

McGladrey & Pullen

Certified Public Accountants

State of Illinois Illinois Student Assistance Commission

Compliance Examination
For The Year Ended June 30, 2007

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

State of Illinois
 Illinois Student Assistance Commission
 Compliance Examination
 For the Year Ended June 30, 2007

Table of Contents

	<u>Page(s)</u>
Agency Officials	1
Management Assertion Letter	2
Compliance Report	
Summary	3 - 4
Accountants' Reports	
Independent Accountants' Report on State Compliance, on Internal Control Over Compliance, and on Supplementary Information for State Compliance Purposes	5 - 7
Schedule of Findings	
Current Findings – State	8 - 12
Prior Findings Not Repeated – State	13
Financial Statement Report	
<p>The Commission's financial statement report for the year ended June 30, 2007, which includes the report of independent auditors, required supplementary information (budgetary comparison schedule), basic financial statements, supplementary information, and the independent auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of basic financial statements performed in accordance with <i>Government Auditing Standards</i> has been issued separately.</p>	
Supplementary Information for State Compliance Purposes	
Summary	14
Fiscal Schedules and Analysis	
Schedule of Expenditures of Federal Awards and Related Notes	15 - 16
Schedule of Appropriations, Expenditures and Lapse Balances	17 - 20
Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances	21 - 24
Schedule of Changes in State Property	25
Comparative Schedule of Cash Receipts	26 - 28
Reconciliation Schedule of Cash Receipts to Deposits Remitted to the State Comptroller	29 - 30
Analysis of Significant Variations in Expenditures	31
Analysis of Significant Variations in Receipts	32
Analysis of Significant Lapse Period Spending	33
Analysis of Significant Balance Sheet Accounts	34 - 35
Analysis of Accounts Receivable	36 - 37
Analysis of Operations	
Agency Functions and Planning Program	38 - 41
Average Number of Employees	42
Annual Cost Statistics – By Activity (Unaudited)	43 - 46
Emergency Purchases	47
Schedule of Investment Management Fees	48
Service Efforts and Accomplishments (Unaudited)	49 - 51
Schedule of Federal and Nonfederal Expenditures	52

State of Illinois
Illinois Student Assistance Commission

Agency Officials

Executive Director (01/01/07 – Current)	Andrew Davis
Executive Director (07/01/06 – 12/31/06)	Larry Matejka
Chief Financial Officer (03/19/07 – Current)	John Sinsheimer
Chief Financial Officer (07/01/06 – 03/18/07)	Theresa Morgan
General Counsel (02/08/07 – Current)	Kim Barker Lee
General Counsel (07/01/06 – 02/07/07)	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



Illinois
Student
Assistance
Commission

April 15, 2008

McGladrey & Pullen, LLP
20 North Martingale Road, Ste 500
Schaumburg, IL 60173

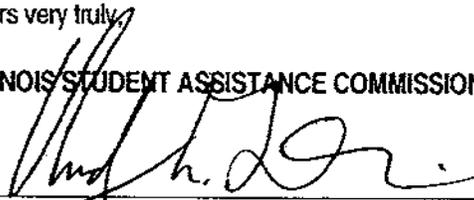
Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the Commission. We are responsible for and we have established and maintained an effective system of, internal controls over compliance requirements. We have performed an evaluation of the Commission's compliance with the following assertions during the year ended June 30, 2007. Based on this evaluation, we assert that during the year ended June 30, 2007, the Commission has materially complied with the assertions below.

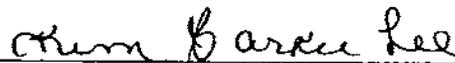
- A. The Commission has obligated, expended, received and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Commission has obligated, expended, received and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The Commission has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. The State revenues and receipts collected by the Commission are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.
- E. The money or negotiable securities or similar assets handled by the Commission on behalf of the State or held in trust by the Commission have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.

Yours very truly,

ILLINOIS STUDENT ASSISTANCE COMMISSION


Andrew Davis, Executive Director


John Sinsheimer, Chief Financial Officer


Kim Barker Lee, Legal Counsel

State of Illinois
 Illinois Student Assistance Commission

Compliance Report Summary

The compliance testing performed during this examination was conducted in accordance with *Government Auditing Standards* and in accordance with the Illinois State Auditing Act.

Accountants' Reports

The Independent Accountants' Report on State Compliance, on Internal Control Over Compliance, and on Supplementary Information for State Compliance Purposes does not contain scope limitations, disclaimers, or other significant non-standard language.

Summary of Findings

Number of:	Compliance Report	Financial Report	Prior Compliance Report
Findings	5	4	5
Repeated findings	2	1	2
Prior recommendations implemented or not repeated	2	2	5

Details of State compliance findings are presented in the separately tabbed report section of this report. Details of *Government Auditing Standards* findings are issues related to significant deficiencies and material weaknesses in internal control over financial reporting. Findings related to *Government Auditing Standards* have been issued separately with the Commission's Financial Statement Audit.

Schedule of Findings

FINDINGS (*GOVERNMENT AUDITING STANDARDS*)

Item No.	Page	Description
07-1		Financial Reporting - Illinois Prepaid Tuition Program
07-2		Internal Auditing
07-3		Financial Reporting – Illinois Designated Account Purchase Program
07-4		Material Year-End Financial Statement Adjustment Not Recorded

PRIOR FINDINGS NOT REPEATED (*GOVERNMENT AUDITING STANDARDS*)

07-5		Noncompliance with Bond Indentures
07-6		Posting of General Journal Entries to the General Ledger

FINDINGS (*STATE COMPLIANCE*)

Item No.	Page	Description
07-7	8	Failure to Properly Complete Performance Evaluations of Employees
07-8	9	Delinquent Filing of Quarterly Receipts and Disbursements for Locally Held Funds

State of Illinois
Illinois Student Assistance Commission

Compliance Report Summary

Schedule of Findings (Continued)

Item No.	Page	FINDINGS (STATE COMPLIANCE) (Continued) Description
07-9	10	Delinquent Reporting of Revenue Bonds
07-10	11	Incomplete Contract-Obligation Document Information
07-11	12	Failure to Establish College Savings Program
PRIOR FINDINGS NOT REPEATED (STATE COMPLIANCE)		
07-12	13	Timesheets not Maintained in Compliance with the State Officials and Employees Ethics Act
07-13	13	Contracts not Approved on a Timely Basis

Exit Conference

The Commission waived having an exit conference on March 17, 2008. Responses to the recommendations were provided by Shoba Nandhan in a letter dated March 31, 2008.

McGladrey & Pullen

Certified Public Accountants

Independent Accountants' Report on State Compliance, on Internal Control Over Compliance, and on Supplementary Information for State Compliance Purposes

Honorable William G. Holland
Auditor General
State of Illinois

Mr. Donald J. McNeil
Honorable Chairman of the Governing Board
Illinois Student Assistance Commission

Compliance

As Special Assistant Auditors for the Auditor General, we have examined the State of Illinois, Illinois Student Assistance Commission's compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the year ended June 30, 2007. The management of the State of Illinois, Illinois Student Assistance Commission (Commission) is responsible for compliance with these requirements. Our responsibility is to express an opinion on the Commission's compliance based on our examination.

- A. The Commission has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Commission has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The Commission has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. State revenues and receipts collected by the Commission are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.
- E. Money or negotiable securities or similar assets handled by the Commission on behalf of the State or held in trust by the Commission have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the Audit Guide as adopted by the Auditor General pursuant to the Act; and, accordingly, included examining, on a test basis, evidence about the Commission's compliance with those requirements listed in the first paragraph of this report and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Commission's compliance with specified requirements.

In our opinion, the Commission complied, in all material respects, with the requirements during the year ended June 30, 2007. However, the results of our procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying Schedule of Findings as findings 07-7 through 07-11.

As required by the Audit Guide, immaterial findings relating to instances of noncompliance excluded from this report have been reported in a separate letter to your office.

Internal Control

The management of the Commission is responsible for establishing and maintaining effective internal control over compliance with the requirements listed in the first paragraph of this report. In planning and performing our examination, we considered the Commission's internal control over compliance with the requirements listed in the first paragraph of this report in order to determine our examination procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide, issued by the Illinois Office of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with the requirements listed in the first paragraph of this report on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to comply with the requirements listed in the first paragraph of this report such that there is more than a remote likelihood that noncompliance with a requirement that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as findings 07-7 through 07-10 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a requirement listed in the first paragraph of this report will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying schedule of findings to be material weaknesses.

Additionally, the results of our procedures disclosed other matters involving internal control over compliance, which are required to be reported in accordance with criteria established by the Audit Guide issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of findings as finding 07-11.

The Commission's response to the findings identified in our examination are described in the accompanying schedule of findings. We did not examine the Commission's response and, accordingly, we express no opinion on it.

As required by the Audit Guide, immaterial findings relating to internal control deficiencies excluded from this report have been reported in a separate letter to your office.

Supplementary Information for State Compliance Purposes

As Special Assistant Auditors for the Auditor General, we have audited 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 (Commission) as of and for the year ended June 30, 2007, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated April 15, 2008. The accompanying supplementary information, as listed in the table of contents as Supplementary Information for State Compliance Purposes, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Commission.

The 2007 Supplementary Information for State Compliance Purposes, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2007, taken as a whole.

We have also previously audited, in accordance with auditing standards generally accepted in the United States of America, the Commission's basic financial statements for the years ended June 30, 2006 and June 30, 2005. In our reports dated November 15, 2006 and November 4, 2005, we expressed an unqualified opinion on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. In our opinion, the 2006 and 2005 Supplementary Information for State Compliance Purposes, except for the portion marked "unaudited," is fairly stated in all material respects in relation to the basic financial statements for the years ended June 30, 2006 and June 30, 2005 taken as a whole.

