PATRIOTS POINT DEVELOPMENT AUTHORITY

MOUNT PLEASANT, SOUTH CAROLINA

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

State of South Carolina

Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

RICHARD H. GILBERT, JR., CPA
DEPUTY STATE AUDITOR

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September 4, 2015

The Honorable Nikki R. Haley, Governor
and
Members of the Authority
Patriots Point Development Authority
Mt. Pleasant, South Carolina

This report on the audit of the financial statements of the Patriots Point Development Authority for the fiscal year ended June 30, 2015, was issued by Greene, Finney & Horton, LLP, Certified Public Accountants, under contract with the South Carolina Office of the State Auditor.

If you have any questions regarding this report, please let us know.

Respectfully submitted,

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

RHGjr/sag

PATRIOTS POINT DEVELOPMENT AUTHORITY
MOUNT PLEASANT, SOUTH CAROLINA

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Patriots Point Development Authority, South Carolina (the "Authority"), a discretely presented component unit of the State of South Carolina, as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Patriots Point Development Authority, as of June 30, 2015 and 2014, and the changes in its financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter Regarding Going Concern

The accompanying financial statements have been prepared assuming that the Authority will continue as a going concern. As discussed in Note O to the financial statements, the Authority's general obligation bond payable due to the State Treasurer of the State of South Carolina for $8,200,000 is due on November 1, 2015, and it does not appear that the Authority has the ability to pay this amount in full on the due date. This condition raises substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters also are described in Note O. The financial statements do not include any adjustment that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Change in Accounting Principle

As discussed in Note B to the financial statements, in the year ended June 30, 2015 the Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 68 *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Governmental Accounting Standards Board Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 4, 2015 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Greene, Finney & Horton LLP

Greene, Finney & Horton, LLP
Mauldin, South Carolina
September 4, 2015

The following is a discussion and analysis of Patriots Point Development Authority's financial performance and provides an overview of the activities for the fiscal years ended June 30, 2015 and 2014. Please read in conjunction with the financial statements, which follow this analysis.

Patriots Point Development Authority (the "Authority") was established through Section 51-13-710 of the Code of Laws of South Carolina. The Authority is part of the primary government of the State of South Carolina (the "State") and its funds are included in the State's Comprehensive Annual Financial Report. The activities of the Authority are accounted for as a non-major discretely presented component unit of the State of South Carolina. In fiscal year 2015, the Authority received $415,000 in State appropriated funds for the EIA Studio. The Authority funds its operations primarily through admission fees, gift shop sales, an overnight camping program, and lease and commission income.

FINANCIAL HIGHLIGHTS

The following are financial highlights for the fiscal year ended June 30, 2015 compared to 2014:

- The assets and deferred outflows of the Authority exceeded liabilities and deferred inflows by $11,786,742 (net position). Unrestricted net position was a deficit of $2,292,187 as of June 30, 2015 compared to unrestricted net position of $4,232,748 as of June 30, 2014.
- Total operating revenues from all sources were $11,153,003 for the year ended June 30, 2015, an increase of $637,180 from the prior fiscal year.
- The total operating expenses were $12,010,097, an increase of $1,427,323 from the prior fiscal year.
- Cash and cash equivalents decreased $1,166,940 during the fiscal year to $4,698,796 at June 30, 2015.
- The Authority implemented Governmental Accounting Standard Board ("GASB") Statement No. 68 *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* ("GASB #68") and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* ("GASB #71" and collectively "Statements") in the year ended June 30, 2015. These Statements require the Authority to recognize a net pension liability, deferred outflows of resources, and deferred inflows of resources for their participation in the South Carolina Retirement System Plan on financial statements prepared on the economic resources measurement focus and accrual basis of accounting (i.e. the Statement of Net Position) and present more extensive note disclosures.

  The adoption of these Statements has resulted in the restatement of the Authority's net position as of July 1, 2014 to reflect the reporting of net pension liabilities and deferred outflows of resources for its qualified pension plan in accordance with the provisions of these Statements. Net position of the Authority's financial statements as of July 1, 2014 was decreased by $5,638,116, reflecting the cumulative change in accounting principle related to the adoption of these Statements. See Note K in the notes to the financial statements for more information regarding the Authority's retirement plan.

The following are financial highlights for the fiscal year ended June 30, 2014 compared to 2013:

- The Authority's net position increased 1.3% or $237,351 to $17,922,712 at June 30, 2014 as a result of the year's operations.
- The Authority reported unrestricted net position of $4,232,748, a decrease of $113,886 from the prior year.
- Total operating revenues from all sources were $10,515,823 for the year ended June 30, 2014, an increase of $398,152 from the prior fiscal year.
- The total operating expenses were $10,582,774 for the year ended June 30, 2014, an increase of $819,666 from the prior fiscal year.
- Cash and cash equivalents increased $839,404 during the fiscal year to $5,865,736 at June 30, 2014.

OVERVIEW OF THE FINANCIAL STATEMENTS

This report consists of two parts – the *Financial Section* (which includes management's discussion and analysis and the financial statements) and the *Compliance Section*.

Financial Statements

The Financial Statements include the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position; both of which provide an indication of the Authority's financial health. The *Statement of Net Position* includes all of the Authority's assets, deferred outflows, liabilities, and deferred inflows using the accrual basis of accounting, which is similar to the accounting used by most private sector companies, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *Statement of Revenues, Expenses and Changes in Net Position* reports all of the current year's revenues and expenses regardless of when cash is received or paid.

