

SOUTH CAROLINA DEPARTMENT OF AGRICULTURE
PORK BOARD

AUDITED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2003

WITH

REPORT OF INDEPENDENT AUDITORS

State of South Carolina



Office of the State Auditor

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

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

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

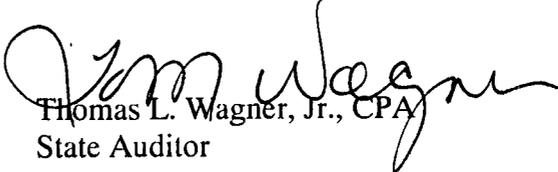
September 9, 2003

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

This report on the audit of the financial statements of the South Carolina Department of Agriculture – Pork Board for the fiscal year ended June 30, 2003, was issued by DeLoach & Williamson, L.L.P., Certified Public Accountants, under contract with the South Carolina Office of the State Auditor.

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

Respectfully submitted,


Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/trb

SOUTH CAROLINA DEPARTMENT OF AGRICULTURE
PORK BOARD

AUDITED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2003

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DeLOACH & WILLIAMSON, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS
1401 MAIN STREET, SUITE 660
COLUMBIA, SOUTH CAROLINA 29201

PHONE: (803) 771-8855
FAX: (803) 771-6001

REPORT OF INDEPENDENT AUDITORS

Mr. Thomas L. Wagner, Jr., CPA
State Auditor
South Carolina Office of the State Auditor
Columbia, South Carolina

We have audited the accompanying balance sheet of the South Carolina Department of Agriculture – Pork Board (the “Board”) special revenue fund as of June 30, 2003, and the related statement of revenue, expenditures, and changes in fund balance for the year then ended. These financial statements are the responsibility of the Board’s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in *Note 1*, the Financial Statements of the South Carolina Department of Agriculture – 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 fund and do not include any other accounts or funds of the South Carolina Department of Agriculture or any other department or component unit of the State of South Carolina, and are not intended to present fairly the financial statements and results of operations of the South Carolina Department of Agriculture in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the South Carolina Department of Agriculture – Pork Board special revenue fund as of June 30, 2003, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

DeLoach & Williamson, L.L.P.

August 6, 2003

SOUTH CAROLINA DEPARTMENT OF AGRICULTURE
PORK BOARD

BALANCE SHEET

JUNE 30, 2003

Assets

Cash	\$ 120,149
Accounts receivable	<u>3,109</u>
Total assets	<u><u>\$ 123,258</u></u>

Liabilities and Fund Equity

Liabilities:	
Accounts payable	\$ 1,041
Total liabilities	<u>1,041</u>
Fund Equity:	
Fund balance (unreserved)	<u>122,217</u>
Total liabilities and fund equity	<u><u>\$ 123,258</u></u>

See accompanying notes.

SOUTH CAROLINA DEPARTMENT OF AGRICULTURE
PORK BOARD

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2003

Revenue

Assessment proceeds-National Pork Board	\$ 35,631
South Carolina Pork Conference registration fees	1,920
Total revenue	<u>37,551</u>

Expenditures

Promotions	20,102
Education and research	6,508
Administration and operations	10,921
Consumer products marketing	1,715
Total expenditures	<u>39,246</u>

Excess of revenue over (under) expenditures (1,695)

Fund balance, July 1, 2002 123,912

Fund balance, June 30, 2003 \$ 122,217

See accompanying notes.

SOUTH CAROLINA DEPARTMENT OF AGRICULTURE
PORK BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

1. Summary of Significant Accounting Policies

Entity Description

The South Carolina Pork Board (the "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 is included in the State of South Carolina's Comprehensive Annual Financial Report as such. This is based on guidance provided by GASB Statement 14, *The Financial Reporting Entity*. The Fund of the South Carolina Pork Board is included in the Financial Statements of the Department of Agriculture. The 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 South Carolina Pork Board.

The South Carolina Department of Agriculture administers the South Carolina Pork 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 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 South Carolina 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. All accounts of the South Carolina Pork Board are reported in the special revenue funds of the South Carolina Department of Agriculture financial statements. Basis of accounting refers to when revenue and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting also relates to the timing of the measurements made, regardless of the measurement focus applied.

