

**SOUTH CAROLINA DEPARTMENT OF AGRICULTURE  
BEEF BOARD**

**COLUMBIA, SOUTH CAROLINA**

**FINANCIAL STATEMENTS**

**JUNE 30, 2013**

*State of South Carolina*



*Office of the State Auditor*

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October 2, 2013

The Honorable Nikki R. Haley, 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, 2013, 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/sag

**SOUTH CAROLINA DEPARTMENT OF AGRICULTURE  
BEEF 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

### Report on the Financial Statements

We have audited the accompanying financial statements of the South Carolina Department of Agriculture – Beef Board ("the Board") special revenue fund as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

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 – Beef Board special revenue fund as of June 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*1 Going Beyond The Numbers.*

**Reporting Entity**

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 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.

**Other Matters**

## Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board's basic financial statements. The accompanying Full Dollar Accountability Report is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Full Dollar Accountability Report is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated September 11, 2013, on our consideration of the Board's internal control over financial reporting and on 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 in considering the Board's internal control over financial reporting and compliance.

*Rogers Lalan, PA*

September 11, 2013

**SOUTH CAROLINA DEPARTMENT OF AGRICULTURE  
BEEF BOARD**

**BALANCE SHEET  
JUNE 30, 2013**

**Assets**

Cash	\$ 107,689
Accounts receivable-assessments	<u>11,756</u>
Total assets	<u><u>\$ 119,445</u></u>

**Liabilities and Fund Equity**

Liabilities:

Accounts payable	\$ 12,391
Accrued salaries and related benefits	<u>2,050</u>
Total liabilities	<u>14,441</u>

Fund Equity:

Spendable - Unassigned	<u>105,004</u>
Total fund equity	<u>105,004</u>

Total liabilities and fund equity	<u><u>\$ 119,445</u></u>
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**See accompanying Notes to Financial Statements.**

**SOUTH CAROLINA DEPARTMENT OF AGRICULTURE  
BEEF BOARD**

**STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE  
YEAR ENDED JUNE 30, 2013**

**Revenue**

Assessments	\$ 162,180
Less, assessments remitted to other states	(18,207)
Less, assessments remitted to Cattlemen's Beef Promotion and Research Board	<u>(71,985)</u>
Net assessment revenue	<u>71,988</u>

**Expenditures**

Advertising and promotion	8,676
Salaries and benefits	45,651
Board meetings and related costs	5,202
Operating costs	<u>17,609</u>
Total expenditures	<u>77,138</u>

Excess of revenue over (under) expenditures (5,150)

Fund balance, July 1, 2012 110,154

Fund balance, June 30, 2013 \$ 105,004

**See accompanying Notes to Financial Statements.**

**SOUTH CAROLINA DEPARTMENT OF AGRICULTURE  
BEEF BOARD**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**Note 1. Summary of Significant Accounting Policies**

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 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.

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.

**SOUTH CAROLINA DEPARTMENT OF AGRICULTURE  
BEEF BOARD**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

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, 2013.

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. At June 30, 2013, the Board did not have employees that accrued compensated benefits.

Fund Balances

The GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54) effective for reporting periods after June 15, 2010. The statement establishes fund balance classifications, provides for a hierarchy of spending constraints for spendable resources and requires disclosure of nonspendable and spendable resources.

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact.

GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints as follows:

Restricted – Fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.

**SOUTH CAROLINA DEPARTMENT OF AGRICULTURE  
BEEF BOARD**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

Committed – Fund balances that contain self-imposed constraints of the government from its highest level of decision making authority.

Assigned – Fund balances that contain self-imposed constraints of the government to be used for a particular purpose.

Unassigned – Fund balances that are not constrained for any particular purpose.

At June 30, 2013, all of the Board's net assets have been classified as unassigned.

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 - 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.

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.

**Note 3. Pension Plans**

The one employee of the Board is eligible to participate in a retirement plan through the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Division of the South Carolina Public Employee Benefit Authority (PEBA), a public employee retirement system. Generally, all full-time or part-time equivalent State employees in a permanent position 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, as amended, or are eligible and elect to participate in the State Optional Retirement Program (ORP). The SCRS plan provides a life-time monthly retirement annuity benefits to members as well as disability, survivor options, annual benefit adjustments, death benefits, and incidental benefits to eligible employees and retired members.

The Retirement Division 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 South Carolina Public Employee Benefit Authority, P.O. Box 11960, Columbia, South Carolina 29211-1960. Furthermore, the Division and the five pension plans are included in the State of South Carolina's CAFR.

