF) accounts for federal government program activities operated and maintained by ISAC. Section 422A(d) of the HEA allows the FSLF to be used primarily to pay lender claims and default aversion fees to ISAC's Student Loan Operating Fund (SLOF). The SLOF is used for ISAC's operating expenses. Resources reported in the SLOF are the State's earned activities and are administered by ISAC.

As a result of the Student Aid and Fiscal Responsibility Act (SAFRA), which was part of the Health Care and Education Reconciliation Act, no new loans have been made under the FFELP program since July 1, 2010.

Note 1. Organization (Continued)

K. Higher Education License Plate Grant Program

Working with the Secretary of State, participating public universities, community colleges and not-for-profit private colleges and universities in Illinois can have specialized collegiate license plates issued for their schools. Of the $75 fee charged for these specialized plates, $25 is used to fund a grant program called the Higher Education License Plate (HELP) Grant Program. Each participating public university and community college administers its own scholarship program using the funds received directly from the license plate fees. Participating private institutions receive a grant from proceeds generated by the license plate fee deposited into the University Grant Fund, a special fund in the State Treasury.

ISAC annually seeks appropriation authority to disburse these collected funds to the participating schools. Eligibility for HELP Grants is based on student need. Grants are used to pay tuition and fees up to a maximum grant of $2,000 per year. Funds must be used to support students who attend the institutions that generate the license plate revenue.

L. *College Illinois!®*

Legislation authorizing ISAC to administer an Illinois Prepaid Tuition Program was passed in November 1997. The Illinois Prepaid Tuition Program is administered by ISAC with advice and counsel from an investment advisory panel consisting of seven members appointed by ISAC. The purpose of this program is to provide Illinois families with an affordable tax-advantaged method to pay for college. Illinois Prepaid Tuition contracts will allow participants to prepay the cost of tuition and mandatory fees at Illinois public universities and community colleges. Benefits of the contracts can also be used at private and out-of-state colleges and universities. Contracts can be purchased in a lump sum payment or in installments. The Illinois Prepaid Tuition Program has been named *College Illinois!®.*

For additional information, refer to the Illinois Prepaid Tuition Program Financial Audit, for the year ended June 30, 2013.

M. Illinois Designated Account Purchase Program (IDAPP)

IDAPP was a secondary market offering a variety of services primarily to lenders who originate loans guaranteed by the Commission. It is reported as a Proprietary Fund.

IDAPP facilitated lender participation in the student loan programs by reducing the overall risk and collection expenses those lenders faced. One of the major incentives offered by the Commission was that IDAPP took over servicing the loan after it was purchased from the lender. Sales of loans to the Commission gave the lenders the capital to make new and renew loans.

Capital to support IDAPP was funded through the sale of revenue notes and bonds. The capital borrowings and IDAPP's operational costs are repaid with student loan repayments (or recovery through the guarantor agencies), collection of interest and fees on student loans, and special allowances and interest received from the U.S. Department of Education.

As a result of the Student Aid and Fiscal Responsibility Act (SAFRA), which was part of the Health Care and Education Reconciliation Act, no new loans have been made under the FFELP program since July 1, 2010.

For additional information, refer to the Illinois Designated Account Purchase Program financial audit, for the year ended June 30, 2013.

Note 1. Organization (Continued)

N. Alternative Loan Program

In order to make post-secondary educational opportunities more accessible for qualified students, ISAC offered a program of "Alternative Loans" to supplement existing federal and state student financial assistance programs.

Note 2. Summary of Significant Accounting Policies

The financial statements of the Commission have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB). To facilitate the understanding of data included in the financial statements, summarized below are the more significant accounting policies.

A. Financial Reporting Entity

The Commission is an agency of the State of Illinois. As such, the Governor of the State determines designation of the governing authority. The State also maintains overall accountability for the Commission's fiscal matters. The Commission operates under a budget approved by the General Assembly in which resources primarily from the State's General Revenue and Special Revenue Funds as well as the Federal Student Loan and Student Loan Operating Funds are appropriated for the use of the Commission. Activities of the Commission are subject to the authority of the Office of the Governor, the State's Chief Executive Officer and other departments of the executive branch of government (such as the State Comptroller's Office and the State Treasurer's Office) as defined by the General Assembly.

As defined by GAAP, the financial reporting entity consists of a primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as:

1) Appointment of a voting majority of the organization's governing body and either (a) the primary government's ability to impose its will on that organization, or (b) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government; or

2) Fiscal dependency on the primary government and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

Based upon the required criteria, the Commission has no component units and is not a component unit of any other entity. However, because the Commission is not legally separate from the State of Illinois, the financial statements of the Commission are included in the financial statements of the State of Illinois. The State of Illinois' Comprehensive Annual Financial Report may be obtained by writing to the State Comptroller's Office, Financial Reporting Department, 325 West Adams Street, Springfield, Illinois 62704-1871.

All funds appropriated to the Commission and all other cash received are under the custody and control of the State Treasurer, with the exception of IDAPP funds and certain locally held funds, which are under the direct control of the Commission. As an integral unit of the State, the Commission prepares its year-end financial statements utilizing the State's basis of accounting and fund classifications. The accompanying financial statements present the financial position, results of operations and cash flows of all funds that comprise the Commission. The Commission's financial statements are an integral part of the State's overall comprehensive annual financial report.

Note 2. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation

***Government-wide Statements*.** The government-wide statement of net position and statement of activities report the overall financial activity of the Commission. Eliminations have been made to minimize the double counting of internal activities of the Commission. These statements distinguish between the *governmental* and *business-type* activities of the Commission. Governmental activities generally are financed through appropriations, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Commission and for each function of the Commission's governmental activities. Direct expenses are those that are clearly identifiable with a specific function, including each activity's share of allocated (shared) costs. Interest expense related to borrowing for student loaning activities (business-type activities) totaling $1,979 (including amortization) is included in student loan purchase program expense in the Statement of Activities. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all appropriations, are presented as general revenues.

***Fund Financial Statements*.** The fund financial statements provide information about the Commission's funds. Separate statements for each fund category - governmental and proprietary (enterprise) - are presented. The emphasis on fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Enterprise fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and certain investment earnings, and gains and losses from sales of the loan portfolio, result from non-exchange transactions or ancillary activities. Due to the nature of IDAPP and Illinois Prepaid Tuition Program activities, income from investments is considered operating activities, and interest expense is considered an operating activity in IDAPP's Statement of Revenues, Expenses, and Changes in Net Position.

The Commission administers the following major governmental fund of the State:

General – This is the Commission's portion of the State's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The services, which are administered by the Commission and accounted for in the General Fund, include a program of financial assistance through scholarship and grant awards for residents of the State.

For fiscal year 2013, the Commission received appropriations through the General Fund - Educational Assistance Account. This account is a shared account and its activity (if any) attributed to the operations of the Commission is combined with the General Revenue Account for report presentation purposes. Any monies received by this fund are held in the State Treasury.

The Commission administers the following major enterprise funds of the State:

Note 2. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

Illinois Designated Account Purchase Program (IDAPP) – This fund accounts for the activities of the Illinois Designated Account Purchase Program (referred throughout this report as "IDAPP") including issuance of debt and acquisition of student loans from lenders and the subsequent collection of the loans.

Illinois Prepaid Tuition Program (*College Illinois!*®) – This fund accounts for the activities of the Illinois Prepaid Tuition Program (referred throughout this report as "*College Illinois*!®") including the sale of Illinois prepaid tuition contracts, investment of funds and payment of benefits of the contracts to participants.

Additionally, the Commission administers the following fund types:

Special Revenue Funds – Special Revenue Funds account for transactions related to resources obtained from specific revenue sources that are legally restricted, committed or assigned to expenditures for specific purposes. Special Revenue Funds are also used to account for federal grant programs. These funds are presented as a part of the nonmajor governmental funds.

Debt Service Fund – The Debt Service Fund accounts for the accumulation of resources for, and the payment of, general long-term debt principal and interest relating to certificates of participation for the building located in Deerfield. This fund is presented as a part of the nonmajor governmental funds.

Enterprise Funds – Enterprise Funds are used to account for the Commission's ongoing organizations and activities, which are similar to those often found in the private sector. Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where the governing body has decided that periodic determination of revenues earned and expenses incurred is appropriate for capital maintenance, public policy, management control, accountability or other purposes. All business-type funds of the Commission are classified as enterprise funds.

C. Basis of Accounting

The government-wide and enterprise fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Non-exchange transactions, in which the Commission gives (or receives) value without directly receiving (or giving) equal value in exchange, includes grants and similar items and are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been met.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State considers revenues to be available if they are collected within 60 days of the end of the current fiscal year.

Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, principal and interest on general long-term debt, claims and judgments, and compensated absences are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Note 2. Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting (Continued)

Interest revenue is a significant revenue source, which is susceptible to accrual. All other revenue sources such as fines, penalties, licenses and other miscellaneous revenues are considered to be measurable and available only when cash is received.

D. Shared Fund Presentation

The financial statement presentation for the General Fund and the University Grant Fund, part of the nonmajor governmental funds, represents only the portion of shared funds that can be directly attributed to the operations of the Commission. Financial statements for total fund operations of the shared State funds are presented in the State of Illinois' Comprehensive Annual Financial Report.

In presenting these financial statements, certain unique accounts are used for the presentation of shared funds. The following accounts are used in these financial statements to present the Commission's portion of shared funds:

Unexpended Appropriation

This "asset" account represents lapse period warrants issued between July and December for fiscal year 2013 in accordance with the Statewide Accounting Management System (SAMS) records plus any liabilities relating to obligations re-appropriated to the subsequent fiscal year.

Appropriations from State Resources

This "other financing source" account represents the final legally adopted appropriation according to SAMS records. The amounts reported are net of any re-appropriations to subsequent years and the difference between current and prior year liabilities for re-appropriated accounts. Re-appropriations reflect the State's realignment of the budgetary needs to the subsequent year and avoid double counting a portion of the appropriation in more than one fiscal year.

Lapsed Appropriations

Lapsed appropriations are the legally adopted appropriations less net warrants issued for the 18-month period from July to December of the following year and re-appropriations to subsequent years according to SAMS records.

Receipts Remitted to State Treasury

This "other financing use" account represents all cash receipts received during the fiscal year from SAMS records.

Note 2. Summary of Significant Accounting Policies (Continued)

D. Shared Fund Presentation (Continued)

Amount of SAMS Transfer In

This other financing use account represents cash transfers made by the Office of the Comptroller in accordance with statutory provisions to the corresponding fund during the fiscal year per SAMS records in which the Commission did not make a deposit into the State Treasury.

E. Budgetary Process

The State Constitution requires the Governor to prepare and submit to the General Assembly an executive budget for the ensuing fiscal year. The budget covers most funds held by the State, but excludes locally held funds and various treasury-held funds, which are not subject to appropriation pursuant to State law. The General Assembly enacts the budget through the passage of specific line-item appropriations (i.e., personnel services, contractual services, equipment, etc.), the sum of which must not exceed estimated revenues pursuant to the State Constitution. The Governor has the power to approve, reduce or veto each appropriation passed by the General Assembly. Transfers in/out contained in the Executive budget are not a part of the General Assembly's appropriation process.

The actual amounts are determined either by state law or by discretionary action available to the Governor. The SAMS controls expenditures by line item as established in approved appropriation bills and the level of legal control is reported in a publication titled "A Detailed Report of Expenditures and Revenues." A separate document is necessary since the State has over 6,500 appropriated line items.

Unexpended appropriations are available for subsequent expenditures to the extent that encumbrances have been incurred at June 30, provided they are presented for payment during the succeeding six-month lapse period. Certain appropriations referred to as "reappropriations" represent the General Assembly's approval for continuation of a prior year's program which requires additional time for completion.

F. Cash and Cash Equivalents

Cash and cash equivalents consist principally of deposits held in the State Treasury. Cash and cash equivalents also include cash on hand, cash in banks for locally held funds, and highly liquid investments purchased with maturities of three months or less.

G. Investments

ISAC presents investments on its Statement of Net Position at fair value. The net appreciation or depreciation in the fair value of investments is included as investment income in the financial statements.

H. Contracts Receivable

Contracts receivable represents the amount *College Illinois!*® expects to receive from contract holders for contracts purchased on an installment basis. The actuarially determined present value of future contributions was $91,775 as of June 30, 2013. The program expects to receive contributions totaling $32,360 in fiscal year 2014. This amount has been classified as current contracts receivable on the Statement of Net Position. The total contract receivable balance is expected to be received over the next thirteen years.

Note 2. Summary of Significant Accounting Policies (Continued)

I. Student Loans Receivable/Premiums

As a secondary lender, when IDAPP purchases loans from another lender, IDAPP may pay a premium on those loans. Premiums over $50 (in the aggregate) are capitalized and amortized on a straight-line basis over the average remaining useful lives of the student loans. Premiums under $50 (in the aggregate) are expensed.

J. Allowance for Possible Loan Losses

The allowance for possible loan losses is an estimate of credit losses arising from the student loan portfolio. A provision for possible loan losses, which is shown as an operating expense, is added to bring the allowance to a level that, in management's judgment, is adequate to absorb losses in the portfolio. Management performs a monthly assessment of the loan portfolio in order to determine the appropriate level of the allowance. The factors in this evaluation include, but are not necessarily limited to, delinquencies over 120 days, loan servicing deficiencies and the amount of unguaranteed reimbursement from the United States Department of Education as discussed in Note 4.

Management believes that the allowance for possible loan losses is adequate. While management uses available information to recognize losses on loans, future additions may be necessary based on future review of compliance with due diligence and contractual servicing requirements by IDAPP, and its outside loan servicers.

K. Interfund Transactions

The Commission has the following types of interfund transactions between Commission funds and funds of other State agencies:

Loans - amounts provided with a requirement for repayment. Interfund loans are reported as interfund receivables (i.e., due from other funds) in lender funds and interfund payables (i.e., due to other funds) in borrower funds.

Services provided and used - sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and expenditures or expenses in purchaser funds. Unpaid amounts are reported as interfund receivables and payables in the fund balance sheets or fund statements of net position.

Reimbursements - repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements are reported as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.

Transfers - flows of assets (such as cash or goods) without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers. In proprietary funds, transfers are reported after nonoperating revenues and expenses.

(All dollar amounts are expressed in thousands)

Note 2. Summary of Significant Accounting Policies (Continued)

L. Capital Assets

Capital assets, which include property and equipment, are reported at cost. Capital assets are depreciated using the straight-line method. Capitalization thresholds and the estimated useful lives are as follows:

Capital Asset Category	Capitalization Threshold	Estimated Useful Life
Land	$100	N/A
Buildings	100	10-60
Building Improvements	25	10-45
Equipment	5	3-25
Internally Generated Software	1,000	10

M. Restricted Assets

Restricted assets represent those assets which are required to be held by the trustee as mandated by the bond and note indentures or resolutions or are pledged as security in support of bond and note indentures or resolutions.

N. Encumbrances

The Commission employs encumbrance accounting for all Governmental Fund types. All outstanding contracts, purchase orders and other commitments for goods and services (if any) that have been received/rendered at June 30, but delivered and invoiced during the State's lapse period, are reported as restricted, committed or assigned fund balances, as appropriate, not as expenditures or liabilities. Encumbrances are recorded as expenditures on the budgetary basis for such funds.

O. Compensated Absences

The liability for compensated absences reported in the government-wide and certain proprietary fund financial statements consists of unpaid, accumulated vacation and sick leave balances for Commission employees. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. The liability has been calculated based on the employees' current salary level and includes salary-related costs (e.g., Social Security and Medicare tax).

Legislation that became effective January 1, 1998, capped the paid sick leave for all State Employees' Retirement System members at December 31, 1997. Employees continue to accrue twelve sick days per year, but will not receive monetary compensation for any additional time earned after December 31, 1997. Sick days earned between 1984 and December 31, 1997 (with a 50% cash value) would only be used after all days with no cash value are depleted. Any sick days earned and unused after December 31, 1997 will be converted to service time for purposes of calculating employee pension benefits.

P. Debt Premiums, Discounts, and Issuance Costs

In the government-wide and proprietary fund financial statements, debt premiums and discounts, as well as issuance costs are deferred and amortized over the life of the debt using the straight-line method, which approximates the effective interest rate method. Deferred amounts on refunding represent a gain on refunding recognized with the issuance of the LIBOR Floating Rate Notes (see Note 8A). These amounts are amortized on a weighted basis over the life of the three tranches. Bonds and notes payable are reported net of the applicable deferred refunding amount, and premium or discount.

Note 2. Summary of Significant Accounting Policies (Continued)

P. Debt Premiums, Discounts, and Issuance Costs (Continued)

Debt issuance costs are reported as deferred charges and amortized over the term of the related debt. Current year amortization expense is included in student loan expense in the Statement of Activities.

Q. Tuition Obligation

The tuition obligation in the Illinois Prepaid Tuition Program represents the net contract face value for the 48,189 contracts held by the fund as of June 30, 2013, plus the actuarially-determined present value of future benefits the Program expects to provide to contract holders for all contracts.

R. Fund Balances

Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in the governmental funds. In the governmental fund financial statements, fund balances are reported in the following categories:

Nonspendable – This consists of amounts that cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact.

Restricted – This consists of amounts that are restricted to specific purposes, that is, when constraints placed on the use of resources are either a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation.

Committed – This consists of amounts constrained by limitations that the State imposes upon itself through legislation by its governing body. The commitment amount will be binding unless removed or amended in the same manner in which it is created.

Assigned – This consists of net amounts that are constrained by the Commission’s intent to be used for specific purposes, but that are neither restricted nor committed. The Commission is authorized to assign funds by the State in accordance with the Higher Education Assistance Act (110 ILCS 947/20).

Unassigned – This includes the residual fund balance that has not been restricted, committed, or assigned to specific purposes within the General Fund.

In instances where restricted, committed and assigned fund balances are available for use, the Commission’s policy is to use restricted resources first, followed by committed resources, then assigned resources, as needed.

S. Net Position

In the government-wide and proprietary fund financial statements, net position is displayed in three components as follows:

Net Investment in Capital Assets – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Note 2. Summary of Significant Accounting Policies (Continued)

S. Net Position (Continued)

Restricted – results when constraints placed on net position use is either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation. Based on bond indentures, all IDAPP assets, except for assets relating to operations, are restricted for the benefit of debt holders until the bonds are retired. Additionally, based on constraints placed on net position use by the Department of Education, the net position of the Federal Student Loan Fund is restricted.

Unrestricted (Deficit) – This consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

The Commission first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

T. Use of Estimates

The preparation of financial statements 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 period. Actual results could differ from those estimates.

U. Funding and Actuarial Assistance

Program funding for the Illinois Prepaid Tuition Program is derived entirely from payments received from contract purchasers and the investment income earned by the Fund. The Commission has obtained actuarial assistance in order to measure the Fund’s obligations. The assets of the Fund are to be preserved, invested and expended solely pursuant to and for the purposes of the Fund and may not be loaned or otherwise transferred or used by the State of Illinois for any other purpose.

Note 3. Deposits and Investments

A. Authorized Deposits and Investments

The Commission is permitted by Illinois Statutes to engage in a wide variety of investment activities. These include bonds, notes, certificates of indebtedness, treasury bills or other securities guaranteed by the United States Government; interest-bearing savings accounts, certificates of deposit, interest-bearing time deposits or any other investments that constitute direct obligations of any bank; short-term obligations of certain qualified United States Corporations; short-term discount obligations of the Federal National Mortgage Association; shares or other securities legally issued by certain state or federal savings and loans associations; insured dividend-bearing share accounts and certain other accounts of chartered credit unions; certain mutual funds, the Illinois funds investment pool, and repurchase agreements that meet certain instrument and transactions requirements.

With regard to the Prepaid Tuition Program, in addition to the funds with the State Treasurer, the Commission by statute (Illinois Prepaid Tuition Act, 110 ILCS 979) is required to appoint an investment advisory panel to offer advice and counseling regarding the investments of the prepaid tuition program. The panel is required to annually review and advise the Commission on provisions of the strategic investment plan, which will specify the investment policies to be utilized by the Commission in the administration of the Prepaid Tuition Program. The Commission may direct that assets of the Prepaid Tuition Program funds be placed in savings accounts or may use the same to purchase fixed or variable life insurance or annuity contracts, securities, evidence of indebtedness, or other investment products pursuant to the comprehensive investment plan and in such proportions as may be designated or approved under that plan.

Note 3. Deposits and Investments (Continued)

A. Authorized Deposits and Investments (Continued)

With regards to the Illinois Designated Account Purchase Program (IDAPP), bond documents such as trust indentures place strict limitations on the type of investments that can be made by IDAPP. The limitations vary slightly from issue to issue, but in general they restrict investments to direct obligations of the federal government and government agencies, investment agreements, repurchase agreements, bank certificates of deposit, money market funds and highly rated commercial paper and municipal bonds.

The Public Funds Investment Act (Act) also restricts the investment of funds under the control of IDAPP. These restrictions apply to any funds, which are not restricted by the terms of a debt document. Permitted deposits and investments under the Act include (subject to various restrictions and limitations) direct federal obligations of the United States of America, federal guaranteed obligations, participation interests in federal obligations, federal affiliated institutions, certificates of deposit, time deposits, and other bank deposits which are fully insured by the Federal Deposit Insurance Corporation or similar federal agency or which are fully collateralized, money market funds, repurchase agreements, investment agreements with financial institutions, commercial paper, state or municipal bonds, and bankers' acceptances. IDAPP's investment policy, which applies to all investments, is more restrictive than the Act in that investments in money market mutual funds are restricted to those with portfolio holdings of United States obligations including bonds, notes, certificates of indebtedness, treasury bills or other securities, which are guaranteed by the full faith and credit of the United States of America as to principal and interest, and direct United States obligations (bonds, notes, debentures or other similar obligations of the United States of America or its agencies).

B. Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. State law (30 ILCS 230/2C) requires that all deposits of public funds be covered by FDIC insurance or eligible collateral. The Commission has no policy that would further limit the requirements under State law.

Funds in the custody of the State Treasurer, or in transit, totaled $61,558 at June 30, 2013. These amounts are pooled and invested with other State funds in accordance with the Deposit of State Moneys Act of the Illinois Compiled Statutes (15 ILCS 520/11). Details on the nature of these deposits and investments, and the risks, are available within the State of Illinois' Comprehensive Annual Financial Report.

At June 30, 2013, IDAPP had $5,500 deposited with a bank that was uninsured and uncollateralized.

C. Investments

Other than the securities lending program administered by the State Treasurer, in which the Commission participates, all investments held by the Commission as of June 30, 2013, pertain to the Illinois Designated Account Purchase Program (IDAPP), and the Illinois Prepaid Tuition Program (*College Illinois!*®) fund, both of which are major enterprise funds.

Note 3. Deposits and Investments (Continued)

C. Investments (Continued)

Illinois Designated Account Purchase Program (IDAPP)

Interest Rate Risk

IDAPP invests its funds in a manner that meets its cash flow needs while conforming to state statutes governing the investment of funds, including without limitation the Investment Act and all requirements/limitations of the various documents applicable to bonds and other securities issued by ISAC. The portfolio's maturity characteristics at June 30, 2013 are as follows:

Investment Type	Fair Value	Weighted Average Maturity (Years)
Government securities (U.S. treasury bills)	$ 6,004	0.8

Credit Risk

IDAPP's investment policy limits the following types of investments to the top two ratings issued by nationally recognized credit rating organizations: commercial paper, state or municipal bonds, and bankers' acceptances. The investment policy places no further limitations on investment credit quality.

As of June 30, 2013, IDAPP's investments were subject to credit risk (other than obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government which are not considered to have credit risk) as follows:

		Rating	
Investment Type	Fair Value	Standard & Poor's	Moody's
Money market funds	$ 23,055	AAAm	Aaa-mf

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, IDAPP will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party.

The investment policy authorizes IDAPP to utilize a third party custodian (Trustee) to safe-keep the assets of the fund and to provide reports on a monthly basis to all necessary parties. The custodian is responsible for sweeping all interest and dividend payments and any other un-invested cash into a short-term government money market fund. IDAPP has no investments subject to custodial credit risk at June 30, 2013.

Note 3. Deposits and Investments (Continued)

C. Investments (Continued)

Illinois Designated Account Purchase Program (IDAPP) (Continued)

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. IDAPP's investment policy requires IDAPP to diversify its investments by security type and institution. With the exception of the obligations set forth in the investment policy (direct federal obligations, federal guaranteed obligations, and federal affiliated institutions) or investments fully collateralized by these obligations, no more than 5% of IDAPP's total investment portfolio will be invested in the obligations of a single issuer.

As of June 30, 2013, there were no investments that exceed 5% or more of IDAPP's total investment portfolio.

Foreign Currency Risk

Foreign currency risk is the risk that changes in currency exchange rates will adversely affect the fair value of an investment. IDAPP is not exposed to foreign currency risk and, IDAPP's investment policy does not address foreign currency risk.

Illinois Prepaid Tuition Program

ISAC is required annually to adopt a comprehensive investment policy to invest the funds received through contract payments. The Commission approved the Illinois Prepaid Tuition Program's most recent revision to the investment policy in June 2013.

The comprehensive investment plan specifies the investment policies to be utilized by the Commission in its administration of the Illinois Prepaid Tuition Program. The Commission may direct that assets of the Program be invested in a manner that will provide the investment return and risk level consistent with the actuarial return requirements and cash flow demands of the Program. The investments should be in compliance with all applicable federal and state laws and other statutes governing the investment of Illinois Prepaid Tuition Program resources.

The Commission is required to adopt a sound asset allocation that is reviewed at least once every three years. The asset allocation establishes target weights for each asset class and is designed to maximize the long-term expected return of the Program within an acceptable risk tolerance while providing liquidity to meet Program liabilities.

