



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE _____ December 30, 2008 _____ Contact: Andy Nielsen
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the Iowa Federal Family Education Loan Program Division, a Division of the Iowa College Student Aid Commission, for the year ended June 30, 2008.

The Division was established to guarantee loans made by eligible lenders to eligible students and to administer the program. The Division is responsible for the determination of lender, school and student eligibility. The Division is also responsible for reimbursement to eligible lenders for principal and accrued interest on defaulted loans guaranteed by the Commission and to establish an effective system for the collection of delinquent loans.

The Division had revenues of \$99,096,934 during the year, an increase of 39% over the prior year. Revenues included \$64,979,339 from the U.S. Department of Education (USDE) for federal reinsurance payments and default collections of \$22,983,792. Other revenues included federal management fees of \$4,639,717 and interest income of \$1,628,916.

Expenses for the year totaled \$97,075,057, a 43% increase over the prior year. Expenses included payments to lenders on defaulted loans of \$70,386,571, a 61% increase over the prior year, and default collections remitted to USDE of \$6,977,637. The Division reported \$3.297 billion of outstanding student loans guaranteed at June 30, 2008, an increase of 17% over the \$2.822 billion subject to guarantee at June 30, 2007.

A copy of the audit report is available for review in the Iowa College Student Aid Commission office, 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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**IOWA FEDERAL FAMILY EDUCATION LOAN PROGRAM DIVISION
IOWA COLLEGE STUDENT AID COMMISSION**

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

JUNE 30, 2008

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**Iowa Federal Family Education Loan Program Division
Iowa College Student Aid Commission**

Officials

Governor

Honorable Chester J. Culver

Director, Department of Management

Charles J. Krogmeier

Commission

Janet L. Adams	Chairperson
Phillip D. Hall	Vice Chairperson
Michelle Durand-Adams	Member
Timothy Cole	Member
Robert Denson	Member
Robert Donley	Member
Representative Greg Forristall	Member
Senator David Johnson	Member
Fred Moore	Member
Senator Herman C. Quirmbach	Member
Lorrice C. Sailor	Member
Gary Steinke	Member
Roger Utman	Member
Representative Cindy Winckler	Member

Agency

Karen Misjak	Executive Director
Brenda Easter	Director, Marketing and Communications
Cheryl Mather (retired April 2008)	Director, Accounting
Keith Greiner	Director, Research
Todd Brown	Director, Program Administration
Julie Leeper	Director, Legislative Services and Personnel
Bobbi Pulley	Director, Borrower Services
Dan Powers	Director, Technology

**Iowa Federal Family Education Loan Program Division
Iowa College Student Aid Commission**



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Independent Auditor's Report

To the Members of the
Iowa College Student Aid Commission:

We have audited the accompanying financial statements of the governmental activities and each major fund of the Iowa Federal Family Education Loan Program Division of the Iowa College Student Aid Commission as of and for the year ended June 30, 2008, which collectively comprise the basic financial statements listed in the table of contents. These financial statements are the responsibility of the Iowa College Student Aid Commission's management. Our responsibility is to express opinions 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 opinions.

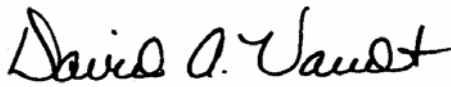
As discussed in Note 1, the financial statements of the Iowa Federal Family Education Loan Program Division of the Iowa College Student Aid Commission are intended to present the financial position and results of operations of only that portion of the financial reporting entity of the State of Iowa that is attributable to the transactions of the Division. 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 respective financial position of the governmental activities and each major fund of the Iowa Federal Family Education Loan Program Division of the Iowa College Student Aid Commission as of June 30, 2008, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

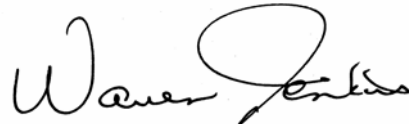
In accordance with Government Auditing Standards, we have also issued our report dated December 16, 2008 on our consideration of the Iowa Federal Family Education Loan Program Division's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, 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.

