

Charleston Naval Complex Redevelopment Authority  
and the  
Charleston Naval Base Museum Authority

North Charleston, South Carolina

Independent Auditor's Report  
and  
Financial Statements

June 30, 2016

**CHARLESTON NAVAL COMPLEX REDEVELOPMENT AUTHORITY  
AND THE  
CHARLESTON NAVAL BASE MUSEUM AUTHORITY**

**INDEPENDENT AUDITOR'S REPORT  
AND  
FINANCIAL STATEMENTS  
JUNE 30, 2016**

CONTENTS

		<u>PAGE</u>
Report	- Independent Auditor's Report	1-2
<u>Exhibits</u>	Financial Statements;	
A	- Statement of Net Position	3
B	- Statement of Activities	4
C	- Balance Sheet - General Fund	5
D	- Statement of Revenues, Expenditures, and Changes in Fund Balance - General Fund	6-7
	- Notes to Financial Statements	8-17
<u>Schedules</u>	Required Supplementary Information	
1	- Budgetary Comparison Schedule	18-19
2	- Schedule of Proportionate Share of Net Pension Liability	20
3	- Schedule of Contributions - State Pension Plan	21

# WILSON & QUIRK, LLC

CERTIFIED PUBLIC ACCOUNTANTS  
632 St. Andrews Blvd., PO Box 31127  
Charleston, South Carolina 29417  
Telephone (843) 266-5400  
Fax (843) 266-5405

Henry S. Wilson, CPA  
Daniel Quirk, Jr., CPA, MBA

Laura M. Wilson, CPA  
Ann L. Martin, CPA  
Russell T. Deal, CPA, MBA

Members  
American Institute of CPA's  
South Carolina Association of CPA's

December 21, 2016

## INDEPENDENT AUDITOR'S REPORT

RADM William L. Schachte, Jr., Chairman  
and Members of the Authorities  
Charleston Naval Complex Redevelopment Authority /  
Charleston Naval Base Museum Authority  
North Charleston, South Carolina

### *Report on the Financial Statements*

We have audited the accompanying basic financial statements of the Charleston Naval Complex Redevelopment Authority / Charleston Naval Base Museum Authority (the Authorities), North Charleston, South Carolina, as of June 30, 2016, as listed in the table of contents.

### *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 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 standards applicable to financial audits in *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 from material misstatement.

An audit involves 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.

*Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authorities as of June 30, 2016, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

*Other Matters*

*Required Supplementary Information*

Management has elected to omit 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.

Accounting principles generally accepted in the United States of America require that budgetary comparison information, proportionate share of net pension liability, and contributions – state pension plans on pages 18 to 21 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 historic 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. Our opinion on the basic financial statements is not affected by the missing information.

*Wilson & Quirk, LLC*

Charleston, South Carolina  
December 21, 2016

CHARLESTON NAVAL COMPLEX REDEVELOPMENT AUTHORITY /  
CHARLETON NAVAL BASE MUSEUM AUTHORITY  
STATEMENT OF NET POSITION  
AS OF JUNE 30, 2016

Exhibit "A"

Current Assets

Cash and cash equivalents	\$ 31,121,234
Due from other governments	4,242,218
Prepaid expenses and other receivables	<u>397,576</u>

Total current assets	35,761,028
----------------------	------------

Capital Assets (net of accumulated depreciation)

Land	16,745,930
Buildings	5,373,693
Leasehold improvements	3,764,639
Construction in progress	223,382
Furniture, equipment and automobiles	<u>591</u>

Total capital assets	<u>26,108,235</u>
----------------------	-------------------

Total Assets	<u>61,869,263</u>
--------------	-------------------

Deferred Outflows of Resources

Related to pensions	<u>134,907</u>
---------------------	----------------

Current Liabilities

Accounts payable	497,838
Accrued vacation	19,099
Accrued expenses	12,276
Unearned revenue	<u>14,667</u>

Total current liabilities	543,880
---------------------------	---------

Non-current Liabilities

Net pension liability	<u>896,309</u>
-----------------------	----------------

Total Liabilities	<u>1,440,189</u>
-------------------	------------------

Deferred Inflows of Resources

Related to pensions	<u>53,051</u>
---------------------	---------------

Net Position

Invested in capital assets, net of related debt	26,108,235
Unrestricted	<u>34,402,695</u>

