



**OFFICE OF AUDITOR OF STATE
STATE OF IOWA**

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

NEWS RELEASE

FOR RELEASE April 9, 2004

Contact: Andy Nielsen
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the Iowa Turkey Marketing Council for the years ended December 31, 2003 and 2002.

The purpose of the Council is to develop and expand the market for turkeys and turkey products, to improve the production and marketing within Iowa through cooperation with regional and national affiliates and to obtain and distribute useful research and educational materials.

Vaudt reported the Council's net turkey producer fee revenue totaled \$218,740 for the year ended December 31, 2003, a 7.6% increase from 2002.

Expenses for the year ended December 31, 2003 totaled \$275,119, an increase of 29.3% from the prior year, and included \$66,554 for salaries and benefits and \$85,691 for promotional development. The increase in expenses was primarily due to a \$50,000 contribution provided to the Iowa Turkey Federation to assist in the purchase of a jointly owned facility in Ames, Iowa.

A copy of the audit report is available for review in the Office of Auditor of State and the Iowa Turkey Marketing Council.

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IOWA TURKEY MARKETING COUNCIL
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

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Iowa Turkey Marketing Council

Officials

Name

Title

State

Honorable Thomas J. Vilsack
Cynthia P. Eisenhauer
Dennis C. Prouty

Governor
Director, Department of Management
Director, Legislative Services Agency

Council

Ray Team
Bob Grahlman
Tony Helfter
Dick Kirchoff
Pam Larson
Dr. Dong Ahn
Harold Hommes
Honorable Patty Judge

Chairperson
Member
Member
Member
Member
Member
Member
Secretary, Iowa Department of Agriculture
and Land Stewardship

Agency

Gretta Irwin

Executive Director/Council Secretary

Iowa Turkey Marketing Council



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Independent Auditor's Report


To the Members of the Iowa Turkey
Marketing Council:

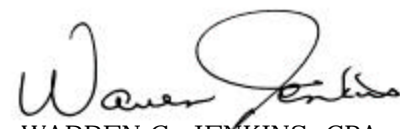
We have audited the accompanying financial statements, listed as exhibits in the table of contents of this report, of the Iowa Turkey Marketing Council, as of and for the years ended December 31, 2003 and 2002. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards, 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 and provisions require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Iowa Turkey Marketing Council at December 31, 2003 and 2002, and the results of its operations and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 19, 2004 on our consideration of the Iowa Turkey Marketing Council's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.


DAVID A. VAUDT, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 19, 2004

Iowa Turkey Marketing Council

Financial Statements

Exhibit A

Iowa Turkey Marketing Council
Statements of Financial Position
December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Assets		
Current assets:		
Cash (note 2)	\$ 74,076	136,993
Due from turkey processors	28,091	26,402
Total current assets	<u>102,167</u>	<u>163,395</u>
Furniture and equipment (net of accumulated depreciation of \$8,064 and \$6,470)	<u>5,443</u>	<u>6,937</u>
Total assets	<u>\$ 107,610</u>	<u>170,332</u>
Liabilities and Net Assets		
Current liabilities:		
Refunds payable	\$ 20,176	27,750
Compensated absences	1,249	1,221
Total current liabilities	<u>21,425</u>	<u>28,971</u>
Net assets - unrestricted	<u>86,185</u>	<u>141,361</u>
Total liabilities and net assets	<u>\$ 107,610</u>	<u>170,332</u>

See notes to financial statements.

Iowa Turkey Marketing Council

Statements of Revenues, Expenses and Changes in Net Assets

Years ended December 31, 2003 and 2002

	2003	2002
Operating revenues:		
Turkey producer fees	\$ 419,380	390,410
Less out of state refunds	(200,640)	(187,148)
Net operating revenues	<u>218,740</u>	<u>203,262</u>
Operating expenses (note 5):		
Salaries and benefits	66,554	65,029
Travel and subsistence	7,581	3,394
Promotional development	85,691	67,454
Education and research	30,380	19,409
Office supplies	964	764
Telephone	1,337	1,438
Office rent/building expense	24,000	44,511
Iowa Turkey Federation contribution	50,000	-
Postage	1,093	1,457
Insurance	2,197	1,861
Equipment maintenance	3,102	3,145
Depreciation	1,594	1,546
Memberships	100	280
Registration and subscriptions	526	2,473
Total operating expenses	<u>275,119</u>	<u>212,761</u>
Operating loss	(56,379)	(9,499)
Non-operating revenues:		
Interest income	<u>1,203</u>	<u>2,855</u>
Changes in net assets	(55,176)	(6,644)
Net assets beginning of year	<u>141,361</u>	<u>148,005</u>
Net assets end of year	<u>\$ 86,185</u>	<u>141,361</u>

See notes to financial statements.