The Division has not presented Management's Discussion and Analysis which introduces the basic financial statements by presenting certain financial information as well as management's analytical insights on information the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Division's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 16, 2008

Basic Financial Statements

Exhibit A

Iowa Federal Family Education Loan Program Division
Iowa College Student Aid Commission

Governmental Funds Balance Sheet
and Statement of Net Assets

June 30, 2008

	Special Revenue			Total	Adjustments	Statement of Net Assets
	General Default Prevention	Federal Student Loan Reserve	Guaranty Agency Operating			
Assets						
Cash and investments	\$ 1,978,983	15,096,313	20,698,045	37,773,341	-	37,773,341
Cash on deposit with State Vehicle Dispatcher		-	489	489	-	489
Accounts receivable	2,342	186,122	3,689,466	3,877,930	-	3,877,930
Interest receivable	18,138	177,930	215,720	411,788	-	411,788
Due from other funds	-	2,018,599	1,162,388	3,180,987	(3,180,987)	-
Due from the federal government	-	8,194,905	786,929	8,981,834	-	8,981,834
Prepaid expenditures/expenses	-	-	3,680	3,680	-	3,680
Capital assets, net of accumulated depreciation	-	-	-	-	61,246	61,246
Total assets	\$ 1,999,463	25,673,869	26,556,717	54,230,049	(3,119,741)	51,110,308
Liabilities						
Accounts payable	\$ 9,825	65,991	533,738	609,554	-	609,554
Due to the federal government	-	1,765,808	-	1,765,808	-	1,765,808
Due to other funds	-	1,162,388	2,018,599	3,180,987	(3,180,987)	-
Long-term liabilities:						
Due within one year:						
Compensated absences	-	-	-	-	187,579	187,579
Due after one year:						
Compensated absences	-	-	-	-	212,497	212,497
Net OPEB liability	-	-	-	-	26,894	26,894
Total liabilities	9,825	2,994,187	2,552,337	5,556,349	(2,754,017)	2,802,332
Fund balances/Net assets						
Fund balances:						
Unreserved, designated for the Iowa Federal Family Education Loan Program	1,989,638	22,679,682	24,004,380	48,673,700	(48,673,700)	-
Total liabilities and fund balances	\$ 1,999,463	25,673,869	26,556,717	54,230,049		
Net assets:						
Invested in capital assets					61,246	61,246
Unrestricted					48,246,730	48,246,730
Total net assets					\$ 48,307,976	48,307,976

See notes to financial statements.

Iowa Federal Family Education Loan Program Division
Iowa College Student Aid Commission

Statement of Revenues, Expenditures
and Changes in Fund Balances
and Statement of Activities

Year ended June 30, 2008

	Special Revenue			Total	Adjustments	Statement of Activities
	General Default Prevention	Federal Student Loan Reserve	Guaranty Agency Operating			
Revenues:						
Federal management fees	\$ -	-	4,639,717	4,639,717	-	4,639,717
Federal reinsurance payments	-	64,979,339	-	64,979,339	-	64,979,339
Default aversion fees	-	-	1,315,774	1,315,774	(1,315,774)	-
Default aversion rebates	-	658,528	-	658,528	(658,528)	-
Partnership loan program income	-	-	444,822	444,822	-	444,822
Interest income	73,155	727,111	828,650	1,628,916	-	1,628,916
Default collections	-	22,036,773	947,019	22,983,792	-	22,983,792
Overpayments and repurchases	-	3,667,907	-	3,667,907	-	3,667,907
Federal default fees	-	6,075,622	-	6,075,622	(6,075,622)	-
Fees and recoveries allocated to Guaranty Agency Operating Fund	-	-	5,756,591	5,756,591	(5,756,591)	-
Other	2,638	27,201	722,602	752,441	-	752,441
Total revenues	75,793	98,172,481	14,655,175	112,903,449	(13,806,515)	99,096,934
Expenditures/expenses:						
Federal Family Education Loan Program administration	-	-	7,323,757	7,323,757	161,339	7,485,096
Default collections remitted to USDE	-	6,977,637	-	6,977,637	-	6,977,637
Collection expenses	-	-	2,945,730	2,945,730	-	2,945,730
Payments on defaulted loans	-	70,386,571	-	70,386,571	-	70,386,571
Tuition grants for foster children	700	-	-	700	-	700
Tuition grants for student assistanceships	49,345	-	-	49,345	-	49,345
Default aversion fees	-	1,315,774	-	1,315,774	(1,315,774)	-
Default aversion rebates	-	-	658,528	658,528	(658,528)	-
Payments for refunds and rehabbed loans	-	8,329,928	-	8,329,928	-	8,329,928
Federal default fees	-	-	6,075,622	6,075,622	(6,075,622)	-
Fees and recoveries allocated to Guaranty Agency Operating Fund	-	5,756,591	-	5,756,591	(5,756,591)	-
Federal recall payment	-	1,421,019	-	1,421,019	(1,421,019)	-
Depreciation	-	-	-	-	17,782	17,782
Other	292,400	550,438	39,430	882,268	-	882,268
Total expenditures/expenses	342,445	94,737,958	17,043,067	112,123,470	(15,048,413)	97,075,057
Excess (deficiency) of revenues over (under) expenditures/expenses/change in net assets	(266,652)	3,434,523	(2,387,892)	779,979	1,241,898	2,021,877
Fund balances/net assets beginning of year	2,256,290	19,245,159	26,392,272	47,893,721	(1,607,622)	46,286,099
Fund balances/net assets end of year	\$ 1,989,638	22,679,682	24,004,380	48,673,700	(365,724)	48,307,976

