

Charleston Naval Complex Redevelopment Authority
and
Charleston Naval Base Museum Authority

North Charleston, South Carolina

Independent Auditor's Report
and
Financial Statements

June 30, 2019

CHARLESTON NAVAL COMPLEX REDEVELOPMENT AUTHORITY
AND
CHARLESTON NAVAL BASE MUSEUM AUTHORITY

INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
JUNE 30, 2019

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	8-27
<u>Schedules</u>	Required Supplementary Information	
1	- Budgetary Comparison Schedule	28-29
2	- Schedule of Employer's Proportionate Share of Net Pension Liability	30
3	- Schedule of the Employer's Pension Plan Contribution	31
4	- Schedule of Employer's Proportionate Share of the Net OPEB Liability	32
5	- Schedule of the Employer's OPEB Plan Contributions	33

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
Russell T. Deal, CPA, MBA

Eva L. Wicks, CPA

Members
American Institute of CPAs
South Carolina Association of CPAs

November 12, 2019

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, 2019, 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. 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.

Charleston Naval Complex Redevelopment Authority /
Charleston Naval Base Museum Authority
November 12, 2019

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, 2019, 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, proportionate share of net OPEB liability, and contributions-state OPEB plan on pages 28 to 33 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 NAVAL COMPLEX REDEVELOPMENT AUTHORITY /
 CHARLETON NAVAL BASE MUSEUM AUTHORITY
 STATEMENT OF NET POSITION
 AS OF JUNE 30, 2019

Exhibit "A"

<u>Current Assets</u>		
Cash and cash equivalents	\$ 43,244,965	
Due from other governments	3,411,207	
Prepaid expenses and other receivables	<u>316,278</u>	
Total current assets		\$ 46,972,450
<u>Capital Assets (net of accumulated depreciation)</u>		
Land	16,131,930	
Buildings	6,459,000	
Leasehold improvements	8,454,895	
Construction in progress	3,017,197	
Furniture, equipment and automobiles	<u>100,419</u>	
Total capital assets		<u>30,014,367</u>
Total Assets		<u>76,986,817</u>
<u>Deferred Outflows of Resources</u>		
Related to OPEB	37,847	
Related to pensions	<u>111,870</u>	
Total Deferred Outflows		<u>149,717</u>
<u>Current Liabilities</u>		
Accounts payable	557,875	
Accrued vacation	26,092	
Accrued expenses	2,111	
Unearned revenue	<u>14,667</u>	
Total current liabilities		600,745
<u>Non-current Liabilities</u>		
Net OPEB Liability	664,742	
Net pension liability	<u>874,721</u>	
Total Non-current liabilities		<u>1,539,463</u>
Total Liabilities		<u>2,140,208</u>
<u>Deferred Inflows of Resources</u>		
Related to OPEB	83,666	
Related to pensions	<u>88,465</u>	
Total Deferred Inflows		172,131
<u>Net Position</u>		
Invested in capital assets, net of related debt	30,014,367	
Unrestricted	<u>44,809,828</u>	
Total net position		<u>\$ 74,824,195</u>

Read auditor's reports and notes to the financial statements.

CHARLESTON NAVAL COMPLEX REDEVELOPMENT AUTHORITY /
 CHARLESTON NAVAL BASE MUSEUM AUTHORITY
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2019

Exhibit "B"

		<u>Program Revenues</u>		<u>Net (Expense)</u>
	<u>Expenses</u>	<u>Charges For</u>	<u>Capital</u>	<u>Revenue</u>
		<u>Services</u>	<u>Grants</u>	<u>Governmental</u>
				<u>Activities</u>
Base redevelopment	<u>\$ 3,509,819</u>	<u>\$ 163,215</u>	<u>\$ -</u>	<u>\$ (3,346,604)</u>
General Revenues:				
Intergovernmental				8,097,498
Interest				<u>266,084</u>
Total general revenues				<u>8,363,582</u>
Change in net position				5,016,978
Net Position - Beginning				<u>69,807,217</u>
Net Position - Ending				<u>\$ 74,824,195</u>

CHARLESTON NAVAL COMPLEX REDEVELOPMENT AUTHORITY /
 CHARLESTON NAVAL BASE MUSEUM AUTHORITY
 BALANCE SHEET – GENERAL FUND
 AS OF JUNE 30, 2019

Exhibit "C"

Assets

Cash and cash equivalents	\$ 43,244,965
Due from other governments	3,411,207
Nonspendable	<u>316,278</u>
Total assets	<u>\$ 46,972,450</u>

Liabilities

Accounts payable	557,875
Accrued expenses	2,111
Unearned revenue	<u>14,667</u>
Total liabilities	<u>574,653</u>

Fund Balance

Non-spendable for prepaids and other receivables	316,278
Unassigned	<u>46,081,519</u>
Total fund balance	<u>46,397,797</u>
Total liabilities and fund balance	<u>\$ 46,972,450</u>

