

**SOUTH CAROLINA DEPARTMENT OF AGRICULTURE
SOYBEAN BOARD**

COLUMBIA, SOUTH CAROLINA

FINANCIAL STATEMENTS

JUNE 30, 2009

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

(803) 253-4160
FAX (803) 343-0723

September 23, 2009

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

This report on the audit of the financial statements of the South Carolina Department of Agriculture – Soybean Board for the fiscal year ended June 30, 2009, was issued by Rogers Laban, PA, 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
SOYBEAN BOARD**

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying balance sheet of the South Carolina Department of Agriculture - Soybean Board ("the Board") special revenue fund and the related statement of revenue, expenditures, and changes in fund balance as of and for the year ended June 30, 2009. 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 and the standards applicable to financial audits contained in the Government 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 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 - Soybean 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 Soybean 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 statements 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 respective financial position of the South Carolina Department of Agriculture - Soybean Board special revenue fund as of June 30, 2009, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 16, 2009, on our consideration of the Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Rogers Laban, PA

September 16, 2009

**SOUTH CAROLINA DEPARTMENT OF AGRICULTURE
SOYBEAN BOARD**

**BALANCE SHEET
JUNE 30, 2009**

Assets	
Cash	\$ 489,873
Accounts receivable	204,673
Total assets	<u>\$ 694,546</u>
Liabilities and Fund Equity	
Liabilities:	
Accounts payable	\$ 153,426
Accrued payroll and related benefits	2,374
Total liabilities	<u>155,800</u>
Fund Equity:	
Fund balance (unreserved)	<u>538,746</u>
Total liabilities and fund equity	<u>\$ 694,546</u>

See accompanying Notes to Financial Statements.

**SOUTH CAROLINA DEPARTMENT OF AGRICULTURE
SOYBEAN BOARD**

**STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2009**

Revenue	
Assessments	\$ 852,050
Less, assessments remitted to other states	(200,470)
Less, assessments remitted to United Soybean Board	(314,061)
Total net assessment revenue	<u>337,519</u>
Grant revenue	<u>36,062</u>
Total revenue	<u><u>373,581</u></u>
Expenditures	
Salaries and benefits	31,318
Research	67,136
Grant expenditures	36,062
Operating expenditures	26,704
Board member reimbursements	1,645
Travel	8,560
Professional and consulting services	2,931
Total expenditures	<u>174,356</u>
Excess of revenue over expenditures	199,225
Fund balance (as restated), July 1, 2008	<u>339,521</u>
Fund balance, June 30, 2009	<u><u>\$ 538,746</u></u>

See accompanying Notes to Financial Statements.

**SOUTH CAROLINA DEPARTMENT OF AGRICULTURE
SOYBEAN BOARD**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

Note 1. Summary of Significant Accounting Policies

The South Carolina Soybean Board (also referred to as the "South Carolina Department of Agriculture - Soybean Board" and the "Soybean Board" and the "Board") was established as a commodity board under Section 46-17-190 of the South Carolina Code of Laws of 1962 and is included as 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 Board was established for education, promotion and research to strengthen the soybean industry's position in the marketplace.

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

The South Carolina Department of Agriculture administers the Soybean 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 Soybean 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 Soybean 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 Soybean 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.

The Soybean 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.

**SOUTH CAROLINA DEPARTMENT OF AGRICULTURE
SOYBEAN BOARD**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

Budgetary Controls

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

Several months prior to the start of the fiscal year, the executive director of the Soybean Board develops a budget proposal for revenue and expenditures. 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, 2009.

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 work week 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 Soybean Board has not recorded the \$5,416 accrued compensated absences balance at June 30, 2009 since they do not affect net current assets.

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.

Note 2. Deposits and Investments

All deposits of the South Carolina Department of Agriculture - Soybean 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.

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
SOYBEAN BOARD**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

Note 3. Pension Plan and Other Employee Benefits

The Retirement Division of the State Budget and Control Board maintains five 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 five pension plans are included in the CAFR of the State of South Carolina.

