



**IOWA
COLLEGE
STUDENT AID
COMMISSION**

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February 11, 2003

The Honorable Neil Schuerer, Chair
The Honorable Cecil Dolecheck, Chair
Joint Committee on Education Appropriations
State Capitol Building
Des Moines, IA 50319

Dear Senator Schuerer and Mr. Dolecheck:

Thank you for the opportunity to update Committee members on the role of the Commission and the outlook for student financial aid in Iowa.

During the discussion, several committee members asked for specific information about programs administered by the Commission. With this letter, I am sending a collection of tables and graphs which address those questions.

The following information is included:

- Summary of Iowa Tuition Grant awards as a percent of average tuition.
- Distribution of Iowa Tuition Grant Recipients by EFC (expected family contribution) and need
- Historical appropriations and student awards
- Undergraduate debt upon graduation
- The importance of financial aid when selecting a college or university
- National Guaranty Agency Collections Report
- FY 2001 loan program audit and financial statements for FY 2002

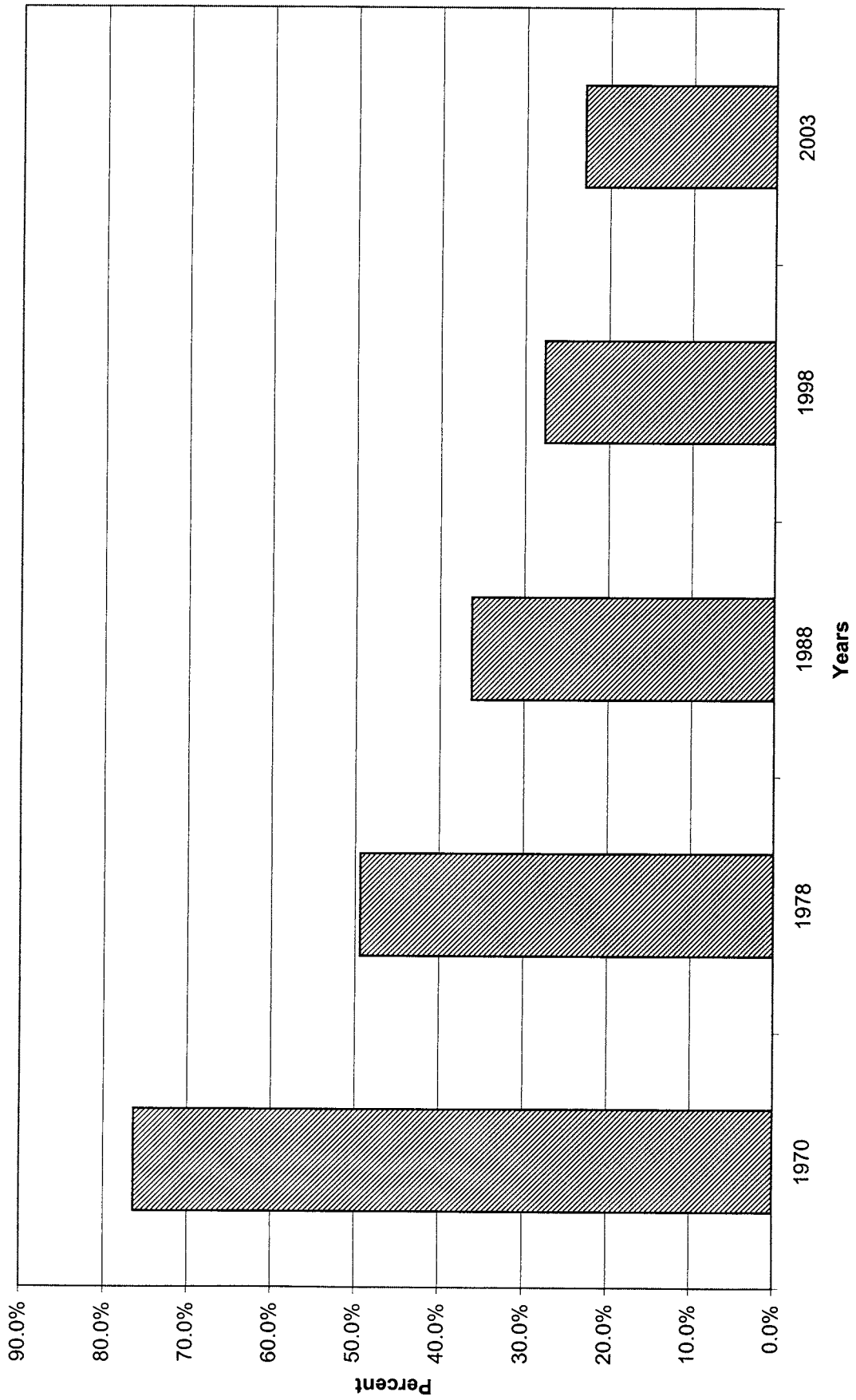
Please let me know if you have additional questions.