Exhibit C

Iowa Turkey Marketing Council

Statements of Cash Flows

Years ended December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Cash flows from operating activities:		
Cash received from processors	\$ 209,476	211,157
Cash payments to suppliers for goods and services	(206,971)	(137,372)
Cash payments to employees for services	(66,525)	(64,762)
Net cash provided (used) by operating activities	(64,020)	9,023
Cash flows from investing activities:		
Interest received	1,203	2,855
Cash flows from capital and related financing activities:		
Acquisition of furniture and equipment	(100)	(616)
Net increase (decrease) in cash and cash equivalents	(62,917)	11,262
Cash and cash equivalents beginning of year	136,993	125,731
Cash and cash equivalents end of year	<u>\$ 74,076</u>	<u>136,993</u>
Reconciliation of operating loss to net cash provided (used) by operating activities:		
Operating loss	<u>\$ (56,379)</u>	<u>(9,499)</u>
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation	1,594	1,546
Changes in assets and liabilities:		
(Increase) decrease in due from turkey processors	(1,689)	13,229
Increase (decrease) in refunds payable	(7,574)	3,480
Increase in compensated absences	28	267
Total adjustments	(7,641)	18,522
Net cash provided (used) by operating activities	<u>\$ (64,020)</u>	<u>9,023</u>

See notes to financial statements.

Iowa Turkey Marketing Council

Notes to Financial Statements

December 31, 2003 and 2002

(1) Summary of Significant Accounting Policies

The purpose of the Iowa Turkey Marketing Council is to develop and expand the market for turkeys and turkey products, to improve the production and marketing within Iowa through cooperation with regional and national affiliates and to obtain and distribute useful research and educational materials. Statutory authority for the Iowa Turkey Marketing Council is included under Chapter 184A of the Code of Iowa. Funding is provided by a fee imposed on producers of turkeys sold for processing.

- A. Reporting Entity - For financial reporting purposes, the Iowa Turkey Marketing Council has included all funds, organizations, agencies, boards, commissions, and authorities. The Council has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Council are such that exclusion would cause the Council's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria included appointing a voting majority of an organization's governing body and (1) the ability of the Council to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Council. The Iowa Turkey Marketing Council has no component units which meet the Governmental Accounting Standards Board criteria.
- B. Basis of Accounting - The financial statements of the Iowa Turkey Marketing Council are prepared on the accrual basis.
- C. Cash and Cash Equivalents - For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.
- D. Furniture and Equipment - Furniture and equipment are capitalized at cost. Expenses for repairs and maintenance are charged against operations. The estimated lives for furniture and equipment range from five to ten years.
- E. Compensated Absences - The Council's executive director and office assistant may accumulate vacation for subsequent use or for payment upon retirement, death or termination. The Council has accrued a liability for its share of these compensated absences based on rates of pay in effect at the end of the fiscal year.
- F. Depreciation - Furniture and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets.
- G. Salaries Expense - Iowa Turkey Marketing Council employees perform functions which relate to both the Iowa Turkey Federation and the Iowa Turkey Marketing Council. Salary expenses are allocated 90% to the Council.

H. Income Taxes – The Council is exempt from taxation under Section 115 of the Internal Revenue Code.

(2) Deposits

The Council's deposits at December 31, 2003 and 2002 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

(3) Operating Lease

On January 1, 2001, the Council entered into a lease agreement with the Iowa Turkey Federation for rental of the jointly occupied facility located in Ames, Iowa for \$2,000 per month, or \$24,000 per year. The agreement expires at the end of December 2004.

(4) Risk Management

The Iowa Turkey Marketing Council is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Council assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(5) Related Party Transactions

The Council and the Iowa Turkey Federation work together in developing, promoting, maintaining, and expanding the turkey industry. Certain expenses are allocated, through mutual agreement, between the Council and the Iowa Turkey Federation, including salaries and benefits, travel and subsistence, office supplies, telephone, postage, and promotional development. The Council reimbursed the Iowa Turkey Federation \$71,909 and \$69,340 for the years ended December 31, 2003 and 2002, respectively, for its share of these expenses. The amounts paid to the Iowa Turkey Federation are distributed to the appropriate expense classifications on Exhibit B of the financial statements.

For the year ended December 31, 2003, the Council contributed \$50,000 to the Iowa Turkey Federation to assist in the purchase of a jointly occupied facility in Ames, Iowa.



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Independent Auditor's Report on Compliance
and on Internal Control over Financial Reporting

To the Members of the Iowa Turkey
Marketing Council:

We have audited the financial statements of the Iowa Turkey Marketing Council as of and for the year ended December 31, 2003, and have issued our report thereon dated February 19, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, 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.

Compliance

As part of obtaining reasonable assurance about whether the Council's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance 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 non-compliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Iowa Turkey Marketing Council'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 assurance 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 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 operations that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the members and customers of the Iowa Turkey Marketing Council and other parties to whom the Council may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Iowa Turkey Marketing Council during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

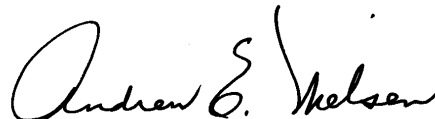
February 19, 2004

Iowa Turkey Marketing Council

Staff

This audit was performed by:

Ronald D. Swanson, CPA, Manager
Daniel L. Durbin, CPA, Staff Auditor
Jennifer R. Edgar, Assistant Auditor


Andrew E. Nielsen, CPA
Deputy Auditor of State