The one employee of the Board is eligible to participate in the South Carolina Retirement System and the State Health Insurance Group Plan. The South Carolina Retirement System (SCRS) is a cost-sharing multiple-employer defined benefit public employee retirement system which provides annuity benefits as well as disability and group life insurance benefits to eligible employees and retirees. Section 9-1-480 Code of Laws of South Carolina, 1976 (as amended), states that all State employees unless specifically exempted shall become members of SCRS as a condition of their employment. The responsibility for administration of the systems is assigned by law to the State Budget & Control Board. The Conservation Board has no fiduciary responsibility or further liability for the retirement plan beyond the current contributions.

Under the 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 15 years credited service (five years effective January 1, 2001). 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.

Since July 1, 2006, employees participating in the SCRS have been required to contribute 6.5% of all compensation. Effective July 1, 2008, the employer contribution rate became 12.74 percent, which included a 3.50 percent surcharge to fund retiree health and dental insurance coverage. The Board's actual contributions to SCRS for the fiscal years ended June 30, 2009, 2008, and 2007 were \$3,011, \$2,914 and \$1,741 and equaled the required contributions of 9.24 percent (excluding the surcharge) for 2009, 9.06 percent for 2008 and 8.05 percent for 2007. Also, the Board paid employer group-life insurance contributions of \$36 in the current fiscal year at the rate of .15 percent of compensation.

**SOUTH CAROLINA DEPARTMENT OF AGRICULTURE
SOYBEAN BOARD**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

The System does not make separate measurements of assets and pension benefit obligations for individual employers. Accordingly, information regarding the excess, if any, applicable to the Board of the actuarially computed value of vested benefits over the total of the applicable pension fund and any balance sheet accruals, less any pension prepayments or deferred charges, is not available. By State law, the Board's liability under the retirement plan is limited to the amounts contributed during the year. Accordingly, the Board recognized no contingent liability for unfunded costs associated with participation in the plan.

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, benefit and employee/employer contributions for each retirement system. 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 twelve consecutive quarters of compensation).

Note 4. Post-Employment and Other Employee Benefits

In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State provides post-employment health and dental and long-term disability benefits to retired State and school district employees and their covered dependents. The Board contributes to the Retiree Medical Plan (RMP) and the Long-term Disability Plan (LTDP), cost-sharing multiple-employer defined benefit postemployment healthcare and long-term disability plans administered by the Employee Insurance Program (EIP), a part of the State Budget and Control Board (SBCB). Generally, retirees are eligible for the health and dental benefits if they have established at least ten years of retirement service credit. For new hires May 2, 2008 and after, retirees are eligible for benefits if they have established twenty-five years of service for 100% employer funding and fifteen through twenty-four years of service for 50% employer funding. Benefits become effective when the former employee retires under a State retirement system.

Basic long-term disability (BLTD) benefits are provided to active state, public school district and participating local government employees approved for disability.

Section 1-11-705 and 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires these post-employment healthcare and long-term disability benefits be funded through annual appropriations by the General Assembly for active employees to the EIP and participating retirees to the SBCB except the portion funded through the pension surcharge and provided from other applicable sources of the EIP for its active employees who are not funded by State General Fund appropriations. Employers participating in the RMP are mandated by State statute to contribute at a rate assessed each year by the Office of the State Budget, 3.50% and 3.42% of annual covered payroll for 2009 and 2008, respectively. The EIP sets the employer contribution rate based on a pay-as-you-go basis. The Board paid \$827 and \$799 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal years ended June 30, 2009 and 2008, respectively. BLTD benefits are funded through a per person premium charged to State agencies, public school districts, and other participating local governments. The monthly premium per active employee paid to EIP was \$3.23 for the fiscal years ended June 30, 2009 and 2008.

**SOUTH CAROLINA DEPARTMENT OF AGRICULTURE
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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

Effective May 1, 2008 the State established two trust funds through Act 195 for the purpose of funding and accounting for the employer costs of retiree health and dental insurance benefits and long-term disability insurance benefits. The South Carolina Retiree Health Insurance Trust Fund is primarily funded through the payroll surcharge. Other sources of funding include additional State appropriated dollars, accumulated EIP reserves, and income generated from investments. The Long Term Disability Insurance Trust Fund is primarily funded through investment income and employer contributions.

One may obtain complete financial statements for the benefit plans and the trust funds from Employee Insurance Program, 1201 Main Street, Suite 360, Columbia, SC 29201.

