State of Illinois
Illinois Student Assistance Commission

Financial Audit
For the Year Ended June 30, 2015

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

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State of Illinois
Illinois Student Assistance Commission
Financial Audit
For the Year Ended June 30, 2015

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State of Illinois
Illinois Student Assistance Commission

Agency Officials

Executive Director	Eric Zarnikow
Chief Financial Officer	Shoba Nandhan
Chief Investment Officer	Kent Custer
General Counsel	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 RSM US LLP.

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

Summary of Findings

The auditors identified an instance of noncompliance and other matters. The instance of noncompliance and other matters is described in the accompanying Schedule of Findings on page 122, as finding 2015-001 (Debt Covenant Violation).

Exit Conference

In correspondence received from Wendy Funk, Director of Accounting and Finance, on December 2, 2015, the Commission elected to waive a formal exit conference. The responses to the recommendations were provided by Erik Zarnikow, Executive Director, Officer of the Illinois Designated Account Purchase Program, in correspondence dated December 14, 2015.

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RSM US LLP

Independent Auditor's Report

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

Mr. Miguel del Valle
Acting 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, 2015, 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.

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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 of the State of Illinois, Illinois Student Assistance Commission, as of June 30, 2015, 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 Matters

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, 2015, 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.

As discussed in Note 12, beginning net position was restated to reflect the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to these matters.

Also, as discussed in Note 15, the Illinois Prepaid Tuition Program Fund has a deficit as of June 30, 2015 of $236 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 page 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 and pension related information 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 December 18, 2015, 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.

RSM US LLP

Schaumburg, Illinois
December 18, 2015

State of Illinois
Illinois Student Assistance Commission

Statement of Net Position
June 30, 2015
(All dollar amounts are expressed in thousands)

	Governmental Activities	Business-type Activities	Total
Assets			
Current			
Unrestricted			
Unexpended appropriations	$ 357	$ -	$ 357
Cash and cash equivalents	409	104,783	105,192
Investments	-	160,618	160,618
Receivables			
Contracts	-	18,271	18,271
Intergovernmental	-	23,430	23,430
Notes	-	1,007	1,007
Accrued interest on investments	-	34	34
Other	478	-	478
Securities lending collateral	-	34,827	34,827
Due from other State funds	-	115	115
Due from State of Illinois component units	197	21	218
Total current assets - unrestricted	1,441	343,106	344,547
Restricted			
Cash and cash equivalents	-	19,492	19,492
Receivables			
Student loans	-	67,178	67,178
Accrued interest on loans	-	12,758	12,758
Accrued interest on investments	-	1	1
Other	-	15	15
Total current assets - restricted	-	99,444	99,444
Non-current			
Unrestricted			
Investments	-	862,980	862,980
Contracts receivable	-	41,551	41,551
Notes receivable	5,004	-	5,004
Capital assets, net of accumulated depreciation	10,862	2,881	13,743
Total non-current assets - unrestricted	15,866	907,412	923,278
Restricted			
Student loans receivable, net	-	412,663	412,663
Total non-current assets - restricted	-	412,663	412,663
Total assets	17,307	1,762,625	1,779,932
Deferred Outflows of Resources			
Pension related amounts	$ 298	$ 12,578	$ 12,876

(Continued)

State of Illinois
Illinois Student Assistance Commission

Statement of Net Position (Continued)
June 30, 2015
(All dollar amounts are expressed in thousands)

	Governmental Activities	Business-type Activities	Total
Liabilities			
Current			
Accounts payable and accrued liabilities	$ 477	$ 16,445	$ 16,922
Accrued interest payable	-	649	649
Federal special allowance and interest subsidy	-	1,273	1,273
Due to other State funds	-	575	575
Due to State of Illinois component units	115	-	115
Unearned revenue	4	-	4
Securities lending collateral obligation	-	34,827	34,827
Intergovernmental payable	-	13,764	13,764
Compensated absences	140	73	213
Tuition obligation	-	163,506	163,506
Line of credit	-	183,557	183,557
Total current liabilities	736	414,669	415,405
Non-current			
Revenue bonds and notes payable, net	-	270,397	270,397
Net pension liability	976	94,727	95,703
Compensated absences	1,260	652	1,912
Tuition obligation	-	1,156,696	1,156,696
Total non-current liabilities	2,236	1,522,472	1,524,708
Total liabilities	2,972	1,937,141	1,940,113
Deferred Inflows of Resources			
Unamortized deferred amount on refunding	-	45,141	45,141
Pension related amounts	35	7,693	7,728
Total deferred inflows of resources	35	52,834	52,869
Net Position			
Net investment in capital assets	10,862	2,881	13,743
Restricted for debt service	-	11,651	11,651
Restricted for federal programs	-	38,369	38,369
Unrestricted	3,736	(267,673)	(263,937)
Total net position	$ 14,598	$ (214,772)	$ (200,174)

See Notes to Financial Statements.

State of Illinois
Illinois Student Assistance Commission

Statement of Activities
Year Ended June 30, 2015
(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	$ 376,283	$ -	$ 898
Total governmental activities	376,283	-	898
Business-type activities			
Education			
Student loan purchase program	14,821	22,247	-
Prepaid tuition	27,930	23,671	44,091
Loan guarantee program	159,977	38,590	129,564
Total business-type activities	202,728	84,508	173,655
Total Commission	$ 579,011	$ 84,508	$ 174,553

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, 2014,
as restated

Net position (deficit) June 30, 2015

See Notes to Financial Statements.

Net (Expenses) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activities	Total
$ (375,385)	$ -	$ (375,385)
(375,385)	-	(375,385)
-	7,426	7,426
-	39,832	39,832
-	8,177	8,177
-	55,435	55,435
(375,385)	55,435	(319,950)
376,730	-	376,730
(1,940)	-	(1,940)
(1,813)	-	(1,813)
-	315	315
304	-	304
181	(181)	-
373,462	134	373,596
(1,923)	55,569	53,646
16,521	(270,341)	(253,820)
$ 14,598	$ (214,772)	$ (200,174)

State of Illinois
Illinois Student Assistance Commission

Balance Sheet
Governmental Funds
June 30, 2015
(All dollar amounts are expressed in thousands)

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Unexpended appropriations	$ 357	$ -	$ 357
Cash and cash equivalents	-	409	409
Due from State of Illinois component units	197	-	197
Other receivables	440	38	478
Notes receivable, net of allowance of $30,457	5,004	-	5,004
Total assets	$ 5,998	$ 447	$ 6,445
Liabilities			
Accounts payable and accrued liabilities	$ 439	$ 38	$ 477
Due to State of Illinois component units	115	-	115
Unearned revenues	-	4	4
Total liabilities	554	42	596
Fund Balances			
Nonspendable - notes receivable	5,004	-	5,004
Committed	-	405	405
Unassigned	440	-	440
Total fund balances	5,444	405	5,849
Total liabilities and fund balances	$ 5,998	$ 447	$ 6,445

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, 2015
(All dollar amounts are expressed in thousands)

Total fund balances - governmental funds		$ 5,849
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	18,970	
Equipment	159	
Accumulated depreciation	(10,967)	
Total capital assets		10,862
Some liabilities, deferred outflows of resources and deferred inflows of resources reported in the Statement of Net Position do not require the use of current financial resources and, therefore, are not reported in governmental funds. These amounts consist of:		
Deferred outflows - pension related	298	
Net pension liability	(976)	
Deferred inflows - pension related	(35)	
Compensated absences	(1,400)	
		(2,113)
Net position of governmental activities		$ 14,598

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, 2015
(All dollar amounts are expressed in thousands)

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Federal government	$ -	$ 898	$ 898
Other	-	304	304
Total revenues	-	1,202	1,202
Expenditures			
Education			
Scholarships, awards and grants	372,924	1,257	374,181
Salaries and employee benefits	-	76	76
Capital outlay - building improvement	-	181	181
Total expenditures	372,924	1,514	374,438
Deficiency of revenues over expenditures	(372,924)	(312)	(373,236)
Other sources (uses) of financial resources			
Appropriations from State resources	376,680	50	376,730
Lapsed appropriations	(1,940)	-	(1,940)
Receipts remitted to State Treasury	(1,813)	-	(1,813)
Transfers in	-	181	181
Net other sources (uses) of financial resources	372,927	231	373,158
Net change in fund balance	3	(81)	(78)
Fund balance, July 1, 2014	5,441	486	5,927
Fund balance, June 30, 2015	$ 5,444	$ 405	$ 5,849

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, 2015
(All dollar amounts are expressed in thousands)

Net change in fund balances - total governmental funds	$ (78)
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 ($487) exceeded capital outlay ($181) in FY2015.	(306)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:	
Decrease in unpaid accumulated vacation and sick leave	(1,400)
Pension expense	(139)
Change in net position of governmental activities	$ (1,923)

See Notes to Financial Statements.

State of Illinois
Illinois Student Assistance Commission

Statement of Net Position
Enterprise Funds
June 30, 2015
(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	$ 14,698	$ 4,797	$ 85,288	$ 104,783
Investments	4,017	156,601	-	160,618
Receivables				
Contracts	-	18,271	-	18,271
Intergovernmental	-	-	23,430	23,430
Notes	-	1,007	-	1,007
Accrued interest on investments	-	-	34	34
Securities lending collateral	-	-	34,827	34,827
Due from other State funds	-	-	115	115
Due from State of Illinois component units	-	-	21	21
Due from other ISAC funds	-	-	2,507	2,507
Total current assets - unrestricted	18,715	180,676	146,222	345,613
Restricted				
Cash and cash equivalents	19,492	-	-	19,492
Receivables				
Student loans receivable, net of allowance of $8,488	67,178	-	-	67,178
Accrued interest on loans	12,758	-	-	12,758
Accrued interest on investments	1	-	-	1
Other	15	-	-	15
Total current assets - restricted	99,444	-	-	99,444
Noncurrent				
Unrestricted				
Investments	-	862,980	-	862,980
Contracts receivable	-	41,551	-	41,551
Capital assets, net of accumulated depreciation	-	-	2,881	2,881
Total noncurrent assets - unrestricted	-	904,531	2,881	907,412
Restricted				
Student loans receivable, net of allowance of $52,143	412,663	-	-	412,663
Total noncurrent assets - restricted	412,663	-	-	412,663
Total assets	530,822	1,085,207	149,103	1,765,132
Deferred Outflows of Resources				
Pension related amounts	561	-	12,017	12,578
Total assets and deferred outflows of resources	$ 531,383	$ 1,085,207	$ 161,120	$ 1,777,710

(Continued)

State of Illinois
Illinois Student Assistance Commission

Statement of Net Position (Continued)
Enterprise Funds
June 30, 2015
(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	$ 270	$ 914	$ 15,261	$ 16,445
Accrued interest payable	649	-	-	649
Tuition obligation	-	163,506	-	163,506
Federal special allowance and interest subsidy	1,273	-	-	1,273
Due to other ISAC funds	2,303	204	-	2,507
Due to other State funds	2	-	573	575
Securities lending collateral obligation	-	-	34,827	34,827
Intergovernmental payable	-	-	13,764	13,764
Compensated absences	6	-	67	73
Revolving credit line	183,557	-	-	183,557
Total current liabilities	188,060	164,624	64,492	417,176
Noncurrent				
Tuition obligation	-	1,156,696	-	1,156,696
Revenue bonds and notes payable, net	270,397	-	-	270,397
Net pension liability	4,038	-	90,689	94,727
Compensated absences	51	-	601	652
Total noncurrent liabilities	274,486	1,156,696	91,290	1,522,472
Total liabilities	462,546	1,321,320	155,782	1,939,648
Deferred Inflows of Resources				
Unamortized deferred amount on refunding	45,141	-	-	45,141
Pension related amounts	4,460	-	3,233	7,693
Total deferred inflows of resources	49,601	-	3,233	52,834
Net Position				
Net investment in capital assets	-	-	2,881	2,881
Restricted for debt service	11,651	-	-	11,651
Restricted for federal grant programs	-	-	38,369	38,369
Unrestricted	7,585	(236,113)	(39,145)	(267,673)
Total net position	19,236	(236,113)	2,105	(214,772)
Total liabilities, deferred inflows of resources and net position	$ 531,383	$ 1,085,207	$ 161,120	$ 1,777,710

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, 2015
(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	$ 22,059	$ -	$ -	$ 22,059
Income - investments (net of closed end funds investment management fees of $3,522)	6	43,774	-	43,780
Interest - other	-	317	-	317
Total investment income	22,065	44,091	-	66,156
Other operating revenues				
Fees	188	410	-	598
Tuition contract revenue	-	23,261	-	23,261
Portfolio maintenance fees	-	-	2,627	2,627
Direct consolidation cost	-	-	7,587	7,587
Collections on student loans previously reimbursed by the U.S. Department of Education	-	-	27,456	27,456
Other	-	-	920	920
Total other operating revenues	188	23,671	38,590	62,449
Total operating revenues	22,253	67,762	38,590	128,605
Operating expenses				
Interest and other student loan expenses				
Interest expense				
Revenue bonds and notes	219	-	-	219
Amortization of loan premiums	1,399	-	-	1,399
Other student loan fees	1,753	-	-	1,753
Provision for loan losses	3,183	-	-	3,183
Total interest and other student loan expenses	6,554	-	-	6,554

(Continued)

State of Illinois
Illinois Student Assistance Commission

Statement of Revenues, Expenses and Changes in Net Position -
Enterprise Funds (Continued)
Year Ended June 30, 2015
(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	$ 537	$ 1,995	$ 8,875	$ 11,407
Pension	(789)	-	9,395	8,606
Loan guarantee	-	-	133,205	133,205
External loan servicing	2,061	-	-	2,061
Accreted tuition expenses	-	18,624	-	18,624
Investment management fees	-	1,491	-	1,491
Investment advisory fees	-	1,917	-	1,917
Management and professional services	908	3,903	8,118	12,929
Depreciation	-	-	384	384
Other	50	-	-	50
Total other operating expenses	2,767	27,930	159,977	190,674
Total operating expenses	9,321	27,930	159,977	197,228
Operating income (loss)	12,932	39,832	(121,387)	(68,623)
Non-operating revenues (expenses)				
Federal government special allowance and interest subsidy	(5,500)	-	-	(5,500)
Federal government	-	-	129,564	129,564
Interest revenue	-	-	309	309
Total non-operating revenues (expenses)	(5,500)	-	129,873	124,373
Income before transfers	7,432	39,832	8,486	55,750
Transfers out	-	-	(181)	(181)
Change in fund net position	7,432	39,832	8,305	55,569
Net position (deficit), July 1, 2014, as restated	11,804	(275,945)	(6,200)	(270,341)
Net position (deficit), June 30, 2015	$ 19,236	$ (236,113)	$ 2,105	$ (214,772)

See Notes to Financial Statements.

State of Illinois
Illinois Student Assistance Commission

Statement of Cash Flows - Enterprise Funds
Year Ended June 30, 2015
(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	$ -	$ 410	$ 157,356	$ 157,766
Cash payments for tuition	-	(120,167)	-	(120,167)
Cash payments to suppliers for goods and services	(3,077)	(4,428)	(3,327)	(10,832)
Cash payments to employees for services	(729)	(1,995)	(13,292)	(16,016)
Cash payments for loan guarantees	-	-	(133,027)	(133,027)
Cash receipts from student loans and fees	98,937	-	-	98,937
Cash receipts from tuition contracts	-	32,867	-	32,867
Cash payments for student loans	(4,112)	-	-	(4,112)
Cash payments for refund of contracts	-	(18,236)	-	(18,236)
Cash payments for other operating activities	-	-	(115,871)	(115,871)
Net cash provided (used) by operating activities	91,019	(111,549)	(108,161)	(128,691)
Cash flows from noncapital financing activities				
Principal paid on revenue bonds and other borrowings	(82,434)	-	-	(82,434)
Interest paid on revenue bonds and other borrowings	(4,175)	-	-	(4,175)
Special allowance and interest subsidy	(5,749)	-	-	(5,749)
Transfers in	-	-	28,917	28,917
Transfers out	-	-	(29,098)	(29,098)
Federal government grants	-	-	131,325	131,325
Net cash provided (used) by noncapital financing activities	(92,358)	-	131,144	38,786
Cash flows from capital and related financing activities				
Acquisition and construction of capital assets	-	-	(260)	(260)
Cash flows from investing activities				
Purchase of investment securities	(4,018)	(226,490)	-	(230,508)
Proceeds from sales and maturities of investment securities	4,009	322,276	-	326,285
Note disbursed	-	(750)	-	(750)
Interest and dividends on investments	5	18,966	297	19,268
Cash paid to investment managers	-	(1,491)	-	(1,491)
Net cash provided by investing activities	(4)	112,511	297	112,804
Increase (decrease) in cash and cash equivalents	(1,343)	962	23,020	22,639
Cash and cash equivalents, July 1, 2014	35,533	3,835	62,268	101,636
Cash and cash equivalents, June 30, 2015	$ 34,190	$ 4,797	$ 85,288	$ 124,275

(Continued)

State of Illinois
Illinois Student Assistance Commission

Statement of Cash Flows - Enterprise Funds (Continued)
Year Ended June 30, 2015
(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)	$ 12,932	$ 39,832	$ (121,387)	$ (68,623)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	-	-	384	384
Investment income	(6)	(40,625)	-	(40,631)
Interest expense	219	-	-	219
Accreted tuition contract revenue	-	(23,262)	-	(23,262)
Amortization of student loan premiums	1,399	-	-	1,399
Accreted tuition expense	-	18,624	-	18,624
Provision for loan losses	3,183	-	-	3,183
Change in assets, liabilities and deferred outflows/ inflows of resources				
Contracts receivable	-	16,224	-	16,224
Student loans receivable	74,793	-	-	74,793
Intergovernmental receivables	-	-	58	58
Accrued interest - loans and notes	(381)	-	-	(381)
Due from other State funds	-	-	87	87
Due from State of Illinois component units	-	-	(14)	(14)
Other receivables	2	-	-	2
Accounts payable and accrued liabilities	(69)	140	2,514	2,585
Intergovernmental payables	-	-	4,886	4,886
Due to other ISAC funds	(72)	19	-	(53)
Due to other State funds and component units	-	(684)	349	(335)
Tuition obligation	-	(121,817)	-	(121,817)
Compensated absences	(15)	-	(1,417)	(1,432)
Deferred inflows related to pensions	4,460	-	3,233	7,693
Deferred outflows related to pensions	(308)	-	(6,331)	(6,639)
Net pensoin liability	(5,118)	-	9,477	4,359
Total adjustments	78,087	(151,381)	13,226	(60,068)
Net cash provided (used) by operating activities	$ 91,019	$ (111,549)	$ (108,161)	$ (128,691)
Supplemental disclosure of noncash transactions:				
Net appreciation in fair value of investments	$ -	$ 22,892	$ -	$ 22,892

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 (State). 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 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 2015 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 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 2015.

C. 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 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 2015.

Note 1. Organization (Continued)

D. Golden Apple Scholars of Illinois

The Golden Apple Scholars of Illinois Program encourages academically talented Illinois students, especially minority students, to pursue teaching careers, especially in teacher shortage disciplines or at hard-to-staff schools.

In the summer of 2009, P.A. 96-0411 instituted a transition period during which the Illinois Future Teachers Corps program (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.

E. 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.

F. 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.

G. Ancillary Award Programs

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

- Illinois Incentive for Access Program (IIA)*
- Bonus Incentive Grant*
- Grant Program for Dependents of Police, Fire or Correctional Officers
- Illinois Special Education Teacher Tuition Waiver Program*
- Student to Student Program of Matching Grants*
- Teacher/Child Care Loan Forgiveness Program
- Merit Recognition Scholarships*
- Nurse Educator Loan Repayment Program
- Veterans' Home Nurse Loan Repayment Program
- Nurse Educator Scholarship Program*
- ITEACH
- Forensic Science Grants
- Public Interest Attorney Loan Repayment Program
- Child Welfare Student Loan Forgiveness Program
- Community College Transfer Grant Program
- Grant for a Person Raised by a Grandparent

* These programs were not funded in fiscal year 2015.

Note 1. Organization (Continued)

H. 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.

I. 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.

J. *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, 2015.

Note 1. Organization (Continued)

K. Illinois Designated Account Purchase Program (IDAPP)

IDAPP was a secondary market offering a variety of services primarily to lenders who originated 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, 2015.

L. 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. No new loans have been made under the program since 2010.

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. 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.

Note 2. Summary of Significant Accounting Policies (Continued)

A. Financial Reporting Entity (Continued)

The Commission is not legally separate from the State; the financial statements of the Commission are included in the financial statements of the State. The State's 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, College Illinois 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.

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 loan activities (business-type activities) totaling $1,618 (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 of 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.

