McGladrey & Pullen
Certified Public Accountants

State of Illinois
Illinois Student Assistance Commission
Illinois Designated Account Purchase Program

Financial Audit
For the Year Ended June 30, 2005

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

State of Illinois
Illinois Student Assistance Commission
Illinois Designated Account Purchase Program

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Agency Officials

Executive Director	Larry E. Matejka
Director	Tom Sakos (7/1/04 – 5/31/05)
	Thomas Breyer (beginning 6/1/05)
Chief Financial Officer and Treasurer	Peter Xilas
Director of Internal Audit	Wendy Funk

Agency offices are located at:

1755 Lake Cook Road
Deerfield, IL 60015-5209
(847) 948-8500

Financial Statement Report

Summary

The audit of the accompanying financial statements of the Illinois Designated Account Purchase Program of the State of Illinois, Illinois Student Assistance Commission (IDAPP), was performed by McGladrey & Pullen, LLP.

Based on their audit, the auditors expressed an unqualified opinion on IDAPP's financial statements.

McGladrey & Pullen
Certified Public Accountants

Independent Auditors' Report

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the Illinois Designated Account Purchase Program of the State of Illinois, Illinois Student Assistance Commission as of and for the year ended June 30, 2005, as listed in the table of contents. These financial statements are the responsibility of the State of Illinois, Illinois Student Assistance Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 2, the financial statements present only the Illinois Designated Account Purchase Program, a fund of the State of Illinois, Illinois Student Assistance Commission, and do not purport to, and do not, present fairly the financial position of the State of Illinois, Illinois Student Assistance Commission as of June 30, 2005, and its changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Illinois Designated Account Purchase Program of the State of Illinois, Illinois Student Assistance Commission, as of June 30, 2005, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The State of Illinois, Illinois Student Assistance Commission has not presented a management's discussion and analysis for the Illinois Designated Account Purchase Program that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with Government Auditing Standards, we have also issued our report dated November 4, 2005 on our consideration of the State of Illinois, Illinois Student Assistance Commission's internal control over financial reporting of the Illinois Designated Account Purchase Program and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Illinois Designated Account Purchase Program of the State of Illinois, Illinois Student Assistance Commission. The other schedules, listed in the table of contents as supplemental information, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements 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 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
November 4, 2005, except for Note 15 as to which
the date is December 8, 2005

State of Illinois
Illinois Student Assistance Commission
Illinois Designated Account Purchase Program

Statement of Net Assets
June 30, 2005

Assets

Current assets - unrestricted		
Cash and cash equivalents	$	43,166,329
Investments		84,169
Total current assets - unrestricted		43,250,498
Current assets - restricted		
Cash and cash equivalents		115,893,210
Investments		188,864,567
Notes receivable		57,713,224
Accounts receivable		
Student loans		671,391,792
Accrued interest - loans and notes		45,786,051
Accrued interest - investments		1,749,223
Federal special allowance and interest subsidy		20,315,763
Due from other funds		1,075,757
Total current assets - restricted		1,102,789,587
Noncurrent assets - unrestricted		
Depreciated capital assets, net		107,133
Noncurrent assets - restricted		
Notes receivable		39,974,784
Accounts receivable		
Student loans, net of allowance for loan losses of $7,105,361		2,715,991,284
Other - unamortized bond issuance costs		564,453
Total noncurrent assets - restricted		2,756,530,521
Total assets		3,902,677,739

(Continued)

See Notes to Financial Statements.

State of Illinois
Illinois Student Assistance Commission
Illinois Designated Account Purchase Program

Statement of Net Assets (Continued)
June 30, 2005

Liabilities

Current liabilities		
Accounts payable and accrued expenses	$	9,653,397
Accrued interest payable		6,572,005
Due to other funds		16,035
Compensated absences		98,398
Current portion of revenue bonds payable, net		109,850,000
Demand revenue bonds payable		20,500,000
Total current liabilities		146,689,835
Noncurrent liabilities		
Compensated absences		857,264
Revenue bonds payable, net		3,607,494,637
Total noncurrent liabilities		3,608,351,901
Total liabilities		3,755,041,736

Net Assets

Invested in capital assets		107,133
Restricted		114,903,466
Unrestricted		32,625,404
Total net assets	$	147,636,003

See Notes to Financial Statements.

State of Illinois
Illinois Student Assistance Commission
Illinois Designated Account Purchase Program

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Year Ended June 30, 2005

Operating revenues	
Investment income	
Interest - student loans	$ 97,567,165
Interest - investments	10,166,611
Total operating revenues	107,733,776
Operating expenses	
Interest and other student loan expenses	
Interest expense	
Revenue bonds	88,785,257
Demand revenue notes	2,040,241
Amortization of loan premiums and fees	16,422,882
Other student loan fees	7,097,711
Total interest and other student loan expenses	114,346,091
Net investment income (expense)	(6,612,315)
Provision for loan losses	3,896,286
Net investment income (expense) after provision for loan lossess	(10,508,601)
Other operating expenses	
Salaries and employee benefits	11,317,563
External loan servicing	21,892,485
Line of credit fees	1,345,399
Occupancy	908,045
Marketing expenses	2,113,697
Bond issuance and legal fees	102,151
Management and professional services	10,353,010
Depreciation	51,501
Other	747,187
Total other operating expenses	48,831,038
Operating loss	(59,339,639)
Nonoperating revenues	
Federal special allowance and interest subsidy	59,706,294
Income before transfers	366,655
Transfer out	(513,047)
Change in net assets	(146,392)
Net assets, July 1, 2004	147,782,395
Net assets, June 30, 2005	$ 147,636,003

See Notes to Financial Statements.

State of Illinois
Illinois Student Assistance Commission
Illinois Designated Account Purchase Program

Statement of Cash Flows
Year Ended June 30, 2005

Cash flows from operating activities	
Cash payments to suppliers for goods and services	$ (37,311,052)
Cash payments to employees for services	(11,345,884)
Cash receipts from other operating activities (student loans)	624,441,911
Cash payments for other operating activities (student loans)	(1,144,685,235)
Net cash used in operating activities	(568,900,260)
Cash flows from noncapital financing activities	
Proceeds from sale of revenue bonds and other borrowing	348,170,457
Principal paid on revenue bonds and other borrowing	(214,734,000)
Interest paid on revenue bonds and other borrowing	(87,906,308)
Operating grants - federal special allowance and interest subsidy	46,795,658
Transfer out	(513,047)
Net cash provided by noncapital financing activities	91,812,760
Cash flows from investing activities	
Interest received from investment securities	17,765,324
Purchase of investment securities	(583,644,585)
Proceeds from sale and maturities of investment securities	1,071,693,986
Net cash provided by investing activities	505,814,725
Net increase in cash and cash equivalents	28,727,225
Cash and cash equivalents, July 1, 2004	130,332,314
Cash and cash equivalents, June 30, 2005	$ 159,059,539
Reported as:	
Current - unrestricted	$ 43,166,329
Current - restricted	115,893,210
	$ 159,059,539

(Continued)

State of Illinois
Illinois Student Assistance Commission
Illinois Designated Account Purchase Program

Statement of Cash Flows (Continued)
Year Ended June 30, 2005

Reconciliation of operating loss to net cash used in operating activities		
Operating loss	$	(59,339,639)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation		51,501
Interest - investments		(10,166,611)
Interest expense		90,825,498
Amortization of student loan premiums and fees		16,422,882
Provisions for loan losses		3,896,286
Change in assets and liabilities		
Notes receivable		3,328,859
Accounts receivable		
Student loans		(606,164,636)
Accrued interest - loans and notes		(6,378,264)
Due from other funds		(167,002)
Other noncurrent assets		150,000
Accounts payable and accrued expenses		(1,298,266)
Due to other funds		(32,547)
Compensated absences		(28,321)
Net cash used in operating activities	$	(568,900,260)
Supplemental disclosure of noncash transactions		
Net appreciation (depreciation) in fair value of investments	$	(3,112,685)

See Notes to Financial Statements.

Note 1. Description of Fund

The Illinois Student Assistance Commission (ISAC) administers the nonshared proprietary fund described below. A nonshared fund is a fund in which a single State agency is responsible for administering substantially all financial transactions of the fund.

The Illinois Designated Account Purchase Program (IDAPP), a program of ISAC, was created through an Act of the State of Illinois General Assembly to increase participation of eligible lenders in ISAC's Student Loan Programs by purchasing guaranteed student loans from lenders in order to reduce the lenders' collection and administrative costs. IDAPP is also an originator and servicer of student loans. IDAPP is an integral unit of the State. As such, designation of management and governing authority are determined by the Governor of the State. The State also maintains overall accountability for IDAPP's fiscal matters. Activities of IDAPP are subject to the authority of the Office of the Governor, the State's Chief Executive Officer, and other departments of the executive and legislative branches of government (such as the Department of Central Management Services and the State Comptroller's Office) as defined by the General Assembly.

