
South Carolina Jobs – Economic Development Authority

Financial Statements with Independent Auditor's Report

for the years ended

June 30, 2017 and 2016



George L. Kennedy, III, CPA
State Auditor

September 25, 2017

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, 2017, 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,

George L. Kennedy, III, CPA
State Auditor

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BROWN CPA, LLC

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of South Carolina Jobs – Economic Development Authority (“JEDA”), a non-major discretely presented component unit of the State of South Carolina, as of and for the year ended June 30, 2017 and June 30, 2016, and the related notes to the financial statements, which collectively comprise JEDA’s basic financial statements as listed in the table of contents.

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, 2017 and June 30, 2016, 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.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express opinions 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 performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the South Carolina Jobs – Economic Development Authority as of June 30, 2017 and June 30, 2016, and the respective changes in its financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Management Discussion and Analysis

Management has elected not to present Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise JEDA's basic financial statements. The summarized schedule of condensed financial information for the years ended June 30, 2017 and June 30, 2016 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the summarized schedule of condensed financial information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2017, on our consideration of JEDA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering JEDA's internal control over financial reporting and compliance.

BROWN CPA, L.L.C.

Irmo, South Carolina
September 25, 2017

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

	June 30, 2017	June 30, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 452,299	\$ 932,017
Investments	2,754,616	750,000
Receivables	47,323	13,332
Grantee receivable	74,056	2,700,000
Accrued interest	31,155	34,627
Total current assets	3,359,449	4,429,976
Noncurrent:		
Investments	250,000	1,000,000
Grantee loan receivable	3,300,000	-
Total long-term assets	3,550,000	1,000,000
Total assets	6,909,449	5,429,976
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Pension Charges	77,223	46,433
LIABILITIES		
Current liabilities:		
Accrued Liabilities	85,533	17,430
Total current liabilities	85,533	17,430
Long-term liabilities:		
Accrued compensated absences and related liabilities	21,300	17,441
Net pension liability	383,196	335,689
Total noncurrent liabilities	404,496	353,130
Total liabilities	490,029	370,560
DEFERRED INFLOWS OF RESOURCES		
Deferred Pension Credits	14,288	21,115
NET POSITION		
Restricted expendable: loan programs	3,300,000	-
Unrestricted	3,182,355	5,084,734
Total net position	\$ 6,482,355	\$ 5,084,734

See accompanying Notes to Financial Statements.

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

	June 30, 2017	June 30, 2016
Operating revenues:		
Charges for services	\$ 1,025,415	\$ 641,224
Total operating revenues	<u>1,025,415</u>	<u>641,224</u>
Operating expenses:		
Personal services	362,347	236,212
Contractual services	54,906	53,467
Materials and supplies	2,517	3,121
Fixed charges	37,469	35,322
Travel	22,175	21,063
Total operating expenses	<u>479,414</u>	<u>349,185</u>
Operating income	546,001	292,039
Non-operating revenues (expenses):		
Grants	18,000	18,000
Gain on grantee amount due	764,056	-
Contributions	(105,000)	-
Interest income	20,213	18,033
Total non-operating revenues (expenses)	<u>697,269</u>	<u>36,033</u>
Income before contributions and transfers	1,243,270	328,072
Federal capital contribution	172,352	-
Refunds to grantor income (expense)	<u>(18,001)</u>	<u>(18,000)</u>
Change in net position	1,397,621	310,072
Net Position, Beginning of Year	5,084,734	4,774,662
Net position, End of Year	<u>\$ 6,482,355</u>	<u>\$ 5,084,734</u>

See accompanying Notes to Financial Statements.

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

	June 30, 2017	June 30, 2016
Cash flows from operating activities		
Charges for services	\$ 1,081,424	\$ 618,892
Payments to employees and benefits thereon	(280,495)	(229,374)
Payments to suppliers	(117,067)	(114,092)
Net cash provided by operating activities	683,862	275,426
Cash flows from noncapital financing activities		
Contributions	(105,000)	(66,000)
Net cash used in noncapital financing activities	(105,000)	(66,000)
Cash flows from capital and related financing activities		
Grants and contracts	18,000	18,000
Capital contribution	172,352	-
Refund to grantor	(18,001)	(18,000)
Net cash from capital and related financing activities	172,351	-
Cash flows from investing activities		
Proceeds from certificates of deposit	1,750,000	250,000
Investment in certificates of deposit	(1,000,000)	-
Investment in brokerage account	(2,000,000)	-
Interest on investments	19,069	23,743
Net cash used in investing activities	(1,230,931)	273,743
 Net change in cash	 (479,718)	 483,169
 Cash and cash equivalents beginning of year	 932,017	 448,848
Cash and cash equivalents end of year	\$ 452,299	\$ 932,017
 Reconciliation of net operating income to net cash provided by operating activities:		
Operating income	\$ 546,001	\$ 292,039
Change in deferred outflows, inflows, and pension	9,890	4,788
 Change in assets and liabilities		
Receivables	56,009	(22,332)
Accrued liabilities	68,103	(16,510)
Compensated absences and related benefits	3,859	17,441
Net cash provided by operating activities	\$ 683,862	\$ 275,426

See accompanying Notes to Financial Statements.

