



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

David A. Vaudt, CPA  
Auditor of State

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**NEWS RELEASE**

FOR RELEASE May 11, 2005

Contact: Andy Nielsen  
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Auditor of State David A. Vaudt today released an audit report on the Iowa Sheep and Wool Promotion Board for the years ended June 30, 2004 and 2003.

The purpose of the Board is to establish programs for promotion, research and education directed toward better and more efficient production, marketing and utilization of sheep and wool products; to provide public relations and other promotion techniques for the maintenance of present markets; to provide for the development of new or larger domestic and foreign markets; and to provide for the prevention, modification or elimination of trade barriers which obstruct the free flow of sheep and wool products.

The Board's net assessment revenues totaled \$52,999 for the year ended June 30, 2004, an 11% decrease from 2003. The decrease in revenues is due to a decrease in the pounds of wool and number of slaughter sheep sold. Expenses for the year ended June 30, 2004 totaled \$57,090, a 3% increase from the prior year. The increase in expenses is due to an increase in the number of educational proposals approved for funding by the Board.

A copy of the audit report is available for review in the Office of Auditor of State and the Iowa Department of Agriculture and Land Stewardship.

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**IOWA SHEEP AND WOOL PROMOTION BOARD**

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

**JUNE 30, 2004 AND 2003**

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## Iowa Sheep and Wool Promotion Board

### Officials

Name

Title

#### State

Honorable Thomas J. Vilsack	Governor
Michael L. Tramontina	Director, Department of Management
Dennis C. Prouty	Director, Legislative Services Agency

#### Board

Mark Loutsch	Chairperson
Jon McFadden	Vice Chairperson
Duane Sprouse	Secretary
Tom Cory	Treasurer
Bill Dohrman	Member
Gary Erickson	Member
James Koss	Member
Les Vander Linden	Member

#### Ex Officio Members

Harold Hommes	Secretary Designee, Iowa Department of Agriculture and Land Stewardship
Dr. Daniel Morrical	ISU Extension, Sheep Specialist
Kaitlyn Bartling	Executive Director, Iowa Sheep Industry Association

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David A. Vaudt, CPA  
Auditor of State

Independent Auditor's Report

To the Members of the Iowa Sheep  
and Wool Promotion Board:

We have audited the accompanying financial statements, listed as exhibits in the table of contents of this report, of the Iowa Sheep and Wool Promotion Board, as of and for the years ended June 30, 2004 and 2003. These financial statements are the responsibility of the Board'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 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 Sheep and Wool Promotion Board at June 30, 2004 and 2003, 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 28, 2005 on our consideration of the Iowa Sheep and Wool Promotion Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That 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.

DAVID A. VAUDT, CPA  
Auditor of State

WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

March 28, 2005

**Iowa Sheep and Wool Promotion Board**

## **Financial Statements**



**Exhibit A**

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## Iowa Sheep and Wool Promotion Board

## Statements of Financial Position

June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents (note 2)	\$ 39,170	43,818
Assessments receivable	12,482	11,698
Interest receivable	21	56
Total current assets	<u>51,673</u>	<u>55,572</u>
Equipment, net (note 3)	<u>437</u>	<u>782</u>
<b>Total assets</b>	<u><u>\$ 52,110</u></u>	<u><u>56,354</u></u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Refunds payable	\$ 1,163	502
Accounts payable	2,691	3,735
Total current liabilities	<u>3,854</u>	<u>4,237</u>
Net assets - unrestricted	<u>48,256</u>	<u>52,117</u>
<b>Total liabilities and net assets</b>	<u><u>\$ 52,110</u></u>	<u><u>56,354</u></u>

See notes to financial statements.

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Iowa Sheep and Wool Promotion Board  
Statements of Revenues, Expenses and Changes in Net Assets  
Years ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Revenues:		
Assessments	\$ 59,716	66,459
Less refunds	(6,717)	(6,595)
Net revenues	<u>52,999</u>	<u>59,864</u>
Expenses:		
Administration	9,156	9,525
Education - consumer	26,001	18,328
Education - producer	21,588	24,598
Research	-	2,406
Depreciation	345	345
Total expenses	<u>57,090</u>	<u>55,202</u>
Operating income (loss)	(4,091)	4,662
Non-operating revenues:		
Interest income	230	322
Changes in net assets	(3,861)	4,984
Net assets beginning of year	<u>52,117</u>	<u>47,133</u>
Net assets end of year	<u>\$ 48,256</u>	<u>52,117</u>

See notes to financial statements.

