

**SOUTH CAROLINA DEPARTMENT OF AGRICULTURE  
BEEF BOARD**

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**AUDITED FINANCIAL STATEMENTS**

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**YEAR ENDED JUNE 30, 2008**

**WITH**

**REPORT OF INDEPENDENT AUDITORS**

*State of South Carolina*



*Office of the State Auditor*

1401 MAIN STREET, SUITE 1200  
COLUMBIA, S.C. 29201

RICHARD H. GILBERT, JR., CPA  
DEPUTY STATE AUDITOR

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September 3, 2008

The Honorable Mark Sanford, Governor  
and  
Members of the South Carolina Beef Board  
Columbia, South Carolina

This report on the audit of the financial statements of the South Carolina Department of Agriculture – Beef Board for the fiscal year ended June 30, 2008, was issued by DeLoach & Williamson, L.L.P., Certified Public Accountants, under contract with the South Carolina Office of the State Auditor.

If you have any questions regarding this report, please let us know.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Richard H. Gilbert, Jr.", written in a cursive style.

Richard H. Gilbert, Jr., CPA  
Deputy State Auditor

RHGjr/trb

SOUTH CAROLINA DEPARTMENT OF AGRICULTURE  
BEEF BOARD

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AUDITED FINANCIAL STATEMENTS

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YEAR ENDED JUNE 30, 2008

WITH  
REPORT OF INDEPENDENT AUDITORS

SOUTH CAROLINA DEPARTMENT OF AGRICULTURE  
BEEF BOARD

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AUDITED FINANCIAL STATEMENTS

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YEAR ENDED JUNE 30, 2008

**CONTENTS**

|   |    |
|---|----|
| Report of Independent Auditors .....  | 1  |
| <b>Audited Financial Statements</b>   |    |
| Balance Sheet.....  | 3  |
| Statement of Revenue, Expenditures, and Changes in Fund Balance .....   | 4  |
| Notes to Financial Statements.....  | 5  |
| Report on Internal Control Over Financial Reporting and on Compliance<br>and Other Matters Based on an Audit of Financial Statements Performed<br>in Accordance with <i>Government Auditing Standards</i> ..... | 16 |
| <b>Supplementary Information</b>  |    |
| Full Dollar Accountability Report .....   | 18 |

**DELOACH & WILLIAMSON, L.L.P.**  
**CERTIFIED PUBLIC ACCOUNTANTS**

1401 MAIN STREET, SUITE 660  
COLUMBIA, SOUTH CAROLINA 29201

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**REPORT OF INDEPENDENT AUDITORS**

Mr. Richard H. Gilbert, Jr.  
Deputy State Auditor  
South Carolina Office of the State Auditor  
Columbia, South Carolina

We have audited the accompanying balance sheet of the South Carolina Department of Agriculture - Beef Board (the "Beef Board" or "Board ") special revenue fund as of June 30, 2008, and the related statement of revenue, expenditures, and changes in fund balance for the year then ended. These financial statements are the responsibility of the Board's management. 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. 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 that our audit provides a reasonable basis for our opinion.

As described in *Note 1*, the Financial Statements of the South Carolina Department of Agriculture - Beef Board special revenue fund are intended to present the financial position and results of operations of only that portion of the funds of the South Carolina Department of Agriculture attributable to the transactions of the Beef Board special revenue fund and do not include any other accounts or funds of the South Carolina Department of Agriculture or any other department or component unit of the State of South Carolina, and are not intended to present fairly the financial position and results of operations of the South Carolina Department of Agriculture in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the South Carolina Department of Agriculture - Beef Board special revenue fund as of June 30, 2008, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information schedule listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Rebeck & Williamson, L.L.P.*

August 26, 2008

SOUTH CAROLINA DEPARTMENT OF AGRICULTURE  
BEEF BOARD

BALANCE SHEET

JUNE 30, 2008

**Assets**

|                                 |    |                |
|---------------------------------|----|----------------|
| Cash                            | \$ | 101,376        |
| Accounts receivable-assessments |    | 18,256         |
| Total assets                    | \$ | <u>119,632</u> |

**Liabilities and Fund Equity**

|                                   |    |                |
|-----------------------------------|----|----------------|
| Liabilities:                      |    |                |
| Accounts payable                  | \$ | 23,071         |
| Accrued salaries                  |    | 2,600          |
| Total liabilities                 |    | <u>25,671</u>  |
| Fund Equity:                      |    |                |
| Fund balance (unreserved)         |    | 93,961         |
| Total liabilities and fund equity | \$ | <u>119,632</u> |

