



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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NEWS RELEASE

FOR RELEASE

October 26, 2011

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, 2011.

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, 2011, the Trust had 102,498 participants and 175,719 beneficiaries.

Vaudt reported additions totaling \$798,663,887 for the year, a 59.4% increase over the prior year. Additions included \$317,277,871 of contributions from participants, \$644,661 of administrative fees, investment income of \$1,296, refunds and other income of \$31,320 and a net increase in fair value of investments of \$480,708,739. The increase in additions was primarily the result of the increase in fair value of investments due to changing financial market conditions.

Deductions totaled \$173,660,077, a 29.5% increase over the prior year, and included \$172,486,983 of distributions to participants and beneficiaries and \$1,173,094 of administrative expenses. The increase in deductions was mainly 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/1260-6550-0001.pdf>.

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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, 2011

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

Officials

Name

Title

State

Governor

Honorable Chester J. Culver
(Ended during January 2011)

Honorable Terry E. Branstad
(Began during January 2011)

Director, Department of Management

Richard C. Oshlo, Jr.
(Ended during January 2011)

David Roederer
(Began during January 2011)

Director, Legislative Services Agency

Glen P. Dickinson

Agency

Honorable Michael L. Fitzgerald
Stefanie G. Devin
Karen Austin

Treasurer of State
Deputy
Deputy

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



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

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Des Moines, Iowa 50319-0004

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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, 2011. 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, 2011, 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, 2011, 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, 2011 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.

Management's Discussion and Analysis on pages 7 and 8 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, 2011

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, 2011. 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 is 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 2011, the Trust received \$317,277,871 in contributions from participants and distributed \$172,486,983 to participants and beneficiaries.

At June 30, 2011, the total number of participants, beneficiaries and accounts by plan were as follows:

	<u>Participants</u>	<u>Beneficiaries</u>	<u>Accounts</u>
College Savings Iowa 529 Plan	94,239	162,274	193,050
Iowa Advisor 529 Plan	8,259	13,445	15,267
Total	<u>102,498</u>	<u>175,719</u>	<u>208,317</u>

The Trust's financial activity for the year ended June 30, 2011 resulted in an increase in fiduciary net assets of \$625,003,810.

Management's Discussion and Analysis

Condensed financial information as of and for the years ended June 30, 2011 and 2010 is as follows:

	June 30, 2011	June 30, 2010
Current assets	\$ 2,844,872,818	2,219,921,753
Capital assets, net	15,044	9,845
Total assets	2,844,887,862	2,219,931,598
Liabilities	24,766	72,312
Net assets held for the payment of higher education costs for designated beneficiaries	\$ 2,844,863,096	2,219,859,286
	Year Ended June 30, 2011	Year Ended June 30, 2010
Additions:		
Contributions	\$ 317,277,871	291,058,568
Net increase in fair value of investments	480,708,739	209,213,059
Other	677,277	634,075
Total additions	798,663,887	500,905,702
Deductions:		
Distributions	172,486,983	133,308,459
Administrative expenses	1,173,094	745,818
Total deductions	173,660,077	134,054,277
Net increase	625,003,810	366,851,425
Net assets beginning of year	2,219,859,286	1,853,007,861
Net assets end of year	\$ 2,844,863,096	2,219,859,286

The increase in contributions of \$26,219,303 over the prior year is due to more participants joining and saving. The increase in distributions of \$39,178,524 over the prior year is due to beneficiaries withdrawing additional funds for educational expenses (see Schedule 4). The net increase in fair value of investments over the prior year is due to increasing net asset values during the year.

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, 2011

Assets

Current assets:

Cash	\$ 1,217,483
Investments	2,843,642,537
Accounts receivable	4,622
Prepaid expenses	8,176
Total current assets	<u>2,844,872,818</u>

Noncurrent assets:

Capital assets (net of accumulated depreciation)	15,044
Total assets	<u>2,844,887,862</u>

Liabilities

Accounts payable	<u>24,766</u>
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Net assets

Held for the payment of higher education costs for designated beneficiaries	<u><u>\$ 2,844,863,096</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, 2011

Additions:

Contributions from participants	\$ 317,277,871
Net increase in fair value of investments	480,708,739
Administrative fees	644,661
Investment income	1,296
Refunds and other income	31,320
Total additions	<u>798,663,887</u>

Deductions:

Distributions to participants and beneficiaries	172,486,983
Administrative expenses:	
Salaries	123,192
Travel	6,718
Supplies	212,030
Contractual services for outside consultants and independent contractors	78,289
Other contractual services	62,391
Marketing	686,539
Depreciation	3,935
Total deductions	<u>173,660,077</u>

Net increase in fiduciary net assets	625,003,810
Net assets beginning of year	<u>2,219,859,286</u>
Net assets end of year	<u>\$ 2,844,863,096</u>

See notes to financial statements.

Office of Treasurer of State
Iowa Educational Savings Plan Trust

Notes to Financial Statements

June 30, 2011

(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. According to Chapter 12D of the Code of Iowa, 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 (GASB) 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 which 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 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, 2011 are all invested in portfolios which 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, 2011, the Trust had investments in the following portfolios:

College Savings Iowa 529 Plan Investment Portfolio	Fair Value at June 30, 2011
Aggressive Growth	\$ 796,656,300
Growth	675,165,055
Moderate Growth	514,144,622
Conservative Growth	276,637,847
Income	194,974,210
Conservative Income	30,260,747
Money Market	123,959,847
Bond Index	99,186,851
500 Index	41,730,368
Total	\$ 2,752,715,847

Iowa Advisor 529 Plan

The Office of 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, 2011 are all invested in a variety of portfolios which hold mutual funds for the Iowa Advisor 529 Plan.

