



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

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**NEWS RELEASE**

FOR RELEASE

June 2, 2008

Contact: Andy Nielsen  
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the Iowa Egg Council for the years ended June 30, 2007 and 2006.

The purpose of the Council is to promote the increased utilization of eggs and egg products and provide for market development.

Vaudt reported the Council had revenues of \$992,716 and expenses of \$947,258 for fiscal year 2007. This represents a six percent increase in revenues and a ten percent increase in expenses over 2006. The increase in revenues is due primarily to increased assessments. The increase in expenses is due primarily to increased research project funding and a gift to Iowa State University of Science and Technology to establish an endowed egg industry program.

A copy of the audit report is available for review 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 EGG COUNCIL**  
**INDEPENDENT AUDITOR'S REPORTS**  
**FINANCIAL STATEMENTS**  
**SCHEDULE OF FINDINGS**  
**JUNE 30, 2007 and 2006**

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**Iowa Egg Council**

**Officials**

Name

Title

**State**

Honorable Chester J. Culver	Governor
Charles J. Krogmeier	Director, Department of Management
Dennis C. Prouty	Director, Legislative Services Agency

**Council**

Richard Hall	Chairperson
Loren Bosma	Vice Chairperson
Joe Scallon	Secretary/Treasurer
Bruce Dooyema	Member
Mark Friedow	Member
Jon Kuhfus	Member
Joe Laffon	Member

**Ex Officio Members**

Bill Northey	Iowa Department of Agriculture and Land Stewardship
Dr. Dong Uk Ahn	Iowa State University
Mark Fischer	Iowa Department of Economic Development

**Agency**

Kevin S. Vinchattle	Executive Director
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**Iowa Egg Council**



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Independent Auditor's Report

To the Members of the  
Iowa Egg Council:

We have audited the accompanying financial statements, listed as exhibits in the table of contents in this report, of the Iowa Egg Council as of and for the years ended June 30, 2007 and 2006. 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 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 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 Egg Council at June 30, 2007 and 2006, 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 March 17, 2008 on our consideration of the Iowa Egg Council's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations 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 17, 2008

**Exhibit A**

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Iowa Egg Council  
Statements of Net Assets  
June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 614,017	427,394
Accounts receivable	125,333	127,857
Prepaid expenses	2,035	2,704
Total current assets	<u>741,385</u>	<u>557,955</u>
Furniture and equipment (net of accumulated depreciation of \$28,179 and \$26,956)	<u>8,892</u>	<u>7,021</u>
<b>Total assets</b>	<u><u>\$ 750,277</u></u>	<u><u>564,976</u></u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 180,670	40,189
Compensated absences	1,889	2,527
Total current liabilities	<u>182,559</u>	<u>42,716</u>
Net assets-unrestricted	<u>567,718</u>	<u>522,260</u>
<b>Total liabilities and net assets</b>	<u><u>\$ 750,277</u></u>	<u><u>564,976</u></u>

See notes to financial statements.

Iowa Egg Council

Statements of Revenues, Expenses and Changes  
in Net Assets

Years ended June 30, 2007 and 2006

	2007	2006
Revenues:		
Assessments	\$ 922,461	881,371
American Egg Board funding	49,885	40,167
Miscellaneous	359	794
Total revenues	<u>972,705</u>	<u>922,331</u>
Expenses:		
Salaries	155,494	155,047
Travel and subsistence	25,313	29,939
Office supplies	7,737	7,354
Advertising	83,319	70,398
Other promotional supplies	30,071	47,957
Equipment and maintenance	3,685	3,627
Telephone	6,406	5,562
Rent	34,332	34,332
Insurance	3,279	1,406
Professional services for research activities	362,815	372,543
Egg Industry Center Endowment	105,000	-
Consumer education	8,190	8,408
Depreciation	3,646	4,991
Promotions	97,152	98,276
Miscellaneous	20,819	20,494
Total expenses	<u>947,258</u>	<u>860,334</u>
Operating income	25,447	61,997
Non-operating revenues:		
Interest income	20,011	14,070
Changes in net assets	45,458	76,067
Net assets beginning of year	<u>522,260</u>	<u>446,193</u>
Net assets end of year	<u>\$ 567,718</u>	<u>522,260</u>

See notes to financial statements.