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

McGladrey & Pullen, LLP

Schaumburg, Illinois
April 15, 2008

**State of Illinois
Illinois Student Assistance Commission**

**Current Findings – State Compliance
Year Ended June 30, 2007**

Finding 07-7. Failure to Properly Complete Performance Evaluations of Employees

The Illinois Student Assistance Commission (Commission) did not conduct annual employee performance evaluations on a timely basis.

Based on our review of 50 employee performance evaluations, we noted the following:

- a. The Commission did not conduct or document performance evaluations of 10 (20%) employees;
- b. The performance evaluations of 25 (50%) employees were submitted 3 to 87 days late to the Human Resources Department (HRD);
- c. 1 (2%) employee did not sign the performance evaluation as required;
- d. 1 (2%) employee did not indicate the date the performance evaluation was signed;
- e. 6 (12%) evaluations were not signed by the appropriate supervisory personnel.

The Commission's Policies and Procedures (PPD) # 413 states, "An annual performance appraisal is required for management and non-management employees."

According to the Human Resource Department (HRD) Manager of Compensation and Benefits, the late submission of performance evaluations was due to employees on leave of absence, vacations, or other priorities. The late submissions in the May 2007 Employee Appraisals were caused by the Commission's workforce re-allocation. The division managers were addressing important issues within their corresponding departments.

Performance evaluations are a systematic and uniform approach used for the development of employees and communication of performance expectations to employees. Performance evaluations should serve as a foundation for salary adjustments, promotions, demotions, discharges, layoffs, and reinstatement decisions. (Finding Code No. 07-7, 06-4).

Recommendation

We recommend the Commission conduct and document performance evaluations based on the written guidelines and submit these evaluations on a timely basis to the HRD.

Commission Response

Agree. The Commission will make every attempt to ensure that annual performance evaluations are conducted in a timely manner.

State of Illinois
Illinois Student Assistance Commission

Current Findings – State Compliance
Year Ended June 30, 2007

Finding 07-8. Delinquent Filing of Quarterly Receipts and Disbursements for Locally Held Funds

The Illinois Student Assistance Commission (Commission) was late in filing quarterly reports of receipts and disbursements for locally held funds (form C-17) with the Illinois Office of the Comptroller.

During our testing, we noted that 3 of the 4 required quarterly form C-17 reports were delinquent. The reports ranged from 17 to 49 days late. The fourth quarter filing, due July 31, 2007 was initially filed 49 days late and was subsequently amended twice. The final report was filed 156 days after it was due.

SAMS procedure 33.30.10 states, "Within 30 days after the end of each quarter...each State agency shall file with the comptroller the report of its receipts and collections during the preceding quarter, including receipts and collections of taxes and fees, funds and fund authorizations from sources other than appropriation by the General Assembly, gifts, grants and donations, and income from revenue producing activities or property of or under the control of the agency."

According to the new Director of the Illinois Designated Account Purchase Program (IDAPP), the C-17 filing requirement was new to him this year. Due to the nature of IDAPP's business and the timing of the reports that are needed to compile the C-17's, meeting the 30 days past the quarter end deadline will always be tight. The main issue is the reporting from the external business partners is not always compiled and delivered to IDAPP within the 30 day window. Much of the cash activity occurs at these external entities and not directly through IDAPP's bank accounts. After attempting to meet the deadline, IDAPP realized that information for the last month of the quarter will often not be available in a timely manner. To remedy this problem, IDAPP will complete the C-17 using the available data and estimates of the missing information.

Failure to file the quarterly form C-17 reports inhibits the Comptroller from monitoring and reporting the locally held fund activity of the State. (Finding Code No. 07-8).

Recommendation

We recommend that the Commission work with its external business partners to accelerate monthly reporting of locally held fund activity so that the form C-17 reports can be filed timely as required by SAMS procedures. Further, we recommend that the Commission avoid using estimates and prepare the form as prescribed by the Illinois Office of the Comptroller reporting actual cash receipts and disbursements.

Commission Response

Agree. The Commission will work with its external parties and expedite the process of reporting its locally held fund activity so that the C-17 reports are filed on a timely basis.

**State of Illinois
Illinois Student Assistance Commission**

**Current Findings – State Compliance
Year Ended June 30, 2007**

Finding 07-9. Delinquent Reporting of Revenue Bonds

The Illinois Student Assistance Commission (Commission) was delinquent in reporting required revenue bond activity to the Illinois Office of the Comptroller for the year ended June 30, 2007.

During our review of the quarterly reports of delinquent revenue bond reporting prepared by the Illinois Office of the Comptroller, we noted that 37 out of the 312 (12%) required C-08 forms, "Notice of Payment of Bond Interest and/or Principal" to be reported to the Comptroller's Office were delinquent for the fiscal year ended June 30, 2007.

SAMS Procedure 31.30.20 requires a C-08 form to be submitted to the Comptroller within 30 days from the date the voucher is processed for payment of principal and/or interest or within 15 days from the agency's receipt of the trustee's monthly statement.

According to Commission management, these reports are filed by the Trustees on the Commission's behalf with the Comptroller's office. This sometimes results in delays in filing the reports. The Commission continues to remind the trustees of the filing requirements.

Failure to file the C-08 forms with the Comptroller's Office in a timely manner inhibits the Comptroller's Office from performing its duties of monitoring the State of Illinois's revenue bond activity. (Finding Code No. 07-9).

Recommendation

We recommend that the Commission work with its trustees to ensure all required revenue bond reporting to the Comptroller's Office is completed on a timely basis.

Commission Response

Agree. The Commission will continue to work with its trustees to ensure that all required revenue bond reporting is completed on a timely basis.

State of Illinois
Illinois Student Assistance Commission

Current Findings – State Compliance
Year Ended June 30, 2007

Finding 07-10. Incomplete Contract-Obligation Document Information

The Illinois Student Assistance Commission (Commission) did not document the authorization dates on certain Contract-Obligation Documents (COD).

During our examination of Commission contracts, we noted that 4 out of 29 (14%) contracts examined were missing authorization dates on the CODs.

SAMS Procedure 15.20.10 requires that CODs include the signature and date of the agency official authorizing the obligation when it is submitted to the Illinois Office of the Comptroller. Good business practices require all CODs to be approved prior to the beginning of contract services.

Commission officials stated that the approving officer failed to indicate the date of authorization when signing the documents.

Failure of the authorizing agency official to include the authorization date could result in premature payment to contractors. (Finding Code No. 07-10).

Recommendation

We recommend the Commission's approving officer properly date the CODs in accordance with the SAMS procedures.

Commission Response

Agree. The Commission will implement procedures to properly date the COD's in accordance with the SAMS procedures.

**State of Illinois
Illinois Student Assistance Commission**

**Current Findings – State Compliance
Year Ended June 30, 2007**

Finding 07-11. Failure to Establish College Savings Program

The Illinois Student Assistance Commission (Commission) has not established a program of college savings instruments for Illinois citizens.

During our examination of State mandates applicable to the Commission, we determined that the agency has not implemented a college savings program for Illinois citizens in accordance with the Higher Education Student Assistance Act (Act) (110 ILCS 947/75).

The Act states, "The Commission is authorized to develop and provide a program of college savings instruments to Illinois citizens." The Act further states, "The Commission shall market and promote the College Savings Programs to the citizens of Illinois."

According to Commission management, the Commission submitted the proposal to repeal 110 ILCS 947/75 which was introduced as Amendment No. 1 to House Bill HB 2185 on April 18, 2007. The bill was referred to the Rules Committee on May 25 007 and the Commission is awaiting a decision on the matter.

By not complying with the Act the Commission has not provided the citizens of the State of Illinois a college saving program mandated by the General Assembly. (Finding Code No. 07-11, 06-7, 05-7).

Recommendation

We recommend the Commission establish a college saving program or continue seeking legislation to remedy the statutory requirement.

Commission Response

Agree. The Commission will seek legislation to repeal the act in the spring session in 2008.

State of Illinois
Illinois Student Assistance Commission

Current Findings – State Compliance
Year Ended June 30, 2007

Prior Findings Not Repeated– State Compliance

Finding 07-12. Timesheets not Maintained in Compliance with the State Officials and Employees Ethics Act

The Illinois Student Assistance Commission (Commission) did not maintain time sheets for full-time salaried employees in compliance with the State Officials and Employee Ethics Act. (Finding Code No. 06-5, 05-5).

Based on our sample testing in fiscal year 2007, the Commission maintained timesheets in accordance to the State Officials and Employees Ethics Act.

Finding 07-13. Contracts not Approved on a Timely Basis

The Illinois Student Assistance Commission (Commission) did not approve three contracts prior to the delivery of the product or the performance of services. (Finding Code No. 06-6).

Based on our sample testing in fiscal year 2007, the Commission appears to have timely approved contracts in accordance with the Statewide Accounting Management System (SAMS) Procedure 15.10.40, which requires that contracts be reduced to writing and filed with the Comptroller's Office within 15 days of execution.

State of Illinois
Illinois Student Assistance Commission

Supplementary Information for State Compliance Purposes

Summary

Supplementary Information for State Compliance Purposes presented in this section of the report includes the following:

Fiscal Schedules and Analysis:

- Schedule of Expenditures of Federal Awards and Related Notes
- Schedule of Appropriations, Expenditures and Lapse Balances
- Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances
- Schedule of Changes in State Property
- Comparative Schedule of Cash Receipts
- Reconciliation Schedule of Cash Receipts to Deposits Remitted to the State Comptroller
- Analysis of Significant Variations in Expenditures
- Analysis of Significant Variations in Receipts
- Analysis of Significant Lapse Period Spending
- Analysis of Significant Balance Sheet Accounts
- Analysis of Accounts Receivable

Analysis of Operations

- Agency Functions and Planning Program
- Average Number of Employees
- Annual Cost Statistics – By Activity (Unaudited)
- Emergency Purchases
- Schedule of Investment Management Fees
- Service Efforts and Accomplishments (Unaudited)
- Schedule of Federal and Nonfederal Expenditures

The accountants' report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states that it has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in the accountants' opinion, except for that portion marked "unaudited," on which they express no opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

State of Illinois
 Illinois Student Assistance Commission

Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2007
 (Amounts expressed in thousands)

Federal Grantor Program Title	Federal CFDA number	Federal Expenditures
U.S. Department of Education:		
Federal Family Education Loan Program	84.032	\$ 290,787
Leveraging Educational Assistance Partnership (LEAP - Formerly SSIG)	84.069	3,626
Robert C. Byrd Honors Scholarship	84.185	1,532
Paul Douglas Teacher Scholarship	84.176	(17)
Total Expenditures of Federal Awards		\$ 295,928

See Notes to Schedule of Expenditures of Federal Awards.

