



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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NEWS RELEASE

FOR RELEASE October 31, 2008

Contact: Andy Nielsen
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the Office of Treasurer of State, Iowa Educational Savings Plan Trust (Trust) for the year ended June 30, 2008.

The Trust was created by the General Assembly under Chapter 12D of the Code of Iowa to encourage and make possible the attainment of higher education by the greatest number of citizens of the state. The purpose of the Trust is to allow U.S. citizens to invest money for future payment of higher education costs for designated beneficiaries. At June 30, 2008, the Trust had 88,539 participants and 142,020 beneficiaries.

Vaudt reported additions totaling \$171,004,211 for the year, a 72% decrease from the prior year. Additions included \$343,731,756 of contributions from participants, \$562,394 of administrative fees, investment income of \$75,912, reduced by a net decrease in fair value of investments of \$173,365,851. The decrease in additions was primarily the result of the decrease in fair value of investments due to changing financial market conditions.

Deductions totaled \$95,510,237, a 34% increase over the prior year, and included \$95,039,303 in distributions to participants and beneficiaries and \$470,934 in administrative expenses. The significant increase in deductions was the result of an increase in distributions to beneficiaries for educational expenses.

A copy of the audit report is available for review in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

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**OFFICE OF TREASURER OF STATE
IOWA EDUCATIONAL SAVINGS PLAN TRUST**

**INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**

JUNE 30, 2008

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**Office of Treasurer of State
Iowa Educational Savings Plan Trust**

Officials

Name

Title

State

Honorable Chester J. Culver
Charles J. Krogmeier

Governor
Director, Department of Management

Agency

Honorable Michael L. Fitzgerald
Stefanie G. Devin
Karen Austin
Stephen Larson

Treasurer of State
Deputy
Deputy
Deputy

**Office of Treasurer of State
Iowa Educational Savings Plan Trust**



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STATE OF IOWA

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Auditor of State

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Independent Auditor's Report

To the Honorable Michael L. Fitzgerald,
Treasurer of State:

We have audited the accompanying financial statements, listed as exhibits in the table of contents of this report, of the Office of Treasurer of State, Iowa Educational Savings Plan Trust (Trust), as of and for the year ended June 30, 2008. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of the Office of Treasurer of State, Iowa Educational Savings Plan Trust are intended to present the financial position and results of operations of only that portion of the financial reporting entity of the State of Iowa attributable to the transactions of the Iowa Educational Savings Plan Trust. They do not purport to, and do not, present fairly the financial position of the State of Iowa as of June 30, 2008, and the changes in its financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

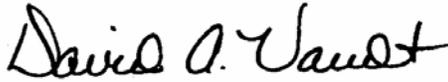
In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net assets of the Office of Treasurer of State, Iowa Educational Savings Plan Trust at June 30, 2008, and the changes in fiduciary net assets for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated October 13, 2008 on our consideration of the Office of Treasurer of State, Iowa Educational Savings Plan Trust's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts 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.

As discussed in Note 6, the fair value of virtually all mutual funds held by the various portfolios comprising the Trust's College Savings Iowa 529 Plan and its Iowa Advisor 529 Plan decreased significantly in October 2008, due primarily to unrest in the world-wide financial markets. The amount and extent of the recovery, if any, and the period over which recovery may occur are indeterminable.

Management's Discussion and Analysis is not a required part of the financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

October 13, 2008

Management's Discussion and Analysis

The Office of Treasurer of State, Iowa Educational Savings Plan Trust (Trust) provides this Management's Discussion and Analysis of the Trust's annual financial statements. This narrative overview and analysis of the financial activities of the Trust is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the Trust's financial statements, which follow this section.