Total net position	<u>\$ 60,510,930</u>
--------------------	----------------------

CHARLESTON NAVAL COMPLEX REDEVELOPMENT AUTHORITY /  
 CHARLESTON NAVAL BASE MUSEUM AUTHORITY  
 STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2016

Exhibit "B"

	<u>Expenses</u>	<u>Program Revenues</u> Charges For Services	<u>Capital Grants</u>	<u>Net (Expense) Revenue Governmental Activities</u>
Base redevelopment	<u>\$ 3,503,742</u>	<u>\$ 176,500</u>	<u>\$ -</u>	<u>\$ (3,327,242)</u>
General Revenues:				
Intergovernmental				8,596,714
Interest				<u>8,623</u>
Total general revenues				<u>8,605,337</u>
Change in net position				5,278,095
Net Position - Beginning				<u>55,232,835</u>
Net Position - Ending				<u>\$ 60,510,930</u>

CHARLESTON NAVAL COMPLEX REDEVELOPMENT AUTHORITY /  
CHARLESTON NAVAL BASE MUSEUM AUTHORITY  
BALANCE SHEET – GENERAL FUND  
AS OF JUNE 30, 2016

Exhibit "C"

Assets

Cash and cash equivalents	\$ 31,121,234
Due from other governments	4,242,218
Nonspendable	<u>397,576</u>
Total assets	<u>\$ 35,761,028</u>

Liabilities

Accounts payable	\$ 497,838
Accrued expenses	12,276
Unearned revenue	<u>14,667</u>
Total liabilities	<u>524,781</u>

Fund Balance

Non-spendable for prepaids and other receivables	397,576
Unassigned	<u>34,838,671</u>
Total fund balance	<u>35,236,247</u>
Total liabilities and fund balance	<u>\$ 35,761,028</u>

Amounts reported for governmental  
activities in the statement of  
net position are different because:

Fund balance - shown above	\$ 35,236,247
----------------------------	---------------

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds (net of accumulated depreciation).	26,108,235
---	------------

Long-term debts are not due and payable in the  
current period, and therefore, are not recorded  
in the funds:

Net pension liability	(814,453)
Accrued vacation	<u>(19,099)</u>

Net position of governmental activities	<u>\$ 60,510,930</u>
---	----------------------

Read auditor's reports and notes to financial statements.

CHARLESTON NAVAL COMPLEX REDEVELOPMENT AUTHORITY /  
CHARLESTON NAVAL BASE MUSEUM AUTHORITY  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE – GENERAL FUND  
FOR THE YEARS ENDED JUNE 30, 2016

Exhibit "D"  
Page 1

Revenues

Intergovernmental	\$ 8,596,714
Rent	176,500
Interest income	<u>8,623</u>
Total revenues	<u>8,781,837</u>

Expenditures

Payroll	416,752
Fringe benefits	177,811
Travel	9,685
RDA office expenses	129,553
Facility operations & maintenance	80,893
Redevelopment partners	300,000
Professional fees	201,676
Improvement projects	916,823
Capital improvements	1,208,700
Appraisers and consultants	2,301
Rural development revenue shared	<u>1,035,375</u>
Total expenditures	<u>4,479,569</u>

Excess of revenues over expenditures	4,302,268
--------------------------------------	-----------

Fund Balances - Beginning of Year	<u>30,933,979</u>
-----------------------------------	-------------------

Fund Balances - End of Year	<u><u>\$ 35,236,247</u></u>
-----------------------------	-----------------------------



CHARLESTON NAVAL COMPLEX REDEVELOPMENT AUTHORITY /  
CHARLESTON NAVAL BASE MUSEUM AUTHORITY  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE –  
GENERAL FUND TO THE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016

Exhibit "D"  
Page 2

---

Excess of revenues over expenditures - general fund	\$ 4,302,268
---	--------------

Amounts reported for governmental activities in the  
statement of activities are different because:

The cost of capital assets is allocated over  
their estimated useful lives as depreciation  
expense. In the current period  
this amount is:

Capitalized outlays	1,208,700
Depreciation and amortization expense	(237,233)

Some expenses reported in the statement of  
activities do not require the use of current  
financial resources and therefore, are not  
reported as expenditures in general fund.  
This activity consists of:

Change in compensated absences	25,241
Accrued pension liability	<u>(20,881)</u>

Change in Net Position	<u>\$ 5,278,095</u>
------------------------	---------------------