State of Illinois
Illinois Student Assistance Commission

Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2007

Note 1. Significant Accounting Principles and Policies

(a) Basis of Presentation

The Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance of the Illinois Student Assistance Commission (Commission) for the year ended June 30, 2007. The Commission had no subrecipient activity to report.

(b) Basis of Accounting

The Schedule of Expenditures of Federal Awards is presented on the accrual basis of accounting. Under this method, expenditures are recognized in the accounting period in which the liability is incurred.

Note 2. Description of Grant Programs

The following is a brief description of the grant award programs included in the accompanying Schedule of Expenditures of Federal Awards:

(a) Federal Family Education Loan Program (FFELP) - CFDA No. 84.032

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

(b) Leveraging Educational Assistance Partnership (LEAP) - CFDA No. 84.069

This program is the federal portion of the Monetary Award Program funded by the United States Department of Education. The Leveraging Educational Assistance Partnership (LEAP) assists states in providing grants and work-study assistance to eligible students who attend institutions of higher education and have substantial financial need. The work-study assistance is provided through campus-based community service work learning study programs, referred to as community service-learning job programs.

(c) Robert C. Byrd Honors Scholarship - CFDA No. 84.185

The Byrd Scholarship Program is a federally funded program, which provides scholarships of up to \$1,500, for a maximum of four academic years, for academically exceptional high school graduates who show promise of continued academic excellence. Byrd Scholars must become high school graduates in the same high school year in which a scholarship application is submitted, must demonstrate academic achievement through test scores and high school transcripts and be enrolled, or accepted for enrollment as full-time undergraduate students in a postsecondary institution approved by the United States Department of Education. This Scholarship is not limited to tuition and fees. Recipients may use the scholarship at out-of-state institutions.

(d) Paul Douglas Teacher Scholarship - CFDA No. 84.176

The Paul Douglas Teacher Scholarship Program was discontinued prior to July 1, 2002. ISAC has reported negative expenditures, which represent an adjustment to previously reported amounts.

State of Illinois
 Illinois Student Assistance Commission
 Schedule of Appropriations, Expenditures, and Lapsed Balances
 Appropriations for Fiscal Year 2007
 Fourteen Months Ended August 31, 2007

	Appropriations (Net After Transfers)	Expenditures Through June 30	Lapse Period Expenditures July 1 to August 31	Total Expenditures	Balances Lapsed
Public Act. 94-0798					
Appropriated Funds					
General Revenue Fund - 001:					
Grants and scholarships:					
Minority teacher scholarships	\$ 3,100,000	\$ 2,897,808	\$ (5,834)	\$ 2,891,974	\$ 208,026
Matching grants to Illinois institutions to supplement scholarship programs	950,000	949,975	-	949,975	25
Scholarships to children of policemen or firemen killed in the line of duty or who are dependents of correctional officers killed or permanently disabled in the line of duty	470,000	438,937	15,510	454,447	15,553
National guard and naval militia scholarships	4,480,000	4,464,816	(2,378)	4,462,438	17,562
Veterans' scholarships	19,250,000	19,184,242	(7,494)	19,176,748	73,252
Illinois incentive for access grants	8,200,000	8,070,750	7,000	8,077,750	122,250
IL Scholars scholarships	3,160,000	3,160,000	-	3,160,000	-
IL Future Teachers Corps scholarships	4,100,000	3,780,842	(1,715)	3,779,127	320,873
College savings bond grants to eligible students	650,000	648,920	-	648,920	1,080
Scholarships and living expenses	500,000	-	-	-	500,000
Scholarships and living expenses	1,350,000	447,792	(1,000)	446,792	903,208
Grant awards to eligible full-time and part-time students	354,259,800	354,254,390	5,135	354,259,525	275
Loan Repayment for Teachers Program	500,000	399,472	85,674	485,146	14,854
Total General Revenue Fund	\$ 400,969,800	\$ 398,697,944	\$ 94,898	\$ 398,792,842	\$ 2,176,958

(Continued)

State of Illinois
 Illinois Student Assistance Commission
 Schedule of Appropriations, Expenditures, and Lapsed Balances - Continued
 Appropriations for Fiscal Year 2007
 Fourteen Months Ended August 31, 2007

	Appropriations (Net After Transfers)	Expenditures Through June 30	Lapse Period Expenditures July 1 to August 31	Total Expenditures	Balances Lapsed
Federal Congress Teacher Scholarship Fund - 092:					
Federal Congress Teacher scholarship for transferring repayment	\$ 400,000	\$ -	\$ -	\$ -	\$ 400,000
Payment of Byrd Honors scholarships	1,800,000	1,538,250	(1,750)	1,536,500	263,500
Total Federal Congress Teacher Scholarship Fund	\$ 2,200,000	\$ 1,538,250	\$ (1,750)	\$ 1,536,500	\$ 663,500
Accounts Receivable Fund - 242:					
Costs of collecting delinquent student scholarships	\$ 300,000	\$ 53,532	\$ 2,732	\$ 56,264	\$ 243,736
Optometric ED Scholarship Fund - 259:					
Scholarships for eligible students pursuing a graduate degree in optometry	\$ 50,000	\$ 50,000	\$ -	\$ 50,000	\$ -
University Grant Fund - 418:					
Grants to higher education institutions	\$ 70,000	\$ 52,800	\$ -	\$ 52,800	\$ 17,200
Federal Student Loan Fund - 663:					
Distribution necessary as the result of guarantees of loans that are uncollectible and payments pursuant to federal agreements	\$ 190,000,000	\$ 166,178,666	\$ 13,592,488	\$ 179,771,154	\$ 10,228,846

(Continued)

State of Illinois
 Illinois Student Assistance Commission
 Schedule of Appropriations, Expenditures, and Lapsed Balances - Continued
 Appropriations for Fiscal Year 2007
 Fourteen Months Ended August 31, 2007

	Appropriations (Net After Transfers)	Expenditures Through June 30	Lapse Period Expenditures July 1 to August 31	Total Expenditures	Balances Lapsed
Student Loan Operating Fund - 664:					
Administration:					
Personal services	\$ 16,935,700	\$ 15,053,412	\$ 3,011	\$ 15,056,423	\$ 1,879,277
State contribution to State Employees' Retirement Fund	1,951,900	1,735,875	347	1,736,222	215,678
State contribution to Social Security	1,295,700	1,099,078	189	1,099,267	196,433
State contribution for employees' group insurance	4,755,100	3,936,802	968	3,937,770	817,330
Contractual services	12,471,800	6,777,801	570,426	7,348,227	5,123,573
Collection agency fees	21,334,400	2,913,815	243,721	3,157,536	18,176,864
Travel	208,300	87,351	3,969	91,320	116,980
Commodities	265,200	71,392	2,112	73,504	191,696
Printing	724,200	85,594	17,917	103,511	620,689
Equipment	535,000	89,187	27,439	116,626	418,374
Telecommunications	1,894,900	298,469	267,540	566,009	1,328,891
Operation of automotive equipment	37,900	19,086	2,739	21,825	16,075
Loan-based solution project	5,000,000	681,821	-	681,821	4,318,179
Higher education shared services	2,128,100	1,756,788	5,086	1,761,874	366,226
Payment of Federal Default fee	15,000,000	9,405,171	287,486	9,692,657	5,307,343
Monetary Award Program Plus	34,400,000	26,946,500	(41,000)	26,905,500	7,494,500
Monetary Award Program	26,840,000	-	26,400,152	26,400,152	439,848
Total Student Loan Operating Fund	\$ 145,778,200	\$ 70,958,142	\$ 27,792,102	\$ 98,750,244	\$ 47,027,956
Contracts and Grants Fund - 677:					
Costs to support outreach and training activities	\$ 70,000	\$ 17,680	\$ 1,647	\$ 19,327	\$ 50,673
Federal Student Incentive Trust Fund - 701:					
Grant awards to full-time and part-time students	\$ 3,700,000	\$ 3,626,127	\$ -	\$ 3,626,127	\$ 73,873

(Continued)

State of Illinois
 Illinois Student Assistance Commission
 Schedule of Appropriations, Expenditures, and Lapsed Balances - Continued
 Appropriations for Fiscal Year 2007
 Fourteen Months Ended August 31, 2007

	Appropriations (Net After Transfers)	Expenditures Through June 30	Lapse Period Expenditures July 1 to August 31	Total Expenditures	Balances Lapsed
National Guard Grant and Military Vet Scholarships Fund - 721:					
Grant awards to full-time and part-time students	\$ 20,000	\$ -	\$ -	\$ -	\$ 20,000
IL Future Teacher Corps Scholarships Fund - 753:					
Grant awards to full-time and part-time students	\$ 57,000	\$ 50,000	\$ (5,000)	\$ 45,000	\$ 12,000
Grant awards to Golden Apple Foundation	3,000	2,632	-	2,632	368
Total IL Future Teacher Corps Scholarships Fund	\$ 60,000	\$ 52,632	\$ (5,000)	\$ 47,632	12,368
Totals - All Appropriated Funds	\$ 743,218,000	\$ 641,225,774	\$ 41,477,116	\$ 682,702,890	\$ 60,515,110
Nonappropriated Funds:					
Illinois Prepaid Tuition Fund - 557:					
Lump sum expenditures for operations		\$ 125,165,010	\$ 958,216	\$ 126,123,226	
ISAC Loan Purchase Program Payroll Fund - 773:					
Illinois Designated Account Purchase Program Expenditures		10,906,121	1,555	10,907,676	
Total - All Nonappropriated Funds		\$ 136,071,131	\$ 959,771	\$ 137,030,902	
Total - All Funds		\$ 777,296,904	\$ 42,436,888	\$ 819,733,792	

Note: All information shown in this Schedule was obtained from agency records and reconciled to the records of the State Comptroller.