The Financial Statements also include the *Statement of Cash Flows* which provides information about the Authority's cash receipts, cash payments and changes in cash resulting from operations, investments, and non-capital financing activities as well as capital and related financing activities. From the Statement of Cash Flows, the reader can obtain information on the sources and uses of cash and the change in the cash balance from the beginning of the current fiscal year.

The *Notes to the Financial Statements* provide required disclosures and other information that are essential to a full understanding of the data provided in the financial statements.

FINANCIAL ANALYSIS

The following is a summary of the Statements of Net Position as of June 30, 2015 and 2014:

Condensed Statements of Net Position

	2015 *	2014
Assets		
Current Assets	$ 5,461,316	$ 6,597,976
Noncurrent Assets:		
Capital Assets, Net of Accumulated Depreciation	22,278,929	22,389,964
Total Assets	27,740,245	28,987,940
Deferred Outflows	509,907	-
Liabilities		
Current Liabilities	8,864,955	9,633,556
Noncurrent Liabilities	7,116,327	1,431,672
Total Liabilities	15,981,282	11,065,228
Deferred Inflows	482,128	-
Net Position		
Net Investment in Capital Assets	14,078,929	13,689,964
Unrestricted	(2,292,187)	4,232,748
Total Net Position	$ 11,786,742	$ 17,922,712

* The Authority implemented GASB #68 and GASB #71 in the year ended June 30, 2015.

FINANCIAL ANALYSIS (CONTINUED)

The Authority's net position decreased by $6,135,970 from 2014 to 2015 primarily as a result of the implementation of GASB #68 and GASB #71.

The decrease in total assets was primarily due to the $1,166,940 decrease in cash and cash equivalents as a result of an increase in contractual services during the current year, primarily related to marketing and legal fees.

The change in liabilities was primarily due to a decrease in the principal balance outstanding on the general obligation bonds payable of $500,000 and a decrease in accrued interest payable of $188,500 as a result of payment made to the State Treasurer during the current year.

The following is a summary of the Statements of Net Position as of June 30, 2014 and 2013:

Condensed Statements of Net Position

	2014	2013
Assets		
Current Assets	$ 6,597,976	$ 5,658,550
Noncurrent Assets:		
Capital Assets, Net of Accumulated Depreciation	22,389,964	22,038,727
Total Assets	28,987,940	27,697,277
Liabilities		
Current Liabilities	9,633,556	635,546
Noncurrent Liabilities	1,431,672	9,376,370
Total Liabilities	11,065,228	10,011,916
Net Position		
Net Investment in Capital Assets	13,689,964	13,338,727
Unrestricted	4,232,748	4,346,634
Total Net Position	$ 17,922,712	$ 17,685,361

The Authority's net position increased by $237,351 from 2013 to 2014 and consisted of an increase in total assets of $1,290,663 and an increase in total liabilities of $1,053,312.

The increase in total assets was primarily due to the $839,404 increase in cash and cash equivalents as a result of an increase in visitors during the year ended June 30, 2014 which led to increases in admissions, parking, and gift shop revenues. Also contributing to this increase was an increase in capital assets, net of accumulated depreciation, of $351,237, largely due to the additions of the Flight Academy, Leadership Training Facility, and dredging improvements which were partially offset by depreciation expense which totaled $1,187,626 for the year ended June 30, 2014.

The increase in total liabilities was primarily due to the $687,364 increase in unearned revenue as a result of an increase of $747,651 in unearned revenue related to dredging costs paid by Fort Sumter Tours which will offset future lease payments. Also contributing to this increase was an increase in interest payable of $174,000 related to interest expense on the general obligation bond payable incurred during the current fiscal year but not yet paid as of June 30, 2014.

FINANCIAL ANALYSIS (CONTINUED)

The following is a summary of the Statements of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2015 and 2014:

Statements of Revenues, Expenses, and Changes in Net Position

	2015 *	2014
Revenues		
Admissions	$ 4,727,962	$ 4,209,915
Gift Shop Sales	1,651,521	1,590,845
Scouting Program Revenues	1,652,400	1,562,915
Leases and Commissions Income	2,304,639	2,331,854
Parking Lot Fees	595,083	581,538
Miscellaneous	221,398	238,756
Total Revenues	**11,153,003**	**10,515,823**
Expenses		
Personnel Services	3,861,181	3,681,521
Contractual Services	3,160,076	2,423,630
Cost of Goods Sold	718,652	701,976
Employer Payroll Contributions	1,365,292	1,191,165
Depreciation	1,298,758	1,187,626
Supplies	743,509	631,189
Utilities	440,856	421,639
Insurance and Rental Charges	282,381	233,308
Travel	121,065	70,446
Other	18,327	40,274
Total Expenses	**12,010,097**	**10,582,774**
Operating Income (Loss)	**(857,094)**	**(66,951)**
Non-Operating Revenues (Expenses)		
Interest Income	57,518	64,913
Interest Expense	(115,583)	(174,000)
State Appropriations	415,000	400,000
Medal of Honor Museum Appropriations Revenues	1,000,000	-
Medal of Honor Museum Appropriations Expenses	(1,000,000)	-
Voluntary Nonexchange Donations	2,305	13,389
Total Non-Operating Revenues (Expenses)	**359,240**	**304,302**
Change in Net Position	**(497,854)**	**237,351**
Beginning Net Position	17,922,712	17,685,361
Cumulative Change in Accounting Principle - GASB #68 and GASB #71	(5,638,116)	-
Net Position, Beginning of Year - As Restated	12,284,596	17,685,361
Ending Net Position	**$ 11,786,742**	**$ 17,922,712**

* The Authority implemented GASB #68 and GASB #71 in the year ended June 30, 2015.

