

21—90.8 (203C) Financial statements.

90.8(1) *New license applicants.* To obtain a warehouse operator license, an applicant shall submit a financial statement that shall:

- a.* Be prepared within three months from the date of filing and comply with 90.8(2), paragraph “a” or “b”; or
- b.* Be prepared as of the applicant’s usual fiscal year end and comply with 90.8(2), paragraph “a” or “b,” and the applicant has continuously been in business for one year or more, and the applicant has submitted any additional financial information required by the bureau; or
- c.* Be a forecasted financial statement prepared by a certified public accountant licensed in this state, and the applicant is a new business entity that is in the process of transferring funds into the business entity. An applicant who files a forecasted financial statement pursuant to this paragraph shall file a financial statement which complies with 90.8(2), paragraph “a” or “b,” within one month after the date the license is issued by the bureau.

90.8(2) *Financial statement requirements.* Financial statements filed pursuant to subrules 90.8(1), 90.8(3), 90.8(4) and 90.8(11) shall be prepared in accordance with generally accepted accounting principles and shall comply with either of the following:

- a.* Be accompanied by an unqualified opinion based upon an audit performed by a certified public accountant licensed in this state. The bureau may accept a qualification in an opinion that is unavoidable by any audit procedure. Opinions that are qualified because of the limited audit procedure or because the scope of an audit is limited shall not be accepted by the bureau; or
- b.* Be accompanied by the report of a certified public accountant licensed in this state that is based upon a review performed by the certified public accountant.

90.8(3) *Sole proprietorship financial statements.* An individual licensed as a sole proprietorship shall file a financial statement which conforms with the provisions of subrules 90.8(2) and 90.8(4) on the proprietorship business. The individual shall also file a personal statement of financial condition which conforms with the provisions of subrules 90.8(2) and 90.8(4). The personal statement of financial condition shall also disclose the historical cost basis for assets as provided in Iowa Code section 203C.6.

90.8(4) *Filing date of annual statements.* Every licensee shall prepare financial statements at the close of the licensee’s designated fiscal year and shall file the statements and the bureau’s financial information form with the bureau not later than three months thereafter. These financial statements shall be prepared in accordance with generally accepted accounting principles and shall consist, at a minimum, of a balance sheet, statement of income, statement of cash flow, and accompanying notes to the financial statements. The bureau shall notify every licensee during the month after the close of the licensee’s fiscal year that the licensee’s financial statement is due three months after the close of the licensee’s fiscal year.

90.8(5) *Additional disclosures required in the financial statement.* Unless the following information is disclosed in the fiscal year end financial statements, the licensee’s certified public accountant shall file with the financial statements a separate letter disclosing the information:

- a.* A reconciliation of differences in the grain obligations as shown in the financial statement and the daily position record.
- b.* Amount and kind of grain on collateral warehouse receipts.
- c.* Amount and kind of company-owned grain which is being stored in unlicensed facilities or which has been transferred to another warehouse.
- d.* Bushel and dollar amounts of all outstanding grain payables, including a breakdown of the bushels and dollars of each type of credit-sale contract.
- e.* Gross grain sales for the fiscal year.
- f.* Gross nongrain sales for the fiscal year.
- g.* Cost of all goods sold for the fiscal year.
- h.* Depreciation expense for the fiscal year.
- i.* Interest expense for the fiscal year.

j. Number of bushels of grain purchased under each grain dealer's license. For purposes of this paragraph, "purchases" shall mean all grain to which the grain dealer has obtained title during the grain dealer's fiscal year.

90.8(6) Filing extension.

a. The bureau chief may grant an extension of one month for the filing of financial statements upon receipt of the following:

(1) A letter from the warehouse operator's certified public accountant stating the reason for filing the extension request and that work has been done on preparing the financial statements.