(Concluded)

State of Illinois
 Illinois Student Assistance Commission
 Comparative Schedule of Net Appropriations, Expenditures, and Lapsed Balances
 Years Ended June 30, 2007, 2006 and 2005

	Fiscal Year		
	2007 P.A. 94-0798	2006 P. A. 94-0015	2005 P. A. 93-0842
General Revenue Fund - 001:			
Appropriations (net after transfers)	\$ 400,969,800	\$ 390,299,800	\$ 392,250,800
Expenditures:			
Personal services	-	-	1,934,720
State contribution to State Employees' Retirement Fund	-	-	311,753
State contribution to Social Security	-	-	142,767
Contractual services	-	-	1,802,600
Travel	-	-	5,442
Commodities	-	-	32,710
Printing	-	-	82,351
Equipment	-	-	8,893
Telecommunications	-	-	111,604
Operation of automotive equipment	-	-	4,341
Minority teachers scholarships	2,891,974	2,866,965	2,797,510
Matching grants to Illinois institutions to supplement scholarship programs	949,975	949,951	949,576
Scholarships to children of policemen or firemen killed in the line of duty or who are dependents of correctional officers killed or permanently disabled in the line of duty	454,447	342,572	349,996
National guard and naval militia scholarships	4,462,438	4,447,015	4,216,711
Veterans' scholarships	19,176,748	19,234,585	19,217,038
Illinois incentive for access grants	8,077,750	7,031,500	6,792,637
IL Scholars scholarships	3,160,000	3,020,000	3,020,000
IL Future Teachers Corps scholarships	3,779,127	3,795,464	3,770,517
College savings bond grants to eligible students	648,920	648,820	219,000
Merit recognition scholarships	-	-	5,372,000
Scholarships and living expenses	446,792	-	-
Grant awards to eligible full-time and part-time students	354,259,525	345,770,562	330,838,777
Loan Repayment for Teachers Program	485,146	497,639	230,791
Total expenditures	398,792,842	388,605,073	382,211,734
Lapsed balances	\$ 2,176,958	\$ 1,694,727	\$ 10,039,066

(Continued)

State of Illinois
 Illinois Student Assistance Commission
 Comparative Schedule of Net Appropriations, Expenditures, and Lapsed Balances - Continued
 Years Ended June 30, 2007, 2006 and 2005

	Fiscal Year		
	2007 P.A. 94-0798	2006 P. A. 94-0015	2005 P. A. 93-0842
Federal Congress Teacher Scholarship Fund - 092:			
Appropriations (net after transfers)	\$ 2,200,000	\$ 2,200,000	\$ 2,200,000
Expenditures:			
Payment of Byrd Honors scholarships	1,536,500	1,536,868	1,589,985
Total expenditures	1,536,500	1,536,868	1,589,985
Lapsed balances	\$ 663,500	\$ 663,132	\$ 610,015
Accounts Receivable Fund - 242:			
Appropriations (net after transfers)	\$ 300,000	\$ 300,000	\$ 300,000
Expenditures:			
Costs of collecting delinquent student scholarships	56,264	62,157	96,829
Lapsed balances	\$ 243,736	\$ 237,843	\$ 203,171
Optometric ED Scholarship Fund - 259:			
Appropriations (net after transfers)	\$ 50,000	\$ 50,000	\$ 50,000
Expenditures:			
Scholarships for eligible students pursuing a graduate degree in optometry	50,000	50,000	50,000
Lapsed balances	\$ -	\$ -	\$ -
University Grant Fund - 418:			
Appropriations (net after transfers)	\$ 70,000	\$ 70,000	\$ 70,000
Expenditures:			
Grants to higher education institutions	52,800	51,750	51,650
Lapsed balances	\$ 17,200	\$ 18,250	\$ 18,350
Monetary Award Program Reserve Fund - 420:			
Appropriations (net after transfers)	\$ -	\$ -	\$ 875,000
Expenditures:			
Grant awards to eligible full-time and part-time students	-	-	-
Lapsed balances	\$ -	\$ -	\$ 875,000

(Continued)

State of Illinois
 Illinois Student Assistance Commission
 Comparative Schedule of Net Appropriations, Expenditures, and Lapsed Balances - Continued
 Years Ended June 30, 2007, 2006 and 2005

	Fiscal Year		
	2007 P.A. 94-0798	2006 P. A. 94-0015	2005 P. A. 93-0842
Federal Student Loan Fund - 663:			
Appropriations (net after transfers)	\$ 190,000,000	\$ 190,000,000	\$ 190,000,000
Expenditures:			
Distribution necessary as the result of guarantees of loans that are uncollectible and payments pursuant to federal agreements	179,771,154	164,041,982	142,428,538
Lapsed balances	\$ 10,228,846	\$ 25,958,018	\$ 47,571,462
Student Loan Operating Fund - 664:			
Appropriations (net after transfers)	\$ 145,778,200	\$ 67,972,700	\$ 65,146,600
Expenditures:			
Personal services	15,056,423	16,306,231	14,144,712
Employee retirement contribution paid by State	-	-	443
State contribution to State Employees' Retirement Fund	1,736,222	1,271,197	2,278,954
State contribution to Social Security	1,099,267	1,191,125	1,032,789
State contribution for employees' group insurance	3,937,770	4,496,117	3,620,286
Contractual services	7,348,227	8,367,276	7,428,975
Collection agency fees	3,157,536	3,325,335	3,503,577
Travel	91,320	94,169	112,000
Commodities	73,504	104,757	104,895
Printing	103,511	117,172	104,580
Equipment	116,626	51,246	222,160
Telecommunications	566,009	509,526	576,419
Operation of automotive equipment	21,825	25,835	17,794
Loan-based solution project	681,821	1,026,952	1,126,252
Higher education shared services	1,761,874	-	-
Payment of Federal Default fee	9,692,657	-	-
Monetary Award Program Plus	26,905,500	-	-
Monetary Award Program	26,400,152	-	-
Total expenditures	98,750,244	36,886,938	34,273,836
Lapsed balances	\$ 47,027,956	\$ 31,085,762	\$ 30,872,764
Contracts and Grants Fund - 677:			
Appropriations (net after transfers)	\$ 70,000	\$ 70,000	\$ 70,000
Expenditures:			
Costs to support outreach and training activities	19,327	10,966	13,225
Lapsed balances	\$ 50,673	\$ 59,034	\$ 56,775

(Continued)

State of Illinois
 Illinois Student Assistance Commission
 Comparative Schedule of Net Appropriations, Expenditures, and Lapsed Balances - Continued
 Years Ended June 30, 2007, 2006 and 2005

	Fiscal Year		
	2007 P.A. 94-0798	2006 P. A. 94-0015	2005 P. A. 93-0842
Federal Student Incentive Trust Fund - 701:			
Appropriations (net after transfers)	\$ 3,700,000	\$ 3,700,000	\$ -
Expenditures:			
Grant awards to full-time and part-time students	3,626,127	2,071,194	-
Lapsed balances	\$ 73,873	\$ 1,628,806	\$ -
National Guard Grant and Military Vet Scholarship Fund - 721:			
Appropriations (net after transfers)	\$ 20,000	\$ 20,000	\$ 20,000
Expenditures:			
Grant awards to full-time and part-time students	-	-	-
Lapsed balances	\$ 20,000	\$ 20,000	\$ 20,000
IL Future Teacher Corps Scholarships Fund - 753:			
Appropriations (net after transfers)	\$ 60,000	\$ 60,000	\$ 60,000
Expenditures:			
Grant awards to full-time and part-time students	45,000	-	-
Grant awards to Golden Apple Foundation	2,632	-	-
Total expenditures	47,632	-	-
Lapsed balances	\$ 12,368	\$ 60,000	\$ 60,000
Total all funds:			
Appropriations (net after transfers)	\$ 743,218,000	\$ 654,742,500	\$ 651,042,400
Expenditures	682,702,890	593,316,928	560,715,797
Lapsed balances	\$ 60,515,110	\$ 61,425,572	\$ 90,326,603

(Concluded)

State of Illinois
 Illinois Student Assistance Commission
 Schedule of Changes in State Property
 Year Ended June 30, 2007
 (Amounts expressed in thousands)

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,700	\$ -	\$ -	\$ 2,700
Capital assets being depreciated:				
Buildings	18,311	-	-	18,311
Equipment	1,225	-	(68)	1,157
Total capital assets being depreciated	19,536	-	(68)	19,468
Less accumulated depreciation:				
Buildings	(6,638)	(458)	-	(7,096)
Equipment	(1,212)	(12)	68	(1,156)
Total accumulated depreciation	(7,850)	(470)	68	(8,252)
Total capital assets being depreciated, net	11,686	(470)	-	11,216
Governmental activity capital assets, net	\$ 14,386	\$ (470)	\$ -	\$ 13,916
Business-type activities:				
<i>Designated Account Purchase Program:</i>				
Capital assets being depreciated:				
Equipment	\$ 500	\$ 14	\$ -	\$ 514
Less accumulated depreciation:				
Equipment	(435)	(35)	-	(470)
Total capital assets being depreciated, net	65	(21)	-	44
<i>Other business-type activities:</i>				
Capital assets being depreciated:				
Equipment and automobiles	864	23	-	887
Less accumulated depreciation:				
Equipment and automobiles	(549)	(116)	-	(665)
Total capital assets being depreciated, net	315	(93)	-	222
Business-type activities capital assets, net	\$ 380	\$ (114)	\$ -	\$ 266

Note: The above information has been reconciled to reports (Form C-15) submitted to the Office of the Comptroller.