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

Fund balance - shown above	\$ 46,397,797
----------------------------	---------------

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds (net of accumulated depreciation).	30,014,367
---	------------

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

Net pension liability	(1,561,877)
Accrued vacation	<u>(26,092)</u>

Net position of governmental activities	<u>\$ 74,824,195</u>
---	----------------------

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, 2019

Exhibit "D"
 Page 1

Revenues

Intergovernmental	\$ 8,097,498
Rent	163,215
Interest income	266,084

Total revenues	<u>8,526,797</u>
----------------	------------------

Expenditures

Payroll	436,479
Fringe benefits	153,127
Leased property operations	32,513
Travel	1,954
RDA office expenses	113,911
Facility operations & maintenance	177,083
Redevelopment partners	271,861
Professional fees	412,124
Capital improvement projects	2,819,045
Appraisers and consultants	1,725
Miscellaneous contracts/agreements	41,889
Rural development revenue shared	985,597

Total expenditures	<u>5,447,308</u>
--------------------	------------------

Excess of revenues over expenditures	3,079,489
--------------------------------------	-----------

Fund Balances - Beginning of Year	<u>43,318,308</u>
-----------------------------------	-------------------

Fund Balances - End of Year	<u><u>\$ 46,397,797</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, 2019

Exhibit "D"
Page 2

Excess of revenues over expenditures - general fund	\$ 3,079,489
---	--------------

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	2,819,045
Depreciation and amortization expense	(885,965)

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	(1,902)
Change in accrued pension/OPEB liability	<u>6,311</u>

Change in Net Position	<u>\$ 5,016,978</u>
------------------------	---------------------

CHARLESTON NAVAL COMPLEX REDEVELOPMENT AUTHORITY /
CHARLESTON NAVAL BASE MUSEUM AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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 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, 2019 there was no financial activity by the Museum Authority to report in these financial statements.

RADM William L. Schachte, Jr. - Chairman
Christopher M. Sullivan - Vice Chairman
Randall B. Burbage - Secretary/Treasurer
Ronald H. Anderson
David A. Coker

Ronnie M. Givens
Eugene Hogan
Fred J. Kemmerlin
Deborah Crosby-Summey
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 non-exchange 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, 2019

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, 2019

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, 2019.

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	40 years
Leasehold improvements	10.5 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, 2019

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.

New Accounting Pronouncements

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment benefits Other Than Pensions, was adopted by the Authority effective July 1, 2017. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions.

This Statement replaces the requirements of GASB Statements No 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB.

NOTE 2. CASH IN BANK

At June 30, 2019, the carrying amount of deposits was \$43,244,965 and the bank balances were \$43,288,943. All of the bank balances were insured by federal depository insurance or by collateral held in a multiple financial institution collateral pool.

CHARLESTON NAVAL COMPLEX REDEVELOPMENT AUTHORITY /
CHARLESTON NAVAL BASE MUSEUM AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 3. DUE FROM OTHER GOVERNMENTS

Receivables due from other governments at June 30, 2019 are as follows:

Rural Development Act - State of SC	<u>\$ 3,411,207</u>
-------------------------------------	---------------------

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, the S. C. State Port Authority, and Palmetto Railways (formerly South Carolina Public Railways). There is no allowance for doubtful accounts.

NOTE 4. CAPITAL ASSETS

Capital Assets consist of the following:

	Balance 7/1/2018	Additions	Disposals	Balance 6/30/2019	Accumulated Deprec/Amort 6/30/2019
<u>Assets in Service</u>					
Land	\$ 16,131,930	\$ -	\$ -	\$ 16,131,930	\$ -
Buildings	6,459,000	-	-	6,459,000	1,327,520
Lhd improv/constr in prog	8,653,047	2,819,045	-	11,472,092	2,721,135
Furniture and fixtures	55,132	-	-	55,132	55,132
Autos	26,840	-	-	26,840	26,840
Computer equipment	18,447	-	-	18,447	18,447
Total	<u>\$ 31,344,396</u>	<u>\$ 2,819,045</u>	<u>\$ -</u>	<u>\$ 34,163,441</u>	<u>\$ 4,149,074</u>

Assets are depreciated using straight-line methods over the assets estimated useful life. Depreciation expense recorded in the current year was \$80,738 and amortization expense totaled \$805,228.

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, 2019

NOTE 6. OFFICE SPACE AGREEMENT

The Authority entered into an agreement with Palmetto Railways (PR), formerly South Carolina Public Railways, to occupy a building owned by PR. The Authority agreed to fund construction and renovation costs of the several buildings (including the occupied building) and the surrounding grounds owned by PR and received the right to occupy the building rent free for an initial period of seven years. Ownership of the property was transferred from PR to the City of North Charleston (City). The lease term was extended to December 31, 2027. The Authority is amortizing the leasehold improvements over the life of the lease agreement. Current amortization totaled \$805,228.

