

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

FINANCIAL STATEMENTS

**YEARS ENDED
JUNE 30, 2010 AND 2009**

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Iowa School Cash Anticipation Program
Des Moines, Iowa

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, 2010 and 2009 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.

We were unable to obtain written representations from certain members of management responsible for financial activities of the Fund from July 1, 2009 through January 12, 2011, which took place under substantially different management.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the written representations referred to in the preceding paragraph been furnished to us by certain members of management, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the Administrative Fund of Iowa School Cash Anticipation Program as of June 30, 2010 and 2009 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 January 12, 2011 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 important for 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
January 12, 2011

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

STATEMENTS OF NET ASSETS
June 30, 2010 and 2009

ASSETS	<u>2010</u>	<u>2009</u>
Cash and cash equivalents	\$ 1,884,455	\$ 1,956,974
Accounts receivable	<u>10</u>	<u>-</u>
Total assets	<u>\$ 1,884,465</u>	<u>\$ 1,956,974</u>
LIABILITIES		
Accounts payable	\$ 478,037	\$ -
Due to Iowa Association of School Boards	424,978	20,024
Due to Local Government Services	203,412	-
Deferred administrative fees	<u>-</u>	<u>60,331</u>
Total liabilities	<u>\$ 1,106,427</u>	<u>\$ 80,355</u>
NET ASSETS		
Unrestricted	<u>\$ 778,038</u>	<u>\$ 1,876,619</u>
Total liabilities and net assets	<u>\$ 1,884,465</u>	<u>\$ 1,956,974</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, 2010 and 2009

	2010	2009
OPERATING REVENUES		
Administrative fees	\$ 60,331	\$ 514,332
OPERATING EXPENSES		
Printing	\$ 229	\$ 223
Professional fees:		
Accounting	5,552	4,205
Legal	28,354	31,350
Rating agencies	66,532	61,242
Reserve payments	1,074,430	-
Insurance	2,020	1,834
Hosting and registration fees	800	2,400
Postage	474	536
Telephone	20	134
Travel	-	372
Office expense	-	172
Miscellaneous	4	-
Conference sponsorship	-	25,000
	\$ 1,178,415	\$ 127,468
Total operating expenses		
Operating (loss) income	\$ (1,118,084)	\$ 386,864
NON-OPERATING REVENUES		
Interest income	\$ 2,166	\$ 15,436
Gain on cost of issuance	17,337	112,204
	\$ 19,503	\$ 127,640
Total non-operating revenues		
Change in net assets	\$ (1,098,581)	\$ 514,504
Net assets at beginning of year	1,876,619	1,362,115
Net assets at end of year	\$ 778,038	\$ 1,876,619

See accompanying notes to financial statements.

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

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from administrative fees	\$ -	\$ 239,273
Cash payments for operations	(6,171)	(37,292)
Cash payments for professional fees	<u>(85,851)</u>	<u>(95,072)</u>
Net cash (used in) provided by operating activities	<u>\$ (92,022)</u>	<u>\$ 106,909</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments	\$ 2,166	\$ 15,436
Gain on cost of issuance	<u>17,337</u>	<u>112,204</u>
Net cash provided by investing activities	<u>\$ 19,503</u>	<u>\$ 127,640</u>
(Decrease) increase in cash and cash equivalents	\$ (72,519)	\$ 234,549
Cash and cash equivalents at beginning of year	<u>1,956,974</u>	<u>1,722,425</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,884,455</u></u>	<u><u>\$ 1,956,974</u></u>
Reconciliation of operating income to net cash flows from operating activities:		
Operating (loss) income	\$ (1,118,084)	\$ 386,864
Changes in assets and liabilities:		
(Increase) in accounts receivable	(10)	-
Increase (decrease) in due to Iowa Association of School Boards	404,954	(4,897)
Increase in due to Local Government Services	203,412	-
Increase in accounts payable	478,037	-
(Decrease) in deferred administrative fees	<u>(60,331)</u>	<u>(275,058)</u>
Net cash (used in) provided by operating activities	<u><u>\$ (92,022)</u></u>	<u><u>\$ 106,909</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. The Fund is related to 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 an 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 statements. 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 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, 2010 and 2009 were \$1,884,455 and \$1,956,974, 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 balances designated by management for the loss reserve for the years ended June 30, 2010 and 2009 were \$774,525 and \$1,362,115, respectively. For the year ended June 30, 2010, \$1,855,156 was used to provide collateral on the warrants issued to the school districts. During the year ended June 30, 2010, the ISCAP board determined the 2009-10 fees were deferred and payment of \$1,074,430 was made to the following vendors in July 2010:

Iowa Association of School Boards	\$ 392,980
Piper Jaffray	279,433
Kutak Rock	85,436
Dorsey & Whitney	113,168
Local Government Services	<u>203,413</u>
Total	<u>\$1,074,430</u>

NOTES TO FINANCIAL STATEMENTS

Note 4. Related Party Transactions

IASB occasionally pays expenses on behalf of the Fund for certain operating expenses. Total amounts owed and unpaid at June 30, 2010 and 2009 were \$31,998 and \$20,024, respectively. The Organization paid \$25,000 to IASB for sponsoring fiscal management conferences for the year ended June 30, 2009. In addition, as described in Note 3, the ISCAP board approved payment to IASB for \$392,980 and LGS for \$203,413 for the 09-10 Series for the year ended June 30, 2010.

Note 5. Subsequent Events

Management has evaluated subsequent events through January 12, 2011, the date the audit report was available to be issued.

**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
Des Moines, Iowa

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, 2010, and have issued our report thereon dated January 12, 2011, which was qualified as we were unable to obtain written representations from certain members of management for financial activities of the Fund from July 1, 2009 through January 12, 2011. Except as discussed in the preceding sentence, 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.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we have identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses as well as significant deficiencies.

A deficiency in internal control 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 and correct misstatements on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

We consider the deficiencies described in the accompanying schedule of findings and responses as II-A-10, II-B-10, and II-C-10 to be significant deficiencies as well as 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, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Fund in a separate letter dated January 12, 2011.

The Fund's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Fund's response and, accordingly, we express no opinion on it.

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 Lueder, P.C.

West Des Moines, Iowa
January 12, 2011

IOWA SCHOOL CASH ANTICIPATION PROGRAM

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended June 30, 2010

Part I: Summary of the Independent Auditor’s Results

Financial Statement Section:

Type of auditor’s report issued:	<u>Qualified Opinion</u>	
Internal control over financial reporting:		
Material weakness(es) identified?	<u> X </u> Yes	<u> </u> No
Significant deficiency(s) identified not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> No
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No

Part II: Findings Related to the Financial Statement Audit

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

II-A-10: Segregation of Duties and Supervision and Review: Management is responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation in the financial statements of net assets; revenues, expenses, and changes in net assets; and cash flows in conformity with U.S. generally accepted accounting principles. Management is also responsible for the design and implementation of programs and controls to prevent and detect fraud affecting the organization involving (a) management, (b) employees who have significant roles in internal control, and (c) others where the fraud could have a material effect on the financial statements. The Director of Finance and Controller had access to all accounting software and calculated and posted the majority of transactions of the organization. During the year ended June 30, 2010 and subsequent to June 30, 2010, the duties performed by the accounting personnel had not been reviewed by an independent individual.

Recommendation: The Board should require management to review and document current internal controls and establish a process for an ongoing review of these controls and make changes to adequately segregate the duties of the accounting staff. If the duties cannot be segregated, procedures should be established to ensure the duties are reviewed by an independent individual. This review should be performed monthly and documented on all financial accounting records noting the review took place.

Response: The Board passed an Internal Control Resolution at their meeting on July 14, 2010, requiring signature approval of at least two of the following five individuals to approve transfers of funds into or out of the Association’s accounts: President, Executive Director, Chief Financial Officer, Treasurer, and Leadership Development Director.

The Board passed a Banking Resolution at their meeting on May 13, 2010, requiring signature approval of Veronica Stalker, Executive Director, or Harry Heiligenthal, Director of Leadership Development, to sign checks or withdrawal orders against IASB accounts.

These resolutions and any updates to these resolutions will be documented in the minutes and with signature approval.