Note 2. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

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 2015, 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:

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.

Note 2. Summary of Significant Accounting Policies (Continued)

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.

ISAC reports unearned revenue on its financial statements. Unearned revenues arise when resources are received by ISAC before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when revenue recognition criteria are met or when ISAC has a legal claim to the resources, the liability for unearned revenues is removed from the financial statements and revenue is recognized.

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, pensions 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.

Interest and federal grant revenues are significant revenue sources, which are 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’s 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 August for fiscal year 2015 in accordance with the Statewide Accounting Management System (SAMS) records plus any liabilities relating to obligations re-appropriated to the subsequent fiscal year.

Note 2. Summary of Significant Accounting Policies (Continued)

D. Shared Fund Presentation (Continued)

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.

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 two-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.

Note 2. Summary of Significant Accounting Policies (Continued)

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 since the prior fiscal year (or purchase date for fiscal year 2015 purchases) is included as investment income in the financial statements. Dividend and interest income are recorded in the period earned.

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 $59,822 as of June 30, 2015 using a 7% discount rate. The program expects to receive contributions totaling $18,271 in fiscal year 2016. 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 fifteen years.

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 reported as an operating expense, is added to bring the allowance to a level that, in management's judgment, is adequate to absorb estimated 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.

(All dollar amounts are expressed in thousands)

Note 2. Summary of Significant Accounting Policies (Continued)

K. Interfund Transactions (Continued)

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.

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.

Note 2. Summary of Significant Accounting Policies (Continued)

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 Refunding Gains

In the government-wide and proprietary fund financial statements, debt premiums and discounts 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 9A) and are reported as a deferred inflow of resources in the financial statements. These amounts are amortized on a weighted basis over the life of the remaining two tranches. Bonds and notes payable are reported net of the unamortized discount.

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 43,579 contracts held by the fund as of June 30, 2015, plus the actuarially-determined present value of future benefits the Program expects to provide to contract holders for all contracts.

R. Pensions

In accordance with the Commission's adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, the net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense have been recognized in the government-wide and proprietary fund financial statements.

The net pension liability is calculated as the difference between the actuarially calculated value of the projected benefit payments attributed to past periods of service and the plans' fiduciary net position. The total pension expense is comprised of the service cost or actuarial present value of projected benefit payments attributed to the valuation year, interest on the total pension liability, plan administrative expenses, current year benefit changes, and other changes in plan fiduciary net position less employee contributions and projected earnings on plan investments. Additionally, the total pension expense includes the annual recognition of outflows and inflows of resources due to pension assets and liabilities.

Note 2. Summary of Significant Accounting Policies (Continued)

R. Pensions (Continued)

For purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources, pension expense and expenditures associated with the Commission's contribution requirements, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported within the separately issued plan financial statements. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with terms of the plan. Investments are reported at fair value.

S. Adoption of New Accounting Pronouncements

Effective for the year ending June 30, 2015, the Commission adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27,* which establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, expenses, and expenditures. The statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The implementation of this Statement significantly impacted the Commission's government-wide financial statements and footnote disclosures with the recognition of a net pension liability, deferred outflows of resources and deferred inflows of resources on the Statement of Net Position and pension expense on the Statement of Activities. Additionally, the requirements of this statement resulted in the restatement of beginning net position. Information regarding the Commission's participation in SERS is disclosed in Note 13.

Effective for the year ending June 30, 2015, the Commission adopted GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68,* which addresses an issue regarding the application of the transition provisions of GASB Statement No. 68. The statement clarifies the accounting for contributions to a defined benefit pension plan after the measurement date of a government's beginning net pension liability. The provisions of this statement were incorporated with the implementation of GASB Statement No. 68.

T. 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.

Note 2. Summary of Significant Accounting Policies (Continued)

T. Fund Balances (Continued)

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.

U. 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.

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.

V. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

W. 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 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.

With regard 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 (FDIC) 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.

(All dollar amounts are expressed in thousands)

Note 3. Deposits and Investments (Continued)

B. Custodial Credit Risk - Deposits (Continued)

Funds in the custody of the State Treasurer, or in transit, totaled $90,496 at June 30, 2015. 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's Comprehensive Annual Financial Report.

At June 30, 2015, the Commission had no amounts that were 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, 2015, 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.

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, 2015 are as follows:

Investment Type	Fair Value	Weighted Average Maturity (Years)
Government securities (U.S. treasury bills/notes)	$ 4,018	0.5

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, 2015, 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	$ 20,607	AAAm	Aaa-mf

Note 3. Deposits and Investments (Continued)

C. Investments (Continued)

Illinois Designated Account Purchase Program (IDAPP) (Continued)

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, 2015.

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, 2015, 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 FY15 revision to the investment policy in July 2014; the most recent policy update was done in June 2015.

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 meet or exceed the return of the Policy Benchmark consistent with the actuarial soundness of the Fund and the risk level expected from the asset allocation. 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.

(All dollar amounts are expressed in thousands)

Note 3. Deposits and Investments (Continued)

C. Investments (Continued)

Illinois Prepaid Tuition Program (Continued)

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.

	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%	18.00%	15.00%	21.00%
Fixed Income	25.00%	21.00%	18.00%	24.00%
High Yield	3.00%	4.00%	3.00%	5.00%
REIT	5.00%	5.00%	3.00%	7.00%
Absolute Return	9.00%	9.00%	7.00%	11.00%
Real Estate	5.00%	10.00%	N/A	N/A
Infrastructure	5.00%	8.00%	N/A	N/A
Private Equity	5.00%	2.00%	N/A	N/A
Cash	1.00%	1.00%	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	18.00%
Fixed Income	BC U.S. Aggregate	21.00%
High Yield	BofA MLHY	4.00%
REIT	MSCI US REIT	5.00%
Absolute Return	90-day T Bills +4%	9.00%
Real Estate	NCREIF ODCE	10.00%
Infrastructure	90-day T Bills +4%	8.00%
Private Equity	Russell 3000 + 3%	2.00%
Cash	90-day T-Bills	1.00%

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, 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, CM Growth/Camelot Secondary, Kennedy Wilson, Lyrical-Antheus, Mesirow Value, T. Rowe Price and DDJ as investment managers to assist with the investment of the Program assets for the Illinois Prepaid Tuition Program.

Note 3. Deposits and Investments (Continued)

C. Investments (Continued)

Illinois Prepaid Tuition Program (Continued)

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.

As of June 30, 2015, 21.74% of the funds were invested in Domestic Equities, 20.59% in Fixed Income, 17.19% in International Equities, 8.38% in Infrastructure Funds, 9.41% in Absolute Return Funds, 2.96% in Private Equity Funds,10.80% in Real Estate, 4.12% in Real Estate Investment Trust, 3.47% in High Yield, and 1.34% 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 its investment managers and reviewed by Program investment staff and the investment consultant;

(5) Private Equity, Absolute Return, and Infrastructure Funds – fair values as determined by its investment managers and reviewed by Program investment staff and the investment consultant. Valuations generally are based on 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 REITs 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.

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 $5,000 to private equity partnerships, $1,000 to real estate and $7,000 to infrastructure funds as of June 30, 2015.

(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, 2015 are presented below at fair value by investment type and by investment manager:

Investment Managers
Asset Allocation
June 30, 2015

Asset Class	Investment Manager	Fair Value	Actual Allocation
Fixed Income-Core Plus	T. Rowe Price	$ 74,644	7.28%
Fixed Income-Core	State Street Global Advisors	70,458	6.88%
Fixed Income-Intermediate	Income Research Management	65,871	6.43%
Total Fixed Income Portfolio		**210,973**	**20.59%**
High Yield	DDJ Strategic Income Plus	35,589	3.47%
High Yield		**35,589**	**3.47%**
REIT Preferred Growth	Security Capital Research	42,257	4.12%
REIT		**42,257**	**4.12%**
Real Estate-Value Added	Kennedy Wilson	14,327	1.40%
Real Estate-Value Added	Kennedy Wilson	49,366	4.82%
Real Estate-Opportunistic	Lyrical-Antheus	20,023	1.95%
Real Estate-Value Added	Mesirow Value	26,940	2.63%
Total Real Estate		**110,656**	**10.80%**
Large-Cap Core Equity	RhumbLine Advisers	83,376	8.14%
All-Cap Core Equity	RhumbLine Advisers	139,280	13.60%
Total Domestic Equity		**222,656**	**21.74%**
International Equity	Ativo	52,489	5.12%
International Equity	Cornerstone Capital Management	53,906	5.26%
International Equity	Harris/Pyrford	69,640	6.80%
Total International Equity		**176,035**	**17.19%**
Infrastructure	Alinda Infrastructure	55,843	5.45%
Infrastructure	JP Morgan AIRRO	29,980	2.93%
Total Infrastructure		**85,823**	**8.38%**
Absolute Return Fund	Funds in transition - Balestra Capital	3,146	0.31%
Absolute Return Fund	Neuberger Berman	55,336	5.40%
Absolute Return Fund	Pinnacle Natural Resource	37,898	3.70%
Total Absolute Return Funds		**96,380**	**9.41%**
Private Equity Secondary FoFs	CM Growth Capital Partners LP	7,792	0.76%
Private Equity Secondary FoFs	Morgan Stanley	9,750	0.95%
Private Equity Secondary FoFs	Portfolio Advisors	12,735	1.24%
Total Private Equity		**30,277**	**2.96%**
Cash and Equivalents	Northern Trust	8,935	0.87%
Investment Cash Equivalents		**8,935**	**0.87%**
Total Investments		**1,019,581**	**99.53%**
Cash and Equivalents	Illinois Treasury and lock box	4,797	0.47%
Total Cash Equivalents		**4,797**	**0.47%**
TOTAL PORTFOLIO		**$ 1,024,378**	**100%**

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 $1,491 for the year ended June 30, 2015 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 2015 amounts to $1,917.

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
- CM Growth
- Portfolio Advisors
- Morgan Stanley

Approximately $3,500 in investment advisory fees are included in the amount reported for income from investments for the fiscal year ending June 30, 2015 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 monitor duration against an appropriate benchmark index.

(All dollar amounts are expressed in thousands)

Note 3. Deposits and Investments (Continued)

C. Investments (Continued)

Illinois Prepaid Tuition Program (Continued)

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)	5.6 Years	5.6 Years	N/A
T. Rowe Price	5.4 Years	5.6 Years	N/A

Portfolio Weighted Average Maturity

Investment Type	Fair Value	Weighted Average Maturity (in Years)
U.S. treasury notes	$ 16,294	4.80
U.S. treasury bonds	4,640	24.62
U.S. agency obligations	4,361	1.37
Index linked government bonds (U.S. Treasuries)	2,480	7.24
Non U.S. Index linked government Bonds denominated in foreign dollars	293	19.22
Bond common collective trust	70,458	7.89
Municipal/provincial bonds	4,202	8.11
Non U.S. Government Bonds denominated in U.S. dollars	225	9.40
Non U.S. Government Bonds denominated in foreign dollars	592	14.90
Multi-sector funds	43,814	7.83
Corporate debt securities	27,175	5.88
U.S. agency asset-backed securities	5,863	16.85
Corporate asset-backed securities	11,594	4.90
Mortgage backed securities (MBS):		
Government agencies	4,277	14.02
Non-Government backed	2,292	19.94
Commercial	11,969	31.02
Total Fair Value	**$ 210,529**	
Portfolio weighted average maturity		**9.3**

(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, 2015, 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, 2015

	Total Fair Value	Credit Rating* Moody's
Money market mutual funds	$ 10,153	NR
Illinois Funds	315	NR
U.S. agency obligations	4,361	Aaa
Bond common collective trust	70,458	NR
Multi-sector funds	43,814	NR
Non U.S. Government bonds denominated in U.S. dollars	225	Baa

*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, 2015

Rating Agency	Investment Type	Credit Rating*	Fair Value
Moody's:	Commercial Mortgage-Backed	Aaa	$ 4,212
	Commercial Mortgage-Backed	Aa	891
	Commercial Mortgage-Backed	A	1,696
	Commercial Mortgage-Backed	Baa	466
	Commercial Mortgage-Backed	Ba	889
	Commercial Mortgage-Backed	NR	3,815
			11,969
Moody's:	Corporate Asset Backed Securities	Aaa	6,229
	Corporate Asset Backed Securities	Aa	419
	Corporate Asset Backed Securities	A	301
	Corporate Asset Backed Securities	Baa	246
	Corporate Asset Backed Securities	Ba	100
	Corporate Asset Backed Securities	Caa	26
	Corporate Asset Backed Securities	NR	4,273
			11,594
Moody's:	Corporate Bonds	Aaa	290
	Corporate Bonds	Aa	331
	Corporate Bonds	A	7,977
	Corporate Bonds	Baa	17,640
	Corporate Bonds	NR	937
			27,175
Moody's:	Municipal/Provincial Bonds	Aaa	410
	Municipal/Provincial Bonds	Aa	1,430
	Municipal/Provincial Bonds	A	1,205
	Municipal/Provincial Bonds	NR	971
	Municipal/Provincial Bonds	WR	186
			4,202
Moody's:	Non-Government Backed C.M.O.s	Baa	137
	Non-Government Backed C.M.O.s	Ba	246
	Non-Government Backed C.M.O.s	B	369
	Non-Government Backed C.M.O.s	Caa	1,321
	Non-Government Backed C.M.O.s	NR	219
			2,292

(Continued)

(All dollar amounts are expressed in thousands)

Note 3. Deposits and Investments (Continued)

C. Investments (Continued)

Illinois Prepaid Tuition Program (Continued)

Credit Ratings (Multiple-Rated Securities)
June 30, 2015

Rating Agency	Investment Type	Credit Rating*	Fair Value
Moody's:	Non-U.S. Government Bonds in foreign currency	A	$ 414
	Non-U.S. Government Bonds in foreign currency	Baa	178
			592
Moody's:	Non-U.S. Index Linked Government Bonds in foreign currency	A	189
	Non-U.S. Index Linked Government Bonds in foreign currency	Baa	104
			293
Moody's:	U.S. Agency Asset Backed	Aaa	5,366
	U.S. Agency Asset Backed	NR	497
			5,863
Moody's:	Mortgage Backed Securities - government agencies	Baa	1,001
	Mortgage Backed Securities - government agencies	NR	3,276
			4,277

* NR - not rated, WR - withdrawn

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, prior to its sale.

The Illinois Prepaid Tuition Program is not exposed to custodial credit risk at June 30, 2015.

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 U.S. 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.

(All dollar amounts are expressed in thousands)

Note 3. Deposits and Investments (Continued)

C. Investments (Continued)

Illinois Prepaid Tuition Program (Continued)

As of June 30, 2015, there were no investments subject to concentration of credit risk.

Foreign Currency Risk

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

The Illinois Prepaid Tuition Program's investments in international equity are in compliance with the guidelines of the investment policy. As of June 30, 2015, 17.19% 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 Denominated in Foreign Currency
June 30, 2015
Fair Value in U.S. Dollars

Foreign Currency Denomination	Equity	Cash and cash equivalents - equity investments	Fixed income	Cash and cash equivalents - fixed income investments	Totals
Australian dollar	$ 7,697	$ -	$ -	$ (413)	$ 7,284
Brazilian real	898	-	104	-	1,002
British pound sterling	32,738	560	-	-	33,298
Canadian dollar	2,619	7	-	-	2,626
Czech koruna	3	-	-	-	3
Danish krone	1,804	-	-	-	1,804
Euro	41,164	197	-	(173)	41,188
Hong Kong dollar	12,661	27	-	-	12,688
Indonesian rupiah	862	-	-	-	862
Japanese yen	16,002	1	-	(91)	15,912
Malaysian ringgit	3,624	-	-	-	3,624
Mexican peso	-	-	603	80	683
New Israeli shekel	1,372	47	-	-	1,419
Norwegian krone	2,879	-	-	-	2,879
Singapore dollar	4,252	-	-	-	4,252
South African rand	-	-	178	(177)	1
Swedish krona	8,170	-	-	-	8,170
Swiss franc	15,894	66	-	-	15,960
Thai baht	620	-	-	-	620
Total	$ 153,259	$ 905	$ 885	(774)	$ 154,275

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 2015, Deutsche Bank AG lent 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 fair value of the loaned securities. Loans are marked to market daily. If the fair value of collateral falls below 100%, the borrower must provide additional collateral to raise the fair 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, 2015 were $16,744 and $18,083, 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 $956 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, 2015.

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 $204,787 at June 30, 2015. Of this amount, $58,309 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 $60,631 as of June 30, 2015. This amount includes the alternative loans addressed above.

Included in the student loans receivable balance are premiums paid on the origination and purchase of certain student loans. These premiums are 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, 2015 as reported by ISAC was $44,559. Restricted net position, which includes $22,792 of claims in process, was $38,369. 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 $342,828 at June 30, 2015 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.

(All dollar amounts are expressed in thousands)

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, 2015 was $1,273.

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	$ 1,502
Special Allowance Payments (Interest Subsidy)	110
Excess Interest	(7,112)
Net Expense Incurred to DOE	$ (5,500)

Note 6. Interfund Balances and Activity

A. Balances Due To/From Other Funds

The balances at June 30, 2015 represent amounts due from other ISAC and State 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	$ -	$ -	$ 197	Due from State universities for scholarship and MAP grants.
Nonmajor Enterprise - Student Loan Operating	2,303	-	-	Due from IDAPP Fund for shared services.
	204	-	-	Due from Illinois Prepaid Tuition Fund for shared services.
			21	Due from Illinois Medical District Commission for refund of personnel costs.
	-	105	-	Due from Central Management Services (on behalf of DCFS) for rent and expenses.
	-	10	-	Due from Healthcare and Family Services for rent and expenses.
	2,507	115	21	
	$ 2,507	$ 115	$ 218	

(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, 2015 represent amounts due to other ISAC and State 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	$ -	$ -	$ 111	Due to State universities for scholarship and MAP grants.
Education Assistance	-	-	4	Due to State universities for scholarship and grants.
Illinois Designated Account Purchase Program	2,303	-	-	Due to Student Loan Operating Fund for shared services.
	-	2	-	Due to Auditor General for audit fees.
	2,303	2	-	
Nonmajor Enterprise - Student Loan Operating	-	573	-	Due to Central Management Services for EDP, communications, and garage fund.
	-	573	-	
Illinois Prepaid Tuition Program	204	-	-	Due to Student Loan Operating Fund for shared services.
	204	-	-	
	$ 2,507	$ 575	$ 115	

(All dollar amounts are expressed in thousands)

Note 6. Interfund Balances and Activity (Continued)

B. Transfers To/From Other Funds

Interfund transfers in for the year ended June 30, 2015 were as follows:

Fund	Transfers In From Other ISAC Funds	Description/Purpose
Nonmajor Governmental- ISAC COP Debt Service	$ 181	Transfer from the Student Loan Operating Fund for capital asset payment.
	$ 181	

Interfund transfers out for the year ended June 30, 2015 were as follows:

Fund	Transfers Out To Other ISAC Funds	Description/Purpose
Nonmajor Enterprise - Student Loan Operating	$ 181	Transfer to ISAC COP Debt Service Fund for capital asset payment.
	$ 181	

Note 7. Note Receivable

The Illinois Prepaid Tuition Fund had a private equity investment in the Camelot Secondary Fund since fiscal year 2010. In fiscal year 2014 the general partner of the Camelot Secondary Fund was removed. The Camelot limited partners installed a new general partner and the fund was renamed as CM Growth Capital Partners, L.P. As a part of the reorganization and with authorization from ISAC's Commission, the Illinois Prepaid Tuition Fund loaned CM Growth Capital Partners, L.P. $750,000 to pay for expenses associated with the reorganization of the fund. A promissory note was funded for $439,025 on August 19, 2014 and $310,975 on November 7, 2014. The balance sheet of the Illinois Prepaid Tuition Fund as of June 30, 2015 includes a receivable for $1 million consisting of principal and accrued interest.

The amount of $1.03 million was repaid in full on August 17, 2015.