The accompanying financial statements present the financial position, results of operations, and cash flows of IDAPP. IDAPP's financial statements are an integral part of the State's overall comprehensive annual financial report. IDAPP was initially funded by a state appropriation as of July 1977 and has operated on a self-sustaining basis beginning fiscal year 1979 through the issuance of student loan revenue bonds and notes, collection of its student loans receivable, payments from the United States Department of Education for interest and special allowance, and payments from various guarantors on defaulted loans. All IDAPP funds are held locally in various banks and financial institutions. The guaranteed student loans must be purchased from eligible lenders under the Illinois Student Assistance Law and the Federal Higher Education Act of 1965. IDAPP generally does not purchase student loans which are more than 90 days delinquent. The reimbursement rates to lenders, such as IDAPP, in the Federal Family Education Loan Program (FFELP) are 100% for loans disbursed before October 1, 1993 and 98% for loans disbursed on or after October 1, 1993.

Note 2. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

1. Appointment of a voting majority of the component unit’s board and either (a) the primary government’s ability to impose its will, or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or

2. Fiscal dependency on the primary government.

Note 2. Summary of Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

Based upon the required criteria, IDAPP has no component units, nor is it a component unit of any other entity. However, because IDAPP is not legally separate from the State of Illinois (State), it is included in the financial statements of the State as a proprietary fund. The State of Illinois' Comprehensive Annual Financial Report may be obtained by writing to the State Comptroller's Office, Financial Reporting Department, 325 West Adams Street, Springfield, Illinois, 62704-1871.

The financial statements present only IDAPP as administered by the State of Illinois and ISAC, and do not purport to, and do not, present fairly the financial position of the State of Illinois or ISAC as of June 30, 2005, and changes in its financial position and cash flows, where applicable, for the year then ended in conformity with GAAP.

B. Basis of Presentation

In government, the basic accounting and reporting entity is a fund. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and/or other resources together with all related liabilities, obligations, reserves, and equities (net assets) which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. A Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Fund Net Assets, and Statement of Cash Flows have been presented for IDAPP.

Operating revenues result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Due to the nature of IDAPP activities, income from investments and interest expense are considered operating activities in the Statement of Revenues, Expenses and Changes in Fund Net Assets. Nonoperating revenues result from nonexchange transactions (e.g. grants (subsidy payments)) or ancillary activities.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

C. Basis of Accounting

IDAPP is reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place.

D. Revenue Recognition

Revenues from federal special allowance and interest subsidy assistance are recognized when earned. Uncollected interest income on student loans is accrued as revenue at June 30, 2005.

Note 2. Summary of Significant Accounting Policies (Continued)

E. Cash and Cash Equivalents

Cash and cash equivalents consist principally of deposits held in banks for locally held funds and securities with maturities of less than 90 days at the date of purchase. Cash and cash equivalents also include deposits held in the State Treasury.

F. Investments

IDAPP presents investments in its Statement of Net Assets at fair value. The net appreciation or depreciation in the fair value of investments is included as interest on investments in the Statement of Revenues, Expenses and Changes in Fund Net Assets.

G. Student Loans Receivable/Premiums

The interest rate charged on IDAPP's student loans receivable is considered market rate, therefore the carrying amount of student loans receivable is considered a reasonable estimate of their market value.

As a secondary lender, when IDAPP purchases loans from another lender, IDAPP may pay a premium on those loans. Premiums over $50,000 (in the aggregate) are capitalized and amortized on a straight-line basis over the average remaining useful lives of the student loans. Premiums under $50,000 (in the aggregate) are expensed.

H. Allowance for Possible Loan Losses

The allowance for possible loan losses is a reserve for estimated credit losses which may arise from the student loan portfolio. A provision for possible loan losses, which is a charge against earnings, is added to bring the allowance to a level that, in management's judgment, is adequate to absorb losses in the portfolio. Management performs an ongoing assessment of the loan portfolio in order to determine the appropriate level of the allowance. The factors considered in this evaluation include, but are not necessarily limited to, extreme delinquencies and violations of due diligence requirements as discussed in Note 5. Management believes that the allowance for possible loan losses is adequate. While management uses available information to recognize losses on loans, future additions may be necessary based on future review of compliance with due diligence and contractual servicing requirements by IDAPP and its external loan servicers.

I. Interfund Transactions

IDAPP has the following type of interfund transactions with other funds of the State:

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

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

Note 2. Summary of Significant Accounting Policies (Continued)

I. Interfund Transactions (Continued)

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

J. Capital Assets

Capital assets, which include equipment, are reported at cost. Capital assets are depreciated using the straight-line method over a period of five years. IDAPP capitalizes all equipment that has a cost or value greater than or equal to $5,000.

K. Restricted Assets

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

L. Compensated Absences

The liability for compensated absences consists of unpaid, accumulated vacation and sick leave balances for IDAPP employees. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments, and other employees who are expected to become eligible in the future to receive such payments upon termination are included. The liability has been calculated based on the employees' current salary level and includes salary related costs (e.g., social security and medicare tax).

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

M. Bond Premiums, Discounts, and Issuance Costs

Bond premiums and discounts, as well as issuance costs are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. Amortization expense is reported as a component of interest expense in the financial statements.

N. Revenue Bonds Payable

Revenue bonds payable are stated at face value net of bond premiums and discounts.

Note 2. Summary of Significant Accounting Policies (Continued)

O. Net Assets

Invested in capital assets, net of related debt - this consists of capital assets, net of accumulated depreciation, less the outstanding balances, if any, of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted - result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted – consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Based on bond indentures, all IDAPP assets, except for assets relating to operations, are restricted for the benefit of debt holders until the bonds are retired. IDAPP first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

P. Use of Estimates

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

Note 3. Deposits and Investments

During the fiscal year ended June 30, 2005, IDAPP adopted the provisions of GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3*.

A. Permitted Deposits and Investments

Bond documents such as Trust Indentures or Liquidity Agreements place strict limitations on the type of investments that can be made by IDAPP. These limitations are set by the rating agencies and by the institutions providing third party guarantees, such as bond insurance or bank letters of credit. The limitations vary slightly from issue to issue, but in general they restrict investments to direct obligations of the federal government and government agencies, investment agreements, repurchase agreements, bank certificates of deposit, money market funds and highly rated commercial paper and municipal bonds.

The Public Funds Investment Act (Act) also restricts the investment of funds under the control of IDAPP. These restrictions apply to any funds which are not restricted by the terms of a bond document. Permitted deposits and investments under the Act include (subject to various restrictions and limitations) direct federal obligations of the United States of America, federal guaranteed obligations, participation interests in federal obligations, federal affiliated institutions, certificates of deposit, time deposits, and other bank deposits which are fully insured by the Federal Deposit Insurance Corporation or similar federal agency or which are fully collateralized, money market funds, repurchase agreements, investment agreements with financial institutions, commercial paper, State or municipal bonds, and bankers acceptances.

Note 3. Deposits and Investments (Continued)

B. Deposits – Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. State law (30 ILCS 230/26) requires that all deposits of public funds be covered by FDIC insurance or eligible collateral. IDAPP has no policy that would further limit the requirements under the law.

Deposits of locally held funds are not exposed to custodial credit risk as of June 30, 2005.

The State Treasury is the custodian of the State's cash and cash equivalents for IDAPP maintained in the State Treasury. IDAPP independently manages cash and cash equivalents maintained outside the State Treasury.

Deposits in the custody of the State Treasurer totaled $1,587,828 at June 30, 2005. These deposits are pooled and invested with other State funds in accordance with the Deposit of State Moneys Act of the Illinois Compiled Statutes (15 ILCS 520/11). Funds held by the State Treasurer have not been addressed as to custodial credit risk because IDAPP does not own individual securities. Details on the nature of these deposits and investments are available within the State of Illinois' Comprehensive Annual Financial Report.

C. Investments

Interest Rate Risk

IDAPP investments are correlated to future cash needs for operations and are generally short-term in nature. A minimal amount of GNMA securities held have longer maturities, ranging from 8 to 10 years. These GNMA securities equal approximately .05% of the investments held. IDAPP's investment policy generally limits investment maturities to within two years from the date of purchase. Investments matched to a specific cash flow may exceed this limitation. The portfolio's maturity characteristics at June 30, 2005 are as follows:

Investment Type	Fair Value	Weighted Average Maturity (Years)
U.S. Treasury Bills	$ 20,167,834	0.13
Fannie Mae Demand Note (FNMDD)	35,000,009	0.24
GNMA Securities	84,169	9.63
Other U.S. Agency Obligations (FNMA, FHLB, FHLMC)	133,696,724	0.35
Portfolio weighted average maturity	$ 188,948,736	0.31

Note 3. Deposits and Investments (Continued)

Credit Risk

IDAPP's investment policy limits the following types of investments to the top two ratings issued by nationally recognized credit rating organizations: commercial paper, state or municipal bonds, and bankers acceptances. The investment policy places no further limitations on investment credit quality. As of June 30, 2005, IDAPP's investments were subject to credit risk as follows:

Investment Type	Fair Value	Rating: Standard & Poors	Rating: Moody's
Fannie Mae Demand Note (FNMDD)	$ 35,000,009	AAA	Aaa
U.S. government agencies (FNMA, FHLMC, FHLB)	133,696,724	AAA	Aaa
	$ 168,696,733		

Custodial Credit Risk

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

The Illinois Designated Account Purchase Program investments include $188,864,567 of uninsured, uncollateralized and unregistered investments for which the securities are held by IDAPP's agent but not in IDAPP's name.

