SOUTH CAROLINA DEPARTMENT OF AGRICULTURE
PORK BOARD

BASIC FINANCIAL STATEMENTS

JUNE 30, 2019
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Independent Auditor's Report

Members of the South Carolina Pork Board
Columbia, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the South Carolina Department of Agriculture - Pork Board (the "Pork Board") special revenue fund as of and for the year ended June 30, 2019, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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 - Pork Board special revenue fund, as of June 30, 2019, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.
Emphasis of Matter

As described in Note 1, the financial statements of the South Carolina Department of Agriculture - Pork 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 Pork Board special revenue funds 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

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Report on Other Regulatory Requirements

Specifically, in connection with our audit, nothing came to our attention that caused us to believe that the Pork Board failed to comply with the terms, in so far as they relate to accounting matters, of section 1230.74 of the Pork Promotion, Research and Consumer Information Order: Final Rule related to the purpose of influencing governmental policy or action.

In connection with our audit, we read the Agriculture Marketing Service's (AMS) Investment Policy for Commodity Programs, dated February 7, 2011 and noted that there were no invested funds held by the Board.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 13, 2019, on our consideration of the Pork Board’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements 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 effectiveness of the Pork Board’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Pork Board’s internal control over financial reporting and compliance.

George F. Kennedy, II

Columbia, South Carolina
September 13, 2019
# SOUTH CAROLINA DEPARTMENT OF AGRICULTURE
## PORK BOARD
### BALANCE SHEET
#### GOVERNMENTAL FUND
#### JUNE 30, 2019

### ASSETS

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$121,110</td>
</tr>
<tr>
<td>Accounts receivable, net</td>
<td>$17,838</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>$138,948</strong></td>
</tr>
</tbody>
</table>

### LIABILITIES

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable</td>
<td>$18,500</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>18,500</strong></td>
</tr>
</tbody>
</table>

### FUND BALANCE

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assigned</td>
<td>$120,448</td>
</tr>
<tr>
<td><strong>Total liabilities and fund balance</strong></td>
<td><strong>$138,948</strong></td>
</tr>
</tbody>
</table>

*The accompanying notes are an integral part of the financial statements.*
SOUTH CAROLINA DEPARTMENT OF AGRICULTURE  
PORK BOARD  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUND  
FOR THE YEAR ENDED JUNE 30, 2019

<table>
<thead>
<tr>
<th>REVENUE</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Assessment proceeds - National Pork Board</td>
<td>$82,744</td>
</tr>
<tr>
<td>Total revenue</td>
<td>82,744</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EXPENDITURES</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Promotions</td>
<td>102,151</td>
</tr>
<tr>
<td>Education and research</td>
<td>3,614</td>
</tr>
<tr>
<td>Administration and operations</td>
<td>9,159</td>
</tr>
<tr>
<td>Total expenditures</td>
<td>114,924</td>
</tr>
<tr>
<td>Excess (deficiency) of revenue over (under) expenditures</td>
<td>(32,180)</td>
</tr>
<tr>
<td>Fund balance, beginning</td>
<td>152,628</td>
</tr>
<tr>
<td>Fund balance, ending</td>
<td>$120,448</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of the financial statements.
NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACTIVITIES

Reporting Entity

The South Carolina Pork Board (also referred to as the "South Carolina Department of Agriculture - Pork Board" or "Pork 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 as such is included in the State of South Carolina's Comprehensive Annual Financial Report. The Pork Board was established for promotion and research to strengthen the pork industry's position in the marketplace.

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

The South Carolina Department of Agriculture administers the funds of the Pork Board. The Pork 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 Pork 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 Pork 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.

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

Special revenue funds of governmental units are accounted for using the modified accrual basis of accounting. Revenue is recognized when it becomes measurable and available as net current assets. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State considers revenue to be available if it is collected within one month of the end of the current fiscal period.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

(Continued)
NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACTIVITIES (CONTINUED)

Budgetary Controls

Several months prior to the start of the fiscal year, the Executive Director of the Pork Board develops a budget proposal for revenue and expenditures. The proposal is developed through evaluation of historical financial data and knowledge of future events. The proposal is presented to the Board for both discussion and review.

Fund Balances

The Board reports the following classifications of fund balances:

- **Nonspendable** – Fund balances that are not in spendable forms or are required to be maintained intact.

- **Restricted** - Fund balances that are limited to restrictions by creditors, grantors, laws, and regulations of other governments.

- **Committed** - Fund balances that contain self-imposed constraints of the government from its highest level of decision making authority, the South Carolina Pork Board.

- **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, 2019, the Board's fund balance has been classified as assigned.

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, and revenue, and expenditures and affect disclosure of contingent asset 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 Pork Board are under the control of the State Treasurer, who by law, has sole authority for investing State funds.

