

Executive Council of Iowa

Financial Report

June 30, 2008

McGladrey & Pullen

Certified Public Accountants

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Independent Auditor's Report

To the Members of the Executive Council of Iowa
Des Moines, 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, 2008, which collectively comprise the Executive Council of Iowa's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Executive Council of Iowa's management. 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 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 opinions.

As described in Note 1, these 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 are 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, 2008, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of the Executive Council of Iowa, as of June 30, 2008, and the respective changes in financial position 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 our report dated December 10, 2008, on our consideration of the Executive Council of Iowa's internal control over financial reporting and 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 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 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. 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 financial statements that collectively comprise the Executive Council of Iowa's basic financial statements. The accompanying supplementary information 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.

McGladrey & Pullen, LLP

Davenport, Iowa
December 10, 2008

Executive Council of Iowa

Management's Discussion and Analysis Year Ended June 30, 2008

The Executive 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, 2008. 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 \$6,937,903 less than fiscal year 2007. 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 fiscal year 2008 and the amount due from other governments for disaster loans decreased approximately 40 percent.

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's 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.

Reporting the Council

The governmental fund's Balance Sheet/Statement of Net Assets and the Statement of Revenues, Expenditures and Changes in Fund Balance/Statement of Activities report information of the Council as a whole and its activities. These statements include the General Fund reported on a modified accrual basis of accounting with adjustments to report all assets, liabilities and activities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies.

The Statement of Net Assets presents all of the Council's assets and liabilities, with the difference between the two reported as "net assets." Over time, increases or decreases in the Council's net assets may serve as a useful indicator of whether the financial position of the Council is improving or deteriorating.

The Statement of Activities presents information showing how the Council's net assets changed during the fiscal year. All changes in net assets are reported as soon as the event or change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result from cash flows until future periods.

Executive Council of Iowa

Management's Discussion and Analysis Year Ended June 30, 2008

Financial Analysis of the Statement of Net Assets and the Statement of Activities

The Council has total net assets of \$13,463,064. Total assets decreased \$2,852,490 due to a decrease in appropriations and reverting prior appropriations.

Council's Net Assets		
	2008	2007
Unexpended appropriation	\$ 13,253,973	\$ 15,967,516
Due from other governments	209,091	353,038
Total assets	\$ 13,463,064	\$ 16,320,554
Total net assets, restricted by legislation	<u>\$ 13,463,064</u>	<u>\$ 16,320,554</u>

Council's Changes in Net Assets		
	2008	2007
General revenue, state appropriations	\$ 17,071,285	\$ 23,893,178
General revenue, disaster aid loan	-	76,500
Total revenues	<u>17,071,285</u>	<u>23,969,678</u>
Total expenses	19,928,775	8,933,785
Increase (decrease) in net assets	<u>(2,857,490)</u>	<u>15,035,893</u>
Net assets, beginning	16,320,554	1,284,661
Net assets, ending	<u>\$ 13,463,064</u>	<u>\$ 16,320,554</u>

Economic Factors

The Council has factored in the economy and the stress it has placed on the Council for future appropriations.

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, Iowa 50319.

Executive Council of Iowa

Governmental Fund Balance Sheet/Statement of Net Assets
June 30, 2008

	Governmental Fund Balance Sheet	Adjustments	Statement of Net Assets
<hr/>			
Assets:			
Unexpended appropriation	\$ 13,253,973	\$ -	\$ 13,253,973
Due from other governments	209,091	-	209,091
Total assets	<u>\$ 13,463,064</u>	<u>\$ -</u>	<u>\$ 13,463,064</u>
Fund balance, reserved for specific purposes	\$ 13,463,064	\$ (13,463,064)	\$ -
Net assets, restricted by legislation		13,463,064	13,463,064
Total net assets		<u>\$ -</u>	<u>\$ 13,463,064</u>

See Notes to Financial Statements.

Executive Council of Iowa

Statement of Governmental Fund Revenue, Expenditures and Changes in
Fund Balance/Statement of Activities
Year Ended June 30, 2008

	Statement of Revenues, Expenditures and Changes in Fund Balance	Adjustments	Statement of Activities
General revenue, state appropriations	\$ 17,071,285	\$ -	\$ 17,071,285
Expenditures/expenses:			
Current:			
Administration and regulation:			
Professional and scientific	107,929	-	107,929
Performance of duty	12,925,501	-	12,925,501
Disaster aid loan repayments reverted	143,947	-	143,947
Other reversions	6,751,398	-	6,751,398
Total expenditures/expenses	19,928,775	-	19,928,775
Deficiency of revenue under expenditures/expenses	(2,857,490)	-	(2,857,490)
Fund balance/net assets, beginning of year	16,320,554	-	16,320,554
Fund balance/net assets, end of year	<u>\$ 13,463,064</u>	<u>\$ -</u>	<u>\$ 13,463,064</u>

See Notes to Financial Statements.