(2) An affidavit from the warehouse operator stating that the warehouse operator meets the financial responsibility requirements of Iowa Code section 203C.6, or that the licensee shall file additional bond in an amount to cover any net worth deficiency as provided in Iowa Code section 203C.6, based upon the licensed certified public accountant's best estimate of the licensee's financial position.

b. Warehouse operators who file false affidavits under this rule may be prosecuted under Iowa Code section 203C.36. Subrule 90.8(6) does not apply to the filing of financial statements required under the provisions of subrules 90.8(10), 90.8(11) and 90.8(12).

90.8(7) Asset valuation. The licensee may submit to the bureau a written request for asset valuation. The written request shall be accompanied by the appraisal and shall have been prepared by a licensed appraiser in this state and shall list the appraiser's credentials. Before an appraisal will be accepted by the bureau, the licensee shall show a positive net worth. All appraisals are subject to approval by the bureau chief. The bureau chief shall notify the licensee within five working days if the appraisal is unacceptable. Any approved asset valuation may be used in any financial statements prepared by or for the licensee in accordance with subrule 90.8(2).

90.8(8) Appraisals. Competent appraisals on file with the bureau shall be valid for use in determining asset value for a maximum period of three years. Thereafter, a new appraisal for asset valuation shall be required and shall be used for a like period of time. In the event the certified public accountant expresses doubt as to the licensee's ability to continue as a going concern, the bureau shall not allow an appraisal to be used to meet net worth requirements. All assets included in the appraisal shall be depreciated by the bureau using the following schedule:

a. Buildings and attached equipment—15 years.

b. Rolling stock (trucks)—5 years.

c. Equipment—5 years.

90.8(9) Assets allowed in meeting financial requirements.

a. Corporations, limited liability companies and partnerships. When the bureau determines the net worth for corporations, limited liability companies and partnerships, related party assets that require financial disclosure per financial accounting standards shall be disallowed. These assets shall be excluded unless the licensee can show the bureau sufficient documentation to assure the bureau that the assets are collectible.

b. Sole proprietors. When the bureau determines the net worth for sole proprietors, related party assets shall be excluded unless the licensee can show the department sufficient documentation to explain why these assets should be included. Only that part of the value of an asset which is subject to execution shall be allowed by the bureau in determining net worth. When a liability associated with an exempt asset (whether the asset is included or not) exceeds the original cost (or fair market value after an appraisal approved by the bureau), such excess shall be shown as a liability with appropriate footnotes to the financial statement. An applicant or a licensed warehouse operator shall complete the bureau's financial information form regarding this matter and submit the form with the financial statements.

90.8(10) Net worth deficiency monthly financial statements. Every licensee who has a net worth deficiency and who has filed additional bond shall file monthly financial statements with the bureau by the end of the next month until the net worth meets the requirements of Iowa Code section 203C.6 for a minimum of three consecutive months. These financial statements shall contain a minimum of a balance

sheet and statement of income and shall be prepared in accordance with generally accepted accounting principles.

90.8(11) *Good cause financial statement.* The bureau chief may require a licensee to file a financial statement which complies with paragraph 90.8(2) “b” within 45 days of notification by the bureau if one of the following conditions exists:

- a. Quantity shortage;
- b. Quality shortage;
- c. Payment is made by use of a check or electronic funds transfer and a financial institution refuses payment because of insufficient moneys in the licensee’s account;
- d. Record-keeping violations;
- e. Other documented evidence which indicates that the licensee’s financial condition has deteriorated since the filing of the licensee’s last financial statement; or
- f. A high risk of loss to the grain depositors and sellers indemnity fund caused by the possible insolvency of the warehouse operator based on a statistical model provided in Iowa Code section 203C.40.

90.8(12) *Additional information.* The bureau chief may require an applicant or licensee to provide the bureau with any other information reasonably related to the business of a warehouse operator and work papers supporting the financial statements.

90.8(13) *Penalty for failure to timely supply financial statements.* The department may suspend the license of any warehouse operator who fails to provide the required financial statements within the time limits prescribed by these rules.

This rule is intended to implement Iowa Code sections 203C.1, 203C.5, 203C.6 and 203C.7.