

# **Executive Council of Iowa**

Financial Report  
June 30, 2012

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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, 2012, 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, 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 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, 2012, 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, 2012, 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 June 10, 2013, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 4 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*McGladrey LLP*

Des Moines, Iowa  
June 10, 2013

## **Executive Council of Iowa**

### **Management's Discussion and Analysis Year Ended June 30, 2012**

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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, 2012. 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 \$8,424,067 less for fiscal year 2012 than for fiscal year 2011. 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.

#### **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 financial 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, 2012

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

The Council had total net assets of \$12,217,100 at June 30, 2012. Total assets decreased \$2,181,826, primarily due to a decrease in unexpended appropriations.

Council's Net Assets		
	2012	2011
Assets:		
Unexpended appropriations	\$ 11,962,362	\$ 14,124,876
Due from other governments	254,738	274,050
<b>Total assets</b>	<b>\$ 12,217,100</b>	<b>\$ 14,398,926</b>
 Total net assets, restricted for disaster aid	 <b>\$ 12,217,100</b>	 <b>\$ 14,398,926</b>

Council's Changes in Net Assets		
	2012	2011
Total revenues	\$ 8,996,234	\$ 17,617,101
Total expenses	11,178,060	11,081,296
<b>Change in net assets</b>	<b>(2,181,826)</b>	<b>6,535,805</b>
 Net assets, beginning of year	 14,398,926	 7,863,121
Net assets, end of year	<b>\$ 12,217,100</b>	<b>\$ 14,398,926</b>

#### 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, 2012

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	General Fund Balance Sheet	Adjustments	Statement of Net Assets
Assets:			
Unexpended appropriations	\$ 11,962,362	\$ -	\$ 11,962,362
Due from other governments	254,738	-	254,738
<b>Total assets</b>	<u>\$ 12,217,100</u>	<u>\$ -</u>	<u>\$ 12,217,100</u>
 Fund balance, restricted for disaster aid	<u>\$ 12,217,100</u>	\$ (12,217,100)	\$ -
 Net assets, restricted for disaster aid		12,217,100	12,217,100
<b>Total net assets</b>		<u>\$ -</u>	<u>\$ 12,217,100</u>

See 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, 2012**

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	<u>General Fund</u> Statement of Revenues, Expenditures and Changes in Fund Balance	Adjustments	Statement of Activities
General revenues, state appropriations	\$ 8,996,234	\$ -	\$ 8,996,234
Expenditures/expenses:			
Current:			
Administration and regulation:			
Professional and scientific	713,668	-	713,668
Performance of duty	9,740,564	-	9,740,564
Disaster aid loan repayments reverted	19,312	-	19,312
Other reversions	704,516	-	704,516
<b>Total expenditures/expenses</b>	<b>11,178,060</b>	<b>-</b>	<b>11,178,060</b>
<b>Net change in fund balance/       net assets</b>	<b>(2,181,826)</b>	<b>-</b>	<b>(2,181,826)</b>
Fund balance/net assets, beginning of year	14,398,926	-	14,398,926
Fund balance/net assets, end of year	<u>\$ 12,217,100</u>	<u>\$ -</u>	<u>\$ 12,217,100</u>

See Notes to Financial Statements.

## Executive Council of Iowa

### Notes to Financial Statements

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#### **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 Code of Iowa of 1860. The duties of the Council, detailed in Chapter 7D and various other chapters of the Code of Iowa, include: acting on State of Iowa (the State) activities, as assigned to the Council by the Code 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 entity. The accompanying financial statements present only that portion of the General Fund of the State which 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 fund 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 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 included among program revenues are reported instead as general revenues.

## Executive Council of Iowa

### Notes to Financial Statements

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#### **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 year or soon enough thereafter to pay liabilities of the current year. For this purpose, the Council considers revenues to be available if they are collected or appropriated within 60 days of the end of the current fiscal year. Appropriations received within 60 days after year-end for events that occurred prior to year-end are included in revenues for the fiscal year. 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 the Council determines 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 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, the Council determines which appropriations are not needed and those 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 balance: In the governmental fund financial statements, fund balances are classified and reported in categories which describe the extent to which certain resources may be spent. Resources are categorized as spendable or non-spendable.