The table below establishes the interim and long-term asset allocation targets. In order to minimize trading costs and market risk associated with transitioning to the long-term targets, Program cash flows will be used to move gradually toward the long-term target weights. Interim target weights are established for purposes of calculating the policy benchmark and for rebalancing controls.

(All dollar amounts are expressed in thousands)

Note 3. Deposits and Investments (Continued)

C. Investments (Continued)

Illinois Prepaid Tuition Program (Continued)

	Targets		Rebalancing Range	
Asset Allocation	**Long-term**	**Interim**	**Lower Limit**	**Upper Limit**
U.S. Equity	22.00%	22.00%	19.00%	25.00%
Non-U.S. Equity	20.00%	15.00%	12.00%	18.00%
Fixed Income	25.00%	21.00%	18.00%	24.00%
High Yield	3.00%	4.00%	3.00%	5.00%
REIT	5.00%	6.00%	4.00%	8.00%
Absolute Return	9.00%	9.00%	7.00%	11.00%
Real Estate	5.00%	10.00%	N/A	N/A
Infrastructure	5.00%	6.00%	N/A	N/A
Private Equity	5.00%	5.00%	N/A	N/A
Cash	1.00%	2.00%	0.00%	4.00%

The primary benchmark (the “Policy Benchmark”) for evaluating the performance of the Program is a Target Index consisting of a market index or equivalent for each asset class, weighted in accordance with the target allocation (or interim target allocation if applicable). Over a three to five year period the Program is expected to generate returns, after payment of all fees and expenses, which exceed the returns of the Target Index. The Target Index components are as follows.

Asset Class	Index	Weight
U.S. Equity	Russell 3000	22.00%
Non-U.S. Equity	MSCI EAFE	15.00%
Fixed Income	Barclays U.S. Aggregate	21.00%
High Yield	BofA MLHY	4.00%
REIT	MSCI US REIT	6.00%
Absolute Return	90-day T Bills +4%	9.00%
Real Estate	NCREIF ODCE	10.00%
Infrastructure	90-day T Bills +4%	6.00%
Private Equity	Russell 3000 + 3%	5.00%
Cash	90-day T-Bills	2.00%

The Commission has established investment guidelines for the investment managers and conducts thorough due diligence before the appointment of all investment managers. ISAC has retained State Street Global Advisors, Income Research Management, RhumbLine Advisers, Pugh Capital, Piedmont Investment, Security Capital Research, Alinda Infrastructure, Portfolio Advisors, JP Morgan AIRRO, Morgan Stanley, Balestra Capital, Neuberger Berman, Pinnacle Natural Resource, Ativo, Cornerstone Capital Management, Harris/Pyrford, Camelot Secondary, Kennedy Wilson, Lyrical-Antheus, Mesirow Value, and DDJ Strategic Income Plus Fund as investment managers to assist with the investment of the Program assets for the Illinois Prepaid Tuition Program. Use of funds invested on behalf of the Illinois Prepaid Tuition Program by the investment managers is restricted to the payout of tuition and fee benefits for Program beneficiaries and the administrative costs of running the program.

Note 3. Deposits and Investments (Continued)

C. Investments (Continued)

Illinois Prepaid Tuition Program (Continued)

As of June 30, 2013, 24.03% of the funds were invested in Domestic Equities, 19.69% in Domestic Fixed Income, 12.51% in International Equities, 5.63% in Infrastructure Funds, 8.32% in Absolute Value Funds, 4.54% in Private Equity Funds, 9.56% in Real Estate, 7.28% in Real Estate Investment Trust, 3.62% in High Yield, 0.28% in illiquid securities and 4.54% in cash and equivalents.

Investments owned are reported at fair value as follows:

(1) U.S. Government and Agency, Foreign and Corporate Obligations, Convertible Bonds – prices quoted by a major dealer in such securities;

(2) Common Stock and Equity Funds, Preferred Stock, Foreign Equity Securities - (a) Listed – closing prices as reported on the composite summary of national securities exchanges; (b) Over-the-counter – bid prices;

(3) Money Market Instruments – average cost which approximates fair values;

(4) Real Estate Investments – fair values as determined by the Program in conjunction with its investment managers and investment advisors;

(5) Private Equity, Absolute Return, and Infrastructure Funds – fair values as determined by the Program in conjunction with its investment managers and investment advisors. Valuations generally are based the investee's last audited financial statements (generally December 31) and differences attributed to cash flows and subsequent events through June 30.

The Program's investment in real estate represents convertible debt, senior unsecured debt securities, and preferred and common equity securities. Investment strategies of private equity funds include secondary funds.

The Program's investments in infrastructure represent investments used to seek capital appreciation and current income by acquiring, holding, financing, refinancing and disposing of infrastructure investment and related assets. Infrastructure assets include various public works such as water utility, toll roads, inland barge terminals and a gas pipeline system.

The Program's investments in absolute return funds (funds of hedge funds) employ a broad range of diversifying investment strategies including arbitrage, global commodities, and global macro.

Investment Commitments

Private equity, real estate and infrastructure investment portfolios consist of passive interests in non-publicly traded companies. The Program had outstanding unfunded commitments of approximately $7,400 to private equity partnerships, $30,400 to real estate and $26,700 to infrastructure funds as of June 30, 2013.

(All dollar amounts are expressed in thousands)

Note 3. Deposits and Investments (Continued)

C. Investments (Continued)

Illinois Prepaid Tuition Program (Continued)

The Illinois Prepaid Tuition Program's cash and investments at June 30, 2013 are presented below at fair value by investment type and by investment manager:

Investment Managers
Asset Allocation
June 30, 2013

Asset Class	Investment Manager	Fair Value	Actual Allocation
Fixed Income-Core	Funds in transition	$ 4	0.00%
Fixed Income-Core	Piedmont Investment	34,069	3.16%
Fixed Income-Core	Pugh Capital	42,405	3.93%
Fixed Income-Core	State Street Global Advisors	66,291	6.15%
Fixed Income-Intermediate	Income Research Management	69,459	6.44%
Total Fixed Income Portfolio		**212,228**	**19.69%**
Private Equity High Yield	DDJ Strategic Income Plus	39,060	3.62%
High Yield		**39,060**	**3.62%**
REIT Stable Income	Security Capital Research	22,654	2.10%
REIT Preferred Growth	Security Capital Research	55,805	5.18%
REIT		**78,459**	**7.28%**
Real Estate-Value Added	Kennedy Wilson	25,206	2.34%
Real Estate-Value Added	Kennedy Wilson	32,928	3.05%
Real Estate-Opportunistic	Lyrical-Antheus	25,516	2.37%
Real Estate-Value Added	Mesirow Value	19,453	1.80%
Total Real Estate		**103,103**	**9.56%**
Large-Cap Core Equity	RhumbLine Advisers	98,644	9.15%
All-Cap Core Equity	RhumbLine Advisers	160,451	14.88%
Total Domestic Equity		**259,095**	**24.03%**
International Equity	Ativo	34,203	3.17%
International Equity	Cornerstone Capital Management	33,398	3.10%
International Equity	Harris/Pyrford	36,547	3.39%
International Core Equity	State Street Global Advisors	30,710	2.85%
International Core Equity	Funds in transition	6	0.00%
Total International Equity		**134,864**	**12.51%**
Infrastructure	Alinda Infrastructure	31,199	2.89%
Infrastructure	JP Morgan AIRRO	29,508	2.74%
Total Infrastructure		**60,707**	**5.63%**
Absolute Return Fund	Balestra Capital	30,591	2.84%
Absolute Return Fund	Neuberger Berman	28,589	2.65%
Absolute Return Fund	Pinnacle Natural Resource	30,505	2.83%
Total Absolute Return Funds*		**89,685**	**8.32%**
Private Equity Secondary	Camelot Secondary	15,876	1.47%
Private Equity Secondary FoFs	Morgan Stanley	16,480	1.53%
Private Equity Secondary FoFs	Portfolio Advisors	16,590	1.54%
Total Private Equity		**48,946**	**4.54%**
Illiquid Securities Liquidating Trust	U.S. Bank (Custodian)	2,998	0.28%
Total Illiquid Securities Liquidating Trust		**2,998**	**0.28%**
Cash and Equivalents	Northern Trust	41,951	3.89%
Investment Cash Equivalents		**41,951**	**3.89%**
Total Investments		**1,071,096**	**99.35%**
Cash and Equivalents	Illinois Treasury and lock box	6,998	0.65%
Total Cash Equivalents		**6,998**	**0.65%**
TOTAL PORTFOLIO		**$ 1,078,094**	**100%**

* Previously classified as "Fund of Hedge Funds"

Note 3. Deposits and Investments (Continued)

C. Investments (Continued)

Illinois Prepaid Tuition Program (Continued)

Investment Management Fees

The Program has contracted with Commission-approved investment managers to manage the assets of the Program. The investment managers serve as investors and investment advisors to the Program.

For investment managers who invest moneys in publicly held securities the Program pays an investment management fee for investment management services. The investment management fee is based upon contractually agreed upon conditions and provisions. Investment management fees expense for investments in publicly held securities amounted to $1,355 for the year ended June 30, 2013 and is accounted for in the Statement of Revenues, Expenses, and Changes in Net Position.

For investment managers of alternative investments (not publicly held securities) the Program pays an investment advisory fee. The investment advisory fees are calculated based upon the terms and conditions agreed upon with each individual contractual agreement and are recognized as investment advisory fees expense in the Statement of Revenues, Expenses, and Changes in Net Position. Investment advisory expense as reflected in the Statement of Revenues, Expenses, and Changes in Net Position for FY 2013 amounts to $2,813.

For certain alternative investment managers of private equity, infrastructure and real estate which are closed end funds and ISAC is a limited partner the investment advisory fee is reflected in a slightly different way. If the investment management fees are outside of the Limited Partner’s capital account then the fees are included as part of the investment advisory fees expense in the Statement of Revenues, Expenses, and Changes in Net Position. If the closed-end fund accounts for management fees within the Limited Partner's capital account, then management fee expense is included in the Net Asset Value calculation and would therefore be included in income from investment securities on the Statement of Revenues, Expenses, and Changes in Net Position.

Investment managers who fall into the last category are listed below:

- Kennedy Wilson
- Lyrical-Antheus
- Mesirow Value
- Alinda Infrastructure
- JP Morgan AIRRO
- Camelot Secondary
- Portfolio Advisors
- Morgan Stanley

Approximately $3,600 in investment advisory fees are included in the amount reported for income from investments for the fiscal year ending June 30, 2013 in the Statement of Revenues, Expenses, and Changes in Net Position. Additionally, these amounts are reflected in the carrying value on the Statement of Net Position.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Illinois Prepaid Tuition Program’s policy for managing interest rate risk is to ensure that the investment managers comply with its investment policy guidelines.

(All dollar amounts are expressed in thousands)

Note 3. Deposits and Investments (Continued)

C. Investments (Continued)

Illinois Prepaid Tuition Program (Continued)

Per the investment policy:

- No more than 20% of the portfolio may be invested in un-hedged non-dollar bonds.
- Obligations of national governments other than U.S. are limited to 10% per issuer.
- Private mortgage backed and asset backed securities are limited to 10% per issuer, unless the collateral is credit-independent of the issuer and the security's credit enhancement is generated internally, in which case the limit is 25% per issuer.
- Obligations of other issuers are subject to a 5% per issuer limit excluding investments in commingled vehicles.

As of June 30, 2013, all portfolios are within the guidelines permitted by the investment policy.

The duration of the portfolios, by Manager, for the fixed income securities (excluding real estate portfolio), compared to the benchmark index(s) is as follows:

Fixed Income Portfolio Manager	Portfolio Average Duration	BarCap Aggregate Index	BarCap Int. Government/ Credit Index
Income Research Management	3.8 Years	N/A	3.9 Years
SSGA U.S. Aggregate Bond Index (Common collective trust)	5.5 Years	5.5 Years	N/A
Piedmont	5.1 Years	5.5 Years	N/A
Pugh Capital	5.3 Years	5.5 Years	N/A

Portfolio Weighted Average Maturity

Investment Type	Fair Value	Weighted Average Maturity (in Years)
U.S. treasury bills	$ 361	0.13
U.S. treasury notes	27,736	5.95
U.S. treasury bonds	1,272	25.41
U.S. agency obligations	3,411	5.81
Index linked government bonds (U.S. Treasuries)	1,897	6.28
Bond common collective trust	66,291	7.41
Municipal/provincial bonds	4,878	8.95
Canada government note	429	3.63
Corporate debt securities	65,383	6.51
U.S. agency asset-backed securities	4,733	16.35
Corporate asset-backed securities	6,752	4.36
Mortgage backed securities (MBS):		
Government agencies	26,413	21.10
Commercial	15,325	32.09
Total Fair Value	**$ 224,881**	
Portfolio weighted average maturity		**10.4**

(All dollar amounts are expressed in thousands)

Note 3. Deposits and Investments (Continued)

C. Investments (Continued)

Illinois Prepaid Tuition Program (Continued)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The operational guidelines for actively-managed bond managers set forth in the Illinois Prepaid Tuition Program investment policy are:

- The weighted average credit quality of portfolio holding will not fall below A- or equivalent.
- No more than 20% of the portfolio will be invested in issues rated below Baa3 or BBB-, A2 or P2.
- No more than 10% in non-U.S. securities (dollar and non-dollar) rated below investment grade.
- Should a security be downgraded to a rating of "B" or below, the investment manager will determine the appropriate action (sell or hold) based on the perceived risk and expected return of the position and will inform the CIO and the Investment Consultant in writing of the action taken.

The following tables indicate credit ratings, as of June 30, 2013, for the Program's debt security investments (other than obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government which are not considered to have credit risk). Ratings for debt security investments that have multiple ratings are on the following page:

Credit Ratings (Excludes Multiple-Rated Securities)
June 30, 2013

		Credit Rating*
	Total Fair Value	Moody's
Money market mutual funds	$ 51,585	NR
Illinois Funds	6,525	Aaa
Mortgage backed securities - government agencies	26,413	NR
Canada government note	429	Aaa
Bond common collective trust	66,291	Aa

*NR - not rated

(All dollar amounts are expressed in thousands)

Note 3. Deposits and Investments (Continued)

C. Investments (Continued)

Illinois Prepaid Tuition Program (Continued)

Credit Risk (Continued)

Credit Ratings (Multiple-Rated Securities)
June 30, 2013

Rating Agency	Investment Type	Credit Rating*	Fair Value
Moody's:	Commercial mortgage-backed	Aaa	$ 8,492
	Commercial mortgage-backed	Aa	369
	Commercial mortgage-backed	A	511
	Commercial mortgage-backed	NR	5,953
			15,325
Moody's:	Corporate asset-backed securities	Aaa	5,382
	Corporate asset-backed securities	Aa	121
	Corporate asset-backed securities	NR	1,249
			6,752
Moody's:	Corporate bonds	Aaa	320
	Corporate bonds	Aa	6,630
	Corporate bonds	A	16,439
	Corporate bonds	Baa	30,057
	Corporate bonds	Ba	11,125
	Corporate bonds	B	251
	Corporate bonds	NR	561
			65,383
Moody's:	Municipal/provincial bonds	Aaa	1,134
	Municipal/provincial bonds	Aa	1,808
	Municipal/provincial bonds	A	1,256
	Municipal/provincial bonds	NR	490
	Municipal/provincial bonds	WR	190
			4,878
Moody's:	U.S. agency obligations	Aaa	3,053
	U.S. agency obligations	Aa	358
			3,411
Moody's:	U.S. agency asset backed	Aaa	4,276
	U.S. agency asset backed	NR	457
			4,733

* NR - not rated, WR - withdrawn

Note 3. Deposits and Investments (Continued)

C. Investments (Continued)

Illinois Prepaid Tuition Program (Continued)

Illiquid Trust

During fiscal year June 30, 2010, the Illinois Prepaid Tuition Program exited from its securities lending program. As of June 30, 2013, the value of the remaining illiquid trust at U.S. Bank was $2,998.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the Illinois Prepaid Tuition Program will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The Program does not have an investment policy for custodial credit risk for investments, including the Illiquid Trust.

During fiscal year June 30, 2010, the Program exited its securities lending program. The counterparty continues to hold uninsured investments of $2,998 in the Program's name. These investments are subject to custodial credit risk.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

The operational guidelines as set forth in the Illinois Prepaid Tuition Program's investment policy indicate:

- For fixed income managers no more than 5% of the fixed income portfolio at time of purchase may be invested in any one company, except for government or agency issues.
- For investments in international equity, investment in any one issuer shall not exceed five percent of the market value of the portfolio at the time of purchase. No more than ten percent of the market value of the portfolio may be held in any one issuer at any time. Investment in any one company in the portfolio may be no more than ten percent of the total market value of that company.
- For investments in domestic equity, investment in any one issuer shall not exceed five percent of the market value of the portfolio at the time of purchase. No more than ten percent of the market value of the portfolio may be held in any one issuer at any time. Investment in any one company in the portfolio may be no more than ten percent of the total market value of that company.

Foreign Currency Risk

Foreign currency risk is the risk that changes in currency exchange rates will adversely affect the fair value of an investment.

(All dollar amounts are expressed in thousands)

Note 3. Deposits and Investments (Continued)

C. Investments (Continued)

Illinois Prepaid Tuition Program (Continued)

Foreign Currency Risk (Continued)

The Illinois Prepaid Tuition Program's investments in international equity are in compliance with the guidelines of the investment policy. As of June 30, 2013, 12.51% is invested in international equities. Certain alternative investments also hold investments located outside of the United States. Fluctuations in foreign exchange rates between the U.S. dollar and other currencies could have an effect on the amounts realized in U.S. dollars involving these investments. The Program has the following investments denominated in foreign currency.

Investments in Foreign Currency
June 30, 2013

Deposit or Investment Type	Foreign Currency Denomination	Fair Value in U.S. Dollars
Equities, cash and cash equivalents	Australian dollar	$ 1,769
Equities and recoverable taxes	Brazilian real	539
Equities, recoverable taxes, cash and cash equivalents	British pound sterling	20,595
Equities, recoverable taxes, cash and cash equivalents	Canadian dollar	1,298
Equities, recoverable taxes, cash and cash equivalents	Czech koruna	302
Equities, recoverable taxes, cash and cash equivalents	Danish krone	1,650
Equities, recoverable taxes, cash and cash equivalents	Euro	32,176
Equities, cash and cash equivalents	Hong Kong dollar	5,179
Equities	Indonesian rupiah	495
Equities, cash and cash equivalents	Japanese yen	10,541
Equities, cash and cash equivalents	Malaysian ringgit	1,757
Equities, cash and cash equivalents	New Israeli shekel	880
Equities	New Zealand dollar	357
Equities	Norwegian krone	649
Equities	Singapore dollar	2,418
Equities	Swedish krona	2,539
Equities, recoverable taxes, cash and cash equivalents	Swiss franc	7,855
Equities, cash and cash equivalents	Thai baht	329
Total		$ 91,328

Note 3. Deposits and Investments (Continued)

C. Investments (Continued)

Securities Lending - Student Loan Operating Fund and Federal Student Loan Fund

Cash and cash equivalents in the Commission's non-major proprietary funds namely the Federal Student Loan Fund and the Student Loan Operations Fund consist of deposits held in the State Treasury. The Illinois Office of the Treasurer invests the deposits held and allocates investment income to the two funds on a monthly basis.

Under the authority of the Treasurer's published investment policy that was developed in accordance with State statute, the State Treasurer lends securities to broker-dealers and other entities for collateral that will be returned for the same securities in the future. The State Treasurer has, through a Securities Lending Agreement, authorized Deutsche Bank AG to lend the State Treasurer's securities to broker-dealers and banks pursuant to a form of loan agreement.

During fiscal year 2013, Deutsche Bank AG lent U.S. Treasury and U.S. Agency securities and U.S. Treasury securities and received as collateral U.S. dollar denominated cash. Borrowers were required to deliver collateral for each loan equal to at least 100% of the aggregate market value of the loaned securities. Loans are marked to market daily. If the market value of collateral falls below 100%, the borrower must provide additional collateral to raise the market value to 100%.

The State Treasurer did not impose any restrictions during the fiscal year on the amount of the loans of available eligible securities. In the event of borrower default, Deutsche Bank AG provides the State Treasurer with counterparty default indemnification. In addition, Deutsche Bank AG is obligated to indemnify the State Treasurer if Deutsche Bank AG loses any securities, collateral or investments of the State Treasurer in Deutsche Bank AG's custody. Moreover, there were no losses during the fiscal year resulting from a default of the borrowers or Deutsche Bank AG.

During the fiscal year, the State Treasurer and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested in repurchase agreements with approved counterparties collateralized with securities approved by Deutsche Bank AG and marked to market daily at no less than 102%. Because the loans are terminable at will, their duration did not generally match the duration of the investment made with cash collateral. The State Treasurer had no credit risk as a result of its securities lending program as the collateral held exceeded the fair value of the securities lent. For the portion related to the Commission's non-major proprietary funds, namely the Federal Student Loan Fund and the Student Loan Operating Fund, securities lending collateral (invested in repurchase agreements) and the corresponding securities lending collateral obligation as of June 30, 2013 were $23,835 and $11,664, respectively.

Note 4. Student Loans Receivable

IDAPP's student loans receivable balance is comprised of two types of student loans: loans that were originated or purchased as part of the Federal Family Education Loan Program (FFELP) and loans that are originated as part of IDAPP's Alternative Loan Program. The FFEL Program was eliminated as of June 30, 2010 and as such IDAPP no longer originates FFELP loans.

All FFELP loans originated or purchased by IDAPP prior to October 1, 1993 are guaranteed at 100% by Guarantors in accordance with the Higher Education Act. For loans disbursed between October 1, 1993 and prior to July 1, 2006 the loans are guaranteed at 98%. Loans disbursed after July 1, 2006 are guaranteed at 97%. All guaranteed loans are reinsured by the United States Department of Education (ED). ED has issued detailed loan servicing requirements, which, if not strictly adhered to, may result in the loss of the loan guaranty. The United States Department of Education has also issued specific guidelines to provide for the cure of such servicing deficiencies and the reinstatement of the guaranty. For servicing contracts established with outside vendors, contractual provisions require the contractors to indemnify IDAPP for losses due to their negligence in loan servicing. Such recoveries will be recognized as income when received. There is $1,016 of student loans receivable that IDAPP has classified as defaulted loans under the FFEL Program. Claims on these loans have been submitted to, but have not been reimbursed by, the guarantee agencies as of June 30, 2013.

Alternative Loans are not guaranteed by Guarantors and are not eligible for reinsurance by ED. Alternative Loans are credit-based and a provision for loan loss is accrued for the amount of the loans estimated to be uncollectible. The total amount of Alternative Loans outstanding was $237,985 at June 30, 2013. Of this amount, $44,414 was recorded as a provision for loan losses.

Management has identified loans that may not be reimbursed by the guarantor or collected from the student. Accordingly, management has established an allowance for possible loan losses totaling $50,463 as of June 30, 2013. This amount includes the alternative loans addressed above.

Included in the student loans receivable balance are premiums and other acquisition fees paid on the origination and purchase of certain student loans. These premiums and other acquisition fees are being amortized over the average life of the related loans. Premiums and other acquisition fees totaling less than $50 paid to a particular party during a fiscal year are expensed. Other acquisition fees typically represent lender fees and insurance fees and are also being amortized over the average life of the related loans.

Federal Student Loan Fund

ISAC's Federal Student Loan Programs maintain a fund that is on deposit with the State Treasurer known as the Illinois Student Assistance Commission Federal Student Loan Fund. This fund is used to pay defaulted loan claims. Receipts of this fund include reinsurance receipts from ED.

The cash balance in this fund as of June 30, 2013 as reported by ISAC was $37,715. Restricted net position, which includes $26,370 of claims in process, was $40,289. If the federal reinsurance percentage applied to guarantors was temporarily reduced from 97% to either 85% or 75% (for loans disbursed after October 1, 1998) due to excessive default claims and if the State's pledge of full faith and credit were found to be ineffective, then the full collectability of the non-federal reinsurance amount (i.e. 3% to 25%) of the IDAPP's net FFELP student loans receivable of $456,710 at June 30, 2013 is subject to the adequacy of the annual appropriation from the Illinois Student Assistance Commission Federal Student Loan Fund and the reserve funds of the other Guarantors to pay defaulted loan claims. However, based on past loan default experience, management believes that material losses will not be incurred.

Note 5. Federal Special Allowance and Interest Subsidy

The Federal government pays IDAPP (interest subsidy) or IDAPP owes the federal government (excess interest) an interest amount on certain student loans during the time that the student is enrolled in an eligible educational institution or qualifies for deferment status. The federal interest payable at June 30, 2013 was $1,745.

IDAPP is also eligible to receive special allowance payments from the federal government that are paid to adjust for the low yield on student loans in comparison to other investment sources. In addition IDAPP owes the federal government excess interest on the portfolio.

