

## Kansas Corn Commission

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### Comments from Pat Ross, Treasurer, Kansas Corn Commission Annual Report to the Legislature March 2013

My name is Pat Ross and I am treasurer of the Kansas Corn Commission. I farm near Lawrence and raise crops and cattle with my wife, Mary. I appreciate the opportunity to appear before you today and present the corn commission's annual legislative report.

The goal of the Kansas Corn Commission is to enhance the profitability of corn for Kansas farmers. In market development, we focus on our livestock and ethanol industries and maintaining export markets for corn and for corn-fed meats. The commission was the first corn checkoff in the nation to support the US Meat Export Federation back in the 1970s, and our support has continued for over 30 years. USMEF is tasked with building export markets for beef and pork. USMEF has played a key role in regaining Asian markets for our meats that were lost after BSE was found in the US in 2003, costing our beef industry billions in lost markets. Confidence in U.S. beef is returning, thanks in large part to USMEF's efforts.

We work with the US Grains Council and K-State's International Grains Program to build export markets for corn. Corn Commissioner Terry Vinduska is a past chairman of the US Grains Council and remains active in that organization. Corn exports are an important component in the profitability of corn. In years like this, when our corn exports are down, it is even more critical to ensure the US maintains its ability to sell corn to countries around the world.

The corn commission has supported ethanol since its creation in 1977. Today, we continue to promote and build markets for both ethanol and DDGS, the valued feed produced by ethanol plants. Ethanol plants use only the starch from the kernel to make ethanol. A third of the grain becomes DDGS, a high-protein, high nutrient feed.

In 2012, EPA approved the use of E15, a 15-percent ethanol fuel to be used in passenger vehicles 2001 and newer. Lawrence-based fuel retailer Scott Zaremba, became the first fuel retailer in the United States to offer E15 fuel as a fuel choice for customers at his seven locations in Lawrence, Kansas City, Ottawa and Paola. His Zarco66 stations have participated in our blender pump program to help retailers add blender pumps that allow for higher blends of ethanol fuel. The commission also supports programs with the Renewable Fuels Association and others to promote and implement this new fuel blend.

We are excited to be entering our third year of partnering with Growth Energy, National Corn Growers and several other state corn checkoffs in the American Ethanol partnership with NASCAR. All NASCAR race vehicles operate on 15 percent ethanol fuel and have now driven well over 3 million miles on the ethanol blend with excellent results in both engine performance and mileage. The American Ethanol NASCAR program allows us to reach the 75 million racing fans that follow NASCAR races. When the program was announced in late 2010, only 57 percent of NASCAR fans liked the idea of using ethanol. After two years of successful use in NASCAR race vehicles, nearly 80 percent of NASCAR fans have become ethanol supporters.

The Corn Commission funds research at K-State like irrigation management based on different corn maturities, and drought tolerant corn in areas like irrigation management of drought tolerant corn, all looking at ways to conserve water without hurting yield and production of corn that our livestock and ethanol industries rely upon.

Provided with my comments today, are copies of the commission's Fiscal Year 2012 financial audit, the FY 2012 Year-End Budget Report, the FY2013 Budget, and our annual report to producers, which was distributed through Kansas Farmer magazine, grower meetings and farm shows.

The corn checkoff rate remains at a half-cent per bushel. The corn checkoff is fully refundable, and we honor refund requests in a prompt and courteous manner. The FY2012 checkoff refund percentage was 11.32 percent, down slightly from 11.34 percent in FY2011.

The Kansas Corn Commission continues to work to benefit Kansas corn producers and we look forward to continuing these efforts in the years to come. Thank you for your interest in agriculture and in the activities of the Kansas Corn Commission.



## ***Putting corn checkoff dollars to work for Kansas growers***

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The Kansas corn checkoff collects a half-cent per bushel of corn sold. The Kansas Corn Commission is made up of farmers from each growing district in the state. These commissioners are elected by corn farmers in their district. The commission determines how the checkoff dollars are spent in the areas of market development, research, promotion and education. The commission administers the state checkoff program; identifies and invests in market development and research activities, evaluates the impact of each investment and cooperates with organizations on state, national and international market development efforts.

