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***South Carolina Jobs – Economic Development Authority***

Financial Statements with Independent Auditor's Report

for the years ended

June 30, 2011 and 2010

*State of South Carolina*



*Office of the State Auditor*

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DEPUTY STATE AUDITOR

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September 9, 2011

The Honorable Nikki R. Haley, Governor  
and  
Members of the Board of Directors  
South Carolina Jobs-Economic Development Authority  
Columbia, South Carolina

This report on the audit of the financial statements of the South Carolina Jobs-Economic Development Authority, for the fiscal year ended June 30, 2011, was issued by Brown CPA, LLC 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,

A handwritten signature in black ink, appearing to read "Richard H. Gilbert, Jr.", written in a cursive style.

Richard H. Gilbert, Jr., CPA  
Deputy State Auditor

RHGjr/trb

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# BROWN CPA, LLC

## Independent Auditor's Report

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

We have audited the accompanying financial statements of the business-type activities of South Carolina Jobs – Economic Development Authority (“JEDA”), a non-major enterprise fund of the State of South Carolina, as of and for the year ended June 30, 2011 and June 30, 2010, which comprise JEDA’s basic financial statements as listed in the table of contents. These financial statements are the responsibility of the JEDA’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 and the standards applicable to financial audits contained in the *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 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 opinions.

As discussed in Note 1, the financial statements of the South Carolina Jobs – Economic Development Authority are intended to present the financial position and results of operations of only that portion of the funds of the State of South Carolina financial reporting entity that is attributable to the transactions of the South Carolina Jobs – Economic Development Authority, an agency of the State. They do not purport to, and do not, present the financial position of the State of South Carolina as of June 30, 2011 and June 30, 2010, and the changes in its financial position and its cash flows, where applicable, for the year ended 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 Jobs – Economic Development Authority as of June 30, 2011 and June 30, 2010, and the changes in its financial position and cash flows thereon for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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MEMBER:  
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS  
SOUTH CAROLINA ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

Management has elected not to present Management's Discussion and Analysis Information required to be presented as supplementary information by the Governmental Accounting Standards Board.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 12, 2011, on our consideration of JEDA'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

BROWN CPA, L.L.C.

Irmo, South Carolina

August 12, 2011

**SOUTH CAROLINA JOBS - ECONOMIC DEVELOPMENT AUTHORITY  
STATEMENT OF NET ASSETS  
ENTERPRISE FUND**

	<b>June 30, 2011</b>	<b>June 30, 2010</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 314,669	\$ 206,664
Investments	300,000	250,000
Loans receivable, net of allowance	-	22,911
Accrued interest receivable	5,332	1,906
Total current assets	620,001	481,481
Long-term assets:		
Investments	400,000	200,000
Total long-term assets	400,000	200,000
Total assets	1,020,001	681,481
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	-	3,266
Unearned revenue	29,433	-
Total current liabilities	29,433	3,266
Long-term liabilities:		
Accrued compensated absences and related benefits	14,486	7,489
Total noncurrent liabilities	14,486	7,489
Total liabilities	43,919	10,755
<b>NET ASSETS</b>		
Unrestricted	976,082	670,726
Total net assets	\$ 976,082	\$ 670,726

**See accompanying Notes to Financial Statements.**

**SOUTH CAROLINA JOBS - ECONOMIC DEVELOPMENT AUTHORITY  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
ENTERPRISE FUND  
FOR THE YEARS ENDED**

	<b>June 30, 2011</b>	<b>June 30, 2010</b>
<b>Operating revenues:</b>		
Charges for services	\$ 611,881	\$ 356,555
Total operating revenues	611,881	356,555
<b>Operating and maintenance expenses:</b>		
Personal services	183,845	157,096
Contractual services	57,544	64,111
Materials and supplies	2,777	1,908
Fixed charges	27,907	38,156
Travel	25,264	18,220
Bad debt	20,267	117,608
Total operating and maintenance expenses	317,604	397,099
Operating income	294,277	(40,544)
<b>Nonoperating revenues (expenses):</b>		
Operating grants	62,000	69,899
Interest income	6,550	1,942
Interest income on loans	19	14,147
Miscellaneous	7,000	1,200
Total nonoperating revenues (expenses)	75,569	87,188
<b>Income (loss) before contributions and transfers</b>	<b>369,846</b>	<b>46,644</b>
Refunds to grantor	(64,490)	(306,272)
Change in net assets	305,356	(259,628)
Net assets - beginning of year	670,726	930,354
Net assets - end of year	\$ 976,082	\$ 670,726