(All dollar amounts are expressed in thousands)

Note 8. Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 2,700	$ -	$ -	$ 2,700
Capital assets being depreciated:				
Buildings	18,789	181	-	18,970
Equipment	176	-	(17)	159
Total capital assets being depreciated	18,965	181	(17)	19,129
Less accumulated depreciation:				
Buildings	(10,324)	(486)	-	(10,810)
Equipment	(173)	(1)	17	(157)
Total accumulated depreciation	(10,497)	(487)	17	(10,967)
Total capital assets being depreciated, net	8,468	(306)	-	8,162
Governmental activities capital assets, net	$ 11,168	$ (306)	$ -	$ 10,862
Business-type activities:				
Illinois Designated Account Purchase Program Fund:				
Capital assets being depreciated:				
Equipment	$ 313	$ -	$ (30)	$ 283
Less accumulated depreciation:				
Equipment	(313)	-	30	(283)
Total capital assets being depreciated, net	-	-	-	-
Nonmajor Enterprise Funds:				
Capital assets not being depreciated:				
Construction-in-progress	90	341	(181)	250
Capital assets being depreciated:				
Equipment and automobiles	768	100	(142)	726
Internally generated software	3,357	-	-	3,357
Less accumulated depreciation:				
Equipment and automobiles	(622)	(48)	142	(528)
Internally generated software	(588)	(336)	-	(924)
Total capital assets being depreciated, net	2,915	(284)	-	2,631
Business-type activities capital assets, net	$ 3,005	$ 57	$ (181)	$ 2,881

Depreciation expense for governmental activities on the Government-wide Statement of Activities for the year ended June 30, 2015 amounted to $306. Of that amount, 100% was charged to the Scholarships, awards and grants function.

Note 9. Long-Term Obligations Payable

A. Revenue Bonds and Notes Payable and Pledged Revenues

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 used to purchase and cancel certain outstanding bonds (2002 Resolution Trust Bonds). 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. $146,345 of the Class A-2 tranche has been paid off leaving a balance of $122,655. The total principal and interest remaining to be paid on the bonds is approximately $342,266. 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, 2015 variable interest rates were 1.327% and 1.177% for the LIBOR FRN Class A-2 and A-3, respectively.

Annual principal and interest payments on the bonds are expected to require approximately 98 percent of the related student loan collections. Principal and interest paid for the current year were $54,134 and $3,725, respectively. Total related student loan principal and interest received were $57,283 and $8,491, respectively.

As a result of the issuance of the LIBOR Floating Rate Notes and the purchase and cancellation of the remaining outstanding 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 2015 is $4,043. Amortization is included as a reduction of interest expense on the Statement of Revenues, Expenses, and Changes in Fund Net Position.

(All dollar amounts are expressed in thousands)

Note 9. Long-Term Obligations Payable (Continued)

B. Changes in Long-Term Obligations

Changes in long-term obligations for the year ended June 30, 2015, were as follows:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015	Amounts Due Within One Year
Governmental activities:					
Other long-term obligations:					
Compensated absences	$ -	$ 2,261	$ (861)	$ 1,400	$ 140
	$ -	$ 2,261	$ (861)	$ 1,400	$ 140
Business-type activities:					
Illinois Designated Account Purchase Program :					
Revenue bonds/notes payable:					
Series 2010, Class A-2	$ 176,789	$ -	$ (54,134)	$ 122,655	$ -
Series 2010, Class A-3	154,000	-	-	154,000	-
Unamortized discounts	(6,466)	-	208	(6,258)	-
Other long-term obligations:					
Compensated absences	71	38	(52)	57	6
Total Illinois Designated Account Purchase Program	324,394	38	(53,978)	270,454	6
Illinois Prepaid Tuition Program :					
Tuition obligation	1,446,656	11,950	(138,404)	1,320,202	163,506
Total Illinois Prepaid Tuition Program	1,446,656	11,950	(138,404)	1,320,202	163,506
Nonmajor Enterprise Fund:					
Compensated Absences	2,085	452	(1,869)	668	67
Total Nonmajor Enterprise Fund	2,085	452	(1,869)	668	67
Total business-type activities	$ 1,773,135	$ 12,440	$ (194,251)	$ 1,591,324	$ 163,579

(All dollar amounts are expressed in thousands)

Note 9. 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, 2015. 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
2016	$ -	$ 3,440	$ 3,440
2017	-	3,440	3,440
2018	-	3,440	3,440
2019	-	3,440	3,440
2020		3,440	3,440
2021-2025	122,655	12,040	134,695
2025-2030	-	9,063	9,063
2031-2035	-	9,063	9,063
2036-2040	-	9,063	9,063
2041-2045	-	9,063	9,063
2046	154,000	119	154,119
	276,655	$ 65,611	$ 342,266
Plus (minus):			
Unamortized discounts	(6,258)		
Net long-term principal outstanding	$ 270,397		

(All dollar amounts are expressed in thousands)

Note 9. 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, 2015. See actuarial assumptions and additional information in Note 15 B.

Tuition obligation activity for the year ended June 30, 2015, is as follows:

Balance as of July 1, 2014	$ 1,446,656
Add:	
Contributions received in FY2015	32,811
Change in contracts receivable, at present value*	(16,224)
Adjust tuition obligation based on actuarial valuation	(4,637)
Less:	
Return of contributions	(18,237)
Tuition payments	(120,167)
Balance as of June 30, 2015**	$ 1,320,202
Reported as:	
Current	$ 163,506
Noncurrent	1,156,696
	$ 1,320,202

* See Note 14.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 and is an estimate based on the average increase in tuition for Illinois colleges. Tuition and fee increases that were less than expected and the change in assumptions and methods contributed to the decrease in the tuition obligation compared to the balance at June 30, 2014. Accreted tuition expense is reflected as an expense in the Statement of Revenues, Expenses, and Changes in Net Position and as an increase (or decrease) to the tuition obligation on the Statement of Net Position.

Note 10. 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 (the "Collateral"), which were largely financed with proceeds of the advances. 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, 2015 was 0.184%.

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.

(All dollar amounts are expressed in thousands)

Note 10. Mid-Term Credit Facility and Short Term Revolving Credit Line and Pledged Revenues (Continued)

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 2015 there was $24,559 in principal and $6,378 in interest collected all of which was transferred to the trust. During the same period the trust paid $1,132 for interest expense and other professional fees and $1,580 for servicing fees.

Changes in the revolving credit line are as follows:

	Balance, July 1, 2014	Borrowings	Repayments	Balance, June 30, 2015	Amounts Due Within One Year
Citibank	$ 211,857	$ -	$ (28,300)	$ 183,557	$ 183,557

Note 11. 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, 2015.

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/expenses 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 12. Restatement of Net Position

Effective for the year ending June 30, 2015, the State implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which required 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.

The implementation of this Statement significantly impacted the Commission's government-wide financial statements, enterprise Fund Financial Statements, and footnote disclosures with the recognition of a net pension liability, deferred outflows of resources and deferred inflows of resources on the Statement of Net Position and pension expense on the Statement of Activities. Additionally, the requirements of this statement resulted in the restatement of beginning net position as detailed in the below table.

More information regarding the Commission's participation in SERS is disclosed in Note 13.

(All dollar amounts are expressed in thousands)

Note 12. Restatement of Net Position (Continued)

	Student Loan Operating Fund	IDAPP	Governmental Activities	Business-Type Activities
Net Position, June 30, 2014	$ 31,225	$ 20,707	$ 17,095	$ (185,912)
Implementation of GASB 68	(75,526)	(8,903)	(574)	(84,429)
Net Position, June 30, 2014 as restated	$ (44,301)	$ 11,804	$ 16,521	$ (270,341)

Note 13. Defined Benefit Pension Plan

Plan Description. 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 single-employer defined benefit pension trust fund in the State reporting entity. SERS is governed by article 14 of the Illinois Pension Code (40 ILCS 5/1, et al.). The plan consists of two tiers of contribution requirements and benefit levels based on when an employee was hired. Members who first become an employee and participate under any of the State's retirement plans on or after January 1, 2011 are members of Tier 2, while Tier 1 consists of employees hired before January 1, 2011 or those who have service credit prior to January 1, 2011. The provisions below apply to both Tier 1 and 2 members, except where noted. The SERS issues a separate CAFR available at www.srs.illinois.gov or that may be obtained by writing to the SERS, 2101 South Veterans Parkway, Springfield, Illinois 62794-9255.

Benefit Provisions. SERS provides retirement, disability and death benefits based on the member's final average compensation and the number of years of credited service that have been established. The retirement benefit formula available to general State employees is 1.67% for each year of covered service and 2.2% for each year of noncovered service. The maximum retirement annuity payable is 75% of final average compensation as calculated under the regular formula. The minimum monthly retirement annuity payable is $15.00 (dollars) for each year of covered employment and $25.00 (dollars) for each year of noncovered employment.

Participants in SERS under the regular formula Tier 1 and Tier 2 receive the following levels of benefits based on the respective age and years of service credits.

(All dollar amounts are expressed in thousands)

Note 13. Defined Benefit Pension Plan (Continued)

Regular Formula Tier 1	Regular Formula Tier 2
A member must have a minimum of eight years of service credit and may retire at: • Age 60, with 8 years of service credit. • Any age, when the member's age (years & whole months) plus years of service credit (years & whole months) equal 85 years (1,020 months) (Rule of 85) with eight years of credited service. • Between ages 55-60 with 25-30 years of service credit (reduced 1/2 of 1% for each month under age 60). The retirement benefit is based on final average compensation and credited service. Final average compensation is the 48 highest consecutive months of service within the last 120 months of service. Under the Rule of 85, a member is eligible for the first 3% increase on January 1 following the first full year of retirement, even if the member is not age 60. If the member retires at age 60 or older, he/she will receive a 3% pension increase every year on January 1, following the first full year of retirement. If the member retires before age 60 with a reduced retirement benefit, he/she will receive a 3% pension increase every January 1 after the member turns age 60 and has been retired at least one full year. These pension increases are not limited by the 75% maximum.	A member must have a minimum of 10 years of credited service and may retire at: • Age 67, with 10 years of credited service. • Between ages 62-67 with 10 years of credited service (reduced 1/2 of 1% for each month under age 67). The retirement benefit is based on final average compensation and credited service. For regular formula employees, final average compensation is the average of the 96 highest consecutive months of service within the last 120 months of service. The retirement benefit is calculated on a maximum salary of $106.8. This amount increases annually by 3% or one-half of the Consumer Price Index, whichever is less. If the member retires at age 67 or older, he/she will receive a pension increase of 3% or one-half of the Consumer Price Index for the preceding calendar year, whichever is less, every year on January 1, following the first full year of retirement. The calendar year 2014 rate is $110.6. If the member retires before age 67 with a reduced retirement benefit, he/she will receive a pension increase of 3% or one-half of the Consumer Price Index for the preceding calendar year, whichever is less, every January 1 after the member turns age 67 and has been retired at least one full year. These pension increases are not limited by the 75% maximum.

Additionally, the Plan provides an alternative retirement formula for State employees in high-risk jobs, such as State policemen, fire fighters, and security employees. Employees qualifying for benefits under the alternative formula may retire at an earlier age depending on membership in Tier 1 or Tier 2. The retirement formula is 2.5% for each year of covered service and 3.0% for each year of non-covered service. The maximum retirement annuity payable is 80% of final average compensation as calculated under the alternative formula.

SERS also provides occupational and nonoccupational (including temporary) disability benefits. To be eligible for nonoccupational (including temporary) disability benefits, an employee must have at least eighteen months of credited service to the System. The nonoccupational (including temporary) disability benefit is equal to 50% of the monthly rate of compensation of the employee on the date of removal from the payroll. Occupational disability benefits are provided when the member becomes disabled as a direct result of injuries or diseases arising out of and in the course of State employment. The monthly benefit is equal to 75% of the monthly rate of compensation on the date of removal from the payroll. This benefit amount is reduced by Workers' Compensation or payments under the Occupational Diseases Act.

(All dollar amounts are expressed in thousands)

Note 13. Defined Benefit Pension Plan (Continued)

Occupational and non-occupational death benefits are also available through the System. Certain non-occupational death benefits vest after eighteen months of credited service. Occupational death benefits are provided from the date of employment.

Contributions. Contribution requirements of active employees and the State are established in accordance with Chapter 40, section 5/14-133 of the Illinois Compiled Statutes. Member contributions are based on fixed percentages of covered payroll ranging between 4.00% and 12.50%. Employee contributions are fully refundable, without interest, upon withdrawal from State employment. Tier 1 members contribute based on total annual compensation. Tier 2 members contribute based on an annual compensation rate not to exceed $106.8 with limitations for future years increased by the lessor of 3% or one-half of the annual percentage increase in the Consumer Price Index. For 2015, this amount was $111.6.

The State is required to make payment for the required departmental employer contributions, all allowances, annuities, any benefits granted under Chapter 40, Article 5/14 of the ILCS and all administrative expenses of the System to the extent specified in the ILCS. State law provides that the employer contribution rate be determined based upon the results of each annual actuarial valuation.

For fiscal year 2015, the required employer contributions were computed in accordance with the State's funding plan. This funding legislation provides for a systematic 50-year funding plan with an ultimate goal to achieve 90% funding of the plan's liabilities. In addition, the funding plan provided for a 15-year phase-in period to allow the State to adapt to the increased financial commitment. Since the 15-year phase-in period ended June 30, 2010, the State's contribution will remain at a level percentage of payroll for the next 35 years until the 90% funded level is achieved. For fiscal year 2015, the employer contribution rate was 42.339%. The Commission's contribution amount for fiscal year 2015 was $3.2 million.

Pension liability, deferred outflows of resources, deferred inflows of resources and expense related to pensions. At June 30, 2015, the Commission reported a liability of $95.7 million for its proportionate share of the State's net pension liability for SERS on the statement of net position. The net pension liability was measured as of June 30, 2014 (current year measurement date), and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Commission's portion of the net pension liability was based on its proportion of employer contributions relative to all employer contributions made to the plan during the year ended June 30, 2014. As of the current year measurement date of June 30, 2014, the Commission' proportion was 0.35%, which was a decrease of 0.02% from its proportion measured as of the prior year measurement date of June 30, 2013.

For the year ended June 30, 2015, the Commission recognized pension expense of $8.8 million. At June 30, 2015, the Commission reported deferred outflows and deferred inflows of resources related to the pension liability from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 417	$ -
Changes of assumptions	8,678	-
Net difference between projected and actual investment earnings on pension plan investments	-	3,412
Changes in proportion	573	4,316
Department contributions subsequent to the measurement date	3,208	-
Total	$ 12,876	$ 7,728

Note 13. Defined Benefit Pension Plan (Continued)

$3.2 million reported as deferred outflows of resources related to pensions resulting from the Commission's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2015. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized as pension expense as follows (amounts expressed in thousands):

Year Ended June 30,	Amount
2016	$ 638
2017	638
2018	638
2019	26
Total	$ 1,940

Actuarial Methods and Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2014, using the entry age normal actuarial cost method and the following actuarial assumptions, applied to all periods included in the measurement:

Mortality: 105 percent of the RP2014 Healthy Annuitant mortality table, sex distinct, with rates projected to 2015.

Inflation: 3.0%

Investment Rate of Return: 7.25%, net of pension plan investment expense, including inflation.

Salary increases: Salary increase rates based on age related productivity and merit rates plus inflation.

Post-retirement benefit increases of 3.00%, compounded, for Tier 1 and the lessor of 3.00% or one-half of the annual increase in the Consumer Price Index for Tier 2.

Retirement Age: Experience-based table of rates specific to the type of eligibility condition. Table was last updated for the June 30, 2014, valuation pursuant to an experience study of the period July 1, 2009 to June 30, 2013.

The long-term expected real rate of return on pension plan investments was determined based on the simulated average 10-year annualized geometric return for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage. For each major asset class that is included in the pension plan's target asset allocation, calculated as of the measurement date of June 30, 2014, the best estimates of the geometric real rates of return as summarized in the following table:

Note 13. Defined Benefit Pension Plan (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	30%	5.69%
Fixed Income	20%	1.62%
Hedge Funds	10%	4.00%
International Equity	20%	6.23%
Real Estate	10%	5.50%
Infrastructure	5%	6.00%
Private Equity	5%	10.10%
Total	**100%**	**5.03%**

Discount Rate. A discount rate of 7.09% was used to measure the total pension liability. This single blended discount rate was based on the expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 4.29%, based on an index of 20 year general obligation bonds with an average AA credit rating as published by the Federal Reserve. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions will be made based on the statutorily required rates under Illinois law. Based on these assumptions, the pension plan's fiduciary net position and future contributions will be sufficient to finance the benefit payments through the year 2065. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2065, and the municipal bond rate was applied to all benefit payments after that date.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The net pension liability for the plan was calculated using the stated discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate as shown below (amounts expressed in thousands):

	1% Decrease 6.09%	Discount Rate 7.09%	1% Increase 8.09%
Department's proportionate share of the net pension liability	$ 115,312	$ 95,703	$ 79,415

Payables to the pension plan. At June 30, 2015, the Commission reported a payable of $6 to SERS for the outstanding amount of contributions to the pension plans required for the year ended June 30, 2015.

(All dollar amounts are expressed in thousands)

Note 14. 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 and related liability for health, dental, vision, and life insurance benefits are not separated by department fund 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 15. Fund Balances and Net Position

A. Deficit in Fund Net Position

As of June 30, 2015, the Illinois Prepaid Tuition Program has a deficit in net position of $236,113. 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, 2015.

Unfunded liability per actuarial soundness report	$	(292,111)
Present value of accrued future administrative expense		57,116
Other accrued liabilities		(1,118)
Fund deficit per Statement of Net Position	$	(236,113)

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, 2015 to evaluate the financial viability of the program as of June 30, 2015. The complete Actuarial Soundness Report as of June 30, 2015 is included in the Other Information Section.

(All dollar amounts are expressed in thousands)

Note 15. Fund Balances and Net Position (Continued)

The Program is not supported by the full faith and credit of the State, nor is it guaranteed by the State's general fund. The Program is a moral obligation of the State 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 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.

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*	$ 1,320,202
Funded ratio	78.80 %
Actuarial assumptions:	
Actuarial valuation date	June 30, 2015
Assumed net investment return	7.00 %
Rates of cancellations	Varies according to years from projected college entrance year
Tuition increases by contract type:	
Legacy:	
Through June 30, 2017	6.50 %
June 30, 2018 through June 30, 2022	5.75
June 30, 2023 and beyond	5.00
University Plus:	
Through June 30, 2017	6.50 %
June 30, 2018 through June 30, 2022	5.75
June 30, 2023 and beyond	5.00
University:	
Through June 30, 2017	6.50 %
June 30, 2018 through June 30, 2022	5.75
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, 2015

The actuarial present value of future benefits obligation decreased by approximately $126,000 compared to the reported balance at June 30, 2014. Contributing to the overall decrease was tuition paid during the year.

Note 15. Fund Balances and Net Position (Continued)

C. Restrictions and Commitments

As of June 30, 2015, the Commission reported the following net position restrictions and fund balance commitments:

The Illinois Designated Account Purchase Program reported $11,651 of net position restricted for debt service. The Federal Student Loan Fund reported $38,369 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 $42, $264, and $99, respectively, in fund balance committed for scholarships, awards and grants.

Note 16. 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 $138 in 2015. There are no future minimum rental commitments for non-cancelable operating leases to be satisfied by future Commission appropriations.

Note 17. New Governmental Accounting Standards

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

GASB Statement No. 72, *Fair Value Measurement and Application*, will be effective for the Commission with its year ended June 30, 2016. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

GASB Statement No. 73, *Accounting and Financial Reporting for Pension and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Nos. 67 and 68*, will be effective for the Commission beginning with its year ended June 30, 2017, except those provisions that amend provisions of Statements 67 and 68, which are effective for the Commission beginning with its year ended June 30, 2016. This Statement will establish requirements for deferred benefit pensions that are not within the scope of Statement No. 68. It also amends provisions of Statements 67 and 68.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, will be effective for the Commission beginning with its year ended June 30, 2017. This Statement establishes guidance for reporting OPEB plans that administer benefits on behalf of governmental entities. This Statement also addresses financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, will be effective for the Commission beginning with its year ended June 30, 2018. This Statement addresses accounting and financial reporting for OPEB that is provided to employees of State and local governmental employers.

Management has fully determined what impact, if any, these Statements may have on its financial statements; however, GASB Statement 75 is expected to have a material impact when implemented.

State of Illinois

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Required Supplementary Information

Budgetary Comparison Schedule - Major Governmental Fund - General Fund - Budgetary Basis

Year Ended June 30, 2015

(All dollar amounts are expressed in thousands)

	Budgeted Amounts			Actual Amounts	Variance from
	Original	Final	Actual Amount	GAAP Basis	Final Budget
Revenues (inflows)					
Appropriations from State resources and other revenues					
General Revenue Account	$ 365,854	$ 365,854	$ 362,849	$ 362,849	$ (3,005)
Education Assistance Account	10,826	10,826	10,078	10,078	(748)
Combined totals	376,680	376,680	372,927	372,927	(3,753)
Expenditures (outflows)					
Education					
Program, administration, and capital outlay					
General Revenue Account	365,854	365,854	362,846	362,846	3,008
Education Assistance Account	10,826	10,826	10,078	10,078	748
Combined totals	376,680	376,680	372,924	372,924	3,756
Excess (deficiency) of revenues over expenditures	-	-	3	3	3
Net change in fund balance	$ -	$ -	3	3	$ 3
Fund balance, July 1, 2014			5,441	5,441	
Fund balance, June 30, 2015			$ 5,444	$ 5,444	

See Notes to Required Supplementary Information.

