

**SOUTH CAROLINA DEPARTMENT OF AGRICULTURE  
SOYBEAN BOARD**

**BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2018**



September 17, 2018

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, 2018, was issued by Love Bailey & Associates, LLC, 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,

George L. Kennedy, III, CPA  
State Auditor

GLKIII/cmw

**SOUTH CAROLINA DEPARTMENT OF AGRICULTURE  
SOYBEAN BOARD**

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CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

Mr. George L. Kennedy, III, CPA  
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 - Soybean Board (the "Soybean Board") special revenue fund as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Soybean 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.

## **Basis for Qualified Opinion**

As explained in Note 1 to the financial statements, the Council has not recorded a contingent liability for unfunded pension costs or unfunded postemployment benefits other than pensions (OPEB) in the financial statements. The Governmental Accounting Standards Board required that the Council recognize their proportionate share of the pension liability as a participant in the South Carolina Retirement System, the South Carolina Retiree Health Insurance Trust Fund and the South Carolina Long-Term Disability Insurance Trust Fund. The effects on the accompanying financial statements for the failure to record the contingent liability has not been determined.

## **Qualified Opinion**

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the South Carolina Department of Agriculture – Soybean Board special revenue fund as of June 30, 2018, 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.

## **Emphasis of Matter**

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 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 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.

### **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Soybean Boards’ basic financial statements. The accompanying Schedule of Activities - Actual and Budget and the Schedule of Contracts/Grants in Process are presented for purposes of additional analysis and are 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 Schedule of Activities - Actual and Budget and the Schedule of Contracts/Grants in Process are fairly stated, in all material respects, in relations to the basic financial statements as a whole.

## **Report on Other Regulatory Matters**

In connection with our audit, nothing came to our attention that caused us to believe that the Board was not in 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 Soybean Board and with the terms described in Section 1220.228(a) of the Order relative to prohibited uses of funds collected by the Soybean Board, is the responsibility of the Soybean Board’s management. As part of our audit as of and for the year-ended June 30, 2018, 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 Soybean Board’s compliance with the Act and the Order. However, in connection with our audit, nothing came to our attention to indicate that the Soybean 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 the Soybean Board failed to comply with the items, in so far as they relate to accounting matters of the Act and the Order relative to the use of funds collected by the Soybean Board and with the terms described in Section 1220.228(a) of the Order relative to prohibited uses of funds collected by the Soybean Board.

Additionally, in connection with our audit, since the Soybean Board does not hold invested funds nor does it invest any funds, nothing came to our attention to indicate that the Soybean 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 Soybean 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.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2018, on our consideration of the Soybean 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 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 Board’s internal control over financial reporting and compliance.

*Love Bailey & Associates, LLC*

Love Bailey & Associates, LLC  
Laurens, South Carolina  
September 17, 2018

**SOUTH CAROLINA DEPARTMENT OF AGRICULTURE  
SOYBEAN BOARD  
BALANCE SHEET  
JUNE 30, 2018**

**ASSETS**

Cash	\$ 1,130,115
Accounts receivable, net	<u>62,085</u>
Total assets	<u><u>\$ 1,192,200</u></u>

**LIABILITIES AND FUND BALANCE**

**LIABILITIES**

Accounts payable	\$ 79,609
Accrued salaries and related benefits	<u>3,630</u>
Total liabilities	<u><u>83,239</u></u>

**FUND BALANCE**

Assigned	<u>1,108,961</u>
Total fund balance	<u><u>1,108,961</u></u>
Total liabilities and fund balance	<u><u>\$ 1,192,200</u></u>

The accompanying notes are an integral part of these financial statements.