Federal Interest Benefits	$ 2,584
Special Allowance Payments (Interest Subsidy)	140
Excess Interest	(10,158)
Net Expense Incurred to DOE	$ (7,434)

(All dollar amounts are expressed in thousands)

Note 6. Interfund Balances and Activity

A. Balances Due To/From Other Funds

The balances at June 30, 2013 represent amounts due from other ISAC and State of Illinois funds and component units as follows:

Fund	Due from Primary Government Funds: ISAC	Due from Primary Government Funds: Other State	Due from Component Units	Description/Purpose
General	$ -	$ -	$ 247	Due from State universities for scholarship and MAP grants.
Illinois Designated Account Purchase Program	1	-	-	Due from Illinois Prepaid Tuition Fund for expense reimbursement.
	2	-	-	Due from College Access Challenge Grant Fund for program expense reimbursement.
	3	-	-	
Nonmajor Enterprise - Student Loan Operating	2,420	-	-	Due from IDAPP Fund for shared services.
	303	-	-	Due from Illinois Prepaid Tuition Fund for shared services.
	-	62	-	Due from Governor's Office of Management and Budget for refund of personnel costs.
	-	-	4	Due from Illinois Medical District Commission for refund of personnel costs.
	-	168	-	Due from Central Management Services (on behalf of DCFS) for rent and expenses.
	-	317	-	Due from Healthcare and Family Services for rent and expenses.
	2,723	547	4	
	$ 2,726	$ 547	$ 251	

(All dollar amounts are expressed in thousands)

Note 6. Interfund Balances and Activity (Continued)

A. Balances Due To/From Other Funds (Continued)

The balances at June 30, 2013 represent amounts due to other ISAC and State of Illinois funds and component units as follows:

Fund	Due to Primary Government Funds ISAC	Due to Primary Government Funds Other State	Due to Component Units	Description/Purpose
General	$ -	$ -	$ 40	Due to State universities for scholarship and MAP grants.
Education Assistance	-	-	14	Due to State universities for scholarship and grants.
Illinois Designated Account Purchase Program	2,420	-	-	Due to Student Loan Operating Fund for shared services.
Nonmajor Governmental - College Access Challenge Grant	-	10	-	Due to Central Management Services for communications.
	2	-	-	Due to IDAPP for services rendered.
	-	-	227	Due to State universities for intergovernmental agreement.
	2	10	227	
Nonmajor Enterprise - Student Loan Operating	-	232	-	Due to Central Management Services for EDP, communications, and garage fund.
	-	81	-	Due to Auditor General for cost associated with annual audit.
	-	313	-	
Illinois Prepaid Tuition Program	-	-	46	Due to State universities for payment of tuition contracts.
	1	-	-	Due to IDAPP for reimbursement of expenses.
	303	-	-	Due to Student Loan Operating Fund for shared services.
	304	-	46	
	$ 2,726	$ 323	$ 327	

Note 6. Interfund Balances and Activity (Continued)

B. Transfers To/From Other Funds

Interfund transfers in for the year ended June 30, 2013 were as follows:

Fund	Transfers In From Other ISAC Funds	Description/Purpose
Nonmajor Governmental-ISAC COP Debt Service	$ 2,151	Transfer from the Student Loan Operating Fund for lease payments.

Interfund transfers out for the year ended June 30, 2013 were as follows:

Fund	Transfers Out To Other ISAC Funds	Description/Purpose
Nonmajor Enterprise - Student Loan Operating	$ 2,151	Transfer to ISAC COP Debt Service Fund for lease payments.

(All dollar amounts are expressed in thousands)

Note 7. Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 2,700	$ -	$ -	$ 2,700
Capital assets being depreciated:				
Buildings	18,311	210	-	18,521
Equipment	509	-	(293)	216
Total capital assets being depreciated	18,820	210	(293)	18,737
Less accumulated depreciation:				
Buildings	(9,387)	(463)	-	(9,850)
Equipment	(504)	(1)	293	(212)
Total accumulated depreciation	(9,891)	(464)	293	(10,062)
Total capital assets being depreciated, net	8,929	(254)	-	8,675
Governmental activities capital assets, net	$ 11,629	$ (254)	$ -	$ 11,375
Business-type activities:				
Illinois Designated Account Purchase Program Fund:				
Capital assets being depreciated:				
Equipment	$ 432	$ -	$ (109)	$ 323
Less accumulated depreciation:				
Equipment	(428)	(4)	109	(323)
Total capital assets being depreciated, net	4	(4)	-	-
Nonmajor Enterprise Funds:				
Capital assets not being depreciated:				
Construction-in-progress	286	431	(286)	431
Capital assets being depreciated:				
Equipment and automobiles	841	30	(97)	774
Internally generated software	1,441	1,318	-	2,759
Less accumulated depreciation:				
Equipment and automobiles	(691)	(38)	97	(632)
Internally generated software	(72)	(210)	-	(282)
Total capital assets being depreciated, net	1,519	1,100	-	2,619
Business-type activities capital assets, net	$ 1,809	$ 1,527	$ (286)	$ 3,050

Depreciation expense for governmental activities on the Government-wide Statement of Activities for the year ended June 30, 2013 amounted to $254. Of that amount, 100% was charged to the Scholarships, awards and grants function.

Note 8. Long-Term Obligations Payable

A. Revenue Bonds and Notes Payable and Pledged Revenues

On July 29, 2002, ISAC adopted a general resolution and adopted supplemental resolutions on July 29, 2002, September 19, 2003, April 2, 2004, and June 24, 2005 authorizing the issuance of Student Loan Revenue Bonds, Series I and II, Series III, IV and V, Series VI and VII, and Series VIII and IX, respectively. All bonds were at a variable rate of interest. Any subsequent bonds issued under this resolution are issued on parity and the assets acquired and revenues generated under these bond issues serve as collateral for all of these issues.

In connection with the issuance of the LIBOR Floating Rate Notes (LIBOR FRN) in October 2010 (described below) and by using existing cash in the trust, $849,950 of the Student Loan Revenue Bonds were redeemed. As a condition of the rating agency confirmation in connection with the purchase and cancellation of certain bonds issued under the 2002 resolution, IDAPP was required to retire $11,000 of the outstanding bonds at par plus accrued interest in November 2011. In addition IDAPP retired an additional $4,000 of the outstanding bonds at par plus accrued interest in November 2011. The remaining balance of $19,450 bonds outstanding were defeased on December 3, 2012 and redeemed on December 13, 2012 at par plus accrued interest.

On May 19, 2009, ISAC entered into a Bond Purchase Agreement with a group of underwriters to sell $50,000 Student Loan Revenue Bonds, Series 2009 (State Guaranteed). The proceeds of the bonds were used to (a) fund eligible loans to the extent permitted under the indenture, (b) fund, together with certain funds provided by ISAC, a debt service reserve fund and (c) pay bond issuance costs.

The bonds are payable solely from principal and interest revenues under the related student loans and are payable through the final maturity of the bonds in 2014. $9,500 of the bonds were redeemed in fiscal year 2012. The remaining balance of $40,500 bonds outstanding were redeemed on December 3, 2012 at par plus accrued interest.

On October 27, 2010, ISAC entered into a Bond Purchase Agreement with a group of underwriters to sell $604,000 Student Loan Asset Backed Notes, Series 2010-1 (LIBOR Floating Rate Notes). The Notes were issued in three tranches. The Class A-1 tranche is $181,000 maturing April 25, 2017 with a rate of 3-Month LIBOR plus 0.48%, the Class A-2 tranche is $269,000 maturing April 25, 2022 with a rate of 3-Month LIBOR plus 1.05% and the Class A-3 tranche is $154,000 maturing July 25, 2045 with a rate of 3-Month LIBOR plus 0.90%. The variable interest rate for the debt is reset every quarter. The proceeds from the sale of the Notes were used to make the initial deposits to the Capitalized Interest Fund, the Reserve Fund, a portion of the initial deposit to the Loan Fund, and to pay acquisition costs. The remaining proceeds were transferred to the 2002 Resolution Trust (described above) and were used with cash from the Trust to purchase and cancel certain bonds outstanding thereunder. The FFELP loans released from the 2002 Resolution Trust were deposited into the Loan Fund.

The indenture has a provision that any excess cash in the trust is used to pay down the principal amount of the Notes. The Class A-1 tranche has been paid off. $40,164 of the Class A-2 tranche has been paid off leaving a balance of $228,836. The total principal and interest remaining to be paid on the bonds is approximately $465,825. IDAPP has until the stated maturity dates to retire the principal amounts owed on these bonds. As such, liabilities related to these bonds are reported as noncurrent. IDAPP however will pay principal amounts in advance of that date (without penalty) as collections on the resulting student loans are received into the trust. As of June 30, 2013 variable interest rates were 1.32560% and 1.17560% for the LIBOR FRN Class A-2 and A-3, respectively.

Annual principal and interest payments on the bonds are expected to require approximately 94 percent of the related student loan collections. Principal and interest paid for the current year were $92,362 and $5,663, respectively. Total related student loan principal and interest received were $82,372 and $11,482, respectively.

(All dollar amounts are expressed in thousands)

Note 8. Long-Term Obligations Payable (Continued)

A. Revenue Bonds and Notes Payable and Pledged Revenues (Continued)

As a result of the issuance of the LIBOR Floating Rate Notes and the purchase and cancellation of certain of the 2002 bonds during fiscal year 2011, a deferred amount on refunding of $70,320 was recorded. This amount is being amortized over the weighted average life of the LIBOR Floating Rate Notes of 16 years. The portion attributable to fiscal year 2013 is $9,363. Amortization is included as a reduction of interest expense on the Statement of Revenues, Expenses, and Changes in Fund Net Position. In fiscal year 2013, the amortization of the deferred gain on refunding exceeded interest paid, resulting in total interest expense of ($37), a net credit.

B. Changes in Long-Term Obligations

Changes in long-term obligations for the year ended June 30, 2013, were as follows:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013	Amounts Due Within One Year
Governmental activities:					
Other long-term obligations:					
Installment purchase obligation	$ 1,845	$ -	$ (1,845)	$ -	$ -
Business-type activities:					
Illinois Designated Account Purchase Program :					
Revenue bonds/notes payable:					
Series 2002 1&2	$ 100	$ -	$ (100)	$ -	$ -
Series 2005 VIII & IX	19,350	-	(19,350)	-	-
Series 2009	40,500	-	(40,500)	-	-
Series 2010, Class A-1	52,198	-	(52,198)	-	-
Series 2010, Class A-2	269,000	-	(40,164)	228,836	-
Series 2010, Class A-3	154,000	-	-	154,000	-
Unamortized discounts	(7,033)	-	358	(6,675)	-
Unamortized deferred amount on refunding	62,589	-	(9,363)	53,226	-
Other long-term obligations:					
Compensated absences	202	122	(118)	206	44
Total Illinois Designated Account Purchase Program	590,906	122	(161,435)	429,593	44
Illinois Prepaid Tuition Program :					
Compensated absences	65	-	(65)	-	-
Tuition obligation	1,594,657	84,604	(121,771)	1,557,490	160,592
Total Illinois Prepaid Tuition Program	1,594,722	84,604	(121,836)	1,557,490	160,592
Nonmajor Enterprise Fund:					
Compensated Absences	2,044	1,484	(1,327)	2,201	326
Total Nonmajor Enterprise Fund	2,044	1,484	(1,327)	2,201	326
Total business-type activities	$ 2,187,672	$ 86,210	$ (284,598)	$ 1,989,284	$ 160,962

(All dollar amounts are expressed in thousands)

Note 8. Long-Term Obligations Payable (Continued)

C. Future Maturities of Revenue Bonds and Notes

IDAPP issued bonds and notes to provide funds for student loan originations and purchases. IDAPP pledges the income derived from its assets to pay debt service. The majority of IDAPP's outstanding revenue bonds and notes are comprised of variable rate debt. As such, the interest figures shown above are calculated assuming the interest rate in effect on June 30, 2013. Actual interest paid in future years could be materially different.

Annual debt service requirements to maturity for revenue bonds and notes are as follows:

Year Ending June 30	Principal	Interest	Total
2014	$ -	$ 4,844	$ 4,844
2015	-	4,844	4,844
2016	-	4,844	4,844
2017	-	4,844	4,844
2018	-	4,844	4,844
2019-2023	228,836	20,630	249,466
2024-2028	-	9,052	9,052
2029-2033	-	9,052	9,052
2034-2038	-	9,052	9,052
2039-2043	-	9,052	9,052
2044-2045	154,000	1,931	155,931
	382,836	$ 82,989	$ 465,825
Plus (minus):			
Unamortized discounts	(6,675)		
Unamortized deferred amount on refunding	53,226		
Net long-term principal outstanding	$ 429,387		

.

(All dollar amounts are expressed in thousands)

Note 8. Long-Term Obligations Payable (Continued)

D. Tuition Obligation

The tuition obligation is management's estimate of the present value of the estimated tuition payments to be made and is expected to be financed from investments of prepaid tuition contracts. The estimate for the future tuition obligation is based on a closed group projection for existing contracts assuming no new contract sales after June 30, 2013. See actuarial assumptions and additional information in Note 13 B.

Tuition obligation activity for the year ended June 30, 2013, is as follows:

Balance as of July 1, 2012	$ 1,594,657
Add:	
Contributions received in FY2013	47,087
Contracts receivable, at present value*	(13,351)
Adjust tuition obligation based on actuarial valuation	50,868
Less:	
Return of contributions	(18,046)
Tuition payments	(103,725)
Balance as of June 30, 2013	$ 1,557,490
Reported as:	
Current	$ 160,592
Noncurrent	1,396,898
	$ 1,557,490

* See Note 13.B. Discount rate used in determining fair value was 7.0%.

The accreted tuition expense is calculated at least annually by the Commission's actuary. Accreted tuition expense is reflected as an expense in the Statement of Revenues, Expenses, and Changes in Net Position and as an increase to the tuition obligation on the Statement of Net Position.

(All dollar amounts are expressed in thousands)

Note 8. Long-Term Obligations Payable (Continued)

E. Installment Purchase Obligation

The Commission leases a facility under the terms of a capital lease purchase agreement executed by the State of Illinois, Department of Central Management Services. The State, acting through its Department of Central Management Services for the benefit of the Commission, entered into the Certificate of Participation agreement. The agreement calls for semi-annual payments of principal and interest. Pursuant to the authorizing laws, the agreement is subject to termination and cancellation in any fiscal year for which the Illinois General Assembly fails to make appropriations for payments under the agreement. The agreement expired in June 2013.

The agreement, which was amended and restated as of March 1, 1992, called for semi-annual payments of principal and interest, ranging from 4.50% to 5.25%, through June 30, 2013. ISAC's Certificate of Participation Series 1992 was refunded (refinanced) through Series 1999.

The cost of the building and land acquired was $18,521 and $2,700, respectively. The book value of the building at June 30, 2013 was $8,671. As of June 30, 2013, installment purchase obligations have been paid off.

Note 9. Mid-Term Credit Facility and Short Term Revolving Credit Line and Pledged Revenues

On July 27, 2007, ISAC entered into a Three-Year Asset Backed Revolving Credit Facility (the "Facility") through an affiliate of Citibank (the "Lender") pursuant to which ISAC has borrowed funds for the purpose of purchasing certain student loans. Advances made under the Facility are secured by a portfolio of student loans, which loans were largely financed with proceeds of the advances (the "Collateral"). Amounts due under the Facility constitute limited obligations of ISAC, payable solely and only from the Collateral and the revenues derived therefrom. The costs of borrowing under the Program will not exceed Citibank's commercial paper rate. The rate at June 30, 2013 was 0.19378%.

On July 27, 2010, the Facility became due and payable. Due to conditions currently existing in the credit markets, ISAC has been unable to refinance this debt and is currently in default under the Facility. Citibank has reserved its rights to remedies in the Indenture. Conversations with Citibank are on-going but no resolution has been reached.

Under the terms of the agreement all revenues generated by the underlying student loan portfolio are transferred to a trust. The trust pays all expenses related to the debt service and student loan servicing costs (capped at 65 basis points of the outstanding average balance in the portfolio). During fiscal year 2013 there was $31,295 in principal and $7,613 in interest collected all of which was transferred to the trust. During the same period the trust paid $1,664 for interest expense and other professional fees and $1,914 for servicing fees.

Changes in the revolving credit line are as follows:

	Balance, July 1, 2012	Borrowings	Repayments	Balance, June 30, 2013	Amounts Due Within One Year
Citibank	$ 275,957	$ -	$ (35,350)	$ 240,607	$ 240,607

Note 10. Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; workers' compensation and natural disasters. The State retains the risk of loss (i.e., self insured) for these risks except for insurance purchased by the Commission for the building and EDP equipment. There has been no reduction in insurance coverage from coverage in the prior year. Settlement amounts have not exceeded coverage for the current or prior two fiscal years. The Commission's risk management activities for workers' compensation are financed through appropriations to the Illinois Department of Central Management Services and are accounted for in the General Fund of the State. The claims are not considered to be a liability of the Commission and accordingly, have not been reported in the Commission's financial statements for the year ended June 30, 2013.

The Commission's risk management activities for the building and EDP equipment are financed through appropriations to the Commission and are reported as part of the operating expenditures in the General Fund, Student Loan Operating Fund, and IDAPP funds. The Commission has made no material claim against the insurance coverage in the last three years.

Note 11. Pension Plan

Substantially all of the Commission's full-time employees who are not eligible for participation in another state-sponsored retirement plan participate in the State Employees' Retirement System (SERS), which is a pension trust fund in the State of Illinois reporting entity. The SERS is a single-employer defined benefit public employee retirement system (PERS) in which State employees participate, except those covered by the State Universities, Teachers', General Assembly, and Judges' Retirement Systems. The financial position and results of operations 2013 are included in the State of Illinois' Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2013. The SERS issues a separate CAFR that may be obtained by writing to the SERS, 2101 South Veterans Parkway, Springfield, Illinois 62794-9255.

A summary of SERS benefit provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established are included as an integral part of the SERS' CAFR. Also included is a discussion of employer and employee obligations to contribute and the authority under which those obligations are established.

The Commission pays employer contributions based upon an actuarially determined percentage of their payrolls. For fiscal years 2013, 2012 and 2011, the employer contribution rate was 38.0%, 34.2%, and 28.0%, respectively. For fiscal years 2013, 2012 and 2011, the required and actual contribution was $5,852, $5,690, and $5,205, respectively.

(All dollar amounts are expressed in thousands)

Note 12. Post-Employment Benefits

The State provides health, dental, vision, and life insurance benefits for retirees and their dependents in a program administered by the Department of Healthcare and Family Services along with the Department of Central Management Services. Substantially all State employees become eligible for post-employment benefits if they eventually become annuitants of one of the State sponsored pension plans. Health, dental, and vision benefits include basic benefits for annuitants and dependents under the State's self-insurance plan and insurance contracts currently in force. Annuitants may be required to contribute towards health, dental, and vision benefits in accordance with Public Act 97-0695.

The total cost of the State's portion of health, dental, vision, and life insurance benefits of all members, including post-employment health, dental, vision, and life insurance benefits, is recognized as expenditures by the State in the Illinois Comprehensive Annual Financial Report. The State finances the costs on a pay-as-you-go basis. The total costs incurred for health, dental, vision, and life insurance benefits are not separated by department or component unit for annuitants and their dependents nor active employees and their dependents.

A summary of post-employment benefit provisions, changes in benefit provisions, employee eligibility requirements, including eligibility for vesting, and the authority under which benefit provisions are established are included as an integral part of the financial statements of the Department of Healthcare and Family Services. A copy of the financial statements of the Department of Healthcare and Family Services may be obtained by writing to the Department of Healthcare and Family Services, 201 South Grand Ave., Springfield, Illinois 62763-3838.

Note 13. Fund Balances and Net Position

A. Deficit in Fund Net Position

As of June 30, 2013, the Illinois Prepaid Tuition Program has a deficit in net position of $389,053. The table below details a reconciliation of the fund deficit in the financial statements to the fund deficit in the Actuarial Soundness Report as of June 30, 2013.

Unfunded liability per actuarial soundness report	$	(448,506)
Present value of accrued future administrative expense		60,886
Other accrued liabilities		(1,433)
Fund deficit per Statement of Net Position	$	(389,053)

Note 13. Fund Balances and Net Position (Continued)

B. Program Risks and Actuarial Data

The Illinois Prepaid Tuition Program's ability to honor existing and future contracts depends primarily upon three factors: (i) continued contract sales within projections; (ii) achieving a projected annual net return on Program investments; and (iii) actual tuition/fee increases being within projected amounts.

Gabriel, Roeder, Smith and Company, the independent actuarial firm retained by *College Illinois!*®, has performed an actuarial soundness valuation of *College Illinois!*®, the State's section 529 prepaid tuition program, as of June 30, 2013 to evaluate the financial viability of the program as of June 30, 2013. The complete Actuarial Soundness Report as of June 30, 2013 is included in the Other Information Section.

The Program is not supported by the full faith and credit of the State of Illinois, nor is it guaranteed by the State's general fund. The Program is a moral obligation of the State of Illinois requiring the Governor to request an appropriation from the State General Assembly in case the Commission and the Governor determine that the Program does not have adequate assets to meet its contractual obligations in an upcoming fiscal year. While the General Assembly has fulfilled other moral obligations of the State of Illinois in the past, it is not obligated to appropriate, and no assurances can be made that the General Assembly will appropriate sufficient moneys to meet the Program's contractual obligations.

If it is determined by the Commission, with the concurrence of the Governor, that the Program is financially infeasible, the Commission may prospectively discontinue the Program. Pursuant to the prepaid tuition statute, if the Program is discontinued, beneficiaries who are or will enroll within five years at an eligible institution shall be entitled to exercise the complete benefits specified in the contract; all other contract holders shall receive an appropriate refund of all contributions and accrued interest up to the time the Program is discontinued.

(All dollar amounts are expressed in thousands)

Note 13. Fund Balances and Net Position (Continued)

B. Program Risks and Actuarial Data (Continued)

The following is a summary of the actuarial present value (APV) of the future benefits obligation, funded ratio, and significant assumptions used.

APV of future benefits obligation*	$ 1,557,489
Funded ratio	72.3 %
Actuarial assumptions:	
Actuarial valuation date	June 30, 2013
Assumed net investment return	7.00 %
Rates of cancellations	12.5 %
Tuition increases by contract type:	
Legacy:	
Through June 30, 2017	7.25 %
June 30, 2018 through June 30, 2022	6.75
June 30, 2023 and beyond	5.00
University Plus:	
Through June 30, 2017	7.50 %
June 30, 2018 through June 30, 2022	7.25
June 30, 2023 and beyond	5.00
University:	
Through June 30, 2017	7.00 %
June 30, 2018 through June 30, 2022	6.50
June 30, 2023 and beyond	5.00
Community College:	
Through June 30, 2017	6.50 %
June 30, 2018 through June 30, 2022	5.75
June 30, 2023 and beyond	5.00

* For all existing contracts as of June 30, 2013

Note 13. Fund Balances and Net Position (Continued)

C. Restrictions and Commitments

As of June 30, 2013, the Commission reported the following net position restrictions and fund balance commitments:

The Illinois Designated Account Purchase Program reported $9,567 of net position restricted for debt service. The Federal Student Loan Fund reported $40,289 of net position restricted for federal programs (loan guarantees). The ISAC Accounts Receivable Fund, the Future Teacher Corp Fund and the University Grant Fund reported $95, $280, and $89, respectively, in fund balance committed for scholarships, awards and grants.

Note 14. Operating Leases

The Commission rents certain facilities and office equipment under leases, which generally provide for cancellation without penalty in the event funds for payment are not appropriated by the General Assembly.

Expenses for all operating leases amounted to $145 in 2013. There are no future minimum rental commitments for non-cancelable operating leases to be satisfied by future Commission appropriations.

Note 15. New Governmental Accounting Standards

The Governmental Accounting Standards Board (GASB) has issued the following statements:

Statement No. 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term “deferred” in financial statement presentations. The Commission is required to implement this Statement for the year ending June 30, 2014.

Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*, was established to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* This Statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity’s risk financing activities to the General Fund and the internal service fund type. This Statement also amends Statement 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. The Commission is required to implement this Statement for the year ending June 30, 2014.

Statement No. 68, *Accounting and Financial Reporting for Pensions* requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI). The Commission is required to implement this Statement for the year ending June 30, 2015.

(All dollar amounts are expressed in thousands)

Note 15. New Governmental Accounting Standards (Continued)

Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This Statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. This Statement also requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. The Commission is required to implement this Statement for the year ending June 30, 2014.

Management has not yet completed its assessment of these Statements; however, they may have a material effect on the overall financial statement presentation.

Note 16. Loan Portfolio Sale

During fiscal year 2013, the Illinois Student Assistance Commission sold IDAPP student loans receivable with a carrying amount of $49,542 for $48,872. The student loans receivable sold represented 5.9% of IDAPP's student loan portfolio at the beginning of the fiscal year.

The proceeds from the loan sale and available cash in the applicable trust were used to redeem/defease $59,950 of outstanding bond issues.

The discount from the sale, expenses related to the sale and the write-off of unamortized premiums, origination fees, default fees, bond discounts and costs of issuance are reported as nonoperating expenses in the Statement of Revenues, Expenses and Changes in Fund Net Position.

Sale of student loan portfolio:	
Discount on the sale of loans	$ (670)
Expenses related to sale of loans	(320)
Loss from loan sale including direct expenses	(990)
Write-off of capitalized premiums, origination, and default fees	(280)
Loss from sale of student loans	(1,270)
Early extinguishment of debt:	
Write-off of unamortized discounts for bonds retired	(127)
Write-off of unamortized cost of issuance for bonds retired	(206)
Net loss related to early extinguishment of debt	(333)
Net loss	$ (1,603)

State of Illinois
Illinois Student Assistance Commission

Required Supplementary Information
Budgetary Comparisons Schedule - Major Governmental Fund - General Fund - Budgetary Basis
Year Ended June 30, 2013
(All dollar amounts are expressed in thousands)

	Budgeted Amounts		Actual	Actual Amounts	Variance from
	Original	Final	Amount	GAAP Basis	Final Budget
Revenues (inflows)					
Appropriations from State resources and other revenues					
General Revenue Account	$ 371,309	$ 371,309	$ 368,768	$ 368,768	$ (2,541)
Education Assistance Account	9,320	9,320	8,526	8,526	(794)
Combined totals	380,629	380,629	377,294	377,294	(3,335)
Expenditures (outflows)					
Education					
Program, administration, and capital outlay					
General Revenue Account	371,309	371,309	371,320	371,320	(11)
Education Assistance Account	9,320	9,320	8,526	8,526	794
Combined totals	380,629	380,629	379,846	379,846	783
Net change in fund balance	$ -	$ -	(2,552)	(2,552)	$ (2,552)
Fund balance, July 1, 2012			7,136	7,136	
Fund balance, June 30, 2013			$ 4,584	$ 4,584	

See Notes to Required Supplementary Information.