FINANCIAL ANALYSIS (CONTINUED)

The Authority's operating loss increased by $790,143 to $857,094. Operating revenues increased by $637,180, while operating expenses increased by $1,427,323. Admissions revenue increased during the current fiscal year by $518,047 due to increased ticket prices at the end of fiscal year 2014 and increased marketing initiatives. Personnel services and payroll-related benefits increased $179,660 due to an increased number of employees during the current year in the marketing and public relations department. Also contributing to the increase in operating expenses were increases in contractual services of $736,446 (primarily related to increased marketing costs and legal fees) and depreciation expense of $111,132 compared to prior year.

The following is a summary of the Statements of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2014 and 2013:

Statements of Revenues, Expenses, and Changes in Net Position

	2014	2013
Revenues		
Admissions	$ 4,209,915	$ 3,918,930
Gift Shop Sales	1,590,845	1,568,459
Scouting Program Revenues	1,562,915	1,678,640
Leases and Commissions Income	2,331,854	2,174,972
Parking Lot Fees	581,538	560,873
Miscellaneous	238,756	215,797
Total Revenues	**10,515,823**	**10,117,671**
Expenses		
Personnel Services	3,681,521	3,238,002
Contractual Services	2,423,630	2,434,946
Cost of Goods Sold	701,976	659,025
Employer Payroll Contributions	1,191,165	1,100,556
Depreciation	1,187,626	1,024,174
Supplies	631,189	566,881
Utilities	421,639	412,566
Insurance and Rental Charges	233,308	217,127
Travel	70,446	67,258
Other	40,274	42,573
Total Expenses	**10,582,774**	**9,763,108**
Operating Income (Loss)	**(66,951)**	**354,563**
Non-Operating Revenues (Expenses)		
Interest Income	64,913	69,702
Interest Expense	(174,000)	(141,675)
State Appropriations	400,000	-
Voluntary Nonexchange Donations	13,389	13,761
Total Non-Operating Revenues (Expenses)	**304,302**	**(58,212)**
Change in Net Position	**237,351**	**296,351**
Beginning Net Position	17,685,361	17,389,010
Ending Net Position	**$ 17,922,712**	**$ 17,685,361**

FINANCIAL ANALYSIS (CONTINUED)

The Authority's operating income decreased by $421,514 to an operating loss of $66,951. Operating revenues increased by $398,152, while operating expenses increased by $819,666. Admissions revenue increased during the year ended June 30, 2014 by $290,985 due to increased museum attendance. Personnel services and payroll-related benefits increased $534,128 due to an increased number of employees related to the Flight Academy program as well as the marketing and public relations department. Also contributing to the increase in operating expenses was an increase in depreciation expense of $163,452 compared to the year ended June 30, 2013.

CAPITAL ASSET AND DEBT ADMINISTRATION

The Authority had a net investment in capital assets of $14,078,929 as of June 30, 2015, which is a $388,965 increase from the prior year balance. The increase was attributable to current year capital acquisitions of $1,187,723 and a $500,000 payment on the general obligation bonds payable, partially offset by depreciation expense of $1,298,758.

As of June 30, 2014, the Authority had a net investment in capital assets of $13,689,964, which was a $351,237 increase from the balance as of June 30, 2013. The increase was attributable to capital acquisitions of $1,538,863 offset by depreciation expense of $1,187,626.

In fiscal year 2009, the Authority borrowed $9,200,000 from the Bond Proceeds Account of the General Obligation State Capital Improvement Bonds, Series 2004A of the State of South Carolina. The amount outstanding at June 30, 2015 and 2014 was $8,200,000 and $8,700,000, respectively. The Authority borrowed the money for the emergency dry-docking and critical maintenance repairs to the USS Laffey. The original terms of the bond called for the Authority to repay the amount in full plus accrued interest on December 1, 2010. During fiscal year 2011, a principal payment of $500,000 was made and the due date of the bond was extended to May 2, 2013. During fiscal year 2013, the State amended the terms of the loan to extend the loan to May 2, 2015. No principal payments were made during fiscal years 2014 and 2013. The Authority made interest payments of $0 and approximately $140,000 during fiscal years 2014 and 2013, respectively. During fiscal year 2015, a payment of $804,083 was made that consisted of $500,000 for principal and $304,083 for interest. During fiscal year 2015, the due date of the bond was extended to November 1, 2015.

Additional information of the Authority's capital assets and long-term debt can be found in Notes D and F, respectively, in the Notes to the Financial Statements.

ECONOMIC FACTORS

In considering the Authority's budget for fiscal year 2016, the Authority Board and staff were cautious as to the growth of revenues and expenditures. The budget demonstrates the financial priorities used in the agency's decision making process, namely 1) increasing visitation to the museum 2) improvements needed to sustain and maintain the USS Yorktown and the other existing museum ships as the core of the Naval and Maritime Museum far into the future, 3) future development of the museum to include reinterpretation of exhibits in the museum to appeal more effectively to the changing visitor demographics, 4) enhancement and improvement in the various education programs we offer, and 5) planned development of 36 acres to improve the entire Patriots Point complex as a tourism destination and a community activity hub.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Patriots Point Development Authority's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Controller, Patriots Point Development Authority, 40 Patriots Point Road, Mt. Pleasant, South Carolina, 29464.