NOTE 7. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 18, 2019, the date on which the financial statements were available to be issued.

Note 8 SIGNIFICANT COMMITMENTS

In August 2018, The Authority's Board voted to approve a development agreement with the International African American Museum (IAAM) and to commit \$11 million dollars towards the construction of a museum in Charleston County.

In May of 2018, the Authority signed a revised Memorandum of Understanding with the Hunley Commission. The Authority agrees to be responsible for accomplishing the mission of the Museum Authority and includes a capital project of up to \$80 million.

Note 9. DEFERRED COMPENSATION PLANS

Several optional deferred compensation plans are available to State employees and employees of its political subdivisions. Certain employees of the Authority have elected to participate in such plans. The multiple-employer plans, created under Internal Revenue Code Section 457, 401(k), and 403(b), are 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 employees. The State has no liability for losses under the plans. 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.

CHARLESTON NAVAL COMPLEX REDEVELOPMENT AUTHORITY /
CHARLESTON NAVAL BASE MUSEUM AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 10. EMPLOYEE RETIREMENT SYSTEMS AND PLANS

The South Carolina Public Employee Benefit Authority (PEBA), created July 1, 2012 and governed by an 11-member Board, is the state agency responsible for the administration and management of various Retirement Systems and retirement programs of the state of South Carolina, including the State Optional Retirement Program and the S.C. Deferred Compensation Program, as well as the state's employee insurance programs. As such, PEBA is responsible for administering the South Carolina Retirement Systems' five defined benefit pension plans. The Retirement Funding and Administration Act of 2017, which became effective July 1, 2017, increased the employer and employee contribution rates, established a ceiling on the SCRS and PORS employee contribution rates, lowered the assumed rate of return, required a scheduled reduction of the funding periods, and addressed various governance issues including the assignment of the PEBA Board as custodian of the retirement trust funds and assignment of the RSIC and PEBA as co-trustees of the assets of the retirement trust funds. By law, the State Fiscal Accountability Act (SFAA), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the actuary of the Systems.

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems and additions to/deductions from the Systems fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with generally accepted accounting principles (GAAP). For this purpose, revenues are recognized when earned and expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits' link on PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

Plan Description

The South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan, was established July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for purpose of providing retirement and other benefits for teachers and employees of the state and its political subdivisions. SCRS covers employees of state agencies, public school districts, higher education institutions, other participating local subdivisions of government and individuals newly elected to the South Carolina General Assembly at or after the 2012 general election.

Plan Membership

Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. A brief summary of the applicable requirements is presented below.

CHARLESTON NAVAL COMPLEX REDEVELOPMENT AUTHORITY /
CHARLESTON NAVAL BASE MUSEUM AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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.

Benefits

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation/current annual salary. A brief summary of the benefit terms for SCRS is presented below.

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 had they not retired.

The 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.

Contributions

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. If the scheduled employee and employer contributions provided in statute, or the rates last adopted by the board, are insufficient to maintain the amortization period set in statute, the board shall increase employer contribution rates as necessary.

After June 30, 2027, if the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than eighty-five percent, then the board, effective on the following July first, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than eighty-five percent.

CHARLESTON NAVAL COMPLEX REDEVELOPMENT AUTHORITY /
 CHARLESTON NAVAL BASE MUSEUM AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019

If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the systems shows a funded ratio of less than eighty-five percent, then effective on the following July first, and annually thereafter as necessary, the board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than eighty-five percent.

The Retirement System Funding and Administration Act establishes a ceiling on employee contribution rates at 9 percent for SCRS. The employer contribution rates will continue to increase annually by 1 percent through July 1, 2022. The legislation's ultimate scheduled employer rate is 18.56 percent for SCRS. The amortization period is scheduled to be reduced one year for each of the next 10 years to a twenty year amortization period.

Required employee contribution rates are as follows:

	Employee		Employer	
	2019	2018	2019	2018
SCRS				
Employee Class Two	9.00%	9.00%	14.41%	13.41%
Employee Class Three	9.00%	9.00%	14.41%	13.41%
Incidental Death Benefit	0.00%	0.00%	0.15%	0.15%

The Authority's actual retirement and incidental death benefit program contributions to the SCRS for the fiscal year ended June 30, 2019 totaled \$60,984.

Actuarial assumptions

Actuarial assumptions of the plan 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 regarding the net pension liability are subject to continual revision as actual results are compared with past expectation 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 Systems was most recently issued for the period ending June 30, 2015.

CHARLESTON NAVAL COMPLEX REDEVELOPMENT AUTHORITY /
 CHARLESTON NAVAL BASE MUSEUM AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019

The June 30, 2018, total pension liability (TPL), net pension liability (NPL), and sensitivity information shown in this report were determined by the consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on an actuarial valuation performed as of July 1, 2017. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2018, using generally accepted actuarial principles.

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2018.