**See accompanying Notes to Financial Statements.**

**SOUTH CAROLINA JOBS - ECONOMIC DEVELOPMENT AUTHORITY  
ENTERPRISE FUND  
STATEMENT OF CASH FLOWS**

	<b>June 30, 2011</b>	<b>June 30, 2010</b>
<b>Cash flows from operating activities</b>		
Charges for services	\$ 648,314	\$ 357,755
Payments to employees and benefits thereon	(176,849)	(159,492)
Payments to suppliers	(116,758)	(121,615)
Net cash provided (used) by operating activities	<u>354,707</u>	<u>76,648</u>
<b>Cash flows from capital and related financing activities</b>		
Grants and contracts	62,000	69,899
Payments received on loans	2,664	47,333
Refund to grantor	(64,490)	(306,272)
	<u>174</u>	<u>(189,040)</u>
<b>Cash flows from investing activities</b>		
Investment in certificates of deposit	(250,000)	(450,000)
Interest on investments	3,124	36
	<u>(246,876)</u>	<u>(449,964)</u>
 Net change in cash	 108,005	 (562,356)
 Cash and cash equivalents beginning of year	 206,664	 769,020
Cash and cash equivalents end of year	<u>\$ 314,669</u>	<u>\$ 206,664</u>
 Reconciliation of net operating income (loss) to net cash used by operating activities:		
Operating income	\$ 294,277	\$ (40,544)
Adjustments to reconcile operating income to net cash used by operating activities:		
Bad debt expense	20,267	117,608
 Change in assets and liabilities		
Loans receivable	10,425	33,150
Other receivables	-	3,600
Interest receivable	(3,426)	(1,906)
Accounts payable	(3,266)	780
Unearned revenue	29,433	-
Compensated absences and related benefits	6,997	(5,996)
Net cash provided (used) by operating activities	<u>\$ 354,707</u>	<u>\$ 106,692</u>

**See accompanying Notes to Financial Statements.**

South Carolina Jobs – Economic Development Authority  
Notes to Financial Statements  
June 30, 2011

**Note 1: Summary of Significant Accounting Policies**

**Reporting Entity**

The core of the financial reporting entity is the primary government which has a separately elected governing body. As required by generally accepted accounting principles, the financial reporting entity includes both the primary government and all of its component units. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In turn component units may have component units.

An organization other than a primary government may serve as a nucleus for a reporting entity when it issues separate financial statements. That organization is identified herein as a primary entity.

A primary government or entity is financially accountable if it appoints a voting majority of the organization's governing body including situations in which the voting majority consists of the primary entity's officials serving as required by law (e.g., employees who serve in an ex officio capacity on the component unit's board are considered appointments by the primary entity) and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary entity. The primary entity also may be financially accountable if an organization is fiscally dependent on it even if it does not appoint a voting majority of the board. An organization is fiscally dependent on the primary government or entity that holds one or more of the following powers:

- (1) Determines its budget without another government's having the authority to approve and modify that budget.
- (2) Levies taxes or set rates or charges without approval by another government.
- (3) Issues bonded debt without approval by another government.

The organization is fiscally independent if it holds all three of those powers. Based on the criteria, JEDA has determined it is not a component of another entity and it has no component units. This financial reporting entity includes only JEDA (a primary entity).

Most of the laws of the State and the policies and procedures specified by the State for State agencies and institutions are applicable to the activities of South Carolina Jobs — Economic Development Authority. Generally, all State departments, agencies, and colleges are included in the State's reporting entity. These entities are financially accountable to and fiscally dependent on the State.

The Board of Directors, whose members are appointed by the Governor with the advice and consent of the Senate, is the governing body of JEDA.

JEDA was created by Section 41-43-30 of the Code of Laws of South Carolina, as a quasi-public instrument of the State, to maintain and expand job opportunities through financial assistance to small and middle market businesses. JEDA functions as a fixed asset lender providing low interest loans for the acquisition of real estate, machinery and equipment. Loans are made through the packaging and issuance of "Industrial Revenue Bonds," Direct loans and "Guarantee of Loans." Also, JEDA works cooperatively with and through existing financial institutions statewide. JEDA services a small number of loans for others including grants to qualifying entities under the Community Development Block Grant program.

South Carolina Jobs – Economic Development Authority  
Notes to Financial Statements  
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The reporting entity is part of the State primary government unit and is included in the Comprehensive Annual Financial Report of the State of South Carolina. The accompanying financial statements present the financial position and changes in financial position solely of JEDA and do not include any other funds of the State of South Carolina.

**Basis of Presentation**

The financial statements of South Carolina Jobs — Economic Development Authority (JEDA) were prepared in conformity with generally accepted accounting principles (GAAP) in the United States of America as applied to governmental entities. The Government Accounting Standards Board (GASB) is the accepted standard-setting body in the United States of America for establishing governmental accounting and financial reporting principles. The Authority has not adopted Financial Accounting Standards Board (FASB) statements, codification additions / modifications, and interpretations issued after November 30, 1989. The more significant of JEDA's accounting policies are described below.

