

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

FINANCIAL STATEMENTS

**YEARS ENDED
JUNE 30, 2006 AND 2005**

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Iowa School Cash Anticipation Program

We have audited the accompanying statements of net assets of the Administrative Fund of Iowa School Cash Anticipation Program (the Fund) as of June 30, 2006 and 2005 and the related statements of revenues, expenses, and changes in net assets and cash flows for the years 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 audits.

We conducted our audits 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 audits 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 respective financial position of the Administrative Fund of Iowa School Cash Anticipation Program as of June 30, 2006 and 2005 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 September 11, 2006, 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.

Brooks Lodden, P.C.

West Des Moines, Iowa
September 11, 2006

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

STATEMENTS OF NET ASSETS
June 30, 2006 and 2005

ASSETS	<u>2006</u>	<u>2005</u>
Cash and cash equivalents	\$ 1,349,570	\$ 990,216
Total assets	<u>\$ 1,349,570</u>	<u>\$ 990,216</u>
 LIABILITIES		
Due to Iowa Association of School Boards	\$ 184,863	\$ 168,556
Deferred administrative fees	<u>410,914</u>	<u>303,884</u>
Total liabilities	<u>\$ 595,777</u>	<u>\$ 472,440</u>
 NET ASSETS		
Unrestricted		
Designated for loss reserve	\$ 728,856	\$ 491,855
Undesignated	<u>24,937</u>	<u>25,921</u>
Total net assets	<u>\$ 753,793</u>	<u>\$ 517,776</u>
Total liabilities and net assets	<u>\$ 1,349,570</u>	<u>\$ 990,216</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, 2006 and 2005

	2006	2005
OPERATING REVENUES		
Administrative fees	\$ 722,185	\$ 683,950
OPERATING EXPENSES		
Printing	\$ 555	\$ 688
Professional fees:		
Accounting	3,174	3,545
Legal	6,892	7,361
Administrative services	233,110	233,110
Financial advisor	234,695	211,464
Rating agencies	28,018	25,671
Insurance	1,263	1,263
Hosting and registration fees	5,375	4,675
Postage	2,040	1,853
Telephone	133	268
Travel	416	755
Office expense	554	447
Miscellaneous	-	640
	\$ 516,225	\$ 491,740
Total operating expenses		
Operating income	\$ 205,960	\$ 192,210
NON-OPERATING REVENUES		
Interest income	\$ 30,057	\$ 9,424
Total non-operating revenues	\$ 30,057	\$ 9,424
Change in net assets	\$ 236,017	\$ 201,634
Net assets at beginning of year	517,776	316,142
Net assets at end of year	\$ 753,793	\$ 517,776

See accompanying notes to financial statements.

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

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from administrative fees	\$ 829,215	\$ 644,515
Cash payments for operations	(11,502)	(6,260)
Cash payments for professional fees	<u>(488,416)</u>	<u>(514,053)</u>
Net cash provided by operating activities	<u>\$ 329,297</u>	<u>\$ 124,202</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments	<u>\$ 30,057</u>	<u>\$ 9,621</u>
Net cash provided by investing activities	<u>\$ 30,057</u>	<u>\$ 9,621</u>
Increase in cash and cash equivalents	\$ 359,354	\$ 133,823
Cash and cash equivalents at beginning of year	<u>990,216</u>	<u>856,393</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,349,570</u></u>	<u><u>\$ 990,216</u></u>
Reconciliation of operating income to net cash flows from operating activities:		
Operating income	\$ 205,960	\$ 192,210
Changes in assets and liabilities:		
Increase (decrease) in due to Iowa Association of School Boards	16,307	(28,574)
Increase (decrease) in deferred administrative fees	<u>107,030</u>	<u>(39,434)</u>
Net cash provided by operating activities	<u><u>\$ 329,297</u></u>	<u><u>\$ 124,202</u></u>

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 Program's 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, 2006 and 2005 were \$1,333,670 and \$966,403, 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, 2006 and 2005 were \$728,856 and \$491,855, 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 each of the years ended June 30, 2006 and 2005 were \$233,110.

The Fund pays IASB for certain financial advisor services performed. Total expenses related to financial advisor services for the years ended June 30, 2006 and 2005 were \$234,695 and \$211,464, respectively. Amounts included in accounts payable to IASB for financial advisor services performed for the years ended June 30, 2006 and 2005 were \$168,178 and \$150,358, respectively.

IASB occasionally incurs expenses on behalf of the Fund for certain operating expenses. Total amounts owed and unpaid at June 30, 2006 and 2005 were \$16,685 and \$18,198, respectively.

**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 Fund) as of and for the years ended June 30, 2006 and 2005, and have issued our report thereon dated September 11, 2006. We conducted our audits 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Fund'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 an opinion on internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in internal control 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 the internal control over financial reporting audits operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, contracts and grant agreements, 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 one instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described below:

Finding: The Fund did not have a resolution naming official depositories and the maximum deposit amounts.

Condition: Chapter 12C.2 of the Code of Iowa states, "The approval of a financial institution as a depository of public funds for a public body shall be by written resolution or order that shall be entered of record in the minutes of the approving board, and that shall distinctly name each depository approved, and specify the maximum amount that may be kept on deposit in each depository."

Compliance and Other Matters (Continued)

Effect: The depositories and maximum amounts are not approved by the Board of Directors.

Recommendation: We recommend annually approving a resolution of depositories and maximum amounts in accordance with the State of Iowa Code 12C.2.

Response and Corrective Action Plan: The Fund will approve a resolution of depositories in accordance with Chapter 12C.2 of the Code of Iowa.

This report is intended solely for the information and use of the Board of Directors, the Fund'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.

Brooks Zuber, P.C.

West Des Moines, Iowa
September 11, 2006