Sincerely,

Gary W. Nichols
Executive Director

Enclosure

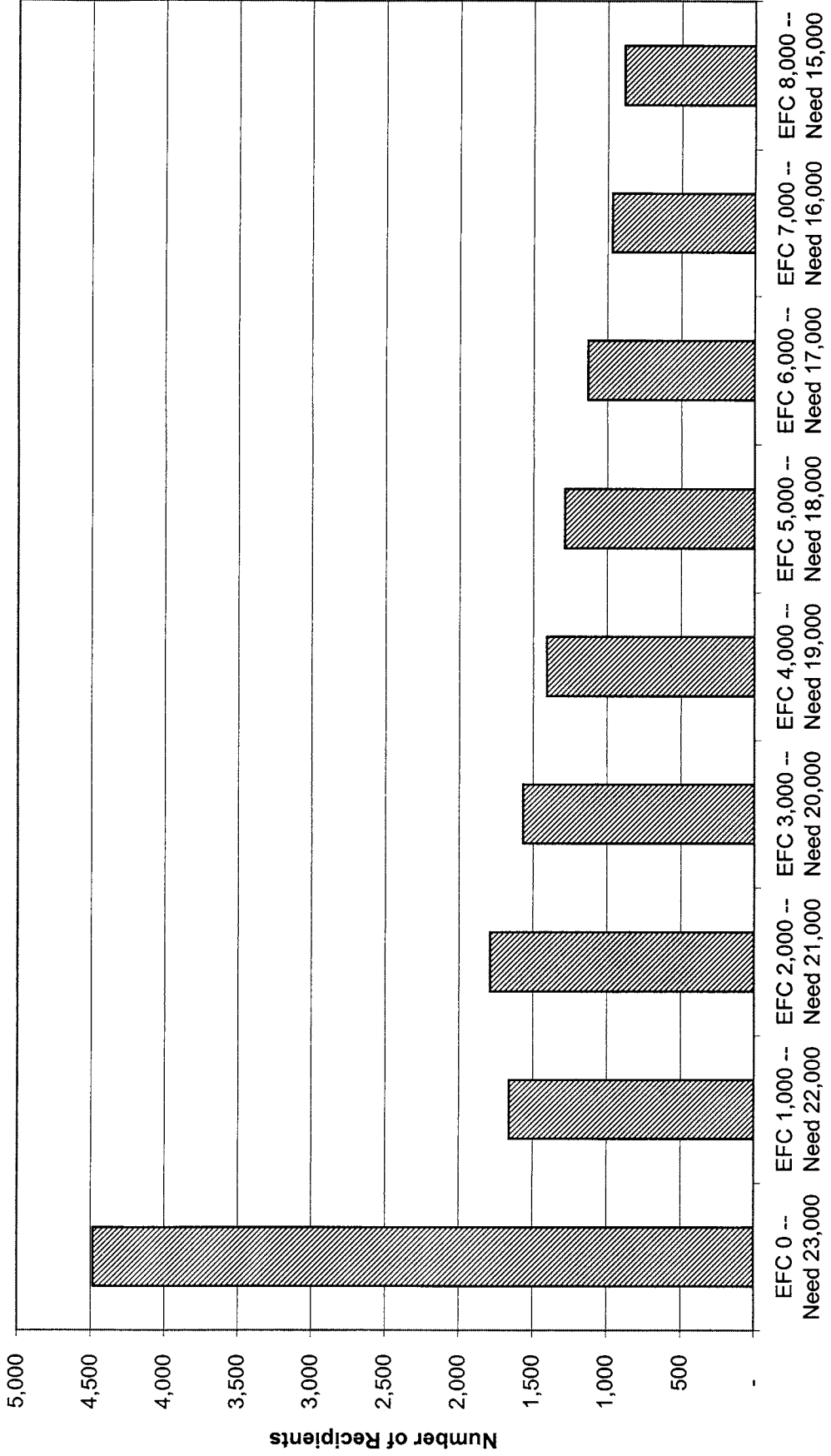
Iowa Tuition Grant as a Percent of Tuition and Fees