The investment policy authorizes the Commission to utilize a third party custodian (Trustee) to safe-keep the assets of the fund and to provide reports on a monthly basis to all necessary parties. The custodian is responsible for sweeping all interest and dividend payments and any other un-invested cash into a short-term government money market fund for re-deployment.

Note 3. Deposits and Investments (Continued)

Concentration of Credit Risk

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

As of June 30, 2005, the following investments (other than U.S. government securities, and securities explicitly guaranteed by the U.S. government) exceed 5% of IDAPP's total investment portfolio.

Investment	Fair Value	Percentage of Portfolio
Federal Home Loan Bank (FHLB)	$ 59,380,177	31%
Federal Home Loan Mortgage Co. (FHLMC)	48,170,794	25%
Federal National Mortgage Association (FNMA)	26,145,753	14%
Fannie Mae Demand Note (FNMDD)	35,000,009	19%

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

Foreign Currency Risk

Foreign currency risk is the risk that changes in currency exchange rates will adversely affect the fair value of an investment. IDAPP is not exposed to foreign currency risk.

Note 3. Deposits and Investments (Continued)

D. Derivatives – Interest Rate Swaps

IDAPP as of June 30, 2005 has two active interest rate swap contracts. Details are shown in the following table.

	Associated Bond Issue	
	Series 2001 B *	Series 2001 B*
Notional amounts	$ 150,000,000	$ 175,000,000
Effective date	7/1/2004	7/1/2005
Fixed rate paid	2.500%	3.925%
Variable rate received**	3.34%	3.34%
Fair values	$ 76,399	$ (123,793)
Swap termination date	7/01/05	7/01/06
Counterparty credit rating	Aa2/AA+/AAA	Aa2/AA+/AAA

* Reset Auction Mode Securities, Student Loan Revenue Bonds and/or taxable debt instruments.

** Payments are made based on a variable rate of one month LIBOR and IDAPP pays the Counterparty based on a fixed rate as noted in the table above. Both paid on a monthly basis.

Objective of the interest rate swap

IDAPP maintains an interest rate risk management strategy that uses derivative instruments to minimize significant, unanticipated earnings fluctuations caused by interest rate volatility. This strategy enabled IDAPP to synthetically convert the variable rate paid on certain of its taxable Reset Auction Mode Securities to a one-year fixed rate thereby providing IDAPP with a cost-effective means of matching its one-year fixed rate Parent Loans to Undergraduate Students (PLUS) assets with corresponding bond interest liabilities. The interest rate exchange agreements entered into in connection with such strategy enable IDAPP to lock in the spread between the PLUS loans and the related borrowing costs until the PLUS loans' next annual reset date.

IDAPP entered into an interest rate exchange agreement on June 29, 2004 (the "2004 swap") to reduce it's exposure to adverse movements in interest rates related to $150 million of PLUS loans that are in effect fixed loans for a one year period ending July 1, 2005. IDAPP did not elect to account for the 2004 swap as a hedge and the amounts to be paid or received under the 2004 swap are recognized as additions to or reductions in interest expense in the period they are incurred or received. Payments are made based on a variable rate of one month LIBOR (London Interbank Offered Rate) and IDAPP pays the counterparty based on a fixed rate of 2.500%. Both are paid on a monthly basis. During the fiscal year ended June 30, 2005 IDAPP recorded a charge of $370,525 to interest expense related to the 2004 swap.

A second one-year interest rate exchange agreement (the "2005 swap") was entered into for a principal amount of $175 million. Payments will be based on a variable rate of one month LIBOR and IDAPP will pay the counterparty based on a fixed rate.

Note 3. Deposits and Investments (Continued)

D. Derivatives – Interest Rate Swaps (Continued)

Terms

The terms, fair values, and credit ratings of the swaps as of June 30, 2005 are as shown in the previous table.

Fair value

Because interest rates have fluctuated since the implementation of the swaps, the 2004 swap had a positive fair value as of June 30, 2005, while the 2005 swap had a negative fair value. Fair value was calculated using the zero coupon method. Because the coupons on IDAPP's variable rate bonds adjust to changing interest rates, the bonds do not have corresponding fair value changes.

Credit risk

As of June 30, 2005, IDAPP was exposed to credit risk because of the positive fair value of the 2004 swap, however, the 2005 swap had a greater negative fair value which negated the risk. IDAPP would only be exposed to credit risk in the amount of the swaps' positive fair value. Fair value is a factor only upon termination.

Basis risk

Basis risk on swaps occurs when the variable payment received is based on an index other than the index on the underlying bonds. Should the relationship between the indexes converge, the expected cost savings may not be realized. IDAPP believes its swap agreements have been structured to minimize this risk.

Termination risk

IDAPP or the counterparty may terminate any of the swap agreements if the other party fails to perform under the terms of the agreements. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, IDAPP would be liable to the counterparty for an amount equal to the swap's fair value. The 2005 swap has a $3,750,000 termination payment provision.

Rollover risk

IDAPP is not exposed to rollover risk on its swap agreements.

Note 3. Deposits and Investments (Continued)

D. Derivatives – Interest Rate Swaps (Continued)

Swap payments and associated debt

As of June 30, 2005, debt service requirements of IDAPP's outstanding variable-rate debt tied to swaps and net swap payments, assuming current interest rates remain the same, for their term are as follows:

Fiscal Year Ending	Variable Rate Bonds Principal	Variable Rate Bonds Interest	Interest Rate Swaps, Net	Total
2006	$ 5,600,000	$ 7,051,618	$ (53,858)	$ 12,597,760
2007	3,400,000	574,486	(2,091)	3,972,395
	$ 9,000,000	$ 7,626,104	$ (55,949)	$ 16,570,155

Note 4. Notes Receivable

IDAPP may make loans to institutions of higher education for the purpose of funding loans by such institutions to students or parents of students attending such institutions to finance the students' attendance at such institutions of higher education. In such case, the student loans made with the proceeds shall be pledged by the borrowing institution to IDAPP to secure such institution's obligation to IDAPP. The institutions are contractually committed to selling such loans to IDAPP after the loans reach a certain aging status. The total amount of IDAPP's receivable outstanding with such educational lenders approximated $ 98,000,000 as of June 30, 2005.

Note 5. Student Loans Receivable

IDAPP's student loans receivable balance is comprised of two types of student loans: loans that are originated or purchased as part of the Federal Family Education Loan Program (FFELP) and loans that are originated as part of IDAPP's Alternative Loan Program. All FFELP loans originated or purchased by IDAPP are guaranteed at 98% by certain Guarantors in accordance with the Higher Education Act (100% for loans disbursed before October 1, 1993) and are reinsured by the United States Department of Education (ED). Alternative Loans are not guaranteed by Guarantors and are not eligible for reinsurance by ED. Alternative Loans are credit based and secured by insurance fees collected from the borrower at the time the loan is originated. The total amount of Alternative Loans outstanding approximated $372,400,000 at June 30, 2005.

ED has issued detailed loan servicing requirements which, if not strictly adhered to, may result in the loss of the loan guaranty. The United States Department of Education has also issued specific guidelines to provide for the cure of such servicing deficiencies and the reinstatement of the guaranty. Management has identified loan servicing deficiencies which may result in loans which will not be reimbursed by the guarantor or collected from the student. Accordingly, management has established an allowance for possible loan losses totaling $7,105,361 as of June 30, 2005 which includes the amount collected from borrowers as an insurance fee for the Alternative Loans.

Note 5. Student Loans Receivable (Continued)

In addition, the net student loans receivable at June 30, 2005 of $3,387,383,076 includes $1,075,757 that IDAPP has classified as defaulted loans. These loans have been submitted to, but have not been reimbursed by, the guarantee agencies as of June 30, 2005.

For servicing contracts established with outside vendors, contractual provisions require the contractors to indemnify IDAPP for losses due to their negligence in loan servicing. Such recoveries will be recognized as income when received.