South Carolina Jobs – Economic Development Authority
Notes to Financial Statements
June 30, 2017

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. JEDA has determined it has no component units but is a non-major component unit of the State of South Carolina. 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.

The fund of JEDA is included in the Comprehensive Annual Financial Report of the State of South Carolina as a nonmajor discretely presented component unit. The accompanying financial statements present the financial position, changes in financial position, and cash flows 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 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 position, financial position, and cash flows. The activities of JEDA 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.

South Carolina Jobs – Economic Development Authority
Notes to Financial Statements
June 30, 2017

State Appropriations and Budget Policy: 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 nonoperating revenue when received. The State of South Carolina 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. Generally accepted accounting principles do not require budgetary comparisons to be presented for proprietary funds; therefore, none are included in these statements.

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 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. 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.

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

Bad Debt Recoveries: Bad debt recoveries are recognized as revenue when received.

Grant Revenue: Grant revenue represents cash received from other local government entities as repayment under loans originally issued under the Community Development Block Grant. Amounts received are refunded to the original grantor and recorded within these financial statements as refund to grantor expense.

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. Cash restricted represents cash for which a particular purpose or restriction has not yet been satisfied and is thus not available for general operations.

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

South Carolina Jobs – Economic Development Authority
Notes to Financial Statements
June 30, 2017

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. 72, *Fair Value Measurement and Application*. 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 position.

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*.

Custodial Credit Risk

Custodial credit risk for investments is the risk that in the event of a failure of the counterparty to a transaction, JEDA will not be able to recover the value of the investments or collateral securities that are in possession of an outside party.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to JEDA. Credit risk exposure is primarily limited to debt instruments. JEDA's credit risk policy mitigates potential for loss of principal by purchasing only high investment grade debt securities.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. JEDA's policy does not specifically address interest rate risk. JEDAs objectives for preservation of capital and maintenance of adequate liquidity focus the management of interest rate sensitivity on investing in securities with a range of maturities from one day to thirty years.

South Carolina Jobs – Economic Development Authority
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JEDA categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. All of JEDA's investments are measured using Level 1.

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.

Deferred Outflows/Inflows of Resources: In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. JEDA currently has one type of deferred outflows of resources. JEDA reports *deferred pension charges* in its Statement of Net Position in connection with its participation in the South Carolina Retirement System. These *deferred pension charges* are either (a) recognized in the subsequent period as a reduction of the net pension liability (which includes pension contributions made after the measurement date) or (b) amortized in a systematic and rational method as pension expense in future periods in accordance with GAAP.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. JEDA currently has one type of deferred inflows of resources. JEDA reports *deferred pension credits* in its Statement of Net Position in connection with its participation in the South Carolina Retirement System. These *deferred pension credits* are amortized in a systematic and rational method and recognized as a reduction of pension expense in future periods in accordance with GAAP.

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.

Unearned Revenue: Unearned revenue represents payments for bond issuance fees and grant administration fees received in advance of bond issuance or otherwise received prior to earning such fees. It is the policy of JEDA to record bond issuance fees as revenue when earned which is generally when the bonds are issued.

South Carolina Jobs – Economic Development Authority
Notes to Financial Statements
June 30, 2017

Unearned revenue related to grant administration is recorded as allowed under the terms of the grant agreement.

Net Position: Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows in the Statement of Net Position. Net position is classified as net investment in capital assets; restricted; and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Outstanding debt which has not been spent is included in the same net position component as the unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, contributors, laws, or regulations of other governments.

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.

New Accounting Pronouncements – GASB Statement No 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions is effective for the year ended June 30, 2018. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB), such as health insurance. It is expected that the adoption of this pronouncement will have a significant financial impact on JEDA.

Reclassification: Certain prior year amounts have been reclassified to conform with the current year presentation.

South Carolina Jobs – Economic Development Authority
Notes to Financial Statements
June 30, 2017

Note 2: Deposits and Investments:

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

	Statements	
	06/30/2017	06/30/2016
Enterprise Funds		
Cash and Cash Equivalents	\$ 452,299	\$ 932,017
Investments	3,004,616	1,750,000
Total	<u>\$ 3,456,915</u>	<u>\$ 2,682,017</u>

	Footnotes	
	06/30/2017	06/30/2016
Cash on Hand	\$ 200	\$ 200
Deposits with Financial Institutions	251,546	33,912
Certificates of Deposit with Financial Institutions	1,000,000	1,750,000
Investments with Financial Institutions	2,004,616	-
Deposits Held by State Treasurer	200,553	897,905
Total	<u>\$ 3,456,915</u>	<u>\$ 2,682,017</u>

JEDA’s investments at June 30, 2017 and June 30, 2016 are not with the South Carolina State Treasurer’s Office and are alternatively held by certain financial institutions in JEDA’s name. The fair value (quoted prices in active markets – level 1 inputs) of investments consists of various United States government-backed securities. See below for a reconciliation of the investment classification differences for statement and note disclosure presentation.