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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	$ 362,849
Total revenues on the GAAP basis	$ 362,849

State of Illinois
Illinois Student Assistance Commission

Combining Schedule of Accounts
General Fund
June 30, 2015
(All dollar amounts are expressed in thousands)

	General Revenue Account	Educational Assistance Account	Total
Assets			
Unexpended appropriations	$ 338	$ 19	$ 357
Due from State of Illinois component units	197	-	197
Other receivables	440	-	440
Notes receivable, net of allowance of $30,457	5,004	-	5,004
Total assets	$ 5,979	$ 19	$ 5,998
Liabilities			
Accounts payable and accrued liabilities	$ 424	$ 15	$ 439
Due to State of Illinois component units	111	4	115
Total liabilities	535	19	554
Fund Balances			
Nonspendable - notes receivable	5,004	-	5,004
Unassigned	440	-	440
Total fund balances	5,444	-	5,444
Total liabilities and fund balances	$ 5,979	$ 19	$ 5,998

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Illinois Student Assistance Commission

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
General Fund
Year Ended June 30, 2015
(All dollar amounts are expressed in thousands)

	General Revenue Account	Educational Assistance Account	Total
Expenditures			
Education			
Scholarships, awards and grants	$ 362,846	$ 10,078	$ 372,924
Deficiency of revenues over expenditures	(362,846)	(10,078)	(372,924)
Other sources (uses) of financial resources			
Appropriations from State resources	365,854	10,826	376,680
Lapsed appropriations	(1,231)	(709)	(1,940)
Receipts remitted to (from) State Treasury	(1,774)	(39)	(1,813)
Net other sources (uses) of financial resources	362,849	10,078	372,927
Net change in fund balance	3	-	3
Fund balance, July 1, 2014	5,441	-	5,441
Fund balance, June 30, 2015	$ 5,444	$ -	$ 5,444

State of Illinois
Illinois Student Assistance Commission

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015
(All dollar amounts are expressed in thousands)

	Special Revenue Funds		
	I S A C Accounts Receivable	College Access Challenge Grant	John R. Justice Grant
Assets			
Cash and cash equivalents	$ 42	$ -	$ -
Receivables			
Other	-	-	38
Total assets	$ 42	$ -	$ 38
Liabilities and Fund Balances			
Liabilities			
Accounts payable and accrued liabilities	$ -	$ -	$ 38
Unearned revenue	-	-	-
Total liabilities	-	-	38
Fund balances			
Committed	42	-	-
Total liabilities and fund balances	$ 42	$ -	$ 38

Special Revenue Funds					
Future Teacher Corp	University Grant	Optometric Education	Total	Debt Service Fund I S A C COP	Total Nonmajor Governmental Funds
$ 266	$ 101	$ -	$ 409	$ -	$ 409
-	-	-	38	-	38
$ 266	$ 101	$ -	$ 447	$ -	$ 447
$ -	$ -	$ -	$ 38	$ -	$ 38
2	2	-	4	-	4
2	2	-	42	-	42
264	99	-	405	-	405
$ 266	$ 101	$ -	$ 447	$ -	$ 447

State of Illinois
Illinois Student Assistance Commission

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
Year Ended June 30, 2015
(All dollar amounts are expressed in thousands)

	Special Revenue Funds		
	I S A C Accounts Receivable	**College Access Challenge Grant**	**John R. Justice Grant**
Revenues			
Federal government	$ -	$ 860	$ 38
Licenses, fees, and other	165	-	-
Total revenues	165	860	38
Expenditures			
Education			
Scholarships, awards and grants	111	860	38
Salaries and employee benefits	76	-	-
Capital outlay - building improvement	-	-	-
Total expenditures	187	860	38
Excess (deficiency) of revenues over expenditures	(22)	-	-
Other sources of financial resources			
Appropriations from State resources	-	-	-
Transfers in	-	-	-
Net other sources of financial resources	-	-	-
Net change in fund balance	(22)	-	-
Fund balance, July 1, 2014	64	-	-
Fund balance, June 30, 2015	$ 42	$ -	$ -

Special Revenue Funds				Debt Service Fund	Total Nonmajor Governmental Funds
Future Teacher Corp	University Grant	Optometric Education	Total	I S A C COP	
$ -	$ -	$ -	$ 898	$ -	$ 898
48	91	-	304	-	304
48	91	-	1,202	-	1,202
110	88	50	1,257	-	1,257
-	-	-	76	-	76
-	-	-	-	181	181
110	88	50	1,333	181	1,514
(62)	3	(50)	(131)	(181)	(312)
-	-	50	50	-	50
-	-	-	-	181	181
-	-	50	50	181	231
(62)	3	-	(81)	-	(81)
326	96	-	486	-	486
$ 264	$ 99	$ -	$ 405	$ -	$ 405

State of Illinois
Illinois Student Assistance Commission

Combining Statement of Net Position
Nonmajor Enterprise Funds
June 30, 2015
(All dollar amounts are expressed in thousands)

	Student Loan Operating Fund	Federal Student Loan Fund	Eliminations	Total
Assets				
Current				
Cash and cash equivalents	$ 40,729	$ 44,559	$ -	$ 85,288
Receivables				
Intergovernmental	638	22,792	-	23,430
Accrued interest on investments	18	16	-	34
Securities lending collateral	18,083	16,744	-	34,827
Due from other State funds	115	-	-	115
Due from State of Illinois component units	21	-	-	21
Due from other ISAC funds	2,507	-	-	2,507
Due from Federal Student Loan fund	2,736	-	(2,736)	-
Due from Student Loan Operating fund	-	395	(395)	-
Total current assets	64,847	84,506	(3,131)	146,222
Noncurrent				
Capital assets, net of accumulated depreciation	2,881	-	-	2,881
Due from Student Loan Operating fund	-	1,531	(1,531)	-
Total noncurrent assets	2,881	1,531	(1,531)	2,881
Total assets	67,728	86,037	(4,662)	149,103
Deferred Outflows of Resources				
Pension related amounts	12,017	-	-	12,017
Total assets and deferred outflows of resources	$ 79,745	$ 86,037	$ (4,662)	$ 161,120
Liabilities				
Current				
Accounts payable and accrued liabilities	$ 837	$ 14,424	$ -	$ 15,261
Due to Federal Student Loan fund	395	-	(395)	-
Due to Student Loan Operating fund	-	2,736	(2,736)	-
Due to other State funds	573	-	-	573
Securities lending collateral obligation	18,083	16,744	-	34,827
Due to U.S. Department of Education	-	13,764	-	13,764
Compensated absences	67	-	-	67
Total current liabilities	19,955	47,668	(3,131)	64,492
Noncurrent				
Due to Federal Student Loan fund	1,531	-	(1,531)	-
Net pension liability	90,689	-	-	90,689
Compensated absences	601	-	-	601
Total noncurrent liabilities	92,821	-	(1,531)	91,290
Total liabilities	112,776	47,668	(4,662)	155,782
Deferred Inflows of Reources				
Pension related amounts	3,233	-	-	3,233

(Continued)

State of Illinois
Illinois Student Assistance Commission

Combining Statement of Net Position
Nonmajor Enterprise Funds (Continued)
June 30, 2015
(All dollar amounts are expressed in thousands)

	Student Loan Operating Fund	Federal Student Loan Fund	Eliminations	Total
Net Position				
Net investment in capital assets	$ 2,881	$ -	$ -	$ 2,881
Restricted	-	38,369	-	38,369
Unrestricted	(39,145)	-	-	(39,145)
Total net position	(36,264)	38,369	-	2,105
Total liabilities, deferred inflows of resources and net position	$ 79,745	$ 86,037	$ (4,662)	$ 161,120

State of Illinois

Illinois Student Assistance Commission

Combining Statement of Revenues, Expenses and Changes in Net Position -
Nonmajor Enterprise Funds
Year Ended June 30, 2015
(All dollar amounts are expressed in thousands)

	Student Loan Operating Fund	Federal Student Loan Fund	Total
Operating revenues			
Portfolio maintenance fees	$ 2,627	$ -	$ 2,627
Direct consolidation fees	7,587	-	7,587
Collections on student loans previously reimbursed by the U.S. Department of Education	-	27,456	27,456
Other	920	-	920
Total operating revenues	11,134	27,456	38,590
Operating expenses			
Salaries and employee benefits	8,875	-	8,875
Pension	9,395	-	9,395
Loan guarantees	-	133,205	133,205
Management and professional services	8,118	-	8,118
Depreciation	384	-	384
Total operating expenses	26,772	133,205	159,977
Operating loss	(15,638)	(105,749)	(121,387)
Non-operating revenues			
Federal government	-	129,564	129,564
Interest revenue	152	157	309
Total non-operating revenues	152	129,721	129,873
Income (loss) before transfers	(15,486)	23,972	8,486
Transfers out to other ISAC funds	(181)	-	(181)
Transfers for:			
Collection retention fees	3,862	(3,862)	-
Repurchases/Rehabilitations/Consolidation Retention fees	22,861	(22,861)	-
Direct Consolidation fee refund	(3,451)	3,451	-
Default aversion fees	432	(432)	-
Net transfers	23,523	(23,704)	(181)
Change in net position	8,037	268	8,305
Net position, July 1, 2014, as restated	(44,301)	38,101	(6,200)
Net position, June 30, 2015	$ (36,264)	$ 38,369	$ 2,105

State of Illinois
Illinois Student Assistance Commission

Combining Statement of Cash Flows -
Nonmajor Enterprise Funds
Year Ended June 30, 2015
(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	$ 10,491	$ 146,865	$ 157,356
Cash payments to suppliers for goods and services	(3,327)	-	(3,327)
Cash payments to employees for services	(13,292)	-	(13,292)
Cash payments for loan guarantees	-	(133,027)	(133,027)
Cash payments for other operating activities	(3,364)	(112,507)	(115,871)
Net cash used in operating activities	(9,492)	(98,669)	(108,161)
Cash flows from noncapital financing activities			
Federal government grants	-	131,325	131,325
Transfers in	25,764	3,153	28,917
Transfers out	(3,334)	(25,764)	(29,098)
Net cash provided by noncapital financing activities	22,430	108,714	131,144
Cash flows from capital and related financing activities			
Acquisition and construction of capital assets	(260)	-	(260)
Cash flows from investing activities			
Interest and dividends on investments	144	153	297
Net increase in cash and cash equivalents	12,822	10,198	23,020
Cash and cash equivalents, July 1, 2014	27,907	34,361	62,268
Cash and cash equivalents, June 30, 2015	$ 40,729	$ 44,559	$ 85,288

(Continued)

State of Illinois
Illinois Student Assistance Commission

Combining Statement of Cash Flows -
Nonmajor Enterprise Funds (Continued)
Year Ended June 30, 2015
(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	$ (15,638)	$ (105,749)	$ (121,387)
Adjustments to reconcile operating loss to net cash used in operating activities			
Depreciation	384	-	384
Change in assets and liabilities			
Intergovernmental receivables	58	-	58
Due from other State funds	88	(1)	87
Due from State of Illinois component units	(14)	-	(14)
Accounts payable and accrued liabilities	319	2,195	2,514
Intergovernmental payables	-	4,886	4,886
Due to other State funds and component units	349	-	349
Compensated absences	(1,417)	-	(1,417)
Deferred inflows related to pensions	3,233	-	3,233
Deferred outflows related to pensions	(6,331)	-	(6,331)
Net pension liability	9,477	-	9,477
Total adjustments	6,146	7,080	13,226
Net cash used in operating activities	$ (9,492)	$ (98,669)	$ (108,161)

Gabriel Roeder Smith & Company
Consultants & Actuaries

COLLEGE ILLINOIS!® PREPAID TUITION PROGRAM
ACTUARIAL SOUNDNESS VALUATION REPORT
AS OF JUNE 30, 2015

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October 29, 2015

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, 2015

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, 2015. 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, 2015.

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, 2015, 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 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, 2015, and do not reflect subsequent market volatility.

The valuation results summarized in this report involve actuarial calculations that require assumptions about future events. The actuarial assumptions used in this analysis were based on an experience review for the period from July 1, 2011, to June 30, 2014, and were adopted for use commencing with the June 30, 2015, valuation.

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, 2015. 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.

Lance Weiss, Paul Wood and Alex Rivera 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

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SECTION A

EXECUTIVE SUMMARY

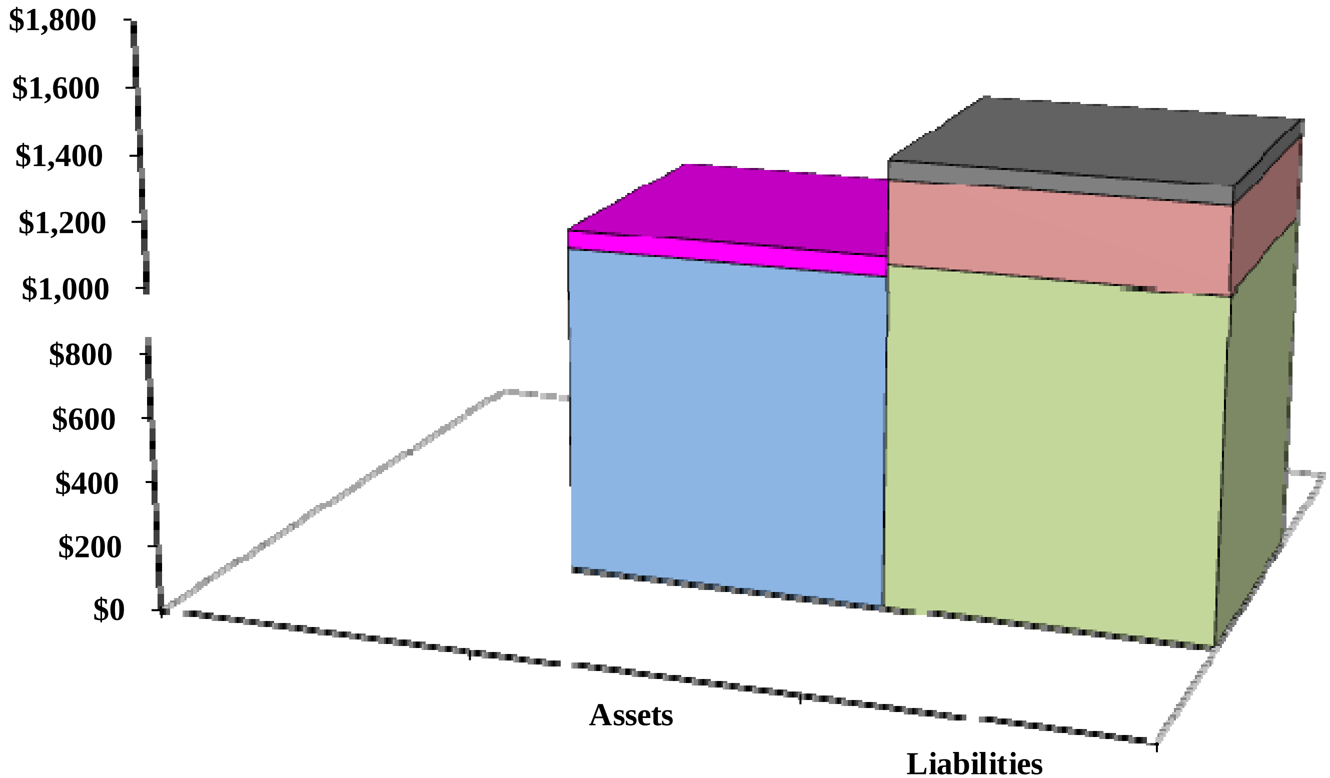
SUMMARY OF RESULTS

Principal Valuation Results

Valuation Date:	June 30, 2015	June 30, 2014
Membership Summary:		
Counts		
Not yet Matriculating	31,194	34,125
Matriculating	12,385	11,713
Total	43,579	45,838
Average years until Enrollment if Not yet Matriculating	4.7	5.0
Assets [1]		
· Actuarial Value of Assets (AVA)	$1,085,206,988	$1,172,353,201
· Estimated Return [2]	3.90%	11.28%
Actuarial Liabilities (Present Value of Future Tuition Payments, Fees, and Administrative Expenses)	$1,377,318,169	$1,500,535,374
Unfunded Liabilities	$292,111,181	$328,182,173
Funded Ratio	78.8%	78.1%

[1] *Asset values include present value of expected future contributions from current members.*
[2] *The estimated return was determined using the market value of assets due to the change in the asset valuation method.*

SUMMARY OF ASSETS AND LIABILITIES AS OF JUNE 30, 2015
$ IN MILLIONS



ASSETS	LIABILTIES
Actuarial Value of Assets	PV Benefits Not Yet Matriculating
PV Future Contributions	PV Benefits Matriculating
	PV Administrative Fees

Funded Status as of June 30, 2015 (Based on Actuarial Value of Assets)

	June 30, 2015
Actuarial Present Value of Future Tuition Payments, Fees and Expenses	$1,377,318,169
Actuarial Value of Assets (Including the Present Value of Installment Contract Receivables)	$1,085,206,988
Deficit/(Surplus) as of June 30, 2015	$292,111,181

Gain/Loss Summary

	Unfunded Liability (Market Value of Assets)
Value at June 30, 2014	$ 328,182,173
Expected Value at June 30, 2015	$ 346,104,498
(Gain)/Loss Due to:	
Investment Experience	$ 31,916,454
Change in Assumptions and Methods	(49,845,761)
Tuition/Fee Inflation	(47,420,647)
Other Demographic Experience*	11,356,637
Total	$ (53,993,317)
Actual Value at June 30, 2015	$ 292,111,181

**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, 2015, 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, 2015.

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, 2015, 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, strictly for illustrative purposes, also presents the results of (1) a closed group business model and (2) alternative open group business models. 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 used for this June 30, 2015, actuarial soundness valuation were based on an experience review for the period from July 1, 2011, to June 30, 2014, and were adopted for use commencing with the June 30, 2015, valuation.

On October 17, 2014, CIPTP announced reduced pricing for purchasers of new contracts. In addition, price adjustments were made to certain existing CIPTP contract holders who purchased prepaid plans after October 2010. This June 30, 2015, actuarial soundness valuation takes into account such reduced pricing as well as the price adjustments made to certain existing contract holders.

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 exempt from state and federal income taxes.

The first CIPTP contracts were offered for sale in 1998. As of June 30, 2015, the CIPTP had 43,579 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 actuarial soundness valuation are based on an experience review for the period from July 1, 2011, to June 30, 2014 and were approved and adopted for use commencing with the June 30, 2015 actuarial soundness valuation by ISAC. These actuarial assumptions are the responsibility of ISAC.

Key Actuarial Assumptions – Changes Since Prior Valuation

An experience review of the actuarial assumptions used in the annual actuarial soundness valuation of the College Illinois!® Prepaid Tuition Program for the period July 1, 2011, to June 30, 2014, was performed. The primary purpose of the study was to determine the continued appropriateness of the actuarial assumptions by comparing actual experience to expected experience. Our study was based on census information as provided by ISAC and annual actuarial soundness valuations for the period from July 1, 2011, to June 30, 2014.

Following is a summary of our key findings and recommendations, as approved by ISAC.

- **Price inflation**: Maintain the rate of price inflation of 3.00 percent.
- **Investment return**: Maintain the current investment return assumption of 7.00 percent, net of investment expenses.
- **Tuition and fee increases**: Maintain the current "select and ultimate" rate increase structure.
- **Rates of cancellation before and after projected college entrance year:** Updated this assumption based on recent experience. Furthermore, it is assumed that a 100 percent of contract holders will cancel their contracts ten years after their projected college entrance date if the contract has not been used by that point.
- **Probability of matriculation at or beyond projected college entrance year:** Updated and simplified this assumption based on recent experience.
- **Utilization of benefits that applies both to contracts in and not yet in payment status:** Lowered the assumed number of credit hours used by beneficiaries.
- **Mortality and Disability**: Maintain the current assumption of no provision for death and disability.
- **Weighted Average Tuition and Bias Load**: Maintain the methodology to calculate the Weighted Average Tuition. Furthermore, the Bias Loads were modified to better track recent experience.
- **Administrative Expenses**: Maintain the current basis for determining the level of administrative expenses used in the Actuarial Soundness Valuation. The growth rate of administrative expenses was lowered to be consistent with the price inflation assumption.
- **Truth in Tuition**: Maintain the current assumption pertaining to Truth in Tuition for beneficiaries who attend school for no more than four years. For those beneficiaries that attend school beyond four years, the amount charged was modified to the amount charged the year after they first enrolled.
- **Asset Valuation Method**: The use of asset smoothing was eliminated and the actuarial value of assets was set to the market value of assets.