*See accompanying notes.*

SOUTH CAROLINA DEPARTMENT OF AGRICULTURE  
BEEF BOARD

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2008

**Revenue**

|  |                |
|--|----------------|
| Assessments  | \$ 235,530     |
| Less, assessments remitted to other states                                     | (14,665)       |
| Less, assessments remitted to Cattleman's<br>Beef Promotion and Research Board | (110,436)      |
| Net assessment revenue   | <u>110,429</u> |

**Expenditures**

|                                 |                |
|---------------------------------|----------------|
| Advertising and promotion       | 38,630         |
| Salaries and benefits           | 34,783         |
| Board member per diem and costs | 4,019          |
| Operating costs                 | 35,144         |
| Total expenditures              | <u>112,576</u> |

Excess, (deficit) of revenue over expenditures (2,147)

Fund balance, July 1, 2007 96,108

Fund balance, June 30, 2008 \$ 93,961

*See accompanying notes.*

SOUTH CAROLINA DEPARTMENT OF AGRICULTURE  
BEEF BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

**1. Summary of Significant Accounting Policies**

Entity Description

The South Carolina Cattle and Beef Board was established January 3, 1985, as a commodity board under Section 46-17-190 of the South Carolina Code of Laws of 1962. The Board approved a name change to the South Carolina Beef Board on December 3, 1996 (also referred to as the "South Carolina Department of Agriculture Beef Board" and the "Beef Board" and the "Board". The commodity board is included as a part of the South Carolina Department of Agriculture. The Department of Agriculture is considered part of the State of South Carolina's primary government and is included in the State of South Carolina's Comprehensive Annual Financial Report as such. This is based on guidance provided by GASB Statement 14, *The Financial Reporting Entity*. The Fund of the South Carolina Beef Board is included in the Financial Statements of the Department of Agriculture. The Board was established for education, promotion and research to strengthen the cattle and beef industry's position in the marketplace.

The South Carolina Beef Board, whose members are elected by the local producers, is the governing body of the South Carolina Beef Board.

The South Carolina Department of Agriculture administers the South Carolina Beef Board. The Board operates as a special revenue fund of the Department of Agriculture. The accompanying financial statements present the financial position and results of operations solely of the South Carolina Beef Board, special revenue fund, and do not include any other funds of the State of South Carolina.

Basis of Presentation and Accounting

The financial statements were prepared using the fund accounting principles per the Government Accounting Standards Board *Codification of Governmental Accounting and Financial Reporting Standards*. The accounts of the Beef Board are a special revenue fund of the Department of Agriculture. Government resources are allocated to and accounted for in this individual fund based upon the purposes for which they are to be spent and the means by which spending activities are controlled. All accounts of the Beef Board are reported in the special revenue funds of the South Carolina Department of Agriculture financial statements. Basis of accounting refers to when revenue and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting also relates to the timing of the measurements made, regardless of the measurement focus applied.

(CONTINUED)

SOUTH CAROLINA DEPARTMENT OF AGRICULTURE  
BEEF BOARD

NOTES TO FINANCIAL STATEMENTS

(CONTINUED)

**1. Summary of Significant Accounting Policies (Continued)**

Basis of Presentation and Accounting (Continued)

The Beef Board is a special revenue fund. Special revenue funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trust, or major capital projects) that are legally restricted to expenditures for specific purposes.

All special revenue funds of governmental units are accounted for using the modified accrual basis of accounting. Their revenue is recognized when they become measurable and available as net current assets.

Expenditures are recognized under the modified accrual basis of accounting generally when the related fund liability is incurred. Expenditure recognition is limited to exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as expenditures in special revenue funds. These noncurrent liabilities are reported by the South Carolina Department of Agriculture in the statement of activities.

Budgetary Controls

The following is a description of the budgetary process of the Beef Board:

Several months prior to the start of the fiscal year, a budget proposal for revenue and expenditures is developed by the executive director (the only employee) of the Beef Board. The proposal is developed through evaluation of historical financial data and on knowledge of future events. The proposal is presented to the Board for both discussion and review.

Capital Assets

Capital assets are recorded at cost if purchased. Capital assets contributed by other State agencies or funds are recorded at the original acquisition cost less accumulated depreciation from the purchase date. Assets donated by other parties are valued at fair market value at the date of gift. The capitalization dollar threshold limit for capital assets is \$5,000, and software is \$100,000. The Board had no capital asset purchases during the year, nor did it own any capital assets at June 30, 2008.

