



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

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NEWS RELEASE

FOR RELEASE December 4, 2003

Contact: Andy Nielsen
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Auditor of State David A. Vaudt today released an audit report on the Iowa Corn Promotion Board for the years ended August 31, 2003 and 2002.

The purpose of the Board is to develop and carry out research, education and promotion programs to maintain present corn and corn products markets, to assist in developing new or larger domestic and foreign markets and to work for the prevention, modification or elimination of trade barriers which obstruct the free flow of corn and corn products to market.

Vaudt reported that the Board's net assessments revenue totaled \$7,128,732 for the year ended August 31, 2003, a 12.7% increase from 2002. Expenses for the year ended August 31, 2003 totaled \$5,866,241, an increase of 2.8% from the prior year. The increase in revenues was primarily due to the increase in the number of bushels of corn sold in the current year as compared to the prior year.

A copy of the audit report is available for review in the Office of Auditor of State and from the Iowa Corn Promotion Board.

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IOWA CORN PROMOTION BOARD
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS
AUGUST 31, 2003 AND 2002

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Iowa Corn Promotion Board

Officials

Name

Title

State

Honorable Thomas J. Vilsack
Cynthia P. Eisenhauer
Dennis C. Prouty

Governor
Director, Department of Management
Director, Legislative Services Agency

Board

Curtis Jones	Chairperson	District 1
Daryl Haack	Vice Chairperson	District 1
Pam Johnson	Secretary	District 2
Gordon Wassenaar	Treasurer	District 5
Delmer Voss	Member	District 2
Vic Miller	Member	District 3
Tim Burrack	Member	District 3
Brian Peterson	Member	District 4
Gayl Hopkins	Member	District 4
Craig Pfantz	Member	District 5
Larry Beyer	Member	District 6
Larry Jons	Member	District 6
Darrel McAlexander	Member	District 7
Mike Stenzel	Member	District 7
Kyle Phillips	Member	District 8
Bert Vandenberg	Member	District 9
Bill Brauns	Member	District 9

Ex-Officio Members

Honorable Patty Judge	Secretary of Agriculture
Wendy K. Wintersteen	Senior Associate Dean, College of Agriculture, Iowa State University
Dick Vegors	Marketing Manager, Grain and Grain Co-Products, Iowa Department of Economic Development
Mark Heckman	Grain Merchandiser, Gringer Feed and Grain, Inc.
Larry Sterk	General Manager, State Line Cooperative

Agency

Craig Floss	Chief Executive Officer
Julie Kirby	Director of Finance and Business Operations

Iowa Corn Promotion Board



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Independent Auditor's Report

To the Members of the
Iowa Corn Promotion Board:

We have audited the accompanying financial statements, listed as exhibits in the table of contents of this report, of the Iowa Corn Promotion Board, as of and for the years ended August 31, 2003 and 2002. 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 that 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 Corn Promotion Board at August 31, 2003 and 2002, 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 November 13, 2003 on our consideration of the Iowa Corn Promotion Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. This 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.

Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental information included in Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audits of the aforementioned financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

DAVID A. VAUDT, CPA
Auditor of State

November 13, 2003

Iowa Corn Promotion Board

Financial Statements

Exhibit A

Iowa Corn Promotion Board
Statements of Financial Position
August 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Assets		
Current assets:		
Cash and cash equivalents (note 2)	\$ 9,967,817	8,493,054
Assessments re ceivable	722,098	697,865
Notes receivable (note 7)	66,667	66,667
Prepaid expenses	14,166	9,104
Total current assets	<u>10,770,748</u>	<u>9,266,690</u>
Property and equipment:		
Leasehold improvement	15,053	12,753
Vehicles	14,195	14,195
Office equipment	229,424	189,921
Computer equipment	63,403	56,096
	<u>322,075</u>	<u>272,965</u>
Less accumulated depreciation	154,625	132,392
Property and equipment, net	<u>167,450</u>	<u>140,573</u>
Total assets	<u>\$10,938,198</u>	<u>9,407,263</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 589,889	395,979
Salaries payable	32,275	15,398
Due to Iowa Corn Growers Association	268,186	315,205
Capital leases (note 5)	21,571	12,904
Compensated absences	18,777	15,189
Total current liabilities	<u>930,698</u>	<u>754,675</u>
Long-term liabilities:		
Capital leases (note 5)	16,121	13,969
Total liabilities	<u>946,819</u>	<u>768,644</u>
Net assets - unrestricted	<u>9,991,379</u>	<u>8,638,619</u>
Total liabilities and net assets	<u>\$10,938,198</u>	<u>9,407,263</u>