State of Illinois
Illinois Student Assistance Commission

Required Supplementary Information
Notes to Required Supplementary Information
(All dollar amounts are expressed in thousands)

Explanation of differences between budgetary basis and GAAP basis of accounting:

The accompanying Budgetary Comparison Schedule - Major Governmental Funds - General Fund, presents comparisons of the legally adopted budgets with actual data on a budgetary basis.

Actual revenue amounts on the budgetary basis	$ 368,768
Total revenues on the GAAP basis	$ 368,768

State of Illinois
Illinois Student Assistance Commission

Combining Schedule of Accounts
General Fund
June 30, 2013
(All dollar amounts are expressed in thousands)

	General Revenue Account	Educational Assistance Account	Total
Assets			
Unexpended appropriations	$ 15,206	$ 54	$ 15,260
Cash and cash equivalents	-	-	-
Due from State of Illinois component units	247	-	247
Other receivables	205	-	205
Notes receivable, net of allowance of $24,191	4,379	-	4,379
Total assets	$ 20,037	$ 54	$ 20,091
Liabilities			
Accounts payable and accrued liabilities	$ 15,413	$ 40	$ 15,453
Due to State of Illinois component units	40	14	54
Total liabilities	15,453	54	15,507
Fund Balances			
Nonspendable - notes receivable	4,379	-	4,379
Unassigned	205	-	205
Total fund balances	4,584	-	4,584
Total liabilities and fund balances	$ 20,037	$ 54	$ 20,091

State of Illinois
Illinois Student Assistance Commission

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
General Fund
Year Ended June 30, 2013
(All dollar amounts are expressed in thousands)

	General Revenue Account	Educational Assistance Account	Total
Revenues			
Other	$ 3	$ -	$ 3
Expenditures			
Education			
Scholarships, awards and grants	371,320	8,526	379,846
Deficiency of revenues over expenditures	(371,317)	(8,526)	(379,843)
Other sources (uses) of financial resources			
Appropriations from State resources	371,309	9,320	380,629
Lapsed appropriations	(386)	(582)	(968)
Receipts remitted to (from) State Treasury	(2,158)	(212)	(2,370)
Net other sources (uses) of financial resources	368,765	8,526	377,291
Net change in fund balance	(2,552)	-	(2,552)
Fund balance, July 1, 2012	7,136	-	7,136
Fund balance, June 30, 2013	$ 4,584	$ -	$ 4,584

State of Illinois
Illinois Student Assistance Commission

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013
(All dollar amounts are expressed in thousands)

	Special Revenue Funds		
	Federal Congressional Teacher Scholarship	I S A C Accounts Receivable	College Access Challenge Grant
Assets			
Cash and cash equivalents	$ 27	$ 95	$ 103
Receivables			
Other	-	-	170
Total assets	$ 27	$ 95	$ 273
Liabilities and Fund Balances			
Liabilities			
Accounts payable and accrued liabilities	$ -	$ -	$ 31
Due to other ISAC funds	-	-	2
Due to other State funds	-	-	10
Due to State of Illinois component units	-	-	227
Deferred revenue	-	-	-
Due to U.S. Department of Education	27	-	3
Total liabilities	27	-	273
Fund balances			
Committed	-	95	-
Total liabilities and fund balances	$ 27	$ 95	$ 273

Special Revenue Funds					Debt Service Fund	
John R. Justice Grant	Future Teacher Corp	University Grant	Optometric Education	Total	I S A C COP	Total Nonmajor Governmental Funds
$ -	$ 281	$ 90	$ -	$ 596	$ -	$ 596
-	-	-	-	170	-	170
$ -	$ 281	$ 90	$ -	$ 766	$ -	$ 766
$ -	$ -	$ -	$ -	$ 31	$ -	$ 31
-	-	-	-	2	-	2
-	-	-	-	10	-	10
-	-	-	-	227	-	227
-	1	1	-	2	-	2
-	-	-	-	30	-	30
-	1	1	-	302	-	302
-	280	89	-	464	-	464
$ -	$ 281	$ 90	$ -	$ 766	$ -	$ 766

State of Illinois
Illinois Student Assistance Commission

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
Year Ended June 30, 2013
(All dollar amounts are expressed in thousands)

	Special Revenue Funds		
	Federal Congressional Teacher Scholarship	I S A C Accounts Receivable	College Access Challenge Grant
Revenues			
Federal government	$ -	$ -	$ 4,569
Licenses, fees, and other	-	175	-
Total revenues	-	175	4,569
Expenditures			
Education			
Scholarships, awards and grants	-	115	4,569
Capital outlay - building improvement	-	-	-
Debt Service			
Principal	-	-	-
Interest	-	-	-
Total expenditures	-	115	4,569
Excess (deficiency) of revenues over expenditures	-	60	-
Other sources of financial resources			
Appropriations from State resources	-	-	-
Transfers in	-	-	-
Net other sources of financial resources	-	-	-
Net change in fund balance	-	60	-
Fund balance, July 1, 2012	-	35	-
Fund balance, June 30, 2013	$ -	$ 95	$ -

Special Revenue Funds					Debt Service Fund	Total
John R. Justice Grant	Future Teacher Corp	University Grant	Optometric Education	Total	I S A C COP	Nonmajor Governmental Funds
$ 81	$ -	$ -	$ -	$ 4,650	$ -	$ 4,650
-	46	86	-	307	-	307
81	46	86	-	4,957	-	4,957
81	-	79	50	4,894	-	4,894
-	-	-	-	-	210	210
-	-	-	-	-	1,845	1,845
-	-	-	-	-	96	96
81	-	79	50	4,894	2,151	7,045
-	46	7	(50)	63	(2,151)	(2,088)
-	-	-	50	50	-	50
-	-	-	-	-	2,151	2,151
-	-	-	50	50	2,151	2,201
-	46	7	-	113	-	113
-	234	82	-	351	-	351
$ -	$ 280	$ 89	$ -	$ 464	$ -	$ 464

State of Illinois
Illinois Student Assistance Commission

Combining Statement of Net Position
Nonmajor Enterprise Funds
June 30, 2013
(All dollar amounts are expressed in thousands)

	Student Loan Operating Fund	Federal Student Loan Fund	Eliminations	Total
Assets				
Current				
Cash and cash equivalents	$ 16,247	$ 37,715	$ -	$ 53,962
Receivables				
Intergovernmental	753	26,370	-	27,123
Accrued interest on investments	6	11	-	17
Securities lending collateral	11,664	23,835	-	35,499
Due from other State funds	547	-	-	547
Due from State of Illinois component units	4	-	-	4
Due from other ISAC funds	2,723	-	-	2,723
Due from Federal Student Loan fund	2,288	-	(2,288)	-
Due from Student Loan Operating fund	-	286	(286)	-
Total current assets	34,232	88,217	(2,574)	119,875
Noncurrent				
Capital assets, net of accumulated depreciation	3,050	-	-	3,050
Due from Student Loan Operating fund - Deferred charges	-	2,100	(2,100)	-
Total noncurrent assets	3,050	2,100	(2,100)	3,050
Total assets	$ 37,282	$ 90,317	$ (4,674)	$ 122,925
Liabilities				
Current				
Accounts payable and accrued liabilities	$ 821	$ 14,390	$ -	$ 15,211
Due to Federal Student Loan fund	286	-	(286)	-
Due to Student Loan Operating fund	-	2,288	(2,288)	-
Due to other State funds	313	-	-	313
Securities lending collateral obligation	11,664	23,835	-	35,499
Due to U.S. Department of Education	-	9,515	-	9,515
Compensated absences	326	-	-	326
Total current liabilities	13,410	50,028	(2,574)	60,864
Noncurrent				
Due to Federal Student Loan fund - deferred revenue	2,100	-	(2,100)	-
Compensated absences	1,875	-	-	1,875
Total noncurrent liabilities	3,975	-	(2,100)	1,875
Total liabilities	17,385	50,028	(4,674)	62,739

(Continued)

State of Illinois
Illinois Student Assistance Commission

Combining Statement of Net Position
Nonmajor Enterprise Funds (Continued)
June 30, 2013
(All dollar amounts are expressed in thousands)

	Student Loan Operating Fund	Federal Student Loan Fund	Eliminations	Total
Net Position				
Net investment in capital assets	$ 3,050	$ -	$ -	$ 3,050
Restricted	-	40,289	-	40,289
Unrestricted	16,847	-	-	16,847
Total net position	19,897	40,289	-	60,186
Total liabilities and net position	$ 37,282	$ 90,317	$ (4,674)	$ 122,925

State of Illinois
Illinois Student Assistance Commission

Combining Statement of Revenues, Expenses and Changes in Net Position - Nonmajor Enterprise Funds
Year Ended June 30, 2013
(All dollar amounts are expressed in thousands)

	Student Loan Operating Fund	Federal Student Loan Fund	Total
Operating revenues			
Portfolio maintenance fees	$ 3,098	$ -	$ 3,098
Direct consolidation fees	8,140	-	8,140
Collections on student loans previously reimbursed by the U.S. Department of Education	-	29,797	29,797
Other	2,610	-	2,610
Total operating revenues	13,848	29,797	43,645
Operating expenses			
Salaries and employee benefits	26,794	-	26,794
Loan guarantees	-	177,412	177,412
Management and professional services	4,235	-	4,235
MAP and other State grants	(119)	-	(119)
Depreciation	248	-	248
Total operating expenses	31,158	177,412	208,570
Operating loss	(17,310)	(147,615)	(164,925)
Non-operating revenues			
Federal government	-	171,387	171,387
Interest revenue	51	126	177
Total non-operating revenues	51	171,513	171,564
Income (loss) before transfers	(17,259)	23,898	6,639
Transfers out to other ISAC funds	(2,151)	-	(2,151)
Transfers for:			
Collection retention fees	5,863	(5,863)	-
Repurchases/Rehabilitations/Consolidation Retention fees	23,589	(23,589)	-
Direct Consolidation fee refund	(3,722)	3,722	-
Default aversion fees	448	(448)	-
Net transfers	24,027	(26,178)	(2,151)
Change in net position	6,768	(2,280)	4,488
Net position, July 1, 2012	13,129	42,569	55,698
Net position, June 30, 2013	$ 19,897	$ 40,289	$ 60,186

State of Illinois
Illinois Student Assistance Commission

Combining Statement of Cash Flows -
Nonmajor Enterprise Funds
Year Ended June 30, 2013
(All dollar amounts are expressed in thousands)

	Student Loan Operating Fund	Federal Student Loan Fund	Total
Cash flows from operating activities			
Cash received from fees and other charges	$ 11,979	$ 123,050	$ 135,029
Cash payments to suppliers for goods and services	(2,576)	-	(2,576)
Cash payments to employees for services	(23,960)	-	(23,960)
Cash payments for loan guarantees	-	(181,495)	(181,495)
Cash payments for other operating activities	(9,614)	(90,087)	(99,701)
Net cash used in operating activities	(24,171)	(148,532)	(172,703)
Cash flows from noncapital financing activities			
Federal government grants	-	175,093	175,093
Transfers in	28,983	3,659	32,642
Transfers out	(5,811)	(28,983)	(34,794)
Net cash provided by noncapital financing activities	23,172	149,769	172,941
Cash flows from capital and related financing activities			
Acquisition and construction of capital assets	(1,493)	-	(1,493)
Cash flows from investing activities			
Interest and dividends on investments	52	126	178
Net increase in cash and cash equivalents	(2,440)	1,363	(1,077)
Cash and cash equivalents, July 1, 2012	18,687	36,352	55,039
Cash and cash equivalents, June 30, 2013	$ 16,247	$ 37,715	$ 53,962

(Continued)

State of Illinois
Illinois Student Assistance Commission

Combining Statement of Cash Flows -
Nonmajor Enterprise Funds (Continued)
Year Ended June 30, 2013
(All dollar amounts are expressed in thousands)

	Student Loan Operating Fund	Federal Student Loan Fund	Total
Reconciliation of operating loss to net cash used in operating activities			
Operating loss	$ (17,310)	$ (147,615)	$ (164,925)
Adjustments to reconcile operating loss to net cash used in operating activities			
Depreciation	248	-	248
Change in assets and liabilities			
Intergovernmental receivables	79	-	79
Due from other State funds	(456)	-	(456)
Due from State of Illinois component units	4	-	4
Due from other ISAC funds	673	-	673
Accounts payable and accrued liabilities	(457)	(2,426)	(2,883)
Intergovernmental payables	-	1,509	1,509
Due to other State funds and component units	(7,103)	-	(7,103)
Due to other ISAC funds	(7)	-	(7)
Compensated absences	157	-	157
Other	1	-	1
Total adjustments	(6,861)	(917)	(7,778)
Net cash used in operating activities	$ (24,171)	$ (148,532)	$ (172,703)

Gabriel Roeder Smith & Company
Consultants & Actuaries

COLLEGE ILLINOIS!® PREPAID TUITION PROGRAM
ACTUARIAL SOUNDNESS VALUATION REPORT
AS OF JUNE 30, 2013

GRS

Gabriel Roeder Smith & Company
Consultants & Actuaries

20 North Clark Street
Suite 2400
Chicago, IL 60602-5111

312.456.9800 phone
312.456.9801 fax
www.gabrielroeder.com

November 7, 2013

Mr. Eric Zarnikow
Executive Director
Illinois Student Assistance Commission
James R. Thompson Center
100 West Randolph, Suite 3-200
Chicago, IL 60601-3293

Re: College Illinois!® Prepaid Tuition Program Actuarial Valuation as of June 30, 2013

Dear Mr. Zarnikow:

In accordance with the request of the Illinois Student Assistance Commission ("ISAC"), Gabriel, Roeder, Smith & Company ("GRS") has performed an actuarial soundness valuation of the College Illinois!® Prepaid Tuition Program ("CIPTP") as of June 30, 2013. Although the term "actuarial soundness" is not specifically defined, the primary purpose of this actuarial valuation is to evaluate the financial status of the program as of June 30, 2013.

This report presents the principal results of the actuarial valuation of the CIPTP including the following:

- A comparison of the actuarial present value of the obligations for prepaid tuition contracts purchased through June 30, 2013, with the value of the assets associated with the program as of that same date;
- An analysis of the factors which caused the deficit/surplus to change since the prior actuarial valuation; and
- A summary of the actuarial assumptions and methods utilized in the actuarial calculations.

This report was prepared at the request of ISAC and is intended for use by the ISAC and those designated or approved by ISAC. This report may be provided to parties other than ISAC only in its entirety and only with the permission of ISAC. This report should not be relied on for any purpose other than the purpose described above.

The valuation results set forth in this report are based upon data and information, furnished by ISAC, concerning program benefits, financial transactions, and beneficiaries of the CIPTP. We reviewed this information for internal and year-to-year consistency, but did not otherwise audit the data. We are not responsible for the accuracy or completeness of the information provided by the Illinois Student Assistance Commission. Further, the data and information provided is through June 30, 2013, and do not reflect subsequent market volatility.

The valuation results summarized in this report involve actuarial calculations that require assumptions about future events. The valuation results reflect changes to the investment return assumption from 7.25 percent to 7.00 percent. The major actuarial assumptions used in this analysis were provided by and are the responsibility of ISAC. We are unable to judge the reasonableness of some of these assumptions without performing a substantial amount of additional work beyond the scope of the assignment.

Given the current asset allocation and liquidity requirements, the net investment rate of return assumption of 7.00 percent, appears to be consistent with applicable Actuarial Standards of Practice.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; and changes in plan provisions or applicable law. We have performed an analysis of the sensitivity of certain changes in future assumptions.

We believe that the actuarial methods used in this report are reasonable and appropriate for the purpose for which they have been used. In addition, because it is not possible or practical to consider every possible contingency, we may use summary information, estimates or simplifications of calculations to facilitate the modeling of future events. We may also exclude factors or data that are deemed to be immaterial.

To the best of our knowledge, the information contained in this report is accurate and fairly presents the actuarial position of the College Illinois!® Prepaid Tuition Program as of June 30, 2013. All calculations have been made in conformity with generally accepted actuarial principles and practices commonly applicable to similar types of arrangements.

There are currently no Actuarial Standards of Practice which specifically relate to prepaid tuition plans. We have looked to the Actuarial Standards of Practice related to pensions for guidance due to their similar nature.

The undersigned are members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

The signing actuaries are independent of ISAC.

Respectfully submitted,

Gabriel, Roeder, Smith and Company

Alex Rivera

Alex Rivera, FSA, EA, MAAA
Senior Consultant

Lance J. Weiss

Lance J. Weiss, EA, MAAA, FCA
Senior Consultant

Paul T Wood

Paul T. Wood, ASA, MAAA, FCA
Consultant

Table of Contents

SECTION A

EXECUTIVE SUMMARY

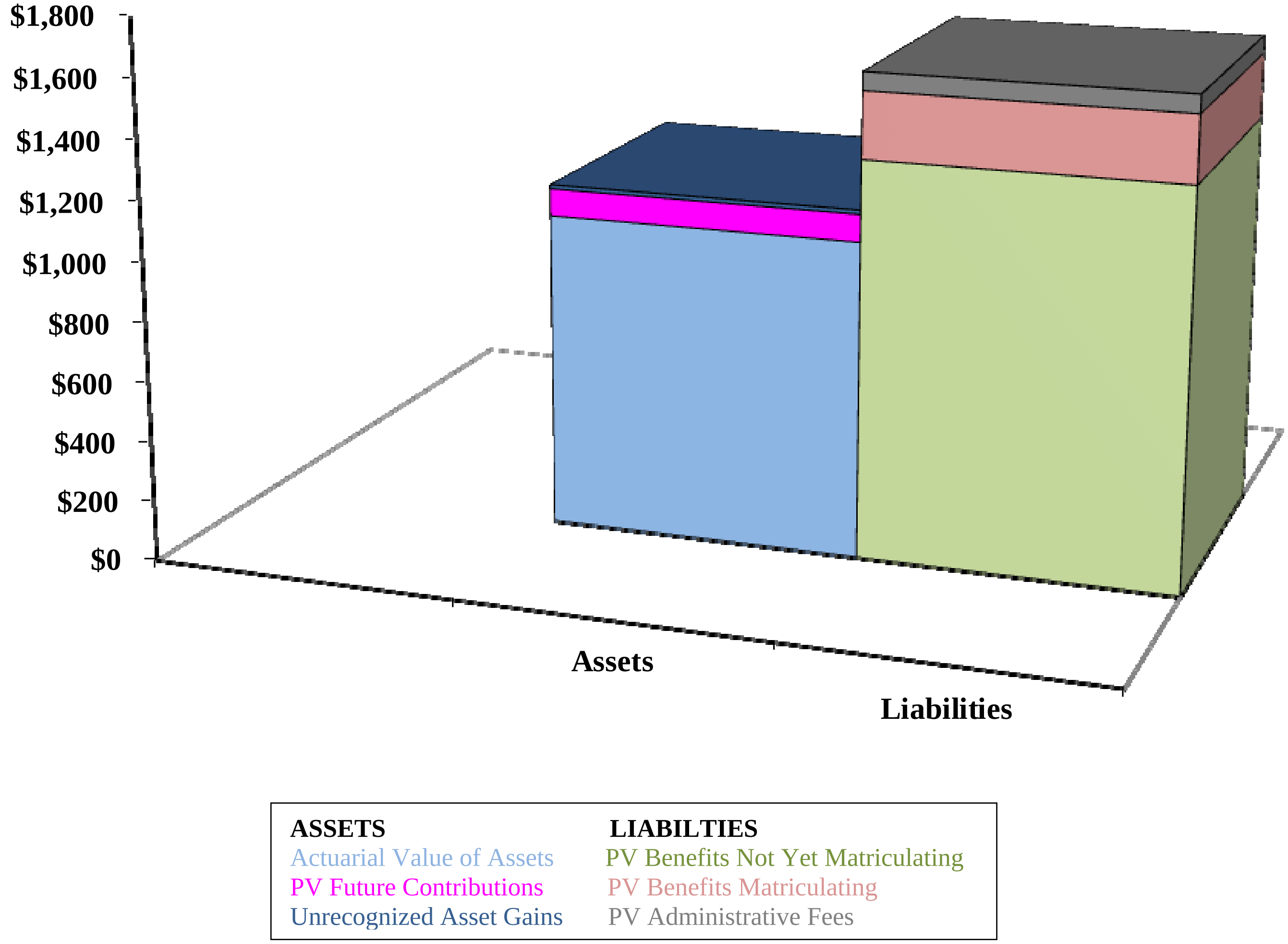
SUMMARY OF RESULTS

Principal Valuation Results

Valuation Date:	June 30, 2013	June 30, 2012
Membership Summary:		
Counts		
Not yet Matriculating	37,316	40,229
Matriculating	10,873	9,934
Total	48,189	50,163
Average years until Enrollment if Not yet Matriculating	5.4	5.8
Assets [1]		
· Market Value of Assets (MVA)	$1,169,869,538	$1,176,055,767
· Actuarial Value of Assets (AVA)	$1,155,965,846	$1,211,920,275
· Estimated Return on MVA	8.47%	2.82%
· Estimated Return on AVA	3.50%	0.78%
· Ratio – AVA to MVA	98.8%	103.0%
Actuarial Liabilities (Present Value of Future Tuition Payments, Fees, and Administrative Expenses)	$1,618,375,861	$1,643,460,352
Unfunded Liabilities (Based on Actuarial Value of Assets)	$462,410,015	$431,540,077
Unfunded Liabilities (Based on Market Value of Assets)	$448,506,323	$467,404,585
Funded Ratio		
· Based on Actuarial Value	71.4%	73.7%
· Based on Market Value	72.3%	71.6%

[1] *Asset values include present value of expected future contributions from current members.*

SUMMARY OF ASSETS AND LIABILITIES AS OF JUNE 30, 2013
$ IN MILLIONS



Funded Status as of June 30, 2013 (Based on Market Value of Assets)

	June 30, 2013
Actuarial Present Value of Future Tuition Payments, Fees and Expenses	$1,618,375,861
Market Value of Assets (Including the Present Value of Installment Contract Receivables)	$1,169,869,538
Deficit/(Surplus) as of June 30, 2013	$448,506,323

Funded Status as of June 30, 2013 (Based on Actuarial Value of Assets)

	June 30, 2013
Actuarial Present Value of Future Tuition Payments, Fees and Expenses	$1,618,375,861
Actuarial Value of Assets (Including the Present Value of Installment Contract Receivables)	$1,155,965,846
Deficit/(Surplus) as of June 30, 2013	$462,410,015

Gain/Loss Summary

	Unfunded Liability (Market Value of Assets)
Value at June 30, 2012	$ 467,404,585
Expected Value at June 30, 2013	$ 491,441,672
(Gain)/Loss Due to:	
Investment Experience	$ (13,003,926)
Change in Discount Rate	24,441,468
Tuition/Fee Inflation	(66,164,363)
Other Demographic Experience*	11,791,472
Total	$ (42,935,349)
Actual Value at June 30, 2013	$ 448,506,323

**Other Demographic Experience includes deviations in actual participant experience from our assumptions related to rates of participant deaths and disabilities, rates of separation from active membership, rates of enrollment and utilization of benefits.*

Additional Details on the development of the Expected Value at June 30, 2013, can be found on page 10.

DISCUSSION

Actuarial Valuation

Gabriel, Roeder, Smith & Company ("GRS") has performed an actuarial soundness valuation of the College Illinois!® Prepaid Tuition Program ("CIPTP") as of June 30, 2013.

The primary purposes of the actuarial soundness valuation are to:

- determine the actuarial present value of the obligations for prepaid tuition contracts purchased through June 30, 2013, and compare such liabilities with the value of the assets associated with the program as of that same date; and
- analyze the factors which caused the deficit/surplus to change since the prior actuarial valuation.

This report summarizes those results and, for illustrative purposes, also presents the results of a continuing business model. Finally the report also presents the impact of variances in the rate of tuition and fee increases as well as the rate of investment return on assets.

In addition, the report provides summaries of the member data, financial data, plan provisions, and actuarial assumptions and methods.

The actuarial assumptions and methods, with the exception of the discount rate assumption used for this June 30, 2013, actuarial soundness valuation are consistent with the assumptions and methods used for the June 30, 2012, actuarial soundness valuation. The change in the discount rate assumption is discussed below.

Background

Legislation authorizing ISAC to administer an Illinois Prepaid Tuition Program was passed in November 1997. The purpose of the program is to provide Illinois families with an affordable tax-advantaged method to pay for college. CIPTP is open to all Illinois residents and non-Illinois residents purchasing for Illinois-resident beneficiaries. CIPTP contracts may allow participants to prepay the cost of tuition and mandatory fees at Illinois public universities and community colleges at expected projected costs, which may be more stable than actual future costs.

Benefits of the program can also be used at private and out-of-state colleges and universities. Contracts can be purchased in a lump sum or in installments. As a Section 529 plan, CIPTP earnings are 100 percent exempt from state and federal income taxes.

The first CIPTP contracts were offered for sale in 1998. As of June 30, 2013, the CIPTP had 48,189 contracts in force.

Actuarial Assumptions

The valuation results summarized in this report involve actuarial calculations that require assumptions about future events. The actuarial assumptions used in this analysis were provided by and are the responsibility of ISAC.

Key Actuarial Assumptions – Changes Since Prior Valuation

The net investment return assumption of 7.00 percent was provided to us by ISAC. This represents a decrease from the 7.25 percent rate used in the June 30, 2012, valuation. Given the current asset allocation and expected liquidity requirements, the net investment rate of return assumption of 7.00 percent appears to be a reasonable assumption consistent with applicable Actuarial Standards of Practice.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; and changes in plan provisions or applicable law. We have performed an analysis of the sensitivity of certain changes in future assumptions.

Financial Status of Program as of June 30, 2013

As of June 30, 2013, the present value of all future tuition obligations under contracts outstanding (and including future administrative expenses) at that date is $1,618,375,861. Fund assets as of June 30, 2013, including the actuarial value of program assets and the present value of installment contract receivables, is $1,155,965,846. Fund assets, including the market value of program assets and the present value of installment contract receivables, is $1,169,869,538.