### **LIVESTOCK**

- A steadfast supporter of the **US Meat Export Federation** for over 30 years. USMEF builds meat exports, including successful efforts to regain export markets lost when BSE was found in the US in 2003.
- Corn checkoff dollars have funded research to improve feeding efficiencies, DDGS research, and recovery of CAFO wastewater (PHRED) with **KLA Environmental Services**.
- The KCC teams up with livestock and grain groups to support the **US Farmers and Ranchers Alliance**, an effort to educate consumers about food and those who produce it.

### **ETHANOL**

- The Kansas Corn Commission has funded ethanol research, market development and promotion efforts since the late 1970s when the corn checkoff was established.
- Kansas corn checkoff dollars support the **American Ethanol NASCAR** partnership with **Growth Energy**, NCGA and others. 15 percent ethanol is used in all NASCAR race vehicles. After two racing seasons and over 3 million miles of racing on E15 ethanol, NASCAR says the performance of its race vehicles on E15 has been outstanding. Surveys show a very high level of awareness and support for ethanol by NASCAR fans. NASCAR races average 5.8 million TV viewers per race who see positive ethanol messages.
- The Kansas Corn Commission supports the BYO Ethanol program with the **Renewable Fuels Association** to build markets for ethanol through the expansion of ethanol infrastructure and the implementation of E15 fuel. In 2012, E15 fuel was approved for passenger vehicles 2001 and newer. The commission works closely with the Kansas retailer who was the first in the nation to offer E15 fuel.

### **CORN EXPORTS**

- The Kansas Corn Commission funds the **US Grains Council** and the International Grains Program at Kansas State University to keep our grain export markets strong. Kansas Corn Commissioner Terry Vinduska is a past chairman of the USGC.

### **PRODUCTION AND STEWARDSHIP**

- Useful research at **K-State** in production and environmental stewardship remains a priority for the Kansas Corn Commission. Corn checkoff dollars fund irrigation research that helps growers make more efficient use of groundwater. The checkoff has also funded research to create Best Management Practices to help us keep pesticides and fertilizers working on the field and out of the rivers that flow through our farms.

### **CALL US**

Do you have a question for the Kansas Corn Commission? See the directory of commissioners on the back of this sheet to contact the farmer who represents your district. Or call the Kansas Corn Commission office at 785-448-2626, or visit the website at [www.ksgrains.com](http://www.ksgrains.com).