Note 5. 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 - Soybean 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.

Note 6. Related Party Transactions

The Soybean 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, and other centralized functions.

The Department of Agriculture provides to the Board at no cost, office space, personnel and payroll services, record keeping, disbursement processing, insurance coverage and other centralized functions. The amount of 2009 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 amounts of 2009 expenditures applicable to related party transactions are not readily available.

The South Carolina Soybean Board paid \$67,136 to Clemson University, a state supported institution, for Soybean related research during the year.

**SOUTH CAROLINA DEPARTMENT OF AGRICULTURE
SOYBEAN BOARD**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

Effective September 1991, the South Carolina Soybean Board, as a Qualified State Soybean Board, started remitting a portion of its assessment proceeds to the United Soybean Board. The authority for the formation of the United Soybean Board was the Soybean Promotion and Research, and Consumer Information Act of 1990 (the "Act"), approved on November 28, 1990, by the United States Congress: The "Act" provides for the establishment of a coordinated program of promotion, research and consumer information designed to strengthen the soybean industry's position in the marketplace, as well as to maintain and expand domestic and foreign markets and uses for soybeans and soybean products. As provided in the Act, the Secretary of the United States Department of Agriculture (the "Secretary") issued the Soybean Promotion and Research Order, effective November 28, 1990, which provides the terms and conditions for the Act's administration. The United Soybean Board (the "Board"), which was created and approved by the Secretary to administer the Act, consisted of various members who are representatives of the soybean industry in the United States.

The program is financed exclusively by an assessment of .005% of the net market price of the soybeans sold by the producer. The assessments are remitted to the South Carolina Department of Agriculture - Soybean Board. The United Soybean Board receives approximately one-half of assessment monies and the South Carolina Department of Agriculture retains the remainder.

During this fiscal year, the South Carolina Soybean Board did not receive credits from the United Soybean Board to be used against the monthly 50% remittances for assessments. This credit provision has been enacted to lessen the impact of unfavorable market conditions upon soybean assessments. These credits are calculated by the United Soybean Board and are based on a comparison of the five-year average of revenue to the most current year's revenue.

The Soybean Board also has related party transactions with the South Carolina Corn and Soybean Association. The Executive Director of the South Carolina Soybean Board served as the Executive Director of the South Carolina Corn and Soybean Association through September 30, 2008. There is one common board members between the two organizations.

During this fiscal year, the South Carolina Corn and Soybean Association performed several promotional and educational projects related to producer communication and industry information for the South Carolina Soybean Board. The South Carolina Soybean Board reimbursed \$3,516 in actual costs incurred by the South Carolina Corn and Soybean Association for these projects.

During the prior year, the South Carolina Soybean Board was awarded one grant from the United Soybean Board. The grant awarded was based on a pre-approved spending program; where as the Board is reimbursed for its grant expenditures. Grant detail is as follows:

	USB
	Biodiesel
	Initiative
Grant Awarded	\$ 43,900
Grant Expenditures - 2009	<u>(36,062)</u>
Unexpended Funds	<u>\$ 7,838</u>

**SOUTH CAROLINA DEPARTMENT OF AGRICULTURE
SOYBEAN BOARD**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

Note 7. Risk Management

The South Carolina Department of Agriculture - Soybean Board is exposed to various risks of loss and maintains State or commercial insurance coverage for certain risks. Management believes such coverage is sufficient to preclude any significant uninsured losses to the South Carolina Department of Agriculture - Soybean Board. The South Carolina Department of Agriculture - Soybean 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.

1. Personal property and equipment - Eighty percent of each loss is covered by the IRF. Losses are subject to a \$250 deductible.
2. 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.

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 - Soybean 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 are made by the Department and the Soybean Board does not reimburse any of those expenses.

**SOUTH CAROLINA DEPARTMENT OF AGRICULTURE
SOYBEAN BOARD**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

Note 8. Prior Period Adjustment

The Board reported \$4,313 of accrued compensated absences and related benefits in its prior year balance sheet. Under generally accepted accounting principles, long-term liabilities should not be reported as liabilities in governmental funds. The error resulted in liabilities being overstated and fund balance being understated. The amount reported for beginning fund balance has been restated for this adjustment.