**Fund Accounting:** A Proprietary Fund is used to account for activities similar to those found in the private sector. The measurement focus of Proprietary Funds is based upon determination of change in net assets, financial position, and cash flows. The activities of the Authority are accounted for within an Enterprise Fund of the Proprietary Fund category. Enterprise Funds account for business-like activities that charge fees to external users for goods or services. JEDA only uses an enterprise fund.

**Operating and Nonoperating Revenues and Expenses**

Operating revenues and expenses generally are limited to items resulting from the provision of services and goods in connection with the principal ongoing operations of JEDA. Accordingly, grants and grant like transactions are reportable as operating revenues only if they are essentially the same as contracts for services (i.e., exchange transactions) and they finance programs and they finance programs that the proprietary fund would not otherwise undertake (i.e., the activity of the grant is inherently part of the operations of the grantor). Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For JEDA, available means expected to be received with one year of the fiscal year-end. Revenue for JEDA is generally limited to fees charged to third parties resulting from the issuance and monitoring of industrial revenue bonds. JEDA charges bond issuers an annual fee, an application fee, an issuer fee, and a monitoring fee. Certain fees increase as the dollar size of the bond issuance increases.

Nonexchange transactions, in which JEDA receives value without directly giving value in return, includes grants and donations. On an accrual basis, revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which JEDA must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must be available before it can be recognized.

South Carolina Jobs – Economic Development Authority  
Notes to Financial Statements  
June 30, 2011

**Budget Policy**

JEDA has not received an annual appropriation the General Assembly since fiscal year 2008. The appropriation as enacted becomes the legal operating budget. The Appropriation Act authorizes expenditures from funds appropriated from the General Fund of the State and authorizes expenditures of total funds. The Total Funds column in the Appropriation Act for each individual budgetary unit authorizes expenditures from all budgeted resources. A revenue budget is not adopted for individual budgetary units. The General Assembly enacts the budget through passage of summary object of expenditure appropriations by program within agency within budgetary fund. Budgetary control is maintained at the summary object of expenditure level of the agency entity. Agencies may process disbursement vouchers in the States budgetary accounting system only if enough cash and appropriation authorization exist. Agencies may request transfers of appropriations among summary object categories and or among programs within the same budgetary fund.

Transfers of funds may be approved by the State Budget and Control Board under its authority or by the agency as set forth in Appropriation Act Proviso 72.10 as follows: Agencies are authorized to transfer appropriations within programs and within the agency with notification to the Division of Budget and Analyses and the State Comptroller General. No such transfer may exceed twenty percent of the program budget. Transfers from personal service accounts to other operating accounts or from other operating accounts to personal service accounts may be restricted to any level set by the Board.

Agencies may charge vendor, interagency, and interfund payments for fiscal year 2011 to fiscal year 2011 appropriations in July 2011. Up to 10% of original State General Fund appropriations to an agency may be carried forward and expended in the next fiscal year. Any unexpended State General Fund monies as of June 30th in excess of 10% of original appropriations automatically lapse to the General Fund of the State on July 31 unless authorization is received from the General Assembly to carry over the funds to the ensuing fiscal year. State law does not require the use of encumbrance accounting.

State law does not precisely define the budgetary basis of accounting. The current Appropriations Act states that the General Assembly intends to appropriate all monies to operate State government for the current fiscal year. The State's annual budget is prepared primarily on the modified accrual basis method of accounting with several exceptions, principally the cash basis for payroll expenditures.

A budgetary comparison schedule is not presented as required supplementary data since not all revenues and expenses of JEDA are legally budgeted.

**Accrued Compensated Absences and Related Benefits**

State employees 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. JEDA calculates the gross compensated absences based on recorded balances of unused leave for which it expects to compensate employees for the benefits through paid time off or cash payments. The liability is inventoried at fiscal year-end current salary costs and the cost of the salary-related benefit payments. The net change in the liability is recorded in the current year in the applicable payroll expense.

South Carolina Jobs – Economic Development Authority  
Notes to Financial Statements  
June 30, 2011

**Cash and Cash Equivalents**

The amounts shown in the financial statements as “cash and cash equivalents” represent cash on hand, deposits in banks, repurchase agreements, and cash invested in various instruments by the State Treasurer as part of the State’s internal cash management pool.