PATRIOTS POINT DEVELOPMENT AUTHORITY
MOUNT PLEASANT, SOUTH CAROLINA

STATEMENTS OF NET POSITION - ENTERPRISE FUND

JUNE 30, 2015 AND 2014

	2015	2014
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 4,678,975	$ 5,865,736
Cash and Cash Equivalents, Restricted	19,821	-
Accounts Receivable	456,187	434,007
Prepaid Expenses	8,796	8,796
Inventories	297,537	289,437
Total Current Assets	5,461,316	6,597,976
Noncurrent Assets:		
Capital Assets, Net of Accumulated Depreciation	22,278,929	22,389,964
Total Noncurrent Assets	22,278,929	22,389,964
TOTAL ASSETS	**27,740,245**	**28,987,940**
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Pension Charges	509,907	-
LIABILITIES		
Current Liabilities:		
Accounts Payable	42,100	98,026
Interest Payable	-	188,500
Accrued Payroll and Related Liabilities	396,236	407,403
Compensated Absences and Related Liabilities, Current	23,458	22,869
Unearned Revenues, Current	203,161	216,758
General Obligation Bond Payable, Current	8,200,000	8,700,000
Total Current Liabilities	8,864,955	9,633,556
Noncurrent Liabilities:		
Compensated Absences and Related Liabilites, Noncurrent	444,944	398,990
Unearned Revenues, Noncurrent	952,689	1,032,682
Net Pension Liability	5,718,694	-
Total Noncurrent Liabilities	7,116,327	1,431,672
TOTAL LIABILITIES	**15,981,282**	**11,065,228**
DEFERRED INFLOWS OF RESOURCES		
Deferred Pension Credits	482,128	-
NET POSITION		
Net Investment in Capital Assets	14,078,929	13,689,964
Unrestricted	(2,292,187)	4,232,748
TOTAL NET POSITION	**$ 11,786,742**	**$ 17,922,712**

The notes to the financial statements are an integral part of these statements.
See accompanying independent auditor's report.

PATRIOTS POINT DEVELOPMENT AUTHORITY
MOUNT PLEASANT, SOUTH CAROLINA

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - ENTERPRISE FUND

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
OPERATING REVENUES		
Admissions	$ 4,727,962	$ 4,209,915
Gift Shop Sales	1,651,521	1,590,845
Scouting Program Revenues	1,652,400	1,562,915
Leases and Commissions Income	2,304,639	2,331,854
Parking Lot Fees	595,083	581,538
Miscellaneous	221,398	238,756
TOTAL OPERATING REVENUES	**11,153,003**	**10,515,823**
OPERATING EXPENSES		
Personnel Services	3,861,181	3,681,521
Contractual Services	3,160,076	2,423,630
Cost of Goods Sold	718,652	701,976
Employer Payroll Contributions	1,365,292	1,191,165
Depreciation	1,298,758	1,187,626
Supplies	743,509	631,189
Utilities	440,856	421,639
Insurance and Rental Charges	282,381	233,308
Travel	121,065	70,446
Other	18,327	40,274
TOTAL OPERATING EXPENSES	**12,010,097**	**10,582,774**
OPERATING INCOME (LOSS)	**(857,094)**	**(66,951)**
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	57,518	64,913
Interest Expense	(115,583)	(174,000)
State Appropriations	415,000	400,000
Medal of Honor Museum Appropriations Revenue	1,000,000	-
Medal of Honor Museum Appropriations Expense	(1,000,000)	-
Voluntary Nonexchange Donations	2,305	13,389
TOTAL NON-OPERATING REVENUES (EXPENSES)	**359,240**	**304,302**
INCREASE (DECREASE) IN NET POSITION	**(497,854)**	**237,351**
NET POSITION, Beginning of Year	17,922,712	17,685,361
Cumulative Change in Accounting Principle - GASB #68 and GASB #71	(5,638,116)	-
NET POSITION, BEGINNING OF YEAR - As Restated	12,284,596	17,685,361
NET POSITION, End of Year	**$ 11,786,742**	**$ 17,922,712**

The notes to the financial statements are an integral part of these statements.
See accompanying independent auditor's report.

PATRIOTS POINT DEVELOPMENT AUTHORITY
MOUNT PLEASANT, SOUTH CAROLINA

STATEMENTS OF CASH FLOWS - ENTERPRISE FUND

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Admissions and Gift Shop Sales	$ 6,379,483	$ 5,800,760
Other Operating Cash Receipts	221,398	238,756
Cash Received from Parking Lot Fees	595,083	581,538
Cash Received from Lease and Rental Activities	3,841,269	3,683,475
Cash Received From Donations	2,305	13,389
Cash Paid for Employee Wages and Benefits	(5,138,298)	(4,717,356)
Cash Paid to Suppliers for Goods and Services	(3,886,828)	(3,148,320)
Cash Paid for General and Administrative Expenses	(1,662,064)	(1,360,238)
NET CASH PROVIDED BY OPERATING ACTIVITIES	352,348	1,092,004
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of Capital Assets	(1,187,723)	(717,513)
State Appropriations	415,000	400,000
Payment on General Obligation Bonds Payable	(500,000)	-
Interest Paid on General Obligation Bonds Payable	(304,083)	-
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(1,576,806)	(317,513)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	57,518	64,913
NET CASH PROVIDED BY INVESTING ACTIVITIES	57,518	64,913
INCREASE IN CASH AND CASH EQUIVALENTS	**(1,166,940)**	**839,404**
CASH AND CASH EQUIVALENTS, Beginning of Year	5,865,736	5,026,332
CASH AND CASH EQUIVALENTS, End of Year	**$ 4,698,796**	**$ 5,865,736**