## Executive Council of Iowa

### Notes to Financial Statements

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

Spendable fund balances include resources that are in spendable form (e.g. cash) and are available for spending. The spendable fund balance of the Council is further classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

The fund balance restricted at June 30, 2012 consists of \$12,217,100 for disaster aid loans and specific projects of the performance of duty account as appropriated.

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 \$12,217,100 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, 2012:

Name	Title
Executive Council Members:	
Honorable Terry E. Branstad	Governor
Honorable Matt Schultz	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

## Executive Council of Iowa

### Notes to Financial Statements

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#### 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, 2012 are as follows:

City of Volga	\$ 35,438
City of Dunkerton	22,500
City of Eldora	<u>196,800</u>
<b>Total</b>	<b><u><u>\$ 254,738</u></u></b>

**Executive Council of Iowa**

**Combining Schedule of Revenues, Expenditures and Changes  
in Fund Balance/Statement of Activities  
Year Ended June 30, 2012**

	Drainage Assessments	Court Costs	Performance of Duty	Total
General revenues, state appropriations	\$ 167,793	\$ 545,875	\$ 8,282,566	\$ 8,996,234
Expenditures/expenses:				
Current:				
Administration and regulation:				
Professional and scientific	167,793	545,875	-	713,668
Performance of duty	-	-	9,740,564	9,740,564
Disaster aid loan repayments reverted	-	-	19,312	19,312
Other reversions	-	-	704,516	704,516
<b>Total expenditures/       expenses</b>	<b>167,793</b>	<b>545,875</b>	<b>10,464,392</b>	<b>11,178,060</b>
<b>Net change in fund       balance/net assets</b>	<b>-</b>	<b>-</b>	<b>(2,181,826)</b>	<b>(2,181,826)</b>
Fund balance/net assets, beginning of year	-	-	14,398,926	14,398,926
Fund balance/net assets, end of year	\$ -	\$ -	\$ 12,217,100	\$ 12,217,100

**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, 2012**

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Subdivision	Date of Loan	Original Amount	Balance July 1, 2011	Loans Disbursed	Payments Received	Balance June 30, 2012
City of Volga	7/07/00	\$ 112,500	\$ 47,250	\$ -	\$ 11,812	\$ 35,438
City of Dunkerton	11/22/00	93,347	30,000	-	7,500	22,500
City of Eldora	8/25/10	196,800	196,800	-	-	196,800
<b>Total</b>		<b>\$ 402,647</b>	<b>\$ 274,050</b>	<b>\$ -</b>	<b>\$ 19,312</b>	<b>\$ 254,738</b>

**Executive Council of Iowa**

**Schedule of Results of Operations and Changes in Account Balances by Allocation -  
Performance of Duty Account  
Year Ended June 30, 2012**

	Account Balance July 1, 2011	Revenues	Expenditures	Reversions	Account Balance June 30, 2012
2006-2007:					
HSEMD - 2007 Severe Winter Storms	\$ 57,595	\$ 474,871	\$ (474,871)	\$ -	\$ 57,595
HSEMD - 2007 Severe Winter Storms	70,892	-	-	-	70,892
HSEMD - 2007 Severe Storms/Tornadoes/ Flooding	925,230	-	-	-	925,230
2007-2008:					
DHS - Cherokee Water Damage	72,801	-	-	-	72,801
HSEMD - 2007 Severe Storms and Flooding	543,569	-	-	-	543,569
HSEMD - 2007 Severe Winter Storms	664,435	260,000	(527,647)	-	396,788
HSEMD - 2008 Severe Storms/Tornadoes/ Flooding	10,760,750	-	(2,700,000)	-	8,060,750
2008-2009:					
ICN - Flood Damage Cedar Rapids Schools	51,964	-	-	-	51,964
ICN - Flood Damage Linn County Federal Courthouse	75,879	-	-	-	75,879
2009-2010:					
DAS - Capitol Building Chiller Pipe Break	11,904	-	(11,904)	-	-
DAS - Collapse of North Hillside	115,824	4,788	(120,612)	-	-
DAS - Eldora State Training School Storm Damage	328,700	-	(270,479)	-	58,221
DNR - Brushy Creek Hail Damage	4,140	-	-	-	4,140
DNR - Pine Lake State Park Hail and Storm Damage	78,375	-	-	-	78,375
<b>Subtotal forward</b>	<b>13,762,058</b>	<b>739,659</b>	<b>(4,105,513)</b>	<b>-</b>	<b>10,396,204</b>