Because the State’s internal cash management pool operates as a demand deposit account, amounts invested in the pool are classified as cash and cash equivalents. The pool includes some long-term investments such as obligations of the United States and certain agencies of the United States, obligations of the State of South Carolina and certain of its political subdivisions, certificates of deposit, collateralized repurchase agreements, and certain corporate bonds. Most State agencies participate in the State’s internal cash management pool; however, some agency accounts are not included in the pool because of restrictions on the use of funds. For those accounts, cash equivalents include investments in short-term, highly liquid securities having a maturity date of three months or less.

The State’s internal cash management pool consists of a general deposit account and several special deposit accounts. The State records each fund’s equity interest in the general deposit account; however, all earnings on that account are credited to the General Fund of the State. JEDA records and reports its deposits in the general deposit account at cost and reports its deposits in the special deposit account at fair value. Investments held by the pool are recorded at fair value. Reported interest income on deposits and investments include interest earned, realized gains/losses, and unrealized gains/losses arising from changes in fair value of investments in the pool.

Interest earned by the agency’s special deposit accounts is posted to the agency’s account at the end of each month and is retained by the agency. Interest earnings are allocated based on the percentage of an agency’s accumulated daily interest receivable to the total undistributed interest received by the pool. Realized gains and losses are allocated daily and are included in the accumulated income receivable. Unrealized gains and losses are allocated at year-end based on the percentage ownership in the pool.

Although The State’s internal cash management pool includes some long-term investments, it operates as a demand deposit account; therefore, for credit risk information pertaining to the cash management pool, see the deposits disclosures in Note 2.

JEDA considers all highly liquid deposit accounts and investments with original maturities of three months or less at the time of acquisition to be cash equivalents.

**Investments**

Deposits and investments for JEDA are governed by the South Carolina Code of Laws, Section 11-9-660, “Investment of Funds”. JEDA accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain or loss on the carrying value of investments are reported as a component of investment income in the statement of revenue, expenses, and changes in net assets.

Disclosures related to deposit risks, such as custodial credit risk, and investment risks, such as credit risks (including custodial credit risk and concentrations of credit risks) and interest rate risk are required by GASB Statement No. 40, *Deposits and Investment Risk Disclosures — an amendment to GASB Statement No. 3*.

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The Board of Directors has established investment policies allowing the investment in overnight repurchase agreements or certificates of deposits. The certificates of deposit are required to be guaranteed by obligations of the United States or collateralized by pledged securities by a third party. Furthermore the investments must be in accordance with the Code of Laws of South Carolina. The policy states that the most competitive yield available should be selected for investment purchases. The investment policy does not specifically address diversification of investments.

JEDA is authorized by the Code of Laws of South Carolina to invest in obligations of the United States and its agencies, obligations of the State of South Carolina and its political subdivisions, collateralized or federally insured certificates of deposit, certain rated obligations of corporations within the United States, and collateralized repurchase agreements.

**Loans Receivable**

Loans receivable are recorded at face amount less an allowance for loan losses. Loans transferred from other entities are recorded at their estimated realizable value which in most cases is the outstanding principal balance and as grant program income.

**Allowance for Loan Losses**

The allowance for loan losses is an estimate provided on the allowance method for financial statement purposes, based on a review and evaluation by management of the collectability of the individual loans in the loan portfolios.

**Unearned Revenue**

Unearned revenue represents payments received for bond issue fees received in advance of bond issuance. It is the policy of JEDA to record bond issuance fees as revenue when the bonds are issued.

**Bad Debt Recoveries**

Bad debt recoveries are recognized as revenue when received.

**Grant Program Income**

Grant program income represents cash received and loans receivable transferred from other state and local government entities and nonprofit entities and income received under program income agreements. Generally, grant program income received must be expended for loans, grants, or administrative expenses based on regulations, if any, applicable to the various programs under which it was received, primarily Community Development Block Grant.

**Grant Expense**

Grant expense represents amounts paid to counties, municipalities and other eligible recipients for industrial development using Community Development Block Grant funds. This includes the administrative portion of the grants.

South Carolina Jobs – Economic Development Authority  
Notes to Financial Statements  
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**State Appropriations**

JEDA has not received an appropriation by the General Assembly of the State of South Carolina in the form of an appropriation transfer since fiscal year 2008. State appropriations are recognized as revenue when received.

**Fund Balance**

If restricted and unrestricted assets are available for the same purpose, then restricted assets will be used before unrestricted assets.

**Use of Estimates**

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

**Reclassifications**

Certain prior year financial statement amounts have been reclassified to conform with the current year presentation.

**Note 2: Deposits and Investments:**

The following schedule reconciles deposits and investments within the footnotes to the statement amounts:

	<u>Statements</u>	
	06/30/2011	06/30/2010
Cash and Cash Equivalents:		
Enterprise Funds	\$ 314,669	\$ 206,664
Investments	700,000	450,000
Total	<u>\$ 1,014,669</u>	<u>\$ 656,664</u>

  

	<u>Footnotes</u>	
	06/30/2011	06/30/2010
Cash on Hand	\$ 200	\$ 200
Certificates of Deposits with Financial Institutions	700,000	450,000
Deposits Held by State Treasurer	314,469	206,464
Total	<u>\$ 1,014,669</u>	<u>\$ 656,664</u>

**Deposits Held by State Treasurer**

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

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 agents 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.