	2015	2014
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income (Loss)	$ (857,094)	$ (66,951)
Voluntary Nonexchange Donations for Operating Maintenance	2,305	13,389
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation Expense	1,298,758	1,187,626
Change In:		
Accounts Receivable	(22,180)	(77,308)
Inventories	(8,100)	(22,714)
Accounts Payable	(55,926)	36,618
Accrued Payroll and Related Liabilities	(11,167)	60,657
Compensated Absences and Related Liabilities	46,543	94,673
Unearned Revenues	(93,590)	(133,986)
Net Pension Liability	(239,071)	-
Changes in Deferred Outflows/Inflows of Resources:		
Deferred Pension Charges	(190,258)	-
Deferred Pension Credits	482,128	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 352,348	$ 1,092,004

The notes to the financial statements are an integral part of these statements.
See accompanying independent auditor's report.

NOTE A – REPORTING ENTITY

Patriots Point Development Authority (the "Authority"), also known as the Naval and Maritime Museum, was established through Section 51-13-710 of the Code of Laws of South Carolina. The Authority is dependent on the State of South Carolina (the "State") for debt financing and appointment of its Board by the Governor. Although the Authority operates somewhat independently, it lacks full corporate powers. In addition, the Authority is financially accountable to and dependent on the State and is subject to various State procurement, budget, personnel, and other regulations. The Authority is a part of the primary government of the State of South Carolina and its funds are included in the State's Comprehensive Annual Financial Report. The Authority is reported as a non-major discretely presented component unit of the State of South Carolina. The core of a financial reporting entity is the primary government, which has a separately elected governing body. An organization other than a primary government, such as the Authority, may serve as a nucleus for a reporting entity when it issues separate financial statements.

The Authority was formed by the State to develop and improve the Patriots Point area in Charleston County, South Carolina, and to assist in developing Patriots Point by acquiring, constructing, equipping, and maintaining museum buildings, aquariums, laboratories, public exhibits, entertainment facilities, historical monuments, and lodging at Patriots Point. The Authority has a statutory mandate to improve the Patriots Point area in order to provide a self-sufficient place of naval and maritime history, a repository of state and national heritage and other educational and recreational activities fostering pride and patriotism.

Management's stated mission is to 1) establish, develop and operate a national museum of ships, naval and maritime equipment, artifacts, manuscripts, art and other historic military displays for the purpose of fostering patriotism, generating pride and respect for the United States of America and for memorializing all soldiers, sailors, and airmen who have given their lives in the service of their country, and 2) develop and enhance Patriots Point and its contiguous water areas to support the operation of its historic ships and aircraft, provide a place of education and recreation, and stimulate national and international travel by providing museums, attractions, lodging and accommodations.

During 1974 and 1975, the Authority acquired land, from which it now operates on the Charleston Harbor, in the Town of Mt. Pleasant, across the Cooper River from the City of Charleston. The Authority currently displays for tour the USS Yorktown aircraft carrier, destroyer USS Laffey, and submarine USS Clamagore, and various aircraft and other military exhibits. The Authority owns the Patriots Point golf course, which is managed and leased by GINN-LA Fund IV Charleston PP Golf, LLC.

The Authority operates a gift shop. A hotel and a marina have been developed on parcels leased from the Authority. Primary sources of operating revenue are museum admissions, sales at the museum gift shop, educational programs such as the youth education and camping programs, and commissions from lease functions, on-site vending franchises and the Patriots Point Links. The Authority charges fees for its goods and services and parking lot to users external to the State of South Carolina (the public).

NOTE A – REPORTING ENTITY (CONTINUED)

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”), as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority’s accounting policies are described below.

As required by GAAP, the financial statements must present the Authority’s financial information with any of its component units. The primary criterion for determining inclusion or exclusion of a legally separate entity (component unit) is financial accountability, which is presumed to exist if the Authority both appoints a voting majority of the entity’s governing body, and either 1) the Authority is able to impose its will on the entity or, 2) there is a potential for the entity to provide specific financial benefits to, or impose specific financial burdens on the Authority. If either or both of the foregoing conditions are not met, the entity could still be considered a component unit if it is fiscally dependent on the Authority and there is a potential that the entity could either provide specific financial benefits to, or to impose specific financial burdens on the Authority.

In order to be considered fiscally independent, an entity must have the authority to do all of the following: (a) determine its budget without the Authority having the authority to approve or modify that budget; (b) levy taxes or set rates or charges without approval by the Authority; and (c) issue bonded debt without approval by the Authority. An entity has a financial benefit or burden relationship with the Authority if, for example, any one of the following conditions exists: (a) the Authority is legally entitled to or can otherwise access the entity’s resources, (b) the Authority is legally obligated or has otherwise assumed the obligation to finance the deficits or, or provide financial support to, the entity, or (c) the Authority is obligated in some manner for the debt of the entity. Finally, an entity could be a component unit even if it met all the conditions described above for being fiscally independent if excluding it would cause the Authority’s financial statements to be misleading.