USING THESE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Trust's financial statements, which consist of the Statement of Fiduciary Net Assets and the Statement of Changes in Fiduciary Net Assets (pages 10 and 11). They also include the notes to financial statements which begin on page 12. These financial statements provide information about the activities of the Trust as a whole and are based on the flow of economic resources measurement focus and the accrual basis of accounting. The flow of economic resources refers to all of the assets available to the Trust for the purpose of fulfilling its responsibilities to the other parties in the fiduciary relationship.

The financial statements are further described as follows:

The Statement of Fiduciary Net Assets presents the assets, liabilities and net assets of the Trust.

The Statement of Changes in Fiduciary Net Assets summarizes the additions to, deductions from and net increase or decrease in fiduciary net assets for the year.

The notes to financial statements provide additional information essential to a full understanding of the data provided in the financial statements.

FINANCIAL ANALYSIS OF THE TRUST

During fiscal year 2008, the Trust received \$343,731,756 in contributions from participants and distributed \$95,039,303 to participants and beneficiaries.

At June 30, 2008, the total number of participants and beneficiaries by plan were as follows:

	<u>Participants</u>	<u>Beneficiaries</u>
College Savings Iowa 529 Plan	82,663	136,809
Iowa Advisor 529 Plan	5,876	5,211

The Trust's financial activity for the year ended June 30, 2008 resulted in an increase in fiduciary net assets of \$75,493,974.

Management's Discussion and Analysis

Condensed financial information as of and for the years ended June 30, 2008 and 2007 is as follows:

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Current assets	\$ 2,077,995,740	\$ 2,002,488,194
Current liabilities	<u>216,807</u>	<u>203,235</u>
Net assets held for the payment of higher education costs for designated beneficiaries	<u>\$ 2,077,778,933</u>	<u>\$ 2,002,691,429</u>
	<u>Year Ended June 30, 2008</u>	<u>Year Ended June 30, 2007</u>
Additions:		
Contributions	\$ 343,731,756	\$ 338,036,225
Net increase (decrease) in fair value of investments	(173,365,851)	267,545,862
Other	<u>638,306</u>	<u>621,114</u>
Total additions	<u>171,004,211</u>	<u>606,203,201</u>
Deductions:		
Distributions	95,039,303	70,731,771
Administrative expenses	<u>470,934</u>	<u>415,105</u>
Total deductions	<u>95,510,237</u>	<u>71,146,876</u>
Net increase	75,493,974	535,056,325
Net assets beginning of year	<u>2,002,284,959</u>	<u>1,467,228,634</u>
Net assets end of year	<u>\$ 2,077,778,933</u>	<u>\$ 2,002,284,959</u>

The increase in contributions of \$5,695,531 over the prior year is due to more participants joining and saving. The increase in distributions of \$24,307,532 over the prior year is due to beneficiaries withdrawing additional funds for educational expenses (see Schedule 4). The net decrease in fair value of investments from the prior year is due to decreasing net asset values (NAV) during the year.

CURRENTLY KNOWN FACTS

On September 24, 2008, the President, in his address to the nation, stated, "We're in the midst of a serious financial crisis. . ." All experts agree the nation, and much of the world, is facing an economic crisis. Investments in Iowa's 529 plans are not immune to this crisis and, therefore, did experience a downturn.

The good news for Iowa's 529 plans is that our investors as a group have not elected to respond to this tough economic time by withdrawing their funds. In addition, it is important to note the beneficiaries invested in the more aggressive portfolios are likely to be younger, with more years ahead to make up for market volatility. The more conservative portfolios have experienced less of an impact from the recent market declines and those tend to be participants with beneficiaries nearing or in college.

CONTACTING THE OFFICE OF TREASURER OF STATE – IOWA EDUCATIONAL SAVINGS PLAN TRUST

This financial report is designed to present users with a general overview of the Trust's finances and to demonstrate the Trust's accountability for the funds held in custody. If you have questions about the report or need additional financial information, please contact the Office of Treasurer of State, State Capitol Building, Des Moines, IA 50319.