(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, 2012**

	Account Balance July 1, 2011	Revenues	Expenditures	Reversions	Account Balance June 30, 2012
<b>Subtotal forwarded</b>	13,762,058	739,659	(4,105,513)	-	10,396,204
2010-2011:					
DAS - Ankeny Labs Water Line Break	2,673	-	(2,673)	-	-
DAS - Central Energy Plant Storm Damage	5,442	2,989	(8,431)	-	-
DAS - Lightning Strike Iowa Building	18,956	-	(14,833)	(4,123)	-
DHS - Severe Storms	-	-	140,926	(140,926)	-
DHS - Severe Storms	-	-	17,740	(17,740)	-
DHS - Severe Storms	-	-	314,470	(314,470)	-
DNR - Flooding Damage to Several Iowa State Parks	196,765	-	(62,594)	-	134,171
DOC - Iowa State Penitentiary Fort Madison Lightning Damage	10,250	-	(10,100)	(150)	-
DPS - Hail Damage to Vehicles	3,976	-	-	-	3,976
DPS - Hail Damage to Vehicles	16,510	-	-	-	16,510
DPS - Hail Damage to Vehicles	6,318	-	-	-	6,318
DPS - Hail Damage to Vehicles	3,095	571	(571)	-	3,095
DPS - Lightning and Water Damage at District 1 Office in Fort Dodge	6,951	-	(6,894)	(57)	-
DPS - Power Surge Damage at District 1 Office	17,046	-	(17,046)	-	-
DPS - Vehicle Storm Damage	3,787	-	(3,787)	-	-
HSEMD - 2009 Severe Storms	-	8,500	(8,500)	-	-
HSEMD - 2009 Severe Storms	-	95,000	(95,000)	-	-
HSEMD - 2010 Severe Storms	-	1,056,020	(1,056,020)	-	-
HSEMD - 2010 Severe Storms	-	265,500	(265,500)	-	-
HSEMD - 2010 Severe Storms	-	2,586,488	(2,586,488)	-	-
HSEMD - 2010 Severe Storms	-	130,000	(130,000)	-	-
HSEMD - 2010 Severe Storms	-	425,000	(425,000)	-	-
ICN - Equipment Damage Burlington	16,195	-	-	-	16,195
ICN - Fiber Optic Cable Damage in Jasper County	22,086	-	-	-	22,086
ICN - Fiber Optic Cable Damage in Warren County	21,827	-	(20,113)	(1,714)	-
IWD - Flooding Damage to IWD Office in Manchester	10,941	-	(10,941)	-	-
<b>Subtotal forward</b>	14,124,876	5,309,727	(8,356,868)	(479,180)	10,598,555

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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, 2012**