	SCRS
Actuarial cost method	Entry age normal
Investment rate of return*	7.25%
Projected salary increases	3.0% to 12.5% (varies by service)*
Benefit adjustments	lesser of 1% or \$500 annually
*includes inflation at 2.25%	

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumptions, the 2016 Public Retirees of South Carolina Mortality table (2016 PRSC) was developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using published Scale AA projected from the year 2016.

Assumptions used in the determination of the June 30, 2018, TPL are as follows.

Former Job Class	Males	Females
Educators	2016 PRSC Males multiplied by 92%	2016 PRSC Females multiplied by 98%
General Employees and Members of the General Assembly	2016 PRSC Males multiplied by 100%	2016 PRSC Females multiplied by 111%
Public Safety and Firefighters	2016 PRSC Males multiplied by 125%	2016 PRSC Females multiplied by 111%

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, 2018, NPL amounts and the change in NPL amounts for SCRS is 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 Liability
SCRS	\$ 48,821,730,067	\$26,414,916,370	\$ 22,406,813,697	54.10%

CHARLESTON NAVAL COMPLEX REDEVELOPMENT AUTHORITY /
CHARLESTON NAVAL BASE MUSEUM AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

The TPL is calculated by the Systems' actuary, and each plan's fiduciary net position is reported in the Systems' financial statements. The NPL is disclosed in accordance with the requirements of GASB 67 in the Systems' notes to financial statements and required supplementary information. Liability calculations performed by the Systems' actuary for the purpose of satisfying the requirements of GASB Nos. 67 and 68 are not applicable for other purposes, such as determining the plan's funding requirements.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments is based upon 30 year capital market assumptions. The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees.

The expected returns along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2018 fiscal year. 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 following table. For actuarial purposes, the 7.25 percent assumed annual investment rate of return used in the calculation of the TPL includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Expected Arithmetic Real Rate of Return</u>	<u>Long Term Expected Portfolio Real Rate of Return</u>
Global Equity	47%		
Global Public Equity	33%	6.99%	2.31%
Private Equity	9%	8.73%	0.79%
Equity Options Strategies	5%	5.52%	0.28%
Real Assets	10%		
Real Estate (Private)	6%	3.54%	0.21%
Real Estate (REITs)	2%	5.46%	0.11%
Infrastructure	2%	5.09%	0.10%
Opportunistic	13%		
GTAA/Risk Parity	8%	3.75%	0.30%
Hedge Funds (non-PA)	2%	3.45%	0.07%
Other Opportunistic Strategies	3%	3.75%	0.11%
Diversified Credit	18%		
Mixed Credit	6%	3.05%	0.18%
Emerging Markets Debt	5%	3.94%	0.20%
Private Debt	7%	3.89%	0.27%
Conservative Fixed Income	12%		
Core Fixed Income	10%	0.94%	0.09%
Cash and Short Duration (Net)	2%	0.34%	0.01%
Total Expected Real Return	100%		5.03%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			7.28%

CHARLESTON NAVAL COMPLEX REDEVELOPMENT AUTHORITY /
CHARLESTON NAVAL BASE MUSEUM AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Discount Rate

The discount rate used to measure the TPL was 7.25 percent. The projection of cash flow used to determine the discount rate assumed that contributions from participating employers in SCRS will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on those assumptions, the System's fiduciary net position was projected to be available to make all the projected future benefit payments of the 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 TPL.

Sensitivity Analysis

The following table presents the sensitivity of the Authority's net pension liability calculated using the discount rate of 7.25 percent, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is 1.00 percent lower (6.25 percent) or 1.00 percent higher (8.25) than the current rate.

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
The Authority	\$ 1,117,734	\$ 874,723	\$ 700,994

Additional Financial and Actuarial Information

Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in the System's audited financial statements for the fiscal year ended June 30, 2018 (including the unmodified audit opinion on the financial statements). Additional actuarial information is available in the accounting and financial reporting actuarial valuation as of June 30, 2018.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plan

At June 30, 2019, 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	\$ 1,579	\$ 5,148
Net difference between projected and actual earnings on pension plan investments	13,895	-
Changes in proportionate share and differences between employer contribution & proportionate share of total plan employer contributions	708	-
Assumption Changes	34,704	83,317
Authority contributions subsequent to the measurement date	60,984	-
Total	<u>\$ 111,870</u>	<u>\$ 88,465</u>

CHARLESTON NAVAL COMPLEX REDEVELOPMENT AUTHORITY /
CHARLESTON NAVAL BASE MUSEUM AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

\$60,984 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, 2020. For the year ended June 30, 2019, the Authority recognized pension expense of \$45,801.

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:	
2019	\$ (4,277)
2020	(9,312)
2021	(21,702)
2022	(2,289)
Total	<u>\$ (37,580)</u>

Note 10: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

The South Carolina Public Employee Benefit Authority (PEBA) was created by the South Carolina General Assembly as part of Act No. 278 effective July 1, 2012. PEBA – Insurance Benefits is a state agency responsible for the administration and management of the state's employee insurance programs, other post-employment benefits trusts and retirement systems and is part of the State of South Carolina primary government.