Financial Statements

Exhibit A

Office of Treasurer of State
Iowa Educational Savings Plan Trust

Statement of Fiduciary Net Assets

June 30, 2008

Assets

Current assets:

Cash	\$ 1,864,823
Investments	2,076,124,024
Prepaid expenses	<u>6,893</u>
Total current assets	<u>2,077,995,740</u>

Liabilities

Accounts payable	<u>216,807</u>
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Net assets

Held for the payment of higher education costs for designated beneficiaries	<u><u>\$ 2,077,778,933</u></u>
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See notes to financial statements.

Office of Treasurer of State
Iowa Educational Savings Plan Trust

Statement of Changes in Fiduciary Net Assets

Year ended June 30, 2008

Additions:	
Contributions from participants	\$ 343,731,756
Net decrease in fair value of investments	(173,365,851)
Administrative fees	562,394
Investment income	75,912
Total additions	<u>171,004,211</u>
Deductions:	
Distributions to participants and beneficiaries	95,039,303
Administrative expenses:	
Salaries	125,269
Travel	7,794
Supplies	95,613
Contractual services for outside consultants and independent contractors	87,674
Other contractual services	20,962
Marketing	133,622
Total deductions	<u>95,510,237</u>
Net increase in fiduciary net assets	75,493,974
Net assets beginning of year	<u>2,002,284,959</u>
Net assets end of year	<u>\$ 2,077,778,933</u>

See notes to financial statements.

Office of Treasurer of State
Iowa Educational Savings Plan Trust

Notes to Financial Statements

June 30, 2008

(1) Summary of Significant Accounting Policies

The Iowa Educational Savings Plan Trust (Trust) is a part of the Office of Treasurer of State of Iowa. The Trust was created by the General Assembly under Chapter 12D of the Code of Iowa, with the Treasurer of State as the trustee. The General Assembly finds the general welfare and well-being of the state are directly related to educational levels and skills of the citizens of the state and a vital and valid public purpose is served by the creation and implementation of programs which encourage and make possible the attainment of higher education by the greatest number of citizens of the state.

The purpose of the Trust is to allow participants to invest money for future payment of higher education costs for designated beneficiaries.

Two 529 plans are administered under the Trust. The College Savings Iowa 529 Plan was established in 1998 to be sold directly to the public. The Iowa Advisor 529 Plan was established in 2006 to be sold through financial advisors.

The financial statements of the Trust have been prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, the Trust has included all funds, organizations, agencies, boards, commissions and authorities. The Trust has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Trust are such that exclusion would cause the Trust's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Trust to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Trust. The Trust has no component units which meet the Governmental Accounting Standards Board criteria.

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Trust is accounted for using the economic resources measurement focus and the accrual basis of accounting. Additions are recorded when earned and deductions are recorded when a liability is incurred, regardless of the timing of related cash flows.

In reporting the financial activity of the Trust, the Trust applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board

Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

The Trust is a fiduciary fund type and is classified as a private purpose trust for financial statement purposes. A private purpose trust is used to report a trust arrangement under which principal and income benefit individuals, private organizations or other governments. The Trust is used to account for resources which may be expended only for higher education costs of designated beneficiaries.

C. Capital Assets

Capital assets are defined by the Trust as assets with initial, individual costs in excess of \$5,000. Such assets are recorded at historical cost. Depreciation of all exhaustible assets is charged as an expense against operations. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Capital assets are depreciated over a five year life.

The cost of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized.

(2) Deposits and Investments

The Trust’s cash and investments are not bank deposits and are not insured by federal depository insurance or any other government agency. Investments are stated at fair value. Due to the nature of investments in mutual funds, there is no assurance the accounts under the Trust will generate any specific rate of return and there is no assurance the accounts will not decrease in value. Mutual funds are not subject to risk categorization.

Although money contributed to the Trust is invested in portfolios that hold mutual funds, neither the Trust nor any of its portfolios is itself a mutual fund. Each portfolio invests in one or more mutual funds.