JEDAs investments consisted of the following as of June 30, 2017:

	<u>Cost</u> <u>June 30, 2017</u>	<u>Unrealized</u> <u>Gains</u>	<u>Unrealized</u> <u>Losses</u>	<u>Fair</u> <u>Value</u>
U.S. Government Obligations	\$ 2,000,000	\$ 4,616	\$ -	\$ 2,004,616
Totals	<u>\$ 2,000,000</u>	<u>\$ 4,616</u>	<u>\$ -</u>	<u>\$ 2,004,616</u>

JEDAs investments consisted of the following as of June 30, 2016:

	<u>Cost</u> <u>June 30, 2016</u>	<u>Unrealized</u> <u>Gains</u>	<u>Unrealized</u> <u>Losses</u>	<u>Fair</u> <u>Value</u>
U.S. Government Obligations	\$ -	\$ -	\$ -	\$ -
Totals	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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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Notes to Financial Statements
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Other Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, JEDA’s deposits may not be returned or JEDA 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 JEDA met these requirements.

Note 3: Grantee Receivables & and Grantee Loan Receivable

During fiscal year 2012 JEDA renegotiated the State Small Business Credit Initiative (“SSBCI”) with Business Development Corporation (“BDC”). Under the revised agreement JEDA will receive an annual fee of \$20,000 for calendar years 2012 through 2016 expected to be paid April 1, 2017. Additionally JEDA and BDC agreed that BDC shall refund to JEDA approximately 20% of amounts granted to BDC under the SSBCI, as defined by the agreement. In August 2017 JEDA and BDC signed a revised agreement with an effective date of April 2017 this agreement and the revised terms stipulate that JEDA will receive \$3,374,056 as compared to the original \$2,600,000.

The increase has been recorded within these statements as a gain on grantee amount due totaling \$764,056. BDC will pay upon execution of the agreement, in August 2017, or shortly thereafter \$74,056 and the remaining \$3,300,000 will become a loan from JEDA to BDC wherein JEDA will receive 2% interest on the loan principal balance, as stipulated by the agreement, and JEDA has agreed not to request payment for five years however after five years JEDA can request payment at any time.

	<u>06/30/2017</u>	<u>06/30/2016</u>
Receivables:		
Fees for bond issuance and monitoring	\$ 47,323	\$ 13,332
Due from grantee – corpus SSBCI	64,056	2,600,000
Due from grantee – annual fee SSBCI	10,000	100,000
Total current	<u>\$ 121,379</u>	<u>\$ 2,713,332</u>
	<u>06/30/2017</u>	<u>06/30/2016</u>
Loan Receivable due from grantee – corpus SSBCI	<u>\$ 3,300,000</u>	<u>\$ –</u>

Note 4: Long Term Liabilities

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

	<u>June 30, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2017</u>	<u>Due within 1 year</u>
Accrued compensated absences and related benefits	\$ 34,871	\$ 19,962	\$ 12,500	\$ 42,333	\$ 21,300
Totals	<u>\$ 34,871</u>	<u>\$ 19,962</u>	<u>\$ 12,500</u>	<u>\$ 42,333</u>	<u>\$ 21,300</u>
	<u>June 30, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2016</u>	<u>Due within 1 year</u>
Accrued compensated absences and related benefits	\$ 32,821	\$ 28,224	\$ 26,174	\$ 34,871	\$ 17,441
Totals	<u>\$ 32,821</u>	<u>\$ 28,224</u>	<u>\$ 26,174</u>	<u>\$ 34,871</u>	<u>\$ 17,441</u>

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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 Fiscal Accountability Authority 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 the State of South Carolina, JEDA, 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 \$3,741,742,743 and \$3,260,231,196 as of June 30, 2017 and June 30, 2016, 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.

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 State Agencies include 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 also receives retirement and health plan administration services from SC Public Employee Benefits Authority.

JEDA had financial transactions with various State agencies during the fiscal year. Significant payments were made to a division of the State Fiscal Accountability Authority for insurance coverage and Public Employee Benefits Authority for retirement and insurance plan contributions.

For fiscal year 2017 and 2016, JEDA received no State appropriated funds from the General Assembly as set forth in Appropriation Act. 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.

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In May 2007, JEDA relocated their office to space rented by the South Carolina Department of Commerce. During the year ended June 30, 2017 and June 30, 2016, JEDA paid \$37,469 and \$35,322 for rent and other administrative expenses.

Refund to Grantor – In prior years the South Carolina Department of Commerce Division of Economic Opportunity transferred various loans 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, 2017 and June 30, 2016, JEDA refunded \$18,001 and \$18,000, respectively to the Department of Commerce for Community Development Block Grant for federal grant revenue received by JEDA. These transactions are shown in these financial statements as a refund to grantor.

