Financial Statements
June 30, 2025

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

Eide Bailly

Independent Auditor's Report

The Honorable Larry Rhoden
Governor of South Dakota

and

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Department of Agriculture Corn Check-Off Fund of the South Dakota Corn Utilization Council, a special revenue fund of the State of South Dakota, which comprise the balance sheet as of June 30, 2025, 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.

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, a special revenue fund of the State of South Dakota, as of June 30, 2025, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 (*Governmental Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the South Dakota Corn Utilization Council and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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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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, a special revenue fund of the State of South Dakota, and do not purport to, and do not, present fairly the financial position of the State of South Dakota as of June 30, 2025, 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.

Responsibilities of Management 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 Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Council's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Management has omitted the management's discussion and analysis that the accounting principles generally accepted in the United States of America require 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

Management is responsible for the other information included in the report. The other information comprises the list of officials, but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report thereon dated October 20, 2025, 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
October 20, 2025

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

Balance Sheet

June 30, 2025

Assets	
Cash in checking	$ 334,331
Investment in State Treasury Cash Management Fund	8,995,015
Assessment receivable	1,089,074
Interest receivable	48,776
Prepaid expenses	7,027
Total assets	$ 10,474,223
Liabilities and Fund Balances	
Accounts payable	$ 262,705
Refunds payable	23,945
Total liabilities	286,650
Restricted fund balance	10,180,546
Nonspendable fund balance	7,027
Total fund balances	10,187,573
Total liabilities and fund balances	$ 10,474,223

Revenues	
Assessment revenue - check-off fees	$ 7,052,632
Investment return - SD Investment Council	404,921
Miscellaneous revenue	329
Total revenues	7,457,882
Current Expenditures	
Grants and subsidies	2,734,093
Contractual services	2,430,628
Personnel services	664
Travel	44,875
Supplies and materials	9,550
Total current expenditures	5,219,810
Excess of Revenues over Expenditures	2,238,072
Beginning Fund Balance	7,949,501
Ending Fund Balance	$ 10,187,573

Note 1 - Summary of Significant Accounting Policies

The financial statements of the South Dakota Corn Utilization Council (the Council) have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units (hereinafter referred to as generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Council's significant accounting policies are described below.

Reporting Entity

The fund included in this report is a fund of the State of South Dakota Corn Utilization Council. The South Dakota Corn Utilization Council (the Council) is a functional subunit of the Department of Agriculture which was created under SDCL 38-32 for market maintenance and expansion, research, education, transportation, and for the prevention, modification or elimination of trade barriers which obstruct the free flow of corn and corn products to market. The Council is governed by a Board that is elected by South Dakota corn producers. The Council is exempt from state and federal income taxes.

The financial statements present only the Council and do not purport to, and do not, present fairly the financial position of the State of South Dakota, as of June 30, 2025, or the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Fund Accounting

The accounts of the Council are organized on the basis of a fund which is considered a separate accounting entity. The operations of the fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in the fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Governmental Fund Type

The fund in this report is classified as a *special revenue fund*. Special revenue funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes. The Corn Check-off Fund is a Special Revenue Fund for the collection and expenditure of corn check-off fees.

Basis of Accounting and Measurement Focus

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of recognition in the financial statements of various kinds of transactions or events.

The current financial resources measurement focus and modified accrual basis of accounting are used to report the Council's funds in the financial statements. Revenues are recognized when they have been earned and they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Council considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recognized when the related fund liability is incurred, as under accrual accounting, except for compensated absences and claims and judgments, which are generally recorded when payment is due based on specific accounting rules applicable to each.

Cash and Investments

Cash and investments include cash on hand, demand deposits and a participating interest in the State's internal investment pool held by the State Treasurer. The amount held in the State's internal investment pool is reported at fair value.

