

**South Carolina Department of Commerce
Palmetto Partners – 2018 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, S.C. Commerce manages the Palmetto Partners program. The primary purpose of the Palmetto Partners program is to assist funding special marketing events and initiatives with the goal of bringing jobs and capital investment to South Carolina.

During the 2018 calendar year, Palmetto Partners facilitated funding for eight (8) major initiatives and six (6) unique economic development events.

INITIATIVES

1. Business Matchmaking/Supplier Summits

To address small business financing issues and connect potential suppliers with manufacturing companies, S.C. Commerce continued its series of lender matchmaking and industry supplier events – designed to facilitate meaningful business connections.

2. Foreign Delegation/Mission Trips

Via investment and trade-focused missions, S.C. Commerce built relationships with international prospects, business leaders and decision-makers to encourage investment and establish export connections. Representing growth markets for South Carolina, the state led mission trips to Canada, India, Japan and Korea, among other countries.

3. Site Consultant and Tradeshow Events

To better connect with leading industry site consultants and share the South Carolina story, S.C. Commerce hosted five site consultant events in cities across the U.S. and attended select, industry-specific trade shows.

4. Lead Generation

To support ongoing recruitment efforts and further develop trade, S.C. Commerce continued lead generation efforts to targeted geographic locations – both domestic and international – and as part of select mission trips and events.

5. Economic Development Training

In 2018, S.C. Commerce hosted the Advanced Symposium, Economic Development Institute and started preparations for the S.C. Governor’s Opportunity Zones Summit (to be held early 2019). These educational programs provided advanced learning and innovative approaches for individuals supporting economic development activities in their communities.

6. Branding Campaign

S.C. Commerce maintained the legacy promotion of the ‘Just right’ brand, representing the many ways in which South Carolina is just right for business.

7. Site Development

To remain competitive in recruiting industry to both rural and more metropolitan areas, S.C. Commerce initiated several programs to assist in the development of a wider selection of industrial sites and buildings.

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8. Workforce

With S.C. Commerce's mission to develop a robust, well-trained workforce and on the heels of the success of the Lean Manufacturing Certificate pilot, efforts began to expand the program statewide. Rebranded as ManuFirst SC, marketing efforts, including the design of a website to serve as a resource for potential workforce and existing industry, were initiated.

SPECIAL MARKETING EVENTS

1. SEUS–Japan

Following the 40th Annual Joint Meeting of the Southeast United States (SEUS)-Japan Association and the Japan-United States Southeast Association (JUSSA) in Greenville, S.C. in 2017, the state concluded its two year commitment as the SEUS co-host with the 2018 conference in Tokyo, Japan.

2. RBC Heritage Presented by Boeing

For the seventh consecutive year, S.C. Commerce had an economic development presence at the Heritage in 2018. Along with Gov. McMaster, S.C. Commerce hosted prospect companies, existing industry representatives and state allies, using the backdrop of the golf tournament to promote South Carolina's business-friendly climate and solidify business relationships.

3. Site Selectors Guild (SSG)

In an exclusive opportunity to showcase the state's pro-business environment to the SSG, the only association of the world's leading professional site consultants, South Carolina hosted the 2018 Fall Forum in Greenville, S.C. in September. The pre-conference, host state activities, including ally participation, provided one-on-one networking opportunities with more than 10 elite site consultants in a relaxed setting.

4. Governor's Opportunity Zones Summit

Led by Gov. McMaster and in partnership with the Office of U.S. Senator Tim Scott and the Council of Development Finance Agencies, the state of South Carolina announced the presentation of the Governor's Opportunity Zones Summit to be hosted in January 2019. With involvement from statewide partners, initial planning commenced.

5. Site Consultants Summit/U.S. Women's Open Championship

S.C. Commerce, along with economic development partners, will host a site consultants' summit in conjunction with the U.S. Women's Open Championship in Charleston, S.C., in May 2019. Planning for the two-day forum, highlighting the Team South Carolina approach, began in late 2018.

6. Rural Summit

The 28th Annual Rural Summit, hosted in Columbia, provided community leaders, economic developers and state officials the opportunity to come together for collaborative discussions on ways to improve rural South Carolina.

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SUMMARY

During the 2018 calendar year, the Palmetto Partners structure continued to provide the public-private framework necessary to execute activities that complement S.C. Commerce's traditionally-funded business recruitment and retention efforts. Many of the aforementioned activities would not have been possible without the overall good health and management of the Palmetto Partners program.

The Palmetto Partners initiatives and events helped to position and accelerate economic development, while continuing to reinforce that South Carolina is just right for business.

**SOUTH CAROLINA
DEPARTMENT OF COMMERCE**

**PALMETTO PARTNERS
COLUMBIA, SOUTH CAROLINA**

STATE AUDITOR'S REPORT

DECEMBER 31, 2018



Independent Accountant's Report on Applying Agreed-Upon Procedures

May 17, 2019

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

We have performed the procedures described in Attachment 1, which were agreed to by the management of the South Carolina Department of Commerce (the Department), on the systems, processes and behaviors related to financial activity of the Department's Palmetto Partners Composite Reservoir Account (the Account) for the calendar year ended December 31, 2018. The Department's management is responsible for the systems, processes and behaviors related to financial activity. 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 in Attachment 1 either for the purpose for which the agreed-upon procedures report has been requested or for any other purpose.