(CONTINUED)

SOUTH CAROLINA DEPARTMENT OF AGRICULTURE
PORK BOARD

NOTES TO FINANCIAL STATEMENTS

(CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

Basis of Presentation and Accounting (Continued)

The Pork 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 are recognized when they become measurable and available as net current assets. All revenue except assessment proceeds from the National Pork Board are recorded when received in cash because they are generally not measurable until actually received.

Expenditures are generally recognized under the modified accrual basis of accounting 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. These noncurrent liabilities are reported by the South Carolina Department of Agriculture in the statement of activities.

Budgetary Controls

The following is a description of the budgetary process of the South Carolina Pork Board:

Several months prior to the start of the fiscal year, a budget proposal for revenue and expenditures is developed by the executive director of the South Carolina Pork 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.

Fixed Assets

Purchases of fixed assets are recorded as expenditures in the year of purchase. The Board had no fixed asset purchases during the year.

SOUTH CAROLINA DEPARTMENT OF AGRICULTURE
PORK BOARD

NOTES TO FINANCIAL STATEMENTS

(CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

Compensated Absences

Generally all permanent full-time State employees and certain part-time employees scheduled to work at least one-half of the agency's workweek are entitled to accrue and carry forward at calendar year-end a maximum of 180 days sick leave and 45 days annual vacation leave. Upon termination of State employment, employees are entitled to be paid for accumulated unused annual vacation leave up to the maximum of 45 days, but are not entitled to any payment for unused sick leave. The Department calculates the compensated absences liability based on recorded balances of unused leave for which the Department expects to compensate employees through paid time off or cash payments. The leave liability, inventoried at fiscal year-end current salary costs and the cost of the salary-related benefit payments is recorded as a current liability.

The Department of Agriculture - Pork Board had no liability for accrued compensated absences at June 30, 2003, because the Board had no employees at that time.

Use of Estimates

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

2. Deposits and Investments

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

State law requires full collateralization of all State Treasurer bank balances. The State Treasurer must correct any deficiencies in collateral within seven days. At June 30, 2003, all State Treasurer bank balances were fully insured or collateralized with securities held by the State or by its agents in the State's name.

SOUTH CAROLINA DEPARTMENT OF AGRICULTURE
PORK BOARD

NOTES TO FINANCIAL STATEMENTS

(CONTINUED)

2. Deposits and Investments (Continued)

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.

3. Pension Plan and Other Employee Benefits

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

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

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

SOUTH CAROLINA DEPARTMENT OF AGRICULTURE
PORK BOARD

NOTES TO FINANCIAL STATEMENTS

(CONTINUED)

3. Pension Plan and Other Employee Benefits (Continued)

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 make SCRS contributions, do not earn service credit, and are ineligible to receive group life insurance benefits or disability retirement benefits.

Since July 1, 1988, employees participating in the SCRS have been required to contribute 6.0 percent of all compensation. Effective July 1, 2001, the employer contribution rate became 10.8 percent which included a 2.85 percent surcharge to fund retiree health and dental insurance coverage. The Board's actual contributions to the SCRS for the fiscal year ended June 30, 2003 were \$0, and equaled the required contributions of 7.55 percent (excluding the surcharge) for the year. Employer contributions for fiscal year 2002 were \$64 and for fiscal year 2001 were \$42. Also, the Board paid employer group-life insurance contributions of \$0 in the current fiscal year at the rate of .15 percent of compensation.

The amount paid by the South Carolina Pork Board for pension and group-life benefits are reported as consumer products marketing expenditures.

Article X, Section 16, of the South Carolina Constitution requires that all State operated retirement systems be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws of 1976, as amended, prescribes requirements relating to membership, benefits, and employee/employer contributions for each pension plan. Employee and employer contribution rates to SCRS are actuarially determined. The surcharges to fund retiree health and dental insurance are not part of the actuarially established rates. Annual benefits, payable monthly for life, are based on length of service and on average final compensation (an annualized average of the employee's highest 12 consecutive quarters of compensation).