Executive Council of Iowa

Notes to Financial Statements

Note 1. Reporting Entity, Significant Accounting Policies and Measurement Focus and Basis of Accounting

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's 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.

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 (GAAP) applicable to state and local governments. The following represents the significant accounting and reporting policies and practices used by the Council.

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 restricted to meeting the operational or capital requirements of a particular function or segment. The Council does not have program revenues. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Executive Council of Iowa

Notes to Financial Statements

Note 1. Reporting Entity, Significant Accounting Policies and Measurement Focus and Basis of Accounting (Continued)

Measurement focus and basis of accounting:

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.

Unexpended appropriations: Unexpended appropriations represent appropriations 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.

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 before submitting 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.

Fund equity: In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Executive Council of Iowa

Notes to Financial Statements

Note 1. Reporting Entity, Significant Accounting Policies and Measurement Focus and Basis of Accounting (Continued)

Net assets: Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted through enabling legislation consist of \$13,463,064 for disaster aid loans and specific projects of the performance of duty account as appropriated.

The Council first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Note 2. Officials

The following is a summary of officials as of June 30, 2008:

Name	Title
Executive Council Members:	
Honorable Chester J. Culver	Governor
Honorable Michael A. Mauro	Secretary of State
Honorable David A. Vaudt	Auditor of State
Honorable Michael L. Fitzgerald	Treasurer of State
Honorable William H. Northey	Secretary of Agriculture

Secretary:

GeorgAnna Madsen

Note 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 as of June 30, 2008 are as follows:

City of Volga	\$ 82,688
City of Dunkerton	52,500
Buchanan County	28,003
Emmet County	45,900
Total	<u>\$ 209,091</u>

Executive Council of Iowa

Schedule of Results of Operations - All General Fund Accounts
Year Ended June 30, 2008

	Drainage Assessments	Court Costs	Public Improvements	Performance of Duty	Total
General revenue, state appropriations	\$ 74,428	\$ 33,501	\$ -	\$ 16,963,356	\$ 17,071,285
Expenditures/expenses:					
Current:					
Professional and scientific services	74,428	33,501	-	-	107,929
Performance of duty	-	-	-	12,925,501	12,925,501
Disaster aid loan repayments reverted	-	-	-	143,947	143,947
Other reversions	-	-	-	6,751,398	6,751,398
Total expenditures/expenses	74,428	33,501	-	19,820,846	19,928,775
Deficiency of revenue under expenditures/expenses	-	-	-	(2,857,490)	(2,857,490)
Fund balance/net assets, beginning of year	-	-	-	16,320,554	16,320,554
Fund balance/net assets, end of year	\$ -	\$ -	\$ -	\$ 13,463,064	\$ 13,463,064

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, 2008**

Subdivision	Date of Loan	Original Amount	Balance July 1, 2007	Loans Disbursed	Payments Received	Balance June 30, 2008
Lyon County	07/17/98	\$ 221,865	\$ 22,187	\$ -	\$ 22,187	\$ -
Montgomery County	07/17/98	545,148	54,514	-	54,514	-
City of Des Moines	07/17/98	232,987	23,298	-	23,298	-
City of Volga	07/07/00	112,500	94,501	-	11,813	82,688
City of Dunkerton	11/22/00	93,347	60,000	-	7,500	52,500
Buchanan County	05/04/00	236,250	37,338	-	9,335	28,003
Emmet County	7/25/05	76,500	61,200	-	15,300	45,900
Total		\$ 1,518,597	\$ 353,038	\$ -	\$ 143,947	\$ 209,091

Executive Council of Iowa

**Schedule of Results of Operations and Changes in Account Balances by Allocation -
Performance of Duty Account
Year Ended June 30, 2008**