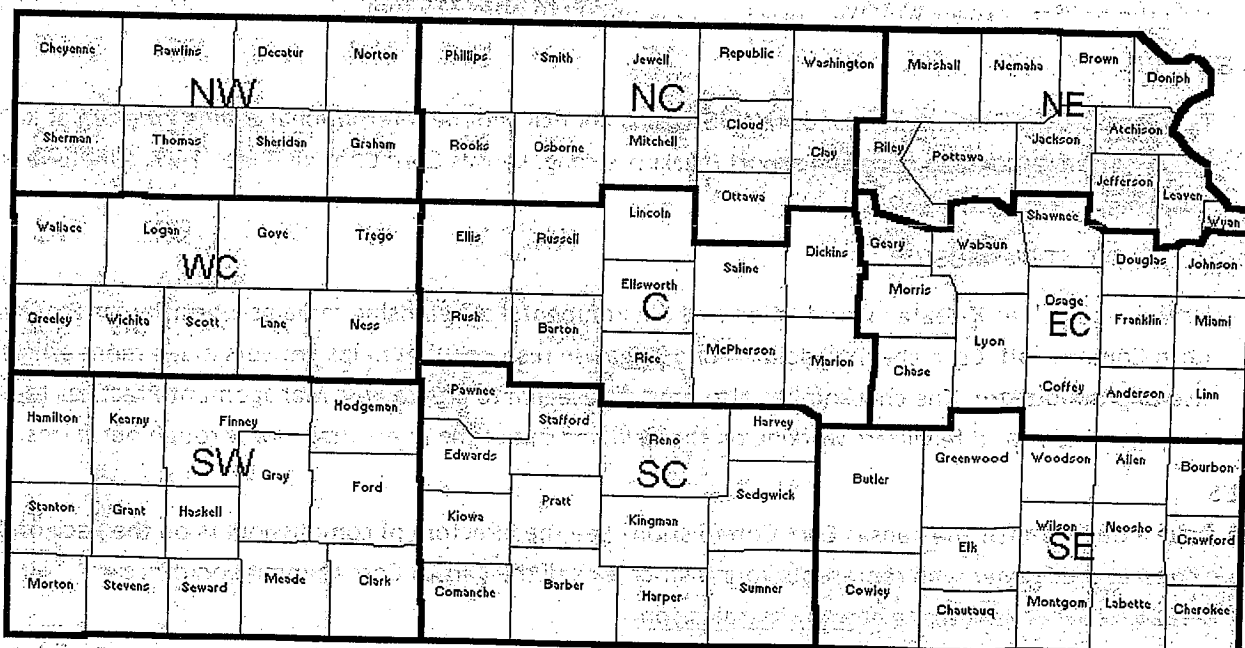
# KANSAS CORN COMMISSION DIRECTORY

Dist. 1 (NW)	Brian Baalman.....	Menlo .....	785-855-2268
Dist. 2 (WC)	Dennis McNinch .....	Utica .....	785-731-2703
Dist. 3 (SW)	Steve Rome .....	Hugoton.....	620-544-4243
Dist. 4 (NC)	Mike Brzon, Chairman.....	Courtland.....	785-335-2524
Dist. 5 (C)	Terry Vinduska.....	Marion .....	620-924-5499
Dist. 6 (SC)	Kent Moore, Vice Chair .....	Iuka.....	620-546-2520
Dist. 7 (NE)	Ken McCauley.....	White Cloud .....	785-595-3318
Dist. 8 (EC)	Pat Ross, Treasurer.....	Lawrence .....	785-842-4360
Dist. 9 (SE)	Bob Timmons.....	Fredonia.....	620-378-3642

KCC Executive Director: Jere White, PO Box 446, Garnett, KS 66032  
 Phone 785-448-2626 e-mail: [jwhite@ksgrains.com](mailto:jwhite@ksgrains.com)