The governing board of PEBA is a board of 11 members. The membership composition is three members appointed by the Governor, two members appointed by the President Pro Tempore of the Senate, two members appointed by the Chairman of the Senate Finance Committee, two members appointed by the Speaker of the House of Representatives and two members appointed by the Chairman of the House Ways and Means Committee. Individuals appointed to the PEBA board must possess certain qualifications. Members of the PEBA board serve for terms of two years and until their successors are appointed and qualify. Terms commence on July first of even numbered years. The PEBA board appoints the Executive Director. The laws of the State and the policies and procedures specified by the State for State agencies are applicable to all activities of PEBA. By law, the State Fiscal Accountability Authority (SFFA), which consists of five elected officials, also reviews certain PEBA Board decisions in administering the State Health Plan and other post-employment benefits (OPEB).

Plan Description

The Other Post Employment Benefits Trust Funds (OPEB Trusts), collectively refers to the South Carolina Retiree Health Insurance Trust Fund (SCRHITF) and the South Carolina Long Term Disability Insurance Trust Fund (SCLTDITF), were established by the State of South Carolina as Act 195, which became effective in May, 2008. The SCRHITF was created to fund and account for the employer costs of the State's retiree health and dental plans. The SCLTDITF was created to fund and account for the employer costs of the State's Basic Long Term Disability Income Benefit Plan.

CHARLESTON NAVAL COMPLEX REDEVELOPMENT AUTHORITY /
CHARLESTON NAVAL BASE MUSEUM AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

In accordance with Act 195, the OPEB Trusts are administered by the PEBA, Insurance Benefits and the State Treasurer is the custodian of the funds held in trust. The Board of Directors of PEBA has been designated as the Trustee.

The OPEB Trusts are cost-sharing multiple-employer defined benefit plans. Article 5 of the State Code of Laws defines the two plans and authorizes the Trustee to at any time adjust the plans, including its benefits and contributions, as necessary to insure the fiscal stability of the plans. 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.

Benefits

The SCRHITF is a healthcare plan that covers retired employees of the State of South Carolina, including all agencies, and public school districts. The SCRHITF provides health and dental insurance benefits to eligible retirees. 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 15-24 years of service for 50% employer funding.

The SCLTDITF is a long-term disability plan that covers employees of the State of South Carolina, including all agencies and public school districts and all participating local governmental entities. The SCLTDITF provides disability payments to eligible employees that have been approved for disability.

Management of the Authority evaluated the net OPEB Liability, OPEB expense, and related deferred outflows and inflows of resources associated with the SCLTDITF, and has concluded that these items are immaterial to the Authority's financial statements as of June 30, 2019. Accordingly, no adjustments were made to the Authority's financial statements pursuant to the provisions of GASB Statement No. 75 for the SCLTDITF.

Contributions and 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 to be funded through annual appropriations by the General Assembly for active employees to the PEBA, Insurance Benefits and participating retirees to PEBA, except for the portion funded through the pension surcharge and provided from the other applicable sources of the PEBA, Insurance Benefits. For active employees who are not funded by State General Fund appropriations, participating employers are mandated by State statute to contribute at a rate assessed each year by the Department of Administration Executive Budget Office. The covered payroll surcharge for the year ended June 30, 2018 was 5.50 percent. The South Carolina Retirement System collects the monthly surcharge for all participating employers and remits it directly to the SCRHITF. Other sources of funding for the SCRHITF include mandatory transfers of accumulated PEBA, Insurance Benefits' reserves and income generated from investments. Employer contributions also include the implicit subsidy, or age-related subsidy inherent in the healthcare premiums structure.

CHARLESTON NAVAL COMPLEX REDEVELOPMENT AUTHORITY /
CHARLESTON NAVAL BASE MUSEUM AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

The implicit subsidy represents a portion of the health care expenditures paid on behalf of the employer's active employees. For purposes of GASB Statement No. 75, this expenditure on behalf of the active employee is reclassified as a retiree health care expenditure so that the employer's contributions towards the plan reflect the underlying age-adjusted, retiree benefit costs. For the year ended June 30, 2019, the Authority remitted \$25,340 to SCRS for the SCRHITF.

BLTD benefits are funded through a person's premium charged to State agencies, public school districts and other participating local governments. The monthly premium per active employee was \$3.22 for the fiscal year ended June 30, 2018. The SCLTDITF premium is billed monthly by PEBA, Insurance Benefits and transferred monthly to the SCLTDITF. It is funded through investment income.

In accordance with part (b) of paragraph 69 of GASB Statement No. 75, participating employers should recognize revenue in an amount equal to the employer's proportionate share of the change in the collective net OPEB liability arising from contributions to the OPEB plan during the measurement period from non-employer contributing entities for purposes other than the separate financing of specific liabilities to the OPEB plan. Therefore, employers should classify this revenue in the same manner as it classifies grants from other entities.