South Carolina State law requires full collateralization of all South Carolina State Treasurer bank balances. The South Carolina State Treasurer must correct any deficiencies in collateral within seven (7) days. As of June 30, 2019, all South Carolina State Treasurer bank balances were fully insured or collateralized with securities held by the State of South Carolina or its agent in the State of South Carolina’s name.
NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial credit risk for deposits is the risk that in the event of a depository financial institution’s failure, the Board’s deposits may not be returned or the Board will not be able to recover collateral securities in the possession of an outside party.

Section 11-13-60 of the South Carolina Code of Laws requires these funds to be fully insured or collateralized. All deposits of the Board met these requirements and are either covered by federal depository insurance or collateralized with securities held by the depository financial institution’s trust department or agent in the Board’s name.

NOTE 3 – RELATED PARTY TRANSACTIONS

The Pork 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 maintenance of certain accounting records and disbursement processing from the Comptroller General; check preparation and banking functions from the State Treasurer; legal services from the Attorney General, procurement services from the State Fiscal Accountability Authority; and various other centralized functions from the Department of Administration.

The Pork Board had financial transactions with various State agencies during the fiscal year. Certain payments were made to divisions of the Department of Agriculture for office supplies, printing, telephone, postage, and data processing services. The amounts of 2019 expenditures applicable to related party transactions are not readily available.

The Department of Agriculture provides to the Pork Board at no cost, office space, clerical help, record keeping, disbursement processing, and other centralized functions.

The Board recorded a $7,326 receivable and a $708 receivable for funds due from the Cotton and Peanut Boards, other commodity boards within the Department of Agriculture, at year-end.

The Executive Director of the Pork Board is a marketing specialist with the Department of Agriculture and performs various other duties within the Department of Agriculture in addition to serving the Pork Board. All salaries and benefits of this employee are paid by the Department of Agriculture. The value of the services provided by this employee to the Pork Board by the Department of Agriculture is not readily determinable.

As provided for in the Pork Promotion, Research, and Consumer Information Act of 1985 (7 U.S.C. 4801-4819) (Pork Act), the National Pork Board controls the activities of the Pork Board.

(Continued)
NOTE 3 – RELATED PARTY TRANSACTIONS (CONTINUED)

The Act provides that the National Pork Board is responsible to establish and conduct research and studies with the respect to the sale, distribution, marketing and utilization of pork and pork products. The National Pork Board distributes funds as established in the Pork Act received from assessments attributable to animals produced in the State. The National Pork Board collects all assessments on pork sales in the State of South Carolina and in turn sends a portion back to the Pork Board. These funds are checkoff funds and are recorded in the State’s accounting system.

The Pork Board uses a separate non-state controlled bank account for the South Carolina Pork Conference to deposit exhibit fees and other miscellaneous revenue of the annual Pork Conference and other functions. These funds are non-checkoff funds which are generated by other activities that are not regulated by the Federal Marketing Order and expenditures related to the conference, other than the education portion, are paid from the non-checkoff account. For this reason, these funds are separately maintained and administered and are not recorded in the State’s accounting system and therefore not included in these statements.

The Pork Board is responsible for the education portion of the Pork Conference. Registration fees for the Conference may be deposited into the State controlled bank account to help offset expenditures. No registration fees were received in fiscal year 2019.

The administration of the non-checkoff account is not the responsibility of the Pork Board. The non-checkoff account is maintained by the South Carolina Pork Producers Council and is administered by the Executive Committee of the South Carolina Pork Producers Council. The South Carolina Pork Producers Council is independent of the South Carolina Pork Board. The revenue and expenditures of this account are disclosed due to the related party transactions involved. The Pork Conference account was not audited.

A summary of transactions for the Pork Conference Account for the year ended June 30, 2019 is as follows:

<table>
<thead>
<tr>
<th>Deposits</th>
<th>$10,455</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenditures</td>
<td>$7,996</td>
</tr>
</tbody>
</table>

The Pork Board at its discretion also provided certain services related to the annual Pork Conference at no charge.
NOTE 4 – RISK MANAGEMENT

The Pork 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 Pork Board. The South Carolina Department of Agriculture - Pork 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.

The South Carolina Department of Agriculture provides the Pork Board with insurance at no cost. 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 IRS. 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.

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 Pork 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 South Carolina Department of Agriculture and the Pork Board does not reimburse any of those expenditures.

NOTE 5 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 13, 2019, which is the date that these financial statements were available to be issued.
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

Members of the Pork Board
Columbia, South Carolina

We have audited, in accordance with the 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- Pork Board (the Pork Board) special revenue fund, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Pork Board's basic financial statements, and have issued our report thereon dated September 13, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Pork 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.

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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.
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 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 Board failed to comply with the terms, in so far as they relate to accounting matters, of section 1230.74 of the Pork Promotion, Research and Consumer Information Order: Final Rule related to the purpose of influencing governmental policy or action.

In connection with our audit, we read the Agriculture Marketing Service's (AMS) Investment Policy for Commodity Programs, dated February 7, 2011 and noted that there were no invested funds held by the Board.

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.

Columbia, South Carolina
September 13, 2019

George F. Kennedy, III