**Kansas Corn Commission Web Site: <http://www.ksgrains.com/kcc>**

## District Map



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Cash Basis

## Kansas Corn Commission Income & Expense Budget vs. Actual July 2011 through June 2012

	Jul '11 - Jun 12	Budget	% of Budget
<b>Income</b>			
Checkoff Funds			
Assessments Received	2,023,243.21	2,227,500.00	90.8%
Refunds to Producers	-229,124.17	-267,300.00	85.7%
Total Checkoff Funds	1,794,119.04	1,960,200.00	91.5%
Interest Received	7,962.51	20,000.00	39.8%
<b>Total Income</b>	<b>1,802,081.55</b>	<b>1,980,200.00</b>	<b>91.0%</b>
<b>Expense</b>			
Communications			
Annual Report	4,350.00	6,000.00	72.5%
Elections	1,429.77	2,000.00	71.5%
Postage	1,855.04	2,500.00	74.2%
Printing	90.56	5,000.00	1.8%
Radio	25,703.95	70,000.00	36.7%
Communications - Other	20,007.54		
Total Communications	53,436.86	85,500.00	62.5%
Ethanol Expansion Program			
E-85/Blender Pump Program	17,500.00	40,000.00	43.8%
Ethanol Promotion	4,127.70	40,000.00	10.3%
In-State NASCAR Activation	0.00	40,000.00	0.0%
Vehicle, Additional Expenses	3,903.00	4,500.00	86.7%
Total Ethanol Expansion Program	25,530.70	124,500.00	20.5%
Grants	16,566.00	18,000.00	92.0%
Hospitality	5,692.34	6,000.00	94.9%
Meeting Expense	3,385.13	8,000.00	42.3%
Office Expenses	2,686.69	3,500.00	76.8%
Professional Services			
Auditing Services	3,100.00	3,200.00	96.9%
K-State Motorsports	3,500.00	3,500.00	100.0%
Kansas FFA Foundation	5,000.00	5,000.00	100.0%
KCGA - Administration	80,000.00	80,000.00	100.0%
KCGA - Programs	390,000.00	390,000.00	100.0%
KDA - Audit and Collection Fees	11,576.34	14,000.00	82.7%
Ks Found for Ag in the Class	15,000.00	15,000.00	100.0%
KSU - International Grains	75,000.00	75,000.00	100.0%
KSU - Research	129,058.00	129,058.00	100.0%
KU Motorsports	3,500.00	3,500.00	100.0%
National Corn Growers Assn.			
Core Funding	257,300.00	257,300.00	100.0%
Image and Activism Campaign	201,900.00	201,900.00	100.0%
NASCAR	250,000.00	310,000.00	80.6%
Portfolio - Ethanol	30,000.00	30,000.00	100.0%
Portfolio - Grower Services	13,750.00	13,750.00	100.0%
Portfolio - Prod & Steward	33,750.00	33,750.00	100.0%
Portfolio - Public Policy	30,000.00	30,000.00	100.0%
Portfolio - Research & Develop	20,000.00	20,000.00	100.0%
Portfolio - Trade and Biotech	20,000.00	20,000.00	100.0%
Total National Corn Growers Assn.	856,700.00	916,700.00	93.5%
No-Till On The Plains	15,000.00	15,000.00	100.0%
ProExporter Network Grain Study	8,000.00	8,000.00	100.0%
Undetermined Contracts			
ACE/RFA Natl Blender Pump Prog	50,000.00		
Efficiency Study Proj, O'Brien	23,688.00		
Urban Air Initiative	50,000.00		
Undetermined Contracts - Other	0.00	500,000.00	0.0%
Total Undetermined Contracts	123,688.00	500,000.00	24.7%
US Grains Council			
Foreign Market Development	350,000.00	350,000.00	100.0%
<b>Total US Grains Council</b>	<b>350,000.00</b>	<b>350,000.00</b>	<b>100.0%</b>

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Cash Basis

Kansas Corn Commission  
Income & Expense Budget vs. Actual  
July 2011 through June 2012

	<u>Jul '11 - Jun 12</u>	<u>Budget</u>	<u>% of Budget</u>
US Meat Export Federation USMEF Core Funding	80,000.00	80,000.00	100.0%
Total US Meat Export Federation	<u>80,000.00</u>	<u>80,000.00</u>	<u>100.0%</u>
Total Professional Services	2,149,122.34	2,587,958.00	83.0%
Travel	55,711.21	100,000.00	55.7%
Total Expense	<u>2,312,131.27</u>	<u>2,933,458.00</u>	<u>78.8%</u>
Net Income	<u>-510,049.72</u>	<u>-953,258.00</u>	<u>53.5%</u>

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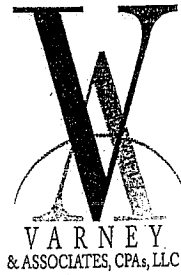
**Kansas Corn Commission**  
**FY13 Budget**  
 July 2012 through June 2013