State of Illinois
 Illinois Student Assistance Commission
 Comparative Schedule of Cash Receipts
 Years Ended June 30, 2007 and 2006
 (Amounts expressed in thousands)

	General Revenue Account		Federal Student Loan		Federal Student Incentive Trust		Federal Congressional Teacher Scholarship	
	2007	2006	2007	2006	2007	2006	2007	2006
Federal government receipts	\$ -	\$ -	\$ 89,124	\$ 81,801	\$ 3,626	\$ 2,071	\$ 1,527	\$ 1,525
Other:								
Collections on defaulted student loans	-	-	35,698	33,595	-	-	-	-
Repurchased student loans	-	-	55,832	34,697	-	-	-	-
Loan processing and issuance fee	-	-	-	-	-	-	-	-
Repayments and reimbursements of loans	-	-	-	-	-	-	16	27
Portfolio maintenance fee	-	-	-	-	-	-	-	-
Federal direct consolidation fee	-	-	-	-	-	-	-	-
Federal student loan	-	-	-	-	-	-	-	-
Interfund payments	-	-	-	-	-	-	-	-
Proceeds from sale of tuition contracts	-	-	-	-	-	-	-	-
Miscellaneous	413	272	-	-	-	-	-	-
Total other	413	272	91,530	68,292	-	-	16	27
Total receipts per Comptroller	\$ 413	\$ 272	\$ 180,654	\$ 150,093	\$ 3,626	\$ 2,071	\$ 1,543	\$ 1,552

(Continued)

State of Illinois
 Illinois Student Assistance Commission
 Comparative Schedule of Cash Receipts - Continued
 Years Ended June 30, 2007 and 2006
 (Amounts expressed in thousands)

	ISAC Accounts Receivable		Optometric Educational Scholarship		Contracts and Grants		Student Loan Operating	
	2007	2006	2007	2006	2007	2006	2007	2006
Federal government receipts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other:								
Collections on defaulted student loans	-	-	-	-	-	-	-	-
Repurchased student loans	-	-	-	-	-	-	-	-
Loan processing and issuance fee	-	-	-	-	-	-	4,520	4,729
Repayments and reimbursements of loans	284	291	10	-	-	-	-	-
Portfolio maintenance fee	-	-	-	-	-	-	7,001	1,965
Federal direct consolidation fee	-	-	-	-	-	-	4,408	5,009
Federal student loan	-	-	-	-	-	-	24,316	25,051
Interfund payments	-	-	-	-	-	-	26,530	-
Proceeds from sale of tuition contracts	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	14	21	2,357	54
Total other	284	291	10	-	14	21	69,132	36,808
Total receipts per Comptroller	\$ 284	\$ 291	\$ 10	\$ -	\$ 14	\$ 21	\$ 69,132	\$ 36,808

(Continued)

State of Illinois
 Illinois Student Assistance Commission
 Comparative Schedule of Cash Receipts - Continued
 Years Ended June 30, 2007 and 2006
 (Amounts expressed in thousands)

	Illinois Prepaid Tuition Program		Illinois Designated Account Purchase Program		Total All Funds (memorandum only)	
	2007	2006	2007	2006	2007	2006
Federal government receipts	\$ -	\$ -	\$ -	\$ -	\$ 94,277	\$ 85,397
Other:						
Collections on defaulted student loans	-	-	-	-	35,698	33,595
Repurchased student loans	-	-	-	-	55,832	34,697
Loan processing and issuance fee	-	-	-	-	4,520	4,729
Repayments and reimbursements of loans	-	-	-	-	310	318
Portfolio maintenance fee	-	-	-	-	7,001	1,965
Federal direct consolidation fee	-	-	-	-	4,408	5,009
Federal student loan	-	-	-	-	24,316	25,051
Interfund payments	-	-	11,648	9,896	38,178	9,896
Proceeds from sale of tuition contracts	120,847	122,120	-	-	120,847	122,120
Miscellaneous	-	-	-	-	2,784	347
Total other	120,847	122,120	11,648	9,896	293,894	237,727
Total receipts per Comptroller	\$ 120,847	\$ 122,120	\$ 11,648	\$ 9,896	\$ 388,171	\$ 323,124

(Concluded)

State of Illinois
 Illinois Student Assistance Commission
 Reconciliation Schedule of Cash Receipts to Deposits Remitted to the State Comptroller
 Year Ended June 30, 2007
 (Amounts expressed in thousands)

	General Revenue Account	Federal Student Loan	Federal Student Incentive Trust	Federal Congressional Teacher Scholarship	ISAC Accounts Receivable	Optometric Educational Scholarship
Total receipts per Comptroller	\$ 413	\$ 180,654	\$ 3,626	\$ 1,543	\$ 284	\$ 10
Reconciling items:						
Deposits in-transit -						
Prior year	(1)	(230)	-	-	(1)	-
Current Year	1	732	-	-	-	-
Budgetary adjustments/rounding	4	-	-	-	-	-
Net reconciling items	4	502	-	-	(1)	-
Receipts per Commission	\$ 417	\$ 181,156	\$ 3,626	\$ 1,543	\$ 283	\$ 10

(Continued)

State of Illinois
 Illinois Student Assistance Commission
 Reconciliation Schedule of Cash Receipts to Deposits Remitted to the State Comptroller - Continued
 Year Ended June 30, 2007
 (Amounts expressed in thousands)

	Contracts and Grants	Student Loan Operating	Illinois Prepaid Tuition Program	Illinois Designated Account Purchase Program	Total All Funds (Memorandum Only)
Total receipts per Comptroller	\$ 14	\$ 69,132	\$ 120,847	\$ 11,648	\$ 388,171
Reconciling items:					
Deposits in-transit -					
Prior year	-	-	-	-	(232)
Current Year	-	-	-	-	733
Budgetary adjustments/rounding	-	-	-	-	4
Net reconciling items	-	-	-	-	505
Receipts per Commission	\$ 14	\$ 69,132	\$ 120,847	\$ 11,648	\$ 388,676

(Concluded)

State of Illinois
 Illinois Student Assistance Commission
 Analysis of Significant Variations In Expenditures
 Years Ended June 30, 2007 and 2006

Source: Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances

	2007	2006	Increase (Decrease) Amount	% of Change Threshold 20%	Explanation
General Revenue Fund - 001					
Scholarships to children of policemen or firemen killed in the line of duty or who are dependents of correctional officers killed or permanently disabled in the line of duty	\$ 454,447	\$ 342,572	\$ 111,875	33%	Due to an increase in the number of students eligible for this scholarship in FY07.
Scholarships and living expenses	446,792	-	446,792	100%	The appropriation authority was created in FY07.
Student Loan Operating Fund - 664					
State contribution to State Employees' Retirement Fund	1,736,222	1,271,197	465,025	37%	Due to an increase in required contribution to SERS from 7.8% to 11.5% in FY07.
Commodities	73,504	104,757	(31,253)	-30%	Due to cost cutting measures implemented in FY07.
Equipment	116,626	51,246	65,380	128%	Due to the purchase of thirty-nine (39) computers and related peripherals in FY07.
Loan-based solution project	681,821	1,026,952	(345,131)	-34%	Due to a reduction in consulting services in FY07.
Higher education shared services	1,761,874	-	1,761,874	100%	The appropriation authority was created in FY07.
Payment of Federal Default fee	9,692,657	-	9,692,657	100%	The appropriation authority was created in FY07.
Monetary Award Program Plus	26,905,500	-	26,905,500	100%	The appropriation authority was created in FY07.
Monetary Award Program	26,400,152	-	26,400,152	100%	The appropriation authority was created in FY07.
Contracts and Grants Fund - 677:					
Costs to support outreach and training activities	19,327	10,966	8,361	76%	Due to an increase in out-of-state travel to conferences in FY07.
Federal Student Incentive Trust Fund - 701					
Grant awards to full-time and part-time students	3,626,127	2,071,194	1,554,933	75%	Due to an increase in federal grant award received in FY07.
IL Future Teacher Corps Scholarship Fund - 753					
Grant awards to full-time and part-time students	45,000	-	45,000	100%	Due to funds being expended in FY07, though the appropriation authority existed in prior years.
Grant awards to Golden Apple Foundation	2,632	-	2,632	100%	Due to funds being expended in FY07, though the appropriation authority existed in prior years.

State of Illinois
 Illinois Student Assistance Commission
 Analysis of Significant Variations in Receipts
 Years Ended June 30, 2007 and 2006
 (Amounts expressed in thousands)

	2007	2006	Increase (Decrease) Amount	% of Change Threshold 20% and \$20	Explanation
General Revenue Fund - 001					
Miscellaneous	\$ 413	\$ 272	\$ 141	52%	Due to increase in collections of teachers scholarship refunds in FY07.
Federal Student Loan Fund - 663					
Repurchased student loans	55,832	34,697	21,135	61%	Due to increase in rehabilitation of loans. The US Department of Education changed regulations, decreasing the number of consecutive payments from 12 months to 9 months, for a defaulted loan to be eligible for rehabilitation (effective October 2007)
Student Loan Operation Fund - 664					
Portfolio maintenance fee (PMF)	7,001	1,965	5,036	256%	In FY06, the PMF shortage transfer authorized by the US Department of Education of \$6.3 million was booked to the Federal Student Loan account at the Illinois Office of the Comptroller (IOC) instead of the PMF account as it was a transfer payment. PMF payments actually decreased slightly in FY07 as compared to FY06.
Interfund Payments	26,530	-	26,530	100%	Due to proceeds from the sale of IDAPP loans in FY07.
Miscellaneous	2,357	54	2,303	4265%	Due to \$2 million transfer from IDAPP for payment of Federal Default fees. Also, refunds from the Federal Department of Education were higher in FY07.
Federal Student Incentive Trust Fund - 701					
Federal government receipts	3,626	2,071	1,555	75%	Due to an increase in the grant award from the U.S. Department of Education in FY07.

