

**South Carolina Department of Commerce
Palmetto Partners – 2014 Summary of Activity**

OVERVIEW

The South Carolina Department of Commerce is responsible for the stimulation of economic development activity, including recruiting new business to the state and helping existing businesses grow. To help support the mission, the Department manages a special events account named Palmetto Partners. The primary purpose of Palmetto Partners is to raise and expend private sector funds for supporting special marketing events and initiatives with the goal of bringing jobs and capital investment to South Carolina.

During the 2014 calendar year, Palmetto Partners facilitated funding for four major initiatives and seven unique economic development events. In addition to the funding via Palmetto Partners, the Department also provided management, marketing and execution support for these twelve activities. Together, these initiatives and events supported the agency's core mission.

INITIATIVES

1. Branding Campaign

Partnering with the state's top selling agencies, S.C. Parks, Recreation and Tourism and the S.C. Ports Authority, Commerce continued to raise funds, with Palmetto Partners as the vehicle, to support the statewide 'Just right' brand. This single, compelling brand represents the state in a wide range of circumstances and is intended to communicate the many ways in which South Carolina is just right for business.

2. Military Base Task Force

To address the needs of South Carolina's growing active and retired military community, Commerce established the Military Base Task Force. The mission of the Task Force is to enhance the value of the military installations and facilities and the quality of life for military personnel and their families located in South Carolina.

3. Economic Development Training

Commerce hosted the Advanced Symposium, Economic Development Institute and numerous local economic development training opportunities during 2014. These educational programs provided advanced, hands-on learning and innovative implementation approaches for 117 individuals who support economic development activities in their communities.

4. Small Business Matchmaking

To address small business financing issues, and in cooperation with allies, Commerce continued its successful Lender Matchmaking events. Lenders and small business owners gathered for day-long events with the goal of successfully matching small businesses with financial institutions. During the 2014 series, 53 small businesses met with 42 lenders for specific matchmaking opportunities.

South Carolina Department of Commerce
Palmetto Partners – 2014 Summary of Activity

SPECIAL MARKETING EVENTS

1. RBC Heritage Presented by Boeing

2014 marked Commerce's third, consecutive year to have an economic development presence at the RBC Heritage Presented by Boeing. Along with Governor Haley, Commerce hosted prospect companies, existing industry representatives and state allies, using the backdrop of the golf tournament to promote South Carolina's business climate and solidify business relationships.

2. Roundtable in the South

The IndustryWeek Expansion Management Roundtables attract industry experts, including site consultants and government officials, as well as economic development professionals from across the country and continue to be a valuable source for education and building relationships. For the second consecutive year, as the host state and exclusive sponsor, South Carolina had the unique opportunity to showcase what we already know to be true – that South Carolina is just right for business.

3. Bavarian Delegation

With a keen focus on continuing to build strong relationships with the international business community, Commerce hosted a delegation of Bavarian aerospace industry leaders in Charleston in the spring of 2014. With participation from state, regional and economic development partners, the familiarization tour and networking event shared the mission of elevating South Carolina's profile as a great place for foreign direct investment.

4. Industrial Asset Management Council (IAMC) Spring Forum

IAMC is the leading association of industrial asset management and corporate real estate executives, their suppliers and service providers and economic developers. This elite group meets twice a year in Professional Forums. Building on South Carolina's success hosting the 2013 Spring Forum in Charleston, Commerce hosted a state dinner for the IAMC members who are corporate real estate professionals for leading companies and also for site consultants at the 2014 Spring Forum.

5. Rural Summit

The 24th Annual Rural Summit in Sumter included a motivating program that challenged the 156 attendees to make a difference in their local communities. Rural community leaders, economic developers and state officials shared ideas, experiences and practical knowledge to improve rural South Carolina.

6. SEUS–Japan

Commerce led a business delegation for the annual Southeastern United States-Japan conference in Tokyo, Japan. SEUS–Japan is a strategic alliance with the purpose of promoting trade and investment opportunities between and amongst its member states and Japan. With participation from the state, regional and economic development partners, the conference program highlighted promising areas for collaboration. It also presented opportunities for enhanced commercial exchange and included a business-to-business matchmaking component.

