



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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David A. Vaudt, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE _____ October 13, 2010

Contact: Andy Nielsen
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Auditor of State David A. Vaudt today released an audit report on the Iowa Turkey Marketing Council for the years ended December 31, 2009 and 2008.

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 \$213,116 for the year ended December 31, 2009, a 19.8% decrease from 2008. The decrease in net revenue was primarily due to a decrease in the amount of turkey producer fees received during 2009 compared to 2008.

Expenses for the year ended December 31, 2009 totaled \$214,474, a decrease of 13.4% from the prior year, and included \$96,305 for salaries and benefits and \$88,131 for promotional development. The decrease in expenses was primarily due to a decrease in education and research during 2009 compared to 2008.

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/1060-0210-0000.pdf>.

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IOWA TURKEY MARKETING COUNCIL

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

DECEMBER 31, 2009 and 2008

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Iowa Turkey Marketing Council

Officials

Name

Title

State

Honorable Chester J. Culver
Richard C. Oshlo, Jr.
Glen P. Dickinson

Governor
Director, Department of Management
Director, Legislative Services Agency

Council

Tim Doyle
Todd Hill
Cal Halstead
Robert Achen
Kim Reis
Dr. Michael Persia
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, 2009 and 2008. 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, 2009 and 2008, 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 September 3, 2010 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

September 3, 2010

Iowa Turkey Marketing Council

Financial Statements

Exhibit A

Iowa Turkey Marketing Council
Statements of Financial Position
December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 95,204	98,118
Due from turkey processors	23,962	26,174
Prepaid expense	770	-
Total current assets	<u>119,936</u>	<u>124,292</u>
Furniture and equipment (net of accumulated depreciation)	<u>40</u>	<u>3,436</u>
Total assets	<u><u>\$ 119,976</u></u>	<u><u>127,728</u></u>
Liabilities and Net Assets		
Current liabilities:		
Refunds payable	\$ 4,779	11,251
Accounts payable	1,006	744
Compensated absences	4,245	1,754
Total current liabilities	<u>10,030</u>	<u>13,749</u>
Net assets - unrestricted	<u>109,946</u>	<u>113,979</u>
Total liabilities and net assets	<u><u>\$ 119,976</u></u>	<u><u>127,728</u></u>

See notes to financial statements.

Iowa Turkey Marketing Council

Statements of Revenues, Expenses and Changes in Net Assets

Years ended December 31, 2009 and 2008

	2009	2008
Operating revenues:		
Turkey producer fees	\$ 283,672	335,284
Less out of state refunds	(70,556)	(69,702)
Net operating revenues	<u>213,116</u>	<u>265,582</u>
Operating expenses (note 6):		
Salaries and benefits	96,305	92,507
Travel and subsistence	9,256	7,837
Promotional development	88,131	95,904
Education and research	600	21,034
Office supplies	1,515	1,873
Telephone	2,158	2,090
Office rent/building expense	7,200	7,200
Iowa Turkey Federation contribution	-	7,000
Postage	1,542	1,940
Insurance	3,657	3,746
Equipment/equipment maintenance	2,659	3,069
Depreciation	321	1,087
Memberships	100	1,500
Miscellaneous	1,030	851
Total operating expenses	<u>214,474</u>	<u>247,638</u>
Operating income (loss)	(1,358)	17,944
Non-operating expenses:		
Loss on disposal of equipment	(2,675)	(1,750)
Changes in net assets	(4,033)	16,194
Net assets beginning of year	<u>113,979</u>	<u>97,785</u>
Net assets end of year	<u>\$ 109,946</u>	<u>113,979</u>

See notes to financial statements.

Exhibit C

Iowa Turkey Marketing Council

Statements of Cash Flows

Years ended December 31, 2009 and 2008

	2009	2008
Cash flows from operating activities:		
Cash received from processors	\$ 208,856	274,978
Cash paid to suppliers for goods and services	(118,356)	(165,480)
Cash paid to employees for services	(93,814)	(92,206)
Net cash provided (used) by operating activities	(3,314)	17,292
Cash flows from capital and related financing activities:		
Sale of capital asset	400	200
Increase (decrease) in cash and cash equivalents	(2,914)	17,492
Cash and cash equivalents beginning of year	98,118	80,626
Cash and cash equivalents end of year	\$ 95,204	98,118
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (1,358)	17,944
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	321	1,087
Changes in assets and liabilities:		
Decrease in due from turkey processors	2,212	11,463
(Increase) in prepaid expense	(770)	-
(Decrease) in refunds payable	(6,472)	(2,067)
Increase (decrease) in accounts payable	262	(11,436)
Increase in compensated absences	2,491	301
Total adjustments	(1,956)	(652)
Net cash provided (used) by operating activities	\$ (3,314)	17,292

See notes to financial statements.

Iowa Turkey Marketing Council

Notes to Financial Statements

December 31, 2009 and 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 – 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, 2009 and 2008 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, 2009 and 2008 are as follows:

<u>Year ended December 31, 2009</u>	Balance			Balance
	Jan 1, 2009	Additions	Deductions	Dec 31, 2009
Furniture and equipment	\$ 13,318	-	(8,343)	4,975
Less accumulated depreciation	(9,882)	(321)	5,268	(4,935)
Furniture and equipment, net	\$ 3,436	(321)	(3,075)	40

<u>Year ended December 31, 2008</u>	Balance			Balance
	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

(4) Operating Leases

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

The Council pays the Iowa Turkey Federation one half of the \$153 minimum monthly payment for a copy machine. The lease expires in March 2013.

(5) Risk Management

The 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 \$111,968 and \$111,057 for the years ended December 31, 2009 and 2008, 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, 2009 and 2008, and have issued our report thereon dated September 3, 2010. 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 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 a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Council'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 deficiencies in internal control over financial reporting we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings, to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

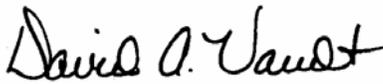
Compliance and Other Matters

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.

The Iowa Turkey Marketing Council's written response to the finding identified in our audit is described in the accompanying Schedule of Findings. While we have expressed our conclusion on the Council's response, we did not audit the Council's response and, accordingly, we express no opinion on it.

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

September 3, 2010

Iowa Turkey Marketing Council

Schedule of Findings

Year ended December 31, 2009

Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCY:

Compensated Absences – A detailed record of employee vacation and sick leave earned and used is not maintained for each employee.

Recommendation – A detailed record of employee vacation and sick leave earned and used should be maintained to account for the proper accumulation and use of this time.

Response – The Iowa Turkey Marketing Council employs two full time staff members. Staff maintains their daily activities, meetings, and days absent from work on their Microsoft outlook calendar.

The Iowa Turkey Federation bookkeeper will maintain for all employees a detailed record of the days earned and absent from work for vacation or sick leave in a spreadsheet.

The Iowa Turkey Federation Employee manual states vacation days will be based on the starting date of employment and sick leave will be calculated on a calendar year.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Iowa Turkey Marketing Council

Staff

This audit was performed by:

Ernest H. Ruben, Jr., CPA, Manager
Casey L. Johnson, Assistant Auditor
Rosemary E. Nielsen, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial "A" and "N".

Andrew E. Nielsen, CPA
Deputy Auditor of State