CHARLESTON NAVAL COMPLEX REDEVELOPMENT AUTHORITY /  
CHARLESTON NAVAL BASE MUSEUM AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

---

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The General Assembly of the State of South Carolina created the Charleston Naval Complex Redevelopment Authority (the "Authority") in 1994. The Authority's purpose is to oversee the disposition of real and personal federal property that allows the turning over of such property to the State or The Redevelopment Authority as referred to in the Defense Base Closure and Realignment Act by the federal government. The Authority acts as a liaison to coordinate activities and planning for base re-use between the affected Trident region communities. It establishes and implements plans and programs related to the conversion, redevelopment and future use of the facilities.

The South Carolina Restructuring Act of 2014 created the Charleston Naval Base Museum Authority (Museum Authority) as a division of the Authority. The Act also added four new board members to current seven board members of the Authority, for a maximum total of eleven board members. The Authority and the Hunley Commission entered into a "memorandum of understanding" to set forth the operating relationship between the Authority and the Museum Authority. The board members and executive director will simultaneously serve both entities. As of June 30, 2016 there was no financial activity by the Museum Authority to report in these financial statements.

RADM William L. Schachte, Jr. - Chrm.	Ronnie M. Givens
Christopher M. Sullivan - Vice Chrm.	Eugene Hogan
Randall B. Burbage - Sec/Treas	Fred S. Kemmerlin
Ronald H. Anderson	Deborah Summey
David A. Coker	Thomas Myers

The accompanying financial statements conform to accounting principles generally accepted in the United States of America as applicable to governments. Accounting principles generally accepted in the United States of America require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria provided by the Codification, Section 2100 has been considered as a result, there are no agencies or entities that should be, but are not, included in the statement of the Authority.

Government-wide Financial Statements and Fund Financial Statements:

The government-wide financial statements (i.e. - the statement of net position and statement of activities) display information about the reporting government as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. The Authority does not have any business-type activities.

CHARLESTON NAVAL COMPLEX REDEVELOPMENT AUTHORITY /  
CHARLESTON NAVAL BASE MUSEUM AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

---

NOTE 1. (continued)

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. The Authority consists of one governmental fund.

The general fund of the financial reporting entity is described below:

General Fund – The General Fund is the primary operating fund of the Authority and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds. The general fund is the only fund the Authority has.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide statement of net position and the statement of activities, both governmental and business-like activities are presented using the economic resources measurement focus.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

In the fund financial statement the Authority utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

CHARLESTON NAVAL COMPLEX REDEVELOPMENT AUTHORITY /  
CHARLESTON NAVAL BASE MUSEUM AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

---

NOTE 1. (continued)

In the fund financial statements, the governmental fund is presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest, which are reported when due.

Accounting Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The Authority's cash and cash equivalents are considered to be cash-on-hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Accounts receivable consists primarily of state monies. The allowance for uncollectible accounts is zero at June 30, 2016.

Capital Assets

Capital assets, which include property, facilities and equipment are capitalized at acquisition cost or fair market value for assets transferred to the Authority by the U.S. Navy. Depreciation is recorded on all depreciable capital assets on a straight-line basis over the following estimated useful lives:

Buildings and improvements	40 years
Vehicles	7 years
Furniture and office equipment	5 to 7 years

Compensated Absences

It is the Authority's policy to permit employees to accumulate earned but unused vacation benefits in accordance with personnel policies. There is no liability for unpaid sick leave since the Authority does not have a policy to pay any amounts when employees separate from service. All vacation pay is accrued when earned.

CHARLESTON NAVAL COMPLEX REDEVELOPMENT AUTHORITY /  
CHARLESTON NAVAL BASE MUSEUM AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

---

NOTE 1. (continued)

Equity Classifications

Government-wide Statements:

Equity is classified as net position and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that does not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

Fund Statements:

Governmental fund equity is classified as fund balance. Fund balance is further classified as non-spendable, restricted, committed, assigned and unassigned. For assigned fund balance the Authority is the governing body authorized to assign amounts to a specific purpose through the budget process. When the Authority incurs an expenditure for purposes for which both restricted and unrestricted fund balances are available, the amount is first applied to the restricted fund balance. When expenditures are incurred for purposes for which committed, assigned and unassigned fund balances are available, the amount is first applied to committed, then assigned and then unassigned. Proprietary fund equity is classified the same as in the government-wide statements.