SOUTH CAROLINA DEPARTMENT OF AGRICULTURE  
BEEF BOARD

NOTES TO FINANCIAL STATEMENTS

(CONTINUED)

**1. Summary of Significant Accounting Policies (Continued)**

Compensated Absences

Generally all permanent full-time State employees and certain part-time employees scheduled to work at least one-half of the agency's workweek are entitled to accrue and carry forward at calendar year-end a maximum of 180 days sick leave and 45 days annual vacation leave. Upon termination of State employment, employees are entitled to be paid for accumulated unused annual vacation leave up to the maximum of 45 days, but are not entitled to any payment for unused sick leave. The Department calculates the compensated absences liability based on recorded balances of unused leave for which the Department expects to compensate employees through paid time off or cash payments. The Beef Board had no liability for accrued compensated absences at June 30, 2008, as it had no full time employees at that time.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenditures and affect disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

**2. Deposits and Investments**

All deposits of the South Carolina Department of Agriculture - Beef Board are under the control of the State Treasurer who, by law, has sole authority for investing State Funds.

State law requires full collateralization of all State Treasurer bank balances. The State Treasurer must correct any deficiencies in collateral within seven days. At June 30, 2008, all State Treasurer bank balances were fully insured or collateralized with securities held by the State or by its agents in the State's name.

With respect to investments in the State's internal cash management pool, all of the State Treasurer's investments are insured or registered or are investments for which the securities are held by the State or its agent in the State's name. Information pertaining to the reported amounts, fair values, and credit risk of the State Treasurer's investments is disclosed in the Comprehensive Annual Financial Report of the State of South Carolina.

SOUTH CAROLINA DEPARTMENT OF AGRICULTURE  
BEEF BOARD

NOTES TO FINANCIAL STATEMENTS

(CONTINUED)

**3. Pension Plan and Other Employee Benefits**

The Retirement Division of the State Budget and Control Board maintains four independent defined benefit plans and issues its own publicly available Comprehensive Annual Financial Report (CAFR) which includes financial statements and required supplementary information. A copy of the separately issued CAFR may be obtained by writing to the Retirement Division, 202 Arbor Lake Drive, Columbia, South Carolina, 29223. Furthermore, the Division and the four pension plans are included in the CAFR of the State of South Carolina.

All full time employees of the South Carolina Department of Agriculture - Beef Board are covered by a pension plan through the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Division, a public employee retirement system. Generally all State employees are required to participate in and contribute to the SCRS as a condition of employment unless exempted by law as provided in Section 9-1-480 of the South Carolina Code of Laws. This plan provides retirement annuity benefits as well as disability, cost of living adjustment, death, and group-life insurance benefits to eligible employees and retirees.

Under SCRS, employees are eligible for a full service retirement annuity upon reaching age 65 or completion of 28 years credited service regardless of age. The benefit formula for full benefits effective since July 1, 1989, for the SCRS is 1.82 percent of an employee's average final compensation multiplied by the number of years of credited service. Early retirement options with reduced benefits are available as early as age 55. Employees are vested for a deferred annuity after five years service and qualify for a survivor's benefit upon completion of 5 years credited service. Disability annuity benefits are payable to employees totally and permanently disabled provided they have a minimum of five years credited service (this requirement does not apply if the disability is the result of a job related injury). A group-life insurance benefit equal to an employee's annual rate of compensation is payable upon the death of an active employee with a minimum of one year of credited service.

Effective January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allows employees eligible for service retirement to participate in the Teacher and Employee Retention Incentive (TERI) Program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years. Upon termination of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service retirement benefits which will include any cost of living adjustments granted during the TERI period.

SOUTH CAROLINA DEPARTMENT OF AGRICULTURE  
BEEF BOARD

NOTES TO FINANCIAL STATEMENTS

(CONTINUED)

**3. Pension Plan and Other Employee Benefits (Continued)**

Since July 1, 1988, employees participating in the SCRS have been required to contribute to the SCRS based on a percentage of all compensation. Beginning July 1, 2006, the employee contribution increased from 6.25 percent to 6.50 percent. Effective July 1, 2007, the employer contribution rate became 12.48 percent, which included a 3.42 percent surcharge to fund retiree health and dental insurance coverage. The Board's actual contributions to the SCRS for the fiscal year ended June 30, 2008 were \$3,449, and equaled the required contributions (excluding the surcharge) for the year. Employer contributions for fiscal year 2007 were \$1,967 and for fiscal year 2006 were \$1,585. Also, the Board paid employer group-life insurance contributions of \$40 in the current fiscal year at the rate of .15 percent of compensation.