See notes to financial statements.

Iowa Federal Family Education Loan Program Division
Iowa College Student Aid Commission

Notes to Financial Statements

June 30, 2008

(1) Summary of Significant Accounting Policies

The Iowa Federal Family Education Loan Program Division (Division) of the Iowa College Student Aid Commission (Commission), an agency of the State of Iowa, was established under Chapter 261 of the Code of Iowa to guarantee loans made by eligible lenders to eligible students and to administer the program. It was formerly referred to as the Iowa Guarantee Student Loan Division and is attached to the Iowa Department of Education for organizational purposes.

Organization of the Commission provides for a membership of fourteen commissioners, including representatives of the Board of Regents, the Iowa Department of Education and two from each house of the State Legislature. The Governor appoints eight members, including four to represent the general public and one to represent each of the following areas: the private institutions, Community Colleges, Iowa lending institutions and Iowa post-secondary students. The four legislative representatives are non-voting members of the Commission.

The Division is responsible for the determination of lender, school and student eligibility. It is responsible for the collection or payment of the federal default fee of one percent of the principal amount of any Stafford, PLUS or SLS loans guaranteed. For fiscal year 2008, the Commission's Board approved the Commission to pay the fee on behalf of the borrower.

The Division is also responsible for reimbursement to eligible lenders for principal and accrued interest on defaulted loans guaranteed by the Commission and to establish an effective system for the collection of delinquent loans.

The financial statements of the Iowa Federal Family Education Loan Program Division 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 Iowa Federal Family Education Loan Program Division has included all funds, organizations, agencies, boards, commissions and authorities. The Division 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 Division are such that exclusion would cause the Division'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 Division 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 Division. The Iowa Federal Family Education Loan Program Division has no component units which meet the Governmental Accounting Standards Board criteria.

B. Entity-wide and Fund Financial Statements

The financial statements on pages 8 and 9 combine both an entity-wide perspective and a governmental fund perspective.

The General Fund and the Special Revenue, Federal Student Loan Reserve and Guaranty Agency Operating Funds comprise the Division's major governmental funds. The difference between assets and liabilities of the funds are referred to as "fund balance".

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the activities of the Division. Governmental activities are those which normally are supported by intergovernmental revenues.

C. Basis of Accounting and Measurement Focus

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the funds and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The entity-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Division considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences are recorded only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds.

D. Cash and Cash Equivalents

The cash balances of the Division's Funds are pooled and invested by the Treasurer of State.

E. Capital Assets

Capital assets, which include equipment with individual costs in excess of \$5,000, are recorded at historical cost. Donated assets are valued at their estimated fair value on the date donated. 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 four-year life. The entity-wide Statement of Activities reports depreciation expense.

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.

F. Due to the Federal Government

Due to the federal government represents the amount owed to the U.S. Department of Education for collection on loans in default.

G. Compensated Absences

State employees accrue vacation, sick and compensatory leave at rates specified in the Code of Iowa and/or collective bargaining agreements. Accumulated unused vacation leave is payable upon termination of employment. Accumulated unused sick leave is payable only upon retirement and only to limits specified in the Code of Iowa and/or collective bargaining agreements. A liability is recorded when incurred in the entity-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The liabilities for compensated absences are based on rates of pay in effect at June 30, 2008.

