



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

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Auditor of State

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**NEWS RELEASE**

FOR RELEASE April 9, 2003

Contact: Andy Nielsen  
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The Office of Auditor of State today released an audit report on the Iowa Turkey Marketing Council for the years ended December 31, 2002 and 2001.

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 obtain and distribute useful research and educational materials.

The Council's net turkey producer fee revenue totaled \$203,262 for the year ended December 31, 2002, a 2% increase from 2001.

Expenses for the year ended December 31, 2002 totaled \$212,761, a 3% increase from the prior year, and included \$65,029 for salaries and \$67,454 for promotional development.

A copy of the audit report is available for review in the office of the 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, 2002 AND 2001**

## Table of Contents

	<u>Page</u>
Officials	3
Independent Auditor's Report	5
Financial Statements:	<u>Exhibit</u>
Balance Sheets	A      8
Statements of Revenues, Expenses and Changes in Fund Balance	B      9
Statements of Cash Flows	C     10
Notes to Financial Statements	11-12
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting	13
Staff	14

## 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 Fiscal Bureau

#### 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 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, 2002 and 2001. 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 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 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, 2002 and 2001, 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 28, 2003 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. This 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.

February 28, 2003

WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

**Iowa Turkey Marketing Council**



## **Financial Statements**

**Exhibit A**

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## Iowa Turkey Marketing Council

## Balance Sheets

December 31, 2002 and 2001

	<u>2002</u>	<u>2001</u>
<b>Assets</b>		
Current assets:		
Cash (note 2)	\$ 136,993	125,731
Due from turkey processors	26,402	39,631
Total current assets	<u>163,395</u>	<u>165,362</u>
Furniture and equipment (net of accumulated depreciation of \$6,470 and \$4,924)	<u>6,937</u>	<u>7,867</u>
<b>Total assets</b>	<u><u>\$ 170,332</u></u>	<u><u>173,229</u></u>
 <b>Liabilities and Fund Balance</b>		
Current liabilities:		
Refunds payable	\$ 27,750	24,270
Compensated absences payable	1,221	954
Total current liabilities	<u>28,971</u>	<u>25,224</u>
Fund balance	<u>141,361</u>	<u>148,005</u>
<b>Total liabilities and fund balance</b>	<u><u>\$ 170,332</u></u>	<u><u>173,229</u></u>

See notes to financial statements.

Iowa Turkey Marketing Council  
 Statements of Revenues, Expenses and Changes  
 in Fund Balance

Years ended December 31, 2002 and 2001

	2002	2001
Revenues:		
Turkey producer fees	\$ 390,410	379,013
Less out of state refunds	(187,148)	(179,905)
Net revenues	203,262	199,108
Expenses:		
Salaries and benefits	65,029	50,503
Travel and subsistence	3,394	3,152
Promotional development	67,454	92,008
Education and research	19,409	26,450
Office supplies	764	814
Telephone	1,438	1,660
Office rent/building expense	44,511	24,000
Postage	1,457	2,379
Insurance	1,861	1,711
Equipment maintenance	3,145	397
Depreciation	1,546	885
Memberships	280	745
Registration and subscriptions	2,473	1,572
Miscellaneous	-	26
Total expenses	212,761	206,302
Operating loss	(9,499)	(7,194)
Non-operating revenues:		
Interest on investments	2,855	3,786
Deficiency of revenues under expenses	(6,644)	(3,408)
Fund balance beginning of year	148,005	151,413
Fund balance end of year	\$ 141,361	148,005

See notes to financial statements.

**Exhibit C**

## Iowa Turkey Marketing Council

## Statements of Cash Flows

Years ended December 31, 2002 and 2001

	<u>2002</u>	<u>2001</u>
Cash flows from operating activities:		
Cash received from processors	\$ 211,157	198,835
Cash paid to suppliers and employees	(202,134)	(204,778)
Net cash provided (used) by operating activities	<u>9,023</u>	<u>(5,943)</u>
Cash flows from investing activities:		
Interest received	2,855	3,786
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(616)	(3,578)
Net increase (decrease) in cash and cash equivalents	<u>11,262</u>	<u>(5,735)</u>
Cash and cash equivalents at beginning of year	<u>125,731</u>	<u>131,466</u>
Cash at end of year	<u>\$ 136,993</u>	<u>125,731</u>
Reconciliation of operating loss to net cash provided (used) by operating activities:		
Operating loss	<u>\$ (9,499)</u>	<u>(7,194)</u>
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation	1,546	885
Changes in assets and liabilities:		
(Increase) decrease in due from turkey processors	13,229	(14,379)
Decrease in prepaid expense	-	357
Increase in refunds payable	3,480	14,106
Increase in compensated absences payable	267	282
Total adjustments	<u>18,522</u>	<u>1,251</u>
Net cash provided (used) by operating activities	<u>\$ 9,023</u>	<u>(5,943)</u>

See notes to financial statements.

Iowa Turkey Marketing Council

Notes to Financial Statements

December 31, 2002 and 2001

**(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 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 required to be reported in accordance with 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, they 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 these compensated absences based on rates of pay in effect at December 31, 2002.
- F. Depreciation - Furniture and equipment is 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 organization is exempt from taxation under Section 115 of the Internal Revenue Code.

**(2) Deposits**

The Council's deposits at December 31, 2002 and 2001 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 length of the agreement is the length of the loan on the building, a 15-year period ending December 2016.

**(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 a mutual agreement, between the Council and Iowa Turkey Federation including salaries and benefits, travel and subsistence, office supplies, telephone, postage, and promotional development. The Council reimbursed the Iowa Turkey Federation \$69,340 and \$56,976 for the years ended December 31, 2002 and 2001, 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 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, 2002, and have issued our report thereon dated February 28, 2003. 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, contracts and grants, 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.

February 28, 2003

WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

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Iowa Turkey Marketing Council

Staff

This audit was performed by:

Joe T. Marturello, CIA, Manager  
Daniel L. Durbin, CPA, Staff Auditor  
Trevor L. Thuelen, Assistant Auditor

Andrew E. Nielsen, CPA  
Deputy Auditor of State