**SOUTH CAROLINA DEPARTMENT OF AGRICULTURE  
BEEF BOARD**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

Under the SCRS, Class II members are eligible for a full service retirement annuity upon reaching age 65 or completion of 28 years of credited service regardless of age. Employees who first became members of the System after June 30, 2012 are considered Class III members and are eligible for a full service retirement annuity upon reaching age 65 or upon meeting the rule of 90 requirement (i.e., the members age plus the years of service add up to a total of at least 90). 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 (AFC) multiplied by the number of years of credited service. For Class II members, AFC is the average annual earnable compensation during 12 consecutive quarters and includes an amount for up to 45 days termination pay at retirement for unused annual leave. For Class III members, AFC is the average annual earnable compensation during 20 consecutive quarters and termination pay for unused annual leave at retirement is not included. Early retirement options with reduced benefits are available as early as age 55 for Class II members and age 60 for Class III members. Class II members are vested for a deferred annuity after five years of earned service. Class III members are vested for a deferred annuity after eight years of earned service. Members qualify for a survivor's benefit upon completion of 15 years of credited service (five years effective January 1, 2002).

Disability annuity benefits are payable to Class II members if they have permanent incapacity to perform regular duties of the member's job and they have at least 5 years of earned service (this requirement does not apply if the disability is a result of a job related injury). Class III members qualify for disability annuity benefits provided they have a minimum of eight years of credited service. An incidental death 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 or to a working retired contributing member. There is no service requirement for death resulting from actual performance of duties for an active member. For eligible retired members, a lump-sum payment is made to the retiree's beneficiary of up to \$6,000 based on years of service at retirement. TERI participants and retired contributing members are eligible for the increased death benefit equal to their annual salary in lieu of the standard retired member benefit.

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. Because participants are considered retired during the TERI period, they do not earn service credit, and are ineligible to receive group life insurance benefits or disability retirement benefits. The TERI program will end effective June 30, 2018.

Effective July 1, 2012, employees participating in the SCRS were required to contribute 7.00% of all earnable compensation. The employer contribution rate for SCRS was 15.15%. Included in the total SCRS employer contribution rate is a base retirement contribution of 10.45%, .15% for the incidental death program and a 4.55% surcharge that will fund retiree health and dental insurance coverage. Employer contributions for State ORP include a 5.45% employer retirement contribution, 4.55% retiree insurance surcharge and .15% incidental death benefit. The Board's actual contributions to the SCRS for the years ended June 30, 2013, 2012, and 2011 were approximately \$4,000, \$3,000, and \$3,000, respectively, and equaled the base required retirement contribution rate, excluding surcharge, of 10.45% for 2013, 9.385% for 2012 and 9.24% for 2011. Also, the Board paid employer incidental death program contributions of approximately \$60, \$50, and \$50, at the rate of .15% of compensation for the current fiscal years ended June 30, 2013, 2012, and 2011 respectively.

**SOUTH CAROLINA DEPARTMENT OF AGRICULTURE  
BEEF BOARD**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

The amounts paid by the Board for pension, incidental death program, and accidental death program contributions are reported as employer contribution expenditures within the applicable functional expenditure categories to which the related salaries are charged.

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.

For the current fiscal year, SCRS does not make separate measurements of assets and pension benefit obligations for individual employers within the cost-sharing plan. Under Title 9 of the South Carolina Code of Laws, the Board's liability under the plans is limited to the amount of required employer contributions (stated as a percentage of covered payroll) as established by the South Carolina Public Employee Benefit Authority and as appropriated in the South Carolina Appropriation Act and from other applicable revenue sources. Accordingly, the Board recognizes no contingent liability for unfunded costs associated with participation in the plan.

**Note 4. Post-Employment Benefits Other than Pensions**

**Plan Description**

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 South Carolina Retiree Health Insurance Trust Fund (SCRHITF) and the South Carolina Long-Term Disability Insurance Trust Fund (SCLTDITF), cost-sharing multiple employer defined benefit postemployment healthcare, and long-term disability plans administered by the Insurance Benefits Division (IB), a part of the South Carolina Public Employee Benefit Authority (PEBA).

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 beginning employment May 2, 2008 and after, retirees are eligible for benefits if they have established 25 years of service for 100% employer funding and 15 through 24 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.