Blended component units, although legally separate entities, are in substance, part of the government's operations and data from these units are combined with data of the primary government in the fund financial statements. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the Authority. Based on the criteria above, the Authority does not have any component units for the year ended June 30, 2015.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements present the financial position, results of operations, and cash flows solely of the Authority in conformity with accounting principles generally accepted in the United States of America. They do not include any other agencies or funds of the State, nor do they present the financial position of the State, the results of its operations, or its cash flows.

Basis of Accounting: The Authority prepares its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles. Accordingly, revenues are recognized in the accounting period in which they are earned and become measurable; expenses are recognized in the period incurred if measurable. The Authority accounts for its activities (operations of the maritime museum, which includes revenues from admissions, scout camping and activities, a golf course lease, leases of other parcels being developed and various concessions) as operating revenues and expenses using the economic resources measurement focus and the accrual basis of accounting. For the Authority, non-operating revenues include interest income, State appropriations, and voluntary non-exchange private donations.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summary of Significant Accounting Policies: The accounting policies of the Authority conform to generally accepted accounting principles in the United States of America applicable to governmental proprietary activities as prescribed by the GASB, the recognized standard setting body in the United States of America for governmental entities. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Fund Accounting: The Authority uses an enterprise fund to report its financial position and the results of its operations. A fund is a separate fiscal and accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain government functions or activities. The activities of the Authority are accounted for within an enterprise fund of the proprietary fund category. Enterprise funds account for business-like activities that provide goods and services to the public financed primarily through user charges. A proprietary fund is used to account for activities similar to those found in the private sector. The measurement focus of proprietary funds is based upon determination of change in net position, financial position, and cash flows.

Cash and Cash Equivalents: The amounts shown in the financial statements as cash and cash equivalents represent petty cash, cash on hand with the State Treasurer, and cash invested in various instruments by the State Treasurer as part of the State's internal cash management pool.

Because the cash management pool operates as a demand deposit account, amounts invested in the pool are classified as cash and cash equivalents. The pool includes some long-term investments such as obligations of the United States and certain agencies of the United States, obligations of the State and certain of its political subdivisions, certificates of deposit, and collateralized repurchase agreements. The State's internal cash management pool consists of a general deposit account and several special deposit accounts.

The State records each agency's equity interest in the general deposit account; however, all earnings on the account are credited to the General Fund of the State. The Authority records and reports its deposits in the general deposit account at cost. The Authority reports it deposits in the special deposit accounts at fair value. Investments held by the pool are reported at fair value. Interest earnings are allocated based on the percentage of the Authority's accumulated daily income receivable to the total income receivable of the pool. Realized gains and losses are allocated daily and are included in the accumulated income receivable. Unrealized gains or losses arising from changes in the fair value of investments held by the pool are accrued and allocated at year-end based on the Authority's percentage ownership in the pool.

Although the cash management pool includes some long-term investments, it operates as a demand deposit account; therefore, for credit and other risk information pertaining to the cash management pool refer to the footnote on deposits.

Allowance for Bad Debts: The Authority considers accounts receivable to be fully collectible; accordingly, no allowance for bad debt is required.

Inventories: Inventories represent gift shop merchandise for resale and are carried at the lower of cost or market. Cost is determined on the average cost basis.

Restricted Assets: It is the policy of the Authority to first apply restricted assets (private donations) when an expense is incurred for purposes for which restricted and unrestricted net position are available.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment: Purchased property and equipment are recorded at cost and are depreciated over the estimated useful lives of the assets on a straight-line basis. The estimated useful lives are as follows:

Asset Category	Useful Life Range
Depreciable Land Improvements	5-50 years
Building and Improvements	5-25 years
Machinery and Equipment	5-10 years
Depreciable Works of Art and Historic Treasures	10-40 years

Donated assets are capitalized at fair market value as of the date of donation. Fair market value is generally determined as the price at which an asset would change hands if both buyer and seller are willing parties and have knowledge of all related facts.

Self-constructed assets are accounted for by the cost of labor and materials involved in constructing the asset.

Expenditures for purchases of property and equipment or for major improvements that are greater than $5,000 for machinery and equipment, $100,000 for buildings and improvements, and $100,000 for depreciable land improvements; and have a useful life greater than one year; and extend the useful life of property and equipment are capitalized. Maintenance and repairs, which do not significantly improve or extend the life of respective assets, are expensed as incurred.

Unearned Revenues: The Authority receives rent, camping deposits, and initial lease amounts for future periods. The camping deposits are recognized as revenue when the camping trip occurs. The advance rents and leases are recognized as revenue proportionately over the time period for which the amounts properly apply.

Compensated Absences and Related Liabilities: Generally all permanent full-time State employees and certain part-time employees scheduled to work at least one-half of the agency's workweek are entitled to accrue and carry forward at calendar year-end maximums of 180 days sick leave and 45 days annual vacation leave based upon maximum payout guidelines of the State. Upon termination of State employment, employees are entitled to be paid for accumulated unused annual vacation leave, but are not entitled to any payment for unused sick leave. The compensated absences liability includes accrued annual leave and compensatory time earned for which the employees are entitled to paid time off or payment at termination. That liability is calculated at fiscal year-end current salary costs and the cost of the salary-related benefit payments.

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Pensions: The Authority recognizes a net pension liability for the qualified pension plan in which it participates, which represents the excess of the total pension liability over the fiduciary net position of the qualified pension plan, or the Authority's proportionate share thereof in the case of a cost-sharing multiple-employer plan, measured as of the Authority's fiscal year-end. Changes in the net pension liability during the period are recorded as pension expense, or as deferred outflows or inflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred outflows or inflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred outflows or inflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred. See Note K and the required supplementary information immediately following the notes to the financial statements for more information.