See notes to financial statements.

Iowa Corn Promotion Board

Statements of Revenues, Expenses and Changes in Net Assets

Years ended August 31, 2003 and 2002

	2003	2002
Revenues:		
Assessments	\$ 7,773,750	6,856,434
Less refunds	(645,018)	(530,147)
Net assessments revenue	<u>7,128,732</u>	<u>6,326,287</u>
Interest income	90,269	83,888
Other income	-	1,855
Net revenues	<u>7,219,001</u>	<u>6,412,030</u>
Expenses (note 4):		
Administration	739,034	742,154
Market development	920,897	670,248
Research	811,187	764,921
Grants and contracts with other organizations	<u>3,395,123</u>	<u>3,528,880</u>
Total expenses	<u>5,866,241</u>	<u>5,706,203</u>
Changes in net assets	1,352,760	705,827
Net assets beginning of year	<u>8,638,619</u>	<u>7,932,792</u>
Net assets end of year	<u>\$ 9,991,379</u>	<u>8,638,619</u>

See notes to financial statements.

Exhibit C

Iowa Corn Promotion Board

Statements of Cash Flows

Years ended August 31, 2003 and 2002

	2003	2002
Cash flows from operating activities:		
Cash received from assessments	\$ 7,104,499	6,379,205
Cash payments to suppliers and employees	(2,265,987)	(2,348,135)
Cash payments for operating grants and contracts	(3,395,123)	(3,548,879)
Other operating revenues	90,269	85,743
Net cash provided by operating activities	<u>1,533,658</u>	<u>567,934</u>
Cash flows from capital and related financing activities:		
Acquisition of property and equipment	(40,412)	(29,531)
Principal paid on capital lease	(18,483)	(16,624)
Net cash used for capital and related financing activities	<u>(58,895)</u>	<u>(46,155)</u>
Net increase in cash and cash equivalents	1,474,763	521,779
Cash and cash equivalents, beginning of year	<u>8,493,054</u>	<u>7,971,275</u>
Cash and cash equivalents, end of year	<u>\$ 9,967,817</u>	<u>8,493,054</u>
Reconciliation of changes in net assets to net cash provided by operating activities:		
Changes in net assets	<u>\$ 1,352,760</u>	<u>705,827</u>
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	42,837	36,469
Changes in assets and liabilities:		
Decrease in due from state government	-	30,000
(Increase) decrease in assessments receivable	(24,233)	52,919
(Increase) in notes receivable	-	(50,000)
(Increase) decrease in prepaid expenses	(5,062)	4,010
Increase in accounts payable	193,910	289,982
Increase (decrease) in salaries payable	16,877	(196)
(Decrease) in due to Iowa Corn Growers Association	(47,019)	(505,495)
Increase in compensated absences	3,588	4,418
Total adjustments	<u>180,898</u>	<u>(137,893)</u>
Net cash provided by operating activities	<u>\$ 1,533,658</u>	<u>567,934</u>

Non-cash investing, capital and financial activities:

During the years ended August 31, 2003 and 2002, computer equipment costing \$29,302 and \$7,137, respectively, was acquired through lease purchase agreements.

See notes to financial statements.