Included in the amount of student loans originated and purchased during fiscal year 2005 are premiums and other acquisition fees paid on the origination and purchase of certain student loans. These premiums and other acquisition fees are being amortized over the average life of the related loans. Premiums and other acquisition fees totaling less than $50,000 paid to a particular party during a fiscal year are expensed. Other acquisition fees typically represent lender fees and insurance fees and are also being amortized over the average life of the related loans.

Failure to perform due diligence on certain student loans and the subsequent loss of guaranteed status on these loans may be interpreted as an event of default under various provisions of the bond resolutions. LaSalle National Bank of Chicago acts as Bond Trustee for Taxable Variable Rate Demand Student Loan Revenue Bonds Series D. JP Morgan acts as Bond Trustee on all other outstanding financings. The Bond Trustees have not currently notified IDAPP of any events of default. Should the Bond Trustees declare an event of default as defined in the bond resolutions, the Bond Trustees, or holders representing not less than 25% in aggregate principal amount outstanding bonds are entitled to declare the principal of all bonds outstanding to be due and payable immediately.

Federal Student Loan Fund

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

The cash balance in this fund as of June 30, 2005 as reported by ISAC was $46,311,774. The accrual basis balance due to ED, which includes $27,772,634 of claims in process, was $54,621,737. If the federal reinsurance percentage were temporarily reduced from 95% to either 85% or 75% (for loans disbursed after October 1, 1998) due to excessive default claims and if the State's pledge of full faith and credit were found to be ineffective, then the full collectibility of the non-federal reinsurance amount (i.e. 5% to 25%) of the IDAPP's net student loans receivable of $3,387,383,076 at June 30, 2005 is subject to the adequacy of the annual appropriation from the Illinois Student Assistance Commission Federal Student Loan Fund and the reserve funds of the other Guarantors to pay defaulted loan claims. However, based on past loan default experience, management believes that material losses will not be incurred.

Note 6. Federal Special Allowance and Interest Subsidies

The Federal government pays IDAPP an interest subsidy on certain student loans during the time that the student is enrolled in an eligible educational institution or qualifies for deferment status. The federal interest receivable at June 30, 2005 was $6,833,282 and related revenue was $20,734,692 for the year ended June 30, 2005.

IDAPP is also eligible to receive special allowance payments from the federal government that are paid to adjust for the low yield on student loans in comparison to other investment sources. The special allowance payments receivable at June 30, 2005 were $13,482,481 and related revenue was $38,971,602 for the year ended June 30, 2005.

Note 7. Interfund Balances and Activity

Balances Due from/to Other Funds

The following balances at June 30, 2005 represent amounts due from other ISAC and State of Illinois funds.

Fund	Amount	Description/Purpose
Federal Student Loan Fund (#663)	$ 1,075,757	Claim payments. Collection of these funds is anticipated in fiscal year 2006.

The following balances at June 30, 2005 represent amounts due to other ISAC and State of Illinois funds.

Fund	Amount	Description/Purpose
Federal Student Loan Fund (#663)	$ 16,035	For refunds.

Transfers to Other Funds

During fiscal year 2005, IDAPP transferred $513,047 to the ISAC COP Debt Service Fund for lease payments.

Note 8. Capital Assets

Capital asset activity for the year ended June 30, 2005 was as follows:

	Equipment	Accumulated Depreciation	Capital Assets, Net
Balance, July 1, 2004	$ 517,679	$ (359,045)	$ 158,634
Additions	-	(51,501)	(51,501)
Deletions	(17,726)	17,726	-
Balance, June 30, 2005	$ 499,953	$ (392,820)	$ 107,133

Note 9. Long-term Obligations Payable

Revenue bonds and notes, and demand revenue bonds payable are as follows:

Revenue Bonds and Notes*		Demand Revenue Bonds*		
Resolution Issues	Amount Outstanding	Resolution Issues	Amount Outstanding	Total
A(1)	$ 803,895,295	B(1)	$ 49,840,705	
A(2)	936,351,499	B(2)	21,977,864	
A(3)	883,437,238	B(3)	56,813,725	
A(4)	835,112,125	B(4)	50,963,800	
	$ 3,458,796,157	B(5)	99,452,386	
			$ 279,048,480	$ 3,737,844,637

* Reported net of unamortized discounts.

Note 9. Long-term Obligations Payable (Continued)

A. Revenue Bonds and Notes Payable

1. On October 2, 1992, ISAC adopted a general resolution and adopted supplemental resolutions on October 2, 1992, January 21, 1994, February 28, 1995, November 17, 1995, January 17, 1997, March 13, 1998, January 22, 1999, January 24, 2000, November 13, 2000, and July 27, 2001 authorizing the issuance of Student Loan Revenue Bonds Series AA, BB, CC (1992 Resolution Bonds), Series DD, EE, FF (1994 Resolution Bonds), Series GG (1995 Resolution Bonds), Series HH, II (1995 Second Resolution Bonds), Series JJ, KK, LL (1997 Supplemental Resolution Bonds), Series MM, NN, OO (1998 Resolution Bonds), Series PP, QQ, RR (1999 Resolution Bonds), Series SS, TT, UU (2000 Supplemental Resolution Bonds), Series VV, WW, XX (2000 Second Supplemental Resolution), and Series YY (2001 Supplemental Resolution), respectively. The Series AA and BB Bonds bear interest at rates ranging from 5.05% to 6.75%. The Series CC Bonds bear interest at 6.875%. The Series DD, EE and FF Bonds bear interest at rates ranging from 4.6% to 5.7%. The Series LL Bonds bear interest at 5.75%. The Series QQ and RR Bonds bear interest at rates ranging from 3.25% to 4.25%. The Series TT and UU Bonds bear interest at rates ranging from 4.10% to 5.6 %. The Series WW and XX Bonds bear interest at rates ranging from 4.50% to 5.10%. All other bonds are at a variable rate of interest. Certain bonds are subject to early redemption at the option of ISAC in inverse order of their maturity at various percentages of par value. Any subsequent bonds issued under this resolution are issued on parity and the assets acquired and revenues generated under these bond issues serve as collateral for all of these issues.

2. On December 4, 1995, ISAC adopted a general resolution and adopted supplemental resolutions on December 4, 1995, November 4, 1996, July 20, 1998, September 8, 2000, November 13, 2000, September 17, 2001 and November 8, 2002 authorizing the issuance of Education Loan Revenue Notes, Notes 1 and 2, Note 3, Note 4, Notes 5 and 6, Note 7, Note 8, Notes 9 and 10, and Notes 11 and 12, respectively. All notes are at a variable rate of interest. Any subsequent notes issued under this resolution are issued on parity and the assets acquired and revenues generated under these note issues serve as collateral for all of these issues.

3. On November 9, 2001, ISAC adopted a general resolution and adopted supplemental resolutions on November 9, 2001, April 11, 2003, and January 24, 2005 authorizing the issuance of Student Loan Revenue Bonds, Series 2001A and 2001B, Series 2003A and 2003B, and Series 2005B, respectively. All bonds are at a variable rate of interest. Any subsequent bonds issued under this resolution are issued on parity and the assets acquired and revenues generated under these bond issues serve as collateral for all of these issues.

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

Note 9. Long-term Obligations Payable (Continued)

A. Revenue Bonds and Notes Payable (Continued)

The 1992 Resolution Bonds, the 1994 Resolution Bonds, the 1997 Resolution Bonds - Series KK, and LL, the 1998 Resolution Bonds - Series OO, the 1999 Resolution Bonds - Series QQ and RR, the 2000 Resolution Series Bonds Series - TT, UU, WW and XX and the General Resolution Bonds - Series 6, Series 1996A, Series 1997A, Series 1998A, Series 1999A, Series 2001A, Series 2003A and Series 2003 III are tax-exempt. Bonds not specifically referred to in this paragraph are taxable. The variable interest rate for tax exempt debt is reset every 35 days based on the 90-day Treasury Bill rate. The variable interest rate for taxable debt is reset every 28 days based on the one month LIBOR rate. The variable interest rate for tax-exempt debt at June 30, 2005 was 2.59%. The variable interest rate for taxable debt at June 30, 2005 was 3.40%.

B. Demand Revenue Bonds Payable

1. On June 14, 1993, ISAC adopted a resolution authorizing the issuance of Taxable Variable Rate Demand Student Loan Revenue Bonds Series D. All bonds are at a variable rate of interest. Any subsequent bonds issued under this resolution are issued on parity and the assets acquired and revenues generated under these bond issues serve as collateral for all of these issues. The $50,000,000 of Taxable Variable Rate Demand Student Loan Revenue bonds, Series D, have a final maturity of September 1, 2023.