The Trust's investments at June 30, 2011 are invested in sixteen portfolios managed by seven 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, 2011
American Century Large Company Value	\$ 2,086,516
Franklin Growth	5,110,700
Columbia Marsico Growth	2,227,742
Pioneer Mid-Cap Value	1,532,765
American Century Heritage	3,755,068
Columbia Small Cap Value	1,235,550
Delaware Small Cap Value	886,225
American Century Money Market	2,473,114
American Century Inflation - Adjusted Bond	2,022,209
American Century Aggressive Allocation	23,399,435
American Century Moderate Allocation	26,401,300
American Century Conservative Allocation	8,287,849
Vanguard Stock Market ETF	3,616,326
Vanguard Bond Market ETF	3,085,322
Vanguard All World	1,354,546
Harbor International Growth	3,452,023
Total	\$ 90,926,690

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 2011). 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 \$2,865 (in 2011) 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, 2011 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Equipment	\$ 70,716	9,134	-	79,850
Less accumulated depreciation	(60,871)	(3,935)	-	(64,806)
Capital assets, net	\$ 9,845	5,199	-	15,044

(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.

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. The administrative fees received by the Treasurer of State for fiscal year 2011 totaled \$644,661.

Office of Treasurer of State
Iowa Educational Savings Plan Trust

Combining Schedule of Fiduciary Net Assets

June 30, 2011

	College Savings Iowa 529 Plan	Iowa Advisor 529 Plan	Administrative Account	Total
Assets				
Current assets:				
Cash	\$ -	-	1,217,483	1,217,483
Investments	2,752,715,847	90,926,690	-	2,843,642,537
Accounts receivable	-	-	4,622	4,622
Prepaid expenses	-	-	8,176	8,176
Total current assets	2,752,715,847	90,926,690	1,230,281	2,844,872,818
Noncurrent assets:				
Capital assets (net of accumulated depreciation)	-	-	15,044	15,044
Total assets	2,752,715,847	90,926,690	1,245,325	2,844,887,862
Liabilities				
Accounts payable	-	-	24,766	24,766
Net assets				
Held for the payment of higher education costs for designated beneficiaries	\$ 2,752,715,847	90,926,690	1,220,559	2,844,863,096

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, 2011

	College Savings Iowa 529 Plan	Iowa Advisor 529 Plan	Administrative Account	Total
Additions:				
Contributions from participants	\$ 288,188,599	29,089,272	-	317,277,871
Net increase in fair value of investments	468,100,242	12,608,497	-	480,708,739
Administrative fees	-	-	644,661	644,661
Investment income	-	-	1,296	1,296
Refunds and other income	-	-	31,320	31,320
Total additions	<u>756,288,841</u>	<u>41,697,769</u>	<u>677,277</u>	<u>798,663,887</u>
Deductions:				
Distributions to participants and beneficiaries	168,763,659	3,723,324	-	172,486,983
Administrative expenses:				
Salaries	-	-	123,192	123,192
Travel	-	-	6,718	6,718
Supplies	-	-	212,030	212,030
Contractual services for outside consultants and independent contractors	-	-	78,289	78,289
Other contractual services	-	-	62,391	62,391
Marketing	-	-	686,539	686,539
Depreciation	-	-	3,935	3,935
Total deductions	<u>168,763,659</u>	<u>3,723,324</u>	<u>1,173,094</u>	<u>173,660,077</u>
Net increase (decrease) in fiduciary net assets	587,525,182	37,974,445	(495,817)	625,003,810
Net assets beginning of year	2,165,190,665	52,952,245	1,716,376	2,219,859,286
Net assets end of year	<u>\$ 2,752,715,847</u>	<u>90,926,690</u>	<u>1,220,559</u>	<u>2,844,863,096</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, 2011

Type of Service	Amount
Legal consulting services	\$ 17,536
Other professional services	60,753
Total	<u>\$ 78,289</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, 2011

Type of Distribution	College Savings	Iowa Advisor	Total
	Iowa 529 Plan	529 Plan	
Qualified withdrawals for educational expenses of beneficiaries	\$ 137,546,979	2,634,320	140,181,299
Rollover withdrawals to other qualified state tuition plans	25,264,093	678,696	25,942,789
Non-qualified withdrawals	5,952,587	410,308	6,362,895
Total	<u>\$ 168,763,659</u>	<u>3,723,324</u>	<u>172,486,983</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

Telephone (515) 281-5834 Facsimile (515) 242-6134

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, 2011, and have issued our report thereon dated October 13, 2011. 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 an 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Office of Treasurer of State, Iowa Educational Savings Plan Trust's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies and material weaknesses have been identified. We did not identify any deficiencies in internal control over financial reporting 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 which 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, 2011

Office of Treasurer of State
Iowa Educational Savings Plan Trust

Staff

This audit was performed by:

Ronald D. Swanson, CPA, Manager
Brian P. Schenkelberg, CPA, Senior Auditor
Ainslee M. Barnes, CPA, Staff Auditor
Cory A. Lee, Assistant Auditor
Ann C. McMinimee, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large, stylized initial "A".

Andrew E. Nielsen, CPA
Deputy Auditor of State