Iowa Corn Promotion Board
Notes to Financial Statements
August 31, 2003 and 2002

(1) Summary of Significant Accounting Policies

The purpose of the Iowa Corn Promotion Board is to develop and carry out research and education programs directed toward better and more efficient production, marketing and utilization of corn and corn products; to provide public relations and other promotion techniques for the maintenance of present markets; to assist in the development of new or larger domestic and foreign markets; and, to work for prevention, modification or elimination of trade barriers which obstruct the free flow of corn and corn products to market. The Board collects assessments that are based on the number of bushels of corn marketed in the state to a first purchaser (currently the assessment rate is one half of one cent per bushel). Statutory authority for the Iowa Corn Promotion Board is established under Chapter 185C of the Code of Iowa.

- A. Reporting Entity - For financial reporting purposes, the Iowa Corn 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 included 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 Corn Promotion Board has no component units which meet the Governmental Accounting Standards Board criteria.
- B. Basis of Accounting - The financial statements of the Board are prepared on the accrual basis.
- C. 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, they have a maturity date no longer than three months.
- D. Budget Control - Budgetary control is exercised over the Iowa Corn Promotion Board by the Board of Directors, which approves, reviews and revises the budget. Formal budgetary control is based on total operating expenses.
- E. Property and Equipment - Property and equipment is capitalized at cost. Expenses for repairs and maintenance are charged against operations. The estimated lives for office and computer equipment range from three to twelve years, five years for vehicles and ten years for leasehold improvements.

- F. Salaries Expense - Iowa Corn Growers Association employees perform functions which relate to the Association and to the Iowa Corn Promotion Board. A portion of the Association's salary expense is allocated to the Board monthly.
- G. Compensated Absences - Association employees accumulate vacation for payment upon retirement, death or termination. The Board has accrued a liability for its share of these compensated absences based on current rates of pay.
- H. Depreciation - Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the assets.
- I. Income Taxes - The Board is exempt from taxation under Section 501(c) of the Internal Revenue Code.

(2) Deposits

The Board's deposits throughout the period and at August 31 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.

The Board's deposits at August 31, 2003 and 2002 consist of cash in bank of \$9,967,817 and \$477,760, respectively.

The Board's mutual fund investment at August 31, 2002 consists of U.S. Government securities and repurchase agreements with a fair value of \$8,015,294. This investment is not subject to risk categorization.

(3) Promotional Development

Section 185C.29, Code of Iowa, reads as follows:

After the costs of elections, referendum, necessary board expenses, and administrative costs have been paid, at least seventy-five percent of the remaining funds from state assessments in the corn promotion fund shall be allocated to organizations selected by the corn promotion board on the basis of their ability to carry out the purposes of this chapter. The funds can only be used for research, promotion, and education in cooperation with agencies equipped to perform these activities.

For the years ended August 31, 2003 and 2002, the Board expended 87% each year for market development, research and grants and contracts with other organizations selected to carry out the purposes of Chapter 185C.

(4) Related Party Transactions

The Promotion Board has contracted with the Iowa Corn Growers Association to develop, maintain, and expand markets for U.S. corn, and to work toward a better public understanding of corn and agriculture in order to achieve increased profitability for corn growers. Expenses under these contracts totaled \$825,000 and \$805,000 for the years ended August 31, 2003 and 2002, respectively.

In addition, certain administrative expenses are paid by the Iowa Corn Growers Association for the Promotion Board under a contractual agreement. The contract provides for the Board to make two equal payments to the Association totaling \$679,300 for the year ended August 31, 2003 and \$671,800 for the year ended August 31, 2002, to cover the estimated cost of Association administrative expenses incurred for the Board. Actual administrative expenses incurred by the Association on behalf of the Board, including various payroll costs, totaled \$651,543 and \$648,961 for the years ended August 31, 2003 and 2002, respectively.

(5) Capital Leases

The Iowa Corn Promotion Board has entered into six agreements to lease computer equipment for periods ranging from 18 months to three years at interest rates ranging from 7.000% to 13.324% and an agreement to lease a copy machine for a period of four years at an interest rate of 12.875%. Two leases expire in fiscal year 2004, three leases expires in fiscal year 2005, and the remaining two leases expire in fiscal year 2006. Total future minimum lease payments are as follows:

Year Ending August 31,	Principal	Interest	Total
2004	\$ 21,571	2,544	24,115
2005	14,583	736	15,319
2006	1,538	23	1,561
Total	<u>\$ 37,692</u>	<u>3,303</u>	<u>40,995</u>

Payments under these agreements for the year ended August 31, 2003 totaled \$22,605, including interest of \$4,123.