Iowa Tuition Grant Recipients by EFC and Need
 FY 2002

	EFC Range		Need Range		Number of Recipients
	Low	High	High	Low	
-		999	23,000	22,001	4,485
1,000		1,999	22,000	21,001	1,658
2,000		2,999	21,000	20,001	1,786
3,000		3,999	20,000	19,001	1,566
4,000		4,999	19,000	18,001	1,408
5,000		5,999	18,000	17,001	1,288
6,000		6,999	17,000	16,001	1,131
7,000		7,999	16,000	15,001	969
8,000		8,999	15,000	14,001	887
					15,178

Iowa Tuition Grant Recipients and Need Levels
 FY 2002



EFC and Need Dollars

IOWA COLLEGE STUDENT AID COMMISSION
Historical Appropriations and Student Awards
2001-2003

		<u>2001</u>	<u>2002</u>	<u>Estimated</u> <u>2003</u>
State of Iowa Scholars	Appropriations	\$ 498,540	\$ 468,628	\$ 477,103
	Students Assisted	1,202	1,230	1,200
Iowa Tuition Grants	Appropriations	\$ 48,830,075	\$ 47,155,382	\$ 46,117,964
	Students Assisted	14,588	15,178	15,912
Iowa Vocational-Technical Tuition Grants	Appropriations	\$ 2,482,400	\$ 2,375,657	\$ 2,375,657
	Students Assisted	5,932	5,939	3,600
Iowa Grants	Appropriations	\$ 1,144,850	\$ 1,029,884	\$ 1,029,884
	Federal Assistance	\$ 451,517	\$ 325,577	\$ 322,339
	Total Assistance	\$ 1,596,367	\$ 1,355,461	\$ 1,352,223
	Students Assisted	2,490	2,456	2,146
Iowa Work Study	Appropriations	\$ 2,750,000		
	Students Assisted	4,308		
Iowa National Guard Educational Assistance	Appropriations	\$ 1,250,000	\$ 1,175,000	\$ 1,175,000
	Students Assisted	1,144	1,044	1,044
Osteopathic Forgivable Loans	Appropriations	\$ 254,260	\$ 95,700	
	Transfer from Reserve		\$ 154,260	
	Collections and Sale	\$ 315,971	\$ 220,166	\$ 299,000
	Total Assistance	\$ 570,231	\$ 470,126	\$ 299,000
	Students Assisted	140	147	133
Physician Recruitment Program	Appropriations	\$ 395,000	\$ 355,334	\$ 355,334
	Scholarships	Awards 8	15	8
	Loan Repayment	Awards 8	5	5
Chiropractic Forgivable Loans	Appropriations	\$ 100,000	\$ 94,000	
	Awards	25	18	
Teacher Shortage Forgivable Loans	Appropriations	\$ 525,000	\$ 493,500	\$ 429,279
	Federal Assistance		\$ 389,714	\$ 800,000
	Total Assistance	\$ 525,000	\$ 883,214	\$ 1,229,279
	Students Assisted	188	324	457
ACE Grants	Appropriations	\$ 250,000	\$ 224,895	\$ 224,895
	Students Assisted	125	95	104
Total	Appropriations	\$ 58,480,125	\$ 53,467,980	\$ 52,185,116
	Students Assisted (Includes multiple awards)	30,033	26,356	24,505

Undergraduate Debt Upon Graduation
2001

<u>Sector</u>	<u>Number of Institutions Reporting</u>	<u>Average Debt Upon Graduation</u>
Regents	3	\$19,502
Independents	27	\$17,454
Community Colleges	9	\$4,521

Debt information for Regent institutions is from the August, 2001 Governance Report on Student Financial Aid. Information for independent colleges and universities and community colleges is from a Fall, 2001 survey of institutions. Debt includes student borrowing from both need-based and non-need-based sources.