College Savings Iowa 529 Plan

The Office of the Treasurer of State has an agreement with the Vanguard Group to invest funds for the Iowa Educational Savings Plan Trust in specified investment portfolios. The Trust’s investments at June 30, 2008 are all invested in portfolios that hold Vanguard mutual funds for the College Savings Iowa 529 Plan.

The Office of Treasurer of State has established four age-based savings tracks and nine individual portfolios for the participant to select from. For the age-based savings tracks, participant accounts will be exchanged (units held will be exchanged for a number of units of equal value) for the next portfolio in the year the beneficiary reaches the minimum qualifying age in the next portfolio.

Ages	Savings Track A	Savings Track B	Savings Track C	Savings Track D
Age 5 and younger	Aggressive Growth	Aggressive Growth	Growth	Moderate Growth
Age 6 through 10	Aggressive Growth	Growth	Moderate Growth	Conservative Growth
Age 11 through 15	Growth	Moderate Growth	Conservative Growth	Income
Age 16 through 18	Moderate Growth	Conservative Growth	Income	Conservative Income
Age 19 and older	Income	Conservative Income	Money Market	Money Market

At June 30, 2008, the Trust had investments in the following portfolios:

College Savings Iowa 529 Plan Investment Portfolio	Fair Value at June 30, 2008
Aggressive Growth	\$ 747,280,609
Growth	497,555,743
Moderate Growth	384,650,542
Conservative Growth	184,898,258
Income	111,832,391
Conservative Income	39,707,089
Money Market	70,301,634
Bond Index	5,961,094
500 Index	12,091,447
Total	<u>\$ 2,054,278,807</u>

Iowa Advisor 529 Plan

The Office of the Treasurer of State has an agreement with Upromise Investments to invest funds for the Iowa Educational Savings Plan Trust in specified investment portfolios. The Trust's investments at June 30, 2008 are all invested in a variety of portfolios that hold mutual funds for the Iowa Advisor 529 Plan.

The Trust's investments at June 30, 2008 are invested in sixteen portfolios managed by five different investment managers. Accounts for the Iowa Advisor 529 Plan are invested at the direction of the account owner with the assistance of a financial advisor.

Iowa Advisor 529 Plan Investment Portfolio	Fair Value at June 30, 2008
American Century Large Company Value	\$ 666,493
American Century Equity Growth	530,521
Franklin Growth	1,147,062
Columbia Marsico Growth	784,511
Pioneer Mid-Cap Value	393,938
American Century Heritage	1,202,612
Columbia Small Cap Value	291,118
Delaware Small Cap Value	231,271
American Century Money Market	545,857
American Century Inflation - Adjusted Bond	327,495
Delaware Corporate Bond	428,198
Pioneer High Yield	187,953
Columbia Marsico International	1,571,762
American Century Aggressive Allocation	6,208,079
American Century Moderate Allocation	5,743,444
American Century Conservative Allocation	1,584,903
Total	<u>\$ 21,845,217</u>

Concentration of Credit Risk:

The various portfolios hold mutual funds and, accordingly, disclosure of concentration of credit risk is not applicable.

Credit Risk:

The Aggressive Growth portfolio in the College Savings Iowa 529 Plan and certain portfolios in the Iowa Advisor 529 Plan invest entirely in stock mutual funds and, therefore, are not subject to credit risk. The remaining portfolios are exposed to varying unrated levels of credit risk.

Interest Rate Risk:

The Aggressive Growth portfolio in the College Savings Iowa 529 Plan and certain portfolios in the Iowa Advisor 529 Plan invest entirely in stock mutual funds and, therefore, are not subject to interest rate risk. The remaining portfolios are exposed to varying levels of interest rate risk. Interest rate risk is not disclosed because the portfolios are 2a7-like pools.