ISAC approved these assumptions for use in the June 30, 2015, actuarial soundness valuation. The impact of the change in assumptions and methods is shown in Exhibit II on Page 10.

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 assumptions.

Financial Status of Program as of June 30, 2015

As of June 30, 2015, the present value of all future tuition obligations under contracts outstanding (and including future administrative expenses) at that date is $1,377,318,169. Fund assets as of June 30, 2015, including the market value of program assets and the present value of installment contract receivables, is $1,085,206,988.

The difference between the present value of future tuition obligations and the value of assets as of June 30, 2015, represents a program deficit of $292,111,181. The comparable program deficit as of the last valuation as of June 30, 2014, was $328,182,173.

Gain/Loss Analysis

As described above, the program deficit decreased from $328.2 million as of June 30, 2014, to $292.1 million as of June 30, 2015. Based on the actuarial assumptions used during the June 30, 2014, actuarial soundness valuation, the deficit was expected to increase to $346.1 million. The primary factors which caused the expected deficit to decrease by $54.0 million include tuition and fee increases that were less than expected and the change in assumptions and methods. These gains were partially offset by losses due to investment returns that were less than expected and other demographic experience which includes deviations in actual participant experience from our assumptions related to rates of separation from active membership and rates of enrollment and utilization of benefits.

The funded ratio increased from 78.1 percent as of June 30, 2014, to 78.8 percent as of June 30, 2015.

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, 2014.

Assets

CIPTP assets are held in trust. ISAC provided the asset information used in the June 30, 2015, 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 and a reconciliation of the assets from the last valuation date to the current valuation date. The approximate return on market value of assets was 3.90 percent for the year ended June 30, 2015.

Commencing with the June 30, 2015, valuation, the actuarial value of assets is equal to the market value of assets.

Closed Group Business Model (Run-Off Scenario)

While the closing of the program has not occurred, in Exhibit IV, we have provided a closed group projection (i.e., run off scenario) for illustration purposes assuming no new contract sales after June 30, 2015. Under this scenario, member payments, fund principal and investment income are projected to be insufficient to make the required tuition payments by the year 2025 and additional funds will be required to maintain solvency ($684 million for the period 2025 to 2051). Under this scenario, the shortfall is expected to grow from the current level of $292 million until it reaches a high of $538 million in 2024.

Open Group Ongoing Business Scenarios

Exhibits V, VI, VII and VIII 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 500, 1,000, 1,500 and 2,500 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.

Exhibits V and VI illustrate the program results based on an investment return assumption of 7.00 percent and an assumption of 500 and 1,000 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.

Exhibit VII illustrates the program results based on an investment return assumption of 7.00 percent and an assumption of 1,500 new contract sales each year. Under this new contract sales assumption, the CIPTP funded status is projected to decrease to 54 percent in 2030 and gradually increase to 78 percent in 2050.

Exhibit VIII 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 around 78 to 83 percent for a number of years before gradually improving to 100 percent in 2036.

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.

Contract Prices

Contract prices are determined for each enrollment period based upon a variety of factors and include a built-in stabilization factor. The stabilization factor is intended to help insulate the Program from unexpected market volatility and unforeseen changes in actuarial projections and improve the funded status of the Program over time. Each year, ISAC reviews the actuarial soundness report, the Mean Weighted Average Tuition and Fees and the stabilization factor amount to establish contract pricing. In effect, contract prices are reviewed in order to reflect tuition and fee increases at Illinois public institutions, as well as other actuarial criteria.

Contracts Sold by Enrollment Year

The chart on Page 22 in Section D illustrates the number of contracts sold by enrollment year.

As this chart indicates, the number of contracts sold has decreased significantly during the last five enrollment years from the number sold per year in previous years. The average annual number of contracts sold during the period 1999 to 2010 was 5,236; whereas the average annual number of contracts sold during the last five year period 2010 to 2015 was 598 including 2011/2012 when the plan was not open for new contract sales, or 748 excluding 2011/2012 when the plan was not open for new contract sales.

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, 2015**	**June 30, 2014**
1 Number of Members		
a. Not yet Matriculating:	31,194	34,125
b. Matriculating:	12,385	11,713
c. Total	43,579	45,838
Average Years until Enrollment if Not Yet Matriculating	4.7	5.0
2 Assets		
a. Market Value of Assets (in Trust)	$ 1,025,385,432	$ 1,096,307,516
b. PV Future Member Contributions	59,821,556	76,045,685
c. Total Actuarial Value of Assets (AVA) (2a + 2b)	$ 1,085,206,988	$ 1,172,353,201
3 Actuarial Results		
Liabilities		
a. Not yet Matriculating - Tuition and Fees	$ 1,062,457,974	$ 1,202,693,448
b. Matriculating - Tuition and Fees	257,743,983	243,961,994
c. Present Value of Future Administrative Expenses	57,116,212	53,879,932
d. Total	$ 1,377,318,169	$ 1,500,535,374
Unfunded Liability	$ 292,111,181	$ 328,182,173
Funded Ratio	78.8%	78.1%

Exhibit II
Gain/Loss Summary

	Present Value of Benefits	Market Value of Assets	Unfunded Liability
1. Values at June 30, 2014	$ 1,500,535,374	$1,172,353,201	$ 328,182,173
2. Actual Tuition Payments, Refunds, and Administrative Expenses	$ (144,739,442)	$ (144,739,442)	$ -
3. Interest on 1. and 2. at 7.00%	$ 100,057,275	$ 77,084,523	$ 22,972,752
4. New Contracts	$ 15,200,234	$ 20,250,661	$ (5,050,427)
5. Projected Values at June 30, 2015 (1. + 2. + 3. + 4.)	$ 1,471,053,441	$ 1,124,948,943	$ 346,104,498
6. (Gain)/Loss Due to:			
Investment Experience	$ -	$ 31,916,454	$ 31,916,454
Change in Assumptions and Methods	(52,491,873)	2,646,111	(49,845,761)
Tuition/Fee Inflation	(47,420,647)	-	(47,420,647)
Other Demographic Experience*	6,177,247	5,179,390	11,356,637
Total	$ (93,735,273)	$ 39,741,955	$ (53,993,317)
7. Actual Values at June 30, 2015 (5. + 6.)	$ 1,377,318,169	$ 1,085,206,988	$ 292,111,181

**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
Gain and Loss History

	June 30, 2011	June 30, 2012	June 30, 2013	June 30, 2014	June 30, 2015
Unfunded Liability at Prior Valuation Date	$ 531,271,895	$ 536,337,123	$ 467,404,585	$ 448,506,323	$ 328,182,173
Projected Unfunded Liability at Valuation Date	$ 548,401,665	$ 585,357,342	$ 491,441,672	$ 474,596,839	$ 346,104,498
(Gain)/Loss Due to:					
Investment Experience	$ (82,811,259)	$ 50,941,188	$ (13,003,926)	$ (44,221,698)	$ 31,916,454
Change in Assumptions	112,715,224	(81,435,163)	24,441,468	(53,755,927)	(49,845,761)
Tuition/Fee Inflation*	N/A	N/A	(66,164,363)	(45,359,154)	(47,420,647)
Other Demographic Experience	(41,968,507)	(87,458,782)	11,791,472	(3,077,887)	11,356,637
Total	$ (12,064,542)	$ (117,952,757)	$ (42,935,349)	$ (146,414,666)	$ (53,993,317)
Unfunded Liability at Valuation Date	$ 536,337,123	$ 467,404,585	$ 448,506,323	$ 328,182,173	$ 292,111,181

**Prior to the June 30, 2013, soundness valuation, Tuition and Fee Inflation was included with "Other Demographic Experience"*

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

Closed Group Projections (No New Contracts)
Projection Based on Data as of June 30, 2015
Assumptions Based on Those Used in Actuarial Valuation as of June 30, 2015
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
2015			33,221,359	0	137,976,098	6,763,344	40,595,999	1,025,385,432	59,821,556	1,085,206,988	1,320,201,957	57,116,212	1,377,318,169	292,111,181	78.8%
2016	7.00%	0	18,270,942	0	163,506,101	5,951,743	66,485,439	940,683,970	45,109,455	985,793,425	1,243,484,021	54,957,817	1,298,441,838	312,648,413	75.9%
2017	7.00%	0	12,937,171	0	157,378,831	6,145,174	60,577,339	850,674,475	34,884,803	885,559,278	1,167,733,907	52,448,246	1,220,182,153	334,622,875	72.6%
2018	7.00%	0	10,601,619	0	158,628,037	6,284,385	54,146,335	750,510,007	26,360,339	776,870,346	1,085,389,078	49,619,005	1,135,008,083	358,137,737	68.4%
2019	7.00%	0	8,442,663	0	160,149,575	6,364,871	47,003,188	639,441,412	19,472,404	658,913,816	995,706,203	46,508,461	1,042,214,664	383,300,848	63.2%
2020	7.00%	0	6,054,475	0	152,765,915	6,383,718	39,402,568	525,748,822	14,572,675	540,321,497	907,383,229	43,160,685	950,543,914	410,222,417	56.8%
2021	7.00%	0	4,665,555	0	146,037,537	6,339,763	31,632,506	409,669,583	10,766,675	420,436,258	819,837,533	39,624,030	859,461,563	439,025,305	48.9%
2022	7.00%	0	4,279,801	0	145,372,001	6,233,689	23,520,465	285,864,159	7,093,282	292,957,441	726,852,073	35,949,535	762,801,608	469,844,167	38.4%
2023	7.00%	0	3,090,906	0	142,096,261	6,068,009	14,932,923	155,723,718	4,392,553	160,116,271	630,746,085	32,189,204	662,935,289	502,819,018	24.2%
2024	7.00%	0	1,984,274	0	136,649,501	5,846,986	5,982,733	21,194,238	2,647,483	23,841,721	533,546,855	28,394,279	561,941,134	538,099,413	4.2%
2025	7.00%	0	1,092,345	108,437,323	125,864,177	5,576,442	716,713	0	1,702,876	1,702,876	440,700,113	24,613,562	465,313,675	463,610,799	0.4%
2026	7.00%	0	690,430	120,267,101	115,748,930	5,208,601	0	0	1,107,891	1,107,891	351,817,401	20,948,693	372,766,094	371,658,203	0.3%
2027	7.00%	0	585,354	103,143,119	98,966,020	4,762,453	0	0	579,948	579,948	274,073,290	17,488,781	291,562,071	290,982,123	0.2%
2028	7.00%	0	347,147	86,624,855	82,711,267	4,260,735	0	0	261,453	261,453	207,701,152	14,305,658	222,006,810	221,745,357	0.1%
2029	7.00%	0	191,293	70,290,811	66,754,137	3,727,967	0	0	81,880	81,880	153,189,161	11,450,815	164,639,976	164,558,096	0.0%
2030	7.00%	0	84,697	54,733,216	51,629,510	3,188,403	0	0	0	0	110,506,379	8,954,263	119,460,642	119,460,642	0.0%
2031	7.00%	0	0	41,454,954	38,790,810	2,664,144	0	0	0	0	78,116,267	6,825,249	84,941,516	84,941,516	0.0%
2032	7.00%	0	0	30,521,077	28,347,453	2,173,624	0	0	0	0	54,261,548	5,054,603	59,316,151	59,316,151	0.0%
2033	7.00%	0	0	22,336,826	20,606,213	1,730,613	0	0	0	0	36,744,608	3,618,265	40,362,873	40,362,873	0.0%
2034	7.00%	0	0	15,877,326	14,550,554	1,326,772	0	0	0	0	24,265,509	2,499,120	26,764,629	26,764,629	0.0%
2035	7.00%	0	0	11,043,150	10,065,173	977,977	0	0	0	0	15,552,590	1,662,431	17,215,021	17,215,021	0.0%
2036	7.00%	0	0	7,412,800	6,720,812	691,988	0	0	0	0	9,689,203	1,063,003	10,752,206	10,752,206	0.0%
2037	7.00%	0	0	4,833,765	4,364,575	469,190	0	0	0	0	5,852,693	652,079	6,504,772	6,504,772	0.0%
2038	7.00%	0	0	3,090,398	2,786,132	304,266	0	0	0	0	3,380,381	382,989	3,763,370	3,763,370	0.0%
2039	7.00%	0	0	1,850,506	1,662,179	188,327	0	0	0	0	1,897,635	214,992	2,112,627	2,112,627	0.0%
2040	7.00%	0	0	1,046,832	935,829	111,003	0	0	0	0	1,062,440	115,219	1,177,659	1,177,659	0.0%
2041	7.00%	0	0	598,498	536,350	62,148	0	0	0	0	582,005	58,998	641,003	641,003	0.0%
2042	7.00%	0	0	355,398	321,353	34,045	0	0	0	0	290,335	27,912	318,247	318,247	0.0%
2043	7.00%	0	0	190,016	173,033	16,983	0	0	0	0	131,672	12,298	143,970	143,970	0.0%
2044	7.00%	0	0	93,212	85,510	7,702	0	0	0	0	52,437	5,192	57,629	57,629	0.0%
2045	7.00%	0	0	33,048	29,981	3,067	0	0	0	0	25,095	2,383	27,478	27,478	0.0%
2046	7.00%	0	0	16,370	14,902	1,468	0	0	0	0	11,437	1,031	12,468	12,468	0.0%
2047	7.00%	0	0	7,762	7,093	669	0	0	0	0	4,900	411	5,311	5,311	0.0%
2048	7.00%	0	0	3,523	3,236	287	0	0	0	0	1,896	144	2,040	2,040	0.0%
2049	7.00%	0	0	1,510	1,399	111	0	0	0	0	582	39	621	621	0.0%
2050	7.00%	0	0	527	493	34	0	0	0	0	113	6	119	119	0.0%

[1] *Additional contributions in the amount of $684,263,923 are needed over the years 2025 through 2050 to pay all benefits due.*

Exhibit V
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, 2015
Assumptions Based on Those Used in Actuarial Valuation as of June 30, 2015
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
2015			33,221,359	0	137,976,098	6,763,344	40,595,999	1,025,385,432	59,821,556	1,085,206,988	1,320,201,957	57,116,212	1,377,318,169	292,111,181	78.8%
2016	7.00%	500	18,270,942	0	163,506,101	5,951,743	66,485,439	940,683,970	60,438,989	1,001,122,959	1,255,293,456	55,133,501	1,310,426,957	309,303,998	76.4%
2017	7.00%	500	22,361,824	0	157,391,010	6,160,054	60,906,255	860,400,985	57,882,964	918,283,949	1,192,771,396	53,147,031	1,245,918,427	327,634,477	73.7%
2018	7.00%	500	22,118,078	0	158,937,861	6,344,855	55,217,307	772,453,654	56,323,079	828,776,733	1,124,880,667	51,556,447	1,176,437,114	347,660,381	70.4%
2019	7.00%	500	22,049,420	0	160,773,875	6,535,201	48,987,668	676,181,666	55,719,526	731,901,192	1,050,990,703	50,376,539	1,101,367,242	369,466,050	66.5%
2020	7.00%	500	21,846,696	0	153,909,574	6,731,257	42,474,922	579,862,453	56,344,521	636,206,974	979,720,834	49,612,056	1,029,332,890	393,125,916	61.8%
2021	7.00%	500	22,745,758	0	147,774,317	6,933,195	35,971,710	483,872,409	57,189,966	541,062,375	910,523,511	49,248,622	959,772,133	418,709,758	56.4%
2022	7.00%	500	23,911,699	0	147,947,617	7,141,191	29,279,870	381,975,170	58,068,757	440,043,927	837,061,221	49,259,252	886,320,473	446,276,547	49.6%
2023	7.00%	500	24,322,261	0	145,789,784	7,355,426	22,229,459	275,381,680	59,652,653	335,034,333	761,471,670	49,603,710	811,075,380	476,041,047	41.3%
2024	7.00%	500	24,730,025	0	141,728,911	7,576,089	14,916,593	165,723,298	62,063,407	227,786,705	685,625,414	50,236,095	735,861,509	508,074,804	31.0%
2025	7.00%	500	25,364,055	0	132,585,340	7,803,372	7,574,768	58,273,409	65,219,581	123,492,990	614,831,509	51,756,194	666,587,703	543,094,713	18.5%
2026	7.00%	500	26,509,037	45,671,654	124,387,225	8,037,473	1,970,598	0	68,613,930	68,613,930	548,442,992	53,988,069	602,431,061	533,817,131	11.4%
2027	7.00%	500	27,935,742	90,034,244	109,691,389	8,278,597	0	0	72,066,971	72,066,971	493,559,362	56,736,796	550,296,158	478,229,187	13.1%
2028	7.00%	500	29,271,140	74,901,659	95,645,844	8,526,955	0	0	75,778,607	75,778,607	450,387,581	59,789,613	510,177,194	434,398,586	14.9%
2029	7.00%	500	30,758,258	60,142,732	82,118,226	8,782,764	0	0	79,694,959	79,694,959	419,274,001	62,946,323	482,220,324	402,525,365	16.5%
2030	7.00%	500	32,354,150	46,233,008	69,540,911	9,046,247	0	0	83,704,608	83,704,608	400,069,997	66,028,117	466,098,114	382,393,506	18.0%
2031	7.00%	500	33,979,147	34,664,445	59,325,958	9,317,634	0	0	87,965,029	87,965,029	391,298,294	68,904,313	460,202,607	372,237,578	19.1%
2032	7.00%	500	35,721,950	25,426,979	51,551,766	9,597,163	0	0	92,378,265	92,378,265	391,169,065	71,497,673	462,666,738	370,288,472	20.0%
2033	7.00%	500	37,508,093	18,921,727	46,544,742	9,885,078	0	0	96,966,473	96,966,473	397,466,159	73,985,024	471,451,183	374,484,709	20.6%
2034	7.00%	500	39,362,149	14,287,213	43,467,732	10,181,630	0	0	101,858,445	101,858,445	408,779,907	76,249,175	485,029,082	383,170,637	21.0%
2035	7.00%	500	41,362,908	11,232,832	42,108,661	10,487,079	0	0	106,911,154	106,911,154	423,675,235	78,266,784	501,942,019	395,030,865	21.3%
2036	7.00%	500	43,404,150	9,158,339	41,760,798	10,801,691	0	0	112,307,496	112,307,496	441,513,353	80,084,635	521,597,988	409,290,492	21.5%
2037	7.00%	500	45,611,133	7,809,201	42,294,592	11,125,742	0	0	117,834,327	117,834,327	461,540,070	81,796,506	543,336,576	425,502,249	21.7%
2038	7.00%	500	47,829,757	7,142,932	43,513,175	11,459,514	0	0	123,840,823	123,840,823	483,458,294	83,514,345	566,972,639	443,131,816	21.8%
2039	7.00%	500	50,305,560	6,552,369	45,054,629	11,803,300	0	0	129,928,896	129,928,896	506,945,047	85,344,653	592,289,700	462,360,804	21.9%
2040	7.00%	500	52,741,164	6,329,887	46,913,652	12,157,399	0	0	136,535,311	136,535,311	532,067,100	87,369,778	619,436,878	482,901,567	22.0%
2041	7.00%	500	55,458,675	6,153,305	49,089,859	12,522,121	0	0	143,240,611	143,240,611	558,490,523	89,624,480	648,115,003	504,874,392	22.1%
2042	7.00%	500	58,141,220	6,245,306	51,488,741	12,897,785	0	0	150,477,160	150,477,160	586,361,397	92,157,013	678,518,410	528,041,250	22.2%
2043	7.00%	500	61,112,634	6,189,032	54,016,948	13,284,718	0	0	157,992,350	157,992,350	615,653,876	94,948,027	710,601,903	552,609,553	22.2%
2044	7.00%	500	64,153,702	6,232,959	56,703,401	13,683,260	0	0	165,899,450	165,899,450	646,425,318	97,982,247	744,407,565	578,508,116	22.3%
2045	7.00%	500	67,366,608	6,251,638	59,524,489	14,093,757	0	0	174,183,657	174,183,657	678,739,309	101,218,408	779,957,717	605,774,060	22.3%
2046	7.00%	500	70,723,625	6,290,612	62,497,667	14,516,570	0	0	182,896,346	182,896,346	712,674,079	104,625,093	817,299,172	634,402,826	22.4%
2047	7.00%	500	74,265,797	6,307,538	65,621,268	14,952,067	0	0	192,040,264	192,040,264	748,307,892	108,151,948	856,459,840	664,419,575	22.4%
2048	7.00%	500	77,978,105	6,324,380	68,901,856	15,400,629	0	0	201,641,879	201,641,879	785,723,566	111,751,245	897,474,811	695,832,932	22.5%
2049	7.00%	500	81,876,895	6,332,661	72,346,908	15,862,648	0	0	211,723,945	211,723,945	825,010,289	115,383,553	940,393,842	728,669,896	22.5%
2050	7.00%	500	85,970,155	6,332,980	75,964,607	16,338,528	0	0	222,310,234	222,310,234	866,260,666	119,024,651	985,285,317	762,975,083	22.6%