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**Other Deposits**

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Authority’s deposits may not be returned or the Authority will not be able to recover collateral securities in the possession of an outside party. Section 11-13-60 of the South Carolina Code of Laws requires these funds be fully insured or collateralized. All deposits of the Authority met these requirements.

**Note 3: Receivables:**

Loan receivables consist of the following:

	CDBG	CDBG (DED)	PBBF	June 30, 2011
Loans Receivable	\$ 0	\$ 0	\$ 0	\$ 0
Less: Allowance	0	0	0	0
	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

  

	CDBG	CDBG (DED)	PBBF	June 30, 2010
Loans Receivable	\$ 1,431	\$ 0	\$ 42,480	\$ 43,911
Less: Allowance	0	0	(21,000)	(21,000)
	<u>\$ 1,431</u>	<u>\$ 0</u>	<u>\$ 21,480</u>	<u>\$ 22,911</u>

The loans are secured primarily by real estate, accounts receivable, and/or equipment. In some cases, personal guarantees are obtained from the principals involved. Maturities are from fiscal years 2009 to 2011 with interest rates from 0% to 8%.

The CDBG portfolio loans were originated by JEDA using Community Development Block Grant (CDBG) federal funds.

The CDBG (DED) Portfolio loans were originated from grants by the Department of Commerce Division of Economic Development (formerly part of the Governor’s Office) to local governments. The local government used them to build or buy a building which was then sold to a private industry under a financing arrangement. The loans were assigned by the local governmental entities to JEDA. The grants were funded by Community Development Block Grant federal funds. No new loans were transferred during the year ended June 30, 2011 or 2010. During the year ended June 30, 2011 or 2010 JEDA returned to the South Carolina Department of Commerce \$64,490 and \$306,272 related to CDBG (DED) portfolio, such amounts have been shown as a refund to grantor on the statement of revenues, expenses, and changes in net assets.

The Palmetto Basic Building Fund (PBBF) portfolio loans were originated by JEDA and funded 50% by a grant to JEDA from the U.S. Department of Commerce, Economic Development Administration and 50% by CDBG federal funds. All PBBF loans are secured by real estate. The U.S. Department of Commerce interest in the fund was terminated April 2, 2006 upon the payment of 50% of the cash and loan balances to the U.S. Department of Commerce in April 2006.

The repayments received under the CDBG, CDBG (DED) and PBBF portfolios have to be used for purposes allowed by the CDBG program.

The EDA portfolio loans were transferred to JEDA from the Central Midlands Regional Planning Council during 1997. The funds are to be used for a revolving loan fund to make loans for business start up and expansion in Richland, Newberry and Fairfield Counties. The funds were transferred with the approval of the U.S. Department of Commerce, Economic Development Administration (EDA). The loans are collateralized by mortgages on real estate; furniture, fixtures and equipment; inventory; and, accounts receivable. The

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Notes to Financial Statements  
June 30, 2011

EDA’s interest in the loans was terminated upon the payment of 50% of the cash and loan balances to the U.S. Department of Commerce in May 2006.

**Note 4: Long Term Liabilities**

Long-term liability activity for the years ended is as follows:

	<u>June 30, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2011</u>	<u>Due within 1 year</u>
Accrued compensated absences and related benefits	\$ 7,489	\$ 12,512	\$ 5,515	\$ 14,486	\$ 14,486
Totals	<u>\$ 7,489</u>	<u>\$ 12,512</u>	<u>\$ 5,515</u>	<u>\$ 14,486</u>	<u>\$ 14,486</u>

  

	<u>June 30, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2010</u>	<u>Due within 1 year</u>
Accrued compensated absences and related benefits	\$ 13,485	\$ 12,287	\$ 18,283	\$ 7,489	\$ 7,489
Totals	<u>\$ 13,485</u>	<u>\$ 12,287</u>	<u>\$ 18,283</u>	<u>\$ 7,489</u>	<u>\$ 7,489</u>

**Note 5: Industrial Revenue Bonds**

JEDA is authorized by South Carolina Code of Laws Section 41-43-110 to administer an industrial revenue bond program to benefit businesses in South Carolina. JEDA charges each borrower a nonrefundable application fee and a closing fee established by the State Budget and Control Board based upon the face value of the bonds to be issued.