Budget Policy: The Appropriation Act, as enacted by the General Assembly, becomes the legal operating budget for the Authority. The Appropriation Act authorizes expenditures from funds appropriated from the General Fund of the State and authorizes expenditures of total funds. The Total Funds column in the Appropriation Act for each individual budgetary unit authorizes expenditures from all budgeted resources. A revenue budget is not adopted for individual budgetary units. The General Assembly enacts the budget through passage of line-item appropriations by program within budgetary unit and within budgetary fund category, State General Fund or other budgeted funds.

Budgetary control is maintained at the line-item level of the budgetary entity. Agencies may process disbursement vouchers in the State's budgetary accounting system only if enough cash and appropriation authorization exist. For the current year, the Authority received no State General Fund appropriations. Generally accepted accounting principles do not require budgetary comparisons to be presented for proprietary funds; therefore, none are included in these statements.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Postemployment Benefits: Other postemployment benefits ("OPEB") cost for retiree healthcare and similar, non-pension retiree benefits, is required to be measured and disclosed using the accrual basis of accounting (see Note J for more information). Annual OPEB cost is equal to the annual required contributions to the OPEB Plan, calculated in accordance with GAAP.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and deferred outflows of resources (if any) and liabilities and deferred inflows of resources (if any) and disclosure of these balances as of the date of the financial statements. In addition, they affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Significant New Accounting Standards Adopted – Change in Accounting Principle: The Authority implemented GASB Statement No. 68 *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* ("GASB #68") and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* ("GASB #71" and collectively "Statements") in the year ended June 30, 2015. The primary objective of these Statements is to improve accounting and financial reporting by state and local governments for pensions. In addition, state and local governments who participate in a cost-sharing multiple employer plan are now required to recognize a liability for their proportionate share of the net pension liability of that plan. It is GASB's intention that these Statements will provide citizens and other users of the financial statements with a clearer picture of the size and nature of the Authority's financial obligations to current and former employees for past services rendered. In particular, these Statements require the Authority to recognize a net pension liability, deferred outflows of resources, and deferred inflows of resources for its participation in the South Carolina Retirement System, ("Plan"), a cost-sharing multiple-employer defined benefit pension plan, on financial statements prepared on the economic resources measurement focus and accrual basis of accounting (i.e., the Statement of Net Position) and present more extensive note disclosures.

The adoption of these Statements has resulted in the restatement of the Authority's net position as of July 1, 2014 to reflect the reporting of net pension liabilities and deferred outflows of resources for its qualified Plan in accordance with the provisions of these Statements. Net position as of July 1, 2014 was decreased by $5,638,116, reflecting the cumulative change in accounting principle related to the adoption of these Statements, including net pension liability of $5,957,765 partially offset by deferred outflows of resources of $319,649 related to plan contributions for the year ended June 30, 2014. See Note K for more information regarding the Authority's retirement plan.

NOTE C – DEPOSITS

Deposits Held by State Treasurer — All deposits and investments of the Authority are under control of the State Treasurer who, by law, has sole authority for investing State funds. State law requires full collateralization of all State Treasurer bank balances. The State Treasurer must correct any deficiencies in collateral within seven days. At June 30, 2015 and 2014, all State Treasurer bank balances were fully insured or collateralized with securities held by the State or its agents in the State's name. With respect to investments in the State's internal cash management pool, all of the State Treasurer's investments are insured or registered or are in investments for which the securities are held by the State or its agents in the State's name.

NOTE C – DEPOSITS (CONTINUED)

Deposits Held by State Treasurer (Continued)

Cash and cash equivalents by component are as follows at June 30, 2015 and 2014, respectively:

	2015	2014
Cash on Hand	$ 9,406	$ 9,406
Deposits Held By State Treasurer	4,689,390	5,856,330
Total	$ 4,698,796	$ 5,865,736

Information pertaining to the reported amounts, fair value, credit and other risks as required by GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, of the State Treasurer's investments is disclosed in the Comprehensive Annual Financial Report of the State of South Carolina. Copies of this report may be obtained from the South Carolina Office of the Comptroller General, 1200 Senate Street, 305 Wade Hampton Office Building, Columbia, South Carolina 29201 or by visiting the Comptroller General's website at http://www.cg.sc.gov.

NOTE D – CAPITAL ASSETS

A summary of the changes in capital assets for the year ended June 30, 2015 is shown below:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital Assets, Not Being Depreciated:					
Land and Improvements	$ 4,462,939	-	-	-	$ 4,462,939
Construction in Progress	48,274	800,563	-	(514,081)	334,756
Capital Assets, Depreciable:					
Depreciable Land Improvements	2,990,251	-	-	-	2,990,251
Building and Improvements	1,703,134	-	-	-	1,703,134
Machinery and Equipment	1,097,372	119,050	-	-	1,216,422
Depreciable Works of Art and Historic Treasures	27,124,107	268,110	-	514,081	27,906,298
Total Capital Assets	37,426,077	1,187,723	-	-	38,613,800
Less: Accumulated Depreciation for:					
Depreciable Land Improvements	(2,119,575)	(129,178)	-	-	(2,248,753)
Building and Improvements	(1,523,273)	(10,340)	-	-	(1,533,613)
Machinery and Equipment	(860,417)	(76,607)	-	-	(937,024)
Depreciable Works of Art and Historic Treasures	(10,532,848)	(1,082,633)	-	-	(11,615,481)
Total Accumulated Depreciation	(15,036,113)	(1,298,758)	-	-	(16,334,871)
Capital Assets, Net	$ 22,389,964	(111,035)	-	-	$ 22,278,929