**South Carolina Department of Commerce
Palmetto Partners – 2014 Summary of Activity**

7. India Business and Trade Mission

India represents a growth market for the nation as a whole and for South Carolina. Led by Governor Haley, the business and trade focused delegations introduced companies to doing business with South Carolina, continued to move the needle with existing prospects and facilitated trade relationships. South Carolina will continue to build relationships with business leaders and decision-makers to encourage Indian investment in the state, establish export connections and boost tourism.

SUMMARY

During the 2014 calendar year, the Palmetto Partners structure successfully raised new private funds and engaged private sector resources in economic development. This fund provided the public-private framework necessary to execute activities that complement the department's traditionally-funded business recruitment and retention efforts.

The Palmetto Partners initiatives and events helped to position and continue to reinforce that South Carolina is just right for business.

*Attachment: Independent Accountants' Report on Applying Agreed-Upon Procedures
December 31, 2014

South Carolina Department of Commerce

Palmetto Partners

Independent Accountants' Report on Applying Agreed-Upon Procedures
December 31, 2014

**South Carolina Department of Commerce – Palmetto Partners
Table of Contents**

| | <u>Page</u> |
|---|-------------|
| Independent Accountants’ Report on Applying Agreed-Upon Procedures..... | 1-2 |
| Statement of Cash Receipts, Disbursements and Changes in Cash Balances – Cash Basis Method of Accounting, Unaudited, for the Year Ended December 31, 2014..... | 3 |
| Notes to Statement | 4 |

Independent Accountants' Report on Applying Agreed-Upon Procedures

Mr. Robert M. Hitt III, Secretary of Commerce
South Carolina Department of Commerce

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

We have performed the procedures described below, which were agreed to by management of the South Carolina Department of Commerce (the "Department"), solely to assist you in evaluating the performance of the South Carolina Department of Commerce Palmetto Partners Composite Reservoir Account (the "Account") of the South Carolina Department of Commerce cash basis method of accounting for the year ended December 31, 2014, in the areas addressed. The Department is responsible for the financial records, internal controls and compliance with laws and regulations of the Account. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified parties in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

Receipts

We nonstatistically selected the lesser of; a) 20 recorded cash receipts or b) individual transactions accounting for a minimum of 40% of overall recorded cash receipts, for the year ended December 31, 2014 and performed the following:

- a) Traced each cash receipt to the associated supporting documentation if any.
- b) Agreed receipt total and reasonableness of classification to posting in the attached statement of cash receipts, disbursements and changes in cash balances.
- c) Proved clerical accuracy of each receipt.
- d) Determined if the receipt was recorded in the proper year.

The total of the selected cash receipts was 20.6% of the aggregate amount of all recorded cash receipts for the 2014 calendar year. We found no exceptions as a result of or testing.

Disbursements

We nonstatistically selected the lesser of; a) 20 recorded cash disbursements or b) individual transactions accounting for a minimum of 40% of overall recorded cash disbursements, for the year ended December 31, 2014 and performed the following:

- a) Traced each cash disbursement to the appropriate voucher package, noting proper authorization and agreement to associated invoice.
- b) Agreed voucher package total and reasonableness of classification to posting in the attached statement of cash receipts, disbursements and changes in cash balances.
- c) Proved clerical accuracy of each voucher package.
- d) Determined that the cash disbursement was properly recorded in the proper year.

The total of the selected cash disbursements was 38.7% of the aggregate amount of all recorded cash disbursements for the 2014 calendar year. We found no exceptions as a result of or testing.

Other

The accompanying Statement of Cash Receipts, Disbursements and Changes in Cash Balances – Cash Basis Method of Accounting, Unaudited, for the Year Ended December 31, 2014 represents summarization of data derived from the accounting records of the Palmetto Partners account prepared by staff of the South Carolina Department of Commerce. We agreed the amounts by line-item to the accounting records of the Palmetto Partners Account and tested the mathematical accuracy of the statement. We found no exceptions as a result of or testing.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the specified areas, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Governor, the Secretary and management of the Department of Commerce, and the South Carolina Office of the State Auditor, and is not intended to be and should not be used by anyone other than these specified parties.

BROWN CPA, L.L.C.

