



RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF AGRICULTURE
AND RURAL DEVELOPMENT

JAMIE CLOVER ADAMS
DIRECTOR

November 9, 2016

TO ALL MICHIGAN GRAIN DEALERS:

Re: Suspension of enforcement of MCL 285.63(3) for CPA acknowledgement requirement until further notice

As you know, Governor Rick Snyder recently signed legislation (Public Acts 263 (SB 899) and 264 (SB 900) of 2016) amending the Grain Dealers Act and the Farm Produce Insurance Act to improve producer security protection while providing a level playing field for grain dealers.

In an August 31, 2016, letter from the Michigan Department of Agriculture and Rural Development (MDARD), we noted that one of the main provisions of the legislation in PA 263 amends the Grain Dealers Act by requiring a financial statement to include a statement or a letter from the certified public accountant (CPA). This statement or letter from the CPA must acknowledge that MDARD relies on the financial statement in determining whether the grain dealer met the allowable net asset requirement in Section 3(3) of Grain Dealers Act, MCL 285.63(3). In the August 31 letter, MDARD noted that this is a current requirement for all grain dealers who file an application for licensure.

Based on the August 31 letter, the Michigan Association of Certified Public Accountants (MICPA) contacted MDARD with some questions and concerns raised by some members. At a September 28 meeting, there was discussion related to whether the phrase "allowable net assets" was clear and should be redefined to meet with current accounting practices and standards. The current definition in MCL 285.62 (2)(b) of the Grain Dealers Act (PA 141 of 1939, as amended) states: "(b) 'Allowable net assets' does not include intangible assets or assets that the department or a certified public accountant determines have no monetary value." Valid questions were raised regarding the interpretation of "no monetary value" for assets like deferred taxes, prepaid expenses, and other assets that potentially gain value moving forward. MICPA has offered to provide assistance in revising the definition of "allowable net assets" that will be more closely in accordance with generally accepted accounting principles.

There were also questions raised as to the uniform application and enforcement of the requirement for a statement from the certified public accountant that he or she acknowledges that the department is relying on the financial statement in determining whether the grain dealer meets the allowable net asset requirement.

Based on the need to redefine “allowable net assets” and to clarify the requirements of 285.63(3) regarding the CPA’s acknowledgement, MDARD Director Jamie Clover Adams has exercised her administrative discretion not to enforce MCL 285.63(3) until we can further clarify the statute legislatively. However, please note that MDARD will still be relying on the CPA financial statements to determine whether the grain dealer meets the allowable net assets requirements of the Grain Dealers Act, MCL 285.61 et seq.

For a copy of the Grain Dealers Act and the Farm Produce Insurance Act, please visit our website at www.michigan.gov/graindealers. If you have any questions, please contact me at (517) 284-5642 or haarerj@michigan.gov.

Sincerely,

Jeff G. Haarer, CPA, JD
Manager Producer Security and Ag Products

JGH/hct