

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

**FINANCIAL STATEMENTS**

**YEARS ENDED  
JUNE 30, 2005 AND 2004**

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## INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
Iowa School Cash Anticipation Program

We have audited the accompanying statement of net assets of the Administrative Fund of Iowa School Cash Anticipation Program (the Fund) as of June 30, 2005 and the related statements of revenues, expenses, and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Fund's administrator. Our responsibility is to express an opinion on these financial statements based on our audit. The June 30, 2004 financial statements of the Fund were audited by other auditors whose report dated August 30, 2004, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Administrative Fund of Iowa School Cash Anticipation Program as of June 30, 2005 and the changes in its net assets and its cash flows for the year 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, 2005, on our consideration of the Fund'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 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 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 conjunction with this report in considering the results of our audit.

The Fund 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.

West Des Moines, Iowa  
August 19, 2005

*Brooks Lodden, P.C.*

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

**STATEMENTS OF NET ASSETS**

June 30, 2005 and 2004

<b>ASSETS</b>	<b>2005</b>	<b>2004</b>
Cash and cash equivalents	\$ 990,216	\$ 856,393
Accrued interest receivable	-	197
	<b>990,216</b>	<b>856,393</b>
Total assets	<b>\$ 990,216</b>	<b>\$ 856,590</b>
<b>LIABILITIES</b>		
Due to Iowa Association of School Boards	\$ 168,556	\$ 197,130
Deferred administrative fees	303,884	343,318
	<b>472,440</b>	<b>540,448</b>
Total liabilities	<b>\$ 472,440</b>	<b>\$ 540,448</b>
<b>NET ASSETS</b>		
Unrestricted		
Designated for loss reserve	\$ 491,855	\$ 316,142
Undesignated	25,921	-
	<b>517,776</b>	<b>316,142</b>
Total net assets	<b>\$ 517,776</b>	<b>\$ 316,142</b>
Total liabilities and net assets	<b>\$ 990,216</b>	<b>\$ 856,590</b>

*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, 2005 and 2004

	<b>2005</b>	<b>2004</b>
<b>OPERATING REVENUES</b>		
Administrative fees	<b>\$ 683,950</b>	<b>\$ 276,034</b>
<b>OPERATING EXPENSES</b>		
Printing	\$ 688	\$ 452
Professional fees:		
Accounting	3,545	3,980
Legal	7,361	7,616
Administrative services	233,110	39,264
Financial advisor	211,464	200,542
Rating agencies	25,671	27,530
Insurance	1,263	2,638
Supplemental reserve	-	393,625
Hosting and registration fees	4,675	175
Postage	1,853	2,652
Telephone	268	105
Travel	755	908
Office expense	447	733
Miscellaneous	640	24,451
	<b>\$ 491,740</b>	<b>\$ 704,671</b>
Total operating expenses		
Operating income (loss)	<b>\$ 192,210</b>	<b>\$ (428,637)</b>
<b>NON-OPERATING REVENUES</b>		
Interest income	<b>\$ 9,424</b>	<b>\$ 2,845</b>
Total non-operating revenues	<b>\$ 9,424</b>	<b>\$ 2,845</b>
Change in net assets	<b>\$ 201,634</b>	<b>\$ (425,792)</b>
Net assets at beginning of year	<b>316,142</b>	<b>741,934</b>
Net assets at end of year	<b>\$ 517,776</b>	<b>\$ 316,142</b>

*See accompanying notes to financial statements.*

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

**STATEMENTS OF CASH FLOWS**  
Years Ended June 30, 2005 and 2004

	<b>2005</b>	<b>2004</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from administrative fees	\$ 644,515	\$ 575,316
Cash receipts from affiliates	-	1,039
Cash payments for operations	(6,260)	(32,113)
Cash payments for supplemental reserve	-	(393,625)
Cash payments for professional fees	(514,053)	(82,880)
	<b>\$ 124,202</b>	<b>\$ 67,737</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received on investments	\$ 9,621	\$ 3,055
	<b>\$ 9,621</b>	<b>\$ 3,055</b>
Net cash provided by investing activities	<b>\$ 9,621</b>	<b>\$ 3,055</b>
Increase in cash and cash equivalents	\$ 133,823	\$ 70,792
Cash and cash equivalents at beginning of year	856,393	785,601
Cash and cash equivalents at end of year	<b>\$ 990,216</b>	<b>\$ 856,393</b>
Reconciliation of operating income to net cash flows from operating activities:		
Operating income (loss)	\$ 192,210	\$ (428,637)
Changes in assets and liabilities:		
Decrease in due from Iowa Association of School Boards	-	1,039
(Decrease) increase in due to Iowa Association of School Boards	(28,574)	196,054
(Decrease) increase in deferred administrative fees	(39,434)	299,281
	<b>\$ 124,202</b>	<b>\$ 67,737</b>
Net cash provided by operating activities	<b>\$ 124,202</b>	<b>\$ 67,737</b>

*See accompanying notes to financial statements.*

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

**NOTES TO FINANCIAL STATEMENTS**

**Note 1. Nature of Organization and Significant Accounting Policies**

**Nature of the 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. Iowa Association of School Boards (IASB) is considered a related party as a majority of the Programs' board of directors are also board members of IASB.

**A summary of the organization's significant accounting policies follows:**

**Basis of presentation:**

The accompanying financial statements of the Fund 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 fund has elected not to follow subsequent private-sector guidance.

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

**Use of estimates:**

The preparation of the financial statements with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement. Actual results could differ from those estimates.

**Cash and cash equivalents:**

For the purposes of reporting cash flows, the organization considers all demand deposits and money market funds, including funds invested with the 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. Total amount of money market funds held by ISJIT on behalf of the Fund for the years ended June 30, 2005 and 2004 were \$966,403 and \$849,923, respectively.

## NOTES TO FINANCIAL STATEMENTS

### Note 1. Nature of Organization and Significant Accounting Policies *(Continued)*

#### A summary of the organization's significant accounting policies *(continued)*:

##### **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.

##### **Income taxes:**

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

### Note 2. Loss Reserve

A loss reserve was created by the Fund in response to reduce the amount of insurance costs related to purchasing credit insurance on the cash anticipation notes. The balance in the loss reserve for the years ended June 30, 2005 and 2004 were \$491,855 and \$322,521, respectively. The loss reserve is included in cash and cash equivalents and classified in net assets as unrestricted designated for loss reserve.

### Note 3. Related Party Transactions

The Fund pays IASB for certain administrative services performed. Total fees paid to the IASB for the years ended June 30, 2005 and 2004 were \$233,110 and \$39,264, respectively.

The Fund pays IASB for certain financial advisor services performed. Total expenses related to financial advisor services for the years ended June 30, 2005 and 2004 were \$211,464 and \$200,542, respectively. Amounts included in accounts payable to IASB for financial advisor services performed for the years ended June 30, 2005 and 2004 were \$150,358 and \$182,758, respectively.

IASB occasionally incurs expenses on behalf of the Fund for certain operating expenses. Total amounts owed and unpaid at June 30, 2005 and 2004 were \$18,198 and \$14,372, respectively.

### Note 4. Reclassifications

Certain amounts from the June 30, 2004 financial statements have been reclassified to conform to the June 30, 2005 presentation.