**SOUTH CAROLINA DEPARTMENT OF AGRICULTURE  
SOYBEAN BOARD  
STATEMENT OF REVENUE, EXPENITURES, AND CHANGES IN FUND BALANCE  
YEAR ENDED JUNE 30, 2018**

**REVENUE**

Assessments	\$ 846,267
Less: assessments remitted to other states	(200,780)
Less: assessments remitted to United Soybean Board	(338,143)
Net assessment revenue	307,344
 Total revenue	 307,344

**EXPENDITURES**

Salaries and benefits	\$ 46,065
Research	124,162
Operating expenditures	82,102
Board meetings and related costs	1,400
Travel	15,952
Professional and consulting services	85
Total expenditures	269,766
Excess of revenue over expenditures	37,578
 Fund balance, July 1, 2017	 1,071,383
Fund balance, June 30, 2018	\$ 1,108,961

The accompanying notes are an integral part of these financial statements.



**SOUTH CAROLINA DEPARTMENT OF AGRICULTURE – SOYBEAN BOARD**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACTIVITIES**

The South Carolina Soybean Board (also referred to as the “South Carolina Department of Agriculture – Soybean Board” and the “Soybean 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 Soybean Board was established for education, promotion and research to strengthen the soybean industry’s position in the marketplace.

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

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

(Continued)

**SOUTH CAROLINA DEPARTMENT OF AGRICULTURE – SOYBEAN BOARD  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACTIVITIES, Continued**

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 Soybean 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 Soybean Board had no capital asset purchases during the year, nor did it own any capital assets at June 30, 2018.

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.

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, 2018, all of the Soybean Board’s fund balances have been classified as assigned.

(Continued)

**SOUTH CAROLINA DEPARTMENT OF AGRICULTURE – SOYBEAN BOARD  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACTIVITIES, Continued**

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.

Pension Liability

In 2015, the Soybean Board adopted the provisions of GASB 68 “Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement 27”. GASB requires that the Soybean Board recognize in its financial statements their proportionate share of pension liability as a participant in the South Carolina Retirement System however the Soybean Board is administered by the South Carolina Department of Agriculture and the Soybean Board’s one employee is included in the South Carolina Department of Agriculture’s pension liability. Accordingly, the Soybean Board recognizes no contingent liability for unfunded costs associated with participation in the plan. See Note 3 for additional information.

Other Postemployment benefits

In 2018, the Council adopted the provisions of GASB 75 “Accounting and Financial Reporting for Postemployment Benefits Other than Pensions”. GASB requires that the Council recognize in its financial statements their proportionate share of the other postemployment benefits liability as a participant in the South Carolina Retiree Health Insurance Trust Fund and the South Carolina Long-Term Disability Insurance Trust Fund however the Council is administered by the South Carolina Department of Agriculture and the Council’s one employee is included in the South Carolina department of Agriculture’s other postemployment benefits liability. Accordingly, Council recognizes no contingent liability for unfunded cost associates with participation in these plans. See Note 4 for additional information.

**NOTE 2 – DEPOSITS AND INVESTMENTS**

All deposits of the 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**

**NOTE 3 – PENSION PLANS**

The one employee of the Soybean 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 Benefits Division of the South Carolina Public Employee Benefits 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 the 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 eligible members as well as disability, survivor options, annual benefit adjustments, death benefits, and incidental death 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.

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 service retirement annuity 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 available 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 can apply for disability annuity benefits provided they have a permanent incapacity to perform the regular duties of the member's job and they have a minimum of eight years of credited service. For disability applications received after December 31, 2013, a member of SCRS will have to be approved for disability benefits from the Social Security Administration in order to be eligible for SCRS disability retirement benefits. 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.

**SOUTH CAROLINA DEPARTMENT OF AGRICULTURE – SOYBEAN BOARD**  
**NOTES TO FINANCIAL STATEMENTS**

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 benefit adjustments granted during the TERI period. Because participants are considered retired during the TERI period, they do not earn service credit, and are ineligible for disability retirement benefits. The TERI program will end effective June 30, 2018 and a member's participation may not continue after this date.

