



**EXECUTIVE COUNCIL OF IOWA**

Financial Statements and Supplementary Information

June 30, 2006

(With Independent Auditors' Report Thereon)

# EXECUTIVE COUNCIL OF IOWA

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## Independent Auditors' Report

Members of the Executive Council of Iowa:

We have audited the accompanying financial statements of the governmental activities and the general fund of the Executive Council of Iowa as of and for the year ended June 30, 2006, as listed in the accompanying table of contents. These financial statements are the responsibility of management of the Executive Council of Iowa. Our responsibility is to express opinions on these financial statements based on our audit.

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. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Executive Council of Iowa's internal control over financial reporting. Accordingly, we express no such opinion. 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 opinions.

As discussed in note 1 to the financial statements, the financial statements of the Executive Council of Iowa are intended to present the financial position and changes in financial position of only that portion of the general fund and governmental activities of the State of Iowa that is attributable to the transactions of the Executive Council of Iowa. They do not purport to, and do not, present fairly the financial position of the State of Iowa as of June 30, 2006, and the changes in its financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the general fund of the Executive Council of Iowa as of June 30, 2006, and the changes in financial position for the year then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 14, 2007, on our consideration of the Executive Council of Iowa's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the 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 management's discussion and analysis on pages 3 and 4 is not a required part of the basic financial statements, but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements taken as a whole. The accompanying supplementary information included in schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

KPMG LLP

May 14, 2007

## EXECUTIVE COUNCIL OF IOWA

### Management's Discussion and Analysis

June 30, 2006

The Council of Iowa (The Council) provides this management's discussion and analysis of the Council's annual financial statements. This narrative overview and analysis of the financial activities of the Council is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the Council's financial statements, which follow this section.

#### Financial Highlights

The appropriation to the Council was \$693,375 less than FY2005, a 35% decrease. The decrease is due to a decrease in approved Performance of Duty allocations for repairing, rebuilding, or restoring state property due to fire, storm, theft, or other unavoidable causes under the provisions of Chapter 29C.20 of the Code of Iowa.

The Council did not distribute any new disaster aid loans during FY2006 and the amount due from other governments for disaster loans decreased by approximately 23%. The following is the condensed financial information of the Council:

#### Council's Net Assets

	<u>2006</u>	<u>2005</u>
Total assets – current	\$ 1,284,661	1,719,853
Total net assets – restricted by legislation	<u>\$ 1,284,661</u>	<u>1,719,853</u>

#### Council's Changes in Net Assets

	<u>2006</u>	<u>2005</u>
General revenues:		
State appropriations	\$ 1,261,036	1,954,411
Total expenses	1,539,038	1,296,511
Total other financing uses	<u>157,190</u>	<u>181,541</u>
Increase (decrease) in net assets	(435,192)	476,359
Net assets – beginning	<u>1,719,853</u>	<u>1,243,494</u>
Net assets – ending	<u>\$ 1,284,661</u>	<u>1,719,853</u>

#### Using this Annual Report

This discussion and analysis is intended to serve as an introduction to the Council's basic financial statements. The Council's basic financial statements consist of a series of financial statements. The governmental fund balance sheet/statement of net assets and the statement of governmental fund revenues, expenditures, and changes in fund balance/statement of activities combine two sets of financial statements to compare information from a fund perspective with information about the activities of the Council as a whole with a longer-term view of the Council's finances. These basic financial statements also include the notes to financial statements that explain some of the information in the statements and provide more detail.

## **EXECUTIVE COUNCIL OF IOWA**

### Management's Discussion and Analysis

June 30, 2006

The statements demonstrate the financial information presented on a fund basis, which focuses on the sources, uses, and balances of current financial resources, and does not differ from the statements presented with a longer-term focus.

#### **Reporting the Council as a Whole**

The governmental fund balance sheet/statement of net assets presents all of the Council's assets and liabilities, with the difference between the two reported as "net assets." Because the Council is appropriated all funds necessary to perform its duties, increases or decreases in the Council's net assets do not serve as an indicator of whether its financial position is improving or deteriorating. Net assets represent the amount of assets encumbered or obligated for specific purposes.

#### **Contacting the Council's Financial Management**

This financial report is designed to present users with a general overview of the Council's finances and to demonstrate the Council's accountability for funds received and expended. If you have questions about the report or need additional financial information, please contact the Office of the State Treasurer, State Capitol Building, Des Moines, IA 50319.