A trustee handles the industrial revenue bond monies. Bonds are sold either in public markets or in private placements at the option of the borrower. The trustee issues the funds to borrowing businesses. The borrower makes principal and interest payments to the trustee who, in turn, pays the bondholder(s).

Industrial revenue bonds are generally secured by an irrevocable letter of credit (LOC). Under the terms of the LOC, when certain specified conditions of default occur and the borrower business does not make its payments, the financial institution issuing the letter of credit repays the bondholders and holds the business liable for payment of any advances made under the LOC. The letter of credit is secured by the assets of the business. Thus, neither the full faith and credit nor the taxing power of JEDA, the State of South Carolina, or any of its political subdivisions is pledged to secure payment of the bonds.

Governmental accounting standards require JEDA to present the outstanding balance of all conduit debt at fiscal year end. The outstanding principal balance of conduit debt issued subsequent to June 30, 1995 was approximately \$3,609,048,543 and \$3,403,717,868 as of June 30, 2011 and June 30, 2010, respectively. The aggregate amount for the conduit debt issued prior to July 1, 1995 is not available.

**Note 6: Related Party Transactions**

**InvestSC, Inc.**

InvestSc, Inc. is a non-profit corporation set up by JEDA to be a Designated Investor Group to assist the South Carolina Venture Capital Authority in accomplishing the goals of The Venture Capital Investment Act of South Carolina. The chairman of the Board of JEDA and the Executive Director serve as two of the five board members of InvestSC, Inc. The Executive Director of JEDA serves as the President of InvestSC, Inc.

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**State of South Carolina**

JEDA has significant transactions with the State of South Carolina and various agencies.

Services received at no cost from State agencies include maintenance of limited accounting records from the Comptroller General; composite investing 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 and health plan administration, audit services, grant services, personnel management, procurement services, assistance in the preparation of the State Budget, review and approval of certain budget amendments, and other centralized functions.

JEDA had financial transactions with various State agencies during the fiscal year. Significant payments were made to divisions of the State Budget and Control Board for retirement and insurance plans contributions and insurance coverage.

For fiscal year 2011 and 2010, JEDA received \$0 and \$0 in State appropriations from the Budget and Control Board, Office of Local Government as set forth in Appropriation Act. The CDBG program requires a certain amount of State funds be expended. The State appropriations are used to meet the federal match requirements. Section 41-43-50 of the 1976 Code of Laws of South Carolina authorizes JEDA to retain unexpended funds regardless of the source and expend them in subsequent fiscal years.

The South Carolina Department of Commerce Division of Economic Opportunity has transferred various loans in prior years to JEDA for no consideration. They have also transferred various agreements to JEDA in prior years under which JEDA receives grant program income. For the years ended June 30, 2011 and June 30, 2010, JEDA refunded \$64,490 and \$306,272, respectively to the Department of Commerce for CDBG amounts received by JEDA.

In May 2007, JEDA relocated their office to space rented by the South Carolina Department of Commerce. During the year ended June 30, 2011 and June 30, 2010, JEDA paid approximately \$22,770 and \$37,770 for rent and other administrative expenses.

**Note 7: Pension Plan and Other Employee Benefits**

All employees of JEDA are covered by a retirement plan through the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Division of the State Budget and Control Board, a public employee retirement system. Generally all state employees are required to participate in and contribute to the System 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 annuity benefits as well as disability, cost of living adjustment, death and group-life insurance benefits to eligible employees and retirees.

The Retirement Division maintains five independent defined benefit plans and issues its own publicly available Comprehensive Annual Financial Report (CAFR) that 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 five pension plans are included in the CAFR of the State of South Carolina.

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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, benefit and employee/employer contributions for each retirement system. 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 twelve consecutive quarters of compensation). The Systems do not make separate measurement of assets and pension benefit obligations for individual employers. Under Title 9 of the South Carolina Code of Laws, the Authority's liability under the retirement plans is limited to the amount of contributions (stated as a percentage of covered payroll) established by the State Budget and Control Board. Therefore, the Authority'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 College recognizes no contingent liability for unfunded costs associated with participation in the plans.

At retirement, employees participating in the SCRS may receive additional service credit for up to 90 days for accumulated unused sick leave.

*South Carolina Retirement System*

Since July 1, 2006, employees participating in the SCRS have been required to contribute 6.5% of all compensation. The required contribution rates for the employer were 9.24%, 9.24%, and 9.24%, for the years ended June 30, 2011, 2010 and 2009. The Authority's actual contributions to the SCRS for these fiscal years were equal to the required contributions and were approximately \$12,659 and \$11,843 and \$11,813 for the years ended June 30, 2011, 2010 and 2009, respectively. In addition, the Authority, as employer, is required to contribute a surcharge to fund retiree health and dental insurance coverage of 3.90%, 3.50%, and 3.5% for the years ended June 30, 2011, 2010 and 2009, respectively. Actual amounts contributed for this surcharge were \$5,343, \$4,486, and \$4,475. As a result the actual contribution rates were 13.14%, 12.74%, and 12.74% for the years ended June 30, 2011, 2010 and 2009, respectively. Also, the Authority paid employer group-life insurance contributions of approximately \$206 and \$192 and \$250 for the fiscal years ended June 30, 2011, 2010 and 2009 at the rate of 0.15% of compensation.