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 Benefits Division of the South Carolina Public Employee Benefits Authority (PEBA). Generally, all full-time or part-time equivalent State employees in a permanent position are required to participate in and contribute to the SCRS as a condition of employment unless exempted by law as provided in Section 9-1-480 of the South Carolina Code of Laws, as amended, or are eligible and elect to participate in the State Optional Retirement Program (ORP). The SCRS plan provides life-time monthly retirement annuity benefits to eligible members as well as disability, survivor options, annual benefit adjustments, and incidental death benefits, to eligible employees and retired members.

The Retirement Division maintains five independent defined benefit plans and issues its own publicly available Comprehensive Annual Financial Report (CAFR) which includes financial statements and required supplementary information. A copy of the separately issued CAFR may be obtained by writing to the South Carolina Public Employee Benefit Authority, P.O. Box 11960, Columbia, South Carolina 29211-1960. Furthermore, the Division and the five pension plans are included in the State of South Carolina's CAFR.

Under the SCRS, Class II members are eligible for a full service retirement annuity upon reaching age 65 or completion of 28 years of credited service regardless of age. Employees who first became members of the System after June 30, 2012 are considered Class III members and are eligible for a full service retirement annuity upon reaching age 65 or upon meeting the rule of 90 requirement (i.e., the members age plus the years of service add up to a total of at least 90). The formula for full service retirement annuity effective since July 1, 1989 for the SCRS is 1.82 percent of an employee's average final compensation (AFC) multiplied by the number of years of credited service. For Class II members, AFC is the average annual earnable compensation during 12 consecutive quarters and includes an amount for up to 45 days termination pay at retirement for unused annual leave. For Class III members, AFC is the average annual earnable compensation during 20 consecutive quarters and termination pay for unused annual leave at retirement is not included. Early retirement options with reduced benefits are available as early as age 55 for Class II members and age 60 for Class III members. Class II members are vested for a deferred annuity after five years of earned service. Class III members are vested for a deferred annuity after eight years of earned service. Members qualify for a survivor's benefit upon completion of 15 years of credited service (five years effective January 1, 2002).

Disability annuity benefits are available to Class II members if they have permanent incapacity to perform regular duties of the member's job and they have at least 5 years of earned service (this requirement does not apply if the disability is a result of a job related injury). Class III members can apply for disability annuity

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benefits provided they have a permanent incapacity to perform the regular duties of the member’s job and they have a minimum of eight years of credited service. For disability applications received after December 31, 2012, a member of SCRS will have to be approved for disability benefits from the Social Security Administration in order to be eligible for SCRS disability retirement benefits.

An incidental death benefit equal to an employee’s annual rate of compensation is payable upon the death of an active employee with a minimum of one year of credited service or to a working retired contributing member. There is no service requirement for death resulting from actual performance of duties for an active member. For eligible retired members, a lump-sum payment is made to the retiree’s beneficiary of up to \$6,000 based on years of service at retirement. TERI participants and retired contributing members are eligible for the increased death benefit equal to their annual salary in lieu of the standard retired member benefit.

Effective January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allows employees eligible for service retirement to participate in the Teacher and Employee Retention Incentive (TERI) Program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years. Upon termination of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service retirement benefits which will include any benefit adjustments granted during the TERI period. Because participants are considered retired during the TERI period, they do not earn service credit, and are ineligible for disability retirement benefits. The TERI program will end effective June 30, 2018 and a member’s participation may not continue after this date.

Plan Contributions

Effective July 1, 2016, employees participating in the SCRS were required to contribute 8.66% of all earnable compensation. The employer contribution rate for SCRS was 16.89%. Included in the total SCRS employer contribution rate is a base retirement contribution of 11.41%, 0.15% for the incidental death benefit program and a 5.33% surcharge that will fund retiree health and dental insurance coverage. JEDA’s actual retirement and incidental death program contributions to the SCRS for the years ended June 30, 2017, 2016 and 2015 were:

	<u>Contribution Rate South Carolina Retirement System</u>		
<u>Employer</u>	2015	2016	2017
Retirement	10.750%	10.91%	11.41%
Incidental Death	<u>0.15%</u>	<u>0.15%</u>	<u>0.15%</u>
	<u>10.90%</u>	<u>11.06%</u>	<u>11.56%</u>
 <u>Employee</u>	 <u>8.00%</u>	 <u>8.16%</u>	 <u>8.66%</u>

The required contributions and percentages of amounts contributed by JEDA to the Plan for the past three years were as follows:

Fiscal Year	<u>SCRS Contributions</u>	
<u>Ended</u>	<u>Required</u>	<u>% Contributed</u>
2017	\$24,646	100%
2016	\$18,954	100%
2015	\$17,845	100%

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Eligible payrolls of JEDA covered under the Plans for the past three years were as follows:

Fiscal Year	
<u>Ended</u>	<u>SCRS Payroll</u>
2017	\$216,000
2016	\$176,600
2015	\$167,000