Importance of Financial Aid
When Selecting a College or University
Commission Survey of Borrowers

	Percent
Not Important	4.20%
Not Too Important	5.99%
Important	17.79%
Very Important	27.16%
Extremely Important	44.85%
	100.00%
Not and Not Too	10.20%
Very and Extremely	72.02%

**IOWA COLLEGE STUDENT AID COMMISSION
FEDERAL FAMILY EDUCATIONAL LOAN PROGRAM**

**Unaudited Statements of Revenues, Expenditures
and Changes in Fund Balance
All Fund Types**

REVENUE		SFY 2002		SFY 2001
Loan Processing Issuance Fee (LPIF)	\$	1,644,223	\$	1,451,839
Account Maintenance Fee (AMF)		1,958,425		2,008,571
Default Aversion Fee (DAF)		992,899		1,067,429
Default Aversion Rebate		357,253		318,418
Fed Pmts on Defaulted Loan and SPA		38,650,258		36,187,790
PLP Income		120,876		64,386
Osteopathic Repayment Revenue		11,927		14,825
Guarantee Loan Fees		959		478
Interest Income		3,088,532		3,815,232
Default Collections		22,368,293		18,352,010
Overpayments and Repurchases		2,700,503		1,466,922
Other		242,403		187,901
Total Revenues	\$	72,136,551	\$	64,935,801
EXPENDITURES				
Iowa Stafford Student Loan Adm.	\$	5,601,149	\$	5,039,694
Default Collection & Pmts to DE		15,391,396		9,057,281
Collection Expenses		3,631,572		3,044,227
Payments on Default Claims		40,155,533		38,162,647
Foster Grant Payments		63,390		52,595
Disaster Relief Payments-Default Aversion		962,524		
Default Aversion Fees and Rebate		1,350,152		1,385,847
Due DE for Refunds & Rehab.				4,233,530
Due to Other Funds		170,309		
Other		134,397		243,644
Total Expenditures	\$	67,460,422	\$	61,219,465
Revenues Over (Under) Expenditures	\$	4,676,129	\$	3,716,336
Other Financing Sources (Uses)				
Net increase/decrease in fair value of investments		(371,620)		1,407,267
Revenues and Other Sources Over Expenditures and Fund Balance	\$	4,304,509	\$	5,123,603
Revenue	\$	4,304,509	\$	5,123,603
Beginning of Year		36,383,660		31,260,057
Federal Reserve Return		(4,306,119)		
Fund Balance end of Year	\$	36,382,050	\$	36,383,660

**Iowa College Student Aid Commission
Federal Family Educational Loan Program
Unaudited Combined Balance Sheet
June 30, 2001 and 2002**

	SFY 2002	SFY 2001
ASSETS		
Assets:		
Cash	\$ 39,011,942	\$ 36,268,802
Due from Federal Government:		
Default Reimbursements & SPA	1,938,184	7,815,816
Loan Processing Issuance Fee	144,333	123,066
Account Maintenance Fee	476,936	460,043
Guarantee Fees Due From:		
Lenders		
PLP Receivable	2,083,443	1,714,014
Osteopathic Receivable	88,550	96,188
Other Receivables		
Interest	588,918	991,614
Default Collections	261,996	579,734
Payment from DE for IRS Refunds	8,029	42,783
Misc	4,879	5,364
Total Assets	\$ 44,607,210	\$ 48,097,424
LIABILITIES AND FUND EQUITY		
Liabilities:		
Accounts Payable (USAF)	618,575	304,329
Salary and Benefits Payable	34,796	39,578
Due to Department of Education	1,647,360	2,210,143
Default Claims Payable	1,411,422	2,937,621
Other Payables	206,888	191,760
Total Liabilities	\$ 3,919,041	\$ 5,683,431
Fund Equity		
Fund Balance:		
Reserved:		
Federal Recall	\$ 4,306,119	6,030,333
Unreserved:		
Designated for the Iowa Federal Education Loan Program	\$ 36,382,050	\$ 36,383,660
Total Fund Equity	\$ 40,688,169	\$ 42,413,993
Total Liabilities and Fund Equity	\$ 44,607,210	\$ 48,097,424