*Source: State of Illinois Office of the Comptroller SB04 reports.

State of Illinois
 Illinois Student Assistance Commission
 Analysis of Significant Lapse Period Spending
 Fifteen Months Ended September 30, 2007

	Total Expenditures	Lapse Period Expenditures	Percent of Total Threshold > 20%	Explanation
Student Loan Operating Fund - 664				
Equipment	\$ 116,626	\$ 27,439	24%	The equipment purchases represent planned procurements to keep reasonably current with technology. The procurements were held until late in the fiscal year to ensure that the fund's total expenditure was within the total internal budget targeted for the year.
Telecommunications	566,009	267,540	47%	This invoice was not received until near the end of the fiscal year, thus payment of this invoice occurred during the lapse period.
Monetary Award Program	26,400,152	26,400,152	100%	Payment of these awards was dependent upon the proceeds of the IDAPP loan sale. The sale was completed and, therefore, the expenditure was recorded during the lapse period.

State of Illinois
Illinois Student Assistance Commission

Analysis of Significant Balance Sheet Accounts
June 30, 2007 and 2006
(Amounts expressed in thousands)

	2007	2006
Cash and equivalents	\$ 222,587	\$ 439,643
Investments	1,024,630	798,172
Notes receivable	87,586	85,796
Accrued interest on loans and notes	81,192	62,576
Federal special allowance and interest subsidy receivable	20,432	30,990
Tuition payable	745,078	657,826
Accreted tuition payable	211,123	158,423
Revenue bonds and notes payable	3,479,574	4,206,009

Cash and Equivalents:

The decrease in the balance of cash and cash equivalents is due to the timing and amount of bond issuances in each year and the timing of student loan purchases and originations from year to year in the Illinois Designated Account Purchase Program (IDAPP).

Investments:

This refers to investment activities by the Prepaid Tuition Program and IDAPP. The Illinois Prepaid Tuition Program investments increased due to purchases of additional contracts and the corresponding increase in cash receipts from contract purchasers. Investments for the Prepaid Tuition Program have increased from \$777 million in 2006 to \$986 million in 2007. Changes in IDAPP's investments are due to the timing of bond issuances and the availability of funds to invest which varies from year to year. IDAPP's investments have increased from \$21 million in 2006 to \$38 million in 2007.

Tuition Payable:

This account in the Illinois Prepaid Tuition Program represents amounts received from purchasers of contracts held by the fund. The increase in tuition payable is due to the additional contracts being purchased and cash payments received from existing contract holders for contracts sold on installment plans.

State of Illinois
Illinois Student Assistance Commission

Analysis of Significant Balance Sheet Accounts (Continued)
June 30, 2007 and 2006
(Amounts expressed in thousands)

Accreted Tuition Payable:

This account in the Illinois Prepaid Tuition Program represents management's estimate of the present value of the tuition payment to be made in excess of the principal payment (contract amounts) received and is expected to be financed through the investments of tuition contract proceeds. The accretion liability is estimated as a percentage of the tuition payable liability and, therefore, increases as tuition payable increases.

Revenue Bonds and Notes Payable:

This account in the Illinois Designated Account Purchase Program (IDAPP) represents the issuance of student loan revenue bonds and notes. There were no debt issuances during fiscal year 2007. The decrease is due to FY 2007 scheduled principal retirements, as well as early extinguishment of debt, described below.

On January 26, 2007, the Illinois Student Assistance Commission sold student loans receivable from IDAPP with a carrying amount of \$663 million for \$671 million. ISAC also retired \$690 million in revenue bonds associated with the student loan portfolio which was sold in January 2007.

State of Illinois
 Illinois Student Assistance Commission

Analysis of Accounts Receivable
 June 30, 2007 and 2006
 (Amounts expressed in thousands)

	2007	2006
Intergovernmental	\$ 29,258	\$ 28,590
Student loans	3,414,956	3,796,187
Notes	87,586	85,796
Accrued interest on loans and notes	81,192	62,576
Federal special allowance and interest subsidy	20,432	30,990
Total	\$ 3,633,424	\$ 4,004,139

Intergovernmental Receivables:

The intergovernmental receivable in the Federal Student Loan Fund represents the reimbursements of claims to be paid by the U.S. Department of Education.

Student Loans Receivable:

IDAPP continues its efforts to grow the business and reach improved economies of scale. IDAPP originated/purchased \$1.2 billion and \$1.4 billion of student loans in FY 2007 and FY 2006, respectively. The current portion of the overall student loan portfolio balance outstanding at year-end was \$617 million in 2007 and \$668 million in 2006. For certain loans made under the alternative loan program, IDAPP uses a collection agency to assist in collecting delinquent balances. IDAPP's loan portfolio at year-end is composed of \$2.9 billion of federally insured FFELP loans and \$481 million in alternative loans. The FFELP portfolio has historically defaulted less than 2% of the total portfolio per year. IDAPP is reimbursed for these loans at either 100% or 98% by the Guarantor agencies. The rate of reimbursement depends on the date of disbursement of the underlying loans and is also influenced by the loan servicers' designation of exceptional performer. For the Alternative Loan portfolio, any loans that become 120 days delinquent are reserved for in the loan loss reserve. At fiscal year-end 2007, 2.4% of the alternative loan portfolio was reserved for estimated loan losses. Included in the student loans balance above is approximately \$95.4 million of capitalized loan premiums reduced by loan acquisition and origination costs and deferred credits, less \$12 million allowance for doubtful accounts. The decrease in student loan receivable from prior year is due to the sale of a portion of the student loan portfolio. On January 26, 2007, the Illinois Student Assistance Commission sold student loans receivable from IDAPP with a carrying amount of \$663 million for \$671 million. The loans receivable constituted 11% of IDAPP's total student loan portfolio as of the date of the sale.

Notes Receivable:

The increase in notes receivable is due to the timing of purchases of the student loans from the school lenders by IDAPP.

State of Illinois
Illinois Student Assistance Commission

Analysis of Accounts Receivable (Continued)
June 30, 2007 and 2006
(Amounts expressed in thousands)

Accrued Interest on Loans and Notes:

Accrued interest on loans and notes is up in 2007 when compared to 2006. The variable interest rates on student loans increased from 4.7% to 6.54% for school FFELP loans, 5.3% to 7.14% for repayment FFELP loans, and from 6.125% to 7.94% for Plus loans. In addition to the increase in the variable rates, all new loans after 07/01/06 carried a fixed rate of 6.8% for FFELP loans and 8.5% for Plus loans. The decrease in portfolio size during the last 2 quarters affected total interest revenue, but the higher rates earned on all loans held up to the time of the sale and the remaining loans thereafter lead to an increase in interest revenue for the year.

Federal Special Allowance and Interest Subsidy:

Receivables are down in 2007 relative to 2006 because of a reduction in the student loan portfolio and timing of the report submission and response from the U.S. Department of Education, as well as economic conditions that caused a lower special allowance.

**State of Illinois
Illinois Student Assistance Commission**

**Analysis of Operations
Year Ended June 30, 2007**

Agency Functions and Planning Program

Commission Organization

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

ISAC was established through the Higher Education Student Assistance Act in 1957. Ten persons are appointed by the Governor to serve as Commission members without compensation for a term of six years, except for one member who serves for a term of two years. Mr. Andrew Davis is the current Executive Director of the Commission. His office is at 1755 Lake Cook Road in Deerfield. The Commission's operations office is also 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 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:

Monetary Award Program

This program was created to provide financial assistance to qualifying students who are residents of the State of Illinois and enrolled at an approved post-secondary institution in Illinois. The monetary awards are granted on the basis of student financial need and the availability of funds. The grant provided up to \$4,968 in fiscal years 2006 and 2007 for the payment of tuition and mandatory fees. The program is funded by the General Revenue Fund.

Monetary Award Program Plus (MAP Plus)

The MAP Plus provides grants of up to \$500 for Illinois residents who do not receive a MAP grant and whose families' adjusted gross incomes [as reported on the 2006-07 Free Application for Federal Student Aid (FAFSA)] are less than \$200,000. Recipients must be enrolled on at least a half-time basis, as sophomores, juniors or seniors at MAP-approved Illinois colleges. The program is funded by appropriation authorized from the Student Loan Operating Fund. It is to be noted that when created in June 2006, the MAP Plus Program was authorized only for the 2006-07 academic year.

**State of Illinois
Illinois Student Assistance Commission**

**Analysis of Operations
Year Ended June 30, 2007**

Agency Functions and Planning Program (Continued)

Illinois Incentive for Access Program

The Illinois Incentive for Access (IIA) Program provides grant assistance to freshmen who have limited financial resources with which to pay for college. The purpose of the program is to provide access and retention for this population while reducing their loan debt. A qualified applicant may receive a one-time \$500 grant.

State Scholar Program

This program was created to publicly and personally identify graduating high school seniors who possess superior academic potential based on their college entrance exam scores and high school records. Students named State Scholars are awarded a Certificate of Achievement. No financial assistance is awarded by the Commission through this program.

Robert C. Byrd Honors Scholarship Program

This federally funded program was created to provide scholarships of up to \$1,500 per year to academically exceptional high school graduates for undergraduate study at approved U.S. colleges and universities.

Ancillary Award Programs

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

- Bonus Incentive Grant – Illinois College Savings Bonds
- Grant Program for Dependents of Correctional Officers
- Grant Program for Dependents of Police or Fire Officers
- Illinois Future Teacher Corps Program
- Illinois National Guard and Naval Militia Grant
- Illinois Special Education Teacher Tuition Waiver Program
- Illinois Veteran's Grant
- Minority Teachers of Illinois Scholarship Program
- Student to Student Program of Matching Grants
- Teacher/Child Care Loan Forgiveness Program
- Nurse Educator Scholarship Program
- I TEACH Program

**State of Illinois
Illinois Student Assistance Commission**

**Analysis of Operations
Year Ended June 30, 2007**

Agency Functions and Planning Program (Continued)

Federal Family Education Loan Program (FFELP)

This program is designed to stimulate the making of educational loans by Illinois commercial lenders to qualifying students by guaranteeing repayment of the loans through payment 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 new funds for the Program's Administration, the Federal Student Loan Fund (FSLF) and the Student Loan Operating Fund (SLOF). ISAC established these funds as of October 1, 1998.

