

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

FINANCIAL STATEMENTS

**YEARS ENDED
JUNE 30, 2007 AND 2006**

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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, 2007 and 2006 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, 2007 and 2006 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 20, 2007, 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 assessing 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 20, 2007

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

STATEMENTS OF NET ASSETS

June 30, 2007 and 2006

ASSETS	<u>2007</u>	<u>2006</u>
Cash and cash equivalents	\$ 1,333,528	\$ 1,349,570
Total assets	<u>\$ 1,333,528</u>	<u>\$ 1,349,570</u>
 LIABILITIES		
Due to Iowa Association of School Boards	\$ 9,722	\$ 184,863
Deferred administrative fees	<u>264,826</u>	<u>410,914</u>
Total liabilities	<u>\$ 274,548</u>	<u>\$ 595,777</u>
 NET ASSETS		
Unrestricted	<u>\$ 1,058,980</u>	<u>\$ 753,793</u>
Total liabilities and net assets	<u>\$ 1,333,528</u>	<u>\$ 1,349,570</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, 2007 and 2006

	2007	2006
OPERATING REVENUES		
Administrative fees	\$ 640,214	\$ 722,185
OPERATING EXPENSES		
Printing	\$ 1,149	\$ 555
Professional fees:		
Accounting	3,975	3,174
Legal	11,400	6,892
Sponsorship fees	233,110	233,110
Administrative fees	66,015	234,695
Rating agencies	41,751	28,018
Insurance	754	1,263
Hosting and registration fees	3,200	5,375
Postage	2,140	2,040
Telephone	36	133
Travel	264	416
Office expense	961	554
Conference sponsorship	22,500	-
	\$ 387,255	\$ 516,225
Total operating expenses		
	\$ 252,959	\$ 205,960
NON-OPERATING REVENUES		
Interest income	\$ 52,228	\$ 30,057
Total non-operating revenues	\$ 52,228	\$ 30,057
Change in net assets	\$ 305,187	\$ 236,017
Net assets at beginning of year	753,793	517,776
Net assets at end of year	\$ 1,058,980	\$ 753,793

See accompanying notes to financial statements.

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

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2007 and 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from administrative fees	\$ 494,125	\$ 829,215
Cash payments for operations	(38,070)	(11,502)
Cash payments for professional fees	(524,325)	(488,416)
Net cash (used in) provided by operating activities	\$ (68,270)	\$ 329,297
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments	\$ 52,228	\$ 30,057
Net cash provided by investing activities	\$ 52,228	\$ 30,057
(Decrease) increase in cash and cash equivalents	\$ (16,042)	\$ 359,354
Cash and cash equivalents at beginning of year	1,349,570	990,216
Cash and cash equivalents at end of year	\$ 1,333,528	\$ 1,349,570
Reconciliation of operating income to net cash flows from operating activities:		
Operating income	\$ 252,959	\$ 205,960
Changes in assets and liabilities:		
(Decrease) increase in due to Iowa Association of School Boards	(175,141)	16,307
(Decrease) increase in deferred administrative fees	(146,088)	107,030
Net cash (used in) provided by operating activities	\$ (68,270)	\$ 329,297

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. The Fund is related with the Iowa Association of School Boards (IASB) and its fully owned subsidiary, Local Government Services, Inc. (LGS), by virtue of common management and board of directors.

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.

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. Historically, a portion of the proceeds was paid to the Fund in the form of administrative fees and costs for that series. The receipts were deferred and recognized as revenue in the period the costs of administering the new series were 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. Deposits and Investments

The Fund's demand deposits are covered by federal deposit insurance. The fund has no deposit or investment policy that addresses a specific type of risk that it is exposed to. However, the Fund participates in ISJIT which is a joint investment pool established under Chapter 28E of the state of Iowa Code that allows governmental entities to jointly invest monies. ISJIT was formed under Chapter 28E and allows school corporations along with the Fund to jointly invest funds. ISJIT funds are rated Aaa by a standard rating agency and only invests in investments allowable by the state of Iowa. Total amount of funds held by ISJIT on behalf of the Fund for the years ended June 30, 2007 and 2006 were \$1,317,819 and \$1,333,670, respectively. These amounts are reported by ISJIT on an amortized cost basis which approximates fair value of the funds.

Note 3. Loss Reserve

The loss reserve was created by the Fund to reduce future costs of issuance by strategies including reduced insurance costs. The balance designated by management for the loss reserve for the years ended June 30, 2007 and 2006 were \$1,058,980 and \$728,856, respectively.

Note 4. Related Party Transactions

The Fund pays IASB for sponsorship of the program. Total fees paid to the IASB for each of the years ended June 30, 2007 and 2006 were \$233,110.

The Fund pays for certain administrative services performed. Total fees paid for the year ended June 30, 2007 in the amount of \$66,015, were paid to LGS. Total fees paid for the year ended June 30, 2006 in the amount of \$234,695, were paid to IASB. Amounts included in accounts payable to IASB for the year ended June 30, 2006 was \$168,178.

IASB occasionally pays expenses on behalf of the Fund for certain operating expenses. Total amounts owed and unpaid at June 30, 2007 and 2006 were \$9,722 and \$16,685, 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 year ended June 30, 2007, and have issued our report thereon dated September 20, 2007. 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 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 entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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, 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 was not able to locate a current, adopted written investment policy that complies with the provisions of Chapter 12B.10B of the Code of Iowa.

Condition: Chapter 12B.10B of the Code of Iowa requires the organization to approve written investment policies which incorporate the guidelines specified in section 12B.10, sections 12B.10A through 12B.10C, and any other provisions deemed necessary to adequately safeguard invested public funds.

Effect: No investment policy to adequately safeguard invested public funds.

Recommendation: We recommend approving a written investment policy in accordance with the State of Iowa Code 12B.10B.

Response and Corrective Action Plan: The Fund will approve a written investment policy in accordance with Chapter 12B.10B 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 J. Alder, P.C.

West Des Moines, Iowa
September 20, 2007