**Note 8: Post Employment Benefits Other Than Pensions**

**a. Plan Description**

In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State provides post-employment health and dental and long-term disability benefits to retired State and school district employees and their covered dependents. JEDA contributes to the Retiree Medical Plan (RMP) and the Long-term Disability Plan (LTDP), cost-sharing multiple-employer defined benefit postemployment healthcare and long-term disability plans administered by the Employee Insurance Program (EIP), a part of the State Budget and Control Board (SBCB). Generally, retirees are eligible for the health and dental benefits if they have established at least ten years of retirement service credit. For new hires May 2, 2008 and after, retirees are eligible for benefits if they have established twenty-five years of service for 100% employer funding and fifteen through twenty-four years of service for 50% employer funding. Benefits become effective when the former employee retires under a State retirement system. Basic long-term disability (BLTD) benefits are provided to active state, public school district and participating local government employees approved for disability.

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**b. Funding Policies**

Section 1-11-710 and 1-11-720 of the South Carolina Code of Laws of 1976, as amended, requires these postemployment healthcare and long-term disability benefits be funded through annual appropriations by the General Assembly for active employees to the EIP and participating retirees to the SBCB except the portion funded through the pension surcharge and provided from other applicable sources of the EIP for its active employees who are not funded by State General Fund appropriations. Employers participating in the RMP are mandated by State statute to contribute at a rate assessed each year by the Office of the State Budget, 3.90%, 3.50% and 3.50% of annual covered payroll for 2011, 2010 and 2009, respectively. The EIP sets the employer contribution rate based on a pay-as-you-go basis. JEDA paid approximately \$5,343, \$4,486, and \$4,475 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal years ended June 30, 2011, 2010 and 2009, respectively. BLTD benefits are funded through a per person premium charged to State agencies, public school districts, and other participating local governments. The monthly premium per active employee paid to EIP was \$3.22 for the fiscal years ended June 30, 2011 and 2010.

Effective May 1, 2008 the State established two trust funds through Act 195 for the purpose of funding and accounting for the employer costs of retiree health and dental insurance benefits and long-term disability insurance benefits. The South Carolina Retiree Health Insurance Trust Fund is primarily funded through the payroll surcharge. Other sources of funding include additional State appropriated dollars, accumulated EIP reserves, and income generated from investments. The Long Term Disability Insurance Trust Fund is primarily funded through investment income and employer contributions.

One may obtain complete financial statements for the benefit plans and the trust funds from Employee Insurance Program, 1201 Main Street, Suite 360, Columbia, SC 29201.

**Note 9: Deferred Compensation Plans**

Several optional deferred compensation plans are available to state employees and employees of political subdivisions. The multiple-employer plans, created under Internal Revenue Code Sections 457, 401(k), and 403(b) 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. The state has no liability for losses under the plan. Employees may withdraw the current value of their contributions when they terminate State employment. Employees may also withdraw contributions prior to termination if they meet requirements specified by the applicable plan.

**Note 10: Commitments**

JEDA did not have any commitments outstanding as of June 30, 2011 and June 30, 2010 to make grant awards or loans.

**Note 11: Agency Funds - Funds Held for Others**

Funds held for others consist of amounts collected for and not expended primarily for the Marine Energy Systems Corporation. JEDA was assigned the responsibility for collecting the note receivable and paying the federally guaranteed notes payable on the loan to Marine Energy Systems Corporation (MESC). MESC declared bankruptcy and defaulted upon the loan. The loan was part of a Housing and Urban Development Section 108 Loan Guarantee administered through the South Carolina Department of Commerce South Carolina Community Development Block Grant (“SC CDBG”) program. During the year ended June 30,

South Carolina Jobs – Economic Development Authority  
Notes to Financial Statements  
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2010 JEDA returned these funds to the South Carolina Department of Commerce so that they could be returned to the Community Development Block Grant program.

**Note 12: Risk Management**

JEDA is exposed to various risks of loss and maintains State or commercial insurance coverage for each of those risks. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. There were no significant reductions in insurance coverage from coverage in the prior year. Settled claims have not exceeded this coverage in any of the past three years. JEDA pays insurance premiums to certain other 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 economic losses sustained during the policy period in accord with insurance policy and benefit program limits except for the deductibles.

