

South Carolina Department of Commerce Palmetto Partners – 2012 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. Formerly known as the Crescent Fund, this account was renamed Palmetto Partners during the year ending December 31, 2011. 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 2012 calendar year, Palmetto Partners facilitated funding for six major initiatives and four unique economic development events. In addition to the funding via Palmetto Partners, the Department also provided management, marketing and execution support for these ten activities. Together these initiatives and events supported the department's core mission.

INITIATIVES

1. Branding Campaign

Partnering with other lead selling agencies including S.C. Parks, Recreation and Tourism and the S.C. Ports Authority, Commerce launched Palmetto Partners and raised funds to support a simple goal of creating a single, compelling brand that could represent the state in a wide range of circumstances and campaigns. This brand is intended to communicate the many ways South Carolina is 'just right' for all our state's citizens, businesses and visitors.

2. Aerospace Strategic Plan

Commerce established the Aerospace Task Force to position ourselves for future growth now that we have an anchor company like Boeing. The task force, led by Charlie Farrell, is focused on growing the aerospace supply chain and supporting initiatives to make sure South Carolina has a workforce ready for the industry.

3. Economic Development Training

Commerce hosted the Advanced Symposium, Economic Development Institute and numerous local economic development training opportunities during 2012. These educational programs provide advanced, hands-on learning and innovative implementation approaches for those individuals who support economic development activities in their communities.

4. Small Business Matchmaking

In an effort to address small business financing issues, Commerce coordinated four Lender Matchmaking events. These regional events, hosted in cooperation with the Federal Reserve Bank of Richmond and other allies, are designed to connect small businesses with financing opportunities. Lenders and small business owners gathered for day-long events in Greenville, Rock Hill, Florence and Charleston. In

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total, 160 small businesses met with 132 lenders for specific matchmaking opportunities.

5. SEUS Canada

South Carolina hosted the fifth annual Southeastern United States-Canadian Provinces (SEUS-CP) conference in Myrtle Beach with 250 attendees. SEUS-CP is a strategic alliance with the purpose of promoting trade and investment opportunities between and amongst its member states and provinces. The conference program featured the Governor, and highlighted promising areas for collaboration. It also presented opportunities for enhanced commercial exchange and included a business-to-business matchmaking component.

6. Rural Summit

The 22nd Annual Rural Summit in Greenwood included a motivating program that challenged the 178 attendees to make a difference in their local communities. Rural community leaders, economic developers, state officials and Governor Haley shared ideas, experiences and practical knowledge to improve rural South Carolina.

MARKETING EVENTS

1. RBC Heritage Golf Tournament

2012 marked Commerce's first economic development presence at the Heritage Golf Tournament in eight years. Along with Governor Haley, Commerce hosted prospect companies, existing industry representatives and state allies, using the backdrop of the tournament to promote South Carolina's business climate and solidify business relationships. As a lead state agency returning to the tournament, Commerce's participation encouraged other business groups to attend, thereby increasing the stability of the event.

2. PGA Championship

Partnering with S.C. Parks, Recreation and Tourism, Commerce leveraged the PGA Championship as an economic tool to connect with existing businesses. With Governor's Haley participation, Commerce hosted high-level industry executives and their guests for the Championship in Kiawah Island. As the host state for this nationally recognized tournament, Commerce's presence helped encourage similar groups to take advantage of such in-state events for business development, thus increasing the overall economic impact and spurring future participation.

3. Farnborough Air Show

Leveraged as one of the many tools for economic development in the state, Commerce attended the annual Air Show in Farnborough, England to promote South Carolina's business climate and foster relationships with prospects in the aviation industry. Commerce's delegation of state and regional partners, including Governor Haley, met with prospects and existing industry representatives and attended networking events. All activities had the common goal of increasing the visibility of

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South Carolina's aviation industry.

4. IAMC Spring 2013 Conference

Charleston, S.C. was the host city for Industrial Asset Management Council's (IAMC) Spring Professional Forum in March of 2013. As part of the conference host committee, Commerce and other state industry partners ensured the positive impact South Carolina has on local and global business communities was accurately displayed. The Governor and Secretary participated, and the event garnered record attendance at more than 450 registered guests.

SUMMARY

During the 2012 calendar year, the Palmetto Partners structure successfully raised new private funds and engaged private sector resources in economic development (see attachment). 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 supported positioning South Carolina as a state of business offering a world of opportunity.

*Attachment: Independent Accountants' Report on Applying Agreed-Upon Procedures December 31, 2012

South Carolina Department of Commerce

Palmetto Partners

Independent Accountants' Report on Applying Agreed-Upon Procedures
December 31, 2012

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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, 2012, 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, 2012 and performed the following:

- a) Traced each 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 items was 29.9 percent of the aggregate amount of all recorded cash receipts for the 2012 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, 2012 and performed the following:

- a) Traced each 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 expense was properly recorded in the proper year.

The total of the selected items was 35.7 percent of the aggregate amount of all recorded cash disbursements for the 2012 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, 2012 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 South Carolina Office of the State Auditor, and the Secretary and management of the Department of Commerce 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
February 23, 2013

South Carolina Department of Commerce - Palmetto Partners
Statement of Cash Receipts, Disbursements and Change in Cash Balance
Cash Basis Method of Accounting - Unaudited
Year Ended
December 31, 2012

Cash Receipts:

Contributions	\$	474,492
Registration Fee Income, Net		103,381
Sponsorships		58,000
Interest Income		28
Total Cash Receipts		635,901

Cash Disbursements:

Branding Campaign		46,692
Aerospace Strategic Plan		18,814
Economic Development Training		14,116
Small Business Matchmaking		9,088
SEUS Canada		236,756
Rural Summit		15,477
Marketing Events:		
Heritage		12,217
PGA Championship		15,259
Air Show		35,820
IAMC Spring 2013 Conference		16,144
Other		34,393
		454,776
Net Change in Cash Balance		181,125

Net Assets:

Cash Beginning of Year		157,746
Cash End of Year	\$	338,871

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Notes to Schedule

Year Ended December 31, 2012 (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 bass 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 89.110, entitled Bank Account Transparency and Accountability. 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. Interest earned by the Account is posted to the Account by the State Treasurer’s Office the month after it is earned.

State law requires full collateralization of all State Treasurer bank balances. The State Treasurer must correct any deficiencies in collateral within seven days.