(6) Pension Plan

The Association sponsors a Simplified Employee Pension Plan for all full-time employees. The Board contributes 9% of its share of employee salaries. Pension contributions for the years ended August 31, 2003 and 2002 were \$39,296 and \$32,958, respectively.

(7) Notes Receivable

During fiscal 2002, the Iowa Corn Promotion Board loaned \$50,000 to Little Sioux Corn Producers. The terms of the agreement are as follows: No interest will accrue on the loan until the end of the "Evaluation Period" which will end on June 30, 2004; simple interest will then accrue on the loan at an interest rate equal to the prime rate. (The "prime rate" will be the base rate on corporate loans posted by at least 75% of the nation's largest banks as published in the Wall Street Journal on the first publication date after the end of the evaluation period); the borrower shall repay the loan in full on June 30, 2004, but may prepay the balance of the loan at any time without penalty.

During fiscal year 1998, the Iowa Corn Promotion Board loaned \$50,000 to PGT Investors, LLC (PGT). The terms of the agreement are as follows: No interest will accrue on the loan until the end of the "Evaluation Period" which ended May 30, 1998; simple interest will then accrue on the loan at an interest rate equal to the prime rate plus 3% per annum. (The "prime rate" will be the base rate on corporate loans posted by at least 75% of the nation's largest banks as published in the Wall Street Journal on the first publication date after the end of the evaluation period); the borrower shall repay the loan in three equal payments within 18 months after the end of the evaluation period. Payments totaling \$33,333 have been received, leaving a balance of \$16,667 outstanding at August 31, 2003. In January 2000, MBA Poultry, LLC, a Nebraska Company, in which PGT has invested, filed for protection under Federal Chapter 11 bankruptcy. Due to its loss, PGT has been unable to repay the balance of the loan. As of August 31, 2003, the Board believes that payment from PGT remains uncertain.

(8) Risk Management

The Iowa Corn Promotion 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. The Board assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Iowa Corn Promotion Board

Supplemental Information

Schedule 1

Iowa Corn Promotion Board

Statement of Revenues, Expenses and Changes in Net Assets
Actual and Budget

Year ended August 31, 2003

	Actual	Budget	Favorable (Unfavorable) Variance
Revenues:			
Assessments	\$ 7,773,750	5,791,333	1,982,417
Less refunds	(645,018)	(463,307)	(181,711)
Net assessments revenue	<u>7,128,732</u>	<u>5,328,026</u>	<u>1,800,706</u>
Interest income	90,269	150,000	(59,731)
Net revenues	<u>7,219,001</u>	<u>5,478,026</u>	<u>1,740,975</u>
Expenses:			
Administration	739,034	726,300	(12,734)
Market development	920,897	952,500	31,603
Research	811,187	1,426,200	615,013
Grants and contracts with other organizations	<u>3,395,123</u>	<u>3,772,500</u>	<u>377,377</u>
Total expenses	<u>5,866,241</u>	<u>6,877,500</u>	<u>1,011,259</u>
Changes in net assets	1,352,760	<u>(1,399,474)</u>	<u>2,752,234</u>
Net assets beginning of year	<u>8,638,619</u>		
Net assets end of year	<u>\$ 9,991,379</u>		

See accompanying independent auditor's report.