	Account Balance July 1, 2011	Revenues	Expenditures	Reversions	Account Balance June 30, 2012
<b>Subtotal forwarded</b>	14,124,876	5,309,727	(8,356,868)	(479,180)	10,598,555
2011-2012:					
DAS - Ankeny Labs Lightning Strike	-	2,861	(2,861)	-	-
DAS - Central Energy Plant Lightning Strike	-	5,836	(5,836)	-	-
DAS - Lightning Strike Iowa Building	-	4,885	(4,885)	-	-
DAS - Lightning Strike Capitol Building	-	2,533	(2,533)	-	-
DAS - Power Surge Damage at Capitol Complex	-	20,376	(20,376)	-	-
DHS - Cherokee Mental Health Institute Storm Damage	-	12,000	-	-	12,000
DHS - Eldora State Training School Storm Damage	-	2,334	(2,334)	-	-
DHS - Iowa Juvenile Home Damage	-	13,788	(13,788)	-	-
DHS - Missouri River Flooding	-	76,000	(76,000)	-	-
DHS - Severe Flooding	-	110,496	(90,715)	(19,781)	-
DHS - Severe Storms	-	46,921	(46,921)	-	-
DHS - Severe Storms	-	585,000	(488,466)	(96,534)	-
DHS - Severe Storms	-	30,888	(27,135)	(3,753)	-
DHS - Storm Damage in Fremont and Union Counties	-	200,000	(200,000)	-	-
DHS - Storm Damage to Glenwood Resource Center	-	425,912	(6,242)	(84,060)	335,610
DNR - Damage to State Park Trails Office	-	5,385	-	-	5,385
DNR - Fire Damage at State Parks Trails Office	-	498,233	-	-	498,233
DNR - Flooding Damage to Brushy Creek State Park	-	40,000	-	-	40,000
DNR - Flooding Damage to Several Iowa State Parks	-	11,735	(3,454)	(8,281)	-
DNR - Storm Damage at Lake of Three Fires State Park	-	34,473	-	-	34,473
DNR - Storm Damage at Viking Lake State Park	-	129,984	-	-	129,984
DNR - Storm Damage at Wapsipinicon State Park	-	15,561	-	-	15,561
DNR - Union Grove State Park Storm Damage	-	40,950	-	-	40,950
DOC - Newton Correctional Facility Loop Failure	-	15,872	(15,872)	-	-
DOC - Wind Damage to Correctional Facility	-	7,367	(7,367)	-	-
DPS - Hail Damage to Vehicles and State Radio	-	205,533	(81,887)	-	123,646
DPS - Hail Damage to Vehicles	-	8,303	(1,563)	-	6,740
DPS - Vehicle and Building Storm Damage	-	17,907	(10,076)	(7,831)	-
DPS - Hail Damage to Vehicles	-	2,481	-	(2,481)	-
DPS - Hail Damage to Vehicles	-	4,515	-	-	4,515
HSEMD - 2011 Severe Storms and Flooding	-	128,812	(128,812)	-	-
HSEMD - 2011 Severe Storms, Straight-Line Winds and Flooding	-	90,389	(90,389)	-	-
<b>Subtotal forward</b>	14,124,876	8,107,057	(9,684,380)	(701,901)	11,845,652

(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, 2012**

	Account Balance July 1, 2011	Revenues	Expenditures	Reversions	Account Balance June 30, 2012
<b>Subtotal forwarded</b>	14,124,876	8,107,057	(9,684,380)	(701,901)	11,845,652
2011-2012:					
ICN - Fiber Optic Cable Damage in Cerro Gordo County	-	14,009	(14,009)	-	-
ICN - Fiber Optic Cable Damage in Cerro Gordo County	-	6,832	-	-	6,832
ICN - Fiber Optic Cable Damage in Delaware County	-	10,370	-	-	10,370
ICN - Fiber Optic Cable Damage in Hancock County	-	13,983	-	-	13,983
ICN - Fiber Optic Cable damage in Johnson County	-	10,499	-	-	10,499
ICN - Fiber Optic Cable Damage at Little Turkey River	-	10,219	-	-	10,219
ICN - Fiber Optic Cable Damage in Lucas County	-	17,757	-	-	17,757
ICN - Fiber Optic Cable Damage in Shelby County	-	6,372	-	-	6,372
ICN - Fiber Optic Cable Damage Wapello County	-	11,416	-	-	11,416
IHSEMD - Maquoketa Caves Rescue	-	10,462	(10,462)	-	-
ISF - Fire Damage to State Fair Warehouse	-	29,262	-	-	29,262
ISP - Damage to Iowa State Patrol Aircraft	-	34,328	(31,713)	(2,615)	-
Disaster Aid Loans:					
City of Dunkerton	30,000	-	-	(7,500)	22,500
City of Eldora	196,800	-	-	-	196,800
City of Volga	47,250	-	-	(11,812)	35,438
<b>Total</b>	<b>\$ 14,398,926</b>	<b>\$ 8,282,566</b>	<b>\$ (9,740,564)</b>	<b>\$ (723,828)</b>	<b>\$ 12,217,100</b>

# Executive Council of Iowa

Report to the Members of the  
Executive Council of Iowa

June 10, 2013



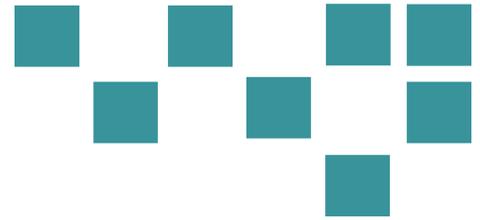
June 10, 2013

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

We are pleased to present this report related to our audit of the financial statements of the Executive Council of Iowa for the year ended June 30, 2012. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for Executive Council of Iowa's financial reporting process.