**EXECUTIVE COUNCIL OF IOWA**

Governmental Fund Balance Sheet/Statement of Net Assets

June 30, 2006

	<u>General fund</u>	<u>Adjustments</u>	<u>Statement of net assets</u>
Assets:			
Unexpended appropriation	\$ 864,174	—	864,174
Due from other governments	420,485	—	420,485
Total assets	<u>1,284,659</u>	<u>—</u>	<u>1,284,659</u>
Fund balance/net assets:			
Reserved for specific purposes	1,284,661	(1,284,661)	—
	<u>\$ 1,284,661</u>	<u>(1,284,661)</u>	<u>—</u>
Net assets:			
Restricted by legislation		1,284,661	1,284,661
Total net assets		<u>\$ —</u>	<u>1,284,661</u>

See accompanying notes to financial statements.

## EXECUTIVE COUNCIL OF IOWA

### Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities

Year ended June 30, 2006

	<u>General fund</u>	<u>Adjustments</u>	<u>Statement of activities</u>
Revenues:			
General revenue:			
State appropriations	\$ 1,261,036	—	1,261,036
Expenditures/expenses:			
Administration and regulation:			
Professional and scientific	63,152	—	63,152
Performance of duty	1,475,886	—	1,475,886
Total expenditures/expenses	1,539,038	—	1,539,038
Excess of revenues over expenditures/expenses	(278,002)	—	(278,002)
Other financing uses:			
Disaster aid loan repayments reverted	128,648	—	128,648
Other reversions	28,542	—	28,542
Total other financing uses	157,190	—	157,190
Excess of revenues over expenditures/expenses and other financing uses	(435,192)	—	(435,192)
Fund balance/net assets at beginning of year	1,719,853	—	1,719,853
Fund balance/net assets at end of year	\$ 1,284,661	—	1,284,661

See accompanying notes to financial statements.

# EXECUTIVE COUNCIL OF IOWA

## Notes to Financial Statements

June 30, 2006

### (1) Reporting Entity and Summary of Significant Accounting Policies

#### (a) *Reporting Entity*

The Executive Council of Iowa (the Council) was organized by the adoption of the State Code of Iowa of 1860. The duties of the Council, detailed in Chapter 7D and various other chapters of the State Code of Iowa, include: acting on all State of Iowa (the State) activities and notifying all interested persons of action taken thereon; determining the value at which property may be taken by Iowa corporations and the amount of stock, which may be issued on account thereof; approving articles of incorporation and bylaws of building and loan associations and planning liquidation of said associations; authorizing department leases; authorizing and paying special assessments; authorizing and paying court costs and special attorney fees; authorizing condemnation proceedings; approving bank depositories of public funds; approving out-of-state travel; and canvassing votes cast for State and district officers. The Council consists of five members: the Governor, Secretary of State, Auditor of State, Treasurer of State, and Secretary of Agriculture. The Council appoints a secretary to carry out the duties of the Council. The Council is considered an integral part of the State reporting unit. The accompanying financial statements present only that portion of the General Fund of the State that is attributable to the transactions of the Council.

#### (b) *Summary of Significant Accounting Policies*

The accounting and reporting policies of the Council included in the accompanying financial statements conform to U.S. generally accepted accounting principles applicable to state and local governments. The following represents the significant accounting and reporting policies and practices used by the Council.

#### (c) *Office-Wide and Fund Financial Statements*

The financial statements combine both an office-wide perspective and a governmental perspective.

The General Fund comprises the Council's governmental fund type. This fund is the general operating fund of the Council and the difference between assets and liabilities of the fund are referred to as "fund balance."

The office-wide financial statements, the governmental fund balance sheet/statement of net assets and the statement of governmental fund revenues, expenditures, and changes in fund balance/statement of activities report information on all the activities of the Council. Governmental activities are those that normally are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

## EXECUTIVE COUNCIL OF IOWA

### Notes to Financial Statements

June 30, 2006

**(d) *Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

The office-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Council considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payments are due.

**(e) *Unexpended Appropriations***

Unexpended appropriations represent appropriations that have been set-aside for a specific purpose by State law. These unexpended appropriations are carried forward to future periods until expended or determined the appropriation is not needed, at which time the remainder is reverted to the State.

**(f) *Budgetary Control***

Budgetary control is exercised over the Council through the budgetary process prescribed in Chapter 8 of the State Code of Iowa. Each department of the State prepares estimates of expenditures and income for the fiscal year. These estimates are transmitted to the Department of Management for its review; it then submits a tentative budget to the Governor. After holding public hearings, the Governor prepares and transmits the budget to the State Legislature. The State Legislature appropriates funds to the various departments based on the budget as adjusted through the appropriation process. No obligation can be incurred subsequent to June 30 for which an appropriation is made. On August 31, following the close of each fiscal year, all unencumbered or unobligated balances of appropriations revert to the State Treasury and to the credit of the fund from which the appropriations were made. The final amounts appropriated are not identified by budget categories and unexpended appropriations revert to the Treasurer of State; thus, the statement of revenues, expenditures, and changes in fund balance in this report does not contain a comparison of budgeted to actual revenue and expenditures.

