



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

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NEWS RELEASE

FOR RELEASE

June 9, 2006

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, 2005 and 2004.

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 \$221,485 for the year ended December 31, 2005, a 25% increase over 2004. The increase in revenue was primarily due to an increase in the number of turkeys sold in the state during 2005 compared to 2004.

Expenses for the year ended December 31, 2005 totaled \$185,588, a decrease of 5% from the prior year, and included \$69,963 for salaries and benefits and \$64,073 for promotional development. The decrease in expenses was primarily from a reduced amount expended for promotion and reduced building rental costs during 2005 compared to 2004.

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, 2005 and 2004

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Iowa Turkey Marketing Council

Officials

Name

Title

State

Honorable Thomas J. Vilsack
Michael L. Tramontina
Dennis C. Prouty

Governor
Director, Department of Management
Director, Legislative Services Agency

Council

Nathan Hill
Robert Achen
Ray Team
Mark Dorenbush
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, 2005 and 2004. 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, 2005 and 2004, and the results of its operations and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 8, 2006 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

March 8, 2006

Iowa Turkey Marketing Council

Financial Statements

Exhibit A

Iowa Turkey Marketing Council
Statements of Financial Position
December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Assets		
Current assets:		
Cash (note 2)	\$ 78,808	54,578
Due from turkey processors	24,816	39,455
Prepaid expense	1,180	-
Total current assets	<u>104,804</u>	<u>94,033</u>
Furniture and equipment (net of accumulated depreciation of \$8,288 and \$5,970)	<u>10,821</u>	<u>7,291</u>
Total assets	<u>\$ 115,625</u>	<u>101,324</u>
Liabilities and Net Assets		
Current liabilities:		
Refunds payable	\$ 10,803	14,434
Accounts payable	-	18,644
Compensated absences	1,060	775
Total current liabilities	<u>11,863</u>	<u>33,853</u>
Net assets - unrestricted	<u>103,762</u>	<u>67,471</u>
Total liabilities and net assets	<u>\$ 115,625</u>	<u>101,324</u>

See notes to financial statements.

Iowa Turkey Marketing Council

Statements of Revenues, Expenses and Changes in Net Assets

Years ended December 31, 2005 and 2004

	2005	2004
Operating revenues:		
Turkey producer fees	\$ 389,195	292,995
Less out of state refunds	(167,710)	(116,451)
Net operating revenues	<u>221,485</u>	<u>176,544</u>
Operating expenses (note 5):		
Salaries and benefits	69,963	65,413
Travel and subsistence	5,475	3,289
Promotional development	64,073	79,872
Education and research	17,911	11,300
Office supplies	2,753	779
Telephone	1,938	1,227
Office rent/building expense	7,200	12,800
Iowa Turkey Federation contribution	5,000	10,495
Postage	1,895	1,074
Insurance	2,193	2,337
Equipment maintenance	142	2,343
Depreciation	2,317	1,553
Memberships	1,459	640
Registration and subscriptions	1,838	1,286
Miscellaneous	1,431	-
Total operating expenses	<u>185,588</u>	<u>194,408</u>
Operating income (loss)	<u>35,897</u>	<u>(17,864)</u>
Non-operating revenues (expenses):		
Interest income	394	624
Loss on disposal of equipment	-	(1,474)
Total non-operating revenues (expenses)	<u>394</u>	<u>(850)</u>
Changes in net assets	36,291	(18,714)
Net assets beginning of year	<u>67,471</u>	<u>86,185</u>
Net assets end of year	<u>\$ 103,762</u>	<u>67,471</u>

See notes to financial statements.

