



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

David A. Vaudt, CPA  
Auditor of State

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Des Moines, Iowa 50319-0004

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**NEWS RELEASE**

FOR RELEASE

June 12, 2007

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, 2006 and 2005.

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 \$230,190 for the year ended December 31, 2006, a 3.9% increase over 2005. The increase in net revenue was primarily due to a decrease in refunds paid to other states during 2006 compared to 2005.

Expenses for the year ended December 31, 2006 totaled \$198,268, an increase of 6.8% over the prior year, and included \$77,007 for salaries and benefits and \$62,828 for promotional development. The increase in expenses was due primarily to increases in salary, travel, and contributions to the Iowa Turkey Federation.

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, 2006 and 2005**

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**Iowa Turkey Marketing Council**

**Officials**

Name

Title

**State**

**Governor**

Honorable Thomas J. Vilsack  
(Ended during January 2007)

Honorable Chester J. Culver  
(Began during January 2007)

**Director, Department of Management**

Michael L. Tramontina  
(Ended during January 2007)

Charles J. Krogmeier  
(Began during January 2007)

**Director, Legislative Services Agency**

Dennis C. Prouty

**Council**

Nathan Hill  
Robert Achen  
Kim Reis  
Mark Dorenbush  
Pam Larson  
Dr. Dong Ahn  
Kristjn Braghdel  
Harold Hommes

Chairperson  
Member  
Member  
Member  
Member  
Member (until March 2006)  
Member (since March 2006)  
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:

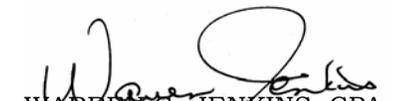
We have audited the accompanying financial statements, listed as exhibits in the table of contents of this report, of the Iowa Turkey Marketing Council as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the Council's management. Our responsibility 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 statement. 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, 2006 and 2005, 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 9, 2007 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 9, 2007

**Iowa Turkey Marketing Council**

## **Financial Statements**

**Exhibit A**

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Iowa Turkey Marketing Council  
Statements of Financial Position  
December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
<b>Assets</b>		
Current assets:		
Cash	\$ 107,233	78,808
Due from turkey processors	24,690	24,816
Prepaid expense	1,160	1,180
Total current assets	<u>133,083</u>	<u>104,804</u>
Furniture and equipment (net of accumulated depreciation)	<u>8,561</u>	<u>10,821</u>
<b>Total assets</b>	<u><u>\$ 141,644</u></u>	<u><u>115,625</u></u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Refunds payable	\$ 4,589	10,803
Compensated absences	1,371	1,060
Total current liabilities	<u>5,960</u>	<u>11,863</u>
Net assets - unrestricted	<u>135,684</u>	<u>103,762</u>
<b>Total liabilities and net assets</b>	<u><u>\$ 141,644</u></u>	<u><u>115,625</u></u>

See notes to financial statements.

Iowa Turkey Marketing Council

Statements of Revenues, Expenses and Changes in Net Assets

Years ended December 31, 2006 and 2005

	2006	2005
Operating revenues:		
Turkey producer fees	\$ 325,196	389,195
Less out of state refunds	(95,006)	(167,710)
Net operating revenues	<u>230,190</u>	<u>221,485</u>
Operating expenses (note 6):		
Salaries and benefits	77,007	69,963
Travel and subsistence	12,759	5,475
Promotional development	62,828	64,073
Education and research	11,287	17,911
Office supplies	899	2,753
Telephone	1,662	1,938
Office rent/building expense	7,200	7,200
Iowa Turkey Federation contribution	12,000	5,000
Postage	1,304	1,895
Insurance	2,199	2,193
Equipment/equipment maintenance	2,694	142
Depreciation	2,260	2,317
Memberships	1,695	1,459
Professional services	1,653	-
Registration and subscriptions	125	1,838
Miscellaneous	696	1,431
Total operating expenses	<u>198,268</u>	<u>185,588</u>
Operating income	31,922	35,897
Non-operating revenues:		
Interest income	-	394
Changes in net assets	31,922	36,291
Net assets beginning of year	<u>103,762</u>	<u>67,471</u>
Net assets end of year	<u>\$ 135,684</u>	<u>103,762</u>

See notes to financial statements.

**Exhibit C**

## Iowa Turkey Marketing Council

## Statements of Cash Flows

Years ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Cash flows from operating activities:		
Cash received from processors	\$ 224,101	232,493
Cash paid to suppliers for goods and services	(118,980)	(133,131)
Cash paid to employees for services	(76,696)	(69,679)
Net cash provided by operating activities	<u>28,425</u>	<u>29,683</u>
Cash flows from investing activities:		
Interest received	-	394
Cash flows from capital and related financing activities:		
Acquisition of furniture and equipment	-	(5,847)
Net increase in cash and cash equivalents	28,425	24,230
Cash and cash equivalents beginning of year	78,808	54,578
Cash and cash equivalents end of year	<u>\$ 107,233</u>	<u>78,808</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income	\$ 31,922	35,897
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	2,260	2,317
Changes in assets and liabilities:		
Decrease in due from turkey processors	126	14,639
(Increase) decrease in prepaid expense	20	(1,180)
(Decrease) in refunds payable	(6,214)	(3,631)
(Decrease) in accounts payable	-	(18,644)
Increase in compensated absences	311	285
Total adjustments	<u>(3,497)</u>	<u>(6,214)</u>
Net cash provided by operating activities	<u>\$ 28,425</u>	<u>29,683</u>

See notes to financial statements.

Iowa Turkey Marketing Council

Notes to Financial Statements

December 31, 2006

**(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, 2006 and 2005 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 December 31, 2006 was as follows:

	Balance January 1, 2006	Additions	Deductions	Balance December 31, 2006
Furniture and equipment	\$ 19,109	-	(916)	18,193
Less accumulated depreciation	(8,288)	(2,260)	916	(9,632)
Furniture and equipment, net	\$ 10,821	(2,260)	-	8,561

**(4) 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, 2005. As of July 1, 2005, the rental was reduced to \$600 per month. The standing agreement renews each year unless modified. Payments under this agreement for the year ended December 31, 2006 totaled \$7,200.

**(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 \$87,604 and \$84,813 for the years ended December 31, 2006 and 2005, 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, 2006 and 2005, and have issued our report thereon dated March 9, 2007. 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 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

March 9, 2007

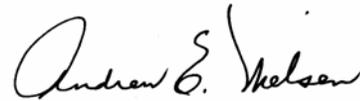
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Iowa Turkey Marketing Council

Staff

This audit was performed by:

Ronald D. Swanson, CPA, Manager  
Jeffrey L. Lenhart, Staff Auditor  
Aaron P. Wagner, 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