**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., CPA,
Deputy State Auditor
State of South Carolina
Columbia, South Carolina

We have audited the balance sheet of the South Carolina Department of Agriculture - Soybean Board ("the Board") as of and for the year ended June 30, 2009, and have issued our report thereon dated September 16, 2009. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be significant deficiency.

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 entity'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 entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the following two paragraphs to be a significant deficiencies in internal control over financial reporting.

The Auditing Standards Board (ASB) has issued guidance to auditors related to an entity's internal controls over financial reporting. The Soybean Board relies on their auditor to prepare the annual financial statements including footnotes and to make journal entries to properly classify revenues and expenses and accrue year-end revenues and expenditures. These recently issued auditing standards emphasize that the auditor cannot be part of your system of internal control over financial reporting. As noted in the financial statements, accrued compensated absences was recorded in error. In our judgment, management and those charged with governance need to understand the importance of this communication and determine ways to prepare the annual financial statements and to make all required adjustments to the records.

We discovered an error in a report that the Board filed with the United Soybean Board. The Board underreported the amount of assessments received by \$104 resulting in them under remitting \$52 to the United Soybean Board. This occurred because the amount reported was not reconciled to the accounting records.

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 entity's internal control.

Our consideration of the 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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiencies described above are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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, compliance with the Soybean Promotion, Research and Consumer Information Act of 1990 ("the Act") and the Soybean Promotion and Research Order ("the Order") relative to the use of funds collected by the Board and with the terms described in Section 1220.228(a) of the Order relative to prohibited uses of funds collected by the Board, is the responsibility of the Board's management. As part of our audit as of and for the year-ended June 30, 2009, we assessed the risk that noncompliance with the Act and the Order as explained above, could cause the financial statements to be materially misstated. We concluded that the risk of such material misstatement was sufficiently low and that it was necessary to perform tests of the Board's compliance with the Act and the Order. However, in connection with our audit, nothing came to our attention that caused us to believe that the Board has not complied, in all material respects, with the Act and the Order referred to above.

Additionally, in connection with our audit, since the Board does not hold invested funds nor does it invest any funds, nothing came to our attention to indicate that the Board failed to comply with the terms, in so far as they relate to accounting matters of the Order relative to investment of funds collected by the Board and the provisions of Section 1220.211(j). However, our audit was not directed primarily toward obtaining knowledge of such noncompliance in the use and investment of funds.

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

Rogers Lalan, PA

September 16, 2009

MANAGEMENT'S RESPONSE

APPENDIX A



SOUTH CAROLINA SOYBEAN BOARD
Making Your Checkoff Pay Off.

MEMORANDUM

To: Mr. Richard H. Gilbert, Jr., CPA
Deputy State Auditor, State of South Carolina
Columbia, South Carolina

From: Aaron Wood, Executive Director

Date: September 28, 2009

Re.: Independent Auditor's Report - Fiscal Year 2009

In the "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," Rogers Laban identifies two specific items they consider material weaknesses. A material weakness is defined in the report as "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 entity's internal control." Based on that definition, I disagree that either item identified is a significant deficiency or material weakness in the Soybean Board's internal control.

In response to page 12, paragraph 5, revenues and expenses are strictly classified according to the State Comptroller General's guidelines. As you may be aware, the SCEIS system offers very little flexibility - in fact, less flexibility than the previously used system in how items are coded. Financial information is gathered at year end by the Finance Division, then provided to the auditor. The issue with accrued compensated absences may be a change in interpretation by this auditor or actually an error. However, this item was recorded on the balance sheet and stated in the notes of the financial statements in a manner that has been generally accepted in years past.

The error referred to on page 12, paragraph 6 was a single transfer of \$103.80 late in the fourth quarter from the State of Georgia that was not recorded, causing under remittance of \$51.90 to the United Soybean Board. The fact that only a single error of \$52 was discovered after many tests and a thorough review of over \$815,000 in processed remittances, demonstrates the strength of internal control procedures.

Neither of these instances illustrates more than a remote likelihood that a material misstatement of the financial statements went undetected by the Soybean Board's internal controls.

Post Office Box 11280 Columbia, South Carolina 29211
(803) 734-9807 (803) 734-9808 (f)
www.scsoybeans.org