Management of the State's internal investment pool is the statutory responsibility of the South Dakota Investment Council (SDIC). The investment policy and required risk disclosures for the State's internal investment pool are presented in the SDIC's audit report which can be obtained by contacting the Department of Legislative Audit, 427 South Chapelle, c/o 500 East Capitol, Pierre, South Dakota 57501. Funds on deposit with the State Treasury are invested by the State Investment Officer pursuant to SDCL 4-5-23 with the Council getting its proportionate share of interest income under SDCL 4-5-30. The Council did not have privately held investments as June 30, 2025.

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The bank balance of cash in bank at June 30, 2025 was $334,331. From time-to-time the balance may exceed the federal depository insurance limit of $250,000; in which case the remainder above the limit is insured by pledged collateral.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The cost of prepaid items is recorded as expenses when consumed rather than when purchased.

Fund Balances

Restricted fund balance represent revenues that are externally restricted or revenues that have restrictions imposed upon them, limited to the requirements of SDCL 38-32.

Nonspendable fund balance represents amounts which cannot be spent either because they are in a nonspendable form (such as prepaid expenses) or because they are legally or contractually required to be maintained intact.

Subsequent Events

The Council has evaluated subsequent events through October 20, 2025 the date which the financial statements were available to be issued.

Note 2 - Leases

The Council leases certain office facilities under a non-cancelable lease agreement. The lease terms expired on June 30, 2025.

Note 3 - Check-Off Fees

The Council, pursuant to SDCL 38-32, has imposed a one cent per bushel assessment on all corn marketed to a first purchaser within the state. The assessments are deducted from the purchase price by the first purchaser and remitted to the Council within 30 days after the end of each calendar quarter. Any grower subject to this assessment may, within 60 days of the assessment, make application to the Council for refund of the assessment. Check-off fees reported in this report are presented net of amounts refunded in accordance with accounting principles generally accepted in the United States of America. For the fiscal year ended June 30, 2025, fees totaling $7,864,860 were recognized and fees totaling $812,228 were refunded. The Council has an assessment receivable of $1,089,074 as of June 30, 2025, as this is expected to be collected within the 60-day accrual period.

Note 4 - Statement of Expenses Paid – Budget and Actual (Budgetary Basis)

The Council provides an informational budget to the State approximately two years in advance of the start of the fiscal year. The results of actual operations compared to the informational budget for the year ending June 30, 2025, are as follows:

	Budgeted	Actual	Variance
Total current expenditures	$ 5,997,940	$ 5,219,810	$ 778,130

Note 5 - Related Party

South Dakota Corn Growers Association

The Council has a management agreement with South Dakota Corn Growers Association (SDCGA). The management agreement is renewed at the end of each fiscal year and may be terminated by either party. Under this agreement, SDCGA shares their employees with the Council. Additionally, the management agreement provides for utilities, insurance and building maintenance, taxes, clerical services, use and maintenance of office equipment, office supplies, and internet and telephone expenses.

The Council pays a quarterly fee for these benefits. This fee is based upon a percentage of the estimated total cost for the above personnel and office expenses. For the fiscal year ended June 30, 2025, the total costs and operating margin paid to SDCGA by the Council were $1,000,000. The expenditure is recorded in contractual services on the statement of revenue, expenditures, and changes in fund balance.

The Council leases office space from SDCGA under a lease agreement that commenced July 1, 2024 and ended June 30, 2025. The total payment of the lease was $70,000. See Note 2 for additional disclosure.

South Dakota State University Foundation (SDSU Foundation)

SDSU Foundation is a component unit of the Board of Regents (Higher Education), which is a discretely presented component unit to the State of South Dakota. South Dakota Corn Utilization Council has provided funding to SDSU Foundation in the amount of $750,000 used for the Swine Enhancement. See Note 7 for additional disclosure.

South Dakota State University (SDSU)

SDSU is a university governed by the Board of Regents (Higher Education), which is a discretely presented component unit to the State of South Dakota. South Dakota Corn Utilization Council has provided funding to SDSU in the amount of $160,833 for various research grants.