	Jul '12 - Jun 13
<b>Income</b>	
Checkoff Funds	
Assessments Received	1,660,050.00
Refunds to Producers	-199,206.00
Total Checkoff Funds	1,460,844.00
Interest Received	10,000.00
<b>Total Income</b>	<b>1,470,844.00</b>
<b>Expense</b>	
Communications	
Annual Report	6,000.00
Elections	2,000.00
Postage	2,500.00
Printing	5,000.00
Radio	55,000.00
Total Communications	70,500.00
Ethanol Expansion Program	
BYO Blender Pump	25,000.00
E-85/Blender Pump Program	25,000.00
Ethanol Promotion	25,000.00
In-State NASCAR Activation	20,000.00
Vehicle, Additional Expenses	4,500.00
Total Ethanol Expansion Program	99,500.00
Grants	18,000.00
Hospitality	6,000.00
Meeting Expense	8,000.00
Office Expenses	3,500.00
Professional Services	
Auditing Services	3,200.00
KCGA - Administration	72,000.00
KCGA - Programs	350,000.00
KDA - Audit and Collection Fees	14,000.00
Ks Found for Ag in the Class	15,000.00
KSU - International Grains	75,000.00
KSU - Research	124,415.00
National Corn Growers Assn.	
Core Funding	277,300.00
Image and Activism Campaign	95,000.00
NASCAR	250,000.00
Portfolio - Biotech	5,000.00
Portfolio - Ethanol	20,000.00
Portfolio - Grower Services	10,000.00
Portfolio - Prod & Steward	10,000.00
Portfolio - Public Policy	20,000.00
Portfolio - Research & Develop	10,000.00
Total National Corn Growers Assn.	697,300.00
No-Till On The Plains	15,000.00
ProExporter Network Grain Study	8,000.00
Undetermined Contracts	25,000.00
Urban Air/KU	25,000.00
US Grains Council	
Foreign Market Development	277,300.00
Total US Grains Council	277,300.00
US Meat Export Federation	
USMEF Core Funding	50,000.00
Total US Meat Export Federation	50,000.00
Total Professional Services	1,751,215.00
Travel	75,000.00
<b>Total Expense</b>	<b>2,031,715.00</b>
<b>Net Income</b>	<b>-560,871.00</b>

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October 16, 2012

Board of Commissioners  
Kansas Corn Commission  
109 W. 4th  
Garnett, KS 66032

Dear Board of Directors:

We have audited the financial statements of Kansas Corn Commission (the Commission) for the year ended June 30, 2012, and have issued our report thereon dated October 16, 2012. Professional standards require we provide you with the following information related to our audit.

***Our Responsibility under U.S. Generally Accepted Auditing Standards***

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the Commission. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

***Significant Accounting Policies***

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Commission are described in Note 1 to the financial statements.

***Management Judgments and Accounting Estimates***

Accounting estimates are an integral part of the financial statements when prepared under generally accepted accounting principles. As these financial statements were prepared on a cash basis, there were no estimates for us to evaluate.

***Unusual Transactions***

During the course of our audit, we did not identify any significant or unusual transactions of material amounts which the accounting treatment was uncertain or in question.

***Audit Adjustments***

For the purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Commission's financial reporting process (that is, cause future financial statements to be materially misstated). There were no audit adjustments.

***Fraud***

We identified no fraud or illegal acts as we performed our procedures.

***Disagreements with Management***

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report no such disagreements arose during the course of our audit.

***Internal Control***

During the course of our audit, we look for suggestions that we can make that will strengthen or improve your processes. Your organization is small, so adequate segregation of duties is difficult. However, one control we feel would be easy to implement would be to have the bank statements come unopened to someone other than Sue. Since Sue performs essentially all of the accounting functions, having the bank statement sent to another person would add a layer of control. That person could possibly be the treasurer, another person in the office, or another commission member.

***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated October 16, 2012.

***Consultations with Other Accountants***

To the best of our knowledge, management has not consulted with or obtained opinions, written or oral, from other independent accountants during the past audit period that were subject to the requirements of Statements of Auditing Standards No. 50, *Reports on the Application of Accounting Principles*.

***Major Issues Discussed Prior to Retention of Independent Auditors***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each audit period prior to retention as the Commission's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing our audit. We appreciate all the assistance given to our audit team by personnel.

This information is intended solely for the use of the Board of Commissioners and management of Kansas Corn Commission and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

*Varney & Associates, CPAs, LLC*  
Certified Public Accountants

**KANSAS CORN COMMISSION**

Garnett, Kansas

**FINANCIAL STATEMENTS**

**WITH**

**INDEPENDENT AUDITOR'S REPORT**

June 30, 2012 and 2011



October 16, 2012

Board of Directors  
Kansas Corn Commission  
Garnett, Kansas

### Independent Auditor's Report

We have audited the accompanying statements of assets and net assets - cash basis of Kansas Corn Commission (the Commission), a quasi municipal entity, as of June 30, 2012 and 2011, and the related statements of revenues, expenses, and changes in net assets - cash basis for the years then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards 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 our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and net assets - cash basis of Kansas Corn Commission as of June 30, 2012 and 2011, and the changes in its net assets for the years then ended on the basis of accounting described in Note 1.