NOTE 2. CASH IN BANK

At June 30, 2016, the carrying amount of deposits was \$31,121,234 and the bank balances were \$31,149,027. All of the bank balances were insured by federal depository insurance or by collateral held in a multiple financial institution collateral pool.

NOTE 3. DUE FROM OTHER GOVERNMENTS

Receivables due from other governments at June 30, 2016 are as follows:

Rural Development Act - State of SC	<u>\$ 4,242,218</u>
-------------------------------------	---------------------

CHARLESTON NAVAL COMPLEX REDEVELOPMENT AUTHORITY /  
 CHARLESTON NAVAL BASE MUSEUM AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2016

NOTE 3. (continued)

Rural Development Act receivables are stated at the gross amount due. A liability has been accrued for the portion of the receivable shared with the City of North Charleston and the S. C. State Port Authority.

NOTE 4. CAPITAL ASSETS

Capital Assets consist of the following:

	Balance 7/1/2015	Additions	Disposals	Balance 6/30/2015	Accumulated Deprec/Amort 6/30/2016
<u>Assets in Service</u>					
Land	\$ 16,745,930	\$ -	\$ -	\$ 16,745,930	\$ -
Buildings	6,459,000	-	-	6,459,000	1,085,307
Lhld improv/constr in prog	3,813,496	1,208,700	-	5,022,196	1,034,175
Furniture and fixtures	55,132	-	-	55,132	54,541
Autos	26,840	-	-	26,840	26,840
Computer equipment	18,447	-	-	18,447	18,447
Total	<u>\$27,118,845</u>	<u>\$ 1,208,700</u>	<u>\$ -</u>	<u>\$ 28,327,545</u>	<u>\$ 2,219,310</u>

Assets are depreciated using straight-line methods over the assets estimated useful life. Depreciation expense recorded in the current year was \$81,832 and amortization expense totaled \$155,401.

NOTE 5. RISK MANAGEMENT

The Charleston Naval Complex Redevelopment Authority pays premiums to the South Carolina Insurance Reserve Fund and State Accident Fund to cover risks that may occur during operation. The risks of loss to which the Authority is exposed include loss of property, general tort liability and workmen's compensation claims. The South Carolina Reserve Fund is self-sustaining through member premiums and through commercial companies that reinsure claims in excess of \$5 million for each insured event.

For the above risk management programs, the Authority has neither significantly reduced insurance coverage from the previous year nor settled claims materially in excess of insurance coverage for the last three years.



CHARLESTON NAVAL COMPLEX REDEVELOPMENT AUTHORITY /  
CHARLESTON NAVAL BASE MUSEUM AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

---

**NOTE 6. EMPLOYEE RETIREMENT SYSTEMS AND PLANS**

Plan Description – The Authority contributes to the South Carolina Retirement System (SCRS), a cost-sharing, multiple-employer defined benefit pension plan administered by the Retirement Division of the SC Public Employee Benefit Authority (SC PEBA). The South Carolina State Legislature established the SCRS on July 1, 1945, for the benefit of teachers and employees of the State and its political subdivisions. The Plan's provisions are established under Title 9 of the South Carolina Code of Laws. A Comprehensive Annual Financial Report containing financial statements and required supplementary information for the SCRS is issued and publicly available on the web at [www.retirement.sc.gov](http://www.retirement.sc.gov) or by submitting a request to the South Carolina Retirement Systems, P.O. Box 11960, Columbia, SC 29211-1960.

Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012 is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five-or-eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program. The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired. Group life insurance is paid with a lump-sum payment equal to one year's salary payable to the beneficiary upon the death of an active member with at least one year of service and a lump sum payment to the retiree's beneficiary of up to \$6,000 based on years of service at retirement.

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. The PEBA Board may increase the SCRS employer and employee contribution rates on the basis of the actuarial valuations, but any such increase may not result in a differential between the employee and the employer contribution rate that exceeds 2.9 percent of earnable compensation for SCRS. An increase in the contribution rates adopted by the board may not provide for an increase of more than one-half of one percent in any one year. If the scheduled employee and employer contributions provide in statute or the rates last adopted by the board are insufficient to maintain a thirty year amortization schedule of the unfunded liabilities of the plan, the board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty-year amortization period; and, this increase is not limited to one-half of one percent per year.

