



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

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NEWS RELEASE

FOR RELEASE

August 5, 2011

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, 2010 and 2009.

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 \$255,931 for the year ended December 31, 2010, a 20.0% increase over the prior year. The increase in net revenue was primarily due to an increase in the amount of turkey producer fees received during 2010 compared to 2009.

Expenses for the year ended December 31, 2010 totaled \$205,171 a decrease of 4.3% from the prior year, and included \$100,290 for salaries and benefits and \$72,326 for promotional development. The decrease in expenses was primarily due to a decrease in promotional development during 2010 compared to 2009.

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/1160-0210-B000.pdf>.

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IOWA TURKEY MARKETING COUNCIL

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

DECEMBER 31, 2010 and 2009

Table of Contents

	<u>Page</u>
Officials	3
Independent Auditor's Report	5
Financial Statements:	<u>Exhibit</u>
Statements of Financial Position	A 8
Statements of Revenues, Expenses and Changes in Net Assets	B 9
Statements of Cash Flows	C 10
Notes to Financial Statements	11-12
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 <u>Government Auditing Standards</u>	13-14
Schedule of Findings	15
Staff	16

Iowa Turkey Marketing Council

Officials

Name

Title

State

Governor

Honorable Chester J. Culver
(Ended during January 2011)

Honorable Terry E. Brandstad
(Began during January 2011)

Director, Department of Management

Richard C. Oshlo, Jr.
(Ended during January 2011)

David Roederer
(Began during January 2011)

Director, Department of Management

Glen P. Dickinson

Council

Tim Doyle
Gerald Lessard
Todd Hill
Cal Halstead
Kim Reis
Dr. Michael Persia
Karey Claghorn
Dr. Michael Persia

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, 2010 and 2009. 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, 2010 and 2009, 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 July 1, 2011 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

July 1, 2011

Iowa Turkey Marketing Council

Financial Statements

Exhibit A

Iowa Turkey Marketing Council
Statements of Financial Position
December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 146,001	95,204
Due from turkey processors	26,175	23,962
Prepaid expense	-	770
Total current assets	<u>172,176</u>	<u>119,936</u>
Furniture and equipment (net of accumulated depreciation)	-	40
Total assets	<u><u>\$ 172,176</u></u>	<u><u>119,976</u></u>
Liabilities and Net Assets		
Current liabilities:		
Refunds payable	\$ 4,812	4,779
Accounts payable	74	1,006
Compensated absences	6,584	4,245
Total current liabilities	<u>11,470</u>	<u>10,030</u>
Net assets - unrestricted	<u>160,706</u>	<u>109,946</u>
Total liabilities and net assets	<u><u>\$ 172,176</u></u>	<u><u>119,976</u></u>

See notes to financial statements.

Iowa Turkey Marketing Council

Statements of Revenues, Expenses and Changes in Net Assets

Years ended December 31, 2010 and 2009

	2010	2009
Operating revenues:		
Turkey producer fees	\$ 325,452	283,672
Less out of state refunds	(69,521)	(70,556)
Net operating revenues	<u>255,931</u>	<u>213,116</u>
Operating expenses (note 6):		
Salaries and benefits	100,290	96,305
Travel and subsistence	8,093	9,256
Promotional development	72,326	88,131
Education and research	5,000	600
Office supplies	1,589	1,515
Telephone	2,388	2,158
Office rent/building expense	7,200	7,200
Postage	1,203	1,542
Insurance	3,610	3,657
Equipment/equipment maintenance	3,325	2,659
Depreciation	40	321
Memberships	27	100
Miscellaneous	80	1,030
Total operating expenses	<u>205,171</u>	<u>214,474</u>
Operating income (loss)	50,760	(1,358)
Non-operating expenses:		
Loss on disposal of equipment	-	(2,675)
Changes in net assets	50,760	(4,033)
Net assets beginning of year	<u>109,946</u>	<u>113,979</u>
Net assets end of year	<u>\$ 160,706</u>	<u>109,946</u>

See notes to financial statements.

Exhibit C

Iowa Turkey Marketing Council

Statements of Cash Flows

Years ended December 31, 2010 and 2009

	2010	2009
Cash flows from operating activities:		
Cash received from processors	\$ 253,752	208,856
Cash paid to suppliers for goods and services	(105,003)	(118,356)
Cash paid to employees for services	(97,952)	(93,814)
Net cash provided (used) by operating activities	50,797	(3,314)
Cash flows from capital and related financing activities:		
Sale of capital asset	-	400
Increase (decrease) in cash and cash equivalents	50,797	(2,914)
Cash and cash equivalents beginning of year	95,204	98,118
Cash and cash equivalents end of year	\$ 146,001	95,204
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 50,760	(1,358)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	40	321
Changes in assets and liabilities:		
(Increase) decrease in due from turkey processors	(2,213)	2,212
(Increase) decrease in prepaid expense	770	(770)
Increase (decrease) in refunds payable	33	(6,472)
Increase (decrease) in accounts payable	(932)	262
Increase in compensated absences	2,339	2,491
Total adjustments	37	(1,956)
Net cash provided (used) by operating activities	\$ 50,797	(3,314)

See notes to financial statements.

Iowa Turkey Marketing Council

Notes to Financial Statements

December 31, 2010 and 2009

(1) Summary of Significant Accounting Policies

The purpose of the Iowa Turkey Marketing Council (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 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 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 Council has no component units which meet the Governmental Accounting Standards Board criteria.
- B. Basis of Accounting – The financial statements of the 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 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 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, 2010 and 2009 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, 2010 and 2009 are as follows:

	Balance			Balance
<u>Year ended December 31, 2010</u>	Jan 1, 2010	Additions	Deductions	Dec 31, 2010
Furniture and equipment	\$ 4,975	-	-	4,975
Less accumulated depreciation	(4,935)	(40)	-	(4,975)
Furniture and equipment, net	\$ 40	(40)	-	-

	Balance			Balance
<u>Year ended December 31, 2009</u>	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

(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 \$116,560 and \$111,968 for the years ended December 31, 2010 and 2009, respectively, for its share of these expenses. The amounts paid to the Iowa Turkey Federation are distributed to the appropriate expense classifications in 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, 2010 and 2009, and have issued our report thereon dated July 1, 2011. 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 and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. We did not identify any deficiencies in internal control over financial reporting 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 one instance of non-compliance or other matters that are required to be reported under Government Auditing Standards.

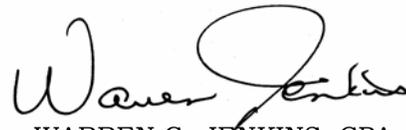
The Iowa Turkey Marketing Council's response to the finding identified in our audit is described in the accompanying Schedule of Findings. While we have expressed our conclusion on the Council's response, we did not audit the Council's response and, accordingly, we express no opinion on it.

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

July 1, 2011

Iowa Turkey Marketing Council

Schedule of Findings

Year ended December 31, 2010

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Other Findings Related to Required Statutory Reporting:

Electronic Checks – Chapter 554D.114 of the Code of Iowa allows cancelled checks to be retained in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check if images are not available with monthly bank statements.

The Iowa Turkey Marketing Council did not obtain an image of the back of each cancelled check as required.

Recommendation – The Iowa Turkey Marketing Council should obtain and retain check images as required.

Response – The bank has provided us with assurance that copies of the front and back of checks will be available for audit and to meet our retention requirements.

Conclusion – Response accepted.

Iowa Turkey Marketing Council

Staff

This audit was performed by:

Ernest H. Ruben, Jr., CPA, Manager
Rosemary E. Nielsen, Staff Auditor
Tyler L. Carter, Assistant Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State