This report is intended solely for the information and use of the Executive Council of Iowa and management and is not intended to be and should not be used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have regarding this report. We appreciate the opportunity to continue to be of service to the Executive Council of Iowa.

*McGladrey LLP*



# Contents

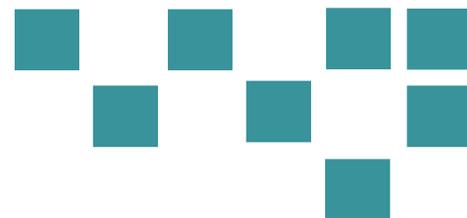
**Required Communications** ..... 1 – 2

**Exhibit A – Significant Written Communications between Management and Our Firm**

Representation Letter

**Exhibit B – 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***

# Required Communications



Auditing guidance requires the auditor to communicate certain matters to keep those charged with governance adequately informed about matters related to the financial statement audit that are, in our professional judgment, significant and relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. The following summarizes these communications:

Area	Comments
<b>Auditor's Responsibility Under Professional Standards</b>	Our responsibility under auditing standards generally accepted in the United States of America and <i>Government Auditing Standards</i> , issued by the Comptroller General of the United States, has been described to you in our arrangement letter dated September 11, 2012.
<b>Accounting Practices</b>	<b>Adoption of, or Change in, Accounting Policies</b> Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Council. In the current year, the Council did not adopt any significant new accounting policies that had an effect on the financial statements, nor have there been any changes in existing significant accounting policies during the current period.  <b>Significant or Unusual Transactions</b> We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.  <b>Alternative Treatments Discussed with Management</b> We did not discuss with management any alternative treatments within generally accepted accounting principles for accounting policies and practices related to material items during the current audit period.
<b>Management's Judgments and Accounting Estimates</b>	There are no significant accounting estimates.
<b>Audit Adjustments</b>	There was one audit adjustment made to the original trial balance presented to us to begin our audit. This adjustment was related an unposted prior year audit adjustment audit and decreased unexpended appropriations by \$11,027,680, appropriations of \$8,500 and net assets by \$11,036,180.
<b>Disagreements with Management</b>	We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the financial statements.
<b>Consultations with Other Accountants</b>	We are not aware of any consultations management had with other accountants about accounting or auditing matters.

Area	Comments
<b>Significant Issues Discussed with Management</b>	No significant issues arising from the audit were discussed or were the subject of correspondence with management.
<b>Difficulties Encountered in Performing the Audit</b>	We did not encounter any difficulties in dealing with management during the audit.
<b>Accounting Pronouncements</b>	Management has determined GASB Statement Nos. 60, 61, 62, 63, 65, 66, 67 and 68 will not have a material effect on the financial statements and have chosen not to disclose these statements in the financial statements.
<b>Significant Written Communications Between Management and Our Firm</b>	Copies of significant written communications between our firm and the management of the Council are attached as Exhibit A.
<b>Report on Internal Control Over Financial Reporting and on Compliance and Other Matters</b>	The Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> is attached as Exhibit B.

# **Exhibit A – Significant Written Communications between Management and Our Firm**



**Telephone: (515) 281-5368**  
**Fax: (515) 281-7562**

**Michael L. Fitzgerald**  
**Treasurer of State**  
**Capitol Building**  
**Des Moines, Iowa 50319-0005**

**E-Mail: [treasurer@iowa.gov](mailto:treasurer@iowa.gov)**  
**Web: [www.treasurer.state.ia.us](http://www.treasurer.state.ia.us)**

June 10, 2013

McGladrey LLP  
400 Locust Street, Suite 640  
Des Moines, Iowa 60309

In connection with your audit of the financial statements of the Executive Council of Iowa (the Council), including 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, as of and for the year ended June 30, 2012, we confirm that we are responsible for the fair presentation in the financial statements of financial position, changes in financial position, and cash flows in conformity with accounting principles generally accepted in the United States of America.