*Varney & Associates, CPAs, LLC*

Certified Public Accountants  
Manhattan, Kansas

**Independent Auditor's Report**

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KANSAS CORN COMMISSION  
 Garnett, Kansas  
 STATEMENTS OF ASSETS AND NET ASSETS - CASH BASIS  
 June 30,

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,350,000	\$ 2,100,000
CDARS deposits	652,640	412,690
Money market		
<b>TOTAL ASSETS</b>	<u>\$ 2,002,640</u>	<u>\$ 2,512,690</u>
<b>NET ASSETS</b>		
<b>Net Assets</b>	<u>\$ 2,002,640</u>	<u>\$ 2,512,690</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 2,002,640</u>	<u>\$ 2,512,690</u>

Financial Statements

KANSAS CORN COMMISSION

Garnett, Kansas

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - CASH BASIS

For the Years Ended June 30,

	2012	2011
<b>REVENUE</b>		
Check-off collections	\$ 2,023,243	\$ 3,003,472
Refunds	(229,124)	(333,681)
<b>Net</b>	<u>\$ 1,794,119</u>	<u>\$ 2,669,791</u>
Return of unused funds	-	-
Interest income	7,963	17,937
<b>Total Revenue</b>	<u>\$ 1,802,082</u>	<u>\$ 2,687,728</u>
<b>EXPENSES</b>		
Administrative		
Communications	\$ 53,438	\$ 84,065
KCGA - Administration	80,000	80,000
Travel	55,711	85,642
Office	2,687	3,119
Meetings	3,385	1,011
Hospitality	5,692	2,634
Grants	16,566	15,527
Program		
Ks Foundation for Ag in the Class	15,000	15,000
KCGA	390,000	381,000
KSU - Research	129,058	141,535
KSU - International Grains	75,000	50,000
National Corn Growers Association	856,700	866,700
No-Till on the Plains	15,000	5,000
Undetermined contracts	123,688	-
Ethanol expansion	25,531	109,274
Other contracts	26,676	21,098
ProExporter Network Grain Study	8,000	8,000
US Grains Council	350,000	400,000
US Meat Export Federation	80,000	80,000
<b>Total Expenses</b>	<u>\$ 2,312,132</u>	<u>\$ 2,349,605</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	\$ (510,050)	\$ 338,123
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>2,512,690</u>	<u>2,174,567</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 2,002,640</u>	<u>\$ 2,512,690</u>

Financial Statements

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**KANSAS CORN COMMISSION**  
Garnett, Kansas  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2012 and 2011

**Note 1: Summary of Significant Accounting Policies**

***Organization***

The Kansas Corn Commission (the Commission) is organized as an instrumentality of the state to conduct a campaign of corn promotion and market development through research, education, and information. Revenues are primarily from check-off monies which are collected when producers sell their grain. The Commission's offices are located in Garnett, Kansas.

***Method of Accounting***

The financial statements are prepared using the cash basis of accounting, which differs from generally accepted accounting principles in that revenues are recorded when received rather than when earned and expenses are recorded when paid rather than when the obligation is incurred.

***Income Taxes***

The Commission is a quasi-municipal entity that is not subject to income tax and, accordingly, no provision has been made for income taxes.

***Use of Estimates***

The preparation of financial statements in conformity with the cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

***Subsequent Events***

Subsequent events were evaluated through October 16, 2012, which is the date the financial statements were available to be issued.

***Cash and Cash Equivalents***

The Commission considers all cash, money market, and CDARs deposits are cash equivalents regardless of the maturity date.

**Note 2: Deposits and Investments**

The Commission's deposits were secured by FDIC insurance and pledged securities.

**Notes To Financial Statements**