2. On January 19, 1996, ISAC adopted a resolution authorizing the issuance of Variable Rate Demand Student Loan Revenue Bonds, Series 1996A and Taxable Variable Rate Demand Student Loan Revenue Bonds, Series 1996B. All bonds are at a variable rate of interest. Any subsequent bonds issued under this resolution are issued on parity and the assets acquired and revenues generated under these bond issues serve as collateral for all of these issues. The $22,000,000 of Variable Rate Demand Student Loan Revenue Bonds, Series 1996A and 1996B have a final maturity of March 1, 2006 and March 1, 2016, respectively.

3. On February 1, 1997, ISAC adopted a resolution authorizing the issuance of Variable Rate Demand Student Loan Revenue Bonds, Series 1997A and Taxable Variable Rate Demand Student Loan Revenue Bonds, Series 1997B. All bonds are at a variable rate of interest. Any subsequent bonds issued under this resolution are issued on parity and the assets acquired and revenues generated under these bond issues serve as collateral for all of these issues. The $57,000,000 of Variable Rate Demand Student Loan Revenue Bonds, Series 1997A and 1997B have a final maturity date of September 1, 2031.

4. On February 1, 1998, ISAC adopted a resolution authorizing the issuance of Variable Rate Demand Student Loan Revenue Bonds, Series 1998A and Taxable Variable Rate Demand Student Loan Revenue Bonds, Series 1998B. All bonds are at a variable rate of interest. Any subsequent bonds issued under this resolution are issued on parity and the assets acquired and revenues generated under these bond issues serve as collateral for all of these issues. The $51,200,000 of Variable Rate Demand Student Loan Revenue Bonds, Series 1998A and 1998B have a final maturity date of September 1, 2032.

Note 9. Long-term Obligations Payable (Continued)

B. Demand Revenue Bonds Payable (Continued)

5. On November 15, 1999, ISAC adopted a resolution authorizing the issuance of Variable Rate Demand Student Loan Revenue Bonds, Series 1999A and Taxable Variable Rate Demand Student Loan Revenue Bonds, Series 1999B. All bonds are at a variable rate of interest. Any subsequent bonds issued under this resolution are issued on parity and the assets acquired and revenues generated under these bond issues serve as collateral for all of these issues. The $100,000,000 of Variable Rate Demand Student Loan Revenue Bonds, Series 1999A and 1999B have a final maturity date of September 1, 2034.

The Variable Rate Demand Student Loan Revenue Bonds Series D, 1996A, 1996B, 1997A, 1997B, 1998A, 1998B, 1999A and 1999B totaling approximately $280,000,000 are currently in a Weekly Rate Mode with the interest rate changing weekly as determined by the Remarketing Agent and are secured by letters of credit (see Note 9.C). These bonds may be converted to a Fixed Interest Rate Mode at the option of the Bond Trustee. The bonds may be redeemed prior to the conversion date (as defined) at the principal amount plus accrued interest to the date of redemption. The variable interest rate for tax exempt debt is reset weekly based on the 90-day treasury bill rate. The variable interest rate for taxable debt is reset weekly based on the 90-day commercial paper rate. As of June 30, 2005, interest rates were 2.38% for tax-exempt debt and 3.33% for taxable debt.

The bonds may be redeemed after the conversion date at various premiums, dependent upon the remaining length of maturity of the bonds, as outlined in the bond agreements.

C. Demand Revenue Bonds Payable – Other Terms and Agreements

IDAPP had $ 280,200,000 in demand bonds payable as of June 30, 2005. The demand bonds are described in Note 9 items B1-B5. These demand bonds do not constitute a debt, liability or obligation of the State of Illinois or a pledge of the full faith and credit of the State of Illinois. Neither IDAPP nor ISAC have taxing power. These demand bonds are limited obligations of IDAPP, payable from the revenues to be derived from student loans purchased or originated, and from other assets within the trust estate. The bonds were issued for the purpose of providing IDAPP with monies to originate or acquire eligible loans.

The bonds are required to be purchased upon demand of its holder on any business day upon not less than seven days' prior written notice. Once such a notice is given by a bondholder, the bondholder will be required to tender the bond. The bonds are subject to mandatory tender in an amount equal to their principal amount plus accrued interest.

IDAPP has reported principal amounts scheduled to mature during fiscal year 2006, totaling $20,500,000, as current liabilities. Remaining amounts are reported as non-current because IDAPP entered into take out agreements to convert bonds "put" but not resold into other forms of long-term obligations. The details of these arrangements are described below, by issue.

Note 9. Long-term Obligations Payable (Continued)

Series D Bonds

Under an irrevocable, transferable direct pay letter of credit issued by Bank of America, the trustee is entitled to draw an amount sufficient to pay the purchase price of bonds delivered to it. The letter of credit will expire on February 28, 2009.

If the remarketing agent is unable to resell the bonds that are "put," IDAPP has a take out agreement with Bank of America to convert the bonds to an installment loan payable over the term of the agreement bearing an adjustable interest rate equal to 6.75% as of June 30, 2005. The take out agreement expires February 28, 2009.

IDAPP is required to pay Bank of America a quarterly commitment fee for the letter of credit. Quarterly commitment fees currently in effect range from .450% to .550% of the available amount of the letters of credit. IDAPP has not paid a take out agreement fee to Bank of America. In addition, the remarketing agent receives a quarterly fee ranging from .075% to .100% of the outstanding principal amount of the bonds. As of June 30, 2005, IDAPP had not drawn any funds under its existing letter of credit agreements.

Series 1996A and 1996B Bonds

Under a standby bond purchase agreement issued by Bank of America, the trustee is entitled to draw an amount sufficient to pay the purchase price of bonds delivered to it. The standby bond purchase agreement will expire on February 28, 2009.

If the remarketing agent is unable to resell the bonds that are "put," IDAPP has a take out agreement with Bank of America to convert the bonds to an installment loan payable over the term of the agreement bearing an adjustable interest rate equal to 4.090% as of June 30, 2005. The take out agreement expires on February 28, 2009.

IDAPP is required to pay Bank of America a quarterly commitment fee for the liquidity facility. Quarterly commitment fees currently in effect range from .165% to .200% of the liquidity facility amounts. IDAPP has not paid a take out agreement fee to Bank of America. In addition, the remarketing agent receives a quarterly fee ranging from .075% to .100% of the outstanding principal amount of the bonds. As of June 30, 2005, IDAPP had not drawn any funds under its existing liquidity facility agreements.

Series 1997A and 1997B Bonds

Under an irrevocable, transferable direct pay letter of credit issued by JP Morgan Chase, the trustee is entitled to draw an amount sufficient to pay the purchase price of bonds delivered to it. The letter of credit will expire on February 25, 2008.

If the remarketing agent is unable to resell the bonds that are "put," IDAPP has a take out agreement with JP Morgan Chase to convert the bonds to an installment loan payable over the term of the agreement bearing an adjustable interest rate equal to 6.75% as of June 30, 2005. The take out agreement expires on February 25, 2008.

Note 9. Long-term Obligations Payable (Continued)

C. Demand Revenue Bonds Payable – Other Terms and Agreements (Continued)

IDAPP is required to pay JP Morgan Chase a quarterly commitment fee for the letter of credit. Quarterly commitment fees currently in effect range from .450% to .550% of the available amounts of the letter of credit. IDAPP has not paid a take out agreement fee to JP Morgan Chase. In addition, the remarketing agent receives a quarterly fee ranging from .075% to .100% of the outstanding principal amount of the bonds. As of June 30, 2005, IDAPP had not drawn any funds under its existing liquidity facility agreements.

Series 1998A and 1998B Bonds

Under a standby bond purchase agreement issued by Bank of America, the trustee is entitled to draw an amount sufficient to pay the purchase price of bonds delivered to it. The standby bond purchase agreement will expire on March 19, 2007.

If the remarketing agent is unable to resell the bonds that are "put," IDAPP has a take out agreement with Bank of America to convert the bonds to an installment loan payable over the term of the agreement bearing an adjustable interest rate equal to 4.09% as of June 30, 2005. The take out agreement expires on March 19, 2007.

IDAPP is required to pay Bank of America a quarterly commitment fee for the liquidity facility. Quarterly commitment fees currently in effect range from .165% to .200% of the liquidity facility amounts. IDAPP has not paid a take out agreement fee to Bank of America. In addition, the remarketing agent receives a quarterly fee ranging from .075% to .100% of the outstanding principal amount of the bonds. As of June 30, 2005, IDAPP had not drawn any funds under its existing liquidity facility agreements.

Series 1999A and 1999B Bonds

Under a standby bond purchase agreement issued by JP Morgan Chase, the trustee is entitled to draw an amount sufficient to pay the purchase price of bonds delivered to it. The standby bond purchase agreement will expire on December 9, 2008.

If the remarketing agent is unable to resell the bonds that are "put," IDAPP has a take out agreement with JP Morgan Chase to convert the bonds to an installment loan payable over the term of the agreement bearing an adjustable interest rate equal to 6.75% as of June 30, 2005. The take out agreement expires December 9, 2008.