Iowa Corn Promotion Board

Iowa Corn Promotion Board
Statement of Expenses by Activity
Year ended August 31, 2003

	Adminis- tration	Market Develop- ment	Research
Salaries	\$ -	169,223	110,742
Travel	-	10,767	9,474
Board members:			
Per diem	28,724	-	-
Administrative:			
Administrative contract expense	651,543	-	-
Depreciation	42,837	-	-
Department of Agriculture audits	15,930	-	-
Market Development:			
Value Added Opportunities	-	381,640	-
Ethanol Program	-	287,344	-
Iowa Export Enhancement	-	71,923	-
Research:			
Research projects	-	-	432,195
Isosorbide project	-	-	131,157
Hemicellulose	-	-	84,003
Project Traits	-	-	40,241
Corn Genome	-	-	3,375
Grants and contracts with other organizations:			
U.S. Feed Grains Council	-	-	-
Executive Committee Fund	-	-	-
National Corn Growers Association	-	-	-
Iowa Corn Growers Association	-	-	-
U.S. Meat Export Federation	-	-	-
Corn Congress Delegates	-	-	-
I Lead Programs	-	-	-
Bio Tech Task Force	-	-	-
Education	-	-	-
Business Development Task Force	-	-	-
Foreign Missions	-	-	-
University of Illinois	-	-	-
National Conference	-	-	-
Livestock Task Force	-	-	-
Total	\$ 739,034	920,897	811,187

See accompanying independent auditor's report.

Grants and Contracts With Other Organizations	Total (Memorandum Only)
179,587	459,552
4,570	24,811
-	28,724
-	651,543
-	42,837
-	15,930
-	381,640
-	287,344
-	71,923
-	432,195
-	131,157
-	84,003
-	40,241
-	3,375
983,000	983,000
19,807	19,807
852,500	852,500
825,000	825,000
148,000	148,000
36,933	36,933
62,601	62,601
33,746	33,746
185,473	185,473
1,728	1,728
17,586	17,586
25,200	25,200
3,616	3,616
15,776	15,776
<u>3,395,123</u>	<u>5,866,241</u>

Iowa Corn Promotion Board



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STATE OF IOWA**

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

To the Members of the
Iowa Corn Promotion Board:

We have audited the financial statements of the Iowa Corn Promotion Board as of and for the year ended August 31, 2003, and have issued our report thereon dated November 13, 2003. 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 Corn Promotion Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under Government Auditing Standards. However, we noted an immaterial instance of non-compliance that is described in the accompanying Schedule of Findings.

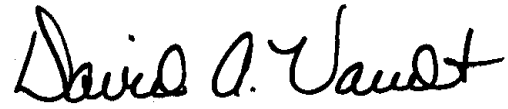
Comments involving statutory and other legal matters about the Board's operations for the year ended August 31, 2003 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Board. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comment involving statutory and other legal matters is not intended to constitute legal interpretations of those statutes.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Iowa Corn 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 operation that we consider to be material weaknesses.

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

A handwritten signature in black ink that reads "David A. Vaudt". The signature is written in a cursive style with a large, prominent 'D' and 'V'.

DAVID A. VAUDT, CPA
Auditor of State

November 13, 2003

Iowa Corn Promotion Board

Schedule of Findings

Year ended August 31, 2003

Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

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

Other Findings Related to Statutory Requirements and Other Matters:

- (1) Official Depositories - A resolution naming official depositories has been adopted by the Board. The maximum deposit amounts stated in the resolution were exceeded during the year ended August 31, 2003.

Recommendation - A new resolution in a amount that is sufficient to cover anticipated balances at the approved depositories should be adopted by the Board.

Response - Iowa Corn Promotion Board will increase its depository maximum and have it adopted by the Board.

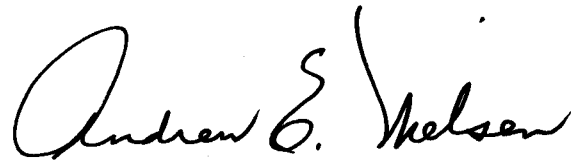
Conclusion - Response accepted.

Iowa Corn Promotion Board

Staff

This audit was performed by:

Suzanne R. Hanft, CPA, Manager
Kevin P. Riley, CPA, Staff Auditor
Heather L. Templeton, 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 'N'.

Andrew E. Nielsen, CPA
Deputy Auditor of State