The 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. ISAC uses the funds in the SLOF, along with the State's General Revenue Fund's administration appropriation (if any), for its operating expenses. The SLOF is the State's earned activities and is administered by ISAC.

Alternative Loan Program

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

Illinois College Accounts Network

This program is a savings and investment plan which provides tax incentives for Illinois residents to begin saving for their children's college education. Although new accounts are no longer available, accounts previously opened under the plan are maintained.

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 their funding from an appropriation to ISAC in which proceeds generated by the license plate fee are 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 need, and grants can be used to pay tuition and fees up to a maximum grant of \$2,000. By statute, funds must be used to support students who attend the institutions which generate the license plate revenue.

**State of Illinois
Illinois Student Assistance Commission**

**Analysis of Operations
Year Ended June 30, 2007**

Agency Functions and Planning Program (Continued)

College Illinois!

In November 1997 the General Assembly and the Governor approved legislation authorizing ISAC to administer an Illinois prepaid tuition program. The purpose of this program is to provide Illinois families with an affordable tax-advantaged method to pay for college. Illinois prepaid tuition contracts allow participants to prepay the cost of tuition and mandatory fees at Illinois public universities and community colleges at current program prices, which are considerably less than projected future college costs. 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! and is reported as a proprietary fund.

Illinois Designated Account Purchase Program (IDAPP)

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

IDAPP facilitates lender participation in the student loan programs by reducing the overall risk and collection expenses those lenders face. One of the major incentives offered by IDAPP is that the Commission takes over servicing of the loan after it is purchased from the lender. Sales of loans to the Commission give lenders the capital to make new and renew loans.

Capital to support IDAPP student loan purchases is funded through the sale of revenue notes and bonds. The student loan collections or the U.S. Department of Education's guarantees are used to pay the debt service on the notes and bonds.

Commission Planning Program

The Commission's internal planning program includes several levels of planning. The Commission has established mission and departmental goals, which are a statement of its primary aims, and continuing, long-term key results areas. It serves as the focus for departmental planning and links program and organizational planning.

In addition, the Commission is required to file various reports, both quarterly and annually, with the U.S. Department of Education (DOE). These reports address the performance effectiveness of certain programs administered by DOE and provide the Commission with a useful planning mechanism.

State of Illinois
 Illinois Student Assistance Commission
 Average Number of Employees
 Year Ended June 30, 2007

The average number of full-time equivalent employees shown below was computed by the Commission using employment listings at the end of each month.

Division	2007	2006	Increase/ (Decrease)
Executive	38	40	(2)
Public Service	10	8	2
Program Services and Compliance	89	93	(4)
Business and Financial Services			
Claims and Collections	96	108	(12)
Accounting Services	49	39	10
Sub-total	<u>145</u>	<u>147</u>	<u>(2)</u>
Management Information Services	62	63	(1)
Human Resources	10	10	-
Administrative Services	16	16	-
	<u>370</u>	<u>377</u>	<u>(7)</u>
Total full-time employees*	370	377	(7)
Full-time equivalent part-time employees*	11	14	(3)
IDAPP	<u>120</u>	<u>128</u>	<u>(8)</u>
Total Employees	<u><u>501</u></u>	<u><u>519</u></u>	<u><u>(18)</u></u>

*Source: Monthly Personnel Listing Report - for years ended June 30, 2007 and 2006

State of Illinois
 Illinois Student Assistance Commission
 Annual Cost Statistics - By Activity
 Two Years Ended June 30, 2007 and 2006 (Unaudited)

Program	2007 Recipients/Students Dollars Awarded Average Award	2006 Recipients/Students Dollars Awarded Average Award	% Change	Description/Highlights
Bonus Incentive Grant	942 \$648,920 \$689	1,071 \$648,820 \$606	-12.04% 0.02% 13.70%	Non-need based grants awarded to holders of Illinois college savings bonds. The proceeds of bonds are used for educational instruction purposes.
Higher Ed License Plate Program (HELP)	211 \$52,000 \$246	207 \$51,750 \$250	1.93% 0.48% -1.60%	A grant program funded by fees charged for specialized collegiate license plates by colleges and universities in Illinois.
Illinois National Guard and Naval Militia Grant Program	1,821 \$4,462,432 \$2,451	1,962 \$4,447,013 \$2,267	-7.19% 0.35% 8.12%	An entitlement program for members of the Illinois National Guard and Naval Militia.
IL Teachers and Child Care Providers Loan Repayment Program	112 \$485,146 \$4,332	102 \$497,639 \$4,879	9.80% -2.51% -11.21%	A matching grant program to the federal Teacher Loan Forgiveness Program for teachers and child care providers.
Illinois Veterans' Grant	11,781 \$19,176,749 \$1,628	12,030 \$19,234,583 \$1,599	-2.07% -0.30% 1.81%	An entitlement program for Illinois veterans.
Monetary Award Program	146,635 \$383,192,533 \$2,613	146,853 \$347,380,390 \$2,365	-0.15% 10.31% 10.49%	Second largest need-based program in the nation (1994).
Monetary Award Program Plus	59,700 \$26,905,500 \$451	0 \$0 \$0	100.00% 100.00% 100.00%	Need-based grant program that provides up to \$500 for students ineligible for the Monetary Award Program. This program was authorized by the General Assembly for 2007 only.

State of Illinois
 Illinois Student Assistance Commission
 Annual Cost Statistics - By Activity - Continued
 Two Years Ended June 30, 2007 and 2006 (Unaudited)

Program	2007 Recipients/Students Dollars Awarded Average Award	2006 Recipients/Students Dollars Awarded Average Award	% Change	Description/Highlights
Police/Fire Officers' Survivor Grant Program and Grant Program for Dependents of Correctional officers	66 \$454,447 \$6,886	69 \$342,569 \$4,965	-4.35% 32.66% 38.69%	This program pays tuition for spouses and children of police and firefighters killed in the line of duty.
Silas Purnell Illinois Incentive for Access Grant Program (IIA)	20,709 \$8,010,500 \$387	17,821 \$6,984,750 \$392	16.21% 14.69% -1.28%	A need based grant program for freshman applicants who have no financial resources for college.
Student to Student Program of Matching Grants	3,084 \$949,974 \$308	3,250 \$949,951 \$292	-5.11% 0.00% 5.48%	An institutional need-based grant program for undergraduate students.
Illinois Future Teacher Corp Scholarship Program	564 \$3,824,127 \$6,780	557 \$3,795,464 \$6,814	1.26% 0.76% -0.50%	This program provides scholarships of up to a maximum \$5,000 per academic year. Must teach in Illinois for one year for each year of scholarship assistance received. Teachers in designated teacher shortage areas can receive up to \$10,000.
Illinois Scholars (Golden Apple)	349 \$3,200,000 \$9,169	345 \$3,020,000 \$8,754	1.16% 5.96% 4.74%	A scholarship program for recruiting students into teaching careers.
Minority Teachers of Illinois Scholarship Program	601 \$2,891,974 \$4,812	604 \$2,866,965 \$4,747	-0.50% 0.87% 1.37%	This program awards up to \$5,000 to minority students who agree to teach for at least one year, under specified conditions.
Nurse Educator Scholarship Program	28 \$446,792 \$15,957	0 \$0 \$0	100.00% 100.00% 100.00%	A scholarship program for students pursuing a graduate nursing degree in Illinois.

State of Illinois
 Illinois Student Assistance Commission
 Annual Cost Statistics - By Activity - Continued
 Two Years Ended June 30, 2007 and 2006 (Unaudited)

Program	2007 Recipients/Students Dollars Awarded Average Award	2006 Recipients/Students Dollars Awarded Average Award	% Change	Description/Highlights
Optometric Education Scholarship Program	10 \$50,000 \$5,000	10 \$50,000 \$5,000	0.00% 0.00% 0.00%	A scholarship program for students pursuing a graduate optometry degree in Illinois.
Robert C. Byrd Honors Scholarship Program	1,037 \$1,536,500 \$1,482	1,054 \$1,536,868 \$1,458	-1.61% -0.02% 1.65%	This program provides scholarships of up to \$1,500 for a maximum of four academic years to academically exceptional high school graduates.
Merit Recognition Scholarship Program	0 \$0 \$0	0 \$0 \$0	0.00% 0.00% 0.00%	This program recognizes academic achievements of Illinois high school graduates with a one time non-need based award of \$1,000.00. The General Assembly has not funded this program since 2005.
Federal Stafford Loans Subsidized	104,541 \$474,934,527 \$4,542	117,852 \$537,715,635 \$4,563	-11.29% -11.68% -0.46%	Low interest loan program. Both subsidized (need based) and non-subsidized loans are made available to students.
Unsubsidized	80,454 \$440,010,536 \$5,469	92,254 \$507,589,476 \$5,502	-12.79% -13.31% -0.60%	
Federal Plus Loans Undergraduate Program	12,203 \$136,419,197 \$11,179	12,875 \$136,405,230 \$10,595	-5.22% 0.01% 5.51%	A need-based program designed to assist either parents of dependent undergraduate students, or graduate students. The program for graduate students was implemented in 2007.
Graduate Program	2,074 \$27,712,020 \$13,362	0 \$0 \$0	100.00% 100.00% 100.00%	

Information was obtained from the Commission's Data Book.