**Funding Policies**

Section 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires these postemployment and long-term disability benefits be funded through annual appropriations by the General Assembly for active employees to the IB and participating retirees to the PEBA, except for the portion funded through the pension surcharge and provided from the other applicable sources of the IB, 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, 4.55% of annual covered payroll for 2013 and 4.30% of annual covered payroll for 2012. The IB sets the employer contribution rate based on a pay-as-you-go basis.

**SOUTH CAROLINA DEPARTMENT OF AGRICULTURE  
BEEF BOARD**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

The Board paid approximately \$2,000 and \$2,000 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal years ended June 30, 2013 and 2012, respectively. BLTD benefits are funded through a person's premium charged to State agencies, public school districts, and other participating local governments. The monthly premium per active employee paid to IB was \$3.22 for the fiscal years ended June 30, 2013 and 2012. The Board did not record any employer contributions expenses because no employees were eligible to receive insurance benefits for the fiscal years ended June 30, 2013 and 2012.

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 SCRHITF is primarily funded through the payroll surcharge. Other sources of funding include additional State appropriated dollars, accumulated IB reserves, and income generated from investments. The SCLTDITF is primarily funded through investment income and employer contributions.

One may obtain complete financial statements for the benefit plans and the trust funds from PEBA Retirement Benefits and Insurance Benefits, 202 Arbor Lake Drive, Suite 360, Columbia, SC 29223.

**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 - 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.

**Note 6. 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 2013 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.

**SOUTH CAROLINA DEPARTMENT OF AGRICULTURE  
BEEF BOARD**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

The amount of 2013 expenditures applicable to related party transactions is not readily available.

Effective November 1986, the South Carolina Beef Board, as Qualified State Beef Council, started remitting a portion of its assessment proceeds to the Cattlemen's Beef Promotion and Research Board. The authority for the formation of the Cattlemen'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, 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 Cattlemen's Beef Promotion and Research Board at June 30, 2013 is \$5,463.

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 Cattlemen'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 did not elect to make a contribution.

**Note 7. 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 (Public Employee Benefit Authority – Insurance Benefits).
2. Claims of covered public employees for long-term disability and group-life insurance benefits (Public Employee Benefit Authority – Insurance Benefits).
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 (Department of Employment and Workforce).

**SOUTH CAROLINA DEPARTMENT OF AGRICULTURE  
BEEF BOARD**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

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 \$1,000 deductible.
2. Data processing equipment - Coverage is up to \$100,000 per loss with a \$1,000 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 \$50,000.

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.

**SOUTH CAROLINA DEPARTMENT OF AGRICULTURE  
BEEF BOARD**

**FULL DOLLAR ACCOUNTABILITY REPORT  
YEAR ENDED JUNE 30, 2013**

**Revenue**

Assessments	\$	162,180
Less, assessments remitted to other states		(18,207)
Less, assessments remitted to Cattlemen's Beef Promotion and Research Board		<u>(71,985)</u>
Net assessment revenue		71,988

**Expenditures**

Promotion		19,499
Consumer Information		12,305
Industry Information		5,106
Producer Communication		11,993
Collections		3,745
Board meetings and related costs		5,202
General Administration		<u>19,288</u>
Total expenditures		<u>77,138</u>

<b>Excess of Revenue Over (Under) Expenditures</b>	<b>\$</b>	<b><u>(5,150)</u></b>
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**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**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the South Carolina Department of Agriculture – Beef Board ("the Board") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements and have issued our report thereon dated September 11, 2013.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 were not identified. However, as described in the accompanying schedule of findings, we identified a certain deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings as item 2013-1 to be a material weakness.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Board's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings as item 2013-2. Specifically, compliance with the Beef Promotion and Research Act of 1985 ("the Act") and the Beef Promotion and Research Order ("the Order") relative to the use of funds collected by the Board and with the terms described in Section 1260.181 (b)(7) 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, 2013, we assessed the risk that noncompliance with the Act and the Order as explained above, could cause the financial statements to be materially misstated.

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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. In connection with our audit, items 2013-1 and 2013-2 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.

In connection with our audit, nothing came to our attention that caused us to believe that the Board failed to comply with the terms, in so far as they relate to accounting matters of the Act and the Order relative to the use of funds collected by the Board and with the terms described in Section 1260.181 (b)(7) of the Order relative to prohibited uses of funds collected by the Board. However, it should be noted that our audit was not directed primarily towards obtaining knowledge of such noncompliance.

**The Board's Response to Findings**

The Board's response to the findings identified in our audit is described in Appendix A. The Board'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.