**Exhibit C**

## Iowa Egg Council

## Statements of Cash Flows

Years ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Cash received from assessments	\$ 924,985	875,319
Cash paid to suppliers and employees	(698,100)	(917,490)
Cash paid to Egg Industry Center Endowment	(105,000)	-
Other operating revenues	50,244	40,961
Net cash provided by (used for) operating activities	172,129	(1,210)
Cash flows from capital activities:		
Acquisition of capital assets	(5,517)	(5,092)
Cash flows from investing activities:		
Interest received	20,011	14,070
Net increase in cash and cash equivalents	186,623	7,768
Cash and cash equivalents beginning of year	427,394	419,626
Cash and cash equivalents end of year	<u>\$ 614,017</u>	<u>427,394</u>
Reconciliation of operating income to net cash provided by (used for) operating activities:		
Operating income	\$ 25,447	61,997
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:		
Depreciation	3,646	4,991
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	2,524	(6,052)
(Increase) decrease in prepaid expenses	669	(1,059)
Increase (decrease) in accounts payable	140,481	(62,966)
Increase (decrease) in compensated absences	(638)	1,879
Total adjustments	146,682	(63,207)
Net cash provided by (used for) operating activities	<u>\$ 172,129</u>	<u>(1,210)</u>

See notes to financial statements.

Iowa Egg Council

Notes to Financial Statements

June 30, 2007 and 2006

**(1) Summary of Significant Accounting Policies**

The purpose of the Iowa Egg Council is to promote the increased utilization of eggs and egg products and provide for market development. Statutory authority for the Iowa Egg Council is established under Chapter 184 of the Code of Iowa. Funding is provided by an assessment imposed on producers for eggs sold.

- A. Reporting Entity – For financial reporting purposes, the Iowa Egg 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 Egg Council has no component units which meet the Governmental Accounting Standards Board criteria.
- B. Basis of Accounting – The financial statements of the Iowa Egg Council are prepared on the accrual basis.
- C. Budgetary Control – Budgetary control is exercised over the Iowa Egg Council by the Council, which approves, reviews and revises the budget.
- D. 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.
- E. 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 three to seven years.
- F. Depreciation – Furniture and equipment is depreciated on a straight-line basis over the estimated useful lives of the assets.
- G. Income Taxes – The organization is exempt from taxation.
- H. Compensated Absences – Iowa Egg Council employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. The liability recorded for earned but unused vacation has been computed based on rates of pay in effect at the end of the fiscal year.

**(2) Deposits**

The Council's deposits in banks at June 30, 2007 and 2006 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 year ended June 30, 2007 was as follows:

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
Furniture and equipment	\$ 33,977	5,517	(2,423)	37,071
Less accumulated depreciation	(26,956)	(3,646)	2,423	(28,179)
Furniture and equipment, net	\$ 7,021	1,871	-	8,892

**(4) Related Party Transactions**

The Iowa Egg Council has contracted with the Iowa Poultry Association to: develop, prepare and distribute educational and promotional material relating to eggs, egg products and egg production; develop and implement public relations, advertising or marketing campaigns designed to maintain/increase the use of eggs or egg products, secure consumer confidence and promote the safe handling of eggs and egg products; encourage exchange of information, ideas and technology between various parties involved in the egg industry; and participate in trade missions, fairs, trade shows and conferences which are beneficial to the industry. The contract provided for the Council to make payments to the Association totaling \$821,430 and \$641,250 for the years ended June 30, 2007 and 2006, respectively.

In addition, certain administrative expenses are paid by the Iowa Poultry Association for the Iowa Egg Council under a contractual agreement. The contract provided for the Council to make payments to the Association totaling \$235,646 and \$238,708 for the years ended June 30, 2007 and 2006, respectively.

Both contracts contain provisions which state, in part, "The contract payments may be modified as necessary to meet the obligations incurred in the performance of this agreement. Such payments shall not exceed the actual amount required to cover, the actual services performed..." Actual expenses under the above contracts totaled \$947,258 and \$860,334 for the years ended June 30, 2007 and 2006, respectively. The amounts paid to the Iowa Poultry Association are distributed to the appropriate expense classifications on Exhibit B of the financial statements.