Irmo, South Carolina
March 18, 2015

South Carolina Department of Commerce - Palmetto Partners
Statement of Cash Receipts, Disbursements and Change in Cash Balance
Cash Basis Method of Accounting - Unaudited
For the Years Ended

| | <u>December 31, 2014</u> | <u>December 31, 2013</u> |
|-----------------------------------|--------------------------|--------------------------|
| Cash Receipts: | | |
| Donation | \$ 731,102 | \$ 469,489 |
| Bavarian Delegation | 4,700 | - |
| Heritage Golf Tournament | - | 14,000 |
| IAMC Conference | - | 50,099 |
| Lender Match Making Events | 5,862 | 5,498 |
| Other Receipts | 10,316 | 4,273 |
| Round Table of the South | 3,000 | - |
| Rural Summit | 34,540 | 27,300 |
| Air Show | 2,289 | 18,170 |
| Auto Show (IAA) Sponsorship | - | 17,000 |
| Boeing Supplier Event Sponsorship | - | 5,000 |
| | <u>791,809</u> | <u>610,829</u> |
| Cash Disbursements: | | |
| Branding Campaign | 624,717 | 251,461 |
| Bavarian Delegation | 10,728 | - |
| Economic Development Training | 17,231 | 18,252 |
| Heritage Golf Tournament | 47,433 | 55,832 |
| PGA Championship Event | - | 8,604 |
| Airshow | - | 20,487 |
| IAA Auto Show | - | 18,523 |
| Aerospace Strategic Plan | 18,775 | 37,142 |
| IAMC Conference Events | 9,390 | 42,265 |
| Boeing Supplier Event | - | 10,275 |
| India Mission | 5,129 | - |
| Lender Match Making Events | 6,845 | 10,340 |
| Inventory Development | - | 12,775 |
| Marketing | 20,068 | 4,540 |
| Military Base Task Force | 2,561 | - |
| Prospect Expenses-Visit | 9,941 | - |
| SEUS-Japan | 5,227 | - |
| Roundtable in the South | 3,175 | - |
| Rural Summit | 13,160 | 14,784 |
| Trade Show | 2,537 | - |
| Fundraising Activities | 19,766 | 7,068 |
| Other Expenditures | 6,578 | 21,532 |
| | <u>823,261</u> | <u>533,880</u> |
| Net Change in Cash Balance | (31,452) | 76,949 |
| Net Position: | | |
| Cash Beginning of Year | 415,820 | 338,871 |
| Cash End of Year | <u>\$ 384,368</u> | <u>\$ 415,820</u> |

South Carolina Department of Commerce – Palmetto Partners
Notes to Schedule
Year Ended December 31, 2014 (Unaudited)

The statement of cash receipts, disbursements and changes in cash balances of the Palmetto Partners Account (the “Account”) of the South Carolina Department of Commerce (the “Department”) was prepared on the cash basis method of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Cash receipts are recorded when received regardless of when earned and disbursements are recorded when paid regardless of when incurred.

Reporting Entity

The Department is responsible for the stimulation of economic development activity, management of business affairs of the Division of Savannah Valley Development, and public railways systems. The Department is an agency of the State of South Carolina established by Section 1-30-10 and 1-30-25 and 13-1 of the Code of Laws of South Carolina.

In 1991, the State’s Budget and Control Board approved and created the Special Events Account for the purpose of raising and expending private sector funds for sponsoring special marketing events with the goal of recruiting new business to the State. In July 1993, a restructuring of State government formed the Department and the Department assumed responsibilities of other State agencies including the Special Events Account. During the year ended December 31, 2005 the Special Events Account was renamed to the Crescent Fund. During the year ended December 31, 2011 the Crescent Fund was renamed to Palmetto Partners.

The Department uses the Account primarily for making disbursements that are not allowed or are limited under State laws, rules and regulations. These disbursements include but are not limited to the purchase of alcohol, meals, and entertainment costs of prospects and Department allies. Additionally, the Account is used for disbursements for several annual economic development events and industry expansion announcements, groundbreaking ceremonies, and economic development related programs.

For financial reporting purposes the Account is considered a Composite Reservoir Account. In 2010 the S.C. General Assembly began requiring each state agency to publicly report the composite reservoir accounts. This is required under General Proviso 117.91 (Bank Account Transparency and Accountability) of the 2013 – 2014 Appropriations Act. Composite Reservoir Accounts are accounts that are not included in detail in the Comptroller General's South Carolina Enterprise Information System (SCEIS).

Amounts shown on the statement as ‘Cash’ represent cash on deposit with the SC State Treasurer’s Office. State law requires full collateralization of all State Treasurer bank balances. The State Treasurer must correct any deficiencies in collateral within seven days.