



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

March 18, 2010

Contact: Andy Nielsen
515/281-5834

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, 2009 and 2008.

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 \$44,179 for the year ended June 30, 2009, a 7.8% decrease from 2008. The decrease in revenues is due to decreases in the pounds of wool sold and the number of sheep sold. Expenses for the year ended June 30, 2009 totaled \$44,766, a 6.8% decrease from the prior year. The decrease in expenses is due to a decrease in research and consumer education activities approved by the Board.

A copy of the audit report is available for review in the Iowa Department of Agriculture and Land Stewardship, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/index.html>.

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IOWA SHEEP AND WOOL PROMOTION BOARD

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

JUNE 30, 2009 AND 2008

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Iowa Sheep and Wool Promotion Board

Officials

Name

Title

State

Honorable Chester J. Culver
Richard C. Oshlo
Glen Dickinson

Governor
Interim Director, Department of Management
Director, Legislative Services Agency

Board

Dave Hofland
Jerry Sorenson
David Arieux
Daniel Schmitt
Danny Anderson
Sid Greiner
Bob Kimm
Justin Petersen
Mary Esther Pullin

Chairperson
Vice Chairperson
Secretary
Treasurer
Member
Member
Member
Member
Member

Ex Officio Members

Harold Hommes
Dr. Daniel Morrical
Marsha Spykerman

Secretary Designee, Iowa Department of Agriculture
and Land Stewardship
ISU Extension, Sheep Specialist
Executive Director, Iowa Sheep Industry Association

Iowa Sheep and Wool Promotion Board



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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, 2009 and 2008. 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 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 Sheep and Wool Promotion Board at June 30, 2009 and 2008, 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 February 15, 2010 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, 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

February 15, 2010

Iowa Sheep and Wool Promotion Board

Financial Statements

Exhibit A

Iowa Sheep and Wool Promotion Board

Statements of Net Assets

June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 23,654	23,181
Assessments receivable	6,439	7,252
Interest receivable	32	27
	<u>30,125</u>	<u>30,460</u>
Total current assets	<u>\$ 30,125</u>	<u>30,460</u>
Liabilities and Net Assets		
Current liabilities:		
Refunds payable	\$ -	52
Accounts payable	-	-
Total current liabilities	<u>-</u>	<u>52</u>
Net assets - unrestricted	<u>30,125</u>	<u>30,408</u>
Total liabilities and net assets	<u>\$ 30,125</u>	<u>30,460</u>

See notes to financial statements.

Iowa Sheep and Wool Promotion Board
Statements of Revenues, Expenses and Changes in Net Assets
Years ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Revenues:		
Assessments	\$ 46,310	51,163
Less refunds	(2,131)	(3,260)
Net revenues	<u>44,179</u>	<u>47,903</u>
Expenses:		
Administration	9,440	9,633
Education - consumer	16,140	15,672
Education - producer	19,186	22,705
Total expenses	<u>44,766</u>	<u>48,010</u>
Operating loss	(587)	(107)
Non-operating revenues:		
Interest income	<u>304</u>	<u>514</u>
Changes in net assets	(283)	407
Net assets beginning of year	<u>30,408</u>	<u>30,001</u>
Net assets end of year	<u>\$ 30,125</u>	<u>30,408</u>

See notes to financial statements.

Exhibit C

Iowa Sheep and Wool Promotion Board

Statements of Cash Flows

Years ended June 30, 2009 and 2008

	2009	2008
Cash flows from operating activities:		
Cash received from assessments	\$ 47,123	54,397
Cash paid to suppliers for goods and services	(44,766)	(48,010)
Cash paid for refunds	(2,182)	(3,387)
Net cash provided by operating activities	175	3,000
Cash flows from investing activities:		
Interest received	-	10
Net cash provided by investing activities	-	10
Net increase in cash and cash equivalents	175	3,010
Cash and cash equivalents beginning of year	12,370	9,360
Cash and cash equivalents end of year	\$ 12,545	12,370
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$ (587)	(107)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Changes in assets and liabilities:		
(Increase) decrease in assessments receivable	814	3,234
Decrease in refunds payable	(52)	(127)
Total adjustments	762	3,107
Net cash provided by operating activities	\$ 175	3,000
Reconciliation of cash and cash equivalents at year end on the Statement of Net Assets:		
Cash and cash equivalents	\$ 23,654	23,181
Less items not meeting the definition of cash equivalents:		
Certificate of deposit	(11,109)	(10,811)
Cash and cash equivalents end of year	\$ 12,545	12,370

See notes to financial statements.

Iowa Sheep and Wool Promotion Board

Notes to Financial Statements

Years ended June 30, 2009 and 2008

(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. 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. Assessment – 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 – The Iowa Sheep and Wool Promotion Board considers all short-term investments which are highly liquid 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. Cash and cash equivalents not meeting the definition of cash equivalents at June 30, 2009 include a certificate of deposit of \$11,109.
- 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, 2009 and June 30, 2008 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, 2009 and June 30, 2008 is as follows:

	<u>2009</u>	<u>2008</u>
Equipment	\$ 420	420
Less: Accumulated depreciation	<u>(420)</u>	<u>(420)</u>
Equipment, net	<u>\$ -</u>	<u>-</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 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 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, 2009, and have issued our report thereon dated February 15, 2010. 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 Sheep and Wool Promotion Board'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 Sheep and Wool Promotion Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Iowa Sheep and Wool Promotion Board'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 Board'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 Sheep and Wool Promotion Board's financial statements that is more than inconsequential will not be prevented or detected by the Iowa Sheep and Wool Promotion Board'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 Sheep and Wool Promotion Board's internal control.

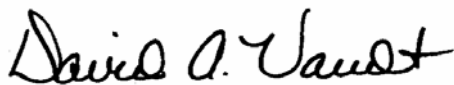
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

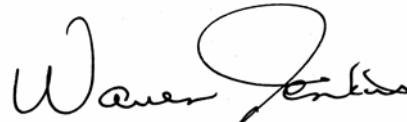
As part of obtaining reasonable assurance about whether the Iowa Sheep and Wool Promotion Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and 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 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 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

February 15, 2010

Iowa Sheep and Wool Promotion Board

Schedule of Findings

June 30, 2009

Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

No material weaknesses in internal control over financial reporting were noted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Iowa Sheep and Wool Promotion Board

Staff

This audit was performed by:

Deborah J. Moser, CPA, Manager
Sara L. Roling, Assistant Auditor
Daniel W. Henaman, 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