Exhibit C

Iowa Turkey Marketing Council

Statements of Cash Flows

Years ended December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Cash flows from operating activities:		
Cash received from processors	\$ 232,493	159,438
Cash paid to suppliers for goods and services	(133,131)	(108,798)
Cash paid to employees for services	(69,679)	(65,887)
Net cash provided by (used for) operating activities	<u>29,683</u>	<u>(15,247)</u>
Cash flows from investing activities:		
Interest received	394	624
Cash flows from capital and related financing activities:		
Acquisition of furniture and equipment	(5,847)	(4,875)
Net increase (decrease) in cash and cash equivalents	24,230	(19,498)
Cash and cash equivalents beginning of year	<u>54,578</u>	<u>74,076</u>
Cash and cash equivalents end of year	<u>\$ 78,808</u>	<u>54,578</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	<u>\$ 35,897</u>	<u>(17,864)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	2,317	1,553
Changes in assets and liabilities:		
Increase (decrease) in due from turkey processors	14,639	(11,364)
(Increase) in prepaid expense	(1,180)	-
(Decrease) in refunds payable	(3,631)	(5,742)
Increase (decrease) in accounts payable	(18,644)	18,644
Increase (decrease) in compensated absences	285	(474)
Total adjustments	<u>(6,214)</u>	<u>2,617</u>
Net cash provided by (used for) operating activities	<u>\$ 29,683</u>	<u>(15,247)</u>

See notes to financial statements.

Iowa Turkey Marketing Council

Notes to Financial Statements

December 31, 2005

(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) Deposits

The Council's deposits in banks at December 31, 2005 and 2004 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 through June 30, 2004. As of July 1, 2004, the rental was reduced to \$600 per month. The agreement was extended through December 2005.

(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 \$84,813 and \$66,585 for the years ended December 31, 2005 and 2004, 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, 2005 and 2004, and have issued our report thereon dated March 8, 2006. 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Iowa Turkey Marketing Council's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings.

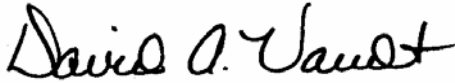
A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is a material weakness.

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. However, we noted an immaterial instance of non-compliance or other matters that is described in the accompanying Schedule of Findings.

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

March 8, 2006

Iowa Turkey Marketing Council

Schedule of Findings

Year ended December 31, 2005

Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITION:

Accounting Records – The Council’s check book register, ledgers, expenditure and revenue reports were not maintained during the period July 2004 through April 2005. Also, the book and bank balances were not reconciled timely. The Council was not provided accurate financial reports during the period July 2004 through April 2005.

Recommendation – All transactions should be journalized and posted on a timely basis. Comparisons should be made between the check register and ledger. Bank statements should be reconciled to the book balance monthly and any differences should be identified and corrected timely. To provide better control over budgeted expenses, accurate and complete financial reports should be provided to the Council, including comparisons to the approved budget.

Response – In April 2005, the Executive Director reviewed every invoice and check, then filed them by month. In May our newly hired bookkeeper for the IFT/ITMC entered all transactions from July 1, 2004 on into Quick Books and balanced the account. All bank statements were reviewed and reconciled. A printout of the check register from July 1, 2004 to July 10, 2005 was provided to the State Auditors at the meeting on July 28, 2005. Also presented at that meeting was the balance sheet and profit & loss budget vs. actual report for January 2005 to May 31, 2005 as the example of the new format for financial reports.

Conclusion – Response accepted.

Iowa Turkey Marketing Council

Schedule of Findings

Year ended December 31, 2005

Other Findings Related to Required Statutory Reporting:

Assessment Deposits – Assessments imposed on each turkey producer are collected by turkey processors and remitted to the Council monthly. The Council is required to deposit the assessments received into the Iowa Turkey Fund in the office of the Treasurer of State in accordance with Chapter 184A.2 of the Code of Iowa. The assessment deposits are then subject to transfer to the Council for refunds and operations.

Two assessment checks from turkey processors totaling \$909 were deposited directly into the Council's bank account rather than being remitted to the Treasurer of State.

Recommendation – The Council should ensure all assessment receipts are deposited with the Treasurer of State as required.

Response – We realize that these receipts should have been deposited initially with the Treasurer of State. We have taken steps to make sure all assessment receipts are deposited as required.

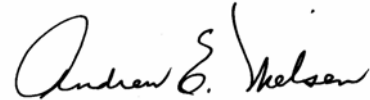
Conclusion – Response accepted.

Iowa Turkey Marketing Council

Staff

This audit was performed by:

Ronald D. Swanson, CPA, Manager
Jeffrey L. Lenhart, Staff Auditor
Chad D. Lehman, 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