	Account Balance July 1, 2007	Revenues	Expenditures	Reversions	Account Balance June 30, 2008
2001-2002:					
DEM - FEMA-DR-1367-Public Assistance	\$ 70,000	\$ -	\$ -	\$ (70,000)	\$ -
2003-2004:					
DPS, Vehicle Damage #161, 321 and 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 and 364	(256)	-	-	-	(256)
2004-2005:					
DPS, Hail Damage to Vehicles #87, 370, 101, 99 and 55	3,044	-	36,448	(36,448)	3,044
DNR, Flooding Damage State Parks	70,249	-	(70,249)	-	-
DAS-GSE Capital Building Waterline Break Damage	3,512	-	-	-	3,512
2005-2006:					
DHS, Glenwood Resource Center, Lightning Damage, Fire Alarm System	48,339	-	-	-	48,339
Department of Human Rights, Theft	1,758	-	-	-	1,758
DAS-GSE, Ankeny Labs, Water Damage	5,280	-	-	-	5,280
DPS, State Patrol and Fire Marshall, Hail Damage to Vehicles	7,680	-	-	-	7,680
ICN, Fire Damage	166,381	-	(17,689)	(148,692)	-
DNR, Pleasant Creek Park, Theft	5,266	-	-	-	5,266
2006-2007:					
DNR - Viking Lake State Park	800,000	-	(578,150)	-	221,850
DOC - Fort Dodge Correctional Facility	899,931	-	(610,441)	-	289,490
DHS - Disaster Relief	-	-	745,834	(745,834)	-
Iowa Homeland Security and Emergency Management	4,930,000	2,700,000	(1,700,000)	-	5,930,000
Iowa Homeland Security and Emergency Management	289,794	-	(183,021)	-	106,773
DPS - District 10	-	626	(626)	-	-
DOC - Iowa State Penitentiary Fort Madison	3,220	-	-	-	3,220
Iowa Homeland Security and Emergency Management	-	-	209,610	(209,610)	-
Iowa Homeland Security and Emergency Management	8,656,429	-	(1,136,571)	(5,247,097)	2,272,761
Subtotal forward	15,967,516	2,700,626	(3,304,855)	(6,459,720)	8,903,567

DHS- To provide financial grants to meet disaster related expenses signed by Gov. Culver

(Continued)

Executive Council of Iowa

Schedule of Results of Operations and Changes in Account Balances by Allocation -
Performance of Duty Account (Continued)
Year Ended June 30, 2008

	Account Balance July 1, 2007	Revenues	Expenditures	Reversions	Account Balance June 30, 2008
Subtotal forwarded	15,967,516	2,700,626	(3,304,855)	(6,459,720)	8,903,567
2007-2008:					
DAS - Halon Tube Damage	-	6,855	(6,767)	(88)	-
ICN - Flooding Damage Monona County	-	13,402	(10,883)	(2,519)	-
ICN - Flooding Damage Montgomery County	-	11,264	(9,808)	(1,456)	-
DAS - Water Damage Historical Building	-	52,703	(52,611)	(92)	-
DHS - Governor Proclamation Disaster Emergency	-	331,900	(94,478)	(237,422)	-
DPS - Iowa State Patrol Storm Damage	-	2,036	-	-	2,036
DPS - Hail Damage	-	3,069	(2,792)	(277)	-
ICN - Lightning Damage Indian Hills Comm College	-	14,540	(14,540)	-	-
DPS - Iowa State Patrol Storm Damage	-	144,207	(144,207)	-	-
DAS - Lightning Damage to Generator at Energy Plant	-	3,278	(3,278)	-	-
DHS - Governor Proclamation Disaster Emergency	-	2,000	(430)	(1,570)	-
DHS - Cherokee Mental Health Water Damage	-	219,574	(108,142)	-	111,432
DCA - Montauk Historic Site	-	5,904	(5,904)	-	-
DHS - Governor Proclamation Delaware County	-	15,000	-	(15,000)	-
DHS - Governor Proclamation Montgomery County	-	25,000	-	(25,000)	-
ICN - Flood Damage at Soap Box Creek	-	7,436	(2,512)	(4,924)	-
DHS - Cherokee Mental Health Water Damage	-	24,090	(24,030)	(60)	-
DNR - Theft at Yellow River State Forest	-	9,401	(9,328)	(73)	-
DPS - Fairfield State Radio	-	17,917	(17,917)	-	-
DPS - Atlantic State Radio	-	8,524	(8,524)	-	-
Iowa Homeland Security and Emergency Management	-	1,537,963	(413,829)	-	1,124,134
HSLEM - Storm Lake Dredge Incident	-	816	(816)	-	-
DHS - Lighting Damage Glenwood Resource Center	-	4,199	(4,199)	-	-
DHS - Wind Damage Glenwood Resource Center	-	12,250	(12,250)	-	-
DAS - Capitol Building Water Damage	-	140,575	(52,453)	-	88,122
DAS - Sewage Backup Lucas Building	-	13,238	(13,238)	-	-
ICN - Fiber Optic Damage Cass County	-	22,378	(19,681)	(2,697)	-
Iowa Homeland Security and Emergency Management	-	330,000	(330,000)	-	-
Subtotal forward	15,967,516	5,680,145	(4,667,472)	(6,750,898)	10,229,291

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Executive Council of Iowa

Schedule of Results of Operations and Changes in Account Balances by Allocation -
Performance of Duty Account (Continued)
Year Ended June 30, 2008