H. Fund Balance

The unreserved fund balance designated for the Iowa Federal Family Education Loan Program represents the amount available for actual payment of claims for defaulted loans and administration.

(2) **Cash and Investments**

The Division's deposits with the Treasurer of State throughout the year and at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds. Interest income from the investment pool is credited to the fund holding the cash balance. Interest earned for the year ended June 30, 2008 totaled \$1,628,916.

(3) **Capital Assets**

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Equipment	\$ 149,535	16,574	(90,687)	75,422
Vehicles	38,293	31,536	(11,500)	58,329
Less: accumulated depreciation	(154,040)	(17,782)	99,317	(72,505)
Total	\$ 33,788	30,328	(2,870)	61,246

(4) **Long-Term Liabilities**

Federal Recall of Reserve Funds – Section 422 of the Higher Education Act of 1965, as amended, requires the recall of reserve funds held by guaranty agencies based on a formula of reserve funds held by guaranty agencies as of September 30, 1996. The Iowa Federal Family Education Loan Program Division was required, starting with federal fiscal year 1998, to set aside approximately \$6 million per year through 2002, totaling \$30,151,666, to be returned to the United States Treasury. A restricted account with the Treasurer of State has been established to maintain the amounts set aside each year for the recall as stipulated by authorizing legislation. The required \$30,151,666 has been transferred to the Treasurer of State. For fiscal year 2002, an additional recall was required by the Higher Education Act of 1965. The Division's share of the additional recall is \$4,306,119. The Division made the first payment of \$1,464,081 on September 1, 2002 and the second payment of \$1,421,019 on August 4, 2006. The final payment of \$1,421,019 was paid on September 7, 2007.

(5) Operating Leases

The Iowa College Student Aid Commission has leased office space at 200 - 10th Street in Des Moines. The lease has been classified as an operating lease and, accordingly, all rent is charged to expense as incurred. The lease expires on March 31, 2011.

The Commission has leased various desktop computers and laser jet printers. These leases have been classified as operating leases and, accordingly, all rents are charged to expense as incurred. These leases expire in August 2008.

The following is a schedule, by year, of future minimum rental payments required under the operating lease which has a remaining non-cancelable lease term in excess of one year as of June 30, 2008:

Year Ending June 30,	Office Space
2009	\$ 175,688
2010	179,832
2011	134,874
Total	<u>\$ 490,394</u>

Rental expense for all operating leases totaled \$188,315 for the year ended June 30, 2008.

(6) Pension and Retirement Benefit,

The Division contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual covered salary and the Division is required to contribute 6.05% of covered salary. Contribution requirements are established by state statute. The Division's contributions to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$135,385, \$109,684 and \$94,223, respectively, equal to the required contribution for each year.

(7) Compensated Absences and Other Postemployment Retirement Benefits

Changes in compensated absences and other postemployment retirement benefit obligations for the year ended June 30, 2008 are summarized as follows:

	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008	Due Within One Year
Compensated absences	\$ 220,391	354,541	174,856	400,076	187,579
Net OPEB liability	-	26,894	-	26,894	-
Total	<u>\$ 220,391</u>	<u>381,435</u>	<u>174,856</u>	<u>426,970</u>	<u>187,579</u>

Sick Leave Insurance Program

The Sick Leave Insurance Program (SLIP) is included in the compensated absences liability. The program is an opportunity for employees who are retirement-eligible to use the value of their unused sick leave to pay the employer share of the monthly premium of the State's group health insurance plan after their retirement.

Upon retirement, employees shall first receive a cash payment for accumulated, unused sick leave converted at the employee's current regular hourly rate of pay, up to \$2,000, payable with the final payroll warrant that includes the employee's retirement date. The value of the remaining balance of the accrued sick leave will be converted based upon the original balance (before the cash payment). The remainder of the sick leave value is calculated as follows, based on the number of sick leave hours the employee had before the cash payment:

If the sick leave balance is:

Zero to 750 hours

Over 750 hours to 1,500 hours

Over 1,500 hours

The conversion rate is:

60% of the value

80% of the value

100% of the value

The final calculated dollar value will be credited to the employee's Sick Leave Insurance Program (SLIP) account. Each month, Iowa College Student Aid Commission will pay 100% of the employer's share of the selected state group health insurance premium from the retiree's SLIP account. The retiree is responsible for any additional premiums associated with the employee/retiree share.