IDAPP is required to pay JP Morgan Chase a quarterly commitment fee for the liquidity facility. Quarterly commitment fees currently in effect range from .165% to .200% of the liquidity facility amounts. IDAPP has not paid a take out agreement fee to JP Morgan Chase. In addition, the remarketing agent receives a quarterly fee ranging from .075% to .100% of the outstanding principal amount of the bonds. As of June 30, 2005, IDAPP had not drawn any funds under its existing liquidity facility agreements.

Note 9. Long-term Obligations Payable (Continued)

C. Demand Revenue Bonds Payable – Other Terms and Agreements (Continued)

Debt Service Requirements – Take Out Agreements

The debt service requirements that would be necessary if the take-out agreements are exercised are as follows (amounts in thousands):

	Series D		Series 1996A and 1996B		Series 1997A and 1997B	
Year	Principal	Interest	Principal	Interest	Principal	Interest
2006	$ 13,953	$ 2,943	$ 5,867	$ 810	$ -	$ 3,847
2007	13,953	2,001	5,867	570	-	3,847
2008	13,954	1,060	5,866	330	57,000	2,565
2009	8,140	183	4,400	90	-	-
Total	$ 50,000	$ 6,187	$ 22,000	$ 1,800	$ 57,000	$ 10,259

	Series 1998A and 1998B		Series 1999A and 1999B	
Year	Principal	Interest	Principal	Interest
2006	$ -	$ 2,094	$ -	$ 6,750
2007	-	2,094	-	6,750
2008	10,240	1,954	-	6,750
2009	10,240	1,536	20,000	6,750
2010	10,240	1,117	20,000	5,963
2011-2015	20,480	977	60,000	10,351
Total	$ 51,200	$ 9,772	$ 100,000	$ 43,314

Note 9. Long-term Obligations Payable (Continued)

D. Changes in Long-term Obligations Payable

Changes in long-term obligations payable for the year ended June 30, 2005 were as follows:

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005	Amounts Due Within One Year
Compensated absences payable	$ 983,983	$ 14,679	$ (43,000)	$ 955,662	$ 98,398
Revenue bonds payable	3,517,305,000	350,000,000	(114,440,000)	3,752,865,000	130,350,000
Revenue notes payable	100,294,000	-	(100,294,000)	-	-
Unamortized discounts	(14,389,161)	(1,265,088)	633,885	(15,020,363)	-
	$ 3,604,193,822	$ 348,749,591	$ (214,143,115)	$ 3,738,800,299	$ 130,448,398

E. Bond Covenant Non-compliance

Certain bond indentures require IDAPP to deliver to bond trustees audited financial statements within 120 days (150 days for two bond series) after its fiscal year ended June 30, 2005. Although IDAPP is not in compliance with either the 120 day or 150 day filing requirements, there has been no notice of nonperformance of this provision by the bond trustees and, therefore, no event of default. IDAPP would have 30 days after receiving notice to remedy the condition.

Note 9. Long-term Obligations Payable (Continued)

F. Future Maturities of Revenue Bonds and Notes Payable

IDAPP issues bonds and notes to provide funds for student loan originations and purchases. IDAPP pledges the income derived from its asset to pay debt service. Annual debt service requirements to maturity for revenue bonds and notes are as follows:

Year Ending June 30	Principal	Interest	Total
2006	$ 130,350,000	$ 124,885,433	$ 255,235,433
2007	32,200,000	121,689,117	153,889,117
2008	11,300,000	120,754,061	132,054,061
2009	6,485,000	120,556,081	127,041,081
2010	-	120,457,522	120,457,522
2011-2015	149,980,000	586,496,525	736,476,525
2016-2020	15,100,000	574,660,820	589,760,820
2021-2025	115,000,000	570,536,433	685,536,433
2026-2030	330,750,000	535,303,720	866,053,720
2031-2035	905,200,000	469,074,993	1,374,274,993
2036-2040	1,056,950,000	256,082,833	1,313,032,833
2041-2044	999,550,000	77,025,867	1,076,575,867
	3,752,865,000	$ 3,677,523,405	$ 7,430,388,405
Less:			
Current portion of revenue bonds	109,850,000		
Demand revenue bonds	20,500,000		
Long-term principal outstanding	3,622,515,000		
Less:			
Unamortized bond discounts	15,020,363		
Net long-term principal outstanding	$ 3,607,494,637		

Note 9. Long-term Obligations Payable (Continued)

F. Future Maturities of Revenue Bonds and Notes Payable (Continued)

Approximately 98% of IDAPP's debt outstanding is comprised of variable rate debt. As such, the interest figures shown above are calculated assuming the current interest rate of 2.38% on tax-exempt variable rate demand note debt, 2.59% on tax-exempt auction rate debt, 3.33% on taxable variable rate demand note debt and 3.40% on taxable auction rate debt. Actual interest paid in future years could be materially different.

G. Bond Issuances

During fiscal year 2005, IDAPP issued Student Loan Revenue Bond, Series 2005B in the amount of $350,000,000, to fund student loan operations. The bonds mature in 2040. The bonds carry a variable interest rate over the life of the bonds and the rate adjusts (resets) every 35 days based upon the London Interbank Offered Rate (LIBOR).

H. Note Redemptions

During fiscal year 2005, IDAPP redeemed in full its taxable Student Loan Revenue Note BB and Note EE. The notes had a balance outstanding of $100,294,000. IDAPP redeemed all notes in order to lower its borrowing costs and to better manage its balance sheet.

Note 10. Pension Plan

Substantially all of ISAC's full-time employees who are not eligible for participation in another state-sponsored retirement plan participate in the State Employees' Retirement System (SERS), which is a pension trust fund in the State of Illinois reporting entity. SERS is a single-employer defined benefit public employee retirement system (PERS) in which State employees participate, except those covered by the State Universities, Teachers', General Assembly, and Judges' Retirement Systems. The financial position and results of operations of SERS for fiscal year 2005 are included in the State of Illinois' Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2005. SERS issues a separate CAFR that may be obtained by writing to SERS, 2101 South Veterans Parkway, Springfield, Illinois, 62794-9255.

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

ISAC pays employer retirement contributions to IDAPP based upon an actuarially determined percentage of their payrolls. Included in salaries and benefits in the accompanying financial statements is $1,197,259 which represents IDAPP's required and actual contributions for fiscal year 2005. For fiscal year 2005, the employer contribution rate was 16.1%.

Note 11. Post-Employment Benefits

The State provides health, dental and life insurance benefits for certain retirees and their dependents. Substantially all State employees become eligible for post-employment benefits if they eventually become annuitants of one of the State sponsored pension plans. Health and dental benefits include basic benefits for annuitants under the State's self-insurance plan and insurance contracts currently in force. Life insurance benefits are limited to $5,000 per annuitant age 60 and older.

Costs incurred for health, dental, and life insurance for annuitants and their dependents were not separated from benefits provided to active employees and their dependents for the year ended June 30, 2005. However, post-employment costs for the State as a whole for all State agencies/departments for dependent health, dental and life insurance for annuitants and their dependents are disclosed in the Illinois Comprehensive Annual Financial Report for the State. Cost information for retirees by individual fund or State agency is not available. Payments are made on a “pay-as-you-go” basis.

Note 12. Risk Management

IDAPP, through the Commission, is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; workers compensation and natural disasters. The State retains the risk of loss (i.e., self insured) for these risks except for insurance purchased by the Commission for the building and EDP equipment. There has been no reduction in insurance coverage from coverage in the prior year. Settlement amounts have not exceeded coverage for the current or prior two fiscal years. The Commission’s risk management activities for workers compensation are financed through appropriations to the Illinois Department of Central Management Services and are accounted for in the general fund of the State. The claims are not considered to be a liability of the Commission and accordingly, have not been reported in the Commission’s financial statements for the year ended June 30, 2005.

Note 13. Commitments and Contingencies

The Internal Revenue Code requires that an issuer of tax-exempt bonds rebate to the United States any excess investment earnings made with the gross proceeds of an issue over the amount which would have been earned had such proceeds been invested at a rate equal to the yield on the issue. Accordingly, IDAPP has accrued $2,315,000 as of June 30, 2005 for amounts potentially due to the government and has treated this as a reduction to investment income.

IDAPP has entered into a number of contracts with lenders which provide for the purchase of student loans by IDAPP. The total amount of the purchase commitment is not specified in the individual contracts.

Letters of credit and liquidity facilities in the amount of $285,059,158 have been established with financial institutions in support of the Student Loan Revenue Bonds, Series D, Series 1996A and 1996B, Series 1997A and 1997B, Series 1998A and 1998B, and Series 1999A and 1999B, for liquidity and credit enhancement purposes. IDAPP has drawn $0 on the letters of credit as of June 30, 2005.