As an alternative to membership in the SCRS, newly hired State and school district employees may elect to participate in the State Optional Retirement Program (ORP), a defined contribution retirement plan. The ORP was established in 1987 under Title 9, Chapter 20, of the South Carolina Code of Laws. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers. The State assumes no liability for the State ORP plan other than for the employer’s payment of contributions to designated companies. To elect participation in the ORP, eligible employees must elect membership within their first 30 days of employment. Under State law, contributions to the ORP are required at the same rates as for the SCRS, 11.41% plus the retiree surcharge of 5.33% from the employer in fiscal year 2017. Of the 11.41% employer contribution rate, the employer remits 5.00% directly to the participant’s ORP account and the remaining 6.41% retirement contribution and .15% incidental death benefit program contribution amounts are remitted to SCRS. For fiscal years ended June 30 2017 and 2016 JEDA did not have any employees participating in the Optional Retirement Program.

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.

While the surcharge to fund retiree health and dental insurance benefits is collected by the Retirement Benefits Division of PEBA, it is remitted to the Insurance Benefits Division of PEBA, which is responsible for administration of retiree health and dental insurance benefits and establishment of the applicable retiree insurance surcharge rate.

The most recent annual actuarial valuation reports adopted by the PEBA Board and State Fiscal Accountability Authority are as of July 1, 2015. The net pension liability of the Plan was therefore determined based on the July 1, 2015 actuarial valuations, using membership data as of July 1, 2015, projected forward to the end of the fiscal year, and financial information of the pension trust funds as of June 30, 2016, using generally accepted actuarial procedures. Information included in the following schedules is based on the certification provided by PEBA’s consulting actuary, Gabriel Roeder Smith & Company.

JEDA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

South Carolina Retirement System	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 3,972	\$ 416
Assumption Changes	–	–
Difference Between Projected and Actual Earnings on Pension Plan Investments	45,259	13,020
Change in Allocated Proportion	3,346	852
Contributions after the Measurement Date	24,646	–
Total SCRS at June 30, 2017	<u>\$ 77,223</u>	<u>\$ 14,288</u>

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South Carolina Retirement System	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience Assumption Changes	\$ 5,964	\$ 600
Difference Between Projected and Actual Earnings on Pension Plan Investments	21,515	19,269
Change in Proportionate share and Differences Between Employer Contributions and Proportionate Share of Total Plan Employer Contributions	–	1,246
Contributions after the Measurement Date	18,954	–
Total SCRS at June 30, 2016	<u>\$ 46,433</u>	<u>\$ 21,115</u>

Contributions after the Measurement Date, reported as deferred outflows of resources, related to the JEDA’s contributions subsequent to the measurement date to the SCRS, will be recognized as a reduction of the net pension liability in the following fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the SCRS will be recognized in pension expense in the future as follows:

Year Ended June 30,	SCRS
2018	\$ 9,566
2019	7,490
2020	13,859
2021	7,374
Total	<u>\$ 38,289</u>

Actuarial Assumptions and Methods

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined during the valuation process are subject to periodic revision typically with an experience study, as actual results are compared with past expectations and new estimates are made about the future.

South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the System was most recently issued as of July 1, 2015. The June 30, 2016, total pension liability, net pension liability, and sensitivity information were determined by the Systems consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on the July 1, 2015, actuarial valuations, as adopted by the PEBA Board and SFAA which utilized membership data as of July 1, 2015. The total pension liability was rolled-forward from the valuation date to the Systems’ fiscal year ended June 30, 2016, using generally accepted actuarial principles. Information included in the following schedules is based on the certification provided by GRS.

	SCRS
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment Rate of Return	7.50%
Salary Increases	3.5% to 12.5% (varies by service)
Includes Inflation at Benefit Adjustments	2.75%
	Lesser of 1% or \$500 annually

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The post-retiree mortality assumption is dependent upon the member’s job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000. Assumptions used in the July 1, 2015, valuation for SCRS are as follows:

Former Job Class	Males	Females
Educators	RP-2000 Males (with White Collar adjustment) multiplied by 110%	RP-2000 Females (with White Collar adjustment) multiplied by 95%
General Employees and Members of the General Assembly	RP-2000 Males multiplied by 100%	RP-2000 Females multiplied by 90%
Public Safety and Firefighters	RP-2000 Males (with Blue Collar adjustment) multiplied by 115%	RP-2000 Females (with Blue Collar adjustment) multiplied by 115%

Net Pension Liability

The net pension liability (“NPL”) is calculated separately for each system and represents that particular system’s total pension liability determined in accordance with GASB No. 67 less that System’s fiduciary net position. For the year ended June 30, 2016, NPL amounts and the change in NPL amounts for the SCRS are as follows:

System	Total Pension Liability	Plan Fiduciary Net Position	Employers’ Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension
SCRS	\$45,356,214,752	\$23,996,362,354	\$21,359,852,398	52.9%

At June 30, 2017, JEDA reported a liability of \$383,196 for its proportionate share of the net pension liability for the SCRS. The net pension liability was measured as of June 30, 2016, and the total pension liability for the Plan used to calculate the net pension liability was determined based on the most recent actuarial valuation report as of July 1, 2015 that was projected forward to the measurement date. JEDA’s proportion of the net pension liability was based on a projection of JEDA’s long-term share of contributions to the Plan relative to the projected contributions of all participating South Carolina state and local governmental employers, actuarially determined. At the June 30, 2016 measurement date, the JEDA’s SCRS proportion was 0.001794%. At June 30, 2015 the JEDA’s SCRS proportion was and 0.001770%.

