



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 10, 2008

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, 2007 and 2006.

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 \$56,229 for the year ended June 30, 2007, a 13% increase over 2006. The increase in revenues is due to increases in the pounds of wool sold and the number of sheep sold. Expenses for the year ended June 30, 2007 totaled \$56,581, a 10% 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/reports.htm>.

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IOWA SHEEP AND WOOL PROMOTION BOARD

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

JUNE 30, 2007 AND 2006

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Iowa Sheep and Wool Promotion Board

Officials

Name

Title

State

Honorable Chester J. Culver
Charles J. Krogmeier
Dennis C. Prouty

Governor
Director, Department of Management
Director, Legislative Services Agency

Board

Dave Hofland
Bill Dohrman
Jerry Sorenson
Daniel Schmitt
Danny Anderson
David Arieux
Sid Greiner
Bob Kimm
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, 2007 and 2006. 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, 2007 and 2006, 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 May 23, 2008 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

May 23, 2008

Iowa Sheep and Wool Promotion Board

Financial Statements

Exhibit A

Iowa Sheep and Wool Promotion Board

Statements of Net Assets

June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 19,360	22,402
Assessments receivable	10,486	7,677
Interest receivable	334	317
	<hr/>	
Total current assets	\$ 30,180	30,396
	<hr/> <hr/>	
Liabilities and Net Assets		
Current liabilities:		
Refunds payable	\$ 179	548
Accounts payable	-	15
Total current liabilities	<hr/> 179	<hr/> 563
Net assets - unrestricted	<hr/> 30,001	<hr/> 29,833
	<hr/> <hr/>	
Total liabilities and net assets	\$ 30,180	30,396

See notes to financial statements.

Iowa Sheep and Wool Promotion Board
Statements of Revenues, Expenses and Changes in Net Assets
Years ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Revenues:		
Assessments	\$ 60,271	54,941
Less refunds	(4,042)	(5,350)
Net revenues	<u>56,229</u>	<u>49,591</u>
Expenses:		
Administration	10,245	9,051
Education - consumer	21,130	24,486
Education - producer	21,186	19,425
Research	4,020	9,550
Depreciation	-	92
Total expenses	<u>56,581</u>	<u>62,604</u>
Operating loss	(352)	(13,013)
Non-operating revenues:		
Interest income	<u>520</u>	<u>562</u>
Changes in net assets	168	(12,451)
Net assets beginning of year	<u>29,833</u>	<u>42,284</u>
Net assets end of year	<u>\$ 30,001</u>	<u>29,833</u>

See notes to financial statements.

Exhibit C

Iowa Sheep and Wool Promotion Board

Statements of Cash Flows

Years ended June 30, 2007 and 2006

	2007	2006
Cash flows from operating activities:		
Cash received from assessments	\$ 57,462	60,288
Cash paid to suppliers for goods and services	(56,596)	(62,678)
Cash paid for refunds	(4,411)	(5,883)
Net cash used by operating activities	(3,545)	(8,273)
Cash flows from investing activities:		
Purchase of certificate of deposit	(10,000)	(12,576)
Proceeds from redemption of certificate of deposit	12,576	-
Interest received	503	504
Net cash provided (used) by investing activities	3,079	(12,072)
Net decrease in cash and cash equivalents	(466)	(20,345)
Cash equivalents beginning of year	9,826	30,171
Cash equivalents end of year	\$ 9,360	9,826
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (352)	(13,013)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	-	92
Changes in assets and liabilities:		
(Increase) decrease in assessments receivable	(2,809)	5,347
Decrease in refunds payable	(369)	(533)
Decrease in accounts payable	(15)	(166)
Total adjustments	(3,193)	4,740
Net cash used by operating activities	\$ (3,545)	(8,273)
Reconciliation of cash and cash equivalents at year end on the Statement of Net Assets:		
Cash and cash equivalents	\$ 19,360	22,402
Less items not meeting the definition of cash equivalents:		
Certificate of deposit	(10,000)	(12,576)
Cash and cash equivalents end of year	\$ 9,360	9,826

See notes to financial statements.

Iowa Sheep and Wool Promotion Board

Notes to Financial Statements

Years ended June 30, 2007 and 2006

(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 that 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, 2007 include a certificate of deposit of \$10,000.
- 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, 2007 and June 30, 2006 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, 2007 and June 30, 2006 is as follows:

	<u>2007</u>	<u>2006</u>
Equipment	\$ 2,070	2,070
Less: Accumulated depreciation	<u>(2,070)</u>	<u>(2,070)</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, 2007, and have issued our report thereon dated May 23, 2008. 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.

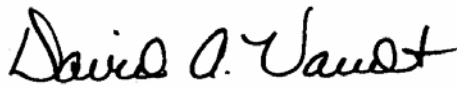
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies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

Compliance and Other Matters

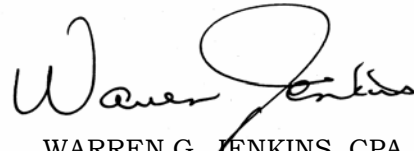
As part of obtaining reasonable assurance about whether the Iowa Sheep and Wool Promotion Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and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

May 23, 2008

Iowa Sheep and Wool Promotion Board

Schedule of Findings

June 30, 2007

Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

No matters were noted.

INSTANCES OF NON-COMPLIANCE:

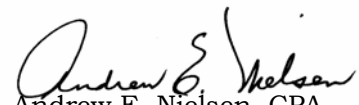
No matters were noted.

Iowa Sheep and Wool Promotion Board

Staff

This audit was performed by:

Kay F. Dunn, CPA, Manager
Gelu Sherpa, Staff Auditor



Andrew E. Nielsen, CPA
Deputy Auditor of State