CHARLESTON NAVAL COMPLEX REDEVELOPMENT AUTHORITY /  
CHARLESTON NAVAL BASE MUSEUM AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 6. (continued)

Required employee contributions for Class Two and Class Three members are 8.16 percent of earnable compensation. Required employer contributions for Class Two and Class Three members are 10.91 percent of earnable compensation.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2016 The Authority reported a liability of \$896,309 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating organizations, actuarially determined. At June 30, 2015, The Authority's proportion was .004726%.

For the year ended June 30, 2016, the Authority recognized pension expense of \$69,424. At June 30, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 15,924	\$ 1,603
Net difference between projected and actual earnings on pension plan investments	57,448	51,448
Changes in proportionate share and differences between employer contribution & proportionate share of total plan employer contributions	13,657	
Authority contributions subsequent to the measurement date	<u>47,878</u>	<u>-</u>
Total	<u>\$ 134,907</u>	<u>\$ 53,051</u>

\$47,878 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2017	8,153
2018	2,684
2019	14,987



CHARLESTON NAVAL COMPLEX REDEVELOPMENT AUTHORITY /  
CHARLESTON NAVAL BASE MUSEUM AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

---

NOTE 6. (continued)

Actuarial assumptions – The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases	3.5 percent to 12.5 percent
Investment rate of return	7.5 percent

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

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 continual revision 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. The last experience study was performed on date through June 30, 2010, and the next experience study is scheduled to be conducted after the June 30, 2015 annual valuation is complete.

The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 30 year capital market outlook at the end of the fourth quarter 2013. The actuarial long-term expected rates of return represent best estimates of arithmetic real rates of return for each major asset class and were developed in coordination with the investment consultant for the Retirement System Investment Commission (RSIC) using a building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economic forecasts.

CHARLESTON NAVAL COMPLEX REDEVELOPMENT AUTHORITY /  
 CHARLESTON NAVAL BASE MUSEUM AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2016

---

NOTE 6. (continued)

The actuarial long-term assumptions for other asset classes are based on historical results, current market characteristics and professional judgement. For actuarial purposes, the long-term expected rate of return is calculated by weighting the expected future real rates of return by the target allocation percentage and then adding the actuarial expected inflation which is summarized in the table on the following page:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long Term Expected Portfolio Real Rate of Return</u>
Short Term	5%	
Cash	2%	0.04
Short Duration	3%	0.06
Domestic Fixed Income	13%	
Core Fixed Income	7%	0.19
Mixed Credit	6%	0.23
Global Fixed Income	9%	
Global Fixed Income	3%	0.08
Emerging Markets Debt	6%	0.31
Global Public Equity	31%	2.20
Global Tactical Asset Allocation	10%	0.49
Alternatives	32%	
Hedge Funds (Low Beta)	8%	0.34
Private Debt	7%	0.69
Private Equity	9%	0.89
Real Estate (Broad Market)	5%	0.30
Commodities	3%	0.18
Total Expected Real Return	<u>100%</u>	<u>6.00</u>
Inflation for Actuarial Purposes		<u>2.75</u>
Total Expected Nominal Return		<u>8.75</u>

CHARLESTON NAVAL COMPLEX REDEVELOPMENT AUTHORITY /  
CHARLESTON NAVAL BASE MUSEUM AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

---

NOTE 6. (continued)

Discount rate – The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on actuarially determined rates based on provisions in the South Carolina State Code of Laws. 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. The following table presents the sensitivity of the net pension liability to changes in the discount rate:

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
Authority's proportionate share of the net pension liability	\$ 1,129,989	\$ 896,309	\$ 700,455

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued TRS financial report.

NOTE 7. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

In June 2004, the Government Accounting Standards Board issued GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits other than Pensions*. This statement establishes standards for the measurement, recognition and display of other post-employment benefit expenses, related liabilities and notes. The Authority does not provide post-employment benefits as defined by GASB No. 45.

NOTE 8. OFFICE SPACE AGREEMENT

The Authority entered into an agreement with the South Carolina Public Railways (SCPR) to occupy a building owned by SCPR. The Authority agreed to fund construction and renovation costs of the building and received the right to occupy the building rent free for a period of seven years. The Authority is amortizing the leasehold improvements over the fifteen years. Current amortization totaled \$155,401.