Effective July 1, 2017, employees participating in the SCRS were required to contribute 9.00% of all earnable compensation. The SCRS contribution rate is a base retirement contribution of 13.41%, .15% for the incidental death program and a 5.50% surcharge that will fund retiree health and dental insurance coverage (See Note 4). The Soybean Board's actual contributions to the SCRS for the years ended June 30, 2018, 2017 and 2016 were approximately \$3,000 per year and equaled the base required retirement contribution rate, excluding surcharge, of 13.41 for 2018, 11.41% for 2017 and 10.91% for 2016. Also, the Soybean Board paid employer incidental death program contributions of approximately \$50 per year at the rate of .15% of compensation for the current fiscal years ended June 30, 2018, 2017, and 2016.

The amounts paid by the Soybean 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.

While the surcharge to fund retiree health and dental insurance benefits is collected by the Retirement Benefits Division of PEBA, it is remitted to the Insurance Benefits Division of PEBA, which is responsible for administration of retiree health and dental insurance benefits and establishment of the applicable retiree insurance surcharge rate.

(Continued)

**SOUTH CAROLINA DEPARTMENT OF AGRICULTURE – SOYBEAN BOARD**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 – PENSION PLANS, Continued**

At June 30, 2018 the Soybean Board's proportionate share of the net pension liabilities of SCRS is not determinable. The net pension liability defined of the SCRS defined benefit pension plan was determined based on the July 1, 2017 actuarial valuations, using membership data as of July 1, 2016, projected forward to June 30, 2017, and financial information of the pension trust funds as of June 30, 2017, using generally accepted actuarial procedures. The Soybean Board's portion of the net pension liability was based on the Soybean Board's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2018, the Soybean Board's SCRS proportion was not determinable. The Soybean Board is administered by the South Carolina Department of Agriculture and the Soybean Board's one employee is included in the South Carolina Department of Agriculture's pension liability. Accordingly, the Soybean 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 Soybean 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.

Benefits

The SCRHITF is a healthcare plan that covers retired employees of the State of South Carolina, including all agencies, and public school districts. The SCRHITF provides health and dental insurance benefits to eligible retirees. 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 15-24 years of service for 50% employer funding.

(Continued)

**SOUTH CAROLINA DEPARTMENT OF AGRICULTURE – SOYBEAN BOARD**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS, Continued**

The SCLTDITF is a long-term disability plan that covers employees of the State of South Carolina, including all agencies and public school districts and all participating local governmental entities. The SCLTDITF provides disability payments to eligible employees that have been 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 Executive Budget Office, 5.50% of annual covered payroll for 2018 and 5.33% of annual covered payroll for 2017. The IB sets the employer contribution rate based on a pay-as-you-go basis.

The Soybean Board paid approximately \$2,000 per year applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal years ended June 30, 2018, and 2017. 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, 2018 and 2017. The SCLTDITF premium is billed monthly by PEBA, Insurance Benefits and transferred monthly to the SCLTDITF. It is also funded through investment income.

In accordance with part (b) of paragraph 69 of GASB Statement No. 75, participating employers should recognize revenue in an amount equal to the employer's proportionate share of the change in the collective net OPEB liability arising from contributions to the OPEB plan during the measurement period from non-employer contributing entities for purposes other than the separate financing of specific liabilities to the OPEB plan. Therefore, employers should classify this revenue in the same manner as it classifies grants from other entities.

For purposes of measuring the net OPEB liability, deferred outflows and inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB Trusts, and additions to and deductions from the OPEB Trusts fiduciary net position have been determined on the same basis as they were reported by the OPEB Trusts. For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Therefore, benefit and administrative expenses are recognized when due and payable. Investments are reported at fair value.

PEBA, Insurance Benefits issues audited financial statements and required supplementary information for the OPEB Trust Funds. This information is publicly available through the Insurance Benefits' link on PEBA's website at [www.peba.sc.gov](http://www.peba.sc.gov) or a copy may be obtained by submitting a request to PEBA – Insurance Benefits, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is considered a division of the primary government of the state of South Carolina and therefore, OPEB Trust fund financial information is also included in the comprehensive annual financial report of the state.