For purposes of measuring the net OPEB liability, deferred outflows and inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB Trusts, and additions to and deductions from the OPEB Trusts fiduciary net position have been determined on the same basis as they were reported by the OPEB Trusts. For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Therefore, benefit and administrative expenses are recognized when due and payable. Investments are reported at fair value.

PEBA, Insurance Benefits issues audited financial statements and required supplementary information for the OPEB Trust Funds. This information is publicly available through the Insurance Benefits' link on PEBA's website at www.peba.sc.gov or a copy may be obtained by submitting a request to PEBA – Insurance Benefits, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is considered a division of the primary government of the state of South Carolina and therefore, OPEB Trust fund financial information is also included in the comprehensive annual financial report of the state.

Actuarial Assumptions and Methods

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

CHARLESTON NAVAL COMPLEX REDEVELOPMENT AUTHORITY /
CHARLESTON NAVAL BASE MUSEUM AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Projections of benefits for financial reporting purposes are based on the substantive plans (as understood by the employer and plan participants) and include the types of benefits provided at the time the valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation for SCRHITF:

Valuation Date:	30-Jun-17
Actuarial Cost Method:	Entry Age Normal
Inflation:	2.25%
Investment Rate of Return:	4.00, net of OPEB Plan investment expense; including inflation
Single Discount Rate:	3.62% as of June 30, 2018
Demographic Assumptions:	Based on the experience study performed for the South Carolina Retirement Systems for the 5-year period ending June 30, 2015
Mortality:	For healthy retirees, the 2016 Public Retirees of South Carolina Mortality Table for Males and the 2016 Public Retirees of South Carolina Mortality Table for Females are used with fully generational mortality projections based on Scale AA from the year 2016. Multipliers are applied to the base tables based on gender and employment type.
Health Care Trend Rate:	Initial trend starting at 6.75% and gradually decreasing to an ultimate trend rate of 4.15% over a period of 14 years
Aging Factors:	Based on plan specific experience
Retiree Participation:	79% for retirees who are eligible for funded premiums 59% participation for retirees who are eligible for Partial Funded Premiums 20% participation for retirees who are eligible for Non Funded Premiums
Notes:	There were no benefit changes during the year; the discount rate changed from 3.59% as of June 30, 2017 to 3.62% as of June 20, 2018.

CHARLESTON NAVAL COMPLEX REDEVELOPMENT AUTHORITY /
CHARLESTON NAVAL BASE MUSEUM AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Roll Forward Disclosure

The actuarial valuation was performed as of June 30, 2017. Update procedures were used to roll forward the total OPEB liability to June 30, 2018.

OPEB Liability, OPEB Expense, and Deferred Outflows and Inflows of Resources

Additional items included in OPEB expense are the current period amortized portions of deferred outflows and/or inflows of resources related to changes in the Authority's proportionate share of the collective net OPEB liability and differences between the Authority's actual contributions and its proportionate share of total plan employer contributions.

As discussed in paragraph 86 of GASB Statement No. 75, differences between expected and actual experience and changes in assumptions are recognized in OPEB expense using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided OPEB through the OPEB plan (active and inactive members) determined as of the beginning of the measurement period.

The schedule presented below reflects the amortization of collective deferred outflows and inflows of resources related to OPEB outstanding at June 30, 2018. In addition to recognizing a proportionate share of the deferred outflows and inflows, the Authority also reports (a) deferred outflows and inflows related to changes in proportionate shares and differences between contributions and proportionate share of contributions; and (b) a deferred outflow related to contributions made after the measurement date. This deferred outflow includes payroll-related surcharge contributions and implicit subsidies.

At June 30, 2019, the Authority reported a liability of \$664,742 for its proportionate share of the State's net OPEB liability. The net OPEB liability, of which the Authority's proportionate share was \$666,541, was determined by an actuarial valuation which was performed as of June 30, 2017 and which was rolled forward to June 30, 2018. The Authority's proportionate share of the net OPEB liability was based on a projection of the Authority's long-term share of contributions to the OPEB Trust relative to the projected contributions of all participants, as actuarially determined. As of the actuarial valuation date, the Authority's proportionate share related to the SCRHITF was .004691%.