**IOWA FEDERAL FAMILY EDUCATION LOAN PROGRAM DIVISION
IOWA COLLEGE STUDENT AID COMMISSION**

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

JUNE 30, 2001

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		5
Financial Statements:		
	<u>Exhibit</u>	
Combined Balance Sheet – Governmental Fund Type and Account Groups	A	8
Statement of Revenues, Expenditures and Changes in Fund Balance – General Fund	B	9
Notes to Financial Statements		10-15
Supplemental Information:		
	<u>Schedule</u>	
Expenditures by Object – General Fund	1	18
Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting		19
Staff		20

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

Officials

Name

Title

State

Honorable Thomas J. Vilsack
Cynthia P. Eisenhauer
Dennis C. Prouty

Governor
Director, Department of Management
Director, Legislative Fiscal Bureau

Commission

Michelle Durand-Adams
J. Douglas Reichardt
Dr. John V. Hartung
Representative Cecil Dolecheck
Cleo F. Edwards
Linda M. Kennedy
Dr. Becki S. Lynch
John C. McDonald
Senator Donald B. Redfern
Holly L. Remsburg
Dr. Janice A. Friedel
Frank J. Stork

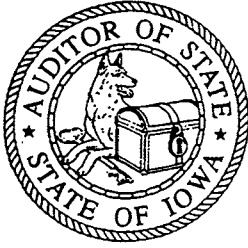
Chairperson
Vice Chairperson
Secretary
Member
Member
Member
Member
Member
Member
Member
Member
Member

Agency

Gary W. Nichols
Brenda Easter
Cheryl Mather
Tim Fitzgibbon

Executive Director
Director, Special Programs
Director, Accounting and Personnel
Director, Guarantee Agency Services

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



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Richard D. Johnson, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004
Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report

To the Members of the Iowa College
Student Aid Commission:

We have audited the financial statements, listed as exhibits in the table of contents of this report, 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, 2001. These financial statements are the responsibility of the Iowa College Student Aid Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions 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 that our audit provides a reasonable basis for our opinion.

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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Iowa Federal Family Education Loan Program Division of the Iowa College Student Aid Commission at June 30, 2001, and the results of its operations 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 November 20, 2001 on our consideration of 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 grants. This report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying financial information listed as supplemental information in the table of contents 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 the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

RICHARD D. JOHNSON, CPA
Auditor of State

November 20, 2001

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

Financial Statements

Exhibit A

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

Combined Balance Sheet

Governmental Fund Type and Account Groups

June 30, 2001

	Governmental Fund Type General	Account Groups	
		General Fixed Assets	General Long-Term Debt
Assets and Other Debits			
Cash and investments (note 2)	\$ 36,264,496	-	-
Cash on deposit with State Vehicle Dispatcher	4,306	-	-
Accounts receivable	3,380,751	-	-
Due from federal government	8,441,708	-	-
Prepaid expenditures	6,164	-	-
Fixed assets (note 3)	-	366,872	-
Amount available in the General Fund	-	-	6,030,333
Amount to be provided for the retirement of general long-term debt	-	-	146,111
			<u>146,111</u>
Total assets and other debits	\$ 48,097,425	366,872	6,176,444
Liabilities, Fund Equity and Other Credits			
Liabilities:			
Accounts payable	\$ 496,089	-	-
Salaries and benefits payable	39,578	-	-
Default claims payable	2,937,621	-	-
Due to federal government	2,210,143	-	-
Compensated absences (note 4)	-	-	146,111
Federal recall of reserve funds (note 4)	-	-	6,030,333
Total liabilities	5,683,431	-	6,176,444
Fund equity and other credits:			
Investment in general fixed assets	-	366,872	-
Fund balance:			
Reserved for federal recall of reserve funds	6,030,333	-	-
Unreserved:			
Designated for the Iowa Federal Family Education Loan Program	36,383,661	-	-
Total fund equity and other credits	42,413,994	366,872	-
Total liabilities, fund equity and other credits	\$ 48,097,425	366,872	6,176,444