The accompanying unaudited Statement of Cash Receipts, Disbursements and Changes in Cash Balances – Cash Basis Method of Accounting for the Year Ended December 31, 2018 represents a summarization of data derived from the accounting records of the Account prepared by staff of the Department.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be an opinion or conclusion, respectively, on the systems, processes and behaviors related to financial activity of the Account. Accordingly, we do not express an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The concept of materiality does not apply to findings to be reported in an agreed-upon procedures engagement. Therefore, all findings from the application of the agreed-upon procedures must be reported unless the definition of materiality is agreed to by the specified parties. Management of the Department has agreed that the following deficiencies will not be included in the State Auditor's Report on Applying Agreed-Upon Procedures:

- Errors of less than \$1,000 related to cash receipts and non-payroll cash disbursements transactions.

This report is intended solely for the information and use of the management of the Department and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

George L. Kennedy, III, CPA
State Auditor

**South Carolina Office of the State Auditor
Agreed-Upon Procedures Related to the Department of Commerce – Palmetto Partners**

Cash Receipts

1. Compare current year cash receipt balances to those of the prior year. Obtain from management an understanding of the variations in the following classifications: SEUS – Japan, Volvo Car Open and Site Selector Guild.
2. Haphazardly select twenty cash receipt transactions and inspect supporting documentation to determine:
 - The transaction is properly classified in the accounting records in accordance with the Department's policies and procedures and conforms with the purpose of the composite reservoir account.
 - The receipt was deposited in a timely manner, in accordance with Proviso 117.1 of the Appropriation Act.
 - The receipt is recorded in the proper year.

We found no exceptions as a result of these procedures.

Cash Disbursements

3. Compare current year cash disbursement balances to those of the prior year. Obtain from management an understanding of the variations in the following classifications: Lead Generation, Tradeshow/Site Consultant and Branding Campaign.
4. Haphazardly select twenty disbursements and inspect supporting documentation to determine:
 - The transaction is properly classified in the accounting records in accordance with the Department's policies and procedures and conforms with the purpose of the composite reservoir account.
 - All supporting documentation and approvals required by the Department are present and agree with the invoice.
 - The transaction is a bona fide expenditure of the Account.
 - The disbursement is recorded in the proper year.
 - Clerical accuracy / proper sales/use tax.

We found no exceptions as a result of these procedures.

Reconciliations

5. Obtain monthly reconciliations for the Account and for two haphazardly selected reconciliations, perform the following procedures:
 - Determine that selected reconciliations were timely performed, reviewed, and properly documented in accordance with State regulations, and are mathematically correct.
 - Agree applicable amounts from reconciliations to accounting records.
 - Agree applicable amounts from reconciliations to the State Treasurer's Office monthly reports.

Reconciliations (Continued)

- Determine if reconciling differences were adequately explained and properly resolved.
- Determine if necessary adjusting entries were made in the accounting records.

We found no exceptions as a result of this procedure.

Financial Statement Tie-Out

6. Obtain the unaudited Statement of Cash Receipts, Disbursements and Changes in Cash Balances for the year ended December 31, 2018 prepared by management and determine:
 - The amounts agree by classification to the accounting records.
 - The mathematical accuracy of the statement.

We found no exceptions as a result of this procedure.

Bank Account Transparency

7. Obtain the fiscal year 2018 Bank Account Transparency Report submitted for the Account, per Proviso 117.83 of the Appropriation Act, and determine:
 - The transaction amounts and dates agree to accounting records.
 - The mathematical accuracy of the report.
 - The beginning balance agrees to prior fiscal year ending balance.
 - The report was properly prepared and submitted by the October 1st deadline.

We found no exceptions as a result of this procedure.

Preliminary Annual Report

8. Inspect the Account's preliminary Annual Report for the year ended December 31, 2018 to identify any matters applicable to our agreed-upon procedures.

We found no other matters related to our agreed-upon procedures.

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

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Cash Receipts:		
Donations	549,633	652,906
SEUS - Japan	208,203	621,618
Volvo Car Open	-	234,500
Site Selector Guild	143,500	10,000
Rural Summit	38,410	38,363
Tradeshow/Site Consultant	33,500	7,206
Business to Business Events	17,283	10,956
Opportunity Zone Conference	15,500	-
Foreign Missions	10,000	-
Lead Generation	-	24,950
Other Receipts	8,896	15,877
Total Cash Receipts	1,024,925	1,616,376
Cash Disbursements:		
Lead Generation	254,541	232,759
Tradeshow/Site Consultant	235,020	147,852
Site Selector Guild	137,099	26,000
Foreign Missions & Trade	54,987	43,295
Site Development	49,521	-
Heritage Golf Tournament	38,908	33,581
Rural Summit	30,883	25,321
Branding Campaign	26,439	2,929
Business to Business Events	19,181	12,751
Economic Development Training	14,277	11,268
SEUS Japan	8,580	536,900
Workforce - ManuFirst	7,500	-
Volvo Car Open	4,375	394,824
Woman's US Open	2,925	-
Opportunity Zone Conference	2,030	-
Other Expenditures	11,404	42,775
Total Disbursements	897,670	1,510,255
Net Change in Cash Balance	127,255	106,121
Net Position:		
Cash Beginning of Year	604,958	498,837
Cash Ending of Year	732,213	604,958