For the year ended June 30, 2019, the Authority recognized OPEB Expense related to the SCRHITF for \$29,113. At June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CHARLESTON NAVAL COMPLEX REDEVELOPMENT AUTHORITY /
CHARLESTON NAVAL BASE MUSEUM AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability Experience	\$ 9,958	\$ 232
Investment Experience	2,549	-
Outstanding Inflow Balance Between Employer Contrib. & Proportionate Share of Plan Contributions	-	29,304
Assumption Changes	-	54,130
Authority contributions subsequent to the measurement date	25,340	-
Total	<u>\$ 37,847</u>	<u>\$ 83,666</u>

Deferred outflows related to pensions resulting from the Authority's contributions made subsequent to the measurement date of \$25,340 for the SCRHITF will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. 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:

2018	\$ (12,662)
2019	(12,662)
2020	(12,662)
2021	(12,662)
2022	(12,934)
Total	<u>\$ (63,582)</u>

Net OPEB Liability

The Net OPEB Liability (NOL) is calculated separately for each OPEB Trust Fund and represents that particular Trust's Total OPEB Liability (TOL) determined in accordance with GASB No. 74 less that Trust's fiduciary net position. The allocation of each employer's proportionate share of the collective Net OPEB Liability and collective OPEB Expense was determined using the employer's payroll related contributions over the measurement period. This method is expected to be reflective of the employer's long term contribution effort as well as be transparent to individual employers and their external auditors.

CHARLESTON NAVAL COMPLEX REDEVELOPMENT AUTHORITY /
CHARLESTON NAVAL BASE MUSEUM AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

The following table represents the components of net OPEB liability as of June 30, 2018:

OPEB Trust	Total OPEB Liability	Plan Fiduciary Net Position	Employers Net OPEB Liability (Asset)	Plan Fiduciary Net Position as a % of Total OPEB Liability
SCRHITF	\$ 15,387,115,010	\$ 1,216,530,062	\$ 14,170,584,948	7.91%

The total OPEB liability is calculated by the Trust's actuary, and each Trust's fiduciary net position is reported in the Trust's financial statements. The net OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the Trusts' notes to the financial statements and required supplemental information. Liability calculations performed by the Trust's actuary for the purpose of satisfying the requirements of GASB Statement Nos. 74 and 75 are not applicable for other purposes, such as determining the Trusts' funding requirements.

Single Discount Rate

The Single Discount Rate of 3.62% was used to measure the total OPEB liability for the SCRHITF. The accounting policy for this plan is to set the Single Discount Rate equal to the prevailing municipal bond rate. Due to the plan's investment and funding policies, the difference between a blended discount rate and the municipal bond rate would be less than several basis points (several hundredths of one percent).

Long-term Expected Rate of Return

The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2017 fiscal year. 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. This information is summarized in the following table:

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Allocation-Weighted Long-Term Expected Real Rate of Return
U.S. Domestic Fixed Income	80.00%	2.09%	1.67%
Cash	20.00%	0.84%	0.17%
Total	100.00%		1.84%
Expected Inflation			2.25%
Total Return			4.09%
Investment Return Assumption			4.00%

CHARLESTON NAVAL COMPLEX REDEVELOPMENT AUTHORITY /
CHARLESTON NAVAL BASE MUSEUM AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Sensitivity Analysis

The following table presents the SCRHITF's net OPEB liability calculated using a Single Discount Rate of 3.56%, as well as what the plan's net OPEB liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

	<u>1% Decrease 2.62%</u>	<u>Current Discount rate 3.62%</u>	<u>1% Increase 4.62%</u>
SCRHITF Net OPEB Liability	\$ 16,694,310,371	\$ 14,170,584,948	\$ 12,136,262,451
Authority's Proportionate share of the net OPEB liability	\$ 783,130	\$ 664,742	\$ 569,312

Regarding the sensitivity of the SCRHITF's net OPEB liability to changes in the healthcare cost trend rates, the following table presents the plan's net OPEB liability, calculated using the assumed trend rates as well as what the plan's net OPEB liability would be if were calculated using a trend rate that is one percent lower or one percent higher:

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
SCRHITF Net OPEB Liability	\$ 11,660,103,553	\$ 14,170,584,948	\$ 17,416,172,438
Authority's proportionate share of the net OPEB liability	\$ 546,975	\$ 664,742	\$ 816,993

Additional Financial and Actuarial Information

Detailed information regarding the fiduciary net position of the OPEB Trusts is available in their audited financial statements for the fiscal year ended June 30, 2018 (including the unmodified audit opinion on the financial statements.) Additional actuarial information is available in the accounting and financial reporting actuarial valuation as of June 30, 2018. A copy to the South Carolina Public Employee Benefit Authority-Insurance Benefits Division, PO Box 11960, Columbia, SC 29211-1960.

The State has authorized deferred compensation matching contributions, which are funded from various funding sources based on the same percentages used for employees' salaries. The Authority made no contributions for the fiscal year ended June 30, 2019.