Note 14. New Governmental Accounting Standards

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

Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, requires governments to report the effects of capital asset impairment in their financial statements when it occurs. It also provides guidance for accounting for insurance recoveries. IDAPP is required to implement this Statement for the year ending June 30, 2006.

Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and if applicable, required supplementary information. IDAPP is required to implement this Statement for the year ending June 30, 2008.

Statement No. 46, *Net Assets Restricted by Legislation, an Amendment of GASB Statement No. 34,* clarifies definition of “legally enforceable enabling legislation” as established in GASB Statement No. 34, and requires the portion of net assets that is restricted by enabling legislation to be separately disclosed from other restricted net assets. This Statement will become effective for the year ending June 30, 2006.

Statement No. 47, *Accounting for Termination Benefits,* establishes accounting standards for voluntary and involuntary termination benefits, including termination benefits provided through a defined benefit other post employment benefit plan (OPEB). For those termination benefits provided through a defined benefit OPEB plan, this Statement must be implemented concurrently with Statement No. 45. For all other termination benefits, this Statement will become effective for the year ending June 30, 2006.

Management has not yet completed their assessment of these Statements, however, they are not expected to have a material effect on the overall financial statement presentation.

Note 15. Subsequent Event

Subsequent to year-end, IDAPP issued $600 million in Taxable Student Loan Revenue Bonds, Senior Series VIII and Subordinate Series IX, as follows:

Amount	Date Issued
$240,000,000	July 19, 2005
360,000,000	December 8, 2005
$600,000,000	

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Schedule of Bonds Outstanding
June 30, 2005

A summary of bonds and notes outstanding at June 30, 2005 is presented as follows:

	1992 Series AA,BB and CC	1994 Series DD,EE and FF	1995 Series HH and II	1997 Series JJ, KK and LL	1998 Series MM, NN and OO
Original amount	$ 108,270,000	$ 134,860,000	$ 65,000,000	$ 104,265,000	$ 100,300,000
Principal retirements	(100,940,000)	(82,360,000)	-	-	-
Unamortized discount	(44,258)	-	(353,553)	(361,519)	(445,475)
Balance at June 30	$ 7,285,742	$ 52,500,000	$ 64,646,447	$ 103,903,481	$ 99,854,525
Effective interest rate (1)	5.05% to 6.75% (AA, BB) 6.875% (CC)	4.6% to 5.7%	Variable	Variable (JJ & KK) 5.75% (LL)	Variable
Date of bonds	12/1/92	2/24/94	11/29/95	1/30/97 (JJ & KK) 5/5/97 (LL)	5/28/98
Interest dates	March 1 and September 1	March 1 and September 1	Varies	Varies	Varies
Paying agents	J.P. Morgan Chicago, Illinois	J.P. Morgan Chicago, Illinois	J.P. Morgan Chicago, Illinois	J.P. Morgan Chicago, Illinois	J.P. Morgan Chicago, Illinois
Optional call feature beginning:	3/1/2004-100%	3/1/2004-101% 3/1/2005-100	At issuance 100%	At issuance 100%	At issuance 100%
Taxable/ Tax-exempt	Tax-exempt	Tax-exempt	Taxable	JJ - Taxable KK - Tax-exempt LL - Tax-exempt	MM - Taxable NN - Taxable OO - Tax-exempt

(1) As of June 30, 2005 variable interest rates were 2.38% for tax-exempt variable rate demand debt, 3.33% for taxable variable rate demand debt, 2.59% for tax-exempt auction rate securties debt and 3.40% for taxable auction rate securities debt.

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Schedule of Bonds Outstanding (Continued)
June 30, 2005

Summary of bonds and notes outstanding at June 30, 2005 (Continued)

	1999 Series PP, QQ and RR	2000 Series SS, TT and UU	2000 Series VV, WW, XX	2001 Series YY	1995 Series Note 1 and 2
Original amount	$ 100,000,000	$ 99,790,000	$ 150,030,000	$ 200,000,000	$ 50,000,000
Principal retirements	(26,390,000)	(25,075,000)	(20,285,000)	-	-
Unamortized discount	(408,303)	(469,472)	(587,522)	(899,602)	(122,717)
Balance at June 30	$ 73,201,697	$ 74,245,528	$ 129,157,478	$ 199,100,398	$ 49,877,283
Effective interest rate (1)	Variable (PP) 3.25% to 4.25% (QQ, RR)	Variable (SS) 4.1% to 5.6% (TT, UU)	Variable (VV) 4.5% to 5.1% (WW, XX)	Variable	Variable
Date of bonds	2/18/99 (PP) 2/1/99 (QQ, RR)	2/23/00 (SS) 2/15/00 (TT, UU)	12/6/00 (VV) 11/15/00 (WW,XX)	08/10/01	12/12/95
Interest dates	Varies	Varies	Varies	Varies	Varies
Paying agents	J.P. Morgan Chicago, Illinois	J.P. Morgan Chicago, Illinois	J.P. Morgan Chicago, Illinois	J.P. Morgan Chicago, Illinois	J.P. Morgan Chicago, Illinois
Optional call feature beginning:	At issuance 100%	At issuance 100%	At issuance 100%	At issuance 100%	At issuance 100%
Taxable/ Tax-exempt	PP - Taxable QQ - Tax-exempt RR - Tax-exempt	SS - Taxable TT - Tax-exempt UU - Tax-exempt	VV - Taxable WW - Tax-exempt XX - Tax-exempt	Taxable	Taxable

(1) As of June 30, 2005 variable interest rates were 2.38% for tax-exempt variable rate demand debt, 3.33% for taxable variable rate demand debt, 2.59% for tax-exempt auction rate securties debt and 3.40% for taxable auction rate securities debt.

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Schedule of Bonds Outstanding (Continued)
June 30, 2005

Summary of bonds and notes outstanding at June 30, 2005 (Continued)

	1997 Series Note 3	1999 Series Note 4	2000 Series Note 5 and 6	2000 Series Note 7 and 8	2001 Series Note 9 and 10
Original amount	$ 60,000,000	$ 105,000,000	$ 75,000,000	$ 250,000,000	$ 200,000,000
Principal retirements	-	-	-	-	-
Unamortized discount	(171,192)	(386,746)	(294,457)	(1,033,237)	(873,565)
Balance at June 30, 2005	$ 59,828,808	$ 104,613,254	$ 74,705,543	$ 248,966,763	$ 199,126,435
Effective interest rate (1)	Variable	Variable	Variable	Variable	Variable
Date of bonds	12/5/97	1/15/99	09/26/00	11/17/00	09/28/01
Interest dates	Varies	Varies	Varies	Varies	Varies
Paying agents	J.P. Morgan Chicago, Illinois	J.P. Morgan Chicago, Illinois	J.P. Morgan Chicago, Illinois	J.P. Morgan Chicago, Illinois	J.P. Morgan Chicago, Illinois
Optional call feature beginning:	At issuance 100%	At issuance 100%	At issuance 100%	At issuance 100%	At issuance 100%
Taxable/ Tax-exempt	Taxable	Taxable	Note 5 - Taxable Note 6 - Tax-exempt	Taxable	Taxable

(1) As of June 30, 2005 variable interest rates were 2.38% for tax-exempt variable rate demand debt, 3.33% for taxable variable rate demand debt, 2.59% for tax-exempt auction rate securties debt and 3.40% for taxable auction rate securities debt.

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Schedule of Bonds Outstanding (Continued)
June 30, 2005

Summary of bonds and notes outstanding at June 30, 2005 (Continued)

	2002 Series Note 11 and 12	Series 2001A and Series 2001B	Series 2003A and Series 2003B	Series 2005B	Series 2002I and Series 2002II
Original amount	$ 200,000,000	$ 250,000,000	$ 300,000,000	$ 350,000,000	$ 250,000,000
Principal retirements	-	(13,200,000)	-	-	-
Unamortized discount	(766,586)	(939,918)	(1,172,385)	(1,250,460)	(1,002,494)
Balance at June 30	$ 199,233,414	$ 235,860,082	$ 298,827,615	$ 348,749,540	$ 248,997,506
Effective interest rate (1)	Variable	Variable	Variable	Variable	Variable
Date of bonds	11/19/02	01/09/02	5/1/03	02/04/05	8/20/02
Interest dates	Varies	Varies	Varies	March 1 and September 1	Varies
Paying agents	J.P. Morgan Chicago, Illinois	J.P. Morgan Chicago, Illinois	J.P. Morgan Chicago, Illinois	J.P. Morgan Chicago, Illinois	J.P. Morgan Chicago, Illinois
Optional call feature beginning:	At issuance 100%	At issuance 100%	At issuance 100%	At issuance 100%	At issuance 100%
Taxable/ Tax-exempt	Taxable	2001A - Tax-exempt 2001B - Taxable	2003A - Tax-exempt 2003B - Taxable	Taxable	Taxable

(1) As of June 30, 2005 variable interest rates were 2.38% for tax-exempt variable rate demand debt, 3.33% for taxable variable rate demand debt, 2.59% for tax-exempt auction rate securties debt and 3.40% for taxable auction rate securities debt.