**EXECUTIVE COUNCIL OF IOWA**

Notes to Financial Statements

June 30, 2006

**(2) Officials**

The following is a summary of officials as of June 30, 2006:

<u>Name</u>	<u>Title</u>
Executive Council Members:	
Honorable Thomas Vilsack	Governor
Honorable Chester Culver	Secretary of State
Honorable David Vautt	Auditor of State
Honorable Michael Fitzgerald	Treasurer of State
Honorable Patty Judge	Secretary of Agriculture
Secretary:	
GeorgAnna Madsen	

**(3) Due from Other Governments**

Due from other governments consists of outstanding disaster aid loans to certain governmental subdivisions (i.e., cities and counties in Iowa). Amounts due from other governments in connection with single disaster loans at June 30, 2006 are as follows:

Lyon County	\$	44,373
Montgomery County		109,029
City of Des Moines		46,597
City of Volga		106,313
City of Dunkerton		67,500
Buchanan County		46,673
Total	\$	<u>420,485</u>

## EXECUTIVE COUNCIL OF IOWA

Schedule of Results of Operations –  
All General Fund Accounts

Year ended June 30, 2006

	<u>Drainage assessments</u>	<u>Court costs</u>	<u>Public improvements</u>	<u>Performance of duty</u>	<u>Total</u>
Revenues:					
General revenues – State appropriations	\$ 31,155	31,997	—	1,197,884	1,261,036
Expenditures/expenses:					
Professional and scientific services	31,155	31,997	—	—	63,152
Performance of duty	—	—	—	1,475,886	1,475,886
Total expenditures/expenses	31,155	31,997	—	1,475,886	1,539,038
Excess of revenues over expenditures/expenses	—	—	—	(278,002)	(278,002)
Other financing uses:					
Disaster aid loan repayments reverted	—	—	—	128,648	128,648
Other reversions	—	—	—	28,542	28,542
Total other financing uses	—	—	—	157,190	157,190
Excess of revenues over expenditures/expenses and other financing uses	—	—	—	(435,192)	(435,192)
Fund balance/net assets at beginning of year	—	—	—	1,719,853	1,719,853
Fund balance/net assets at end of year	\$ —	—	—	1,284,661	1,284,661

See accompanying independent auditors' report.

## EXECUTIVE COUNCIL OF IOWA

Schedule of Changes in Due From Other Governments –  
Disaster Aid Loans to Governmental Subdivisions –  
Performance of Duty Account

Year ended June 30, 2006

<u>Subdivision</u>	<u>Date of loan</u>	<u>Original amount</u>	<u>Balance July 1, 2005</u>	<u>Loans disbursed</u>	<u>Payments received</u>	<u>Balance June 30, 2006</u>
Lyon County	07/17/98	\$ 221,865	66,560	—	22,187	44,373
Montgomery County	07/17/98	545,148	163,544	—	54,515	109,029
City of Des Moines	07/17/98	232,987	69,896	—	23,299	46,597
City of Volga	07/07/00	112,500	118,125	—	11,812	106,313
City of Dunkerton	11/22/00	93,347	75,000	—	7,500	67,500
Buchanan County	05/04/00	236,250	56,008	—	9,335	46,673
Total		\$ 1,442,097	549,133	—	128,648	420,485

See accompanying independent auditors' report.

## EXECUTIVE COUNCIL OF IOWA

Schedule of Results of Operations and Changes in  
Accounting Balances by Allocations –  
Performance of Duty Account