Iowa College Student Aid Commission will continue to pay the employer's share of the health insurance premium each month until the converted value of the employee's sick leave balance is exhausted, until the employee is eligible for Medicare, until the employee waives the benefit or until the employee dies, whichever comes first. The retired employees may stay with the same health insurance program as when employed or switch down at any time without underwriting. The converted value of the sick leave can only be applied to the employer's share of health insurance premium payments. It has no cash value and it is not transferable to another use or to an heir. If a retired employee who has utilized this benefit returns to permanent state employment, all remaining balances in the sick leave insurance program will be forfeited. All SLIP program benefits are financed on a pay-as-you-go basis by the Iowa College Student Aid Commission.

Other Postemployment Retirement Benefits

Iowa College Student Aid Commission implemented Governmental Accounting Standards Board Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions during the year ended June 30, 2008. This statement modifies when other postemployment benefit liabilities are recorded under the accrual basis of accounting.

Iowa College Student Aid Commission participates in the State of Iowa postretirement medical plan (OPEB Plan). The State of Iowa recognizes the implicit rate subsidy for the OPEB Plan as required by GASB Statement No. 45.

The annual valuation of liabilities under the OPEB Plan is calculated using the entry age normal cost method. This method requires the calculation of an unfunded actuarial accrued liability, which was approximately \$220,000,000 for the State of Iowa at June 30, 2008. Iowa College Student Aid Commission's portion of the unfunded actuarial accrued liability is not separately determinable.

Details of the OPEB Plan are provided on a state-wide basis and are available in the State of Iowa's Comprehensive Annual Financial Report for the year ended June 30, 2008. The report may be obtained by writing to the Iowa Department of Administrative Services, Hoover State Office Building, Des Moines, Iowa 50319.

Iowa College Student Aid Commission, Iowa Federal Family Education Loan Program Division recognized a net OPEB liability of \$26,894 for other postemployment benefits which represents Iowa College Student Aid Commission, Iowa Federal Family Education Loan Program Division's portion of the State's net OPEB obligation. Iowa College Student Aid Commission, Iowa Federal Family Education Loan Program Division's portion of the net OPEB obligation was calculated using the ratio of full time equivalent Iowa College Student Aid Commission, Iowa Federal Family Education Loan Program Division employees compared to all full time equivalent employees of the State of Iowa.

(8) Commitments and Contingencies

Loan Guarantees – The Division guarantees loans made to students. The U.S. Department of Education (USDE) reinsures the student loans up to 100% of their principal amounts based on the Division's annual default rate. On loans made on or after October 1, 1993, the reinsurance percentage was reduced to 98% in accordance with the Omnibus Budget Reconciliation Act of 1993. At June 30, 2008, the Division was guarantor of \$3.297 billion in student loans. The state has no obligation under these student loan guarantees in the event of default.

Federal Agreements – Federal revenues are generally subject to review and audit by grantor agencies or their designees. Such audits could lead to a request for reimbursement to the federal agencies for expenditures disallowed under terms of the agreements or the assessment of informal fines. The Division recognizes material disallowances when the loss becomes probable and reasonably estimable. As of June 30, 2008, the Division estimates any disallowances of recognized revenues would not be material to the financial statements.

(9) Risk Management

State employee benefits for health, dental, long-term disability and life insurance coverage are insured through commercial insurers. There were no significant reductions in insurance coverage for the prior year and settlements have not exceeded coverage for the past three fiscal years.

The State of Iowa self-insures on behalf of its agencies for losses related to workers' compensation, its motor vehicle fleet, property damage and torts. A contingent fund exists under Section 29C.20 of the Code of Iowa to provide compensation for loss or damage to State property (casualty losses).