For the year ended June 30, 2017 and June 30, 2016, the JEDA recognized pension expense of \$46,372 and \$33,262, respectively for the SCRS.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments, as used in the July 1, 2015, actuarial valuations, was based upon the 30 year capital market outlook at the end of the third quarter 2015. The long-term expected rates of return represent assumptions developed using using an arithmetic building block approach primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees.

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The expected returns, along with the expected inflation rate, form the basis for the revised target asset allocation adopted beginning January 1, 2016. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table below. For actuarial purposes, the 7.50 percent assumed annual investment rate of return used in the calculation of the total pension liability includes a 4.75 percent real rate of return and a 2.75 percent inflation component.

Asset Class	Target Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Global Equity	43.0%		
Global Public Equity	34.0%	6.52%	2.22%
Private Equity	9.0%	9.30%	0.84%
Real Assets	8.0%		
Real Estate	5.0%	4.32%	0.22%
Commodities	3.0%	4.53%	0.13%
Opportunistic	20.0%		
GTAA/Risk Parity	10.0%	3.90%	0.39%
HF (Low Beta)	10.0%	3.87%	0.39%
Diversified Credit	17.0%		
Mixed Credit	5.0%	3.52%	0.17%
Emerging Markets Debt	5.0%	4.91%	0.25%
Private Debt	7.0%	4.47%	0.31%
Conservative Fixed Income	12.0%		
Core Fixed Income	10.0%	1.72%	0.17%
Cash and Short Duration (Net)	2.0%	0.71%	0.01%
Total Expected Real Return	100.0%		5.10%
Inflation for Actuarial Purposes			2.75%
Total Expected Nominal Return			7.85%

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that the funding policy specified in South Carolina State Code of Laws will remain unchanged in future years. Based on those assumptions, each System’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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The following table presents the sensitivity of the JEDA’s proportionate share of the net pension liability of the Plan to changes in the discount rate, calculated using the discount rate of 7.5 percent, as well as what it would be if it were calculated using a discount rate that is 1% point lower (6.5 percent) or 1% point higher (8.5 percent) than the current rate:

System	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
JEDA’s proportionate share of the net pension liability of the SCRS	\$ 478,026	\$ 383,196	\$ 304,253

Plan Fiduciary Net Position

Detailed information regarding the fiduciary net position of the Plan administered by PEBA is available in the separately issued CAFR containing financial statements and required supplementary information for the SCRS. The CAFR of the Pension Trust Funds is publicly available on PEBA’s Retirement Benefits’ website at www.retirement.sc.gov, or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960.

Note 8: Post-Employment Benefits Other than Pensions

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 South Carolina Retiree Health Insurance Trust Fund (SCRHITF) and the South Carolina Long-Term Disability Insurance Trust Fund (SCLTDITF), cost-sharing multiple employer defined benefit postemployment healthcare, and long-term disability plans administered by the Insurance Benefits Division (IB), a part of the South Carolina Public Employee Benefit Authority (PEBA).

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 beginning employment May 2, 2008 and after, retirees are eligible for benefits if they have established 25 years of service for 100% employer funding and 15 through 24 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.

Funding Policies

Section 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires these postemployment and long-term disability benefits be funded through annual appropriations by the General Assembly for active employees to the IB and participating retirees to the PEBA, except for the portion funded through the pension surcharge and provided from the other applicable sources of the IB, 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, 5.33% of annual covered payroll for 2017 and 5.33% of annual covered payroll for 2016. The IB sets the employer contribution rate based on a pay-as-you-go basis. JEDA paid approximately \$11,513 and \$11,513 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal years ended June 30, 2017 and 2016, respectively. BLTD benefits are funded through a person’s premium charged to

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State agencies, public school districts, and other participating local governments. The monthly premium per active employee paid to IB was \$3.22 for the fiscal years ended June 30, 2017 and 2016. JEDA recorded employer contributions expenses applicable to these insurance benefits for active employees in the amount of \$78 and \$78 for the years ended June 30, 2017 and 2016, respectively.

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 SCRHITF is primarily funded through the payroll surcharge. Other sources of funding include additional State appropriated dollars, accumulated IB reserves, and income generated from investments. The SCLTDITF is primarily funded through investment income and employer contributions.

A copy of the separately issued financial statements for the benefit plans and the trust funds may be obtained by writing to the South Carolina Public Employee Benefit Authority – Insurance Benefits Division, P.O. Box 11960, Columbia, SC 29211-1960.

