



Financial Statements  
June 30, 2018

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, 2018, 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.

What inspires you, inspires us. | [eidebailly.com](http://eidebailly.com)

200 E. 10th St., Ste. 500 | P.O. Box 5125 | Sioux Falls, SD 57117-5125 | T 605.339.1999 | F 605.339.1306 | EOE

**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, 2018, 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***Reporting Entity*

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, 2018, 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.

*Restatement*

As discussed in Note 8 to the financial statements, management became aware that the financial statements omitted a material assessment receivable for amounts subsequently received within the defined sixty-day accrual period and understated assessment revenue by the same amount. Accordingly, adjustments were made to restate beginning restricted fund balance. 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 15, 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 18, 2018, 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.

*Eide Bailly LLP*

Sioux Falls, South Dakota  
September 18, 2018

Department of Agriculture Corn Check-Off Fund of the  
South Dakota Corn Utilization Council  
Balance Sheet  
June 30, 2018

---

Assets

Cash in checking	\$ 1,306
Investment in State Treasury Cash Management Fund	2,018,034
Assessment receivable	1,179,469
Interest receivable	<u>11,951</u>

Total assets \$ 3,210,760

Liabilities and Fund Balance

Accounts payable	\$ 89,815
Refunds payable	<u>14,401</u>

Total liabilities 104,216

Restricted fund balance 3,106,544

Total liabilities and fund balance \$ 3,210,760

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, 2018

---

Revenues	
Assessment revenue - check-off fees	\$ 6,018,396
Investment return - SD Investment Council	12,004
Miscellaneous revenue	<u>293</u>
Total revenues	<u>6,030,693</u>
Current Expenditures	
Grants and subsidies	4,007,484
Contractual services	2,440,041
Personnel services	94,048
Travel	93,669
Supplies and materials	<u>22,505</u>
Total current expenditures	<u>6,657,747</u>
Excess of Expenditures over Revenues	(627,054)
Beginning Fund Balance	
As previously reported	2,607,695
Restatement	<u>1,125,903</u>
As restated	<u>3,733,598</u>
Ending Fund Balance	<u><u>\$ 3,106,544</u></u>

See Notes to Financial Statements



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, 2018 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 18, 2018.

**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 2018-A 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 South Dakota Corn Utilization Council's financial statements are free from 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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2018-001.

### **South Dakota Corn Utilization Council's Responses to Findings**

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

### **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 18, 2018



Department of Agriculture Corn Check-Off Fund of the  
South Dakota Corn Utilization Council  
Schedule of Findings and Responses  
Year Ended June 30, 2018

---

**Finding Number 2018-A – Preparation of Financial Statements and Restatement**

*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. As auditors, we proposed a material audit adjustment that would not have been identified as a result of the Council's existing internal controls.

*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:* The financial statements omitted a material assessment receivable for amounts subsequently received within the defined sixty-day accrual period and understated assessment revenue by the same amount. Accordingly, adjustments were made to restate beginning restricted fund balance and to record the assessment receivable at year end. Inadequate controls over financial reporting of the Council could result in the likelihood 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.

Department of Agriculture Corn Check-Off Fund of the  
South Dakota Corn Utilization Council  
Schedule of Findings and Responses  
Year Ended June 30, 2018

---

**Finding Number 2018-001 – Late Payment of Producer Refund**

*Criteria:* Per SDCL 38-32-20: Upon the return of the refund application, accompanied by a record of the assessment by the first purchaser, the grower shall, within sixty days, be refunded the net amount of the assessment collected.

*Condition:* The Council failed to remit refund for application #69469 within the 60-day mandate of SDCL 38-32-20.

*Cause:* The Council makes an effort to contact producers with significant refunds greater than \$1,000 to discuss their options and explain the Council's purpose to the producer. Multiple failed attempts at contacting the producer caused the refund to be remitted much later than required by law.

*Effect:* The Council is out of compliance with applicable South Dakota law.

*Recommendation:* While we recognize the importance of producer awareness and communication, it is important that the time restrictions mandated by state law are followed. Management and the Board should create policies that will acknowledge the legal requirements and abide by time constraints.

*Views of Responsible Officials and Management's Corrective Action Plan:* We will review the current procedures and make revisions as needed to ensure that we meet the sixty day refund required by SDCL 38-32-20.

Department of Agriculture Corn Check-Off Fund of the  
South Dakota Corn Utilization Council  
Schedule of Prior Audit Findings  
Year Ended June 30, 2018

---

**Finding Number 2017-001 – 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 2018-A.

Department of Agriculture Corn Check-Off Fund of the  
South Dakota Corn Utilization Council  
List of Officials - Unaudited  
June 30, 2018

---

Ryan Wagner, President

Roslyn, South Dakota

Robert Walsh, Vice President

Elk Point, South Dakota

Laron Krause, Secretary/Treasurer

Clear Lake, South Dakota

Justin Minnaert

Madison, South Dakota

Grant Rix

Groton, 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