The difference between the present value of future tuition obligations and the value of assets as of June 30, 2013, represents a program deficit of $462,410,015 on an actuarial value of assets basis, and $448,506,323 on a market value of assets basis. The comparable program deficit as of the last valuation as of June 30, 2012, was $431,540,077 on an actuarial value of assets basis, and $467,404,585 on a market value of assets basis.

The following table summarizes the deficit of the CIPTP as of June 30, 2013, with comparable figures from the prior actuarial valuations as of June 30, 2012.

CIPTP Deficit (Unfunded Liabilities)

Deficit based on:	June 30, 2013	June 30, 2012
Actuarial Value of Assets	$462,410,015	$431,540,077
Market Value of Assets	$448,506,323	$467,404,585

Gain/Loss Analysis

As described above, the program deficit decreased from $467.4 million as of June 30, 2012, to $448.5 million as of June 30, 2013, based on the market value of assets. Based on the actuarial assumptions, the deficit was expected to increase to $491.4 million. The primary factors which caused the expected deficit to decrease by $42.9 million include investment returns that were higher than expected and tuition and fee increases less than expected. These gains were partially offset by the change in the net investment return assumption and other demographic losses which includes deviations in actual participant experience from our assumptions related to rates of participant deaths and disabilities, rates of separation from active membership, rates of enrollment and utilization of benefits.

The funded ratio on a market value of assets basis increased from 71.6 percent as of June 30, 2012, to 72.3 percent as of June 30, 2013.

Benefit Provisions

The basic terms and conditions of the College Illinois!® Prepaid Tuition Program (the "Program") are included in the Illinois Prepaid Tuition Act, 110 ILCS 979 (the "Act") and ISAC Administrative Rules (23 Ill. Adm. Code 2775, et. seq.) ("ISAC Rules").

We understand there were no changes in the program provisions since the last actuarial valuation as of June 30, 2012.

Assets

CIPTP assets are held in trust. ISAC provided the asset information used in the June 30, 2013, actuarial valuation.

This report contains several exhibits summarizing the plan's assets, including a summary of the market value of assets broken down by asset category, a reconciliation of the assets from the last valuation date to the current valuation date and a development of the actuarial value of assets. The approximate return on market value was 8.47 percent.

The actuarial value of assets is a smoothed market value. A smoothed value is used in order to dampen some of the year-to-year fluctuations in the deficit/surplus which occurs due to year to year fluctuations in market value. The smoothing method used phases in differences between the actual and expected market returns over five years.

The actuarial value is currently 98.8 percent of the market value. Over any short time period, a disparity between actuarial value and market value may appear, but in the long-run, we would expect the actuarial value and the market value to continue to track each other fairly closely. As of June 30, 2013, the plan has $13,903,692 in deferred asset gains (the difference between the market and actuarial values) that will be recognized over the next four valuations.

Open Group Ongoing Business Scenario

Exhibits III, IV, V, and VI present the results of an open group scenario assuming the sale of additional new contracts. The alternative open group scenarios included in this section of the report (the sale of 3,500, 2,500, 1,000 or 500 new contracts each year) were provided to us by ISAC and are presented for illustrative purposes only. Because there are many factors that may impact the decision to purchase a new contract including but not limited to contract prices, expected future tuition cost increases, competing savings vehicles, etc., it is very difficult to assess the likelihood of selling a particular number of contracts. Therefore, GRS is unable to judge the reasonableness of these new contract sales scenarios. Please refer to Page 22 in this report for a summary of historical contract sales.

Exhibit III illustrates the program results based on an investment return assumption of 7.00 percent and an assumption of 3,500 new contract sales each year. Under this new contract sales assumption, the CIPTP is projected to achieve a funded status of 100 percent in 12 years by 2025.

Exhibit IV illustrates the program results based on an investment return assumption of 7.00 percent and an assumption of 2,500 new contract sales each year. Under this new contract sales assumption, the

CIPTP funded status is projected to stay fairly level at about 70 to 80 percent for a number of years before gradually improving to 100 percent in 2031.

Finally, Exhibits V and VI illustrate the program results based on an investment return assumption of 7.00 percent and an assumption of 1,000 and 500 new contract sales each year. Under these more conservative new contract sales assumptions, member payments, fund principal and investment income are projected to be insufficient to make the required tuition payments and additional funds will be required for a period of time.

The level of contribution premium over the expected costs can significantly impact the number of new contract future sales. The projection scenarios are for illustrative purposes only and do not consider how increases in contract costs can impact future sales.[a]

Closed Group (Run-Off) Scenario

While the closing of the program has not occurred, in Exhibit VII, we have provided a closed group projection (i.e., run off scenario) for illustration purposes assuming no new contract sales after June 30, 2013. Under this scenario, member payments, fund principal and investment income are projected to be insufficient to make the required tuition payments by the year 2023 and additional funds will be required to maintain solvency ($1.1 billion for the period 2023 to 2050). Under this scenario, the shortfall is expected to grow from the current level of $449 million until it reaches a high of $824 million in 2022.

[a] *This report is not a recommendation to anyone to participate or not participate in the CIPTP. GRS makes no representations or warranties to any person participating in or considering participation in the CIPTP.*

SECTION B

VALUATION RESULTS

Exhibit I
Principal Valuation Results

Valuation Date:	**June 30, 2013**	**June 30, 2012**
1 Number of Members		
a. Not yet Matriculating:	37,316	40,229
b. Matriculating:	10,873	9,934
c. Total	48,189	50,163
Average Years until Enrollment if Not Yet Matriculating	5.4	5.8
2 Assets		
a. Market Value of Assets (in Trust)	$ 1,078,094,274	$ 1,070,929,809
b. PV Future Member Contributions	91,775,264	105,125,958
c. Unrecognized Gains and (Losses)	13,903,692	(35,864,508)
d. Total Actuarial Value of Assets (AVA) (2a + 2b - 2c)	$ 1,155,965,846	$ 1,211,920,275
3 Actuarial Results		
Liabilities		
a. Not yet Matriculating - Tuition and Fees	$ 1,334,944,523	$ 1,396,422,771
b. Matriculating - Tuition and Fees	222,544,960	198,233,820
c. Present Value of Future Administrative Expenses	60,886,378	48,803,761
d. Total	$ 1,618,375,861	$ 1,643,460,352
Unfunded Liability (Based on AVA)	$ 462,410,015	$431,540,077
Unfunded Liability (Based on MVA)	$ 448,506,323	$467,404,585
Funded Ratio		
Actuarial Value of Assets	71.4%	73.7%
Market Value of Assets	72.3%	71.6%

Exhibit II
Gain/Loss Summary

	Present Value of Benefits	Market Value of Assets	Unfunded Liability
1. Values at June 30, 2012	$ 1,643,460,352	$ 1,176,055,767	$ 467,404,585
2. Actual Tuition Payments, Refunds, and Administrative Expenses	$ (128,085,894)	$ (128,085,894)	$ -
3. Interest on 1. and 2. at 7.25%	$ 114,588,999	$ 80,702,167	$ 33,886,832
4. New Contracts	$ 17,701,724	$ 27,551,469	$ (9,849,745)
5. Projected Values at June 30, 2013 (1. + 2. + 3. + 4.)	$ 1,647,665,181	$ 1,156,223,509	$ 491,441,672
6. (Gain)/Loss Due to:			
Investment Experience	$ -	$ (13,003,926)	$ (13,003,926)
Change in Discount Rate	25,005,453	(563,985)	24,441,468
Tuition/Fee Inflation	(66,164,363)	-	(66,164,363)
Other Demographic Experience*	11,869,590	78,118	11,791,472
Total	$ (29,289,320)	$ (13,646,029)	$ (42,935,349)
7. Actual Values at June 30, 2013 (5. + 6.)	$ 1,618,375,861	$ 1,169,869,538	$ 448,506,323

**Other Demographic Experience includes deviations in actual participant experience from our assumptions related to rates of participant deaths and disabilities, rates of separation from active membership, rates of enrollment and utilization of benefits.*

Exhibit III
Continuing Business Model – Current Year Assumptions – New Contract Sales of 3,500 Per Year

Open Group Projections (Continuing Business Scenario)
Projection Based on Data as of June 30, 2013
Assumptions Based on Those Used in Actuarial Valuation as of June 30, 2013
7.00% Assumed Net Investment Return
3,500 New Contracts Per Year

			Assets								Liabilities				
Year Ending 6/30	Assumed Net Rate of Return	Annual New Contracts	Contributions	Additional Required Solvency Contributions	Tuition Payments, Refunds, and Fees	Administrative Expenses	Net Investment Return	Market Value of Assets (EOY)	Total Present Value of Future Contributions	Total Fund Assets (MVA + PVFC)	Total Present Value of Future Benefits	Present Value of Future Admin Expenses	Total Present Value of Future Benefits, Fees, and Expenses	Unfunded Liability	Funded Ratio
2013			47,910,326	0	121,809,339	6,276,555	87,340,676	1,078,094,274	91,775,264	1,169,869,538	1,557,489,483	60,886,378	1,618,375,861	448,506,323	72.3%
2014	7.00%	3,500	32,359,468	0	160,592,076	5,523,368	70,785,140	1,015,123,438	190,036,102	1,205,159,540	1,578,181,494	61,695,283	1,639,876,777	434,717,237	73.5%
2015	7.00%	3,500	72,529,010	0	154,010,039	5,596,749	68,010,918	996,056,578	259,770,087	1,255,826,665	1,610,971,632	62,977,137	1,673,948,769	418,122,103	75.0%
2016	7.00%	3,500	86,326,904	0	151,939,147	5,713,034	67,227,576	991,958,877	326,711,608	1,318,670,485	1,652,265,116	64,591,408	1,716,856,524	398,186,039	76.8%
2017	7.00%	3,500	101,187,831	0	149,253,479	5,859,474	67,549,742	1,005,583,497	389,838,575	1,395,422,072	1,703,463,698	66,592,896	1,770,056,594	374,634,522	78.8%
2018	7.00%	3,500	117,760,984	0	162,991,326	6,041,041	68,596,346	1,022,908,460	447,509,750	1,470,418,210	1,748,524,184	68,354,429	1,816,878,613	346,460,403	80.9%
2019	7.00%	3,500	135,081,677	0	175,059,550	6,200,840	69,987,337	1,046,717,084	498,914,862	1,545,631,946	1,788,967,524	69,935,466	1,858,902,990	313,271,044	83.1%
2020	7.00%	3,500	146,894,688	0	184,682,475	6,344,265	71,725,574	1,074,310,606	549,636,361	1,623,946,967	1,827,199,195	71,430,043	1,898,629,238	274,682,272	85.5%
2021	7.00%	3,500	160,104,984	0	192,885,201	6,479,847	73,827,640	1,108,878,182	598,719,693	1,707,597,875	1,864,867,780	72,902,608	1,937,770,388	230,172,513	88.1%
2022	7.00%	3,500	174,182,701	0	197,660,728	6,613,433	76,568,272	1,155,354,994	645,396,550	1,800,751,544	1,905,632,611	74,496,213	1,980,128,824	179,377,280	90.9%
2023	7.00%	3,500	188,628,471	0	200,554,629	6,757,998	80,220,904	1,216,891,742	689,703,213	1,906,594,955	1,952,021,772	76,309,687	2,028,331,459	121,736,505	94.0%
2024	7.00%	3,500	203,844,771	0	199,649,008	6,922,509	85,086,986	1,299,251,982	731,101,044	2,030,353,026	2,008,625,621	78,522,481	2,087,148,102	56,795,076	97.3%
2025	7.00%	3,500	215,280,582	0	198,408,688	7,123,245	91,288,841	1,400,289,472	773,750,754	2,174,040,226	2,076,779,104	81,186,781	2,157,965,885	-16,074,341	100.7%
2026	7.00%	3,500	227,578,162	0	195,798,085	7,364,940	98,874,793	1,523,579,402	817,347,818	2,340,927,220	2,159,015,359	84,401,614	2,243,416,973	-97,510,248	104.3%
2027	7.00%	3,500	240,734,267	0	191,588,600	7,656,576	108,102,676	1,673,171,169	861,599,971	2,534,771,140	2,258,301,418	88,282,968	2,346,584,386	-188,186,754	108.0%
2028	7.00%	3,500	254,547,514	0	188,620,981	8,008,677	119,149,107	1,850,238,132	906,563,862	2,756,801,994	2,374,971,701	92,843,917	2,467,815,618	-288,986,376	111.7%
2029	7.00%	3,500	269,187,656	0	186,118,727	8,422,428	132,129,297	2,057,013,930	951,839,877	3,008,853,807	2,510,010,891	98,122,956	2,608,133,847	-400,719,960	115.4%
2030	7.00%	3,500	282,612,646	0	187,050,185	8,901,322	147,024,115	2,290,699,184	999,410,707	3,290,109,891	2,661,579,089	104,048,157	2,765,627,246	-524,482,645	119.0%
2031	7.00%	3,500	296,740,350	0	192,738,864	9,438,832	163,658,636	2,548,920,474	1,049,449,206	3,598,369,680	2,826,361,700	110,489,945	2,936,851,645	-661,518,035	122.5%
2032	7.00%	3,500	311,610,559	0	205,492,812	10,023,205	181,787,742	2,826,802,758	1,101,906,873	3,928,709,631	2,998,297,992	117,211,389	3,115,509,381	-813,200,251	126.1%
2033	7.00%	3,500	327,178,581	0	222,820,087	10,632,948	201,156,587	3,121,684,891	1,157,007,465	4,278,692,356	3,173,630,495	124,065,599	3,297,696,094	-980,996,262	129.7%
2034	7.00%	3,500	343,537,634	0	241,365,711	11,254,734	221,700,044	3,434,302,124	1,214,852,339	4,649,154,463	3,351,795,436	131,030,537	3,482,825,973	-1,166,328,490	133.5%
2035	7.00%	3,500	360,711,272	0	260,185,038	11,886,566	243,503,537	3,766,445,329	1,275,524,350	5,041,969,679	3,533,167,750	138,120,860	3,671,288,610	-1,370,681,068	137.3%
2036	7.00%	3,500	378,718,842	0	278,188,399	12,529,771	266,731,197	4,121,177,198	1,339,397,336	5,460,574,534	3,719,467,667	145,403,816	3,864,871,483	-1,595,703,051	141.3%
2037	7.00%	3,500	397,706,188	0	295,411,314	13,190,452	291,601,059	4,501,882,679	1,406,290,050	5,908,172,729	3,912,231,345	152,939,458	4,065,170,803	-1,843,001,926	145.3%
2038	7.00%	3,500	417,546,749	0	312,517,454	13,874,055	318,322,221	4,911,360,140	1,476,569,502	6,387,929,642	4,112,679,755	160,775,515	4,273,455,270	-2,114,474,372	149.5%
2039	7.00%	3,500	438,415,462	0	329,826,160	14,584,911	347,085,363	5,352,449,894	1,550,520,605	6,902,970,499	4,321,832,749	168,951,858	4,490,784,607	-2,412,185,892	153.7%
2040	7.00%	3,500	460,397,126	0	347,537,354	15,326,636	378,085,152	5,828,068,182	1,628,011,897	7,456,080,079	4,540,357,222	177,494,557	4,717,851,779	-2,738,228,299	158.0%
2041	7.00%	3,500	483,388,316	0	365,812,918	16,101,595	411,516,356	6,341,058,341	1,709,422,077	8,050,480,418	4,769,054,395	186,434,934	4,955,489,329	-3,094,991,089	162.5%
2042	7.00%	3,500	507,558,823	0	384,769,022	16,912,631	447,579,785	6,894,515,296	1,794,783,524	8,689,298,820	5,008,538,518	195,797,001	5,204,335,519	-3,484,963,301	167.0%
2043	7.00%	3,500	532,889,829	0	404,493,664	17,761,920	486,488,269	7,491,637,810	1,884,564,264	9,376,202,074	5,259,632,290	205,612,920	5,465,245,210	-3,910,956,864	171.6%
2044	7.00%	3,500	559,571,685	0	425,040,301	18,652,381	528,470,412	8,135,987,225	1,978,798,103	10,114,785,328	5,522,992,842	215,908,379	5,738,901,221	-4,375,884,107	176.2%
2045	7.00%	3,500	587,546,139	0	446,491,502	19,586,344	573,770,496	8,831,226,014	2,077,744,198	10,908,970,212	5,799,338,458	226,711,460	6,026,049,918	-4,882,920,295	181.0%
2046	7.00%	3,500	616,925,673	0	468,921,484	20,566,356	622,646,145	9,581,309,992	2,181,632,144	11,762,942,136	6,089,403,335	238,050,862	6,327,454,197	-5,435,487,940	185.9%
2047	7.00%	3,500	647,766,118	0	492,425,518	21,595,021	675,372,795	10,390,428,366	2,290,730,006	12,681,158,372	6,393,923,960	249,955,377	6,643,879,337	-6,037,279,035	190.9%
2048	7.00%	3,500	680,165,884	0	517,073,637	22,674,951	732,244,591	11,263,090,253	2,405,258,115	13,668,348,368	6,713,637,621	262,453,829	6,976,091,450	-6,692,256,918	195.9%
2049	7.00%	3,500	714,170,452	0	542,942,843	23,808,760	793,575,977	12,204,085,079	2,525,524,764	14,729,609,843	7,049,327,566	275,576,836	7,324,904,402	-7,404,705,441	201.1%
2050	7.00%	3,500	749,877,938	0	570,098,766	24,999,227	859,703,254	13,218,568,278	2,651,811,806	15,870,380,084	7,401,797,017	289,355,798	7,691,152,815	-8,179,227,270	206.3%

Exhibit IV
Continuing Business Model – Current Year Assumptions – New Contract Sales of 2,500 Per Year

Open Group Projections (Continuing Business Scenario)
Projection Based on Data as of June 30, 2013
Assumptions Based on Those Used in Actuarial Valuation as of June 30, 2013
7.00% Assumed Net Investment Return
2,500 New Contracts Per Year

			Assets								Liabilities				
Year Ending 6/30	Assumed Net Rate of Return	Annual New Contracts	Contributions	Additional Required Solvency Contributions	Tuition Payments, Refunds, and Fees	Administrative Expenses	Net Investment Return	Market Value of Assets (EOY)	Total Present Value of Future Contributions	Total Fund Assets (MVA + PVFC)	Total Present Value of Future Benefits	Present Value of Future Admin Expenses	Total Present Value of Future Benefits, Fees, and Expenses	Unfunded Liability	Funded Ratio
2013			47,910,326	0	121,809,339	6,276,555	87,340,676	1,078,094,274	91,775,264	1,169,869,538	1,557,489,483	60,886,378	1,618,375,861	448,506,323	72.3%
2014	7.00%	2,500	32,359,468	0	160,592,076	5,523,368	70,785,140	1,015,123,438	154,237,543	1,169,360,981	1,555,945,663	60,826,026	1,616,771,689	447,410,708	72.3%
2015	7.00%	2,500	56,895,779	0	154,000,686	5,517,894	67,466,843	979,967,480	200,082,049	1,180,049,529	1,563,845,921	61,134,868	1,624,980,789	444,931,260	72.6%
2016	7.00%	2,500	65,780,962	0	151,700,399	5,545,910	65,396,436	953,898,569	244,642,350	1,198,540,919	1,577,563,593	61,671,128	1,639,234,721	440,693,802	73.1%
2017	7.00%	2,500	75,519,834	0	148,724,893	5,594,558	64,014,913	939,113,865	287,171,834	1,226,285,699	1,598,346,125	62,483,572	1,660,829,697	434,543,999	73.8%
2018	7.00%	2,500	86,781,466	0	161,850,607	5,668,259	62,912,162	921,288,627	326,189,886	1,247,478,513	1,610,186,492	62,946,443	1,673,132,935	425,654,423	74.6%
2019	7.00%	2,500	98,548,105	0	173,080,551	5,710,249	61,681,710	902,727,642	361,270,905	1,263,998,547	1,614,642,581	63,120,644	1,677,763,225	413,764,678	75.3%
2020	7.00%	2,500	106,503,823	0	181,298,985	5,726,052	60,372,692	882,579,120	396,237,304	1,278,816,424	1,614,409,561	63,111,534	1,677,521,095	398,704,672	76.2%
2021	7.00%	2,500	115,663,752	0	187,878,033	5,725,226	59,052,656	863,692,269	430,148,844	1,293,841,113	1,611,050,128	62,980,205	1,674,030,333	380,189,220	77.3%
2022	7.00%	2,500	125,461,100	0	190,845,333	5,713,312	57,970,045	850,564,769	462,616,981	1,313,181,750	1,608,298,374	62,872,632	1,671,171,006	357,989,256	78.6%
2023	7.00%	2,500	135,516,745	0	191,840,961	5,703,553	57,368,562	845,905,562	493,551,335	1,339,456,897	1,608,410,628	62,877,020	1,671,287,648	331,830,751	80.1%
2024	7.00%	2,500	146,076,530	0	188,867,114	5,703,951	57,516,081	854,927,108	522,676,942	1,377,604,050	1,615,916,540	63,170,446	1,679,086,986	301,482,936	82.0%
2025	7.00%	2,500	154,032,966	0	184,558,102	5,730,570	58,575,948	877,247,350	552,915,840	1,430,163,190	1,632,931,098	63,835,590	1,696,766,688	266,603,498	84.3%
2026	7.00%	2,500	162,698,737	0	178,355,244	5,790,909	60,656,655	916,456,589	583,921,379	1,500,377,968	1,662,269,878	64,982,520	1,727,252,398	226,874,430	86.9%
2027	7.00%	2,500	172,036,671	0	170,153,127	5,894,954	64,011,562	976,456,741	615,456,474	1,591,913,215	1,707,114,695	66,735,623	1,773,850,318	181,937,103	89.7%
2028	7.00%	2,500	181,849,364	0	162,926,908	6,053,988	68,802,368	1,058,127,577	647,499,021	1,705,626,598	1,767,807,268	69,108,256	1,836,915,524	131,288,926	92.9%
2029	7.00%	2,500	192,257,473	0	155,845,066	6,269,224	75,123,942	1,163,394,702	679,919,388	1,843,314,090	1,845,585,634	72,148,818	1,917,734,452	74,420,362	96.1%
2030	7.00%	2,500	201,888,628	0	151,323,551	6,545,052	82,978,330	1,290,393,057	713,863,520	2,004,256,577	1,939,185,586	75,807,887	2,014,993,473	10,736,896	99.5%
2031	7.00%	2,500	211,951,581	0	150,977,442	6,876,988	92,220,914	1,436,711,122	749,592,336	2,186,303,458	2,045,760,886	79,974,197	2,125,735,083	-60,568,375	102.8%
2032	7.00%	2,500	222,571,931	0	156,562,564	7,254,939	102,626,184	1,598,091,734	787,103,230	2,385,194,964	2,160,350,356	84,453,802	2,244,804,158	-140,390,806	106.3%
2033	7.00%	2,500	233,711,549	0	166,139,243	7,661,311	113,963,306	1,771,966,035	826,442,597	2,598,408,632	2,279,663,384	89,118,064	2,368,781,448	-229,627,184	109.7%
2034	7.00%	2,500	245,385,861	0	177,325,483	8,084,434	126,136,780	1,958,078,759	867,726,745	2,825,805,504	2,402,702,907	93,928,003	2,496,630,910	-329,174,593	113.2%
2035	7.00%	2,500	257,637,602	0	189,271,938	8,520,772	139,160,084	2,157,083,735	911,106,336	3,068,190,071	2,529,325,881	98,878,030	2,628,203,911	-439,986,160	116.7%
2036	7.00%	2,500	270,523,642	0	201,020,582	8,969,819	153,114,525	2,370,731,501	956,682,502	3,327,414,003	2,660,371,344	104,000,943	2,764,372,287	-563,041,716	120.4%
2037	7.00%	2,500	284,061,689	0	212,548,285	9,434,549	168,123,965	2,600,934,321	1,004,523,343	3,605,457,664	2,796,747,117	109,332,233	2,906,079,350	-699,378,315	124.1%
2038	7.00%	2,500	298,263,977	0	224,241,689	9,918,182	184,309,046	2,849,347,473	1,054,767,494	3,904,114,967	2,939,071,179	114,896,056	3,053,967,235	-850,147,731	127.8%
2039	7.00%	2,500	313,183,220	0	236,236,096	10,422,910	201,782,671	3,117,654,358	1,107,513,427	4,225,167,785	3,087,866,498	120,712,858	3,208,579,356	-1,016,588,429	131.7%
2040	7.00%	2,500	328,842,535	0	248,639,923	10,950,587	220,659,626	3,407,566,009	1,162,754,552	4,570,320,561	3,243,525,086	126,797,964	3,370,323,050	-1,199,997,512	135.6%
2041	7.00%	2,500	345,226,274	0	261,531,317	11,502,603	241,056,353	3,720,814,716	1,220,997,891	4,941,812,607	3,406,694,186	133,176,675	3,539,870,861	-1,401,941,746	139.6%
2042	7.00%	2,500	362,554,092	0	274,969,684	12,081,255	263,099,640	4,059,417,509	1,282,101,924	5,341,519,433	3,577,720,990	139,862,564	3,717,583,554	-1,623,935,879	143.7%
2043	7.00%	2,500	380,691,867	0	288,998,450	12,687,772	286,924,423	4,425,347,577	1,346,184,855	5,771,532,432	3,757,012,790	146,871,554	3,903,884,344	-1,867,648,088	147.8%
2044	7.00%	2,500	399,703,429	0	303,639,373	13,323,599	312,670,246	4,820,758,280	1,413,488,182	6,234,246,462	3,945,095,214	154,224,193	4,099,319,407	-2,134,927,055	152.1%
2045	7.00%	2,500	419,686,003	0	318,941,327	13,990,601	340,489,472	5,248,001,827	1,484,159,653	6,732,161,480	4,142,473,687	161,940,239	4,304,413,926	-2,427,747,554	156.4%
2046	7.00%	2,500	440,678,149	0	334,951,668	14,690,570	370,546,385	5,709,584,123	1,558,350,750	7,267,934,873	4,349,660,471	170,039,718	4,519,700,189	-2,748,234,684	160.8%
2047	7.00%	2,500	462,704,994	0	351,736,508	15,425,322	403,014,899	6,208,142,186	1,636,269,891	7,844,412,077	4,567,179,972	178,543,129	4,745,723,101	-3,098,688,976	165.3%
2048	7.00%	2,500	485,839,780	0	369,344,823	16,196,718	438,080,391	6,746,520,816	1,718,086,688	8,464,607,504	4,795,556,371	187,470,966	4,983,027,337	-3,481,580,167	169.9%
2049	7.00%	2,500	510,131,779	0	387,823,759	17,006,615	475,942,006	7,327,764,227	1,803,996,387	9,131,760,614	5,035,341,804	196,844,812	5,232,186,616	-3,899,573,997	174.5%
2050	7.00%	2,500	535,639,873	0	407,220,431	17,856,973	516,813,182	7,955,139,878	1,894,200,360	9,849,340,238	5,287,111,329	206,687,148	5,493,798,477	-4,355,541,761	179.3%