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 Balance

General Fund

Year ended June 30, 2001

	General
Revenues:	
Federal management fees	\$ 3,460,410
Federal reinsurance payments	36,187,790
Partnership loan program income	64,386
Investment income (note 2)	5,222,499
Default collections	18,352,010
Overpayments and repurchases	1,466,922
Other	203,204
Total revenues	64,957,221
Expenditures:	
Federal Family Education Loan	
Program administration	5,039,694
Default collections remitted to USDE	9,057,281
Collection expenses	3,044,227
Payments on defaulted loans	38,162,647
Tuition grant for foster children	52,595
Refunds remitted to USDE	4,233,530
Other	243,644
Total expenditures	59,833,618
Excess of revenues over expenditures	5,123,603
Other financing uses:	
Transfer to Treasurer of State	
Federal Recall Account	(6,030,333)
Deficiency of revenues under expenditures and other financing uses	(906,730)
Fund balance beginning of year	43,320,723
Fund balance end of year	\$ 42,413,993

See notes to financial statements.

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

Notes to Financial Statements

June 30, 2001

(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 organization purposes.

Organization of the Commission provides for a membership of twelve commissioners which includes a representative of the Board of Regents, the Iowa Department of Education, the private educational and banking institutions, the Community Colleges, the Iowa Student Loan Liquidity Corporation, each house of the State Legislature, the general public and a student representative. The Governor appoints eight members including one to represent each of the following areas: the private institutions, the Iowa Student Loan Liquidity Corporation, Community Colleges, Iowa lending institutions, and Iowa post-secondary students; and three to represent the general public. The 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 of insurance premiums of not more than three percent of the principal amount of any Stafford, PLUS or SLS loans guaranteed. Such premiums collected by the lender upon disbursement of the loan are to be promptly remitted to the Division. The Division contracts the services of USA Group Guarantee Services, Inc. for the collection of these premiums.

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 generally accepted accounting principles as applied to governmental units. The more significant of the Division's accounting policies are described below.

A. Reporting Entity

For financial reporting purposes, the Iowa Federal Family Education Loan Program Division has included all funds, organizations, account groups, 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 included

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. Fund Accounting

The accounts of the Iowa Federal Family Education Loan Program Division are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts which comprise its assets, liabilities, fund balance, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The following fund and account groups are included in these financial statements:

Governmental Fund

General Fund - The General Fund is the general operating fund of the Iowa Federal Family Education Loan Program Division and is used to account for all financial resources.

Account Groups

Account groups are not "funds." They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations.

C. Fixed Assets and Long-Term Debt

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. Depreciation has not been provided on general fixed assets.

Fixed assets are valued at historical cost. Donated fixed assets are valued at their estimated fair value on the date donated.

Long-term debt expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group, not in the governmental funds.

D. Measurement Focus

Governmental Funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance is considered a measure of "available spendable resources." Governmental Fund operating statements present increases, revenues and other financing sources, and decreases, expenditures and other financing uses in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

E. Basis of Accounting

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

Governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets.

Expenditures in governmental funds are recognized under the accrual basis of accounting when the related fund liability is incurred, with the following exceptions:

1. Disbursements for fixed assets providing future benefits are considered expenditures and are capitalized in the General Fixed Assets Account Group.
2. Accumulated, unused vacation and sick leave are not recorded as expenditures at the time leave is accumulated.
3. Principal and interest payments on general long-term obligations are recognized as expenditures when due.

F. Cash and Cash Equivalents

The cash balances of most State Agencies funds are pooled and invested by the Treasurer of State.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months.

G. Due to Federal Government

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

H. Compensated Absences

Earned vacation and sick pay related to governmental funds are recorded as liabilities in the General Long-Term Debt Account Group. 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. The liabilities for compensated absences are based on rates of pay in effect at June 30, 2001.