**(5) Risk Management**

The Iowa Egg 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 Iowa Egg 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) SIMPLE IRA Plan**

The Iowa Egg Council began a SIMPLE IRA plan on January 1, 2006 that covers most employees. However, the Council did not match employee contributions until 2007. The Council matches an employee's salary reduction contributions up to a maximum of 3% of the employee's compensation. Total expense under this plan for the year ended June 30, 2007 was \$5,585.

**(7) Gift Commitments to Egg Industry Center Endowment at Iowa State University**

The Iowa Egg Council made gift commitments to establish an endowed Egg Industry Center in Iowa State University of Science and Technology's College of Agriculture and Life Sciences.

In June 2006, the Council pledged \$1,000,000, plus \$5,000 per year for administrative costs, to the Egg Industry Center Endowment, with the pledge to be completed in equal installments over ten years. In March 2007, the Council pledged an additional \$1,000,000, plus \$5,000 per year for administrative costs, to the Egg Industry Center Endowment over ten years beginning July 1, 2007. The total gift to the Egg Industry Center Endowment for the year ended June 30, 2007 was \$105,000.

The Iowa Egg Council considers the gift commitments to be conditional pledges. The Council approves the payment amount as part of the annual budget which is contingent upon the availability of future revenues.

**Iowa Egg Council**



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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 Egg Council:

We have audited the financial statements of the Iowa Egg Council as of and for the year ended June 30, 2007, and have issued our report thereon dated March 17, 2008. 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 Egg 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 Egg Council's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Iowa Egg Council's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 Egg 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 Egg Council's that is more than inconsequential will not be prevented or detected by the Iowa Egg Council's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

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 Egg 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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe the significant deficiencies described above are material weaknesses.

#### Compliance and Other Matters

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

Comments involving statutory and other legal matters about the Council's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Council'. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited.

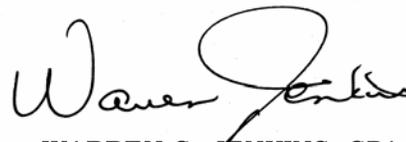
The Iowa Egg Council's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Council's responses, we did not audit the Iowa Egg Council's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the members and customers of the Iowa Egg Council's 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 Egg 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 17, 2008

Iowa Egg Council

Schedule of Findings

Year ended June 30, 2007

**Findings Related to the Financial Statements:**

**SIGNIFICANT DEFICIENCIES:**

- (1) Comparison of Initial Listing of Cash Receipts to Deposit – All incoming mail is opened by an employee who is not authorized to make entries to the accounting records. This employee prepares a listing of cash and checks received. However, this listing is not compared to the deposit by an independent person to ensure all funds received were subsequently deposited.

Recommendations – An independent person should reconcile the initial listing of receipts to the deposits, and initial and date the listing as evidence of review.

Response – The Director of Consumer Affairs will compare (approval will be noted by initials) the check-off receipts from the Administrative Assistant to the State of Iowa Cash receipts transmittals.

Conclusion – Response accepted.

- (2) Capital Asset Policy – The Iowa Egg Council has not developed a formal policy for capital assets. During the year ended June 30, 2007, four equipment purchases under \$1000 were capitalized.

Recommendation – The Iowa Egg Council should adopt a formal written policy stating when an asset should be capitalized, procedures for disposal of assets and depreciation guidelines.

Response – A capital asset policy will be discussed at the February 7, 2008 board meeting.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**Other Findings Related to Required Statutory Reporting:**

No matters were noted.

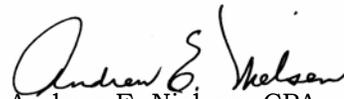
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Iowa Egg Council

Staff

This audit was performed by:

Joe T. Marturello, CIA, Manager  
Karen J. Kibbe, Staff Auditor  
Jessica N. Meierotto, Assistant Auditor



Andrew E. Nielsen, CPA  
Deputy Auditor of State