



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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NEWS RELEASE

FOR RELEASE

June 19, 2006

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, 2005 and 2004.

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 \$51,426 for the year ended June 30, 2005, a 3% decrease from 2004. 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, 2005 totaled \$57,731, a 1% increase over the prior year. The increase in expenses is due to an increase in research approved for funding 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/reports.htm>.

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IOWA SHEEP AND WOOL PROMOTION BOARD

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

JUNE 30, 2005 AND 2004

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Iowa Sheep and Wool Promotion Board

Officials

Name

Title

State

Honorable Thomas J. Vilsack
Michael L. Tramontina
Dennis C. Prouty

Governor
Director, Department of Management
Director, Legislative Services Agency

Board

Mark Loutsch
John McFadden
Duane Sprouse
Tom Cory
Bill Dohrman
Gary Erickson
James Koss
Jerry Sorensen
Les Vander Linden

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, 2005 and 2004. 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, 2005 and 2004, 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, 2006 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

March 28, 2006

Iowa Sheep and Wool Promotion Board

Financial Statements

Exhibit A

Iowa Sheep and Wool Promotion Board

Statements of Financial Position

June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Assets		
Current assets:		
Cash and cash equivalents (note 2)	\$ 30,171	39,170
Assessments receivable	13,024	12,482
Interest receivable	259	21
Total current assets	<u>43,454</u>	<u>51,673</u>
Equipment, net (note 3)	92	437
Total assets	<u><u>\$ 43,546</u></u>	<u><u>52,110</u></u>
Liabilities and Net Assets		
Current liabilities:		
Refunds payable	\$ 1,081	1,163
Accounts payable	181	2,691
Total current liabilities	<u>1,262</u>	<u>3,854</u>
Net assets - unrestricted	<u>42,284</u>	<u>48,256</u>
Total liabilities and net assets	<u><u>\$ 43,546</u></u>	<u><u>52,110</u></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, 2005 and 2004

	2005	2004
Revenues:		
Assessments	\$ 56,432	59,716
Less refunds	(5,006)	(6,717)
Net revenues	51,426	52,999
Expenses:		
Administration	9,427	9,156
Education - consumer	22,105	26,001
Education- producer	19,556	21,588
Research	6,298	-
Depreciation	345	345
Total expenses	57,731	57,090
Operating loss	(6,305)	(4,091)
Non-operating revenues:		
Interest income	333	230
Changes in net assets	(5,972)	(3,861)
Net assets beginning of year	48,256	52,117
Net assets end of year	\$ 42,284	48,256

See notes to financial statements.

Exhibit C

Iowa Sheep and Wool Promotion Board

Statements of Cash Flows

Years ended June 30, 2005 and 2004

	2005	2004
Cash flows from operating activities:		
Cash received from assessments	\$ 55,890	58,932
Cash paid to suppliers for goods and services	(59,896)	(57,789)
Cash paid for refunds	(5,088)	(6,056)
Net cash used by operating activities	(9,094)	(4,913)
Cash flows from investing activities:		
Interest received	95	265
Net decrease in cash and cash equivalents	(8,999)	(4,648)
Cash and cash equivalents beginning of year	39,170	43,818
Cash and cash equivalents end of year	\$ 30,171	39,170
Reconciliation of operating loss to net cash used for operating activities:		
Operating loss	\$ (6,305)	(4,091)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	345	345
Changes in assets and liabilities:		
(Increase) in assessments receivable	(542)	(784)
Increase (decrease) in refunds payable	(82)	661
(Decrease) in accounts payable	(2,510)	(1,044)
Total adjustments	(2,789)	(822)
Net cash used by operating activities	\$ (9,094)	(4,913)

See notes to financial statements.

Iowa Sheep and Wool Promotion Board

Notes to Financial Statements

Years ended June 30, 2005 and 2004

(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 – 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, 2005 and June 30, 2004 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, 2005 and June 30, 2004 is as follows:

	<u>2005</u>	<u>2004</u>
Equipment	\$ 2,070	2,070
Less: Accumulated depreciation	<u>(1,978)</u>	<u>(1,633)</u>
Equipment, net	<u>\$ 92</u>	<u>437</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, 2005, and have issued our report thereon dated March 28, 2006. 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

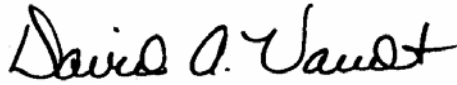
In planning and performing our audit, we considered the Iowa Sheep and Wool Promotion Board's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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.

Compliance and Other Matters

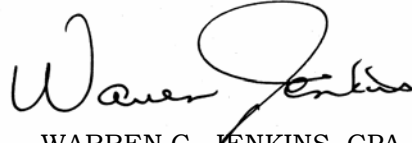
As part of obtaining reasonable assurance about whether the Iowa Sheep and Wool Promotion Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and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

March 28, 2006

Iowa Sheep and Wool Promotion Board

Schedule of Findings

June 30, 2005

Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

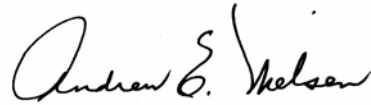
No matters were noted.

Iowa Sheep and Wool Promotion Board

Staff

This audit was performed by:

Kay F. Dunn, CPA, Manager
Jeffrey L. Lenhart, Staff Auditor
Dorothy O. Stover, 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