IOWA SCHOOL CASH ANTICIPATION PROGRAM

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended June 30, 2010

Part II: Findings Related to the Financial Statement Audit (Continued)

Auditor's Response: Brooks Lodden, P.C. agrees with the resolutions that were passed; however, internal controls not only consist of approval for transfers or funds and check signing, but also include proper oversight of accounting personnel and processes to ensure that information in the general ledger and financial statements are accurately reported. We emphasize the need for current internal controls to be documented, reviewed, and changed as deemed necessary to ensure the assets of the Organization remain protected.

II-B-10: Deferral of Fees: Management is responsible for adequately documenting agreements between the Organization and third-party vendors regarding payment structures, fee waivers, and fee deferrals. There were claims made that fees were deferred from the 2003-04 Series and the 2009-10 Series through an oral agreement. ISCAP and IASB found documentation that the 2003-04 fees were waived and not deferred. It was determined by ISCAP and IASB that the 2009-10 fees were deferred and payment of \$1,074,430 was made to the appropriate vendors in July 2010.

Recommendation: The Board should require management to review and document the deferral of fees to vendors in relation to the series issuance and establish a process of communicating these items to the Board.

Response: Management will ensure documentation is prepared related to any fee waivers or deferrals on future series. Documentation will be presented for approval by management to the ISCAP board, will be documented in the board minutes, and will include signatures for both ISCAP and the vendor.

Auditor's Response: Brooks Lodden, P.C. concurs with the response.

II-C-10: Accounting Routines & Timeliness of Financial Statements: Critical accounting routines are tasks which are to be completed on a regular basis in order to ensure the timeliness and accuracy of the flow of information to management, and to provide the Board of Directors sufficient timely and accurate information so that they are able to fulfill their oversight responsibilities. During the audit, it became apparent that certain accounts were not being reconciled and financial statements had not been provided to the Board after the termination of the Director of Finance on September 17, 2009. It was not until the prior Director of Finance returned to the organization in March 2010 that financial statements were starting to be prepared and provided to the Board. Financial statements were updated through June 30, 2010 by the prior Director of Finance and were provided to the Board. This individual provided a two-month resignation in order to ensure proper transition of the position and is no longer working with the Organization. The Organization did not take timely measures in order to properly transition the duties performed by this individual. Subsequently, reconciliations and financial statements are not being prepared in a timely manner.

Response: The Financial Condition and Activities policy was revised in July 14, 2010 to state that the Executive Director shall not: (a) allow bank accounts to be unreconciled for more than 30 days, (b) fail to ensure financial statements are produced for each meeting of the Board of Directors without an appropriate explanation as to the delay; (c) allow the organization to make loans or guarantees of obligations on behalf of a director or officer of the corporation; and (d) allow the organization to receive loans or guarantees of obligations from a director or officer of the corporation.

IOWA SCHOOL CASH ANTICIPATION PROGRAM

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended June 30, 2010

Part II: Findings Related to the Financial Statement Audit *(Continued)*

Auditor's Response: Brooks Lodden, P.C. concurs with the adopted policy, however, this policy is currently not being followed. Bank accounts are not being reconciled within the 30 days requirement, and financial statements are not being prepared in a timely manner. Based upon our conversations with accounting personnel, it appears the lack of timely financial statements is a result of not having enough personnel in place to handle all of the necessary duties the accounting department is tasked with. We recommend the Board review this situation and determine whether additional staff are needed to get the financial statements updated and completed in a timely manner.

Part III: Instances of Non-Compliance:

None.

IOWA SCHOOL CASH ANTICIPATION PROGRAM

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended June 30, 2010

II-A-09: Segregation of Duties and Supervision and Review: Management is responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation in the financial statements of net assets; revenues, expenses, and changes in net assets; and cash flows in conformity with U.S. generally accepted accounting principles. Management is also responsible for the design and implementation of programs and controls to prevent and detect fraud affecting the organization involving (a) management, (b) employees who have significant roles in internal control, and (c) others where the fraud could have a material effect on the financial statements. The Director of Finance had access to all accounting software and calculated and posted the majority of transactions of the organization. From July 2008 to March 2009, the CFO was reviewing and documenting his review of the activities performed by the Director of Finance. After the departure of the CFO in March 2009 through July 2009, the duties of the Director of Finance had not been reviewed by an independent individual.