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, 2017 and June 30, 2016 to make grant awards or loans.

Note 11: 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 (Department of Employment and Workforce);
2. Claims of covered employees for workers' compensation benefits for job-related illnesses or injuries (State Accident Fund);

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Notes to Financial Statements
June 30, 2017

3. Claims of covered public employees for health and dental insurance benefits (Public Employee Benefits Authority – Insurance Benefits); and
4. Claims of covered public employees for long-term disability and group-life insurance benefits (Public Employee Benefits Authority – Insurance Benefits).

All of the 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, 2017 and June 30, 2016.

JEDA has not reported an estimated claims loss expenditure, and the related liability at June 30, 2017 and June 30, 2016, 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 30th and the amount of the loss is reasonably estimable have not been satisfied.

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.

Note 12: Grant Activity

Federal Grants and Contracts – For the years ended June 30, 2013 and 2012 JEDA received \$12,053,578 and \$5,936,837 under the Federal Government State Small Business Credit Initiative agreement. The purpose of the program is to assist the State of South Carolina in increasing the amount of capital made available by private lenders to small businesses. This program is being administered with the consent of the grantor, by Business Development Corporation of South Carolina (“BDC”) a for profit business development corporation established and existing pursuant to Chapter 37 of Title 33 (the “BDC Act”). JEDA's responsibility is limited to monitoring the activities of the program administered by BDC. Payments made to BDC have been recorded in these financial statements as an award to subgrantee. As discussed above JEDA has recorded a receivable for the return of a portion of this grant back to JEDA in the amount of \$2,600,000, for the year ended June 30, 2016. For the year ended June 30, 2017, see subsequent events footnote, the agreement was renegotiated and JEDA now expects to ultimately receive \$3,300,000 plus interest at 2%. The revised estimate has resulted in \$764,000 being recorded as gain on grantee amount due within these financial statements.

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Note 14: Capital Contribution

During the year ended June 30, 2017 JEDA received from the US Federal Government \$172,352 related to settlement of certain litigation related to Municipal Derivatives by various financial institutions.

Note 15: Subsequent Events Review

Management has reviewed the activity of JEDA subsequent to year-end through September 25, 2017, the date the statements were available to be issued, for items of significance that would be required by professional standards to be disclosed in these statements, except as noted below no items of significance were noted.

In August 2017 JEDA formally renegotiated the SSBCI agreement with BDC with an effective date of April 1, 2017, see further discussion above.

Required Supplementary Information

South Carolina Jobs Economic Development Authority

Required Supplementary Information
 Schedule of the JEDA's Proportionate Share of the
 South Carolina Retirement System Net Pension Liability
 For the Years Ended June 30,

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
JEDA's Proportion of the Net Pension Liability	0.001794%	0.001770%	0.001779%	0.001779%
JEDA's Proportionate Share of the Net Pension Liability	\$ 383,196	\$ 335,689	\$ 306,285	\$ 319,089
JEDA's Covered-Employee Payroll	\$ 216,000	\$ 173,729	\$ 166,000	\$ 161,500
JEDA's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	177.4%	193.2%	184.5%	197.6%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	52.9%	57.0%	59.9%	56.4%

Notes to Schedule:

The amounts presented for each fiscal year were determined as of June 30th of the preceding year.
 Information for fiscal years 2013 and prior is not available.

See Independent Auditor's Report

South Carolina Jobs Economic Development Authority

Required Supplementary Information
 Schedule of the JEDA's Contributions
 Last 10 Fiscal Years
 For the Years Ended June 30,

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Contractually Required Contribution	\$ 24,646	\$ 18,954	\$ 17,845	\$ 16,876	\$ 16,172	\$ 13,766	\$ 12,659	\$ 11,843	\$ 11,965	\$ 15,318
Contribution in Relation to the Contractually Required Contribution	24,646	18,954	17,845	16,876	16,172	13,766	12,659	11,843	11,965	15,318
Contribution Deficiency (Excess)	<u>\$ -</u>									
Covered-Employee Payroll	\$ 216,000	\$ 173,729	\$ 166,000	\$ 161,500	\$ 154,751	\$ 146,688	\$ 137,000	\$ 128,170	\$ 132,059	\$ 169,070
Contribution as a Percentage of Covered-Employee Payroll	11.410%	10.910%	10.750%	10.450%	10.450%	9.385%	9.240%	9.240%	9.060%	9.060%

See Independent Auditor's Report

Supplementary Information

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

	June 30, 2017	June 30, 2016
Condensed Statement of Net Position		
Assets		
Current	\$ 3,359,449	\$ 4,429,976
Noncurrent	3,550,000	1,000,000
Total Assets	6,909,449	5,429,976
Deferred Outflow of Resources	77,223	46,433
Liabilities and Net position:		
Liabilities:		
Current	85,533	17,430
Long-term	404,496	353,130
Total Liabilities	490,029	370,560
Deferred Inflow of Resources	14,288	21,115
Net position - unrestricted	\$ 6,482,355	\$ 5,084,734

Condensed Statement of Revenues, Expenses, and Changes in Net Position

Charges for Services	\$ 1,045,628	\$ 659,257
Capital Grants and contributions	954,408	18,000
Less: Program expenses	(479,414)	(349,185)
Net program revenue (expense)	1,520,622	328,072
Contributions	(105,000)	-
Less: transfers out to state agencies / funds	(18,001)	(18,000)
Increase in net position	1,397,621	310,072
Net Position - Beginning of Year	5,084,734	4,774,662
Net position - End of Year	\$ 6,482,355	\$ 5,084,734

The above information is provided in accordance with the requirements of the South Carolina Office of Comptroller General Audited Financial Statement Manual.

