



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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

**NEWS RELEASE**

FOR RELEASE

January 29, 2009

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, 2008 and 2007.

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 \$47,903 for the year ended June 30, 2008, a 14.8% decrease from 2007. 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, 2008 totaled \$48,010, a 15.1% 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, 2008 AND 2007**

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## Iowa Sheep and Wool Promotion Board

### Officials

Name

Title

#### State

Honorable Chester J. Culver  
Charles J. Krogmeier

Governor  
Director, Department of Management

#### 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:

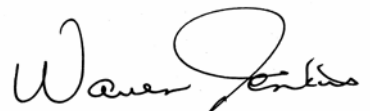
We have audited the accompanying financial statements, listed as exhibits in the table of contents of this report, of the Iowa Sheep and Wool Promotion Board as of and for the years ended June 30, 2008 and 2007. These financial statements are the responsibility of the Board's management. Our responsibility 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, 2008 and 2007, 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 December 24, 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

December 24, 2008

**Iowa Sheep and Wool Promotion Board**



## **Financial Statements**

**Exhibit A**

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## Iowa Sheep and Wool Promotion Board

## Statements of Net Assets

June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 23,181	19,360
Assessments receivable	7,252	10,486
Interest receivable	27	334
	<u>30,460</u>	<u>30,180</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Refunds payable	\$ 52	179
Accounts payable	-	-
Total current liabilities	<u>52</u>	<u>179</u>
Net assets - unrestricted	<u>30,408</u>	<u>30,001</u>
<b>Total liabilities and net assets</b>	<u>\$ 30,460</u>	<u>30,180</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, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Revenues:		
Assessments	\$ 51,163	60,271
Less refunds	(3,260)	(4,042)
Net revenues	<u>47,903</u>	<u>56,229</u>
Expenses:		
Administration	9,633	10,245
Education - consumer	15,672	21,130
Education - producer	22,705	21,186
Research	-	4,020
Total expenses	<u>48,010</u>	<u>56,581</u>
Operating loss	(107)	(352)
Non-operating revenues:		
Interest income	514	520
Changes in net assets	407	168
Net assets beginning of year	<u>30,001</u>	<u>29,833</u>
Net assets end of year	<u>\$ 30,408</u>	<u>30,001</u>

See notes to financial statements.

**Exhibit C**

## Iowa Sheep and Wool Promotion Board

## Statements of Cash Flows

Years ended June 30, 2008 and 2007

	2008	2007
Cash flows from operating activities:		
Cash received from assessments	\$ 54,397	57,462
Cash paid to suppliers for goods and services	(48,010)	(56,596)
Cash paid for refunds	(3,387)	(4,411)
Net cash provided (used) by operating activities	<u>3,000</u>	<u>(3,545)</u>
Cash flows from investing activities:		
Purchase of certificate of deposit	-	(10,000)
Proceeds from redemption of certificate of deposit	-	12,576
Interest received	10	503
Net cash provided by investing activities	<u>10</u>	<u>3,079</u>
Net increase (decrease) in cash and cash equivalents	3,010	(466)
Cash and cash equivalents beginning of year	9,360	9,826
Cash and cash equivalents end of year	<u>\$ 12,370</u>	<u>9,360</u>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>		
Operating loss	\$ (107)	(352)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Changes in assets and liabilities:		
(Increase) decrease in assessments receivable	3,234	(2,809)
Decrease in refunds payable	(127)	(369)
Decrease in accounts payable	-	(15)
Total adjustments	<u>3,107</u>	<u>(3,193)</u>
Net cash provided (used) by operating activities	<u>\$ 3,000</u>	<u>(3,545)</u>
<b>Reconciliation of cash and cash equivalents at year end on the Statement of Net Assets:</b>		
Cash and cash equivalents	\$ 23,181	19,360
Less items not meeting the definition of cash equivalents:		
Certificate of deposit	<u>(10,811)</u>	<u>(10,000)</u>
Cash and cash equivalents end of year	<u>\$ 12,370</u>	<u>9,360</u>

See notes to financial statements.

Iowa Sheep and Wool Promotion Board

Notes to Financial Statements

Years ended June 30, 2008 and 2007

**(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, 2008 include a certificate of deposit of \$10,811.
- 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, 2008 and June 30, 2007 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, 2008 and June 30, 2007 is as follows:

	<u>2008</u>	<u>2007</u>
Equipment	\$ 420	2,070
Less: Accumulated depreciation	<u>(420)</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, 2008, and have issued our report thereon dated December 24, 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.

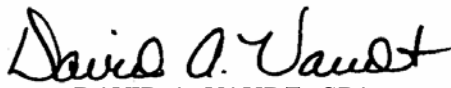
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies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

Compliance and Other Matters

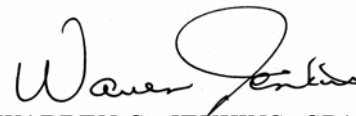
As part of obtaining reasonable assurance about whether the Iowa Sheep and Wool Promotion Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and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

December 24, 2008



Iowa Sheep and Wool Promotion Board

Schedule of Findings

June 30, 2008

**Findings Related to the Financial Statements:**

**SIGNIFICANT DEFICIENCIES:**

No matters were noted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

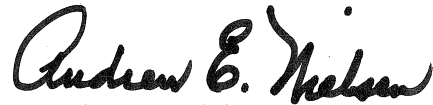
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Iowa Sheep and Wool Promotion Board

Staff

This audit was performed by:

Deborah J. Moser, CPA, Manager  
Gelu Sherpa, Staff Auditor

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

Andrew E. Nielsen, CPA  
Deputy Auditor of State