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**SOUTH CAROLINA DEPARTMENT OF AGRICULTURE – SOYBEAN BOARD**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS, Continued**

At June 30, 2018 the Soybean Board's proportionate share of the net OPEB liabilities is not determinable. The net OPEB liability was determined based on the July 1, 2017 actuarial valuations, using membership data as of July 1, 2016, projected forward to June 30, 2017, and financial information of the pension trust funds as of June 30, 2017, using generally accepted actuarial procedures. At June 30, 2018, the Soybean Board's OPEB proportion was not determinable. Accordingly, the Soybean Board recognizes no contingent liability for unfunded costs associated with participation in the plan.

**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 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 State agencies include retirement plan administration, insurance plans administration, personnel management, procurement services, and other centralized functions.

The Department of Agriculture provides to the Soybean Board at no cost, office space, personnel and payroll services, record keeping, disbursement processing, insurance coverage and other centralized functions. The amount of 2018 expenditures applicable to these services is not readily determinable.

The Soybean Board also had financial transactions with various State agencies during the fiscal year. Certain payments were made to divisions of the Department of Administration for office supplies, telephone, interagency mail, and data processing services. The amounts of 2018 expenditures applicable to related party transactions are not readily available.

The Soybean Board paid \$102,664 to Clemson University, a state supported institution, for Soybean related research.

(Continued)



**SOUTH CAROLINA DEPARTMENT OF AGRICULTURE – SOYBEAN BOARD**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 – RELATED PARTY TRANSACTIONS, Continued**

Effective September 1991, the 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, 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 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 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. 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. The Soybean Board reimbursed \$275 in the actual costs incurred by the South Carolina Corn and Soybean Association for these projects.

**SOUTH CAROLINA DEPARTMENT OF AGRICULTURE – SOYBEAN BOARD**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 – RISK MANAGEMENT**

The 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 Soybean Board. The 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 (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).

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.

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.

(Continued)

**SOUTH CAROLINA DEPARTMENT OF AGRICULTURE – SOYBEAN BOARD**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 – RISK MANAGEMENT, Continued**

The 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.

**NOTE 8 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through September 17, 2018, which is the date that these financial statements were available to be issued.

**SOUTH CAROLINA DEPARTMENT OF AGRICULTURE  
SOYBEAN BOARD  
SCHEDULE OF ACTIVITIES- ACTUAL AND BUDGET  
YEAR ENDED JUNE 30, 2018  
COMPARED TO ACTUAL ONLY FOR YEAR ENDED JUNE 30, 2017**

	<u>JUNE 30, 2018</u>			<u>JUNE 30, 2017</u>
	<u>Actual</u>	<u>Budget (Unaudited)</u>	<u>Variance from Budget</u>	<u>Actual</u>
<b>REVENUE</b>				
Assessments collected from first purchasers	\$ 846,267	869,800	(23,533)	694,101
Total assessments	846,267	869,800	(23,533)	694,101
Less: assessments remitted to United Soybean Board	338,143	302,400	35,743	231,063
Less: assessments remitted to other states	200,780	265,000	(64,220)	170,288
Total assessments remitted	538,923	567,400	(28,477)	401,351
Net assessments	307,344	302,400	4,944	292,750
Miscellaneous revenue	-	-	-	10,671
Total revenues	307,344	302,400	4,944	303,421
<b>EXPENDITURES</b>				
Salaries and benefits	46,065	43,508	2,557	42,683
Research	124,162	184,162	(60,000)	140,046
Operating expenditures	82,102	16,570	65,532	79,454
Board meetings and related costs	1,400	2,880	(1,480)	1,750
Travel	15,952	25,000	(9,048)	27,623
Professional and consulting services	85	4,100	(4,015)	1,453
Total expenditures	269,766	276,220	(6,454)	293,009
Increase in fund balance	\$ 37,578	\$ 26,180	\$ 11,398	\$ 10,412