Exhibit V
Continuing Business Model – Current Year Assumptions – New Contract Sales of 1,000 Per Year

Open Group Projections (Continuing Business Scenario)
Projection Based on Data as of June 30, 2013
Assumptions Based on Those Used in Actuarial Valuation as of June 30, 2013
7.00% Assumed Net Investment Return
1,000 New Contracts Per Year

			Assets								Liabilities				
Year Ending 6/30	Assumed Net Rate of Return	Annual New Contracts	Contributions	Additional Required Solvency Contributions[2]	Tuition Payments, Refunds, and Fees	Administrative Expenses	Net Investment Return	Market Value of Assets (EOY)	Total Present Value of Future Contributions	Total Fund Assets (MVA + PVFC)	Total Present Value of Future Benefits	Present Value of Future Admin Expenses	Total Present Value of Future Benefits, Fees, and Expenses	Unfunded Liability	Funded Ratio
2013			47,910,326	0	121,809,339	6,276,555	87,340,676	1,078,094,274	91,775,264	1,169,869,538	1,557,489,483	60,886,378	1,618,375,861	448,506,323	72.3%
2014	7.00%	1,000	32,359,468	0	160,592,076	5,523,368	70,785,140	1,015,123,438	100,539,705	1,115,663,143	1,522,591,914	59,522,140	1,582,114,054	466,450,911	70.5%
2015	7.00%	1,000	33,445,933	0	153,986,654	5,399,610	66,650,729	955,833,836	110,531,198	1,066,365,034	1,493,145,678	58,371,009	1,551,516,687	485,151,653	68.7%
2016	7.00%	1,000	34,953,841	0	151,342,273	5,295,184	62,649,442	896,799,662	121,546,339	1,018,346,001	1,465,510,921	57,290,693	1,522,801,614	504,455,613	66.9%
2017	7.00%	1,000	37,024,176	0	147,931,897	5,197,182	58,712,305	839,407,064	133,173,580	972,580,644	1,440,669,473	56,319,575	1,496,989,048	524,408,405	65.0%
2018	7.00%	1,000	40,312,295	0	160,139,506	5,109,086	54,385,724	768,856,491	144,255,482	913,111,973	1,402,706,692	54,835,510	1,457,542,202	544,430,229	62.6%
2019	7.00%	1,000	43,766,853	0	170,111,907	4,974,458	49,223,771	686,760,750	154,765,187	841,525,937	1,353,141,340	52,897,869	1,406,039,209	564,513,273	59.9%
2020	7.00%	1,000	45,892,716	0	176,223,918	4,798,683	43,343,707	594,974,572	166,049,752	761,024,324	1,295,165,352	50,631,435	1,345,796,787	584,772,463	56.5%
2021	7.00%	1,000	48,968,552	0	180,366,901	4,593,081	36,888,520	495,871,662	177,355,889	673,227,551	1,230,337,098	48,097,127	1,278,434,225	605,206,674	52.7%
2022	7.00%	1,000	52,421,636	0	180,621,938	4,363,179	30,071,295	393,379,476	188,420,008	581,799,484	1,162,280,130	45,436,600	1,207,716,730	625,917,247	48.2%
2023	7.00%	1,000	55,830,197	0	178,770,481	4,121,826	23,089,389	289,406,755	199,339,977	488,746,732	1,092,992,194	42,727,952	1,135,720,146	646,973,414	43.0%
2024	7.00%	1,000	59,430,730	0	172,693,858	3,876,109	16,158,600	188,426,118	210,079,559	398,505,677	1,026,868,879	40,143,017	1,067,011,896	668,506,219	37.3%
2025	7.00%	1,000	62,175,524	0	163,781,717	3,641,614	9,506,155	92,684,466	221,660,256	314,344,722	967,157,924	37,808,758	1,004,966,682	690,621,960	31.3%
2026	7.00%	1,000	65,375,903	0	152,189,272	3,429,859	3,329,400	5,770,638	233,776,431	239,547,069	917,148,647	35,853,763	953,002,410	713,455,341	25.1%
2027	7.00%	1,000	68,986,391	66,299,951	137,999,613	3,252,510	195,142	-1	246,275,883	246,275,882	880,354,248	34,415,373	914,769,621	668,493,739	26.9%
2028	7.00%	1,000	72,818,634	54,688,950	124,385,558	3,122,025	0	0	258,993,582	258,993,582	857,126,501	33,507,339	890,633,840	631,640,258	29.1%
2029	7.00%	1,000	76,895,332	36,580,341	110,436,021	3,039,652	0	0	271,996,628	271,996,628	848,950,931	33,187,734	882,138,665	610,142,038	30.8%
2030	7.00%	1,000	80,767,532	19,977,354	97,734,228	3,010,658	0	0	285,531,876	285,531,876	855,596,683	33,447,534	889,044,217	603,512,341	32.1%
2031	7.00%	1,000	84,770,934	6,596,438	88,333,146	3,034,226	0	0	299,826,345	299,826,345	874,884,185	34,201,534	909,085,719	609,259,373	33.0%
2032	7.00%	1,000	89,027,064	0	83,167,669	3,102,626	96,487	2,853,256	314,868,018	317,721,274	903,431,747	35,317,533	938,749,280	621,028,007	33.8%
2033	7.00%	1,000	93,497,263	0	81,117,908	3,203,865	520,870	12,549,616	330,575,697	343,125,313	938,714,589	36,696,833	975,411,422	632,286,109	35.2%
2034	7.00%	1,000	98,149,926	0	81,267,206	3,328,990	1,352,854	27,456,200	347,036,381	374,492,581	979,070,455	38,274,450	1,017,344,905	642,852,324	36.8%
2035	7.00%	1,000	103,029,704	0	82,903,713	3,472,105	2,504,820	46,614,906	364,475,004	411,089,910	1,023,568,692	40,014,004	1,063,582,696	652,492,786	38.7%
2036	7.00%	1,000	108,232,753	0	85,269,033	3,629,910	3,939,727	69,888,443	382,651,079	452,539,522	1,071,762,140	41,898,013	1,113,660,153	661,120,631	40.6%
2037	7.00%	1,000	113,613,888	0	88,253,931	3,800,820	5,646,761	97,094,341	401,785,978	498,880,319	1,123,489,160	43,920,159	1,167,409,319	668,529,000	42.7%
2038	7.00%	1,000	119,296,275	0	91,826,156	3,984,261	7,618,609	128,198,808	421,891,255	550,090,063	1,178,548,844	46,072,587	1,224,621,431	674,531,369	44.9%
2039	7.00%	1,000	125,269,397	0	95,853,113	4,179,521	9,857,203	163,292,774	443,021,918	606,314,692	1,236,882,768	48,353,015	1,285,235,783	678,921,091	47.2%
2040	7.00%	1,000	131,548,261	0	100,295,925	4,386,392	12,370,802	202,529,520	465,111,065	667,640,585	1,298,399,966	50,757,884	1,349,157,850	681,517,265	49.5%
2041	7.00%	1,000	138,091,624	0	105,110,276	4,604,552	15,170,254	246,076,570	488,442,339	734,518,909	1,363,242,891	53,292,766	1,416,535,657	682,016,748	51.9%
2042	7.00%	1,000	145,038,944	0	110,274,667	4,834,506	18,272,902	294,279,243	512,825,965	807,105,208	1,431,369,454	55,956,013	1,487,325,467	680,220,259	54.3%
2043	7.00%	1,000	152,262,580	0	115,757,703	5,076,105	21,699,554	347,407,569	538,475,454	885,883,023	1,502,943,564	58,754,034	1,561,697,598	675,814,575	56.7%
2044	7.00%	1,000	159,883,192	0	121,538,028	5,329,931	25,474,063	405,896,865	565,393,915	971,290,780	1,578,100,353	61,692,111	1,639,792,464	668,501,685	59.2%
2045	7.00%	1,000	167,875,106	0	127,616,801	5,596,461	29,625,945	470,184,654	593,666,434	1,063,851,088	1,657,017,355	64,777,185	1,721,794,540	657,943,453	61.8%
2046	7.00%	1,000	176,272,241	0	133,999,213	5,876,327	34,186,810	540,768,165	623,343,202	1,164,111,367	1,739,875,538	68,016,331	1,807,891,869	643,780,501	64.4%
2047	7.00%	1,000	185,081,505	0	140,702,496	6,170,169	39,191,081	618,168,086	654,511,229	1,272,679,315	1,826,875,748	71,417,399	1,898,293,147	625,613,831	67.0%
2048	7.00%	1,000	194,337,039	0	147,740,671	6,478,700	44,675,884	702,961,638	687,234,717	1,390,196,355	1,918,222,305	74,988,377	1,993,210,682	603,014,327	69.7%
2049	7.00%	1,000	204,053,070	0	155,128,954	6,802,645	50,681,566	795,764,675	721,593,661	1,517,358,336	2,014,134,197	78,737,826	2,092,872,023	575,513,687	72.5%
2050	7.00%	1,000	214,254,866	0	162,887,060	7,142,780	57,251,403	897,241,104	757,675,281	1,654,916,385	2,114,842,520	82,674,781	2,197,517,301	542,600,915	75.3%

[1] *Additional contributions in the amount of $184,143,034 are needed over the years 2027 through 2031 to maintain solvency.*

Exhibit VI
Continuing Business Model – Current Year Assumptions – New Contract Sales of 500 Per Year

Open Group Projections (Continuing Business Scenario)
Projection Based on Data as of June 30, 2013
Assumptions Based on Those Used in Actuarial Valuation as of June 30, 2013
7.00% Assumed Net Investment Return
500 New Contracts Per Year

			Assets								Liabilities				
Year Ending 6/30	Assumed Net Rate of Return	Annual New Contracts	Contributions	Additional Required Solvency Contributions[2]	Tuition Payments, Refunds, and Fees	Administrative Expenses	Net Investment Return	Market Value of Assets (EOY)	Total Present Value of Future Contributions	Total Fund Assets (MVA + PVFC)	Total Present Value of Future Benefits	Present Value of Future Admin Expenses	Total Present Value of Future Benefits, Fees, and Expenses	Unfunded Liability	Funded Ratio
2013			47,910,326	0	121,809,339	6,276,555	87,340,676	1,078,094,274	91,775,264	1,169,869,538	1,557,489,483	60,886,378	1,618,375,861	448,506,323	72.3%
2014	7.00%	500	32,359,468	0	160,592,076	5,523,368	70,785,140	1,015,123,438	82,640,425	1,097,763,863	1,511,473,998	59,087,511	1,570,561,509	472,797,646	69.9%
2015	7.00%	500	25,629,318	0	153,981,977	5,360,182	66,378,691	947,789,288	80,668,384	1,028,457,672	1,469,571,148	57,449,418	1,527,020,566	498,562,894	67.4%
2016	7.00%	500	24,672,662	0	151,222,894	5,211,581	61,733,587	877,761,062	80,519,586	958,280,648	1,428,159,773	55,830,538	1,483,990,311	525,709,663	64.6%
2017	7.00%	500	24,196,515	0	147,667,488	5,064,723	56,944,525	806,169,891	81,842,067	888,011,958	1,388,110,394	54,264,902	1,442,375,296	554,363,338	61.6%
2018	7.00%	500	24,822,642	0	159,569,125	4,922,695	51,543,471	718,044,184	83,640,943	801,685,127	1,333,564,584	52,132,562	1,385,697,146	584,012,019	57.9%
2019	7.00%	500	25,519,173	0	169,122,262	4,729,257	45,071,461	614,783,299	85,903,426	700,686,725	1,265,965,045	49,489,918	1,315,454,963	614,768,238	53.3%
2020	7.00%	500	25,672,473	0	174,532,342	4,489,527	37,667,602	499,101,505	89,357,205	588,458,710	1,188,770,372	46,472,174	1,235,242,546	646,783,836	47.6%
2021	7.00%	500	26,756,484	0	177,862,962	4,215,770	29,500,827	373,280,084	93,093,579	466,373,663	1,103,443,687	43,136,529	1,146,580,216	680,206,552	40.7%
2022	7.00%	500	28,071,422	0	177,214,525	3,913,173	20,772,636	240,996,444	96,993,120	337,989,564	1,013,597,614	39,624,208	1,053,221,822	715,232,258	32.1%
2023	7.00%	500	29,254,838	0	174,413,778	3,594,549	11,663,379	103,906,334	101,270,901	205,177,235	921,186,383	36,011,609	957,197,992	752,020,757	21.4%
2024	7.00%	500	30,552,637	32,597,410	167,303,293	3,266,829	3,513,741	0	105,899,666	105,899,666	830,532,985	32,467,728	863,000,713	757,101,048	12.3%
2025	7.00%	500	31,566,529	128,235,198	156,856,385	2,945,342	0	0	111,230,857	111,230,857	745,234,653	29,133,191	774,367,844	663,136,987	14.4%
2026	7.00%	500	32,926,931	113,183,402	143,467,487	2,642,846	0	0	117,122,099	117,122,099	668,815,620	26,145,769	694,961,389	577,839,291	16.9%
2027	7.00%	500	34,663,308	94,990,414	127,281,883	2,371,839	0	0	123,141,239	123,141,239	604,741,721	23,640,951	628,382,672	505,241,433	19.6%
2028	7.00%	500	36,434,691	77,248,777	111,538,856	2,144,612	0	0	129,500,683	129,500,683	553,567,331	21,640,409	575,207,740	445,707,057	22.5%
2029	7.00%	500	38,454,958	58,808,370	95,300,197	1,963,131	0	0	136,019,811	136,019,811	516,741,272	20,200,781	536,942,053	400,922,242	25.3%
2030	7.00%	500	40,394,087	41,310,199	79,871,752	1,832,534	0	0	142,752,932	142,752,932	494,402,562	19,327,502	513,730,064	370,977,133	27.8%
2031	7.00%	500	42,377,003	26,828,643	67,452,332	1,753,314	0	0	149,929,601	149,929,601	484,610,232	18,944,694	503,554,926	353,625,325	29.8%
2032	7.00%	500	44,520,060	15,902,474	58,703,947	1,718,587	0	0	157,449,586	157,449,586	484,461,326	18,938,873	503,400,199	345,950,613	31.3%
2033	7.00%	500	46,754,640	7,740,263	52,776,844	1,718,059	0	0	165,279,382	165,279,382	491,731,885	19,223,098	510,954,983	345,675,602	32.3%
2034	7.00%	500	49,069,123	1,922,917	49,248,197	1,743,843	0	0	173,565,608	173,565,608	504,587,178	19,725,646	524,312,824	350,747,216	33.1%
2035	7.00%	500	51,535,853	0	47,448,526	1,789,432	80,426	2,378,321	182,223,291	184,601,612	521,653,718	20,392,822	542,046,540	357,444,928	34.1%
2036	7.00%	500	54,104,048	0	46,687,714	1,849,955	361,306	8,306,006	191,336,412	199,642,418	542,252,575	21,198,086	563,450,661	363,808,243	35.4%
2037	7.00%	500	56,811,221	0	46,825,263	1,923,005	863,624	17,232,583	200,930,955	218,163,538	565,787,183	22,118,116	587,905,299	369,741,761	37.1%
2038	7.00%	500	59,664,337	0	47,688,437	2,006,467	1,555,211	28,757,227	210,890,363	239,647,590	591,712,531	23,131,606	614,844,137	375,196,547	39.0%
2039	7.00%	500	62,606,280	0	49,060,024	2,098,407	2,413,681	42,618,757	221,464,355	264,083,112	619,865,970	24,232,198	644,098,168	380,015,056	41.0%
2040	7.00%	500	65,759,842	0	50,848,647	2,198,248	3,428,266	58,759,970	232,565,242	291,325,212	650,026,566	25,411,256	675,437,822	384,112,610	43.1%
2041	7.00%	500	69,060,230	0	52,969,931	2,305,207	4,595,676	77,140,738	244,202,404	321,343,142	682,067,556	26,663,822	708,731,378	387,388,236	45.3%
2042	7.00%	500	72,511,014	0	55,378,993	2,418,835	5,914,813	97,768,737	256,422,096	354,190,833	715,924,521	27,987,381	743,911,902	389,721,068	47.6%
2043	7.00%	500	76,135,654	0	58,011,038	2,538,903	7,389,312	120,743,762	269,239,830	389,983,592	751,589,546	29,381,621	780,971,167	390,987,575	49.9%
2044	7.00%	500	79,942,574	0	60,838,513	2,665,383	9,027,417	146,209,857	282,699,687	428,909,544	789,105,143	30,848,204	819,953,347	391,043,804	52.3%
2045	7.00%	500	83,938,718	0	63,842,598	2,798,426	10,840,109	174,347,660	296,833,971	471,181,631	828,531,483	32,389,484	860,920,967	389,739,336	54.7%
2046	7.00%	500	88,136,067	0	67,013,831	2,938,244	12,840,776	205,372,428	311,670,878	517,043,306	869,946,458	34,008,505	903,954,963	386,911,657	57.2%
2047	7.00%	500	92,540,211	0	70,358,690	3,085,115	15,044,444	239,513,278	327,261,973	566,775,251	913,443,541	35,708,921	949,152,462	382,377,211	59.7%
2048	7.00%	500	97,169,018	0	73,874,980	3,239,370	17,467,843	277,035,789	343,627,298	620,663,087	959,114,673	37,494,326	996,608,999	375,945,913	62.3%
2049	7.00%	500	102,030,042	0	77,565,865	3,401,335	20,129,705	318,228,336	360,801,030	679,029,366	1,007,067,684	39,368,936	1,046,436,620	367,407,254	64.9%
2050	7.00%	500	107,128,300	0	81,444,639	3,571,392	23,049,913	363,390,518	378,842,470	742,232,988	1,057,421,500	41,337,400	1,098,758,900	356,525,912	67.6%

[1] *Additional contributions in the amount of $598,768,067 are needed over the years 2024 through 2034 to maintain solvency.*

Exhibit VII
Closed Group Business Model (Run Off Scenario) – Current Year Assumptions

Closed Group Projections (No New Contracts)
Projection Based on Data as of June 30, 2013
Assumptions Based on Those Used in Actuarial Valuation as of June 30, 2013
7.00% Assumed Net Investment Return
0 New Contracts Per Year

			Assets								Liabilities				
Year Ending 6/30	Assumed Net Rate of Return	Annual New Contracts	Contributions	Additional Required Solvency Contributions[1]	Tuition Payments, Refunds, and Fees	Administrative Expenses	Net Investment Return	Market Value of Assets (EOY)	Total Present Value of Future Contributions	Total Fund Assets (MVA + PVFC)	Total Present Value of Future Benefits	Present Value of Future Admin Expenses	Total Present Value of Future Benefits, Fees, and Expenses	Unfunded Liability	Funded Ratio
2013			47,910,326	0	121,809,339	6,276,555	87,340,676	1,078,094,274	91,775,264	1,169,869,538	1,557,489,483	60,886,378	1,618,375,861	448,506,323	72.3%
2014	7.00%	0	32,359,468	0	160,592,076	5,523,368	70,785,140	1,015,123,438	64,726,638	1,079,850,076	1,500,347,071	59,435,008	1,559,782,079	479,932,002	69.2%
2015	7.00%	0	17,806,367	0	153,977,296	5,716,686	66,092,574	939,328,397	50,838,453	990,166,850	1,446,012,969	57,682,072	1,503,695,041	513,528,191	65.8%
2016	7.00%	0	14,408,080	0	151,103,433	5,916,770	60,761,563	857,477,837	39,493,311	896,971,148	1,390,815,332	55,599,462	1,446,414,794	549,443,646	62.0%
2017	7.00%	0	11,364,385	0	147,403,230	6,123,857	55,047,754	770,362,889	30,502,432	800,865,321	1,335,550,093	53,156,857	1,388,706,950	587,841,629	57.7%
2018	7.00%	0	9,328,310	0	158,998,716	6,338,192	48,465,101	662,819,392	22,988,323	685,807,715	1,264,399,930	50,321,560	1,314,721,490	628,913,775	52.2%
2019	7.00%	0	7,256,113	0	168,132,756	6,560,029	40,537,074	535,919,794	17,091,724	553,011,518	1,178,810,986	47,058,323	1,225,869,309	672,857,791	45.1%
2020	7.00%	0	5,481,313	0	172,840,561	6,789,630	31,419,175	393,190,091	12,618,231	405,808,322	1,082,356,012	43,329,158	1,125,685,170	719,876,848	36.0%
2021	7.00%	0	4,516,782	0	175,359,555	7,027,267	21,297,855	236,617,906	8,829,312	245,447,218	976,540,839	39,093,137	1,015,633,976	770,186,758	24.2%
2022	7.00%	0	3,725,236	0	173,806,833	6,965,044	10,366,621	69,937,886	5,593,950	75,531,836	864,926,405	34,624,959	899,551,364	824,019,528	8.4%
2023	7.00%	0	2,692,973	101,876,007	170,057,135	6,814,781	2,365,049	-1	3,199,893	3,199,892	749,381,673	29,999,442	779,381,115	776,181,223	0.4%
2024	7.00%	0	1,671,252	166,729,323	161,912,190	6,488,384	0	0	1,695,129	1,695,129	634,182,680	25,387,766	659,570,446	657,875,317	0.3%
2025	7.00%	0	945,098	154,994,022	149,930,869	6,008,251	0	0	836,171	836,171	523,326,093	20,949,926	544,276,019	543,439,849	0.2%
2026	7.00%	0	497,015	139,648,513	134,745,795	5,399,733	0	0	380,586	380,586	420,433,280	16,830,894	437,264,174	436,883,588	0.1%
2027	7.00%	0	297,814	120,937,929	116,564,594	4,671,149	0	0	99,166	99,166	329,164,113	13,177,183	342,341,296	342,242,131	0.0%
2028	7.00%	0	102,578	102,544,101	98,691,757	3,954,922	0	0	0	0	250,012,945	10,008,583	260,021,528	260,021,528	0.0%
2029	7.00%	0	0	83,376,441	80,163,991	3,212,450	0	0	0	0	184,506,198	7,386,200	191,892,398	191,892,398	0.0%
2030	7.00%	0	0	64,493,794	62,008,882	2,484,912	0	0	0	0	133,213,106	5,332,822	138,545,928	138,545,928	0.0%
2031	7.00%	0	0	48,437,635	46,571,359	1,866,276	0	0	0	0	94,314,636	3,775,628	98,090,264	98,090,264	0.0%
2032	7.00%	0	0	35,611,185	34,239,105	1,372,080	0	0	0	0	65,462,990	2,620,631	68,083,621	68,083,621	0.0%
2033	7.00%	0	0	25,415,894	24,436,633	979,261	0	0	0	0	44,741,924	1,791,120	46,533,044	46,533,044	0.0%
2034	7.00%	0	0	17,919,548	17,229,117	690,431	0	0	0	0	30,033,572	1,202,312	31,235,884	31,235,884	0.0%
2035	7.00%	0	0	12,472,766	11,992,197	480,569	0	0	0	0	19,718,325	789,369	20,507,694	20,507,694	0.0%
2036	7.00%	0	0	8,428,537	8,103,790	324,747	0	0	0	0	12,707,352	508,704	13,216,056	13,216,056	0.0%
2037	7.00%	0	0	5,609,495	5,393,364	216,131	0	0	0	0	8,012,184	320,746	8,332,930	8,332,930	0.0%
2038	7.00%	0	0	3,691,765	3,549,523	142,242	0	0	0	0	4,897,601	196,062	5,093,663	5,093,663	0.0%
2039	7.00%	0	0	2,355,546	2,264,788	90,758	0	0	0	0	2,895,306	115,906	3,011,212	3,011,212	0.0%
2040	7.00%	0	0	1,455,437	1,399,360	56,077	0	0	0	0	1,648,979	66,012	1,714,991	1,714,991	0.0%
2041	7.00%	0	0	862,452	829,222	33,230	0	0	0	0	905,770	36,260	942,030	942,030	0.0%
2042	7.00%	0	0	499,160	479,928	19,232	0	0	0	0	472,221	18,904	491,125	491,125	0.0%
2043	7.00%	0	0	274,038	263,479	10,559	0	0	0	0	232,451	9,306	241,757	241,757	0.0%
2044	7.00%	0	0	143,544	138,013	5,531	0	0	0	0	105,814	4,236	110,050	110,050	0.0%
2045	7.00%	0	0	69,409	66,735	2,674	0	0	0	0	44,119	1,766	45,885	45,885	0.0%
2046	7.00%	0	0	30,145	28,984	1,161	0	0	0	0	17,195	688	17,883	17,883	0.0%
2047	7.00%	0	0	12,264	11,791	473	0	0	0	0	6,189	248	6,437	6,437	0.0%
2048	7.00%	0	0	4,764	4,580	184	0	0	0	0	1,880	75	1,955	1,955	0.0%
2049	7.00%	0	0	1,640	1,577	63	0	0	0	0	379	15	394	394	0.0%
2050	7.00%	0	0	407	391	16	0	0	0	0	0	0	0	0	0.0%

[1] *Additional contributions in the amount of $1,097,895,761 are needed over the years 2023 through 2050 to maintain solvency.*

Exhibit VIII
Sensitivity Testing Results

The actuarial assumptions regarding future increases in tuition costs and fees and the future rate of investment return were provided to us by the ISAC. In our opinion, the assumptions provided to us are reasonable for the purpose of the measurement. However, no one really knows what the future holds with respect to economic and other contingencies. For example, while it is assumed that the assets of the fund will earn 7.00 percent each year throughout the life of the contracts, actual returns are expected to vary from year to year. Therefore, we have projected CIPTP results under alternative assumptions for future investment income, tuition increases, and fee increases.