**Exhibit C**

## Iowa Sheep and Wool Promotion Board

## Statements of Cash Flows

Years ended June 30, 2004 and 2003

	2004	2003
Cash flows from operating activities:		
Cash received from assessments	\$ 58,932	66,951
Cash paid to suppliers for goods and services	(57,789)	(56,472)
Cash paid for refunds	(6,056)	(6,817)
Net cash provided (used) by operating activities	(4,913)	3,662
Cash flows from investing activities:		
Interest received	265	376
Net increase (decrease) in cash and cash equivalents	(4,648)	4,038
Cash and cash equivalents beginning of year	43,818	39,780
Cash and cash equivalents end of year	\$ 39,170	43,818
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (4,091)	4,662
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	345	345
Changes in assets and liabilities:		
(Increase) in assessments receivable	(784)	(111)
Decrease in accounts receivable	-	603
Increase (decrease) in refunds payable	661	(222)
(Decrease) in accounts payable	(1,044)	(1,615)
Total adjustments	(822)	(1,000)
Net cash provided (used) by operating activities	\$ (4,913)	3,662

See notes to financial statements.

Iowa Sheep and Wool Promotion Board

Notes to Financial Statements

Years ended June 30, 2004 and 2003

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

The purpose of the Iowa Sheep and Wool Promotion Board is to establish programs for promotion, research and education directed toward better and more efficient production, marketing and utilization of sheep and wool products; to provide public relations and other promotion techniques for the maintenance of present markets; to provide for the development of new or larger domestic and foreign markets and to provide for the prevention, modification or elimination of trade barriers which obstruct the free flow of sheep and wool products. Statutory authority for the Iowa Sheep and Wool Promotion Board is established under Chapter 182 of the Code of Iowa.

- A. Reporting Entity – For financial reporting purposes, the Iowa Sheep and Wool Promotion Board has included all funds, organizations, agencies, boards, commissions, and authorities. The Board 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 Board are such that exclusion would cause the Board'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 Board 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 Board. The Iowa Sheep and Wool Promotion Board has no component units which meet the Governmental Accounting Standards Board criteria.
- B. Basis of Accounting – The financial statements of the Iowa Sheep and Wool Promotion Board are prepared on the accrual basis.
- C. Assessments – The Iowa Sheep and Wool Promotion Board receives an assessment of two cents for each pound of wool produced and sold by a producer and ten cents per head on sheep sold for slaughter by a producer. The assessments are required to be remitted to the Board no later than 30 days following each calendar quarter.
- 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. Equipment – Equipment is recorded at cost and depreciated on a straight-line basis over an estimated useful life of six years.
- F. Income Taxes – The Board is exempt from taxation under Section 501(c) of the Internal Revenue Code.

**(2) Cash and Cash Equivalents**

The Board's deposits in banks at June 30, 2004 and June 30, 2003 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) Equipment**

A summary of equipment at June 30, 2004 and June 30, 2003 is as follows:

	<u>2004</u>	<u>2003</u>
Equipment	\$ 2,070	2,070
Less: Accumulated depreciation	<u>(1,633)</u>	<u>(1,288)</u>
Equipment, net	<u>\$ 437</u>	<u>782</u>

**(4) Risk Management**

The Board 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. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.



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Independent Auditor's Report on Compliance and on  
Internal Control over Financial Reporting

To the Members of the Iowa Sheep  
and Wool Promotion Board:

We have audited the financial statements of the Iowa Sheep and Wool Promotion Board as of and for the year ended June 30, 2004, and have issued our report thereon dated March 28, 2005. 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 Iowa Sheep and Wool Promotion Board'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 noncompliance that are required to be reported under Government Auditing Standards.

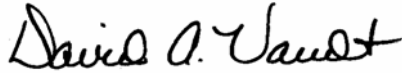
Comments involving statutory and other legal matters about the Board's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Board. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. The prior year statutory comments have been resolved.

Internal Control Over Financial Reporting

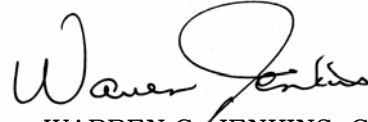
In planning and performing our audit, we considered the Iowa Sheep and Wool Promotion Board's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control 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. The prior year reportable condition has been resolved.

This report, a public record by law, is intended solely for the information and use of the officials and employees of the Iowa Sheep and Wool Promotion Board, citizens of the State of Iowa and other parties to whom the Iowa Sheep and Wool Promotion Board 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 Sheep and Wool Promotion Board 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 28, 2005

Iowa Sheep and Wool Promotion Board

Schedule of Findings

June 30, 2004

**Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

No matters were noted.



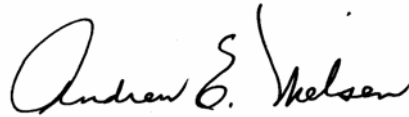
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Iowa Sheep and Wool Promotion Board

Staff

This audit was performed by:

Kay F. Dunn, CPA, Manager  
Nicole B. Tenges, Staff Auditor  
Donna R. Neubauer, 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 a distinct 'E'.

Andrew E. Nielsen, CPA  
Deputy Auditor of State