Article X, Section 16, of the South Carolina Constitution requires that all State operated retirement systems be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws of 1976, as amended, prescribes requirements relating to membership, benefits, and employee/employer contributions for each pension plan. Employee and employer contribution rates to SCRS are actuarially determined.

The surcharges to fund retiree health and dental insurance are not part of the actuarially established rates. Annual benefits, payable monthly for life, are based on length of service and on average final compensation (an annualized average of the employee's highest 12 consecutive quarters of compensation).

The System does not make separate measurements of assets and pension liabilities for individual employers. Under Title 9 of the South Carolina Code of Laws, the Board's liability under the plan is limited to the amounts of contributions (stated as a percentage of covered payroll) established by the State Budget and Control Board. Therefore, the Board's liability under the pension plan is limited to the contribution requirement for the applicable year from amounts appropriated therefore in the South Carolina Appropriation Act and amounts from other applicable revenue sources. Accordingly, the Board recognizes no contingent liability for unfunded costs associated with participation in the plan.

At retirement, employees participating in the SCRS receive additional service credit (at a rate of 20 days equals one month of service) for up to 90 days for accumulated unused sick leave.

SOUTH CAROLINA DEPARTMENT OF AGRICULTURE  
BEEF BOARD

NOTES TO FINANCIAL STATEMENTS

(CONTINUED)

**3. Pension Plan and Other Employee Benefits (Continued)**

Post-Employment and Other Employee Benefits

In accordance with the South Carolina Code of Laws and the annual Appropriation Act, the State of South Carolina provides certain health care, dental, and life insurance benefits to certain active and retired State employees and certain surviving dependents of retirees. All permanent full-time employees of the South Carolina Department of Agriculture - Beef Board are eligible to receive these benefits. The State provides post employment health and dental benefits to employees who retire from State service or who terminated with at least 20 years of State service who meet one or more of the eligibility requirements, such as age, length of service, and hire date. Generally those who retire must have at least 10 years of retirement service credit to qualify for these State-funded benefits. Benefits are effective at date of retirement when the employee is eligible for retirement benefits. These benefits are provided through the Board's applicable revenue sources for active employees and the State Budget and Control Board for all participating State retirees except the portion funded through the pension surcharge and provided from other applicable revenue sources of the South Carolina Department of Agriculture - Beef Board for its active employees who are not funded by State General Fund appropriations.

Effective April 2, 2008 state law created the South Carolina Retiree Health Insurance Trust and (SCRIP and the South Carolina Long Term Disability Insurance Trust Fund (SCLTDI) to provide a method of paying and accounting for retiree health insurance premiums and basic long term disability income benefit plan premiums in accordance with GASB Statement No. 43. The establishment of these trusts provided for the accounting for the State of South Carolina Retiree Health Care Plan (SCRHCP), a cost-sharing multiple-employer defined benefit postemployment healthcare plan. The establishing legislation allows the SC Budget and Control Board the authority to establish and amend benefit provisions of the SCRHCP.

The SCRHCP issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to SC Budget & Control Board, Post Office Box 12444, Columbia, South Carolina 29211.

SOUTH CAROLINA DEPARTMENT OF AGRICULTURE  
BEEF BOARD

NOTES TO FINANCIAL STATEMENTS

(CONTINUED)

**3. Pension Plan and Other Employee Benefits (Continued)**

As a member of the SCRHCP, the Board is required to make mandatory contributions of the 3.42 percent of covered payroll (referred to as the surcharge). Costs of the plan exceeding the mandatory contributions established by the governing board of the plan are funded through appropriations from the General Assembly of the State of South Carolina. The Board receives funding for mandatory contributions through its annual state appropriations and other applicable funding sources. The Board's surcharge for the fiscal year ended June 30, 2008 was \$682, which equaled the required contribution. These payments are remitted to the South Carolina Retirement System for distribution to the SCRHI and SCLTDI who has contracted with the Employee Insurance Programs for administration of the plan benefits.

By State law, the Board has no liability for retirement benefits. Accordingly, the annual required contribution of the employer is not included in the accompanying financial statements.