(3) Participant Contributions

Any United States citizen age 18 years or older with a valid social security number and a desire to save for the future educational expenses of a young person may be a participant. The amount a participant may contribute is unlimited, except no contribution may cause the aggregate balance of all accounts held on behalf of a single beneficiary to exceed \$320,000 (in 2008). The minimum amount of any one contribution is \$25 (\$15 when investing through a payroll deduction plan) under the College Savings Iowa 529 Plan and \$50 under the Iowa Advisor 529 Plan. Contributions are not required to be made each year.

Participant contributions up to \$2,685 (in 2008) per account are deductible for State of Iowa income tax purposes. Earnings are tax exempt for state income tax purposes. A similar federal tax deduction does not exist for the participant's contributions. Earnings are exempt for federal income tax purposes if funds are spent for specified qualified higher education expenses. Earnings on non-qualified withdrawals are subject to federal income tax and a 10% federal penalty, as well as applicable state and local income taxes.

(4) Capital Assets

A summary of capital assets activity for the year ended June 30, 2008 is as follows:

	Balance Beginning and End of Year
Equipment	\$ 59,134
Less accumulated depreciation	(59,134)
Capital assets, net	\$ -

(5) Administrative Fees

Chapter 12D.2(14) of the Code of Iowa allows the Treasurer of State, as trustee, to establish, impose and collect administrative fees and charges in connection with transactions of the Trust. The assets of the Trust shall at all times be preserved, invested and expended solely and only for the purposes of the Trust and shall be held in trust for the participants and beneficiaries. The assets of the Trust shall not be transferred or used by the state for any purposes other than the purposes of the Trust. The administrative fees received by the Treasurer of State for fiscal year 2008 totaled \$562,394.

Vanguard and Upromise Investments provide an agreed upon annual payment to the Treasurer of State for the College Savings Iowa 529 Plan. The annual fee is adjusted annually by the Consumer Price Index. Upromise Investments provides an on-going administrative fee of 0.10% of portfolio assets payable to the Treasurer of State monthly for the Iowa Advisor 529 Plan.

(6) Subsequent Event

The fair value of virtually all mutual funds held by the various portfolios comprising the College Savings Iowa 529 Plan and the Iowa Advisor 529 Plan decreased significantly in October 2008, due primarily to unrest in the world-wide financial markets. The amount and extent of the recovery, if any, and the period over which recovery may occur are indeterminable.

Office of Treasurer of State
Iowa Educational Savings Plan Trust

Combining Schedule of Fiduciary Net Assets

June 30, 2008

	College Savings Iowa 529 Plan	Iowa Advisor 529 Plan	Administrative Account	Total
Assets				
Current assets:				
Cash	\$ -	-	1,864,823	1,864,823
Investments	2,054,278,807	21,845,217	-	2,076,124,024
Prepaid expenses	-	-	6,893	6,893
Total current assets	<u>2,054,278,807</u>	<u>21,845,217</u>	<u>1,871,716</u>	<u>2,077,995,740</u>
Liabilities				
Accounts payable	-	160,000	56,807	216,807
Net assets				
Held for the payment of higher education costs for designated beneficiaries	<u>\$ 2,054,278,807</u>	<u>21,685,217</u>	<u>1,814,909</u>	<u>2,077,778,933</u>

See accompanying independent auditor's report.