NOTE 9. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 21, 2016, the date on which the financial statements were available to be issued.

CHARLESTON NAVAL COMPLEX REDEVELOPMENT AUTHORITY /  
 CHARLESTON NAVAL BASE MUSEUM AUTHORITY  
 BUDGETARY COMPARISON SCHEDULE  
 REQUIRED SUPPLEMENTARY INFORMATION  
 JUNE 30, 2016

Schedule 1

Combined budget - general and special revenue fund	Budgeted Amounts		Actual Amounts Budgetary Basis (See Note A)	Variance with Final Budget Positive(Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2015	\$ 30,933,979	\$ 30,933,979	\$ 30,933,979	\$ -
Resources (inflows):				
Rural development	8,000,000	8,000,000	8,596,714	596,714
Rentals/leases	106,000	106,000	176,500	70,500
Interest	15,000	15,000	8,623	(6,377)
Disposal of personal property	10,000	10,000	-	(10,000)
Miscellaneous	5,000	5,000	-	(5,000)
Total Resources (inflows)	8,136,000	8,136,000	8,781,837	645,837
Amounts available for appropriation	39,069,979	39,069,979	39,715,816	645,837
Charges to appropriations (outflows):				
Salaries	540,000	540,000	416,752	123,248
Employee benefitis	200,000	200,000	177,811	22,189
Leased property operations	50,000	50,000	-	50,000
Office expenses	295,000	295,000	129,553	165,447
Travel	50,000	50,000	9,685	40,315
Rural development revenue shared	300,000	300,000	1,035,375	(735,375)
Facilities operations & maintenance	150,000	150,000	80,893	69,107
Professional fees	330,000	330,000	201,676	128,324
Redevelopment partners	427,500	427,500	300,000	127,500
Appraisers and consultants	1,000,000	1,000,000	2,301	997,699
Miscellaneous contracts/agreements	300,000	300,000	-	300,000
Bank charges	100	100	-	100
Capital improvement projects	7,000,000	7,000,000	2,125,523	4,874,477
Total Charges to appropriations (outflows)	10,642,600	10,642,600	4,479,569	6,163,031
Budgetary Fund Balance, June 30, 2016	\$ 28,427,379	\$ 28,427,379	\$ 35,236,247	\$ 6,808,868

CHARLESTON NAVAL COMPLEX REDEVELOPMENT AUTHORITY /  
CHARLESTON NAVAL BASE MUSEUM AUTHORITY  
BUDGETARY COMPARISON SCHEDULE  
REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2016

Schedule 1 cont.

Note A - Budget to Actual Reconciliation

An explanation of the differences between budgetary inflows and outflows and revenue and expenditures determined in accordance with generally accepted accounting principles follows:

Sources/inflows of resources:	<u>Combined Funds</u>
Actual amount (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 39,715,816
Differences - budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes	(30,933,979)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 8,781,837</u>
 Uses/outflows of resources:	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 4,479,569
 Total expenditures as reported on the statement of revenues, expenditures, and change in fund balance - governmental funds	<u>\$ 4,479,569</u>

CHARLESTON NAVAL COMPLEX REDEVELOPMENT AUTHORITY /  
 CHARLESTON NAVAL BASE MUSEUM AUTHORITY  
 SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
 REQUIRED SUPPLEMENTARY INFORMATION  
 JUNE 30, 2016

Schedule 2

	Fiscal Year Ended June 30,	
	<u>2015</u>	<u>2016</u>
Proportion of Net Pension Liability	0.004627%	0.004726%
Proportionate Share of Net Pension Liability	796,616	896,309
Covered Employer Payroll	443,088	438,575
Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	179.787%	204.368%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	59.91%	57.00%

CHARLESTON NAVAL COMPLEX REDEVELOPMENT AUTHORITY /  
CHARLESTON NAVAL BASE MUSEUM AUTHORITY  
SCHEDULE OF CONTRIBUTIONS – STATE PENSION PLAN  
REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2016

Schedule 3

---

	Fiscal Year Ended June 30	
	<u>2015</u>	<u>2016</u>
Contractually Required Contributions	\$ 47,632	\$ 47,878
Contributions in Relation to the Contractually Required Contributions	47,632	47,878
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Covered Employee Payroll	442,142	438,845
Contributions as a Percentage of Covered Employee Payroll	10.773%	10.910%