University of South Dakota Foundation (USD Foundation)

USD Foundation is a component unit of the Board of Regents (Higher Education), which is a discretely presented component unit to the State of South Dakota. South Dakota Corn Utilization Council has provided a gift of $12,000 to the USD Foundation/

Note 6 - Risk Management

The Council is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Council carries commercial insurance for all significant risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

Note 7 - Commitments

In May 2021, the Council executed a letter of commitment to provide the American Coalition for Ethanol with $1,000,000 over a five-year period beginning September 2021. This commitment is designated for the Natural Resources Conservation Service's Regional Conservation Partnership program (RCPP), titled "Expanding Soil Health Through Carbon Markets". As of June 30, 2025, there has been $713,150 paid on this commitment.

In August 2024, the Council executed a letter of commitment to provide South Dakota State University Foundation with $1,200,000 over a five-year period beginning August 2024. This commitment is designated to the Swine Education and Research Facility. As of June 30, 2025, there has been $750,000 paid on this commitment.

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 Larry Rhoden
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 (*Government Auditing Standards*), the financial statements of the Department of Agriculture Corn Check-off Fund of the South Dakota Corn Utilization Council (the Council), special revenue fund of the State of South Dakota, which comprise the balance sheet as of June 30, 2025 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 October 20, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Council's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control.

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 Council's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as items 2025-001 and 2025-002 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 financial statements. 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 Responses to the Findings

Government Auditing Standards requires the auditor to perform limited procedures on South Dakota Corn Utilization Council's response to the findings identified in our audit and is described in the accompanying schedule of audit findings. South Dakota Corn Utilization Council's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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
October 20, 2025

Finding Number 2025-001 **Preparation of Financial Statements**
Significant Deficiency

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.

Cause: The Council does not have an internal control system designed to provide for the preparation of the financial statements being audited.

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 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: Management and the board of directors will review for propriety the draft financial statements and accompanying notes to the financial statements.

Finding Number 2025-002 **Segregation of Duties**
Significant Deficiency

Criteria: An effective system of internal controls depends on an adequate segregation of duties with respect to the execution and recording of transactions, as well as the custody of an entity's assets. Accordingly, an effective system of internal control will be designed such that these functions are performed by different employees, so that no one individual handles a transaction from its inception to its completion.

Condition: The Council has a limited number of office personnel, which prevents an ideal segregation of duties for controls over financial reporting. The oversight and review process by management for various account reconciliations is not formally documented.

Cause: Management oversight is done on an informal basis.

Effect: The lack of segregation of duties increases the risk of fraud related to misappropriation of assets, financial statement misstatement, or both.

Recommendation: Management and the Board should continually be aware of the financial accounting and reporting requirements of the Council. Under this situation, the most effective control is the board's oversight and knowledge of matters relating to the operations of the Council.

Views of Responsible Officials and Management's Corrective Action Plan: The Board of Directors performed various oversight roles throughout the year but is aware of the risk relating to the limited staff performing the daily activities and is in the process of reviewing internal controls.

Finding Number 2024-001 **Preparation of Financial Statements**
Material Weakness

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: Eide Bailly was again requested to draft the financial statements and accompanying notes to the financial statements. See Finding 2025-001.

Finding Number 2024-002 **Segregation of Duties**
Material Weakness

Condition: The Council has a limited number of office personnel, which prevents an ideal segregation of duties for controls over financial reporting. The oversight and review process by management for various account reconciliations is not formally documented.

Status: See Finding 2025-002.

Jim Ketelhut, President	Pukwana, South Dakota
Jay Esser, Vice President	Redfield, South Dakota
Chris Nickeson, Secretary/Treasurer	Pierpont, South Dakota
Nicholas Fickbohm	Akron, Iowa
Reno Brueggeman	Miller, South Dakota
Brandon Ritter	Mound City, South Dakota
Doug Noem	Bryant, South Dakota
Chad Blindauer	Mitchell, South Dakota