**4. Deferred Compensation Plans**

Several optional deferred compensation plans are available to State employees and employers of its political subdivisions. The employee of the South Carolina Department of Agriculture - Beef Board does not participate. The multiple-employer plans, created under Internal Revenue Code sections 457, 401(k), and 403(b) are administered by third parties and are not included in the Comprehensive Annual Financial Report of the State of South Carolina. Compensation deferred under the plans is placed in trust for the contributing employee. Employees may withdraw the current value of their contributions when they terminate State employment. Employees may also withdraw the current value of their contributions prior to termination if they meet requirements specified by the applicable plan. The State has no liability for losses under the plans.

SOUTH CAROLINA DEPARTMENT OF AGRICULTURE  
BEEF BOARD

NOTES TO FINANCIAL STATEMENTS

(CONTINUED)

**5. Related Party Transactions**

The Beef Board has certain transactions with the South Carolina Department of Agriculture and various other state agencies.

Services received at no cost from State agencies include processing certain accounting records and payroll and disbursement processing from the Comptroller General; check preparation, banking functions from the State Treasurer; and legal services from the Attorney General.

Other services received at no cost from the various divisions of the State Budget and Control Board include retirement plan administration, insurance plans administration, personnel management, procurement services, property management and record keeping; and other centralized functions.

The Department of Agriculture provides to the Board at no cost, office space, personnel review, record keeping, disbursement processing, insurance coverage and other centralized functions. The amount of 2008 expenditures applicable to these services is not readily determinable.

The Board also had financial transactions with various State agencies during the fiscal year. Certain payments were made to divisions of the State Budget and Control Board for office supplies, telephone, interagency mail, and data processing services. The amount of 2008 expenditures applicable to related party transactions is not readily available.

The Board provided no services free of charge to the State agencies during the fiscal year.

SOUTH CAROLINA DEPARTMENT OF AGRICULTURE  
BEEF BOARD

NOTES TO FINANCIAL STATEMENTS

(CONTINUED)

**5. Related Party Transactions (Continued)**

Effective November 1986, the South Carolina Beef Board, as Qualified State Beef Council, started remitting a portion of its assessment proceeds to the Cattleman's Beef Promotion and Research Board. The authority for the formation of the Cattleman's Beef Promotion and Research Board was the Beef Promotion and Research Act of 1985 (the "Act"), approved on December 23, 1985, by the United States Congress: The "Act" provides for the establishment of a coordinated program of promotion and research designed to strengthen the beef industry's position in the marketplace, as well as to maintain and expand domestic and foreign markets and uses for beef and beef products. As provided in the Act, the Secretary of the United States Department of Agriculture (the "Secretary") issued the Beef Promotion and Research Order, effective July 18, 1986, which provides the terms and conditions for the Act's administration. The Cattlemen's Beef Promotion and Research Board (the "Board"), which was created and approved by the Secretary to administer the Act, consisted of various members who are representatives of the cattle industry in the United States, including importers. Amounts recorded as accounts payable to Cattleman's Beef Promotion and Research Board at June 30, 2008 is \$18,719.

The program is financed exclusively by a \$1 per head assessment on sales of domestic and imported cattle and beef products. The assessments are remitted to the South Carolina Department of Agriculture - Beef Board. The Cattlemen's Beef Promotion and Research Board receives approximately one-half of assessment monies and the South Carolina Beef Board retains the remainder.

Annually the Board may make a contribution that is customarily approximately 10% of the Cattleman's Beef Promotion and Research Board annual assessment amount to the National Cattlemen's Beef Association (formerly the National Live Stock and Meat Board). For the current fiscal year the Board elected not to make a contribution.

SOUTH CAROLINA DEPARTMENT OF AGRICULTURE  
BEEF BOARD

NOTES TO FINANCIAL STATEMENTS

(CONTINUED)

**6. Risk Management**

The South Carolina Department of Agriculture - Beef Board is exposed to various risks of loss and maintains State or commercial insurance coverage for known risks. Management believes such coverage is sufficient to preclude any significant uninsured losses to the South Carolina Department of Agriculture - Beef Board. The South Carolina Department of Agriculture - Beef Board has not had any claims in the past three years. There were no significant reductions in insurance coverage from coverage in the prior year. The South Carolina Department of Agriculture pays insurance premiums to certain State agencies and commercial insurers to cover risks that may occur in normal operations. The insurers promise to pay to or on behalf of the insured for covered premium losses sustained during the policy period in accord with the insurance policy and benefit program limits. Several State funds accumulate assets and the State itself assumes substantially all risks for the following:

1. Claims of covered employees for health and dental insurance benefits (Office of Insurance Services); and
2. Claims of covered public employees for long-term disability and group-life insurance benefits (Office of Insurance Services).
3. Claims of covered public employees for workers' compensation insurance benefits (State Accident Fund).
4. Claims of covered public employees for unemployment compensation insurance benefits (Employment Security Commission).