(Continued)

State of Illinois
 Illinois Student Assistance Commission
 Annual Cost Statistics - By Activity - Continued
 Two Years Ended June 30, 2007 and 2006 (Unaudited)

Program	2007 Recipients/Students Dollars Awarded Average Award	2006 Recipients/Students Dollars Awarded Average Award	% Change	Description/Highlights
Un/Loan Consolidation Loan Program	34,433 \$721,020,021 \$20,940	64,773 \$1,227,620,646 \$18,953	-46.84% -41.27% 10.48%	Combined various educational loans into one manageable loan, allowing borrowers to make one monthly payment.
Illinois Designated Account Purchase Program	172,018 \$1,387,675,732 \$8,067	169,572 \$1,390,961,851 \$8,203	1.44% -0.24% -1.66%	ISAC's secondary market purchases student loans from lenders relieving them of administrative duties, and increasing access to student loans as more lenders are inclined to participate in the Federal Financial Loan Program.
Illinois State Scholar Program	17,903	16,630	7.65%	An honorary program (no monetary value) to recognize academic achievement in high school.
Illinois Special Education Teacher Tuition Waiver Program	245	236	3.81%	This program exempts tuition and fees, at eligible Illinois public universities, for students pursuing a career in special education in Illinois.

Information was obtained from the Commission's Data Book.

(Concluded)

State of Illinois
 Illinois Student Assistance Commission
 Emergency Purchases
 Year Ended June 30, 2007

	Actual Amount	Date Notarized	Date Filed	Explanation
LSV Asset Management	\$ 65,000	1/3/07	1/3/07	The outstanding performance of this investment manager generated additional assets beyond what was expected, which has resulted in management fees exceeding that agreed upon in the initial contract.

State of Illinois
 Illinois Student Assistance Commission
 Schedule of Investment Management Fees
 Year Ended June 30, 2007

Investment Manager	Investment Management Fees*	Percentage of Average Portfolio
Denver Investment Advisors	\$ 320,631	0.76 %
Galliard Capital Management	84,150	0.12
Holland Capital	161,817	0.45
Income Research & Management	95,471	0.13
JP Morgan	214,232	0.19
LSV Asset Management	678,061	0.55
New Amsterdam Partners	135,977	0.36
Nicholas Applegate	522,519	0.77
Rhumblin Advisers	6,831	0.03
Richmond Capital Management	60,896	0.09
River Source/Kenwood Capital	208,698	1.04
State Street	384,214	0.15
William Blair & Company	168,456	0.44
Total	\$ 3,041,954	0.32 %

* In addition to the investment management fees above, the Commission paid \$132,859 to its cash custodian, US Bank National. These amounts were recorded as investment management fees in the financial statements.

State of Illinois
Illinois Student Assistance Commission

Service Efforts and Accomplishments (Unaudited)
Two Years Ended June 30, 2007 and 2006

Mission Statement: To reduce financial barriers to post-secondary education for students who might otherwise be prohibited from attending college and to assist specific segments of the Illinois population with college costs.

- Program Goals:**
1. Provide equal educational opportunity to post-secondary education of Illinois citizens.

Objectives:

 - a. Grant dollars awarded per staff positions enrollment will increase at least as much as the mean weighted increases in tuition fees.
 - b. The administrative to program dollar ratio will not fall below a level sufficient to support the successful and timely delivery of program dollars to qualified recipients.
 2. Improve college affordability for low and middle-income families.
 - a. Need-based grant aid as a proportion of college costs will increase annually.
 - b. The average constant dollar taxable income of Monetary Award Program (MAP) eligible students and families will increase annually.
 3. Reward military service as well as service as a recruitment incentive for the Illinois National Guard.
 - a. The number of students utilizing the National Guard Grant Program will remain equal to 18,000 per year, or increase.
 4. Recognize and reward academic achievement of Illinois high school seniors.
 - a. The number of students recognized through the Merit Recognition Scholarship Program (MRSP) will remain constant or increase.
 5. Increase the number of teachers and workers in designated shortage fields.
 - a. The number of students receiving scholarships to pursue careers in worker shortage areas will increase annually.

	Fiscal Year 2006 Actual	Fiscal Year 2007 Actual
<u>Input Indicators</u>		
Total expenditures - all sources (in thousands)	\$ 400,749	\$ 464,927
Total expenditures - state appropriated funds (in thousands)	\$ 400,749	\$ 464,927
Average monthly full-time equivalent employees	80	80
<u>Output Indicators</u>		
Number of students receiving MAP awards	146,853	146,635
Number of students benefiting from service programs	14,061	13,668
Number of students participating in teacher and worker shortage programs	1,850	1,764
Number of applications filed	573,800	576,557
Number of students receiving MRSP awards	-	-
<u>Outcome Indicators</u>		
Grant aid as a proportion of tuition and fees	27 %	28 %
Grant aid per undergraduate full-time equivalent students (in dollars)	\$ 820	\$ 956
Percentage of undergraduates at Illinois colleges receiving state need-based aid	27 %	27 %
Proportion of merit award winners attending in-state schools	N/A %	N/A %
Average taxable income of families eligible for MAP grants (in dollars)	\$ 21,623	\$ 21,960
<u>External Benchmarks</u>		
National ranking of maximum award	9	12
National ranking of need-based aid per undergraduate student (in dollars)	4	6
National ranking of total grant dollars per population aged 18-24	10	10
National ranking of student aid as a percentage of Higher Education budget	9	9
<u>Efficiency/Cost-Effectiveness Indicators</u>		
Proportion of General Revenue Fund administrative spending per \$ awarded	-	1.60 %

State of Illinois
 Illinois Student Assistance Commission

Service Efforts and Accomplishments (Unaudited)
 Two Years Ended June 30, 2007 and 2006

Mission Statement: To facilitate the delivery of low-interest loans to students and their families by administering the Federal Family Education Loan Program (FFELP) and to improve student access to loans.

- Program Goals:**
1. Provide an efficient means for students and schools to apply for and receive loan funds from participating lenders.

Objectives:

 - a. Borrower satisfaction ratings will continue to show satisfaction with ISAC services.
 2. Counsel and educate student borrowers who are delinquent on their loan payments.
 - a. ISAC's default rates will stay below the national average.
 3. Collect outstanding loan balances from defaulted borrowers.
 - a. Collections on individual defaulted accounts will be optimized.
 4. Provide loan funds to an increasing number of students through institutions that collaborated with both the Illinois guaranty agency and the secondary market.
 - a. An increasing number of Illinois students who need to use loans to finance their college education will obtain them from ISAC.

	Fiscal Year 2006 Actual	Fiscal Year 2007 Actual
<u>Input Indicators</u>		
Total expenditures - all sources (in thousands)	\$ 187,503	\$ 213,269
Total expenditures - state appropriated funds (in thousands)	\$ 187,503	\$ 213,269
Average monthly full-time equivalent employees	259	256
<u>Output Indicators</u>		
Number of loans guaranteed	222,981	199,272
Dollar value of new loan guarantees (in millions)	\$ 1,181.7	\$ 1,079.0
Number of defaults averted	74,835	70,058
Dollar value of default collections (in millions)	\$ 40.8	\$ 91.4
<u>Outcome Indicators</u>		
Number of defaults	27,417	30,227
Percent of Illinois student loans guaranteed by ISAC	42 %	42 %
Percent of delinquent accounts resolved	73 %	70 %
Borrower satisfaction ratings	86 %	88 %
<u>Efficiency/Cost-Effectiveness Indicators</u>		
Cost per dollar guaranteed (in dollars)	\$ 0.02	\$ 0.02
Costs per dollar collected (in dollars)	\$ 0.25	\$ 0.17

State of Illinois
 Illinois Student Assistance Commission

Service Efforts and Accomplishments (Unaudited)
 Two Years Ended June 30, 2007 and 2006

Mission Statement: To encourage and better enable Illinois families to finance the cost of higher education.

- Program Goals:**
1. Increase the number of families purchasing College Illinois! Contracts.

Objectives:

 - a. The number of families participating in College Illinois! and the amount of contracts administered shall increase each year.
 2. Expand outreach efforts to meet the informational needs of prospective purchasers.

Objectives:

 - a. The effectiveness of program promotional efforts will improve each year.

	Fiscal Year 2006 Actual	Fiscal Year 2007 Actual
<u>Input Indicators</u>		
Total expenditures - all sources (in thousands)	\$ 6,363	\$ 6,957
Average monthly full-time equivalent employees	5	5
<u>Output Indicators</u>		
College Illinois! contracts purchased (excluding cancellations)	4,972	4,386
Cumulative College Illinois! contracts purchased	53,270	57,705
Total Internet site visits (through enrollment period)	1,050,515	1,249,077
Total phone calls (through enrollment period)	6,412	6,645
Total TV/Radio ads aired	20,014	27,265
Total newspaper articles	509	637
Total number of news reports	91	86
Annual contract sales (in millions)	\$ 123	\$ 126
<u>Outcome Indicators</u>		
Percent of population covered by marketing efforts	98 %	98 %
Minority beneficiaries as a percent of total contracts	10 %	10 %
Estimated years of college purchased	13,923	11,260
Cumulative years of college purchased	168,630	179,890
<u>External Benchmarks</u>		
College Illinois! National rank among other prepaid tuition programs	N/A	7
<u>Efficiency/Cost-Effectiveness Indicators</u>		
Media cost per contract (in dollars)	\$ 185	\$ 203
Total marketing cost per contract (in dollars)	\$ 360	\$ 388

State of Illinois
Illinois Student Assistance Commission

Schedule of Federal and Nonfederal Expenditures
Year Ended June 30, 2007

(expressed in thousands)

	Amount	Percent
Federal Expenditures (A)	\$ 295,928	39.74%
Nonfederal Funds	<u>448,715</u>	<u>60.26%</u>
Totals (B)	<u>\$ 744,643</u>	<u>100.00%</u>

Source:

(A) Schedule of Expenditures of Federal Awards

(B) Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds and the Statement of Activities - Proprietary Funds, for year ended June 30, 2007 (excluding IDAPP).