

# PATRIOTS POINT

★HOME OF THE USS YORKTOWN★

November 30, 2017

The Honorable Joseph H. Jefferson  
Legislative Oversight Committee  
SC HOUSE OF REPRESENTATIVES  
P.O. Box 11867  
Columbia SC 29211

Dear Representative Jefferson:

Please find attached to this letter the submittal of information requested on behalf of the SC House of Representatives Oversight Committee. Thank you for your guidance and support throughout this process.

Best regards,



R. Mac Burdette  
Executive Director

Cc Ray Chandler, Chairman

## **RESPONSE TO NOV. 17 LETTER FROM REP. JEFFERSON**

### **1. RECORDS MANAGEMENT POLICY-** Please see attached.

PPDA Records Manager and other key staff have followed up with the Department of Archives and History regarding records management and transferal. Key staff members from Patriots Point met with staff from Department of Archives and History at Patriots Point on November 29 and discussed records management procedures and recommendations. PPDA has submitted Reports on Records Destroyed Forms (ARM-11s) and we are working with Archives and History on the creation of agency-specific retention schedules, as well as the future transfer of inactive permanently valuable records. Subsequently, per the Department of Archives and History, Patriots Point Development Authority is no longer considered "inactive" and has been removed from their "inactive" agency list as of November 29, 2017.

**2. TRANSITION/SUCCESSION PLAN-** For the largest departments (Operations and Museum Services), as well as Administrative Services Department, there are either deputy directors or senior level experts in place to assume the duties of Director in the event of a vacancy at the highest level of these Departments. The Education and Camping Services Department and the Marketing/Sales Department are compartmentalized into functional divisions which would allow them to function indefinitely under direction of the agency's Executive Director in the event of the loss of top leadership.

There is no successor for the Executive Director beyond a limited period of time. In the event of a planned departure of the Executive Director, it is hoped that for a less than three month period, the USS Yorktown Foundation would pay the salary of the retiring Executive Director while the replacement Executive Director transitions to the Executive Directorship. The State system will not allow "double slotting" of positions.

**3. STATUTORY/REGULATORY LIMITATIONS-** Frankly, PPDA can continue to be successful operationally and from a capital facility standpoint with no significant regulatory or statutory amendments. However, there are modifications that would allow us to be more efficient.

1. Provide same waiver to other organizations that "own" land contained in Proviso 118.2 (SR: Titling of Real Property).
2. Procurement flexibility for purchase of services that are specialized, such as talent for major entertainment/history programs, visiting authors, etc.
3. Procurement flexibility consistent with the State Museum regarding funding new exhibits and improving existing exhibits.
4. The process for approving new leases or amending existing leases is complicated and very time consuming. The process places an inordinate burden on the tenants who are investing in the Patriots Point vision. We are not seeking total control with no oversight.
5. In the future PPDA will need to use revenue from leases to generate significant amounts of capital to complete major restoration of ships, piers and facilities. We will need to exercise our authority to sell bonds. This process needs to be defined in advance.

### **4. AUDIT-** Attached

### **5. GRANTS-** Attached

### **6. REVENUE STREAMS-** Attached

### **Patriots Point Development Authority Records Management Policy**

Patriots Point Development Authority follows the records retention schedule as mandated by the South Carolina Department of Archives and History. The records retention schedule is currently located at <http://rm.sc.gov/generalschedules/Pages/default.aspx>.

Per the recommendation from South Carolina Department of Archives and History, Patriots Point will permanently keep as part of its records retention schedule: accession records pertaining to collections donations, oral history interviewee consent forms, aircraft donation records, and ship donation records.



# Greene, Finney & Horton, LLP

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

September 20, 2017

Mr. George L. Kennedy, III, CPA  
State Auditor  
Office of the State Auditor  
Columbia, South Carolina

We have audited the financial statements of Patriots Point Development Authority (the "Authority") as of and for the year ended June 30, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 22, 2017. Professional standards also require that we communicate to you the following information related to our audit.

## Significant Audit Findings

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note B to the financial statements. No new significant accounting policies were adopted and the application of existing policies was not significantly changed during the year ended June 30, 2017. We noted no transactions entered into by the Authority during the year for which there was a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most significant sensitive estimates affecting the Authority's financial statements were:

Management's estimate of the useful lives of capital assets and the resulting depreciation expense are based on industry standards and historical data. Management's estimate of the net pension liability and related deferred inflows/outflows is based on actuarial valuations. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. For purposes of this communication, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Authority's financial reporting process (that may or may not cause future financial statements to be materially misstated). We did not propose any material adjustments during the audit.