See Independent Accounts Report on Supplementary Information

BROWN CPA, LLC

Independent Auditor’s 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. George L. Kennedy, III, CPA
State Auditor
South Carolina Office of the State Auditor
Columbia, South Carolina

We have audited, 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, the financial statements of the business type activities of the South Carolina Jobs – Economic Development Authority (“JEDA”), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise JEDA’s basic financial statements and have issued our report thereon dated September 25, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered JEDA’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of JEDA’s internal control. Accordingly, we do not express an opinion on the effectiveness of JEDA’s internal control.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses that we consider to be significant deficiencies. See listing of comments following this report as items 2017 – 1 through 2017 – 2.

www.browncpallc.com | P.O. Box 3288 | Irmo, SC 29063 | 803-315-3029

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

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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BROWN CPA, L.L.C.

Irmo, South Carolina
September 25, 2017

Summary Schedule of Prior Audit Findings

Comments reported for the year ended June 30, 2016.

2016 Comment	2017 Status
See 2016 – 1 Check Signing Authority	See 2017 – 1 Check Signing Authority
See 2016 – 2 Expense Account Reimbursement	See 2017 – 2 Expense Account Reimbursement

Comments from the June 30, 2017 Audit with Management’s Response

2017 – 1 Check Signing Authority

This is a significant deficiency

Condition – The South Carolina Jobs – Economic Development Authority (JEDA) current policy is to require two signatures on all checks, that of the executive director and his administrative assistant. The executive director currently can authorize a transaction and also sign the check for payment of that transaction which could result in a conflict of interest.

Criteria – A well designed internal control structure would have separate individuals responsible for the authorization of expenses and the payment of expenses.

Effect – Due to the limited staff at JEDA it is difficult to segregate duties and responsibilities such that there would be a stronger internal control structure. Until such time as there is a revision to the current process JEDA will have a control deficiency.

Questioned Costs – None

Recommendation – We recommend that JEDA have a board member sign checks over a pre-established expense threshold. Additionally, a board member or another authorized individual should review and approve all expense reports of the executive director.

Managements Response – See management’s response in Attachment A.

2017 – 2 Expense Account Reimbursement

This is a significant deficiency

Condition – The South Carolina Jobs – Economic Development Authority (JEDA) current policy is to pay for travel related expenses incurred by the executive director by direct payment to the vendor, by credit card (issued to JEDA), or by reimbursement. The executive director makes notations on the credit card statement as to the appropriate expense account to classify each expense. The bookkeeper (contract basis) records the expenses into the accounting system and then issues payment for the business related expenses. There is no secondary review or signoff as to approval of the expenses incurred.

Criteria – A well designed internal control structure would require a formal expense report be prepared with supporting documentation attached and approved by an individual charged with oversight.

Effect – Travel related expenses incurred by the executive director are not being reviewed and approved by someone charged with oversight.

Questioned Costs – None

Recommendation – We recommend that travel expenses incurred by the executive director be reviewed and approved by someone charged with oversight.

Managements Response – See management’s response in Attachment A.

Attachment A

MICHAEL W. NIX, CFA
Chairman



HARRY A. HUNTLEY, CPA
Executive Director

September 27, 2017

Mr. Matt Brown, CPA
Brown CPA, LLC
PO Box 3288
Irmo, SC 29063

RE: Auditor's Report on Internal Controls and Financial Reporting

Dear Mr. Brown,

I have reviewed the deficiencies noted in your Report on Internal Control associated with JEDA's Audited Financial Statements for the year ended June 30, 2017. The following is our response to those deficiencies.

JEDA is a two person Agency of the State of South Carolina governed by a Board of Directors who are appointed by the Governor and confirmed by the Senate. JEDA receives no state appropriations or other state support and is totally self-supporting through its own operations. We recognize that there are inherent limitations on the segregation of duties and internal controls due to limited personnel. JEDA is in receipt of the Auditor's Report and associated findings from fiscal year June 30, 2017 and will review the comments with JEDA's Board of Directors and the Budget & Finance Committee, thereof, and determine what, if any, changes are necessary to the internal control structure at JEDA.

Should you have any questions or require additional information, please feel free to contact me.

Sincerely,

A handwritten signature in blue ink, appearing to read "Harry A. Huntley".

Harry A. Huntley, CPA
Executive Director