Year ended June 30, 2006

	Account balance July 1, 2005	Revenues	Expenditures	Reversions	Account balance June 30, 2006
2001-2002:					
DEM – FEMA-DR-1367-Public Assistance	\$ 70,000	—	—	—	70,000
DEM – FEMA-DR-1367-Hazard mitigation	44,896	—	—	—	44,896
2002-2003:					
DEM FEMA #1420	64,505	—	—	—	64,505
Newton Corr Facilities, Water Pipe Damage	16,884	—	(4,193)	(12,691)	—
2003-2004:					
DNR – Pilot Knob Fire Damage	58,750	—	(55,510)	(3,240)	—
DPS, Vehicle damage #161, 321, & 318	716	—	—	—	716
Corrections, Mitchellville, lightning damage	4,850	—	—	—	4,850
DPS, State Patrol hail damage to vehicle #52	1,323	—	—	—	1,323
DPS, Hail damage to vehicles #395, 372, 340 & 364	(256)	—	—	—	(256)
2004-2005:					
DPS, Hail damage to vehicles #87, 370, 101, 99 & 55	3,044	—	—	—	3,044
ICN, Clayton County, flooding	10,414	—	(9,939)	(475)	—
Presidential Declaration #1518	700,000	—	(700,000)	—	—
ICN, Emmet County, flooding damage to fiber optic cable	10,731	1,374	(12,105)	—	—
DOC, leak in Dike #4 cell sewage lagoon, Luster Heights Camp	45,635	37,307	(82,942)	—	—
ICN, Scott County fiber optic cable damage, rodent chew	3,517	—	—	(3,517)	—
DNR, Brushy Creek Rec Area damage to latrines	4,100	—	(4,100)	—	—
DNR, Flooding damage state parks	70,249	—	—	—	70,249
ICN, Winneshiek County, fiber optic damage, rodent chew	6,661	—	(3,835)	(2,826)	—
ICN, Calhoun County, fiber optic damage, rodent chew	9,465	2,671	(12,136)	—	—
ICN, Osceola County, fiber optic damage from storm	2,814	872	(3,686)	—	—
DAS-GSE capitol bldg waterline break damage	42,422	—	(38,275)	—	4,147
2005-2006:					
Iowa Veterans Home, water damage, Whitehill Auditorium	—	45,272	(45,272)	—	—
ICN, Tama County Regan Hut 603, lightning damage	—	2,196	(2,005)	(191)	—
ICN, Lightning strike, Papajohn Center, Des Moines	—	11,093	(11,093)	—	—
DHS, Glenwood Resource Center, lightning damage, fire alarm system	—	48,339	—	—	48,339
DHS, Independence Mental Health, lightning damage, elevator	—	4,738	(4,738)	—	—
DPS, high wind damage, Sheldon Armory	—	13,636	(13,636)	—	—
Dept of Commerce, Iowa Alcohol Beverages Div, high winds damage	—	52,451	(49,411)	(3,040)	—
DHS, Woodward Resource Center, tornado damage, electrical lines	—	10,400	(10,400)	—	—
Dept of Human Rights, theft	—	1,758	—	—	1,758
Iowa State Fair, fire damage	—	32,505	(30,445)	(2,060)	—
DNR, Yellow River State Forest-Harper's Ferry, theft	—	2,028	(2,026)	(2)	—
DAS-GSE, Ankeny Labs, water damage	—	110,163	(104,883)	—	5,280
DNR, Yellow River State Forest-Harper's Ferry, theft	—	2,567	(2,567)	—	—
DPS, State Patrol and Fire Marshall, hail damage to vehicles	—	29,919	(10,763)	—	19,156
Iowa Dept of Corrections, Fort Dodge, hot water loop break	—	31,450	(31,450)	—	—
DNR, Shimek State Forest, vandalism	—	2,892	(2,392)	(500)	—
DPS, Hail damage to vehicles #198, #176, and #200	—	6,985	(4,705)	—	2,280
ICN, Cass County, damage from animals	—	12,022	—	—	12,022
ICN, Hamilton County, fiber optic damage, rodent chew	—	10,567	—	—	10,567
DHS, Glenwood Resource Center, water damage, art room	—	5,449	(5,449)	—	—
ICN, fire damage	—	301,515	—	—	301,515
DHS, Bureau of Collections, major fire damage	—	274,833	(217,930)	—	56,903
DNR, Dolliver State Park and Brushy Creek, thunderstorm damage	—	29,616	—	—	29,616
DNR, Pleasant Creek Park, theft	—	5,266	—	—	5,266
DHS, Glenwood Resource Center, boom truck fire	—	108,000	—	—	108,000
Disaster Aid Loans:					
Lyon County	66,560	—	—	(22,187)	** 44,373
Montgomery County	163,544	—	—	(54,515)	** 109,029
City of Des Moines	69,896	—	—	(23,299)	** 46,597
City of Dunkerton	118,125	—	—	(11,812)	** 106,313
Buchanan County	75,000	—	—	(7,500)	** 67,500
City of Volga	56,008	—	—	(9,335)	** 46,673
Total	\$ 1,719,853	1,197,884	(1,475,886)	(157,190)	1,284,661

\*\* Disaster aid loan repayment reverted to State Treasurer

See accompanying independent auditors' report.

**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***

Members of the Executive Council of Iowa:

We have audited the financial statements of the Executive Council of Iowa as of and for the year ended June 30, 2006, and have issued our report thereon dated May 14, 2007. 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 Executive Council of Iowa'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 the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the 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 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 and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Executive Council of Iowa's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grants, and other matters, 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*.

This report is intended solely for the information and use of the Executive Council of Iowa and is not intended to be and should not be used by anyone other than these specified parties.

May 14, 2007