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In our judgment, there were no material known unrecorded and uncorrected misstatements, either individually or in the aggregate, to the Authority's financial statements taken as a whole.

#### ***Disagreements with Management***

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### ***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated September 20, 2017.

#### ***Management Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### ***Other Audit Findings or Issues***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

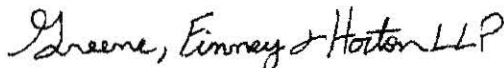
#### **Other Matters**

We applied certain limited procedures to the management's discussion and analysis and pension schedules which are required supplementary information ("RSI") that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

#### **Restriction on Use**

This information is intended solely for the use of the South Carolina Office of the State Auditor and the Board of Directors and management of the Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



Greene, Finney & Horton, LLP  
Certified Public Accountants



# Greene, Finney & Horton, LLP

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

## INDEPENDENT AUDITOR'S REPORT

Mr. George L. Kennedy, III, CPA  
State Auditor  
Office of the State Auditor  
Columbia, South Carolina

### Report on the Financial Statements

We have audited the accompanying financial statements of Patriots Point Development Authority, South Carolina (the "Authority"), a discretely presented component unit of the State of South Carolina, as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Authority'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 audits. We conducted our audits 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 Patriots Point Development Authority, as of June 30, 2017 and 2016, and the changes in its financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2017 on our consideration of the Authority'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 the Authority's internal control over financial reporting and compliance.

*Greene, Finney & Horton LLP*

Greene, Finney & Horton, LLP  
Mauldin, South Carolina  
September 20, 2017

	FY 13	FY 14	FY 15	FY 16	Fy 17	
Accomadation Tax Mt. Pleasant	26,000				250,000	\$26,000 July 4th and \$250,000 to upgrade sewer system
Accomadation Tax Charleston	100,000	225,267		26,882		\$100,000 Leadership Traing Facility, \$266,882 Vietnam Exhibit \$25,267
Education Improvement Grant			415,000	415,000	415,000	Help fund education programs
Tin Can Sailors	11,000	10,000				To fund upgrades to the LAFFEY



	2017	2016	2015	2014	2013
<b>Revenues</b>					
Admissions	\$5,475,269	\$4,962,045	\$4,727,962	\$4,209,915	\$3,918,930
Gift Shop Sales	1,621,594	1,615,249	1,651,521	1,590,845	1,568,459
Scouting Program Revenues	1,724,361	1,649,484	1,652,400	1,562,915	1,678,640
Leases and Commissions Income	2,257,037	2,244,544	2,304,639	2,331,854	2,174,972
Parking Lot Fees	638,977	608,778	595,083	581,538	560,873
Miscellaneous	299,034	71,065	221,398	238,756	215,797
<b>Total Revenues</b>	<b>\$12,016,272</b>	<b>\$11,151,165</b>	<b>\$11,153,003</b>	<b>\$10,515,823</b>	<b>\$10,117,671</b>

<b>Lease and Commission Income</b>					
Hotel/Amenities Lease (Parcel A)	\$380,099	\$344,999	\$411,961	\$422,048	\$398,802
Golf Course Lease	315,340	357,024	357,161	352,303	354,600
Food and Beverage Commissions	292,561	294,453	293,760	287,084	272,030
Marina Lease	148,800	143,793	145,252	139,194	121,338
Athletic Complex Lease	170,851	170,485	167,740	166,587	163,482
Flight Simulation Commissions	65,626	59,385	58,416	70,332	63,653
Fort Sumter Tour Commissions	78,665	77,904	73,069	73,699	71,805
Land and Other Facility Leases	264,013	247,994	268,798	266,773	206,281
Parcel A-1	61,082	58,507	48,482	73,834	42,981
Parcel B ,C, D	360,000	360,000	360,000	360,000	360,000
Parcel E	120,000	130,000	120,000	120,000	120,000
<b>Total Lease and Commission Income</b>	<b>\$2,257,037</b>	<b>\$2,244,544</b>	<b>\$2,304,639</b>	<b>\$2,331,854</b>	<b>\$2,174,972</b>