1. Tuition increases are 100 basis points higher/lower in each future year than assumed in the baseline valuation (measurement of soundness).
2. Fee increases are 100 basis points higher/lower in each future year than assumed in the baseline valuation (measurement of soundness).
3. The investment return is 50 basis points higher/lower in each future year than assumed in the baseline valuation (measurement of soundness).

The impact of each of these scenarios on the principal valuation results is presented on the following page.

Exhibit VIII
Sensitivity Testing Results (Continued)

$ in Millions

		Current Valuation Assumptions	Assumed Tuition Increases +100 Basis Points	Assumed Tuition Increases -100 Basis Points	Assumed Fee Increases +100 Basis Points	Assumed Fee Increases -100 Basis Points	Assumed Investment Return +50 Basis Points	Assumed Investment Return -50 Basis Points
1	Assets							
	a. Market Value of Assets (in Trust)	$1,078.1	$1,078.1	$1,078.1	$1,078.1	$1,078.1	$1,078.1	$1,078.1
	b. PV Future Member Contributions	91.8	91.8	91.8	91.8	91.8	90.7	93.0
	c. Unrecognized Gains and (Losses)	13.9	13.9	13.9	13.9	13.9	13.9	13.9
	d. Total Actuarial Value of Assets (AVA) (2a + 2b - 2c)	$1,156.0	$1,156.0	$1,156.0	$1,156.0	$1,156.0	$1,154.9	$1,157.2
2	Actuarial Results							
	Liabilities							
	a. Not yet Matriculating - Tuition and Fees	$1,334.9	$1,395.9	$1,278.7	$1,356.9	$1,314.8	$1,288.7	$1,383.7
	b. Matriculating - Tuition and Fees	222.5	222.7	222.4	222.9	222.2	221.3	223.8
	c. Present Value of Future Administrative Expenses	60.9	60.9	60.9	60.9	60.9	57.2	65.0
	d. Total	$1,618.3	$1,679.5	$1,562.0	$1,640.7	$1,597.9	$1,567.2	$1,672.5
	Unfunded Liability (Based on AVA)	$462.3	$523.5	$406.0	$484.7	$441.9	$412.3	$515.3
	Funded Ratio							
	Market Value of Assets	72.3%	69.7%	74.9%	71.3%	73.2%	74.6%	70.0%
	Actuarial Value of Assets	71.4%	68.8%	74.0%	70.5%	72.3%	73.7%	69.2%
	Difference From Current Assumptions							
	Unfunded Liability (Based on AVA)	$0.0	$61.2	-$56.3	$22.4	-$20.4	-$50.0	$53.0
	Funded Ratio (Based on AVA)	0.0%	-2.6%	2.6%	-0.9%	0.9%	2.3%	-2.2%

SECTION C

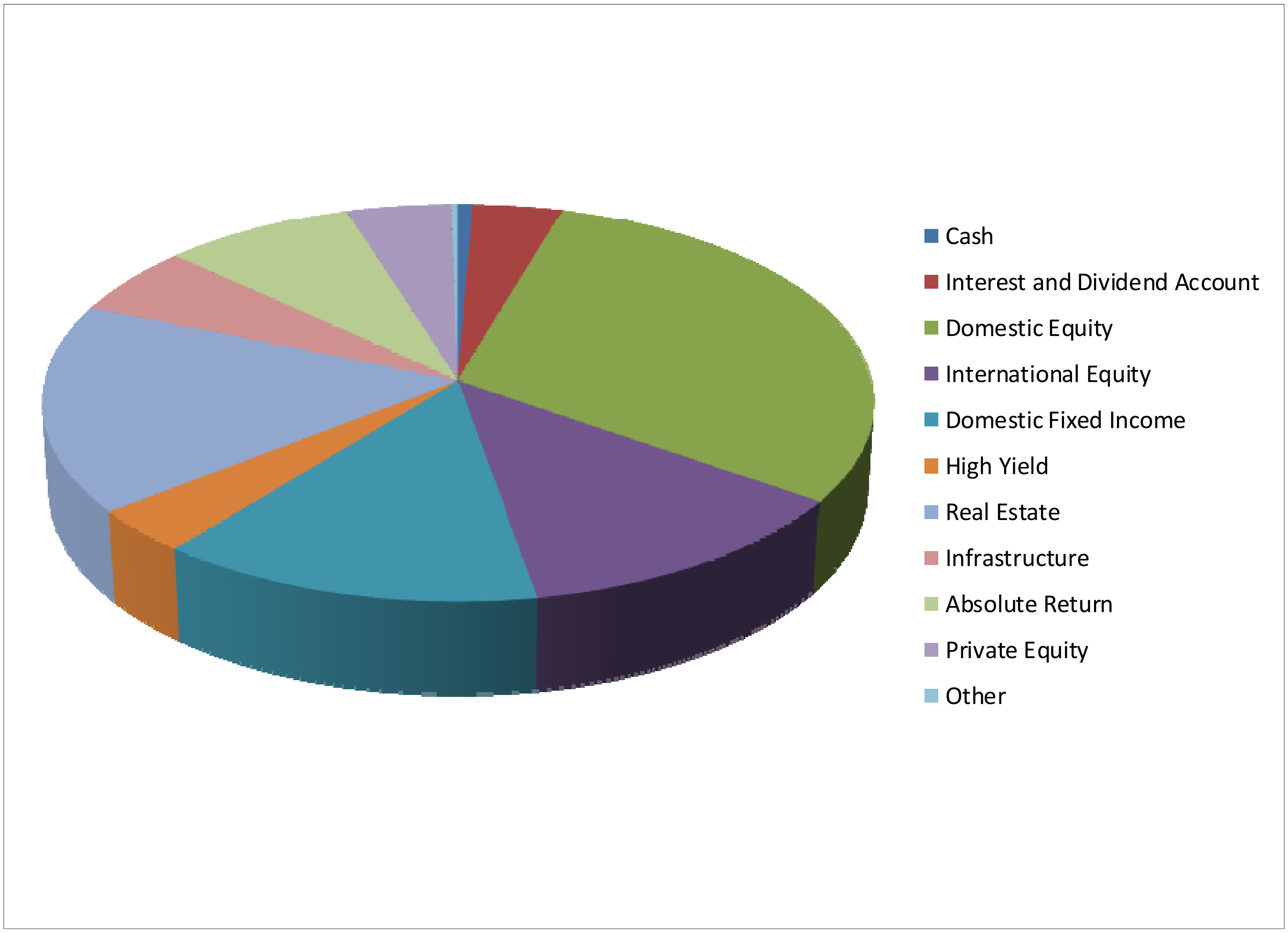
FUND ASSETS

STATEMENT OF PLAN ASSETS
(ASSETS AT MARKET OR FAIR VALUE)

College Illinois!® Prepaid Tuition Program
Statement of Plan Net Assets
Year ended June 30, 2013

Cash	$	6,998,358
Interest and Dividend Account	$	41,951,361
Investments		
Domestic Equity	$	325,385,666
International Equity		134,857,989
Domestic Fixed Income		145,937,623
High Yield		39,060,299
Real Estate		181,561,269
Infrastructure		60,707,102
Absolute Return		89,684,485
Private Equity		48,946,149
Total Investments	$	1,026,140,582
Other		3,003,973
Total Assets	$	1,078,094,274

ALLOCATION OF ASSETS AT JUNE 30, 2013



RECONCILIATION OF PLAN ASSETS

College Illinois!® Prepaid Tuition Program
Statement of Changes in Plan Net Assets
Twelve Month Period ended June 30, 2013

Beginning of Period		7/1/2012
End of Period		6/30/2013
Additions:		
Contributions received	$	47,910,326
Gross investment income		24,334,059
Realized/Unrealized investment gains/(losses)		67,251,553
Total Additions	$	139,495,938
Deductions:		
Tuition payments	$	103,581,466
Refunds to Purchasers		18,227,873
Investment expenses & advisory fees		4,244,936
Administrative expenses		6,276,555
Total Deductions	$	132,330,830
Net increase	$	7,165,108
Market Value of Assets:		
Beginning of period	$	1,070,929,166
End of period (6/30/2013)	$	1,078,094,274
Present Value of Future Contributions by Current Contract Holders		91,775,264
Value of Total Fund Assets	$	1,169,869,538

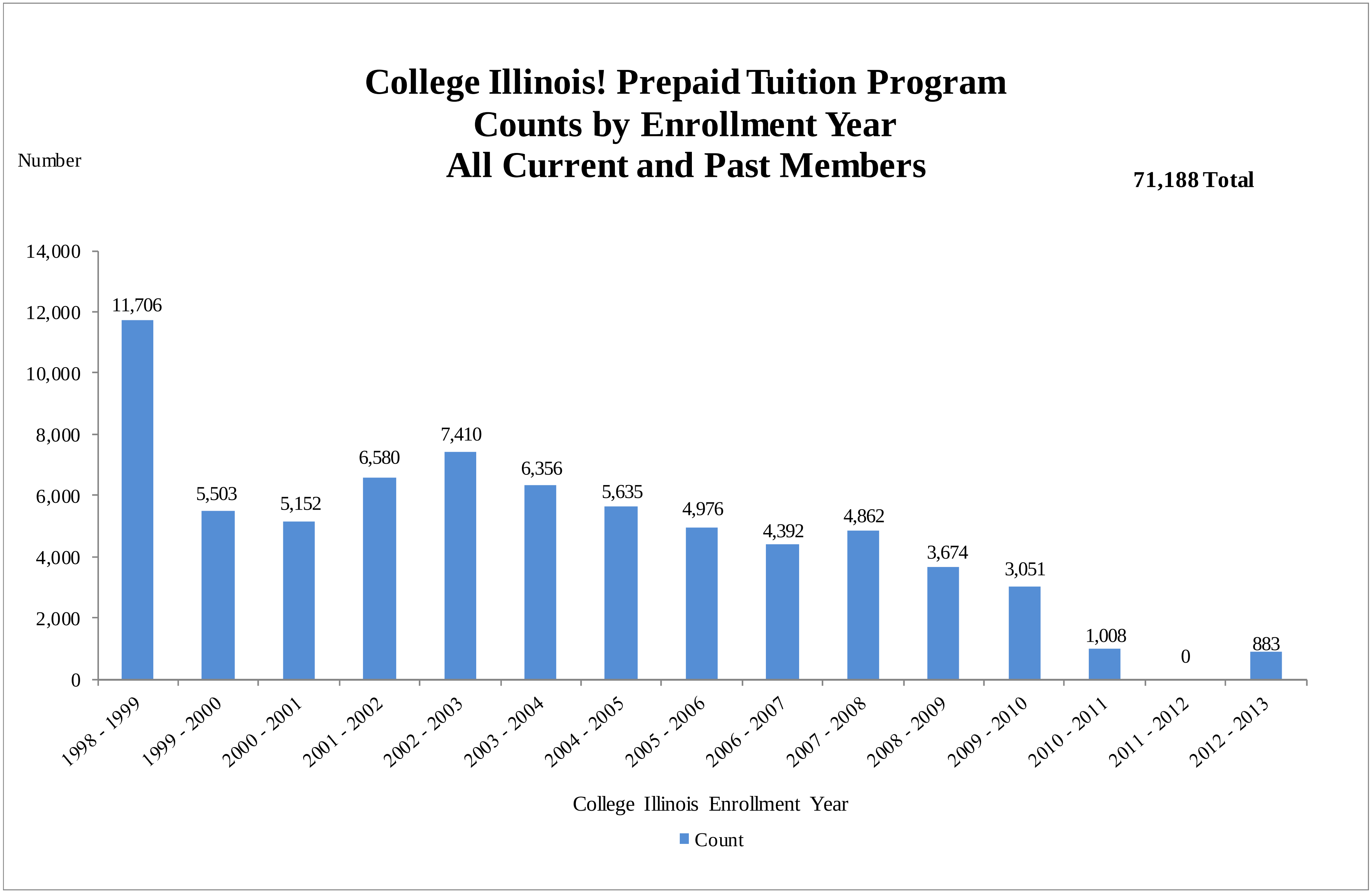
DEVELOPMENT OF ACTUARIAL VALUE OF ASSETS

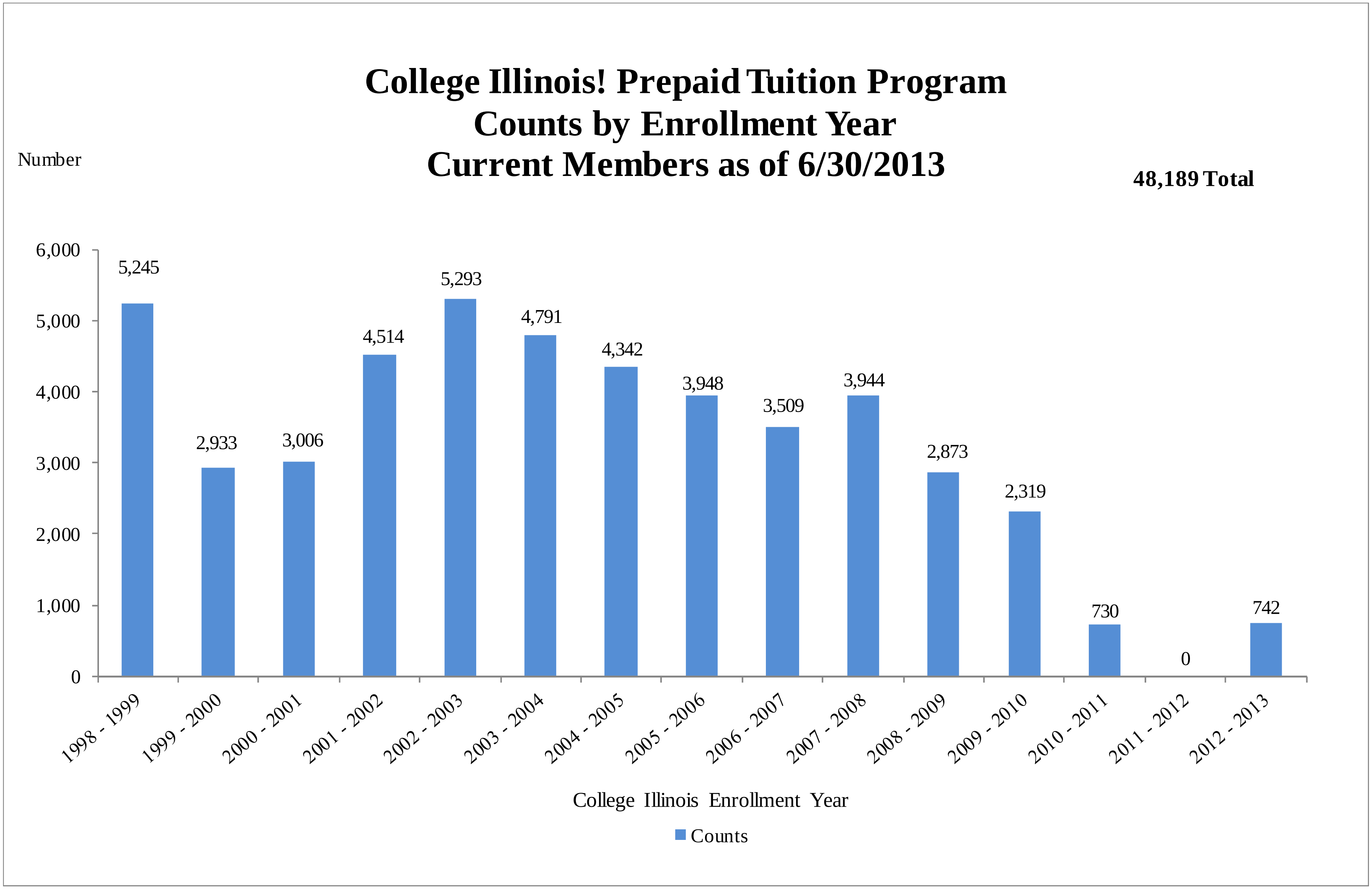
Year Ending June 30	2013	2014	2015	2016	2017
Beginning of Year:					
(1) Market Value of Assets	$ 1,070,929,809				
(2) Adjustment to the Market Value of Assets	(643)				
(3) Revised Market Value of Assets	1,070,929,166				
(4) Actuarial Value of Assets	1,106,794,317				
End of Year:					
(5) Market Value of Assets	1,078,094,274				
(6) Contributions and Disbursements					
(6a) Actual Contributions	47,910,326				
(6b) Tuition Payments and Refunds	(121,809,339)				
(6c) Administrative Expenses	(6,276,555)				
(6d) Net of Contributions and Disbursements	(80,175,568)				
(7) Total Investment Income =(5)-(3)-(6d)	87,340,676				
(8) Projected Rate of Return	7.25%				
(9) Projected Investment Income =(3)x([1+(8)]^1.00-1)+([1+(8)]^.50-1)x(6d)	74,786,851				
(10) Investment Income in Excess of Projected Income	12,553,825				
(11) Excess Investment Income Recognized This Year (5-year recognition)					
(11a) From This Year	2,510,765				
(11b) From One Year Ago	(10,188,238)	$ 2,510,765			
(11c) From Two Years Ago	16,562,252	(10,188,238)	$ 2,510,765		
(11d) From Three Years Ago	1,300,844	16,562,252	(10,188,238)	$ 2,510,765	
(11e) From Four Years Ago	(47,400,000)	1,300,844	16,562,251	(10,188,239)	$ 2,510,765
(11f) Total Recognized Investment Gain	(37,214,377)	10,185,623	8,884,778	(7,677,474)	2,510,765
(12) Change in Actuarial Value of Assets =(2)+(6d)+(9)+(11f)	(42,603,737)				
End of Year:					
(5) Market Value of Assets	**1,078,094,274**				
(13) Actuarial Value of Assets =(4)+(12)	**1,064,190,580**				
(14) Present Value of Future Expected Contributions	91,775,264				
(15) Final Actuarial Value of Assets = (13) + (14)	**1,155,965,844**				

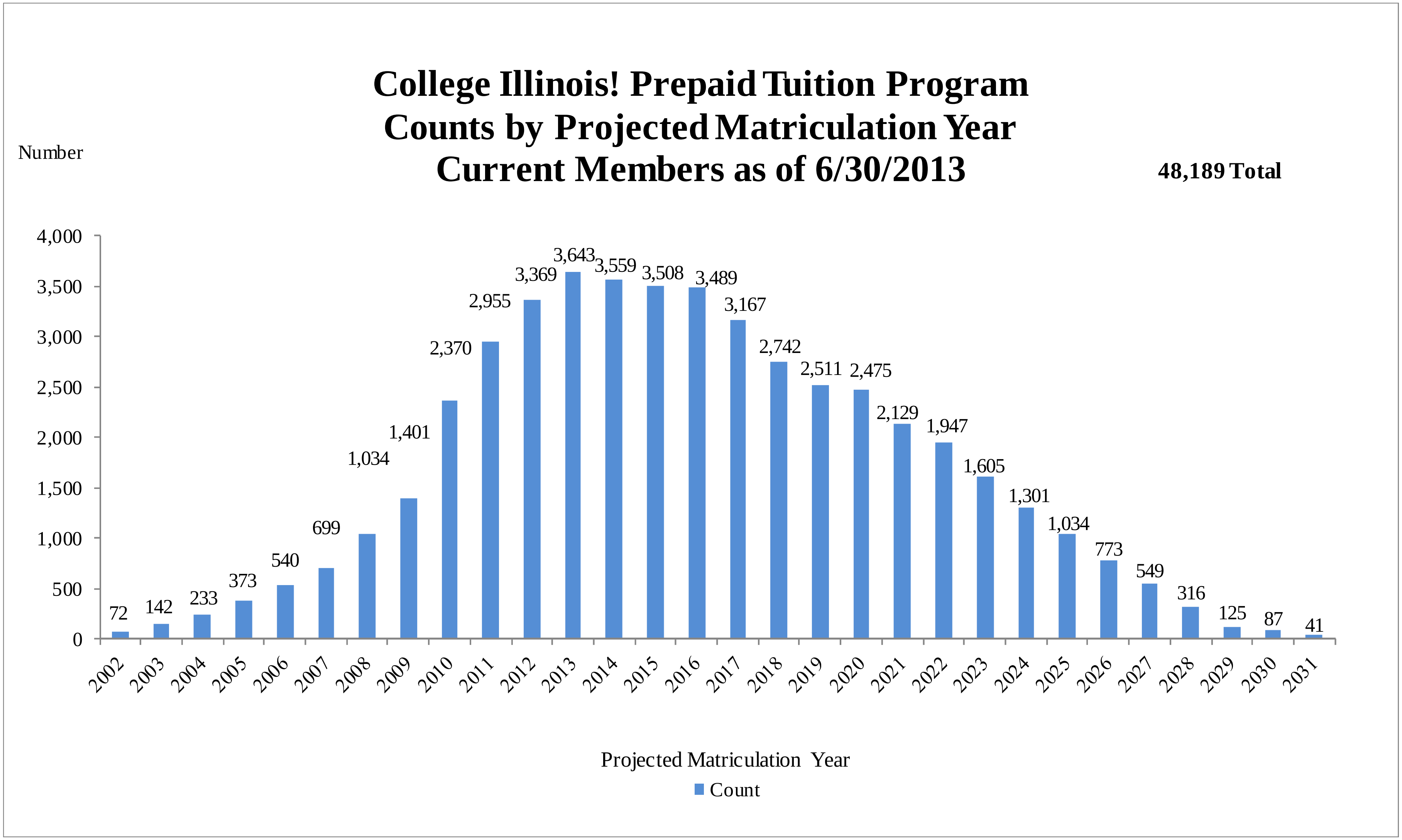
The Actuarial Value of Assets recognizes assumed investment return (line 9) fully each year. Differences between actual and assumed investment income (Line 10) are phased-in over a closed 5-year period. During periods when investment performance exceeds the assumed rate, Actuarial Value of Assets will tend to be less than Market Value. During periods when investment performance is less than the assumed rate, Actuarial Value of Assets will tend to be greater than Market Value. If assumed rates are exactly realized for 4 consecutive years, Actuarial Value of Assets will become equal to Market Value.