[1] *Additional contributions in the amount of $521,169,632 are needed over the years 2026 through 2050 to maintain solvency.*

Exhibit VI
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, 2015
Assumptions Based on Those Used in Actuarial Valuation as of June 30, 2015
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
2015			33,221,359	0	137,976,098	6,763,344	40,595,999	1,025,385,432	59,821,556	1,085,206,988	1,320,201,957	57,116,212	1,377,318,169	292,111,181	78.8%
2016	7.00%	1,000	18,270,942	0	163,506,101	5,951,743	66,485,439	940,683,970	75,778,187	1,016,462,157	1,267,110,337	55,133,501	1,322,243,838	305,781,681	76.9%
2017	7.00%	1,000	31,792,419	0	157,403,196	6,160,054	61,235,899	870,149,038	80,872,721	951,021,759	1,217,807,273	53,147,031	1,270,954,304	319,932,545	74.8%
2018	7.00%	1,000	33,627,716	0	159,247,863	6,344,855	56,291,658	794,475,694	86,316,974	880,792,668	1,164,395,306	51,556,447	1,215,951,753	335,159,085	72.4%
2019	7.00%	1,000	35,676,216	0	161,398,147	6,535,201	50,984,299	713,202,861	91,987,403	805,190,264	1,106,305,991	50,376,539	1,156,682,530	351,492,266	69.6%
2020	7.00%	1,000	37,646,799	0	155,053,932	6,731,257	45,579,357	634,643,828	98,104,413	732,748,241	1,052,071,322	49,612,056	1,101,683,378	368,935,137	66.5%
2021	7.00%	1,000	40,813,545	0	149,511,803	6,933,195	40,377,967	559,390,342	103,639,876	663,030,218	1,001,242,156	49,248,622	1,050,490,778	387,460,560	63.1%
2022	7.00%	1,000	43,560,398	0	150,523,993	7,141,191	35,163,656	480,449,212	109,047,372	589,496,584	947,298,700	49,259,252	996,557,952	407,061,368	59.2%
2023	7.00%	1,000	45,552,404	0	149,484,703	7,355,426	29,736,374	398,897,861	114,935,311	513,833,172	892,239,276	49,603,710	941,842,986	428,009,814	54.6%
2024	7.00%	1,000	47,487,835	0	146,809,705	7,576,089	24,181,422	316,181,324	121,497,431	437,678,755	837,752,223	50,236,095	887,988,318	450,309,563	49.3%
2025	7.00%	1,000	49,641,953	0	139,309,004	7,803,372	18,721,228	237,432,129	128,672,983	366,105,112	788,956,043	51,756,194	840,712,237	474,607,124	43.5%
2026	7.00%	1,000	52,284,817	0	133,028,250	8,037,473	13,512,917	162,164,140	136,081,256	298,245,396	745,047,216	53,988,069	799,035,285	500,789,889	37.3%
2027	7.00%	1,000	55,271,899	0	120,418,682	8,278,597	8,781,601	97,520,361	143,608,520	241,128,881	713,080,121	56,736,796	769,816,917	528,688,036	31.3%
2028	7.00%	1,000	58,239,244	0	108,582,652	8,526,955	4,765,963	43,415,961	151,318,732	194,734,693	693,116,333	59,789,613	752,905,946	558,171,252	25.9%
2029	7.00%	1,000	61,332,598	51,621	97,485,589	8,782,764	1,468,173	0	159,278,247	159,278,247	685,366,478	62,946,323	748,312,801	589,034,554	21.3%
2030	7.00%	1,000	64,596,411	31,905,398	87,455,562	9,046,247	0	0	167,431,517	167,431,517	689,657,517	66,028,117	755,685,634	588,254,117	22.2%
2031	7.00%	1,000	67,975,267	21,206,456	79,864,089	9,317,634	0	0	175,900,063	175,900,063	704,476,206	68,904,313	773,380,519	597,480,456	22.7%
2032	7.00%	1,000	71,425,858	12,930,154	74,758,849	9,597,163	0	0	184,694,760	184,694,760	728,033,882	71,497,673	799,531,555	614,836,795	23.1%
2033	7.00%	1,000	74,983,018	7,386,787	72,484,727	9,885,078	0	0	193,953,786	193,953,786	758,179,087	73,985,024	832,164,111	638,210,324	23.3%
2034	7.00%	1,000	78,748,005	3,819,844	72,386,219	10,181,630	0	0	203,691,791	203,691,791	793,266,959	76,249,175	869,516,134	665,824,343	23.4%
2035	7.00%	1,000	82,710,828	1,929,564	74,153,313	10,487,079	0	0	213,878,518	213,878,518	831,816,936	78,266,784	910,083,720	696,205,202	23.5%
2036	7.00%	1,000	86,845,367	757,654	76,801,330	10,801,691	0	0	224,546,826	224,546,826	873,291,383	80,084,635	953,376,018	728,829,191	23.6%
2037	7.00%	1,000	91,170,752	182,124	80,227,134	11,125,742	0	0	235,793,637	235,793,637	917,281,495	81,796,506	999,078,001	763,284,364	23.6%
2038	7.00%	1,000	95,746,263	0	84,238,869	11,459,514	1,676	49,556	247,550,524	247,600,080	963,467,077	83,514,345	1,046,981,422	799,381,342	23.6%
2039	7.00%	1,000	100,512,517	0	88,447,628	11,803,300	12,625	323,770	260,019,301	260,343,071	1,012,064,382	85,344,653	1,097,409,035	837,065,964	23.7%
2040	7.00%	1,000	105,598,548	0	92,888,302	12,157,399	42,014	918,631	272,888,232	273,806,863	1,062,979,767	87,369,778	1,150,349,545	876,542,682	23.8%
2041	7.00%	1,000	110,782,595	0	97,645,234	12,522,121	85,838	1,619,709	286,628,346	288,248,055	1,116,447,387	89,624,480	1,206,071,867	917,823,812	23.9%
2042	7.00%	1,000	116,398,987	0	102,651,200	12,897,785	143,130	2,612,841	300,926,670	303,539,511	1,172,442,000	92,157,013	1,264,599,013	961,059,502	24.0%
2043	7.00%	1,000	122,188,668	0	107,861,654	13,284,718	219,379	3,874,516	316,014,549	319,889,065	1,231,201,284	94,948,027	1,326,149,311	1,006,260,246	24.1%
2044	7.00%	1,000	128,326,845	0	113,316,875	13,683,260	317,651	5,518,877	331,761,620	337,280,497	1,292,793,741	97,982,247	1,390,775,988	1,053,495,491	24.3%
2045	7.00%	1,000	134,700,492	0	119,019,499	14,093,757	441,875	7,547,988	348,369,865	355,917,853	1,357,454,533	101,218,408	1,458,672,941	1,102,755,088	24.4%
2046	7.00%	1,000	141,458,026	0	124,979,896	14,516,570	597,014	10,106,562	365,785,911	375,892,473	1,425,339,554	104,625,093	1,529,964,647	1,154,072,173	24.6%
2047	7.00%	1,000	148,527,827	0	131,235,664	14,952,067	789,363	13,236,021	384,076,939	397,312,960	1,496,613,518	108,151,948	1,604,765,466	1,207,452,506	24.8%
2048	7.00%	1,000	155,955,751	0	137,800,621	15,400,629	1,022,929	17,013,451	403,279,291	420,292,742	1,571,447,096	111,751,245	1,683,198,341	1,262,905,599	25.0%
2049	7.00%	1,000	163,750,605	0	144,693,254	15,862,648	1,302,756	21,510,910	423,445,422	444,956,332	1,650,020,400	115,383,553	1,765,403,953	1,320,447,620	25.2%
2050	7.00%	1,000	171,940,332	0	151,928,516	16,338,528	1,634,329	26,818,527	444,617,336	471,435,863	1,732,521,520	119,024,651	1,851,546,171	1,380,110,308	25.5%

[1] *Additional contributions in the amount of $80,169,602 are needed over the years 2029 through 2037 to maintain solvency.*

Exhibit VII
Continuing Business Model – Current Year Assumptions – New Contract Sales of 1,500 Per Year

Open Group Projections (Continuing Business Scenario)
Projection Based on Data as of June 30, 2015
Assumptions Based on Those Used in Actuarial Valuation as of June 30, 2015
7.00% Assumed Net Investment Return
1,500 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
2015			33,221,359	0	137,976,098	6,763,344	40,595,999	1,025,385,432	59,821,556	1,085,206,988	1,320,201,957	57,116,212	1,377,318,169	292,111,181	78.8%
2016	7.00%	1,500	18,270,942	0	163,506,101	5,951,743	66,485,439	940,683,970	91,117,385	1,031,801,355	1,278,927,217	55,133,501	1,334,060,718	302,259,363	77.3%
2017	7.00%	1,500	41,223,013	0	157,415,383	6,160,054	61,565,543	879,897,089	103,862,477	983,759,566	1,242,843,150	53,147,031	1,295,990,181	312,230,615	75.9%
2018	7.00%	1,500	45,137,354	0	159,557,864	6,344,855	57,366,008	816,497,732	116,276,317	932,774,049	1,203,883,887	51,556,447	1,255,440,334	322,666,285	74.3%
2019	7.00%	1,500	49,281,769	0	162,022,393	6,535,201	52,980,187	750,202,094	128,238,977	878,441,071	1,161,592,450	50,376,539	1,211,968,989	333,527,918	72.5%
2020	7.00%	1,500	53,442,792	0	156,197,634	6,731,257	48,682,133	689,398,128	139,888,556	829,286,684	1,124,419,478	49,612,056	1,174,031,534	344,744,850	70.6%
2021	7.00%	1,500	58,901,013	0	151,248,635	6,933,195	44,783,040	634,900,351	150,054,882	784,955,233	1,091,929,090	49,248,622	1,141,177,712	356,222,478	68.8%
2022	7.00%	1,500	63,184,530	0	153,099,936	7,141,191	41,046,044	578,889,798	160,011,364	738,901,162	1,057,500,723	49,259,252	1,106,759,975	367,858,814	66.8%
2023	7.00%	1,500	66,777,308	0	153,178,350	7,355,426	37,240,809	522,374,139	170,205,366	692,579,505	1,022,968,522	49,603,710	1,072,572,232	379,992,727	64.6%
2024	7.00%	1,500	70,242,309	0	151,889,139	7,576,089	33,443,388	466,594,608	180,919,753	647,514,361	989,838,170	50,236,095	1,040,074,265	392,559,903	62.3%
2025	7.00%	1,500	73,916,913	0	146,030,356	7,803,372	29,864,534	416,542,327	192,162,513	608,704,840	963,072,676	51,756,194	1,014,828,870	406,124,030	60.0%
2026	7.00%	1,500	78,084,712	0	141,666,839	8,037,473	26,651,277	371,574,004	203,613,099	575,187,103	941,682,745	53,988,069	995,670,814	420,483,711	57.8%
2027	7.00%	1,500	82,642,068	0	131,143,930	8,278,597	24,022,864	338,816,409	215,073,018	553,889,427	932,555,203	56,736,796	989,291,999	435,402,572	56.0%
2028	7.00%	1,500	87,146,939	0	121,517,630	8,526,955	22,215,731	318,134,494	226,891,229	545,025,723	935,836,459	59,789,613	995,626,072	450,600,349	54.7%
2029	7.00%	1,500	91,936,262	0	112,849,392	8,782,764	21,230,058	309,668,658	238,864,329	548,532,987	951,452,303	62,946,323	1,014,398,626	465,865,640	54.1%
2030	7.00%	1,500	96,840,212	0	105,368,140	9,046,247	21,061,710	313,156,193	251,159,244	564,315,437	979,239,642	66,028,117	1,045,267,759	480,952,322	54.0%
2031	7.00%	1,500	101,971,013	0	100,398,936	9,317,634	21,649,839	327,060,475	263,831,160	590,891,635	1,017,647,930	68,904,313	1,086,552,243	495,660,608	54.4%
2032	7.00%	1,500	107,123,706	0	97,964,049	9,597,163	22,878,921	349,501,890	277,014,296	626,516,186	1,064,894,747	71,497,673	1,136,392,420	509,876,233	55.1%
2033	7.00%	1,500	112,461,091	0	98,423,000	9,885,078	24,610,488	378,265,391	290,940,790	669,206,181	1,118,889,331	73,985,024	1,192,874,355	523,668,173	56.1%
2034	7.00%	1,500	118,133,544	0	101,303,138	10,181,630	26,711,285	411,625,452	305,523,848	717,149,300	1,177,751,818	76,249,175	1,254,000,993	536,851,693	57.2%
2035	7.00%	1,500	124,057,886	0	106,196,774	10,487,079	29,071,873	448,071,358	320,843,783	768,915,141	1,239,956,342	78,266,784	1,318,223,126	549,307,985	58.3%
2036	7.00%	1,500	130,285,153	0	111,840,512	10,801,691	31,632,498	487,346,806	336,868,280	824,215,086	1,305,129,111	80,084,635	1,385,213,746	560,998,660	59.5%
2037	7.00%	1,500	136,781,416	0	118,157,866	11,125,742	34,376,700	529,221,314	353,700,477	882,921,791	1,373,024,505	81,796,506	1,454,821,011	571,899,220	60.7%
2038	7.00%	1,500	143,616,734	0	124,965,625	11,459,514	37,297,198	573,710,107	371,348,301	945,058,408	1,443,547,263	83,514,345	1,527,061,608	582,003,200	61.9%
2039	7.00%	1,500	150,778,117	0	131,840,898	11,803,300	40,409,395	621,253,421	389,948,758	1,011,202,179	1,517,117,252	85,344,653	1,602,461,905	591,259,726	63.1%
2040	7.00%	1,500	158,344,897	0	138,864,690	12,157,399	43,744,038	672,320,267	409,388,055	1,081,708,322	1,593,969,232	87,369,778	1,681,339,010	599,630,689	64.3%
2041	7.00%	1,500	166,221,637	0	146,198,894	12,522,121	47,324,940	727,145,829	429,948,812	1,157,094,641	1,674,410,968	89,624,480	1,764,035,448	606,940,806	65.6%
2042	7.00%	1,500	174,596,613	0	153,817,871	12,897,785	51,176,042	786,202,828	451,374,061	1,237,576,889	1,758,531,039	92,157,013	1,850,688,052	613,111,163	66.9%
2043	7.00%	1,500	183,269,119	0	161,707,617	13,284,718	55,323,885	849,803,497	474,029,634	1,323,833,131	1,846,756,215	94,948,027	1,941,704,242	617,871,111	68.2%
2044	7.00%	1,500	192,494,542	0	169,935,629	13,683,260	59,796,893	918,476,043	497,632,237	1,416,108,280	1,939,172,395	97,982,247	2,037,154,642	621,046,362	69.5%
2045	7.00%	1,500	202,046,043	0	178,516,462	14,093,757	64,623,577	992,535,444	522,548,543	1,515,083,987	2,036,175,383	101,218,408	2,137,393,791	622,309,805	70.9%
2046	7.00%	1,500	212,184,736	0	187,464,235	14,516,570	69,834,619	1,072,573,994	548,674,694	1,621,248,688	2,138,008,369	104,625,093	2,242,633,462	621,384,774	72.3%
2047	7.00%	1,500	222,790,156	0	196,852,328	14,952,067	75,464,681	1,159,024,436	576,115,164	1,735,139,600	2,244,922,349	108,151,948	2,353,074,297	617,934,697	73.7%
2048	7.00%	1,500	233,934,958	0	206,701,116	15,400,629	81,545,873	1,252,403,522	604,917,377	1,857,320,899	2,357,172,727	111,751,245	2,468,923,972	611,603,073	75.2%
2049	7.00%	1,500	245,625,244	0	217,040,460	15,862,648	88,113,521	1,353,239,179	635,167,980	1,988,407,159	2,475,032,837	115,383,553	2,590,416,390	602,009,231	76.8%
2050	7.00%	1,500	257,910,953	0	227,893,444	16,338,528	95,205,507	1,462,123,667	666,924,992	2,129,048,659	2,598,783,705	119,024,651	2,717,808,356	588,759,697	78.3%

Exhibit VIII
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, 2015
Assumptions Based on Those Used in Actuarial Valuation as of June 30, 2015
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
2015			33,221,359	0	137,976,098	6,763,344	40,595,999	1,025,385,432	59,821,556	1,085,206,988	1,320,201,957	57,116,212	1,377,318,169	292,111,181	78.8%
2016	7.00%	2,500	18,270,942	0	163,506,101	5,951,743	66,485,439	940,683,970	121,795,781	1,062,479,751	1,302,560,977	55,133,501	1,357,694,478	295,214,727	78.3%
2017	7.00%	2,500	60,084,202	0	157,439,756	6,160,054	62,224,832	899,393,194	149,874,662	1,049,267,856	1,292,939,719	53,147,031	1,346,086,750	296,818,894	77.9%
2018	7.00%	2,500	68,176,718	0	160,177,893	6,344,855	59,515,413	860,562,577	176,210,420	1,036,772,997	1,282,888,507	51,556,447	1,334,444,954	297,671,957	77.7%
2019	7.00%	2,500	76,496,763	0	163,271,511	6,535,201	56,973,532	824,226,160	200,755,732	1,024,981,892	1,272,194,948	50,376,539	1,322,571,487	297,589,595	77.5%
2020	7.00%	2,500	85,038,629	0	158,485,690	6,731,257	54,889,590	798,937,432	223,429,807	1,022,367,239	1,269,118,808	49,612,056	1,318,730,864	296,363,625	77.5%
2021	7.00%	2,500	95,056,016	0	154,723,340	6,933,195	53,594,602	785,931,515	242,918,340	1,028,849,855	1,273,335,930	49,248,622	1,322,584,552	293,734,696	77.8%
2022	7.00%	2,500	102,457,983	0	158,252,337	7,141,191	52,812,462	775,808,432	261,951,356	1,037,759,788	1,277,941,191	49,259,252	1,327,200,443	289,440,655	78.2%
2023	7.00%	2,500	109,230,305	0	160,567,370	7,355,426	52,252,353	769,368,294	280,712,837	1,050,081,131	1,284,433,272	49,603,710	1,334,036,982	283,955,851	78.7%
2024	7.00%	2,500	115,727,136	0	162,049,817	7,576,089	51,969,324	767,438,848	299,755,007	1,067,193,855	1,294,015,316	50,236,095	1,344,251,411	277,057,556	79.4%
2025	7.00%	2,500	122,464,728	0	159,474,986	7,803,372	52,152,242	774,777,460	319,136,933	1,093,914,393	1,311,311,939	51,756,194	1,363,068,133	269,153,739	80.3%
2026	7.00%	2,500	129,686,080	0	158,946,016	8,037,473	52,929,013	790,409,064	338,620,093	1,129,029,157	1,334,921,433	53,988,069	1,388,909,502	259,880,344	81.3%
2027	7.00%	2,500	137,349,196	0	152,596,392	8,278,597	54,505,232	821,388,503	358,140,258	1,179,528,761	1,371,589,307	56,736,796	1,428,326,103	248,797,343	82.6%
2028	7.00%	2,500	145,056,215	0	147,389,005	8,526,955	57,117,104	867,645,862	377,919,568	1,245,565,430	1,421,242,320	59,789,613	1,481,031,933	235,466,502	84.1%
2029	7.00%	2,500	153,051,479	0	143,580,872	8,782,764	60,759,285	929,092,990	398,066,552	1,327,159,542	1,483,626,830	62,946,323	1,546,573,153	219,413,611	85.8%
2030	7.00%	2,500	161,358,919	0	141,193,376	9,046,247	65,425,685	1,005,637,971	418,613,909	1,424,251,880	1,558,406,316	66,028,117	1,624,434,433	200,182,553	87.7%
2031	7.00%	2,500	169,962,187	0	141,471,388	9,317,634	71,065,719	1,095,876,855	439,698,728	1,535,575,583	1,643,995,436	68,904,313	1,712,899,749	177,324,165	89.6%
2032	7.00%	2,500	178,525,936	0	144,374,691	9,597,163	77,570,773	1,198,001,710	461,717,973	1,659,719,683	1,738,668,662	71,497,673	1,810,166,335	150,446,652	91.7%
2033	7.00%	2,500	187,452,023	0	150,300,777	9,885,078	84,814,436	1,310,082,314	484,952,826	1,795,035,140	1,840,367,966	73,985,024	1,914,352,990	119,317,850	93.8%
2034	7.00%	2,500	196,917,457	0	159,139,048	10,181,630	92,671,649	1,430,350,742	509,141,963	1,939,492,705	1,946,727,802	76,249,175	2,022,976,977	83,484,272	95.9%
2035	7.00%	2,500	206,713,602	0	170,286,128	10,487,079	101,032,466	1,557,323,603	534,684,538	2,092,008,141	2,056,180,502	78,266,784	2,134,447,286	42,439,145	98.0%
2036	7.00%	2,500	217,115,361	0	181,920,504	10,801,691	109,866,413	1,691,583,182	561,380,414	2,252,963,596	2,168,681,531	80,084,635	2,248,766,166	-4,197,430	100.2%
2037	7.00%	2,500	227,941,599	0	194,019,731	11,125,742	119,208,687	1,833,587,995	589,521,628	2,423,109,623	2,284,440,145	81,796,506	2,366,236,651	-56,872,972	102.4%
2038	7.00%	2,500	239,389,837	0	206,416,708	11,459,514	129,104,136	1,984,205,746	618,914,814	2,603,120,560	2,403,632,075	83,514,345	2,487,146,420	-115,974,140	104.7%
2039	7.00%	2,500	251,295,589	0	218,626,178	11,803,300	139,624,716	2,144,696,573	649,887,790	2,794,584,363	2,527,214,540	85,344,653	2,612,559,193	-182,025,170	107.0%
2040	7.00%	2,500	263,889,476	0	230,816,450	12,157,399	150,860,807	2,316,473,007	682,419,665	2,998,892,672	2,655,940,101	87,369,778	2,743,309,879	-255,582,793	109.3%
2041	7.00%	2,500	277,105,425	0	243,304,496	12,522,121	162,897,869	2,500,649,684	716,503,117	3,217,152,801	2,790,247,039	89,624,480	2,879,871,519	-337,281,282	111.7%
2042	7.00%	2,500	290,931,915	0	256,146,913	12,897,785	175,811,530	2,698,348,431	752,339,288	3,450,687,719	2,930,690,219	92,157,013	3,022,847,232	-427,840,487	114.2%
2043	7.00%	2,500	305,486,592	0	269,393,122	13,284,718	189,682,696	2,910,839,879	789,951,866	3,700,791,745	3,077,761,026	94,948,027	3,172,709,053	-528,082,693	116.6%
2044	7.00%	2,500	320,759,425	0	283,167,000	13,683,260	204,595,612	3,139,344,656	829,448,274	3,968,792,930	3,231,909,664	97,982,247	3,329,891,911	-638,901,019	119.2%
2045	7.00%	2,500	336,798,009	0	297,503,015	14,093,757	220,636,169	3,385,182,062	870,921,137	4,256,103,199	3,393,601,921	101,218,408	3,494,820,329	-761,282,869	121.8%
2046	7.00%	2,500	353,637,307	0	312,429,220	14,516,570	237,896,947	3,649,770,526	914,470,025	4,564,240,551	3,563,334,020	104,625,093	3,667,959,113	-896,281,438	124.4%
2047	7.00%	2,500	371,321,058	0	328,078,852	14,952,067	256,474,092	3,934,534,757	960,192,238	4,894,726,995	3,741,525,489	108,151,948	3,849,677,437	-1,045,049,558	127.1%
2048	7.00%	2,500	389,886,068	0	344,497,724	15,400,629	276,467,003	4,240,989,475	1,008,201,846	5,249,191,321	3,928,613,038	111,751,245	4,040,364,283	-1,208,827,038	129.9%
2049	7.00%	2,500	409,380,221	0	361,729,674	15,862,648	297,981,840	4,570,759,214	1,058,611,712	5,629,370,926	4,125,048,173	115,383,553	4,240,431,726	-1,388,939,200	132.8%
2050	7.00%	2,500	429,849,491	0	379,819,545	16,338,528	321,132,345	4,925,582,977	1,111,541,632	6,037,124,609	4,331,301,758	119,024,651	4,450,326,409	-1,586,798,200	135.7%