	Account Balance July 1, 2007	Revenues	Expenditures	Reversions	Account Balance June 30, 2008
Subtotal forwarded	15,967,516	5,680,145	(4,667,472)	(6,750,898)	10,229,291
DNR - Pikes Peak Storm and Flood Damage	-	16,163	(15,663)	(500)	-
DNR - Boy Scout Lodge Wapsipinicon State Park	-	7,229	(7,229)	-	-
Iowa Homeland Security and Emergency Management	-	2,629,006	(1,356,663)	-	1,272,343
DHS - Flooding Damage	-	500,000	-	-	500,000
ICN - Cass County	-	15,992	-	-	15,992
DPS - Ice Storm Damage	-	6,260	-	-	6,260
DNR - Flooding Damage State Parks	-	20,809	-	-	20,809
ICN - Flooding Damage Adair County	-	21,946	-	-	21,946
DHS - Cherokee Mental Health	-	14,228	(14,228)	-	-
DHS - Governor Proclamation Disaster Emergency	-	296,100	(296,100)	-	-
DHS - Presidential Declaration FEMA	-	3,500,000	(3,500,000)	-	-
DHS - Governor Proclamation Delaware, Dubuque, and Marion Counties	-	200,000	(200,000)	-	-
DPS - Storm Damage	-	4,780	(4,780)	-	-
HSEMD - Presidential Declaration #1763	-	3,925,959	(2,857,808)	-	1,068,151
ICN - Flooding Damage Black Hawk County	-	19,967	-	-	19,967
DAS - Capitol Building Water Damage	-	5,558	(5,558)	-	-
DPS - Hail Damage	-	3,048	-	-	3,048
ICN - Tornado Damage Butler Co, Parkersburg	-	24,216	-	-	24,216
DPS - Damage Atlantic State Radio and Vehicles	-	14,309	-	-	14,309
ICN - Flooding Damage Cerro Gordo County	-	29,100	-	-	29,100
ICN - Flooding Damage Crawford County	-	28,541	-	-	28,541
Disaster Aid Loans:					
Lyon County	22,187	-	-	(22,187)	-
Montgomery County	54,514	-	-	(54,514)	-
City of Des Moines	23,298	-	-	(23,298)	-
City of Volga	94,501	-	-	(11,813)	82,688
City of Dunkerton	60,000	-	-	(7,500)	52,500
Buchanan County	37,338	-	-	(9,335)	28,003
Emmet County	61,200	-	-	(15,300)	45,900
Total	\$ 16,320,554	\$ 16,963,356	\$ (12,925,501)	\$ (6,895,345)	\$ 13,463,064

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's 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*

To the Members of Executive Council of Iowa
Des Moines, Iowa

We have audited the financial statements of the governmental activities and General Fund of the Executive Council of Iowa as of and for the year ended June 30, 2008, which collectively comprise the Executive Council of Iowa's basic financial statements and have issued our report thereon dated December 10, 2008. 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 Executive Council of Iowa'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 Executive Council of Iowa's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Executive Council of Iowa's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 accounting principles generally accepted in the United States of America 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. We consider the deficiency 08-01 described below to be significant deficiencies in internal control over financial reporting.

08-01: Reconciliation of trial balance

Finding: The Council does not reconcile the trial balance to the State's accounting system. There is no formally established review process over the Council's trial balance.

Condition: The Council has not been reconciling the trial balance used to prepare the financial statements to the State's I3 accounting system. As a result, several significant entries were required for the 2008 year-end trial balance. In addition, there is no review of the trial balance by someone independent of maintaining the trial balance.

Effect: Year-end trial balance may not reconcile to the I3 accounting system.

Recommendation: We recommend the Council reconcile the trial balance to the State's I3 accounting system and implement a separate review of this reconciliation in concurrence of the review of the financial statements.

Response and corrective actions taken: The accounting department responsible for financial recording and reporting for the performance of duty program maintains an excel spreadsheet which details the activity in each job, a balance for each individual job, and the resulting grand total for each year-specific appropriation. The appropriation balances from the excel spreadsheet are reconciled with the I/3 accounting system periodically throughout the year.

In fiscal year 2008, the accounting department recorded the refund of money by a department as a revenue, instead of as a decrease to an expense, on the excel spreadsheet. While balances were correct and balanced to I/3, revenues were overstated and expenses were understated on the trial balance.

Going forward, the accounting department will adjust its reconciling process of the trial balance system to the State's I/3 accounting system to include revenues and expenses in addition to ending balances.

Conclusion: Response accepted.

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 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 internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider 08-01 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Executive Council of Iowa'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*.

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 those specified parties.

McGladrey & Pullen, LLP

Davenport, Iowa
December 10, 2008