



**ADMINISTRATIVE FUND OF  
IOWA SCHOOL CASH ANTICIPATION PROGRAM**

Financial Statements

June 30, 2004 and 2003

(With Independent Auditors' Report Thereon)



**KPMG LLP**  
2500 Ruan Center  
666 Grand Avenue  
Des Moines, IA 50309

## **Independent Auditors' Report**

The Board of Directors  
Iowa School Cash Anticipation Program:

We have audited the accompanying statements of financial position of the Administrative Fund of Iowa School Cash Anticipation Program (the Program) as of June 30, 2004 and 2003 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Program's administrator. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and *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 that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Administrative Fund of Iowa School Cash Anticipation Program as of June 30, 2004 and 2003 and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 30, 2004, on our consideration of the Program's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of 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 Program has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

**KPMG LLP**

Des Moines, Iowa  
August 30, 2004

**ADMINISTRATIVE FUND OF  
IOWA SCHOOL CASH ANTICIPATION PROGRAM**

Balance Sheets

June 30, 2004 and 2003

<b>Assets</b>	<u><b>2004</b></u>	<u><b>2003</b></u>
Cash and cash equivalents	\$ 856,393	785,601
Due from Iowa Association of School Boards	—	1,039
Accrued interest receivable	197	407
Total assets	<u>\$ 856,590</u>	<u>787,047</u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Due to Iowa Association of School Boards	197,130	1,076
Deferred administrative fees	343,318	44,037
Total liabilities	<u>540,448</u>	<u>45,113</u>
Unrestricted net assets	<u>316,142</u>	<u>741,934</u>
Total liabilities and net assets	<u>\$ 856,590</u>	<u>787,047</u>

See accompanying notes to financial statements.

**ADMINISTRATIVE FUND OF  
IOWA SCHOOL CASH ANTICIPATION PROGRAM**

Statements of Revenues, Expenses and Changes in Net Assets

Years ended June 30, 2004 and 2003

	2004	2003
Operating revenues:		
Administrative fees	\$ 276,034	699,089
Operating expenses:		
Printing	452	15,105
Professional fees:		
Accounting	3,980	3,275
Legal	7,616	5,478
Administrative services	39,264	212,001
Financial advisor	200,542	120,622
Rating agencies	27,530	79,925
Insurance	2,638	3,681
Supplemental reserve	393,625	—
Hosting and registration fees	175	—
Postage	2,652	1,064
Travel	908	1,931
Office expense	838	1,126
Miscellaneous	24,451	23,046
Total operating expenses	704,671	467,254
Operating income (loss)	(428,637)	231,835
Nonoperating revenues:		
Interest income	2,845	9,123
Total nonoperating revenues	2,845	9,123
Increase (decrease) in net assets	(425,792)	240,958
Net assets at beginning of year	741,934	500,976
Net assets at end of year	\$ 316,142	741,934

See accompanying notes to financial statements.

**ADMINISTRATIVE FUND OF  
IOWA SCHOOL CASH ANTICIPATION PROGRAM**

Statements of Cash Flows

Years ended June 30, 2004 and 2003

	2004	2003
Cash flows from operating activities:		
Cash receipts from administrative fees	\$ 575,316	218,053
Cash payments for operations	(32,113)	(45,953)
Cash receipts from affiliates	1,039	—
Cash payments for supplemental reserve	(393,625)	—
Cash payments for professional fees	(82,880)	(454,763)
Net cash provided by (used in) operating activities	67,737	(282,663)
Cash flows from investing activities:		
Interest received on investments	3,055	9,514
Proceeds from maturities of certificates of deposit	—	116,927
Net cash provided by investing activities	3,055	126,441
Increase (decrease) in cash and cash equivalents	70,792	(156,222)
Cash and cash equivalents at beginning of year	785,601	941,823
Cash and cash equivalents at end of year	\$ 856,393	785,601
Reconciliation of operating income to net cash flows from operating activities:		
Operating income (loss)	(428,637)	231,835
Changes in assets and liabilities:		
Due from Iowa Association of School Boards	1,039	—
Due to Iowa Association of School Boards	196,054	(33,462)
Deferred administrative fees	299,281	(481,036)
Net cash provided by (used in) operating activities	\$ 67,737	(282,663)

See accompanying notes to financial statements.

**ADMINISTRATIVE FUND OF  
IOWA SCHOOL CASH ANTICIPATION PROGRAM**

Notes to Financial Statements

June 30, 2004 and 2003

**(1) Summary of Significant Accounting Policies**

**(a) Organization**

The Iowa School Cash Anticipation Program (the Program), a joint and cooperative undertaking under the provisions of Chapter 28E, Code of Iowa, administered by an Iowa nonprofit corporation entitled "Iowa School Cash Anticipation Program," was organized to provide a method of funding general fund deficits for school corporations participating in the Program on a voluntary basis. The Administrative Fund (the Fund) of the Program collects fees to cover expenses for the administration of the Program from anticipatory warrants issued to provide funding for the participating school districts.

**(b) Basis of Presentation**

The accompanying financial statements of the Program have been prepared on economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when incurred, regardless of when the related cash flows take place.

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

The Program distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Program's ongoing operations. All revenues not meeting this definition are reported as nonoperating revenues and expenses.

**(c) Cash and Cash Equivalents**

For the purposes of reporting cash flows, the Fund considers all demand deposits and money market funds, including Iowa Schools Joint Investment Trust (ISJIT), to be cash and cash equivalents.

The Fund's demand deposits and certificates of deposit are covered by federal deposit insurance. Money market funds with ISJIT, a joint investment pool, are invested in securities held by ISJIT or its agent in ISJIT's name.

**ADMINISTRATIVE FUND OF  
IOWA SCHOOL CASH ANTICIPATION PROGRAM**

Notes to Financial Statements

June 30, 2004 and 2003

**(d) *Deferred Administrative Fees and Costs***

Each year in June, a new series of anticipatory warrants is issued on behalf of the participating school districts. A portion of the proceeds is paid to the Fund in the form of administrative fees and costs for that series. The receipts are deferred and recognized as revenue in the period the costs of administering the new series are recognized. The amount of these fees and costs is negotiated prior to issuance of the warrants.

**(e) *Income Taxes***

The Fund is exempt from federal income taxes under Internal Revenue Code Section 115.

**(2) *Related Party Transactions***

The Fund pays the Iowa Association of School Boards (IASB) for certain administrative services performed. Total fees paid to the IASB for the years ended June 30, 2004 and 2003 are \$39,264 and \$212,001, respectively.

Additionally, beginning in fiscal year 2002, the Fund pays IASB for certain financial advisor services performed. Total fees paid to the IASB for the year ended June 30, 2004 and 2003 are \$200,542 and \$120,622, respectively.



**KPMG LLP**  
2500 Ruan Center  
666 Grand Avenue  
Des Moines, IA 50309

**INDEPENDENT AUDITORS' 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**

The Board of Directors  
Iowa School Cash Anticipation Program:

We have audited the financial statements of the Administrative Fund of Iowa School Cash Anticipation Program (the Program) as of and for the year ended June 30, 2004, and have issued our report thereon dated August 30, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Program'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 internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily disclose all matters in internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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 internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Program's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance 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 noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the board of directors, the Program's administrator, and the State of Iowa and is not intended to be and should not be used by anyone other than these specified parties.

**KPMG LLP**

August 30, 2004