SOUTH CAROLINA DEPARTMENT OF AGRICULTURE
PORK BOARD

NOTES TO FINANCIAL STATEMENTS

(CONTINUED)

3. Pension Plan and Other Employee Benefits (Continued)

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

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

Post-Employment and Other Employee Benefits

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

SOUTH CAROLINA DEPARTMENT OF AGRICULTURE
PORK BOARD

NOTES TO FINANCIAL STATEMENTS

(CONTINUED)

3. Pension Plan and Other Employee Benefits (Continued)

Post-Employment and Other Employee Benefits (Continued)

The South Carolina Department of Agriculture - Pork Board recorded employer contribution expenses for these insurance benefits for active employees in the amount of \$0 for the year ended June 30, 2003. As discussed above, the Board paid \$0 applicable to the surcharge included with the employer contributions for retirement benefits. These amounts were remitted to the South Carolina Retirement Systems for distribution to the Division of Insurance Services for retiree health and dental insurance benefits.

Information regarding the cost of insurance benefits applicable to the South Carolina Department of Agriculture - Pork Board retirees is not available. By State law, the Board has no liability for retirement benefits. Accordingly, the cost of providing these benefits for retirees is not included in the accompanying financial statements.

In addition, the State General Assembly periodically directs the Retirement Systems to pay supplemental (cost of living) increases to retirees. Such increases are primarily funded from system's earnings; however, a portion of the required amount is appropriated from the State General Fund annually for the SCRS benefits.

4. Deferred Compensation Plans

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

SOUTH CAROLINA DEPARTMENT OF AGRICULTURE
PORK BOARD

NOTES TO FINANCIAL STATEMENTS

(CONTINUED)

5. 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 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 South Carolina Pork Board 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 retirement and insurance plan contributions, office supplies, printing, telephone, interagency mail, and data processing services. The amounts of 2002-2003 expenditures applicable to related party transactions are not readily available.

The Department of Agriculture provides to the Board at no cost, office space, personnel and payroll services, clerical help, record keeping, disbursement processing, insurance coverage through the State Insurance Reserve Fund and other centralized functions. The amounts of 2003 expenditures applicable to these services are not readily determinable.

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.

SOUTH CAROLINA DEPARTMENT OF AGRICULTURE
PORK BOARD

NOTES TO FINANCIAL STATEMENTS

(CONTINUED)

5. Related Party Transactions (Continued)

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

The activities of the South Carolina Pork Board are controlled by the National Pork Board as of November 1986. This was provided for in the Pork Promotion, Research, and Consumer Information Act of 1985 (7 U.S.C. 4801-4819) (Pork Act).

The Act provided that the National Pork Board would be 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 shall distribute funds as established in the Pork Act received from assessments attributable to animals produced in the State. All assessments on pork sales in the State of South Carolina are collected by the National Pork Board, who in turn sends a portion back to the South Carolina Pork Board.

The 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. Registration fees are deposited to the Board's account and some of the expenditures for the conference are paid by the Board as educational expenditures. The transactions included in the pork conference account are not recorded by the Board and are not included in these statements. The Board at its discretion provided certain services related to the annual Pork Conference at no charge. The value of these services is not readily determinable. A summary of transactions for the Pork Conference Account for the year ended June 30, 2003 are as follows:

	Pork Board Account	Pork Conference Account
Deposits	\$ 1,920	\$ 7,384
Expenditures	\$ 5,005	\$ 7,520

SOUTH CAROLINA DEPARTMENT OF AGRICULTURE
PORK BOARD

NOTES TO FINANCIAL STATEMENTS

(CONTINUED)

5. Related Party Transactions (Continued)

Checkoff funds are those funds received under the Federal Marketing Order that must be spent in compliance with the order for pork research, promotion and education. Non-checkoff are those funds generated by other activities that are not regulated by the Federal Marketing Order. For this reason, these groups of funds are separately maintained and administered.

The administration of the non-checkoff account is not the responsibility of the South Carolina Pork Board. The group that administers the non-checkoff account is comprised of the Executive Committee of the South Carolina Pork Board and one pork producer that has no affiliation with the South Carolina Pork Board. The non-checkoff funds are generated by exhibits and the trade show portion of the annual Pork Conference. These funds are deposited into the non-checkoff account and expenditures related to this portion of the conference are paid from the non-checkoff account. The revenue and expenditures of this account are disclosed due to the related party transactions involved.