I. Fund Balance

As further explained in Note 4 to the financial statements, the reserved portion of the fund balance for federal recall of reserve funds represents the amount available for the annual set aside requirements under Section 422 of the Higher Education Act of 1965, as amended.

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) Deposits and Investments

The Division's deposits with the Treasurer of State throughout the year and at June 30, 2001 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. All interest income on money invested in the investment pool is retained in the fund holding the cash balance. Interest earned for the year ended June 30, 2001, totaled \$5,222,499.

(3) Fixed Assets

A summary of changes in general fixed assets for the year ended June 30, 2001 is as follows:

	Furniture, Fixtures, and Equipment	Vehicles	Total
Balance beginning of year	\$ 493,018	6,625	499,643
Additions	12,860	11,025	23,885
Deletions	150,031	6,625	156,656
Balance end of year	<u>\$ 355,847</u>	<u>11,025</u>	<u>366,872</u>

(4) Changes in Long-Term Debt

Changes in long-term debt for the year ended June 30, 2001 are summarized as follows:

	Compensated Absences	Federal Recall of Reserve Funds	Total
Balance beginning of year	\$ 131,915	12,060,666	12,192,581
Increase	111,775	-	111,775
Decrease	97,579	6,030,333	6,127,912
Balance end of year	<u>\$ 146,111</u>	<u>6,030,333</u>	<u>6,176,444</u>

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, that will 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. As of June 30, 2001, \$24,121,333 has been transferred to the Treasurer of State as required.

(5) Operating Lease

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 November 30, 2005.

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, 2001:

Year ending June 30:

2002	\$ 93,810
2003	96,330
2004	101,220
2005	106,050
2006	<u>45,000</u>
Total	<u>\$ 442,410</u>

Rental expense for all operating leases totaled \$95,988 for the year ended June 30, 2001.

(6) Pension and Retirement Benefits

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 3.70% of their annual covered salary and the Division is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by state statute. The Division's contributions to IPERS for the years ended June 30, 2001, 2000, and 1999 were \$62,096, \$63,807 and \$56,055, respectively, equal to the required contributions for each year.

(7) 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, 2001, the Division was guarantor of \$1.905 billion in student loans, substantially all of which were reinsured by the USDE at the 100% rate. 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, 2001, the Division estimates that any disallowances of recognized revenues would not be material to the financial statements.

(8) 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).

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

Supplemental Information

Schedule 1

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

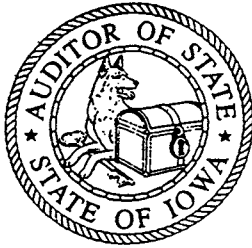
Expenditures by Object

General Fund

Year ended June 30, 2001

Federal Family Education Loan Program administration:	
Personal services	\$ 1,338,726
Travel	8,519
Supplies and materials	86,717
Contractual services	3,577,143
Equipment	20,538
Other	<u>8,051</u>
Subtotal	5,039,694
Default collections remitted to USDE	9,057,281
Collection expenses	3,044,227
Payments on defaulted loans	38,162,647
Tuition grant for foster children	52,595
Refunds remitted to USDE	4,233,530
Other	<u>243,644</u>
Total expenditures	<u>\$59,833,618</u>

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 Compliance and on
Internal Control Over Financial Reporting

To the Members of the Iowa College
Student Aid Commission:

We have audited the financial statements 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, 2001, and have issued our report thereon dated November 20, 2001. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether 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 grants, 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 that are required to be reported under Government Auditing Standards.

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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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 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.

RICHARD D. JOHNSON, CPA
Auditor of State

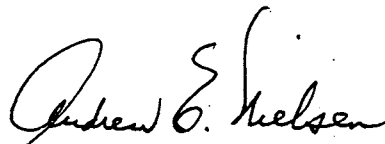
November 20, 2001

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

Staff

This audit was performed by:

K. David Voy, CPA, Manager
Steven O. Fuqua, CPA, Senior Auditor
Kimberly M. Knight, Staff Auditor
Jodi L. Simon, Staff Auditor
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Andrew E. Nielsen, CPA
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