



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

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Auditor of State

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**NEWS RELEASE**

FOR RELEASE

August 20, 2009

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, 2008 and 2007.

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 \$265,582 for the year ended December 31, 2008, a 5.0% increase over 2007. The increase in net revenue was primarily due to a decrease in the amount of refunds paid to other states during 2008 compared to 2007.

Expenses for the year ended December 31, 2008 totaled \$247,638, a decrease of 14.9% from the prior year, and included \$92,507 for salaries and benefits and \$95,904 for promotional development. The decrease in expenses was primarily due to a decrease in promotional development.

A copy of the audit report is available for review at the Iowa Turkey Marketing Council, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

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**IOWA TURKEY MARKETING COUNCIL**

**INDEPENDENT AUDITOR'S REPORTS  
FINANCIAL STATEMENTS  
SCHEDULE OF FINDINGS**

**DECEMBER 31, 2008 and 2007**

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## Iowa Turkey Marketing Council

### Officials

Name

Title

#### State

Honorable Chester J. Culver  
Dick Oshlo  
Glen Dickinson

Governor  
Interim Director, Department of Management  
Director, Legislative Services Agency

#### Council

Tim Doyle  
Todd Hill  
Cal Halstead  
Robert Achen  
Kim Reis  
Kristjn Braghdel  
Dr. Hongwei Xin  
Karey Claghorn

Chairperson  
Member  
Member  
Member  
Member  
Member  
Secretary designee, 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, 2008 and 2007. 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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, 2008 and 2007, 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 August 5, 2009 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, contracts 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.

DAVID A. VAUDT, CPA  
Auditor of State

WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

August 5, 2009

**Iowa Turkey Marketing Council**

## **Financial Statements**

**Exhibit A**

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Iowa Turkey Marketing Council  
Statements of Financial Position  
December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 98,118	80,626
Due from turkey processors	26,174	37,637
Total current assets	<u>124,292</u>	<u>118,263</u>
Furniture and equipment (net of accumulated depreciation)	<u>3,436</u>	<u>6,473</u>
<b>Total assets</b>	<b><u>\$ 127,728</u></b>	<b><u>124,736</u></b>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Refunds payable	\$ 11,251	13,318
Accounts payable	744	12,179
Compensated absences	1,754	1,454
Total current liabilities	<u>13,749</u>	<u>26,951</u>
Net assets - unrestricted	<u>113,979</u>	<u>97,785</u>
<b>Total liabilities and net assets</b>	<b><u>\$ 127,728</u></b>	<b><u>124,736</u></b>

See notes to financial statements.

Iowa Turkey Marketing Council

Statements of Revenues, Expenses and Changes in Net Assets

Years ended December 31, 2008 and 2007

	2008	2007
Operating revenues:		
Turkey producer fees	\$ 335,284	337,160
Less out of state refunds	(69,702)	(84,191)
Net operating revenues	<u>265,582</u>	<u>252,969</u>
Operating expenses (note 6):		
Salaries and benefits	92,507	83,490
Travel and subsistence	3,270	6,950
Promotional development	95,904	148,721
Education and research	21,034	24,415
Office supplies	1,873	1,179
Telephone	2,090	1,588
Office rent/building expense	7,200	7,200
Iowa Turkey Federation contribution	7,000	7,000
Postage	1,940	1,972
Insurance	3,746	3,827
Equipment/equipment maintenance	3,069	1,052
Depreciation	1,087	2,088
Memberships	1,500	1,221
Professional services	40	40
Registration and subscriptions	4,621	125
Miscellaneous	757	-
Total operating expenses	<u>247,638</u>	<u>290,868</u>
Operating income (loss)	17,944	(37,899)
Non-operating expenses:		
Loss on disposal of equipment	(1,750)	-
Changes in net assets	16,194	(37,899)
Net assets beginning of year	<u>97,785</u>	<u>135,684</u>
Net assets end of year	<u>\$ 113,979</u>	<u>97,785</u>

See notes to financial statements.