Schedule 2Office of Treasurer of State
Iowa Educational Savings Plan Trust

Combining Schedule of Changes in Fiduciary Net Assets

Year ended June 30, 2008

	College Savings Iowa 529 Plan	Iowa Advisor 529 Plan	Administrative Account	Total
Additions:				
Contributions from participants	\$ 325,616,068	18,115,688	-	343,731,756
Net increase (decrease) in fair value of investments	(171,704,152)	(1,661,699)	-	(173,365,851)
Administrative fees	-	-	562,394	562,394
Investment income	-	-	75,912	75,912
Total additions	<u>153,911,916</u>	<u>16,453,989</u>	<u>638,306</u>	<u>171,004,211</u>
Deductions:				
Distributions to participants and beneficiaries	94,814,116	225,187	-	95,039,303
Administrative expenses:				
Salaries	-	-	125,269	125,269
Travel	-	-	7,794	7,794
Supplies	-	-	95,613	95,613
Contractual services for outside consultants and independent contractors	-	-	87,674	87,674
Other contractual services	-	-	20,962	20,962
Marketing	-	-	133,622	133,622
Total deductions	<u>94,814,116</u>	<u>225,187</u>	<u>470,934</u>	<u>95,510,237</u>
Net increase in fiduciary net assets	59,097,800	16,228,802	167,372	75,493,974
Net assets beginning of year	<u>1,995,181,007</u>	<u>5,456,415</u>	<u>1,647,537</u>	<u>2,002,284,959</u>
Net assets end of year	<u>\$ 2,054,278,807</u>	<u>21,685,217</u>	<u>1,814,909</u>	<u>2,077,778,933</u>

See accompanying independent auditor's report.

Office of Treasurer of State
Iowa Educational Savings Plan Trust

Summary of Expenses for Outside Consultants and Independent Contractors

Year ended June 30, 2008

Type of Service	Amount
Legal consulting services	\$ 20,328
Other professional services	67,346
Total	<u>\$ 87,674</u>

See accompanying independent auditor's report.

Schedule 4

Office of Treasurer of State
Iowa Educational Savings Plan Trust

Summary of Distributions to Participants and Beneficiaries

Year ended June 30, 2008

Type of Distribution	College Savings Iowa 529 Plan	Iowa Advisor 529 Plan	Total
Qualified withdrawals for educational expenses of beneficiaries	\$ 70,966,823	206,995	71,173,818
Rollover withdrawals to other qualified state tuition plans	21,019,327	6,480	21,025,807
Non-qualified withdrawals	2,827,966	11,712	2,839,678
Total	<u>\$ 94,814,116</u>	<u>225,187</u>	<u>95,039,303</u>

See accompanying independent auditor's report.



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

To the Honorable Michael L. Fitzgerald,
Treasurer of State:

We have audited the accompanying financial statements of the Office of Treasurer of State, Iowa Educational Savings Plan Trust, as of and for the year ended June 30, 2008, and have issued our report thereon dated October 13, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Office of Treasurer of State, Iowa Educational Savings Plan Trust's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Office of Treasurer of State, Iowa Educational Savings Plan Trust's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Office of Treasurer of State, Iowa Educational Savings Plan Trust's internal control over financial reporting.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Office of Treasurer of State, Iowa Educational Savings Plan Trust's ability to initiate, authorize, record, process or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of the Office of Treasurer of State, Iowa Educational Savings Plan Trust's financial statements that is more than inconsequential will not be prevented or detected by the Office of Treasurer of State, Iowa Educational Savings Plan Trust's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the Office of Treasurer of State, Iowa Educational Savings Plan Trust's internal control.

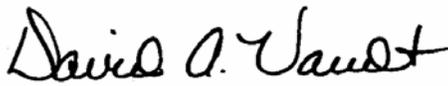
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

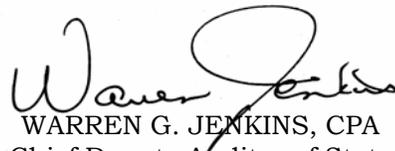
As part of obtaining reasonable assurance about whether the Office of Treasurer of State, Iowa Educational Savings Plan Trust's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

This report, a public record by law, is intended solely for the information and use of the officials and employees of the Office of Treasurer of State, Iowa Educational Savings Plan Trust, citizens of the State of Iowa and other parties to whom the Office of Treasurer of State, Iowa Educational Savings Plan Trust may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Office of Treasurer of State, Iowa Educational Savings Plan Trust during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

October 13, 2008

Office of Treasurer of State
Iowa Educational Savings Plan Trust

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