We confirm to the best of our knowledge and belief, as of June 10, 2013, the following representations made to you during your audit:

1. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America.
2. The Council is a multi-member body established by the Code of Iowa to act on specific matters on behalf of the State of Iowa and is included in the State's primary government as this term is defined in Section 2100 of the Governmental Accounting Standards Board's Codification of Governmental Accounting and Financial Reporting Standards. The audit of the basic financial statements of the Council includes 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.
3. We have identified for you all of our funds and governmental functions.
4. We have properly classified all funds and activities.
5. We are responsible for compliance with laws and regulations applicable to the Council.
6. We have identified and disclosed to you all laws and regulations that have a direct and material effect on the determination of financial statement amounts including legal and contractual provisions for reporting specific activities in separate funds.
7. We have made available to you:
  - a. All financial records and related data of all funds and activities.
  - b. All minutes of the meetings of the Council or summaries of actions of recent meetings for which minutes have not yet been prepared.

8. There have been no communications from grantors, lenders, other funding sources, or regulatory agencies concerning noncompliance with:
  - a. Statutory, regulatory or contractual provisions or requirements.
  - b. Financial reporting practices.
9. We have no knowledge of fraud or suspected fraud affecting the Council involving:
  - a. Management.
  - b. Employees who have significant roles in the internal control, or
  - c. Others where the fraud could have a material effect on the financial statements.
10. We acknowledge our responsibility for the design and implementation of programs and controls to provide reasonable assurance that fraud is prevented and detected.
11. We have no knowledge of any allegations of fraud or suspected fraud affecting the Council received in communications from employees, former employees, analysts, regulators or others.
12. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the entity's ability to record, process, summarize, and report financial data.
13. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
14. The following have been properly recorded and/or disclosed in the financial statements:
  - a. Due from other governments.
  - b. Appropriations and unexpended appropriations.
15. There are no accounting estimates included in the financial statements.
16. There are no:
  - a. Material transactions that have not been properly recorded in the accounting records underlying the financial statements.
  - b. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency. In that regard, we specifically represent that we have not been designated as, or alleged to be, a "potentially responsible party" by the Federal Environmental Protection Agency or any equivalent state agencies in connection with any environmental contamination.
  - c. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by Statement of Financial Accounting Standards No. 5 and/or GASB Statement No. 10.
  - d. Capital assets.
  - e. Risk retention.
  - f. Guarantees, whether written or oral, under which the Council is contingently liable.

- g. Line of credit or similar arrangements.
  - h. Agreements to repurchase assets previously sold.
  - i. Security agreements in effect under the Uniform Commercial Code.
  - j. Liens or encumbrances on assets or revenues or any assets or revenues which were pledged as collateral for any liability or which were subordinated in any way.
  - k. Debt issue provisions.
  - l. Contractual obligations for construction and purchase of real property or equipment not included in the liabilities or encumbrances recorded on the books.
  - m. Liabilities which are subordinated in any way to any other actual or possible liabilities.
  - n. Debt issue repurchase options or agreements, or sinking fund debt repurchase ordinance requirements.
  - o. Leases or material amounts of rental obligations under long-term leases.
  - p. Significant estimates or material concentrations known to management which are required to be disclosed in accordance with the AICPA's Statement of Position No. 94-6, *Disclosure of Certain Significant Risks and Uncertainties*. Significant estimates are estimates at the balance sheet date which could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets for which events could occur which would significantly disrupt normal finances within the next year.
  - q. Authorized but unissued bonds and/or notes.
  - r. Risk financing activities.
  - s. Derivative financial instruments.
  - t. New accounting pronouncements that will have a material effect on the Council. In that regard, disclosure of GASB Statement Nos. 61, 62, 63, 65, 66, 67 and 68 are not applicable.
  - u. Special or extraordinary items.
  - v. Pension obligations, postretirement benefits other than pensions, or deferred compensation agreements attributable to employee services rendered through June 30, 2012.
  - w. Material losses to be sustained in the fulfillment of, or from the inability to fulfill, any service commitments.
  - x. Material losses to be sustained as a result of purchase commitments.
  - y. Environmental cleanup obligations.
  - z. Cash, investments or deposits.
17. We are not aware of any pending or threatened litigation, claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with Statement of Financial Accounting Standards No. 5 and/or GASB Statement No. 10 and we have not consulted a lawyer concerning litigation claims or assessments.