**QUALIFIED STATE SOYBEAN BOARD - SOUTH CAROLINA**  
**SCHEDULE OF CONTRACTS/GRANTS IN PROCESS**  
**JUNE 30, 2018**

<b>Contract/Grant Description</b>	<b>Total Budgeted</b>	<b>Total Expended as of June 30, 2018</b>	<b>Remaining Balance as of June 30, 2018</b>
Asian Soybean Rust Monitoring System	\$ 5,000	\$ 5,000	\$ -
Evaluation of SC Soybean Breeding Lines in 2017	15,049	15,049	-
Variable Rate Seeding Prescription Development for Soybeans	8,500	8,500	-
Evaluation of Different Row Widths and Plant Populations on Soybean Yield in SC	8,000	8,000	-
Varietal Comparison of New Conventional Varieties to Top GM Varieties	2,500	2,500	-
Evaluating and Improving Drought Tolerance in Soybean Across the Carolinas	10,000	10,000	-
Evaluating Potassium Fertilizer Recommendations for Irrigated and Dryland Soybean in South Carolina	9,000	9,000	-
Soybean/Sorghum Rotation Study	5,000	5,000	-
Evaluation of Deer Repellent Application Timing and Frequency for Suppression of Feeding Injury to Soybeans by White-Tailed Deer and Assessment of Simulated Feeding Injury Timing and Severity on Yields	10,988	10,988	-
Image Analysis for Soybean Leaf Defoliation	7,500	7,500	-
Finalizing Developmental Work on the Creation of an Easy-to-Use, Low-Cost Regional Irrigation Scheduling Tool for Soybeans (A Renewal of the 2015-2016 project)	10,000	10,000	-
Increasing Soybean Profit Potential Using The Early and Ultra-Late Soybean Production Systems	5,000	5,000	-
ASAAP Proposal	1,000	1,000	-
Soystats Proposal	600	600	-
AITC	2,500	2,500	-
FFA CDE's	3,250	3,250	-
NBB Membership	10,000	10,000	-
NBB Core Quality Assurance	1,000	1,000	-
NBB Market Expansion	1,000	1,000	-
SCCSA Yield Competition	2,275	2,275	-
WISHH	1,000	1,000	-
SSRP	5,000	5,000	-
	<u>\$ 124,162</u>	<u>\$ 124,162</u>	<u>\$ -</u>



CERTIFIED PUBLIC ACCOUNTANTS

**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. George L. Kennedy, III, CPA  
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, of financial statements of the South Carolina Department of Agriculture – Soybean Board (the "Soybean Board") special revenue fund, as of and for the year ended June 30, 2018, and related notes to the financial statements, which collectively comprise the Soybean Board's basic financial statements and have issued our report thereon dated September 17, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Soybean 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 Soybean Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Soybean 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 Soybean 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, 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 Soybean Board and with the terms described in Section 1220.228(a) of the Order relative to prohibited uses of funds collected by the Soybean Board, is the responsibility of the Soybean Board’s management. As part of our audit as of and for the year-ended June 30, 2018, 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 Soybean Board’s compliance with the Act and the Order. However, in connection with our audit, nothing came to our attention to indicate that the Soybean 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 the Soybean Board failed to comply with the items, in so far as they relate to accounting matters of the Act and the Order relative to the use of funds collected by the Soybean Board and with the terms described in Section 1220.228(a) of the Order relative to prohibited uses of funds collected by the Soybean Board.

Additionally, in connection with our audit, since the Soybean Board does not hold invested funds nor does it invest any funds, nothing came to our attention to indicate that the Soybean 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 Soybean 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.

#### **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.

*Love Bailey & Associates, LLC*

Love Bailey & Associates, LLC  
Laurens, SC  
September 17, 2018