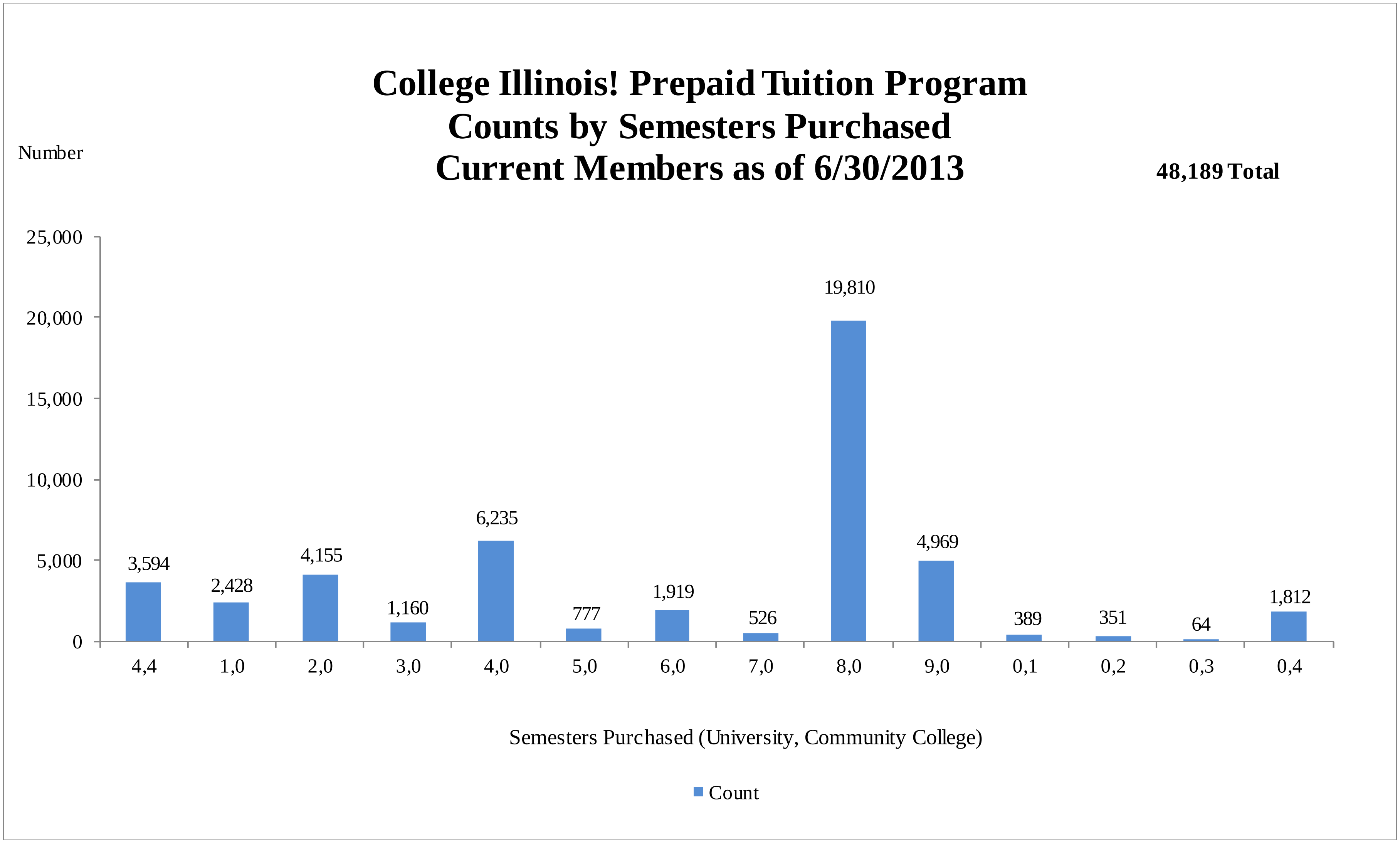
SECTION D

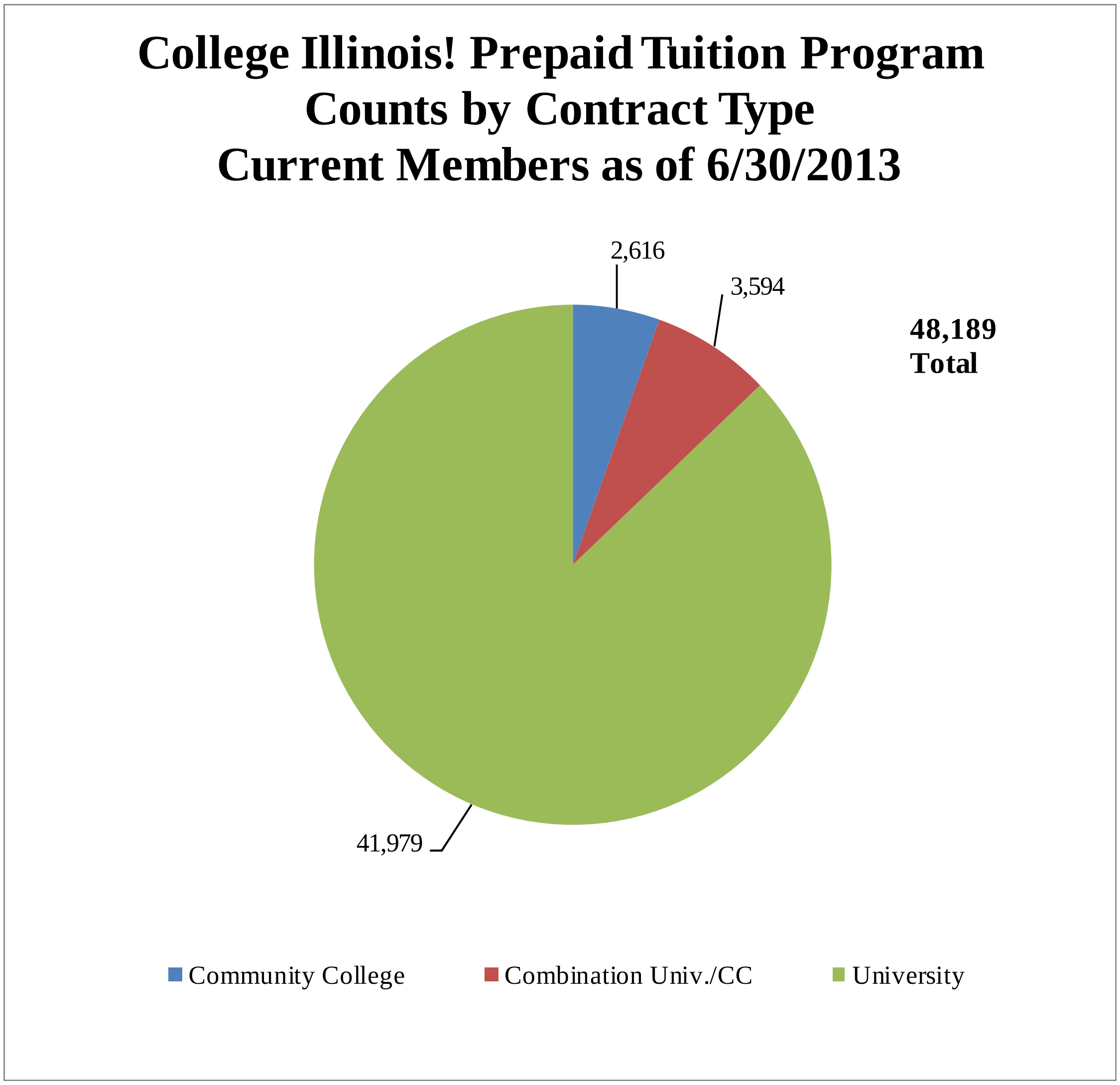
PARTICIPANT DATA

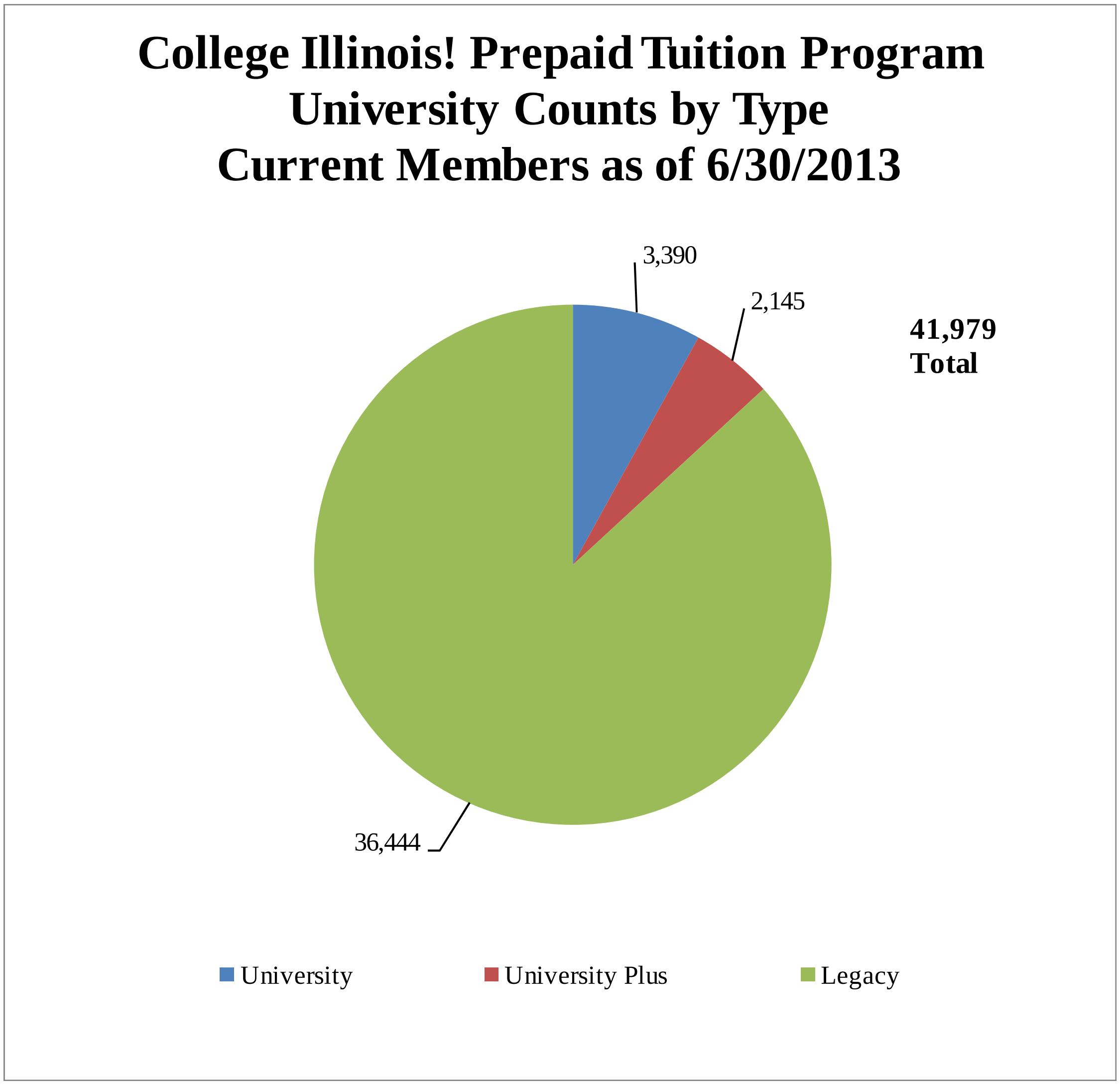

College Illinois! Prepaid Tuition Program
Counts by Enrollment Year
All Current and Past Members
Number
71,188 Total
14,000
12,000
10,000
8,000
6,000
4,000
2,000
0
11,706
5,503
5,152
6,580
7,410
6,356
5,635
4,976
4,392
4,862
3,674
3,051
1,008
0
883
1998 - 1999
1999 - 2000
2000 - 2001
2001 - 2002
2002 - 2003
2003 - 2004
2004 - 2005
2005 - 2006
2006 - 2007
2007 - 2008
2008 - 2009
2009 - 2010
2010 - 2011
2011 - 2012
2012 - 2013
College Illinois Enrollment Year
Count


College Illinois! Prepaid Tuition Program
Counts by Enrollment Year
Current Members as of 6/30/2013
48,189 Total
Number
6,000
5,000
4,000
3,000
2,000
1,000
0
5,245
2,933
3,006
4,514
5,293
4,791
4,342
3,948
3,509
3,944
2,873
2,319
730
0
742
1998 - 1999
1999 - 2000
2000 - 2001
2001 - 2002
2002 - 2003
2003 - 2004
2004 - 2005
2005 - 2006
2006 - 2007
2007 - 2008
2008 - 2009
2009 - 2010
2010 - 2011
2011 - 2012
2012 - 2013
College Illinois Enrollment Year
Counts


College Illinois! Prepaid Tuition Program
Counts by Projected Matriculation Year
Current Members as of 6/30/2013
48,189 Total
Number
4,000
3,500
3,000
2,500
2,000
1,500
1,000
500
0
72
142
233
373
540
699
1,034
1,401
2,370
2,955
3,369
3,643
3,559
3,508
3,489
3,167
2,742
2,511
2,475
2,129
1,947
1,605
1,301
1,034
773
549
316
125
87
41
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021
2022
2023
2024
2025
2026
2027
2028
2029
2030
2031
Projected Matriculation Year
Count


College Illinois! Prepaid Tuition Program
Counts by Semesters Purchased
Current Members as of 6/30/2013
48,189 Total
Number
25,000
20,000
15,000
10,000
5,000
0
3,594
2,428
4,155
1,160
6,235
777
1,919
526
19,810
4,969
389
351
64
1,812
4,4
1,0
2,0
3,0
4,0
5,0
6,0
7,0
8,0
9,0
0,1
0,2
0,3
0,4
Semesters Purchased (University, Community College)
Count


College Illinois! Prepaid Tuition Program
Counts by Contract Type
Current Members as of 6/30/2013
2,616
3,594
48,189
Total
41,979
Community College
Combination Univ./CC
University


College Illinois! Prepaid Tuition Program
University Counts by Type
Current Members as of 6/30/2013
3,390
2,145
41,979
Total
36,444
University
University Plus
Legacy

SECTION E

METHODS & ASSUMPTIONS

VALUATION METHODS

Actuarial Value of Assets – The Actuarial Value of Assets recognizes assumed investment income fully each year. Differences between actual and assumed investment return are phased in over a closed 5-year period. During periods when investment performance exceeds the assumed rate, Actuarial Value of Assets will tend to be less than Market Value. During periods when investment performance is less than the assumed rate, Actuarial Value of Assets will tend to be greater than Market Value.

VALUATION ASSUMPTIONS

The actuarial assumptions used in the valuation are shown in this Section.

Measurement Date June 30, 2013

The net investment return rate 7.00 percent per annum, compounded annually

Weighted Average Tuition and Fees (WATF) and Increases by Contract Type

	Contract Type			
	Legacy	University	University Plus	Community College
2013-2014 Weighted Tuition	$ 10,557	$ 9,633	$ 13,841	$ 3,186
2013-2014 Weighted Fees	$ 3,297	$ 3,262	$ 3,424	$ 440
2013-2014 Total WATF	$ 13,854	$ 12,895	$ 17,265	$ 3,626

The total WATF is based on the Freshman Blended Tuition rate.

"Legacy" contracts refer to contracts sold prior to 2010. These contracts can be used for full tuition and fees at any University in the State of Illinois, including the UIUC.

For continuing students at public universities and students attending community colleges, fees are combined with tuition in our projections and follow their respective tuition inflation assumptions.

These assumptions were chosen by ISAC and consider historical Illinois public tuition and fee inflation, typically over a 20-year horizon, as well as current economic and political conditions. The "University Plus" contract has separate assumptions due to the belief that UIUC has more pricing power than other Illinois public universities.

	Contract Type			
	Legacy	University	University Plus	Community College
2013-2014 Total WATF	$ 13,854	$ 12,895	$ 17,265	$ 3,626
2012-2013 Total WATF	$ 13,535	$ 12,514	$ 17,013	$ 3,527
WATF Increase	2.36%	3.04%	1.48%	2.81%

Tuition and Fee Increase Assumption - June 30, 2013, Actuarial Valuation				
Effective Date	Legacy	University	University Plus	Community College
6/30/2014 through 6/30/2017	7.25%	7.00%	7.50%	6.50%
6/30/2018 through 6/30/2022	6.75%	6.50%	7.25%	5.75%
6/30/2023 and Beyond	5.00%	5.00%	5.00%	5.00%

Truth in Tuition

We have segregated the beneficiaries into two categories, those beneficiaries that fall under the Truth in Tuition law and those that do not. It was assumed that if the beneficiary has enrolled in school prior to the fall of 2004, they would not be covered under the Truth in Tuition law. Furthermore, the Truth in Tuition law does not apply to community colleges.

For Truth in Tuition beneficiaries, it was assumed that their tuition will not increase in their second, third and fourth year of school. If they attend school beyond four years, it was assumed that their tuition would increase to the amount of an incoming freshman. For all other beneficiaries, it was assumed that tuition will rise for each year enrolled. It was assumed fees will rise for each year enrolled.

Administrative Expenses

Administrative expenses of the Program are assumed to be paid through a combination of investment earnings and fees assessed on purchasers. For purposes of the closed group projections, marketing expenses were excluded as it is assumed those costs should be applicable only to future contracts. The present value of future administrative expenses was determined to be equal to approximately 3.9 percent of the present value of future benefits.

Bias Load

"Legacy" contract beneficiaries were assumed on average to attend more expensive schools than indicated by the headcount information that was used to determine the 2013-2014 WATF. A load of 4.6 percent was added to the tuition assumption to recognize this bias toward enrollment at more expensive schools. No bias load was applied to the "University" and "University Plus" beneficiaries due to the separation of UIUC which historically has been the significant driver behind the need for the bias load.

Future Contract Sales

We assumed different numbers of future contract sales per year solely for the purpose of illustrating the future solvency of the program under a continuing business model. The specific numbers of alternative future contract sales per year were provided to us by ISAC.

Mortality and disability

No assumption is made for death or disability. Valuing the rate of incidence is expected to be immaterial.

Future Beneficiary Profile

The characteristics of future beneficiaries are assumed to be the same as the characteristics of 2012 new beneficiaries.

The rates of enrollment

These rates are used to measure the probability of eligible members matriculating during the next year.

Matriculating Probability Rates for Qualified Beneficiaries											
Actual Matriculation	Years Past Expected Matriculation										
(Expected Mat Yr Plus Below)	0	1	2	3	4	5	6	7	8	9	10+
0	69.5%										
1	11.5%	37.7%									
2	8.0%	26.2%	42.1%								
3	3.8%	12.3%	19.7%	34.1%							
4	1.8%	5.7%	9.2%	15.9%	24.1%						
5	1.1%	3.6%	5.8%	10.0%	15.2%	20.0%					
6	1.0%	3.3%	5.3%	9.1%	13.8%	18.2%	22.7%				
7	0.9%	2.8%	4.5%	7.7%	11.7%	15.5%	19.3%	25.0%			
8	0.9%	2.8%	4.5%	7.7%	11.7%	15.5%	19.3%	25.0%	33.3%		
9	0.9%	2.8%	4.5%	7.7%	11.7%	15.5%	19.3%	25.0%	33.3%	50.0%	
10	0.9%	2.8%	4.5%	7.7%	11.7%	15.5%	19.3%	25.0%	33.3%	50.0%	100.0%

Rates of separation from active membership

It was assumed that 12.5 percent of contracts sold will not be utilized. This assumption was based on the historical experience of the Program. In the event of a cancellation, it was assumed that a refund will be paid equal to the amount of contributions paid by the contract holder, increased by 2 percent for each subsequent year after purchase for contracts sold prior to October 1, 2013.

Utilization of benefits

Once they start matriculating, beneficiaries are assumed to use the benefits as described by the CIPTP Master Agreement according to the schedule below.

Distribution of Benefit Utilization					
Number of Years	Number of Semesters Purchased				
Since Matriculation	1-2	3-4	5-6	7-8	9
1	80%	45%	33%	24%	20%
2	15%	30%	25%	24%	19%
3	5%	15%	18%	20%	17%
4		5%	12%	18%	15%
5		5%	7%	7%	13%
6			3%	3%	7%
7			2%	2%	5%
8				1%	3%
9				1%	1%

Once a member has matriculated, it is assumed that beneficiaries will utilize 30 credits per year until benefits are fully depleted.

SECTION F

PLAN PROVISIONS

PLAN PROVISIONS

A. Type of Contract

Two types of contract are available for purchase: public university or community college.

In the event that a public university contract is converted for usage at a community college, then the amount refunded shall be on a semester-by-semester basis. The refund should be the current value of the original contract minus the current value of the contract after conversion.

B. Benefit

Covered benefits include tuition and mandatory fees at an Illinois public university or community college based on the in-state or in-district undergraduate rate for a full-time student.

Mandatory fees are fees that are required upon enrollment for all students attending the particular institution.

The benefit does not include any optional fees, expenses or cost of supplies.

Benefit shall never be less than payment amount.

C. Member Contributions

Optional forms of benefit payment are available as follows:

- Lump Sum
- Monthly installments with terms of 60 months/ 120 months/ 180 months
- Annual installments with terms of 5 years/ 10 years/ 15 years
- Down payment options are available for installment plans.

D. Private or Out-of-State Institutions

For beneficiaries attending private or out-of-state institution, the plan will pay an amount based upon the weighted average tuition and mandatory fees at Illinois public universities or community colleges depending on the type of contract purchased.

Alternatively benefits can be transferred to a member of the family or a purchaser can choose to receive a refund payment equal to all contributions, plus two percent interest, less applicable cancellation fees.

E. Scholarship

If a qualified beneficiary is awarded a grant or scholarship that duplicates the benefits covered by a prepaid tuition contract, the purchaser may request a refund in semester installments.

Illinois public university or community college – the installments will be in an amount equal to the current cost of in-state or in-district registration fees at that institution, less any benefits used to pay registration fees not covered by the scholarship and any applicable fees.

Illinois Private Institution or an eligible Out-of-State Institution – the installments will be in an amount equal to the current average mean-weighted credit hour value of registration fees at Illinois public universities or Illinois community colleges, depending on the type of the purchased contract, less any benefits used to pay registration fees not covered by the scholarship and any applicable fees.

F. Not Attending an Institution of Higher Education

Benefits can be transferred to a member of the "family" as defined in Section 529 of the Internal Revenue Code.

Purchasers can also choose to postpone the beneficiary's use of contract benefits to a later time or receive a refund payment equal to all contributions, plus two percent interest, less applicable cancellation fees.

G. Death/Disability of Qualified Beneficiary

Refunds equal to amount paid with all accrued earnings will be made to purchaser.

H. Changes from Previous Valuation

None.

I. Other Ancillary Benefits

There are no ancillary benefits.

McGladrey

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

Honorable William G. Holland
Auditor General
State of Illinois, and

Ms. Kym Hubbard
Honorable Chair of the Governing Board
Illinois Student Assistance Commission

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State of Illinois, Illinois Student Assistance Commission, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the State of Illinois, Illinois Student Assistance Commission's basic financial statements, and have issued our report thereon dated January 15, 2014. That report contains an emphasis of matters paragraph which states "as discussed in Note 13, the Illinois Prepaid Tuition Program Fund has a deficit as of June 30, 2013 of $389 million. The amount of the fund deficit is highly dependent on the actuarial assumptions used to calculate the present value of the future tuition benefits obligation."

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the State of Illinois, Illinois Student Assistance Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion(s) on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of Illinois, Illinois Student Assistance Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the State of Illinois, Illinois Student Assistance Commission's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings as item 2013-002 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of Illinois, Illinois Student Assistance Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2013-001 and 2013-002.

State of Illinois, Illinois Student Assistance Commission's Response to Findings

The State of Illinois, Illinois Student Assistance Commission's responses to the findings identified in our audit are described in the accompanying schedule of findings. The State of Illinois, Illinois Student Assistance Commission's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

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

McGladrey LLP

Schaumburg, Illinois
January 15, 2014

Current Findings – *Government Auditing Standards*

Finding 2013-001 Debt Covenant Violation

The Illinois Student Assistance Commission (Illinois Designated Account Purchase Program) was not in compliance with two of the covenants relating to the agency's revolving line of credit agreement.

During our audits of the agency's June 30, 2009, 2010, 2011, and 2012 financial statements, we noted that IDAPP was in violation of one or more debt covenants related to the agency's revolving credit (loan) agreement. In addition, the facility matured on July 27, 2010 and has not been repaid. Per the agreement, the minimum required coverage condition ratio is 104%, while the ratio as of June 30, 2013 was 101.04%. Also per the agreement, the default ratio is set at a maximum of 6.25%, but at June 30, 2013 this ratio was 7.17%.

As a result of the debt covenant violation and the maturity of the facility, the bank has certain remedies available to it under the terms of the loan agreement, principal of which would be rights to call the loan and take possession of the collateral (the underlying student loan portfolio). The bank has been made aware of the event of default and the maturity of the loan and has not communicated to IDAPP any intent to exercise the remedies available to it under the terms of the loan agreement. The balance of the line of credit with the bank was $240,606,827 at June 30, 2013.

According to Commission management, the coverage condition and default issues are due to the poor performance of the portfolio. The portfolio continues to experience a high level of delinquent accounts. The line of credit has not been refinanced because of the conditions in the private loan credit market.

As a result of the violation, the bank may have certain remedies under the terms of the loan agreements, principal of which would be the right to call the loan and take possession of the collateral (the underlying student loan portfolio of IDAPP). (Finding Code Nos. 2013-001, 12-2, 11-10, 10-6, 09-1)

Recommendation

We recommend that IDAPP continue to monitor the loan covenant violations and continue seeking remedies from the lender involved.

Commission Response

We agree with the recommendation. The loan covenants are reviewed on a monthly basis. We continue to talk to Citibank about the portfolio.

Finding 2013-002 Inadequate Collateral Coverage

The Illinois Student Assistance Commission (Illinois Designated Account Purchase Program) did not properly collateralize excess funds over the Federal Deposit Insurance Company (FDIC) coverage amount, in certain of the Agency's depository accounts.

Prior to December 31, 2012, the FDIC insured all deposits in non-interest bearing accounts. Beginning January 1, 2013, the coverage was reduced to $250,000, per depositor, per institution. IDAPP had funds invested in certain banks that exceed $250,000. As a result, the agency began the process to collateralize these excess deposits. Per review of the provided collateral agreements, the agreements did not go into effect until August 5, 2013, leaving a balance of $5,543,230 uncollateralized as of June 30, 2013.

As stated in Section 10 of IDAPP's FY13 Investment Policy under Collateralization: *"Collateralization will be required on cash deposits in any institution to the extent the deposit is not fully insured by the Federal Deposit Insurance Corporation or National Credit Unions Administration or other approved share insurer. In order to accommodate market changes and provide a level of security for all funds, the collateralization level will be 102% of market value of principal and accrued interest. The type of investments which may be pledged as collateral shall be limited to cash and any classes of securities authorized by Section 6(d) of the Public Funds Investment Act,30 ILCS 235. Evidence of the pledge of collateral (safekeeping receipt) must be supplied to IDAPP. Collateral may be substituted by the depository institution provided the substituted collateral qualifies in all respects with the provisions of Section 7 (Authorized Financial Dealers and Institutions) of this Investment Policy."*

According to Commission management, they assumed the bank went back to the pre-financial crisis method of collateralizing Commission accounts. When it was determined that they did not, the collateral agreement process was started, but was not finalized prior to year end.

While no loss took place, without adequate collateralization of funds, the funds could be susceptible to custodial credit risk losses in the event of a bank failure. (Finding Code No 2013-002)

Recommendation

We recommend that the Commission more closely monitor its collateral requirements to ensure that new agreements are approved timely to allow for proper collateralization of all deposits.

Commission Response

We agree with the recommendation. The existing collateral agreement will be in place until the accounts are closed. Collateral requirements will be reviewed on an annual basis.

Prior Findings Not Repeated

A Budget Not Properly Approved

The Illinois Student Assistance Commission (Commission) did not approve the fiscal year 2012 budget relating to the Commission's non-appropriated funds and did not deliberate and vote on budget requests submitted to the General Assembly for appropriations relating to the appropriated funds of the Commission. (Finding Code No. 12-1)

The Commission implemented corrective action. The fiscal year 2013 budget for the agency, including the budgets for the Illinois Prepaid Tuition Program and the Illinois Designated Account Purchase Program, were approved by the Commission at its meeting on June 25, 2012. The budget request to be submitted to the General Assembly for appropriation for fiscal year 2014 was presented to the Board of Commissioners for their approval.