Exhibit IX
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 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 IX
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)	$1,025.4	$1,025.4	$1,025.4	$1,025.4	$1,025.4	$1,025.4	$1,025.4
b. PV Future Member Contributions	59.8	59.8	59.8	59.8	59.8	59.0	60.6
c. Total Actuarial Value of Assets (AVA) (2a + 2b)	$1,085.2	$1,085.2	$1,085.2	$1,085.2	$1,085.2	$1,084.4	$1,086.0
2 Actuarial Results							
Liabilities							
a. Not yet Matriculating - Tuition and Fees	$1,062.5	$1,096.2	$1,030.9	$1,078.3	$1,047.7	$1,030.2	$1,096.4
b. Matriculating - Tuition and Fees	257.7	258.1	257.4	258.5	257.0	255.9	259.6
c. Present Value of Future Administrative Expenses	57.1	57.1	57.1	57.1	57.1	55.4	58.9
d. Total	$1,377.3	$1,411.4	$1,345.4	$1,393.9	$1,361.8	$1,341.5	$1,414.9
Unfunded Liability	$292.1	$326.2	$260.2	$308.7	$276.6	$257.1	$328.9
Funded Ratio	78.8%	76.9%	80.7%	77.9%	79.7%	80.8%	76.8%
Difference From Current Assumptions							
Unfunded Liability	$0.0	$34.1	-$31.9	$16.6	-$15.5	-$35.0	$36.8
Funded Ratio	0.0%	-1.9%	1.9%	-0.9%	0.9%	2.0%	-2.0%

SECTION C

FUND ASSETS

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

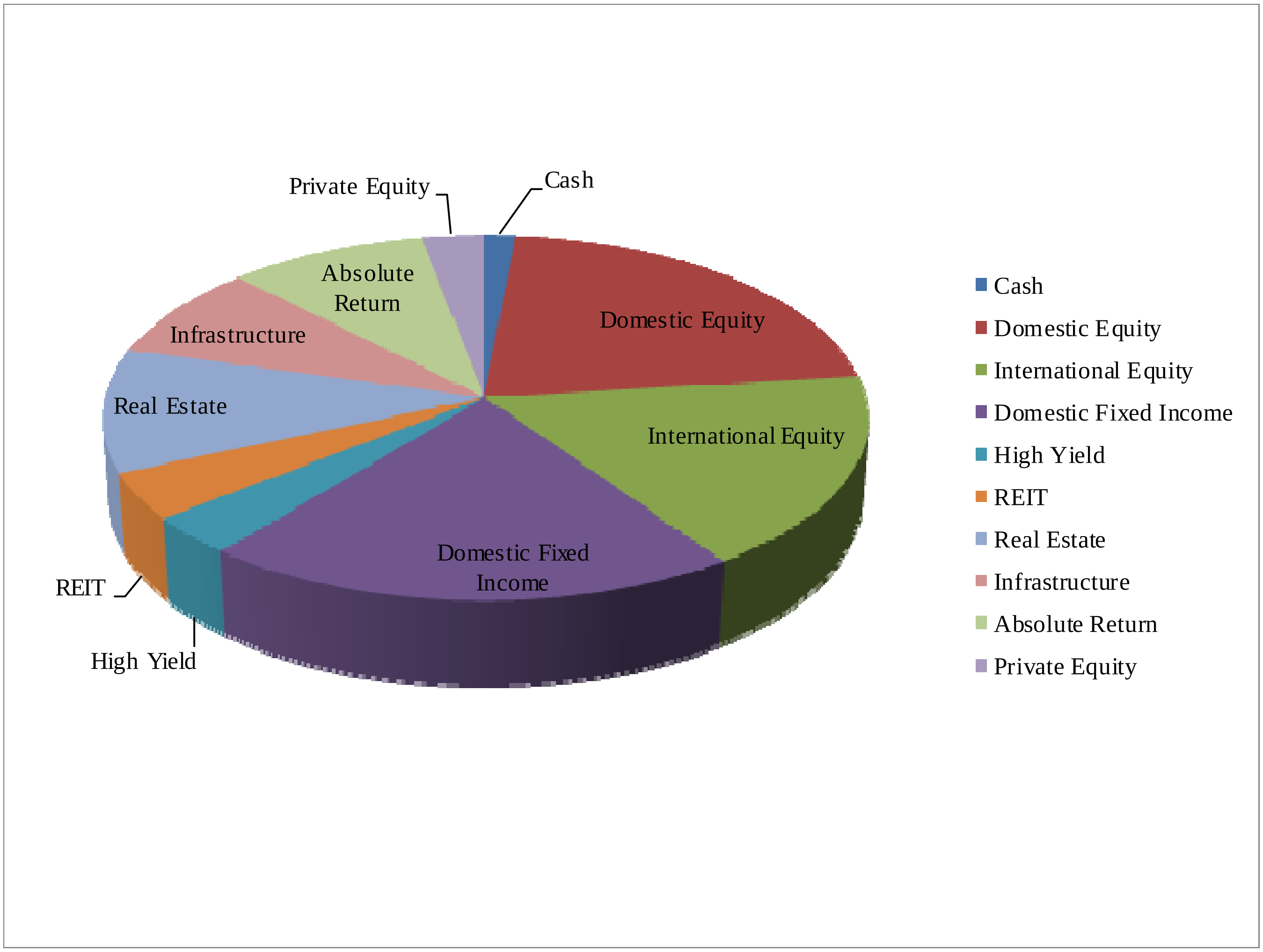
College Illinois!® Prepaid Tuition Program

Statement of Plan Net Assets

Year ended June 30, 2015

Cash	$	14,740,099
Investments		
Domestic Equity	$	222,656,065
International Equity		176,034,838
Domestic Fixed Income		210,972,823
High Yield		35,589,028
REIT		42,257,467
Real Estate		110,655,501
Infrastructure		85,823,076
Absolute Return		96,379,477
Private Equity		30,277,058
Total Investments	$	1,010,645,333
Total Assets	$	1,025,385,432

ALLOCATION OF ASSETS AT JUNE 30, 2015



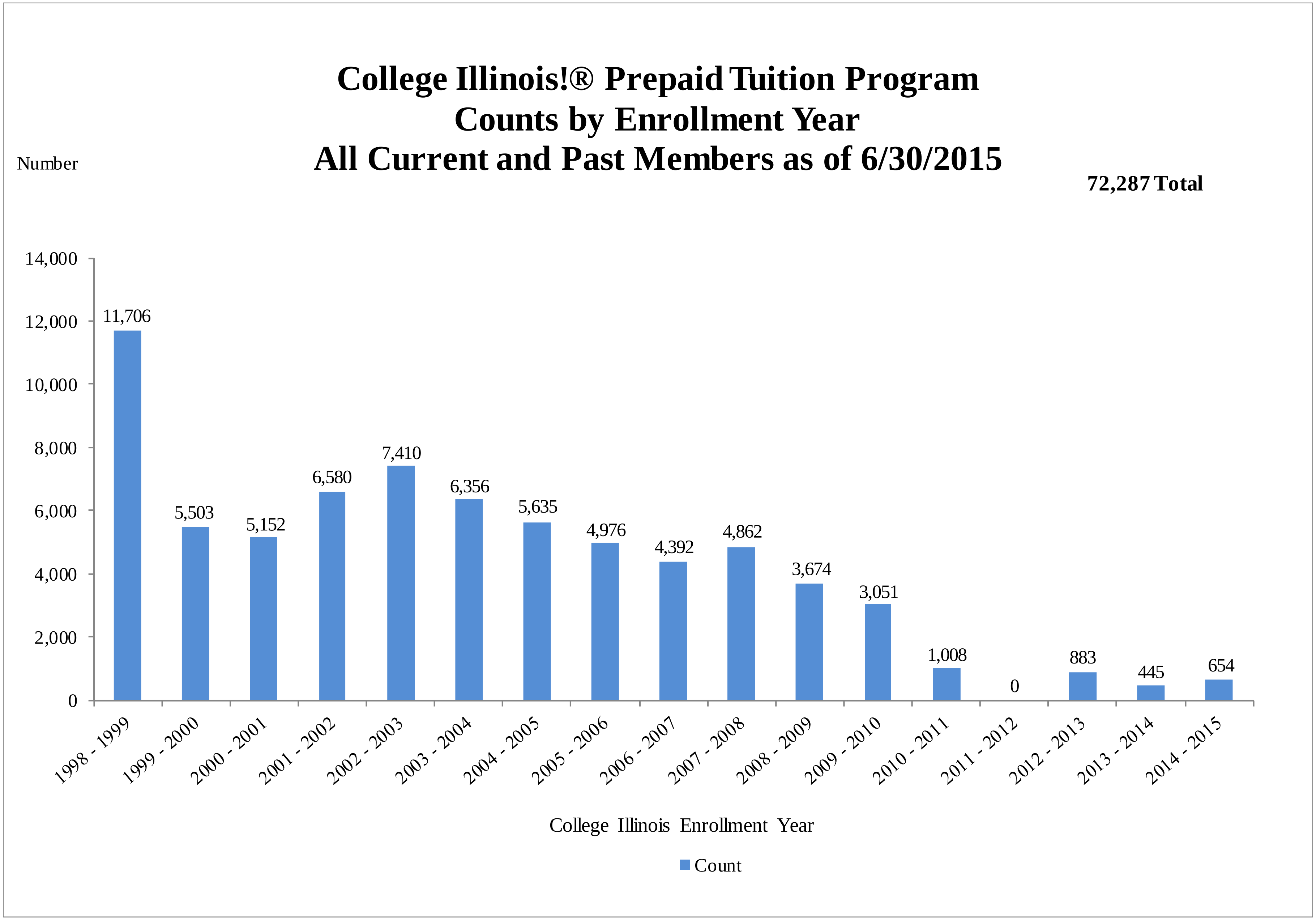
RECONCILIATION OF MARKET VALUE OF PLAN ASSETS

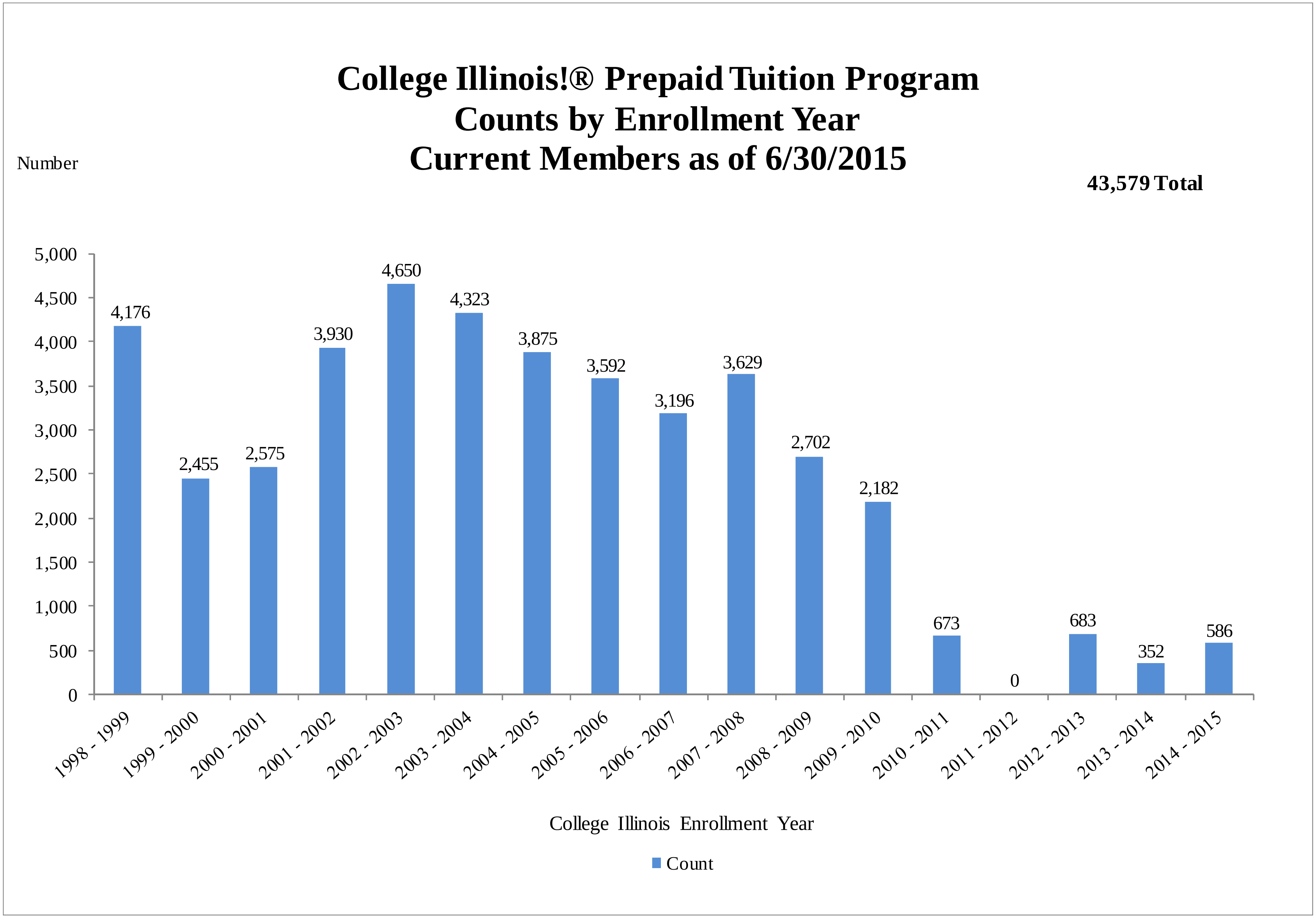
College Illinois!® Prepaid Tuition Program
Statement of Changes in Plan Net Assets
Twelve Month Period ended June 30, 2015

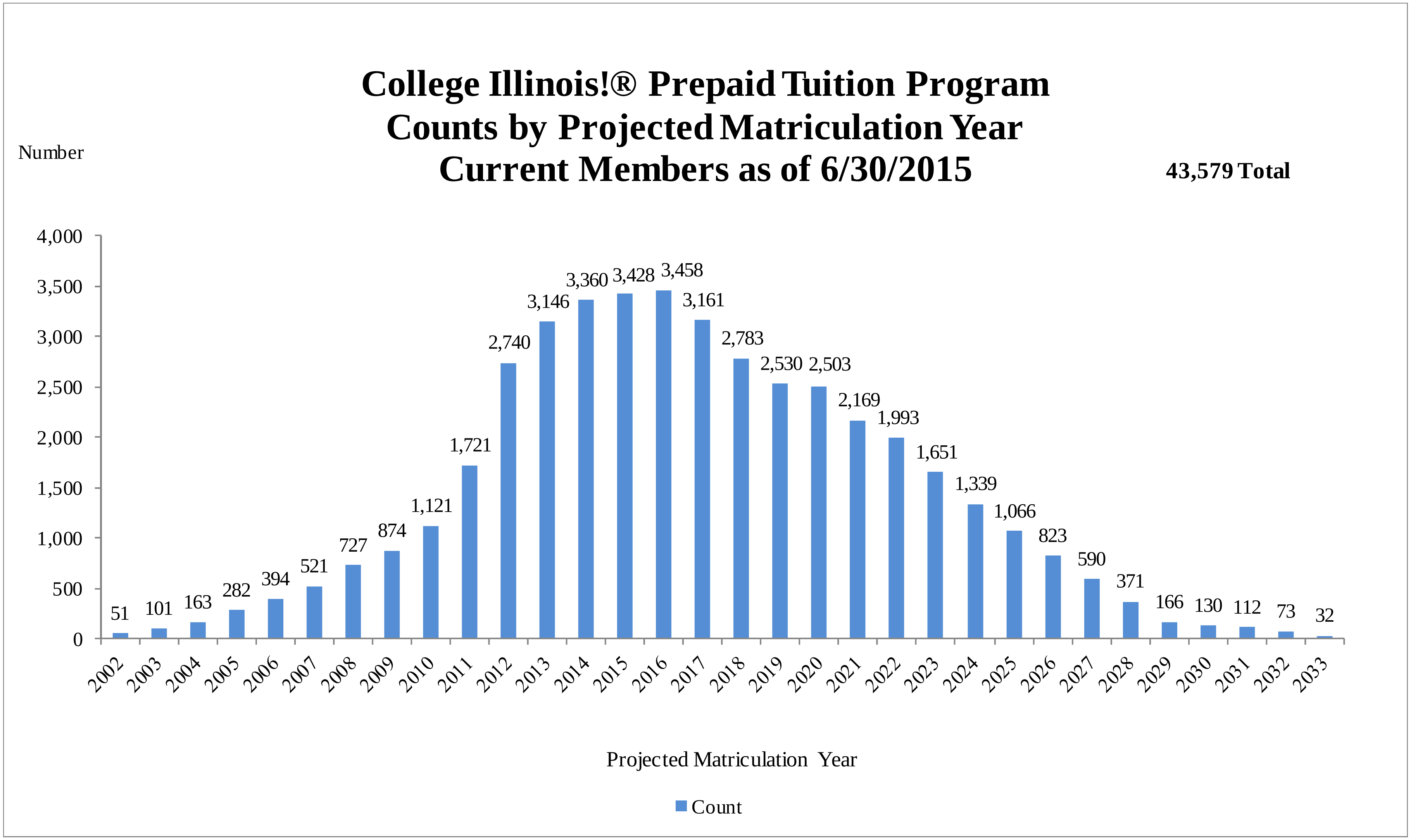
Beginning of Period		7/1/2014
End of Period		6/30/2015
Additions:		
Contributions received	$	33,221,359
Gross investment income		19,281,370
Realized/Unrealized investment gains/(losses)		24,809,103
Total Additions	$	77,311,832
Deductions:		
Tuition payments	$	120,683,478
Refunds to Purchasers		17,292,620
Investment expenses & advisory fees		3,494,474
Administrative expenses		6,763,344
Total Deductions	$	148,233,916
Net increase/(decrease)	$	(70,922,084)
Market Value of Assets:		
Beginning of period	$	1,096,307,516
End of period (6/30/2015)	$	1,025,385,432
Present Value of Future Contributions by Current Contract Holders		59,821,556
Market Value of Total Fund Assets as of June 30, 2015	$	1,085,206,988