State management believes it is more economical to manage certain risks internally and to set aside assets for claim settlement. Several State funds accumulate assets and the State itself assumes substantially all risks for the following:

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

Employees elect health coverage through either a health maintenance organization or through the State's self-insured plan. All of the other coverage's listed above are through the applicable State self-insurance plan except dependent and optional life premiums which are remitted to commercial carriers.

JEDA 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 assets, activities, and/or events:

1. Automobile liability and collision; and
2. Torts.

The IRF is a self-insurer and purchases reinsurance to obtain certain services and specialized coverage and to limit losses in the areas of property, boiler and machinery, automobile liability, and medical professional liability insurance. The IRF's rates are determined actuarially.

No payments for uninsured losses were made during the fiscal year ended June 30, 2011 and June 30, 2010.

JEDA has not reported an estimated claims loss expenditure, and the related liability at June 30, 2011 and June 30, 2010, based on the requirements of GASB Statement No. 10 Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, which states that a liability for claims must be reported if information prior to issuance of the financial statements indicates that it is probable and estimable for accrual that an asset has been impaired or liability has been incurred on or before June 30<sup>th</sup> and the amount of the loss is reasonably estimable have not been satisfied.

South Carolina Jobs – Economic Development Authority  
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In management's opinion, claim losses in excess of insurance coverage, if any, is unlikely and if it occurred, would not be significant. Therefore, no loss accrual has been made in these financial statements. Furthermore, there is no evidence of asset impairment or other information to indicate that a loss expense and liability should be accrued at year-end.

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**SOUTH CAROLINA JOBS - ECONOMIC DEVELOPMENT AUTHORITY**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS  
FOR THE YEARS ENDED,**

	<u>Balances</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances</u> <u>June 30, 2011</u>
<b>Marine Energy Systems Corporation</b>				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Funds held for others	\$ -	\$ -	\$ -	\$ -

	<u>Balances</u> <u>June 30, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances</u> <u>June 30, 2010</u>
<b>Marine Energy Systems Corporation</b>				
Cash and cash equivalents	\$ 12,496	\$ 16	\$ 12,512	\$ -
Funds held for others	\$ 12,496	\$ 16	\$ 12,512	\$ -

See accompanying Notes to Financial Statements.

# BROWN CPA, LLC

## Independent Auditor's Report On Supplementary Information

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

Our report on our audit of the basic financial statements of South Carolina Jobs – Economic Development Authority for the year ended June 30, 2011 and June 30, 2010 appears on page 1. That report was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole.

The summarized schedule of condensed financial information on the following page for the years ended June 30, 2011 and June 30, 2010 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*BROWN CPA, L.L.C.*

Irmo, South Carolina  
August 12, 2011

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SOUTH CAROLINA ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

**SOUTH CAROLINA JOBS - ECONOMIC DEVELOPMENT AUTHORITY  
SUMMARIZED SCHEDULE OF FINANCIAL INFORMATION  
ENTERPRISE FUNDS**

	<b>June 30, 2011</b>	<b>June 30, 2010</b>
<b>Condensed Statement of Net Assets</b>		
Assets		
Current	\$ 620,001	\$ 481,481
Noncurrent	400,000	200,000
Total Assets	1,020,001	681,481
Liabilities and Net Assets:		
Liabilities:		
Current	29,433	3,266
Long-term	14,486	7,489
Total Liabilities	43,919	10,755
Net assets - unrestricted	\$ 976,082	\$ 670,726

**Condensed Statement of Revenues, Expenses, and Changes in Net Assets**

Charges for Services	\$ 625,450	\$ 373,844
Capital Grants and contributions	62,000	69,899
Less: Program Expenses	(317,604)	(397,099)
Net program revenue (expense)	369,846	46,644
Less: transfers out to state agencies / funds	(64,490)	(306,272)
Increase (Decrease) in Net Assets	305,356	(259,628)
Net Assets, Beginning of Year	670,726	930,354
Net Assets, End of Year	\$ 976,082	\$ 670,726

# BROWN CPA, LLC

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited the accompanying basic financial statements of the South Carolina Jobs – Economic Development Authority (“JEDA”) as of and for the year ended June 30, 2011, and have issued our report thereon dated August 12, 2011. 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.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered JEDA’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the JEDA’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the JEDA’s internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we considered to be material weaknesses, as defined above.

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## Compliance and Other Matters

As part of obtaining reasonable assurance about whether JEDA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Governor, Board members and management of JEDA 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

August 12, 2011

**Comments on Status of Prior Year's Comments**

There were no comments reported in the prior year.

**Comments from 2011 Audit with Management's Response**

There are no comments reported in the current year.