**Exhibit C**

## Iowa Turkey Marketing Council

## Statements of Cash Flows

Years ended December 31, 2008 and 2007

	2008	2007
Cash flows from operating activities:		
Cash received from processors	\$ 274,978	248,751
Cash paid to suppliers for goods and services	(165,480)	(191,951)
Cash paid to employees for services	(92,206)	(83,407)
Net cash provided (used) by operating activities	17,292	(26,607)
Cash flows from capital and related financing activities:		
Sale of capital asset	200	-
Increase (decrease) in cash and cash equivalents	17,492	(26,607)
Cash and cash equivalents beginning of year	80,626	107,233
Cash and cash equivalents end of year	\$ 98,118	80,626
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>		
Operating income (loss)	\$ 17,944	(37,899)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	1,087	2,088
Changes in assets and liabilities:		
(Increase) decrease in due from turkey processors	11,463	(12,947)
Decrease in prepaid expense	-	1,160
Increase (decrease) in refunds payable	(2,067)	8,729
Increase (decrease) in accounts payable	(11,436)	12,179
Increase in compensated absences	301	83
Total adjustments	(652)	11,292
Net cash provided (used) by operating activities	\$ 17,292	(26,607)

See notes to financial statements.

Iowa Turkey Marketing Council

Notes to Financial Statements

December 31, 2008

**(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 provided in 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 include 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 repair 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 the 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. Salaries expense is allocated 90% to the Council.
- H. Income Taxes – The Council is exempt from taxation under Section 115 of the Internal Revenue Code.

**(2) Cash and Cash Equivalents**

The Council's deposits in banks at December 31, 2008 and 2007 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) Furniture and Equipment**

A summary of furniture and equipment for the years ended December 31, 2008 and 2007 are as follows:

	Balance			Balance
<u>Year ended December 31, 2008:</u>	Jan 1, 2008	Additions	Deductions	Dec 31, 2008
Furniture and equipment	\$ 18,193	-	(4,875)	13,318
Less accumulated depreciation	(11,720)	(1,087)	2,925	(9,882)
Furniture and equipment, net	\$ 6,473	(1,087)	(1,950)	3,436

  

	Balance			Balance
<u>Year ended December 31, 2007:</u>	Jan 1, 2008	Additions	Deductions	Dec 31, 2008
Furniture and equipment	\$ 18,193	-	-	18,193
Less accumulated depreciation	(9,632)	(2,088)	-	(11,720)
Furniture and equipment, net	\$ 8,561	(2,088)	-	6,473

**(4) Operating Lease**

The Council leases space from the Iowa Turkey Federation in a jointly occupied facility located in Ames, Iowa for \$600 per month indefinitely.

**(5) 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.

**(6) 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 \$111,057 and \$98,912 for the years ended December 31, 2008 and 2007, 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.



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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 the Iowa Turkey  
Marketing Council:

We have audited the financial statements of the Iowa Turkey Marketing Council as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated August 5, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards 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 Iowa Turkey Marketing Council'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 our opinion on the effectiveness of the Iowa Turkey Marketing Council's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Iowa Turkey Marketing Council's internal control over financial reporting.

A control deficiency exists when the design or operation of the 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 Iowa Turkey Marketing Council's ability to initiate, authorize, record, process or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of the Iowa Turkey Marketing Council's financial statements that is more than inconsequential will not be prevented or detected by the Iowa Turkey Marketing Council's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the Iowa Turkey Marketing Council's internal control.

Our consideration of the 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 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 Iowa Turkey Marketing 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 or other matters that are required to be reported under Government Auditing Standards.

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

August 5, 2009

Iowa Turkey Marketing Council

Schedule of Findings

Year ended December 31, 2008

**Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITION:**

No matters were noted.

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Iowa Turkey Marketing Council

Staff

This audit was performed by:

Ernie H. Ruben, Jr., CPA, Manager  
Daniel L. Durbin, CPA, Staff Auditor  
Joshua Pronk, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a prominent initial "A" and a dot over the "i" in "Nielsen".

Andrew E. Nielsen, CPA  
Deputy Auditor of State