CHARLESTON NAVAL COMPLEX REDEVELOPMENT AUTHORITY /
CHARLESTON NAVAL BASE MUSEUM AUTHORITY
BUDGETARY COMPARISON SCHEDULE
REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2019

Schedule 1

Combined budget - general and special revenue fund	<u>Budgeted Amounts</u>		Actual Amounts	Variance with
	<u>Original</u>	<u>Final</u>	Budgetary Basis (See Note A)	Final Budget Positive(Negative)
Budgetary Fund Balance, July 1, 2018	\$ 43,318,309	\$ 43,318,308	\$ 43,318,308	\$ -
Resources (inflows):				
Rural development	7,000,000	7,000,000	8,097,498	1,097,498
Rentals/leases	200,000	200,000	163,215	(36,785)
Interest	15,000	15,000	266,084	251,084
Disposal of personal property	10,000	10,000	-	(10,000)
Miscellaneous	5,000	5,000	-	(5,000)
Total Resources (inflows)	<u>7,230,000</u>	<u>7,230,000</u>	<u>8,526,797</u>	<u>1,296,797</u>
Amounts available for appropriation	<u>50,548,309</u>	<u>50,548,308</u>	<u>51,845,105</u>	<u>1,296,797</u>
Charges to appropriations (outflows):				
Salaries	500,000	500,000	436,479	63,521
Employee benefits	200,000	200,000	153,127	46,873
Leased property operations	75,000	75,000	32,513	42,487
Office expenses	100,000	100,000	113,911	(13,911)
Travel	50,000	50,000	1,954	48,046
Rural development revenue shared	800,000	800,000	985,597	(185,597)
Facilities operations & maintenance	150,000	150,000	177,083	(27,083)
Professional fees	330,000	330,000	412,124	(82,124)
Redevelopment partners	450,000	450,000	271,861	178,139
Appraisers and consultants	300,000	300,000	1,725	298,275
Miscellaneous contracts/agreements	150,000	150,000	41,889	108,111
Bank charges	100	100	-	100
Capital improvement projects	6,000,000	6,000,000	2,819,045	3,180,955
Total Charges to appropriations (outflows)	<u>9,105,100</u>	<u>9,105,100</u>	<u>5,447,308</u>	<u>3,657,792</u>
Budgetary Fund Balance, June 30, 2019	<u>\$ 41,443,209</u>	<u>\$ 41,443,208</u>	<u>\$ 46,397,797</u>	<u>\$ 4,954,589</u>

CHARLESTON NAVAL COMPLEX REDEVELOPMENT AUTHORITY /
CHARLESTON NAVAL BASE MUSEUM AUTHORITY
BUDGETARY COMPARISON SCHEDULE
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2019

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	\$ 51,845,105
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	<u>\$ (43,318,308)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u><u>\$ 8,526,797</u></u>
Uses/outflows of resources:	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 5,447,308
Total expenditures as reported on the statement of revenues, expenditures, and change in fund balance - governmental funds	<u><u>\$ 5,447,308</u></u>

CHARLESTON NAVAL COMPLEX REDEVELOPMENT AUTHORITY /
 CHARLESTON NAVAL BASE MUSEUM AUTHORITY
 SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
 REQUIRED SUPPLEMENTARY INFORMATION
 JUNE 30, 2019

Schedule 2

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of Net Pension Liability	0.003904%	0.004113%	0.004529%	0.004726%	0.004627%
Proportionate Share of Net Pension Liability	874,723	925,902	967,738	896,309	796,616
Covered Employer Payroll	418,843	404,544	414,970	438,575	443,088
Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	208.843%	228.875%	233.207%	204.368%	179.787%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	54.10%	53.30%	52.90%	57.00%	59.91%

CHARLESTON NAVAL COMPLEX REDEVELOPMENT AUTHORITY /
 CHARLESTON NAVAL BASE MUSEUM AUTHORITY
 SCHEDULE OF THE EMPLOYER'S PENSION PLAN CONTRIBUTIONS
 REQUIRED SUPPLEMENTARY INFORMATION
 JUNE 30, 2019

Schedule 3

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contributions	\$ 60,984	\$ 54,856	\$ 47,971	\$ 47,878	\$ 47,632
Contributions in Relation to the Contractually Required Contributions	60,984	54,856	47,971	47,878	47,632
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Employee Payroll	418,843	404,544	414,970	438,845	442,142
Contributions as a Percentage of Covered Employee Payroll	14.560%	13.559%	11.410%	10.910%	10.733%

CHARLESTON NAVAL COMPLEX REDEVELOPMENT AUTHORITY /
CHARLESTON NAVAL BASE MUSEUM AUTHORITY
SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2019

Schedule 4

	<u>2018</u>
Proportion of Net OPEB Liability	0.004691%
Proportionate Share of Net Pension Liability	\$ 664,742
Covered Employer Payroll	\$ 418,843
Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Employee Payroll	158.71%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	7.91%

CHARLESTON NAVAL COMPLEX REDEVELOPMENT AUTHORITY /
CHARLESTON NAVAL BASE MUSEUM AUTHORITY
SCHEDULE OF THE EMPLOYER'S OPEB PLAN CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2019

Schedule 5

	<u>2019</u>	<u>2018</u>
Contractually Required Contributions	\$ 25,340	\$ 22,250
Contributions in Relation to the Contractually Required Contributions	25,340	22,250
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Covered Employee Payroll	418,843	404,544
Contributions as a Percentage of Covered Employee Payroll	6.050%	5.500%