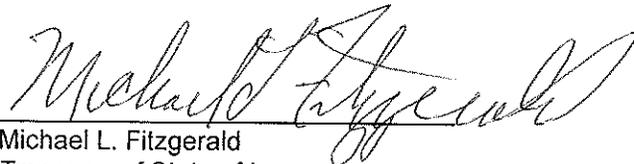
18. We have no direct or indirect, legal or moral, obligation for any debt of any organization, public or private that is not disclosed in the financial statements.
19. We have satisfactory title to all owned assets.
20. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
21. Net asset components (restricted and unrestricted) and fund balances are properly classified and, when applicable, approved.
22. Expenses have been appropriately classified.
23. Revenues are appropriately classified.
24. With respect to supplementary information presented in relation to the basic financial statements as a whole:
  - a. We acknowledge our responsibility for the presentation of such required supplementary information.
  - b. We believe such required supplementary information is measured and presented in accordance with guidelines prescribed by accounting principles generally accepted in the United States of America.
  - c. The methods of measurement or presentation have not changed from those used in the prior year.
25. With respect to Management's Discussion and Analysis required by the Governmental Accounting Standards Board to supplement the basic financial statements:
  - a. We acknowledge our responsibility for the presentation of such required supplementary information.
  - b. We believe such required supplementary information is measured and presented in accordance with guidelines prescribed by accounting principles generally accepted in the United States of America.
  - c. The methods of measurement or presentation have not changed from those used in the prior period.
26. We are responsible for and have reviewed and approved the proposed adjustment to the trial balance identified during the audit and will post the adjustment accordingly.
27. In connection with your audit, conducted in accordance with *Government Auditing Standards*, we confirm:
  - a. We are responsible for:
    - i. Compliance with the laws, regulations and provisions of contracts and grant agreements applicable to the Council.
    - ii. Establishing and maintaining effective internal control over financial reporting.
  - b. We have identified and disclosed to you:
    - i. All laws, regulations and provisions of contracts and grant agreements that have a direct and material effect on the determinations of financial statement amounts or other financial data significant to audit objectives.

- ii. There are no violations (or possible violations) of laws, regulations, and provisions of contracts and grant agreements whose effects should be considered for disclosure in the auditor's report on noncompliance.
- c. We have a process to track the status of audit findings and recommendations.
- d. We have identified for you previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of the audit being undertaken and the corrective action taken to address significant findings and recommendations.
- e. We have reviewed, approved, and take full responsibility for the financial statements and related notes and acknowledge the auditor's role in the preparation of this information.

We are responsible for determining that significant events or transactions that have occurred since the Governmental Fund Balance Sheet/Statement of Net Assets date and through June 10, 2013 have been recognized or disclosed in the basic financial statements. No events or transactions have occurred subsequent to the Governmental Fund Balance Sheet/Statement of Net Assets date and through June 10, 2013 that would require recognition, or disclosure in, the basic financial statements. We further represent that as of June 10, 2013, the basic financial statements were complete in a form and format that complied with accounting principles generally accepted in the United States of America and all approvals necessary for issuance of the basic financial statements had been obtained.

During the course of your audit, you may have accumulated records containing data which should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

**Executive Council of Iowa**

  
Michael L. Fitzgerald  
Treasurer of State of Iowa

  
Stefanie Devin  
Financial Officer, State Treasurer's Office

**Exhibit B – 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***



**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, 2012, which collectively comprise the Executive Council of Iowa's basic financial statements and have issued our report thereon dated June 10, 2013. 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**

Management of the Executive Council of Iowa is responsible for establishing and maintaining effective 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.

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 material weakness is a deficiency, or 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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 management and is not intended to be and should not be used by anyone other than those specified parties.

A handwritten signature in black ink that reads "McGladrey LLP".

Des Moines, Iowa  
June 10, 2013