Recommendation: The Board should require management to review and document current internal controls and establish a process for an ongoing review of these controls and make changes to adequately segregate the duties of the accounting staff. If the duties cannot be segregated, procedures should be established to ensure the duties are reviewed by an independent individual. This review should be performed monthly and documented on all financial accounting records noting the review took place.

Current Status: Finding was repeated in the June 30, 2010 audit report.

II-B-09: Deferral of Fees: Management is responsible for adequately documenting agreements between the organization and third-party vendors regarding payment structures, fee waivers, and fee deferrals. There were claims made that fees were deferred from the 2003-04 Series and the 2009-10 Series through an oral agreement. ISCAP and IASB have found documentation that the 2003-04 fees were waived and not deferred. It has been determined by ISCAP and IASB that the 2009-10 fees were deferred and payment of \$1,074,430 will be made to the appropriate vendors in July 2010.

Recommendation: The Board should require management to review and document the deferral of fees to vendors in relation to the series issuance and establish a process of communicating these items to the Board.

Current Status: Finding was repeated in the June 30, 2010 audit report.

Brooks Lodden P.C.
certified public accountants

Telford A. Lodden, CPA, CFP®, CVA, Shareholder

Bruce W. Hartley, CPA, Shareholder

John E. Lamale, CPA, Shareholder

Brent L. Alexander, CPA, Shareholder

To the Management and the Governing Board
of the Iowa Schools Cash Anticipation Program
Des Moines, Iowa

In planning and performing our audit of the financial statements of the Iowa Schools Cash Anticipation Program for the year ended June 30, 2010, we considered the organization's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control. Accordingly, we do not express an opinion on the effectiveness of the organization's internal control.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and to comply with Iowa Code. We previously reported on the organization's internal control in our report dated January 12, 2011. This letter does not affect our report dated January 12, 2011, on the financial statements of the organization.

We have already discussed this comment and suggestion with various organization personnel, and we will be pleased to discuss this comment in further detail at your convenience. Our comment is summarized as follows:

Minutes

Chapter 21.3 of the Iowa code states "each governmental body shall keep minutes of all its meetings showing the date, time and place, the members present, and the action taken at each meeting. The minutes shall show the results of each vote taken and information sufficient to indicate the vote of each member present. The vote of each member present shall be made public at the open session. The minutes shall be public records open to public inspection." During our review of the minutes of ISCAP, we noted that not all of the items required by Chapter 21.3 were included in some of the minutes of the organization. We recommend the organization ensure that minutes properly reflect all matters and discussions in the minutes and comply with Chapter 21.3 of the Iowa Code.

Chapter 28E.6(3) requires minutes and expenses of the organization to be published within 20 days after the organization's meeting. During the audit, we noted the January 22, 2010 board meeting and expenses were published 4 days late, the May 18, 2010 board meeting and expenses were published 4 days late, the June 22, 2010 board meeting and expenses was published 1 day late, the June 30, 2010 board meeting and expenses were published 2 days late. We recommend the organization establish procedures to comply with Chapter 28E.6(3) to ensure the meetings and expenses of the organization are published within 20 days after an organizational meeting.

This report is intended solely for the information and use of the Governing Board, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Brooks Lodden, P.C.

West Des Moines, Iowa
January 12, 2011

To the Board of Directors
Iowa School Cash Anticipation Program
Des Moines, Iowa

We have audited the financial statements of the Iowa School Cash Anticipation Program (ISCAP) for the year ended June 30, 2010, and have issued our report thereon dated January 12, 2011. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 10, 2010. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by ISCAP are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2010. We noted no transactions entered into by ISCAP during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no corrected or uncorrected misstatements noted during the audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. No such disagreements arose during the course of our audit.

Significant Audit Findings *(Continued)*

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 12, 2011; however, we were unable to obtain written representations from certain members of management responsible for financial activities of ISCAP from July 1, 2009 through January 12, 2011. SAS No. 85 at AU 333 requires auditors to obtain certain written representations from ISCAP as part of an audit conducted in accordance with generally accepted auditing standards. As a result of not receiving these required representations from management, we are precluded from issuing an unqualified opinion on the financial statements; therefore, we have issued a qualified opinion on the June 30, 2010 financial statements.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to ISCAP's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as ISCAP's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of Iowa School Cash Anticipation Program and is not intended to be and should not be used by anyone other than these specified parties.

Brooks Ladd, P. C.