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Schedule of Bonds Outstanding (Continued)
June 30, 2005

Summary of bonds and notes outstanding at June 30, 2005 (Continued)

	Series 2003 III 2003 IV and 2003 V	Series 2004 VI and 2004 VII	1993 Series Series D	Series 1996A and Series 1996B	Series 1997A and Series 1997B
Original amount	$ 350,000,000	$ 250,000,000	$ 50,000,000	$ 65,000,000	$ 63,700,000
Principal retirements	(11,600,000)	-	-	(43,000,000)	(6,700,000)
Unamortized discount	(1,306,528)	(978,853)	(159,295)	(22,136)	(186,275)
Balance at June 30	$ 337,093,472	$ 249,021,147	$ 49,840,705	$ 21,977,864	$ 56,813,725
Effective interest rate (1)	Variable	Variable	Variable	Variable	Variable
Date of bonds	10/2/03	4/21/04	9/22/93	2/28/96	2/26/97
Interest dates	Varies	Varies	Monthly, Quarterly, Semiannual (dependent upon interest mode)	Monthly, Quarterly, Semiannual (dependent upon interest mode)	Monthly, Quarterly, Semiannual (dependent upon interest mode)
Paying agents	J.P. Morgan Chicago, Illinois	J.P. Morgan Chicago, Illinois	LaSalle National Bank Chicago, Illinois	J.P. Morgan Chicago, Illinois	J.P. Morgan Chicago, Illinois
Optional call feature beginning:	At issuance 100%	At issuance 100%	After con-version date (as defined)	Prior to, or after conversion date (as defined)	Prior to, or after conversion date (as defined)
Taxable/ Tax-exempt	Series III- Tax-Exempt Series IV ,V- Taxable	Taxable	Taxable	1996A - Tax-exempt 1996B - Taxable	1997A - Tax-exempt 1997B - Taxable

(1) As of June 30, 2005 variable interest rates were 2.38% for tax-exempt variable rate demand debt, 3.33% for taxable variable rate demand debt, 2.59% for tax-exempt auction rate securties debt and 3.40% for taxable auction rate securities debt.

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Schedule of Bonds Outstanding (Continued)
June 30, 2005

Summary of bonds and notes outstanding at June 30, 2005 (Continued)

	Series 1998A and Series 1998B	Series 1999A and Series 1999B
Original amount	$ 60,000,000	$ 100,000,000
Principal retirements	(8,800,000)	-
Unamortized discount	(236,200)	(547,615)
Balance at June 30	$ 50,963,800	$ 99,452,385
Effective interest rate (1)	Variable	Variable
Date of bonds	2/25/98	12/09/99
Interest dates	Monthly, Quarterly, Semiannual (dependent upon interest mode)	Monthly, Quarterly, Semiannual (dependent upon interest mode)
Paying agents	Bank One Chicago, Illinois	Bank One Chicago, Illinois
Optional call feature beginning:	Prior to, or after conversion date (as defined)	Prior to, or after conversion date (as defined)
Taxable/ Tax-exempt	1998A - Tax-exempt 1998B - Taxable	1999A - Tax-exempt 1999B - Taxable

(1) As of June 30, 2005 variable interest rates were 2.38% for tax-exempt variable rate demand debt, 3.33% for taxable variable rate demand debt, 2.59% for tax-exempt auction rate securties debt and 3.40% for taxable auction rate securities debt.

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Schedule of Bonds Outstanding (Continued)
June 30, 2005

Summary of bonds and notes outstanding at June 30, 2005 (Continued)

	Total
Original amount	$ 4,091,215,000
Principal retirements	(338,350,000)
Unamortized discount	(15,020,363)
Balance at June 30	$ 3,737,844,637

Debt outstanding per Statement of Net Assets		Debt classified as taxable v. tax-exempt	
Current portion of :			
Revenue bonds payable	$ 109,850,000	Tax-exempt	$ 391,585,000
Demand revenue bonds payable	20,500,000	Taxable	3,361,280,000
Long-term revenue bonds payable, net	3,607,494,637	Unamortized discount	(15,020,363)
Total debt outstanding	$ 3,737,844,637		$ 3,737,844,637

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Schedule of Principal Maturities
June 30, 2005

Principal maturity requirements are as follows (in 000's):

	Bond Series	2006	2007	2008	2009	2010	2011
(1)	Series AA,BB and CC	$ -	$ -	$ -	$ -	$ -	$ -
(1)	Series DD,EE and FF	52,500	-	-	-	-	-
(1)	Series HH and II	-	-	-	-	-	-
(1)	Series JJ,KK and LL	40,900	3,365	-	-	-	-
(1)	Series MM,NN and OO	-	-	-	-	-	-
(1)	Series PP,QQ and RR	-	8,160	-	-	-	-
(1)	Series SS,TT and UU	2,440	5,575	-	1,700	-	-
(1)	Series VV, WW, XX	2,210	5,500	-	1,485	-	-
(1)	Series YY	-	-	-	-	-	-
(1)	Note1 and 2	-	-	-	-	-	50,000
(1)	Note 3	-	-	-	-	-	-
(1)	Note 4	-	-	-	-	-	-
(1)	Note 5 and 6	-	-	-	-	-	-
(1)	Note 7 and 8	-	-	-	-	-	-
(1)	Note 9 and 10	-	-	-	-	-	-
(1)	Note 11 and 12	-	-	-	-	-	-
(1)	Series 2001A & 2001B	5,600	3,400	6,400	-	-	-
(1)	Series 2003A & 2003B	-	-	-	-	-	-
(1)	Series 2005B	-	-	-	-	-	-
(1)	Series 2002I & 2002II	-	-	-	-	-	-
(1)	Series 2003 III,IV,V	6,200	-	-	-	-	32,650
(1)	Series 2004 VI, VII	-	-	-	-	-	-
(2)	Series D	-	-	-	-	-	-
(2)	Series 1996A & 1996B	6,900	-	-	-	-	-
(2)	Series 1997A & 1997B	11,000	-	4,900	1,600	-	-
(2)	Series 1998A & 1998B	2,600	6,200	-	1,700	-	-
(2)	Series 1999A & 1999B	-	-	-	-	-	-
	Total	$ 130,350	$ 32,200	$ 11,300	$ 6,485	$ -	$ 82,650

(1) Revenue bonds

(2) Demand revenue bonds

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Schedule of Principal Maturities (Continued)
June 30, 2005

Principal maturity requirements are as follows (in 000's):

	Bond Series	2012	2013	2014	Thereafter	Total
(1)	Series AA,BB and CC	$ -	$ -	$ -	$ 7,330	$ 7,330
(1)	Series DD,EE and FF	-	-	-	-	52,500
(1)	Series HH and II	-	-	-	65,000	65,000
(1)	Series JJ,KK and LL	-	-	-	60,000	104,265
(1)	Series MM,NN and OO	-	-	-	100,300	100,300
(1)	Series PP,QQ and RR	-	-	-	65,450	73,610
(1)	Series SS,TT and UU	-	-	-	65,000	74,715
(1)	Series VV, WW, XX	-	-	-	120,550	129,745
(1)	Series YY	-	-	-	200,000	200,000
(1)	Note1 and 2	-	-	-	-	50,000
(1)	Note 3	-	60,000	-	-	60,000
(1)	Note 4	-	-	-	105,000	105,000
(1)	Note 5 and 6	-	-	-	75,000	75,000
(1)	Note 7 and 8	-	-	-	250,000	250,000
(1)	Note 9 and 10	-	-	-	200,000	200,000
(1)	Note 11 and 12	-	-	-	200,000	200,000
(1)	Series 2001A & 2001B	-	-	-	221,400	236,800
(1)	Series 2003A & 2003B	-	-	-	300,000	300,000
(1)	Series 2005B	-	-	-	350,000	350,000
(1)	Series 2002I & 2002II	-	-	-	250,000	250,000
(1)	Series 2003 III,IV,V	-	-	-	299,550	338,400
(1)	Series 2004 VI, VII	-	-	-	250,000	250,000
(2)	Series D	-	-	-	50,000	50,000
(2)	Series 1996A & 1996B	-	-	-	15,100	22,000
(2)	Series 1997A & 1997B	-	-	-	39,500	57,000
(2)	Series 1998A & 1998B	-	-	-	40,700	51,200
(2)	Series 1999A & 1999B	-	-	-	100,000	100,000
	Total	$ -	$ 60,000	$ -	$ 3,429,880	$ 3,752,865

(1) Revenue bonds

(2) Demand revenue bonds