



Financial Statements
June 30, 2017

Department of Agriculture Corn
Check-Off Fund of the South Dakota
Corn Utilization Council



CPAs & BUSINESS ADVISORS

Independent Auditor's Report

The Honorable Dennis Daugaard
Governor of South Dakota

and

The Board of Directors
South Dakota Corn Utilization Council
Sioux Falls, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the Department of Agriculture Corn Check-Off Fund of the South Dakota Corn Utilization Council which comprise the balance sheet as of June 30, 2017, and the related statement of revenues, expenditures, and changes in fund balances for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Department of Agriculture Corn Check-Off Fund of the South Dakota Corn Utilization Council as of June 30, 2017, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter

As discussed in Note 1, the financial statements referred to above present only the Department of Agriculture Corn Check-Off Fund of the South Dakota Corn Utilization Council and do not purport to, and do not, present fairly the financial position of the State of South Dakota as of June 30, 2017, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that the accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The list of officials shown on page 13, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. The list of officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2017, on our consideration of the Department of Agriculture Corn Check-Off Fund of the South Dakota Corn Utilization Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely 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 effectiveness of the Department of Agriculture Corn Check-Off Fund of the South Dakota Corn Utilization Council's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department of Agriculture Corn Check-Off Fund of the South Dakota Corn Utilization Council's internal control over financial reporting and compliance.



Sioux Falls, South Dakota
September 19, 2017

Department of Agriculture Corn Check-Off Fund of the
South Dakota Corn Utilization Council
Balance Sheet
June 30, 2017

Assets

Cash and investments	\$ 2,623,375
Interest receivable	<u>16,392</u>
Total assets	<u><u>\$ 2,639,767</u></u>

Liabilities and Fund Balance

Accounts payable	\$ 17,075
Refunds payable	<u>14,997</u>
Total liabilities	<u>32,072</u>
Restricted fund balance	<u>2,607,695</u>
Total liabilities and fund balance	<u><u>\$ 2,639,767</u></u>

See Notes to Financial Statements

Department of Agriculture Corn Check-Off Fund of the
South Dakota Corn Utilization Council
Statement of Revenues, Expenditures and Changes in Fund Balance
Year Ended June 30, 2017

Revenues	
Check-off fees	\$ 5,769,361
Investment return - SD Investment Council	16,376
Miscellaneous revenue	<u>565</u>
Total revenues	<u>5,786,302</u>
Current Expenditures	
Grants and subsidies	6,303,982
Contractual services	3,025,046
Personnel services	102,448
Travel	96,412
Supplies and materials	<u>14,508</u>
Total current expenditures	<u>9,542,396</u>
Excess of Expenditures over Revenues	(3,756,094)
Beginning Fund Balance	<u>6,363,789</u>
Ending Fund Balance	<u>\$ 2,607,695</u>



CPAs & BUSINESS ADVISORS

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*

The Honorable Dennis Daugaard
Governor of South Dakota

and

The Board of Directors
South Dakota Corn Utilization Council
Sioux Falls, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Department of Agriculture Corn Check-off Fund of the South Dakota Corn Utilization Council (Council), which comprise the balance sheet as of June 30, 2017 and the related statement of revenues, expenditures, and changes in fund balance for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 19, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Department of Agriculture Corn Check-off Fund of the South Dakota Corn Utilization Council's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of the Council's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described as Finding 2017-001 in the accompanying schedule of findings and responses to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Council's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

South Dakota Corn Utilization Council's Response to Findings

Department of Agriculture Corn Check-off Fund of the South Dakota Corn Utilization Council's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. South Dakota Corn Utilization Council's response was not subject to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Sioux Falls, South Dakota
September 19, 2017

Department of Agriculture Corn Check-Off Fund of the
South Dakota Corn Utilization Council
Schedule of Findings and Responses
Year Ended June 30, 2017

Finding Number 2017-001 – Preparation of Financial Statements

Criteria: Proper controls over financial reporting include the ability to prepare financial statements and accompanying notes to the financial statements that are materially correct.

Condition: The Council does not have an internal control system designed to provide for the preparation of the financial statements being audited. We were requested to draft the financial statements and accompanying notes to the financial statements. We also identified a material adjustment during the audit to adjust the restricted fund balance and contractual services expense relating to miscoded voided check.

Cause: The Council has limited staff. They cannot justify having an individual on staff with the proper accounting skills necessary for preparing the draft financial statements and accompanying notes to the financial statements.

Effect: This deficiency results in a reasonable possibility that the Council would not be able to draft the financial statements and accompanying notes to the financial statements that are materially correct without the assistance of the auditors.

Recommendation: While we recognize that this condition is not unusual for an organization of your size, it is important that you be aware of this condition for financial reporting purposes. Management and the Board should continually be aware of the financial accounting and reporting requirements of the Council as well as changes in these requirements.

Views of Responsible Officials and Management's Corrective Action Plan: Since it is not cost-effective for an organization of our size to have an individual on staff to prepare audit-ready financial statements, we have chosen to hire Eide Bailly, a public accounting firm, to prepare our financial statements as part of the annual audit. Management and the board of directors will review for propriety the draft financial statements and accompanying notes to the financial statements.

Finding Number 2016-001 – Preparation of Financial Statements

Condition: The Council does not have an internal control system designed to provide for the preparation of the financial statements being audited. We were requested to draft the financial statements and accompanying notes to the financial statements.

Status: We were again requested to draft the financial statements and accompanying notes to the financial statements. See Finding 2017-001.

Finding Number 2016-002 – Lack of Proper Segregation of Duties for the Revenue and Expenditure Functions

Condition: The Council did not have an internal control system to allow for the proper segregation of duties in certain areas of the accounting function.

Status: Although we have limited staffing, the controls established over the current processes and oversight exercised by the Executive Director and the Board of Director are taken seriously and evaluated on a continuous basis. This oversight, as well as the involvement of a 3rd party accountant, has reduced the risk related to segregation of duties.

Department of Agriculture Corn Check-Off Fund of the
South Dakota Corn Utilization Council
List of Officials - Unaudited
June 30, 2017

Ryan Wagner, President	Roslyn, South Dakota
Robert Walsh, Vice President	Elk Point, South Dakota
Laron Krause, Secretary/Treasurer	Clear Lake, South Dakota
Al Miron	Sioux Falls, South Dakota
Scott Sperry	Bath, South Dakota
Jim Klebsch	Redfield, South Dakota
Reno Brueggeman	Miller, South Dakota
Ben Roling	Salem, South Dakota
Nick Jorgensen	Ideal, South Dakota
Lisa Richardson, Executive Director	Sioux Falls, South Dakota