(10) Explanation of Certain Differences between the Governmental Funds Balance Sheet and the Statement of Net Assets

The differences include long-term liabilities for compensated absences and the net OPEB liability and capital assets, net of accumulated depreciation, which are not included in the governmental funds balance sheet but are included in the Statement of Net Assets, as follows:

Capital assets, net of accumulated depreciation	\$ 61,246
Net OPEB liability	(26,894)
Compensated absences	<u>(400,076)</u>
Total	<u>\$ (365,724)</u>

(11) Explanation of Certain Differences between the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities

The differences include the increase in compensated absences payable, net OPEB liability and depreciation expense for capital assets and the decrease in expenditures for equipment additions and the payment of the Federal recall reserve which are not included in the Statement of Revenues, Expenditures and Changes in Fund Balances but are included in the Statement of Activities, as follows:

Expenditures for capital assets	\$ (48,110)
Loss on disposal of capital asset	2,870
Increase in OPEB liability	26,894
Increase in SLIP liability	167,349
Increase in compensated absences	12,336
Depreciation expense	17,782
Decrease in Federal Recall Reserve	<u>(1,421,019)</u>
Total	<u>\$ (1,241,898)</u>

Supplementary Information

Schedule 1

Iowa Federal Family Education Loan Program Division
Iowa College Student Aid Commission

Expenditures by Object

General and Special Revenue Funds

Year ended June 30, 2008

	Special Revenue			
	General	Federal	Guaranty	Total
	Default Prevention	Student Loan Reserve	Agency Operating	
Federal Family Education Loan Program administration:				
Personal services	\$ -	-	3,021,695	3,021,695
Travel	-	-	117,451	117,451
Supplies and materials	-	-	182,762	182,762
Contractual services	-	-	3,579,039	3,579,039
Equipment	-	-	396,490	396,490
Other	-	-	26,320	26,320
Subtotal	-	-	7,323,757	7,323,757
Default collections remitted to USDE	-	6,977,637	-	6,977,637
Collection expenses	-	-	2,945,730	2,945,730
Payments on defaulted loans	-	70,386,571	-	70,386,571
Tuition grants for foster children	700	-	-	700
Tuition grants for student assistanceships	49,345	-	-	49,345
Default aversion fees	-	1,315,774	-	1,315,774
Default aversion rebates	-	-	658,528	658,528
Payments for refunds and rehabbed loans	-	8,329,928	-	8,329,928
Federal default fees	-	-	6,075,622	6,075,622
Fees and recoveries allocated to Guaranty				
Agency Operating Fund	-	5,756,591	-	5,756,591
Federal recall payment	-	1,421,019	-	1,421,019
Other	292,400	550,438	39,430	882,268
Total	\$ 342,445	94,737,958	17,043,067	112,123,470

See accompanying independent auditor's report.



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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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 Members of the
Iowa College Student Aid Commission:

We have audited the accompanying financial statements of the governmental activities and each major fund of the Iowa Federal Family Education Loan Program Division of the Iowa College Student Aid Commission as of and for the year ended June 30, 2008, which collectively comprise the Division's basic financial statements listed in the table of contents, and have issued our report thereon dated December 16, 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 Iowa Federal Family Education Loan Program Division's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Iowa Federal Family Education Loan Program Division's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Iowa Federal Family Education Loan Program Division'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 Iowa Federal Family Education Loan Program Division'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 Iowa Federal Family Education Loan Program Division's financial statements that is more than inconsequential will not be prevented or detected by the Iowa Federal Family Education Loan Program Division'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 Iowa Federal Family Education Loan Program Division's internal control.

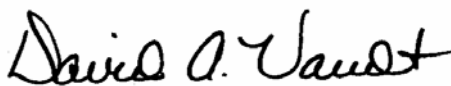
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify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

Compliance and Other Matters

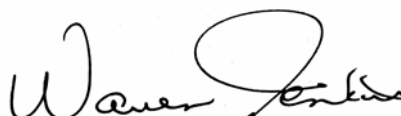
As part of obtaining reasonable assurance about whether the Iowa Federal Family Education Loan Program Division's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with 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 Iowa College Student Aid Commission, citizens of the State of Iowa and other parties to whom the Commission 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 Iowa College Student Aid Commission 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

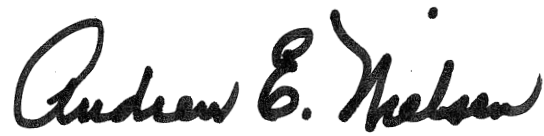
December 16, 2008

Iowa Federal Family Education Loan Program Division
Iowa College Student Aid Commission

Staff

This audit was performed by:

Michelle B. Meyer, CPA, Manager
Karen L. Brustkern, CPA, Senior Auditor II
Michael P. Piehl, Staff Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial 'A' and a distinct dot over the 'i' in Nielsen.

Andrew E. Nielsen, CPA
Deputy Auditor of State