*Rogers Lalan, PA*

September 11, 2013

**SOUTH CAROLINA DEPARTMENT OF AGRICULTURE  
BEEF BOARD**

**SCHEDULE OF FINDINGS  
JUNE 30, 2013**

2013-1 Deficiencies Noted in Financial Records and Statements and Reports to Cattlemen's Beef Promotion and Research Board

Condition: Our audit disclosed deficiencies in the preparation of financial statements, reconciliation processes, and recording of transactions in the books of the Board. The deficiencies include the following:

1. The assessment revenues and accounts receivable were understated by approximately \$2,300 because various assessments were not recorded as accounts receivable and the Board personnel did not detect it.
2. The assessments remitted to the Cattlemen's Beef Promotion and Research Board and accounts payable were understated by approximately \$500 because amounts due to the Cattlemen's Beef Promotion and Research Board were not recorded as accounts payable and the Board personnel did not detect it.
3. The assessments remitted to other states and accounts payable were understated by approximately \$1,300 because assessments due to other states were not recorded as accounts payable and the Board personnel did not detect it.
4. Approximately \$300 due to the Cattlemen's Beef Promotion and Research Board was not remitted causing accounts payable and assessments remitted to be understated by approximately \$300 because various assessments collected were not properly reported on the transmittal forms and the Board personnel did not detect it.

Cause: The Board did not have someone other than the preparer recalculate the reported amounts on the transmittal forms to ensure accuracy. The Board was not properly reconciling their assessments recorded in the South Carolina Enterprise Information System (SCEIS) to the assessments reported on the forms submitted to the Cattlemen's Beef Promotion and Research Board. The Board did not ensure that all accounts receivable and accounts payable were properly reflected in the financial statements.

Effect: Procedures in place by the Board did not detect errors that caused the financial records to be inaccurate.

Criteria: Generally accepted accounting principles require that all transactions be properly recorded and good internal control procedures require procedures to be in place to detect errors. Section 1260.312 of the Beef Promotion and Research Order requires assessments to be properly remitted to the Cattlemen's Beef Promotion and Research Board by the 15<sup>th</sup> day of the month following the month in which assessments are received by the Board.

Recommendation: The Board should implement procedures to ensure that all information used to prepare the financial statements is accurate. The Board should ensure that all assessments recorded in SCEIS are properly reconciled to assessments reported by the Board on the Cattlemen's Beef Promotion and Research Board remittance forms. The Board should ensure that all information reported in the financial statements is accurately stated in accordance with generally accepted accounting principles. Also, the Board should file corrected reports and remit the funds due to the Cattlemen's Beef Promotion and Research Board for the deficiencies noted.

2013-2 Assessments Not Remitted Timely

Condition: Our testing of assessments disclosed an instance where assessments received by the Board were not remitted timely to the Cattlemen's Beef Promotion and Research Board.

Cause: Unknown.

Effect: Noncompliance with Section 1260.312 of the Beef Promotion and Research Order.

Criteria: Section 1260.312 of the Beef Promotion and Research Order requires assessments to be properly remitted to the Cattlemen's Beef Promotion and Research Board by the 15<sup>th</sup> day of the month following the month in which assessments are received by the Board.

Recommendation: We recommend that procedures are implemented to ensure that the Board properly complies with the Beef Promotion and Research Order.

**SOUTH CAROLINA DEPARTMENT OF AGRICULTURE  
BEEF BOARD**

**STATUS OF PRIOR FINDINGS  
JUNE 30, 2013**

During our current audit, we reviewed the status of action taken on the findings we reported on our report on the financial statements of the Board dated September 11, 2012 resulting from the audit of the financial statements for the year ended June 30, 2012. The following findings were reported:

- 2012-1 Deficiencies Noted in Financial Records and Statements
- 2012-2 Assessments Not Remitted Timely

We noted similar deficiencies during the current year engagement and have reported similar findings in 2013-1 and 2013-2.

# **MANAGEMENT'S RESPONSE**

## **APPENDIX A**



Hugh E. Weathers  
Commissioner

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***Department of Agriculture***

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S. C. Beef Board Responses to Findings

Finding:

2013-1 Deficiencies Noted in Financial Records and Statements and Reports to Cattlemen's Beef Promotion and Research Board

Response:

The S. C. Beef Council will have someone (other submittor) monitor AR and AP per posting of SCDA finance sheets from the monthly CBB Assessment Program.

Finding:

2013-2 Assessments Not Remitted Timely

Response:

The S. C. Beef Council submittor will prepare monthly CBB Assessment program before the 5<sup>th</sup> of each month to provide SCDA ample time to submit monthly payments to CBB.