The South Carolina Department of Agriculture and other entities pay premiums to the State's Insurance Reserve Fund (IRF) which issues policies, accumulates assets to cover the risks of loss and pays claims incurred for covered losses related to the following Fund assets, activities, and/or events.

SOUTH CAROLINA DEPARTMENT OF AGRICULTURE  
BEEF BOARD

NOTES TO FINANCIAL STATEMENTS

(CONTINUED)

**6. Risk Management (Continued)**

1. Personal property and equipment - Eighty percent of each loss is covered by the IRF. Losses are subject to a \$250 deductible.
2. Data processing equipment - Coverage is up to \$100,000 per loss with a \$250 deductible.
3. Torts

The IRF is a self-insurer and purchases reinsurance to obtain certain services and specialized coverage and to limit losses. The IRF's rates are determined actuarially.

State agencies are the primary participants in the State's Health and Disability Insurance Fund and in the IRF.

The South Carolina Department of Agriculture purchases insurance coverage for employee fidelity bond insurance coverage arising from theft or misappropriations. The policy has a \$1,000 deductible with a coverage limit of \$25,000.

The South Carolina Department of Agriculture - Beef Board has not recorded any estimated losses or expenditures related to the deductible or policy limits because there is no evidence of asset impairment or other information to indicate a loss should be recorded.

All payments for insurance to the IRF and for fidelity coverage are made by the Department and the Beef Board does not reimburse any of those expenses.

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## **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***

Mr. Richard H. Gilbert, Jr.  
Deputy State Auditor  
South Carolina Office of the State Auditor  
Columbia, South Carolina

We have audited the balance sheet of the South Carolina Department of Agriculture - Beef Board (the "Board") special revenue fund for the year ended June 30, 2008, and the related statement of revenue, expenditures and changes in fund balance for the year then ended and have issued our report thereon dated August 26, 2008. 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 *Government Auditing Standards* issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Board's internal control over financial reporting as a basis for designing our auditing procedures 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 Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Board's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Board's financial statements that is more than inconsequential will not be prevented or detected by the Board's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Board's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the South Carolina Department of Agriculture - Beef Board'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*. Specifically, in connection with our audit, nothing came to our attention that caused us to believe that the South Carolina Department of Agriculture - Beef Board failed to comply with the terms, in so far as they relate to accounting matters, of the Beef Promotion and Research Act of 1985 and the Beef Promotion and Research Order (the "Order") relative to the use of funds collected by the Council and with the terms described in Section 1260.181(b)(7) of the Order relative to prohibited uses of funds collected by the Council. However, it should be noted that our audit was not directed primarily towards obtaining knowledge of such noncompliance.

\*\*\*\*\*

This report is intended solely for the information and use of the State Auditor, Commissioner and Management of South Carolina Department of Agriculture, and the directors and management of the South Carolina Department of Agriculture – Beef Board and is not intended to be and should not be used by anyone other than those specified parties.

*Releach & Williamson, L.L.P.*

August 26, 2008

**SUPPLEMENTARY INFORMATION**

SOUTH CAROLINA DEPARTMENT OF AGRICULTURE  
BEEF BOARD

FULL DOLLAR ACCOUNTABILITY REPORT

YEAR ENDED JUNE 30, 2008

**Revenue**

|   |                |
|---|----------------|
| Checkoff assessments  | \$ 235,530     |
| Less:   |                |
| Remittances to states of origin                                 | (14,665)       |
| Remittances to Cattleman's Beef Promotion<br>and Research Board | (110,436)      |
| Total net revenue   | <u>110,429</u> |

**Expenditures**

|                                     |                   |
|-------------------------------------|-------------------|
| Promotion                           | 33,422            |
| Research                            | 1,600             |
| Consumer information                | 19,281            |
| Industry information                | 7,435             |
| Producer communication              | 13,005            |
| Collections                         | 2,783             |
| Board meetings, per diem and travel | 9,474             |
| General administration              | 25,576            |
| Total expenditures                  | <u>112,576</u>    |
| Net income (loss)                   | <u>\$ (2,147)</u> |