The South Carolina Pork Board is responsible for the education portion of the Pork Conference. The registration fees for the seminars are deposited into the state controlled bank account and the expenditures for this portion of the program are paid as an allowable expenditure from the checkoff funds.

The contribution made to the National Pork Producers Council is made as a voluntary contribution from non-checkoff funds to support the non-checkoff activities of the Nation Pork Producers Council. The Pork Conference account was not audited.

SOUTH CAROLINA DEPARTMENT OF AGRICULTURE
PORK BOARD

NOTES TO FINANCIAL STATEMENTS

(CONTINUED)

6. Risk Management

The South Carolina Department of Agriculture - 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 South Carolina Department of Agriculture - 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. Several State funds accumulate assets and the State itself assumes substantially all risks for the following:

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

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

SOUTH CAROLINA DEPARTMENT OF AGRICULTURE
PORK BOARD

NOTES TO FINANCIAL STATEMENTS

(CONTINUED)

6. Risk Management (Continued)

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

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

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

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

The South Carolina Department of Agriculture - 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 Department and the Pork Board does not reimburse any of those expenses.

DeLOACH & WILLIAMSON, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

1401 MAIN STREET, SUITE 660
COLUMBIA, SOUTH CAROLINA 29201

PHONE: (803) 771-8855

FAX: (803) 771-6001

**Report on Compliance and Internal Control
Over Financial Reporting Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

Mr. Thomas L. Wagner, Jr., CPA
State Auditor
State of South Carolina
Columbia, South Carolina

We have audited the balance sheet of the South Carolina Department of Agriculture – Pork Board special revenue fund for the year ended June 30, 2003, and the related statement of revenue, expenditures and changes in fund balance for the year then ended. 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.

In connection with our audit, nothing came to our attention that caused us to believe that the South Carolina Department of Agriculture – Pork Board was not in compliance with Section 1230.74 of the Pork Promotion, Research and Consumer Information Order Final Rule relating to the use of checkoff funds for the purpose of influencing legislation. However, it should be noted that our audit was not directed primarily towards obtaining knowledge of such noncompliance.

DeLoach & Williamson, L.L.P.

August 6, 2003

DeLOACH & WILLIAMSON, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

1401 MAIN STREET, SUITE 660
COLUMBIA, SOUTH CAROLINA 29201

PHONE: (803) 771-8855

FAX: (803) 771-6001

**Report on Compliance with Requirements Applicable to Each Major
Program and Internal Control Over
Compliance in Accordance with OMB Circular A-133**

Mr. Thomas L. Wagner, Jr., CPA
State Auditor
State of South Carolina
Columbia, South Carolina

In connection with our audit of the financial statements for the year ended June 30, 2003, we noted that there were no invested funds held by the South Carolina Pork Board. We also reviewed the Agriculture Marketing Service's (AMS) Investment Policies for Commodity Programs, dated December 1987.

In connection with our audit, since the South Carolina Pork Board does not hold invested funds nor does it invest any funds, nothing would have come to our attention to indicate that the South Carolina Pork Board special revenue fund was not in compliance with AMS policies regulating investments.

DeLoach & Williamson, L.L.P.

August 6, 2003

DeLOACH & **W**ILLIAMSON, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

1401 MAIN STREET, SUITE 660
COLUMBIA, SOUTH CAROLINA 29201

PHONE: (803) 771-8855

FAX: (803) 771-6001

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL

South Carolina Department of Agriculture -
Pork Board
Board of Directors
Columbia, South Carolina

We have audited the financial statements of the South Carolina Department of Agriculture – Pork Board for the year ended June 30, 2003, and have issued our report thereon dated August 6, 2003. In planning and performing our audit of the financial statements of the South Carolina Department of Agriculture - Pork Board (the “Board”), we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control would not necessarily disclose all matters in the internal control that might be reportable conditions, and accordingly, would not necessarily disclose all reportable conditions that are considered to be material weaknesses as defined above. However, we noted no matters involving the internal control and its operation that we consider to be material weaknesses as defined above.

This report is intended solely for the information and use of management, and members of the Board of the South Carolina Department of Agriculture – Pork Board, and the National Pork Board and should not be used for any other purpose.

DeLoach & Williamson, L.L.P.

August 6, 2003