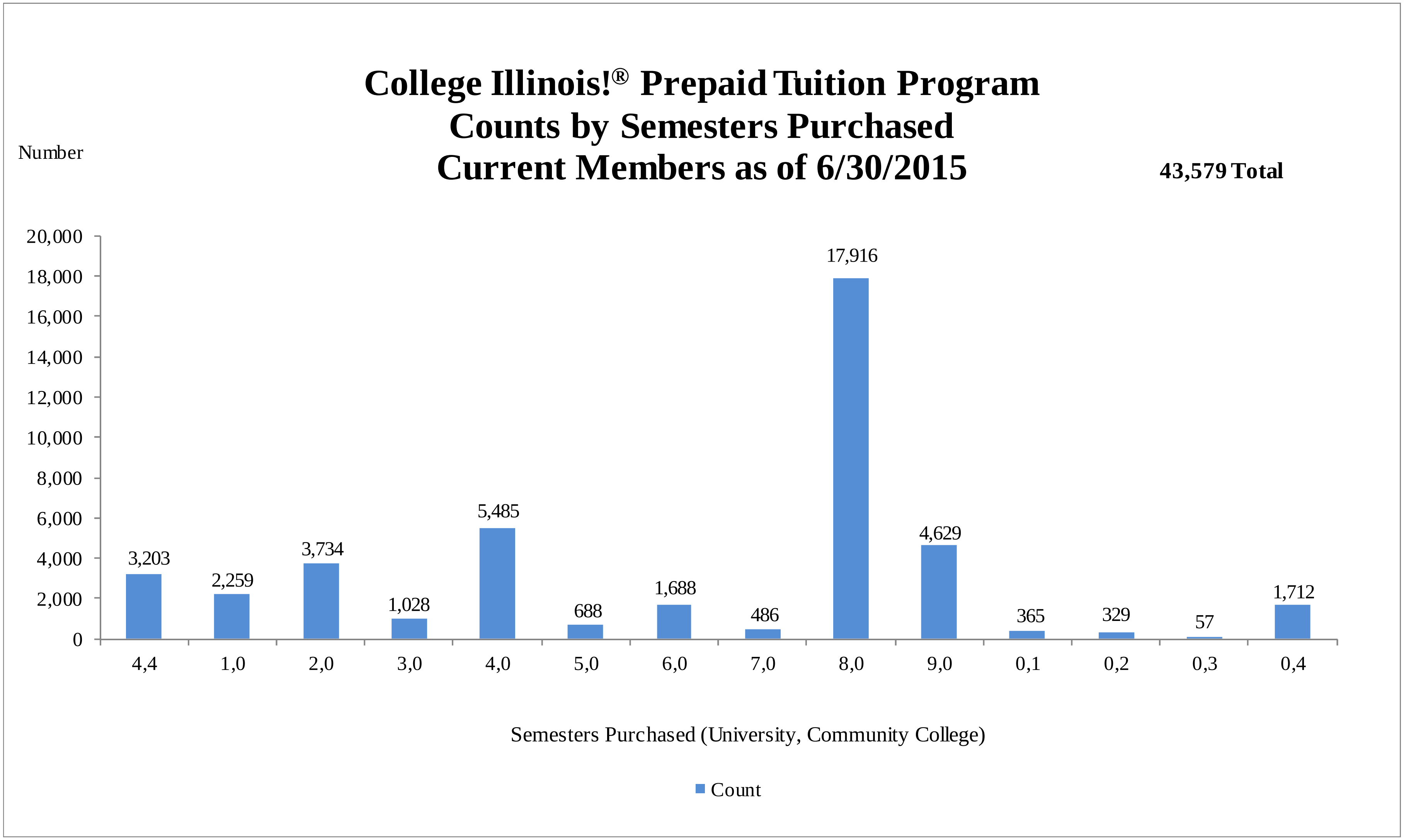
SECTION D

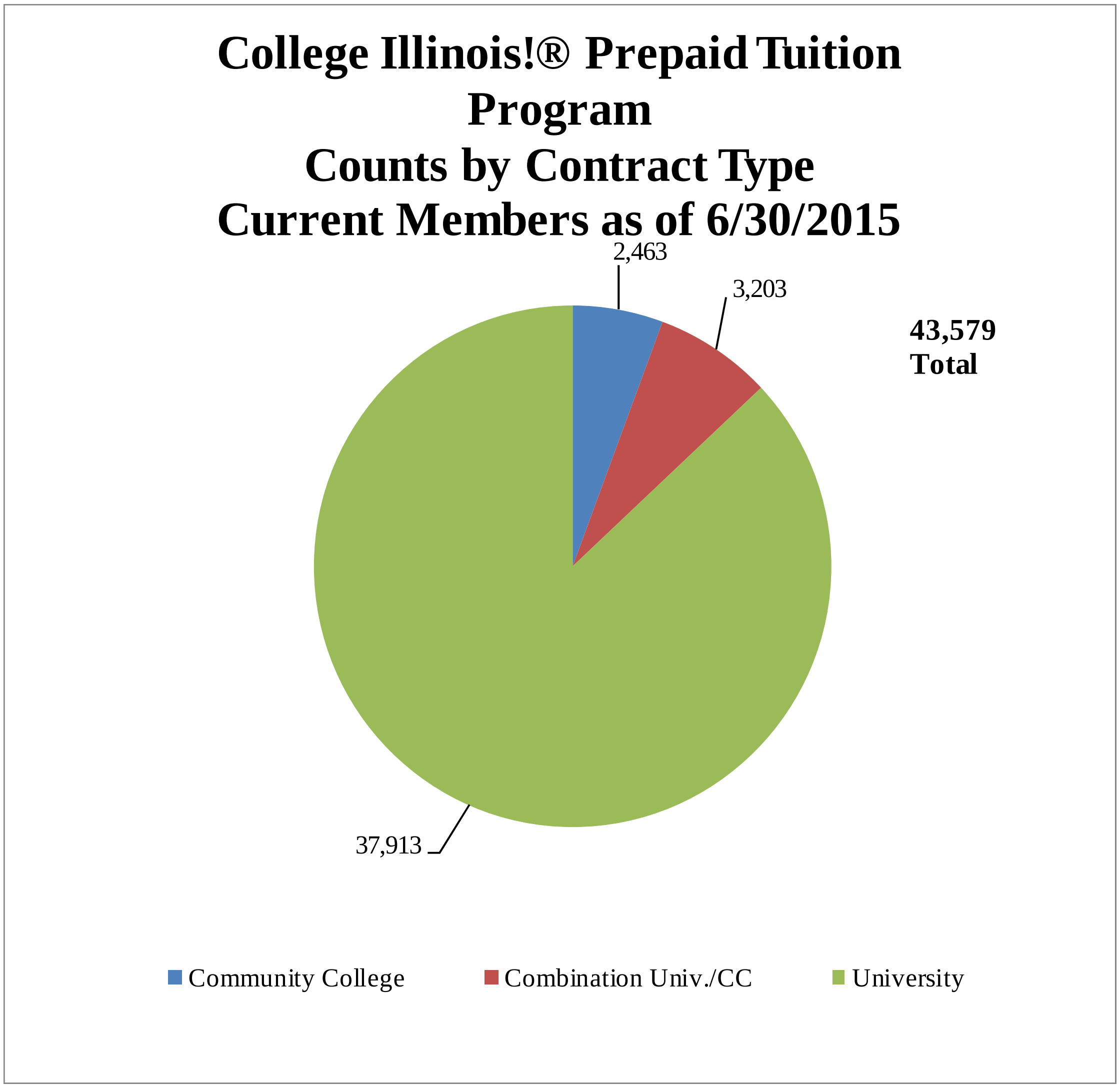
PARTICIPANT DATA

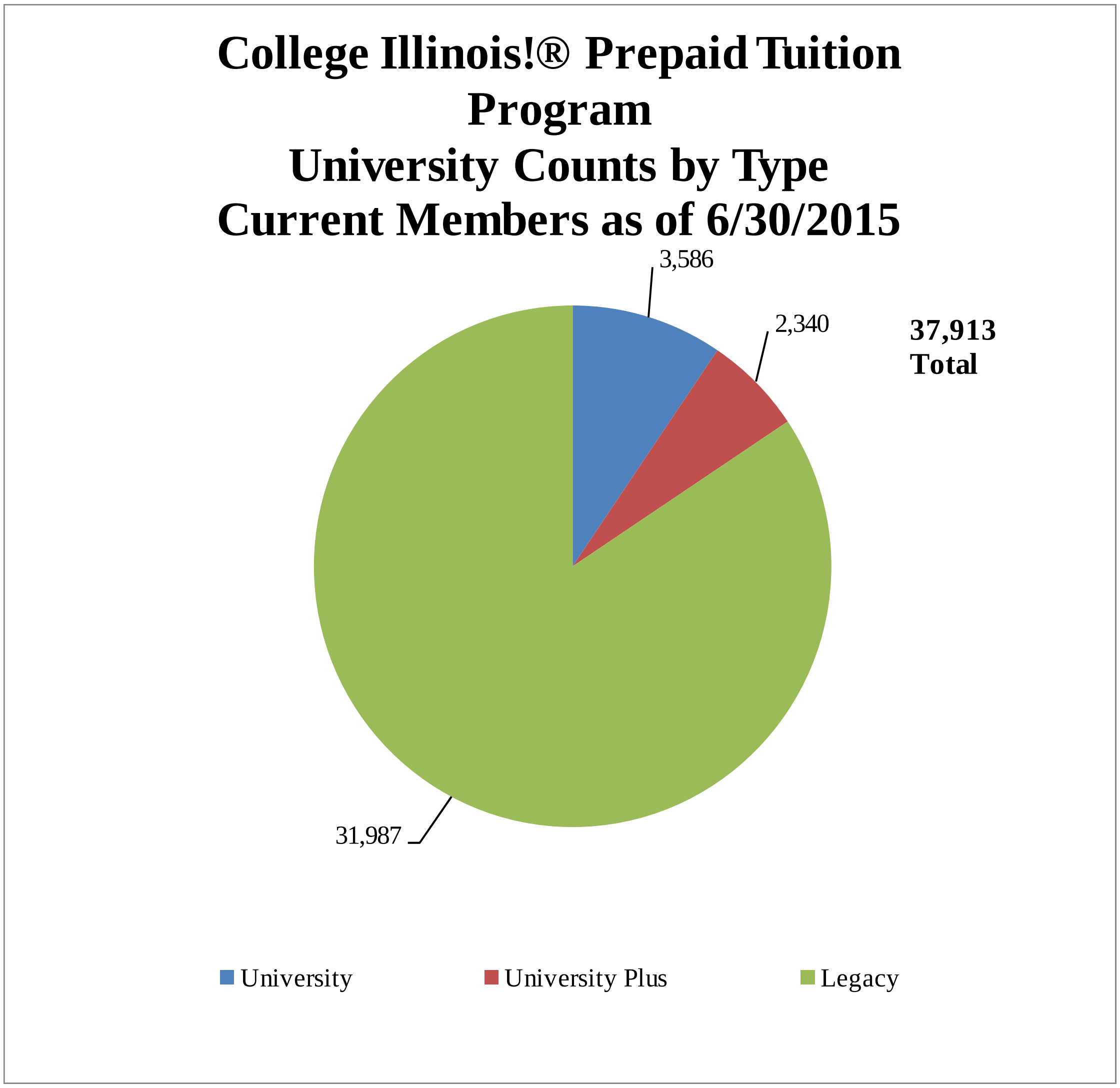

College Illinois!® Prepaid Tuition Program
Counts by Enrollment Year
All Current and Past Members as of 6/30/2015
Number
72,287 Total
14,000
12,000
10,000
8,000
6,000
4,000
2,000
0
11,706
5,503
5,152
6,580
7,410
6,356
5,635
4,976
4,392
4,862
3,674
3,051
1,008
0
883
445
654
1998 - 1999
1999 - 2000
2000 - 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
2013 - 2014
2014 - 2015
College Illinois Enrollment Year
Count


College Illinois!® Prepaid Tuition Program
Counts by Enrollment Year
Current Members as of 6/30/2015
Number
43,579 Total
5,000
4,500
4,000
3,500
3,000
2,500
2,000
1,500
1,000
500
0
4,176
2,455
2,575
3,930
4,650
4,323
3,875
3,592
3,196
3,629
2,702
2,182
673
0
683
352
586
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
2013 - 2014
2014 - 2015
College Illinois Enrollment Year
Count


College Illinois!® Prepaid Tuition Program
Counts by Projected Matriculation Year
Current Members as of 6/30/2015
43,579 Total
Number
4,000
3,500
3,000
2,500
2,000
1,500
1,000
500
0
51
101
163
282
394
521
727
874
1,121
1,721
2,740
3,146
3,360
3,428
3,458
3,161
2,783
2,530
2,503
2,169
1,993
1,651
1,339
1,066
823
590
371
166
130
112
73
32
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
2032
2033
Projected Matriculation Year
Count


College Illinois!® Prepaid Tuition Program
Counts by Semesters Purchased
Current Members as of 6/30/2015
43,579 Total
Number
20,000
18,000
16,000
14,000
12,000
10,000
8,000
6,000
4,000
2,000
0
3,203
2,259
3,734
1,028
5,485
688
1,688
486
17,916
4,629
365
329
57
1,712
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 6/30/2015
2,463
3,203
43,579
Total
37,913
Community College
Combination Univ./CC
University


College Illinois!® Prepaid Tuition Program
University Counts by Type
Current Members as of 6/30/2015
3,586
2,340
37,913
Total
31,987
University
University Plus
Legacy

SECTION E

METHODS & ASSUMPTIONS

VALUATION METHODS

Actuarial Value of Assets – The Actuarial Value of Assets is equal to the Market Value of Assets.

VALUATION ASSUMPTIONS

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

Measurement Date June 30, 2015

The net investment return rate 7.00 percent per annum, compounded annually. Includes inflation assumption of 3.00 percent.

Weighted Average Tuition and Fees (WATF) Based on the Freshman Blended Tuition Rate and Increases by Contract Type

	Contract Type			
	Choice 1	Choice 2	Choice 3	
	Community College	University	University Plus	Legacy†
2015-2016 Weighted Tuition	$3,549	$10,082	$14,136	$11,022
2015-2016 Weighted Fees	$431	$3,688	$3,590	$3,665
2015-2016 Total WATF	$3,980	$13,770	$17,726	$14,687

†"Legacy" contracts refer to contracts sold prior to October 2008. These contracts can be used for full tuition and fees at any public 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.

	Contract Type			
	Choice 1	Choice 2	Choice 3	
	Community College	University	University Plus	Legacy†
2015-2016 WATF	$3,980	$13,770	$17,726	$14,687
2014-2015 WATF	$3,809	$13,362	$17,711	$14,354
WATF Increase	4.49%	3.05%	0.08%	2.32%

Tuition and Fee Increase Assumption - June 30, 2015, Actuarial Valuation				
Effective Date	Community College	University	University Plus	Legacy
6/30/2016 through 6/30/2017	6.50%	6.50%	6.50%	6.50%
6/30/2018 through 6/30/2022	5.75%	5.75%	5.75%	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. 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 charged the year after the year they first enrolled. 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. Expenses are assumed to grow at the rate of inflation assumption of 3.0 percent. Closed group administrative expenses are projected to decline at the same rate the present value of benefits decline and are therefore not dependent on the growth rate assumption. The present value of future administrative expenses was determined to be equal to approximately 4.1 percent of the total liabilities.

Bias Load

"Legacy," Choice 1 and Choice 2 contract beneficiaries were assumed on average to attend more expensive schools than indicated by the headcount information that was used to determine the 2015-2016 WATF. A load of 4.0 percent for "Legacy" contracts, 5.5 percent for Choice 1 contracts and 2.5 percent for Choice 2 contracts was added to the WATF assumption to recognize this bias toward enrollment at more expensive schools. No bias load was applied to the "University Plus" beneficiaries due to the separation of UIUC.

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 2014 new beneficiaries.

The Rates of Enrollment

These rates are used to measure the probability of eligible members matriculating at and beyond their projected college entrance date.

Years From Projected College Entrance Year	Matriculation Rate
0	70%
1	35%
2	40%
3	30%
4	20%
5	15%
6	15%
7	10%
8	10%
9	10%
10	0%

Rates of Cancellation

These rates are used to measure the probability of eligible members cancelling their contracts before and after projected college entrance date.

Years From Projected College Entrance Year	Cancellation Rate
-17	8%
-16	7%
-15	6%
-14	4%
-13	4%
-12	3%
-11	3%
-10	3%
-9	2%
-8	2%
-7	2%
-6	2%
-5	2%
-4	1%

Years From Projected College Entrance Year	Cancellation Rate
-3	1%
-2	1%
-1	1%
0	2%
1	2%
2	3%
3	3%
4	5%
5	5%
6	8%
7	8%
8	5%
9	5%
10	5%

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 Since Matriculation	**Number of Semesters Purchased**								
	1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
1	73%	73%	49%	37%	29%	24%	21%	18%	16%
2	20%	20%	28%	35%	26%	24%	21%	18%	16%
3	7%	7%	14%	17%	19%	22%	21%	18%	16%
4			5%	6%	13%	15%	21%	18%	16%
5			5%	6%	7%	9%	8%	13%	16%
6					3%	4%	3%	6%	8%
7					2%	2%	2%	4%	6%
8							1%	2%	4%
9							1%	2%	1%

Once a member has matriculated, it is assumed that beneficiaries will utilize 22 credits per year until benefits are fully depleted.

SECTION F

PLAN PROVISIONS

PLAN PROVISIONS

(This is a summary only, the full terms and conditions of the College Illinois!® Prepaid Tuition 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").

A. Type of Contract

Three types of contracts are available for purchase: Choice 1 - Community College, Choice 2 – University and Choice 3 – University Plus.

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

The Program offers a variety of payment options, including the following:

- Lump Sum;
- 5-year installment plans paid monthly or annually;
- Extended installment plans of 6 to 15 years, depending on age, paid monthly or annually;
- Down payment options are available for monthly 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.

PLAN PROVISIONS (CONTINUED)

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 (only applicable to contracts purchased prior to the 2013/2014 enrollment period), 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.

RSM US LLP

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

Mr. Miguel del Valle
Acting Chair of the Governing Board
Illinois Student Assistance Commission

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial 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, 2015, 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 December 18, 2015. That report contains an emphasis of matter paragraph which states "as discussed in Note 14, the Illinois Prepaid Tuition Program Fund has a deficit as of June 30, 2015 of $236 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," and "as discussed in Note 11, beginning net position was restated to reflect the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment to GASB Statement No. 68*. Our opinion is not modified with respect to these matters.

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 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.

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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 item 2015-001.

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.

RSM US LLP

Schaumburg, Illinois
December 18, 2015

Current Findings – *Government Auditing Standards*

Finding 2015-001 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, 2012, 2013, 2014 and 2015 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 Three-Year Asset Backed Revolving Credit Facility (the facility) matured on July 27, 2010 and has not been repaid. Per the agreement, the minimum required coverage condition ratio is 104%. We reviewed the monthly reports noting that all 12 months fell under this ratio, ranging from 101.90% to 103.23%. Also per the agreement, the default ratio is set at a maximum of 6.25%. We reviewed the monthly reports noting that 5 of these months fell above this ratio, ranging from 6.45% to 12.84%.

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 $183,556,827 at June 30, 2015.

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. 2015-001, 2014-001, 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.