NOTE D – CAPITAL ASSETS (CONTINUED)

A summary of the changes in capital assets for the year ended June 30, 2014 is shown below:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital Assets, Not Being Depreciated:					
Land and Improvements	$ 4,462,939	-	-	-	$ 4,462,939
Construction in Progress	465,275	48,274	-	(465,275)	48,274
Capital Assets, Depreciable:					
Depreciable Land Improvements	2,168,901	821,350	-	-	2,990,251
Building and Improvements	1,646,729	56,405	-	-	1,703,134
Machinery and Equipment	928,558	168,814	-	-	1,097,372
Depreciable Works of Art and Historic Treasures	26,214,812	444,020	-	465,275	27,124,107
Total Capital Assets	35,887,214	1,538,863	-	-	37,426,077
Less: Accumulated Depreciation for:					
Depreciable Land Improvements	(1,990,397)	(129,178)	-	-	(2,119,575)
Building and Improvements	(1,512,933)	(10,340)	-	-	(1,523,273)
Machinery and Equipment	(789,911)	(70,506)	-	-	(860,417)
Depreciable Works of Art and Historic Treasures	(9,555,246)	(977,602)	-	-	(10,532,848)
Total Accumulated Depreciation	(13,848,487)	(1,187,626)	-	-	(15,036,113)
Capital Assets, Net	$ 22,038,727	351,237	-	-	$ 22,389,964

Property and equipment does not include certain exhibits to which the right of ownership resides with the government of the United States of America.

NOTE E – UNEARNED REVENUES

Unearned revenues are comprised of the following at June 30, 2015 and 2014, respectively:

	2015	2014
College of Charleston Lease	$ 358,657	$ 366,349
Fort Sumter Tours	674,582	747,651
Camping Deposits	122,611	135,440
Total Unearned Revenues	1,155,850	1,249,440
Less: Unearned Revenues, Current	203,161	216,758
Unearned Revenues, Non-current	$ 952,689	$ 1,032,682

College of Charleston — As part of the lease agreement between the Authority and College of Charleston, the Authority received a $500,000 one-time lump sum payment in September 1998. The payment was recorded as unearned revenue and is being amortized, at a yearly amount of $7,692, into lease income using the straight-line method over the term of the lease agreement.

NOTE E – UNEARNED REVENUES (CONTINUED)

Fort Sumter Tours — During 2014, Fort Sumter Tours financed dredging operations for the Authority, resulting in the addition of a depreciable asset which is recorded in the Authority's capital assets. In exchange for this asset, the Authority recorded the cost as unearned revenue which will be earned in subsequent years as lease payments come due in accordance with the terms of the lease contract with Fort Sumter Tours.

Camping Deposits — Camping deposits represent amounts received and not yet earned for the rental of certain Authority facilities.

NOTE F – LONG-TERM LIABILITIES

The Authority had the following outstanding debt at June 30, 2015:

General Obligation State Capital Improvement Bond, Series 2004A	$ 8,200,000

In December 2008, the Patriots Point operations department discovered critical problems with the hull of the destroyer USS Laffey of such significance that the Authority was faced with the possibility that it could sink at the dock if significant hull repairs were not immediately undertaken. On June 30, 2009, the Authority obtained a general obligation bond payable from the State Treasurer of the State of South Carolina in the amount of $9,200,000 for the purpose of funding the destroyer USS Laffey repairs. During the year ended June 30, 2011, the Authority paid $500,000 of the general obligation bond payable. The Authority paid an additional $500,000 of the general obligation bond payable during the year ended June 30, 2015.

The general obligation bond payable bears interest at 0.50% for the period June 30, 2009 through November 30, 2010; 0.75% for the period December 1, 2010 through May 31, 2011, 1.75% for the period June 1, 2011 through May 31, 2013, 2.00% for the period June 1, 2013 through April 30, 2015 and 0.09% for the period May 1, 2015 through November 1, 2015. The principal balance of the general obligation bond payable is due in full on November 1, 2015.

Current obligations at June 30, 2015 are due as follows:

Year Ending June 30,	Principal	Interest	Total
2016	$ 8,200,000	3,746	$ 8,203,746
Total	$ 8,200,000	3,746	$ 8,203,746

Change in Compensated Absence Obligation — The change in compensated absences and related liabilities for the year ended June 30, 2015 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated Absences and Related Liabilities	$ 421,859	223,805	177,262	$ 468,402	$ 23,458

NOTE G – LEASE AND COMMISSION INCOME

For the years ended June 30, 2015 and 2014, respectively, lease and commission income is comprised of the following:

	2015	2014
Hotel/Amenities Lease (Parcel A)	$ 411,961	$ 422,048
Golf Course Lease	357,161	352,303
Food and Beverage Commissions	293,760	287,084
Marina Lease	145,252	139,194
Athletic Complex Lease	167,740	166,587
Flight Simulation Commissions	58,416	70,332
Fort Sumter Tour Commissions	73,069	73,699
Land and Other Facility Leases	268,798	266,773
Parcel A-1	48,482	73,834
Parcel B, C, D	360,000	360,000
Parcel E	120,000	120,000
Total Lease and Commission Income	$ 2,304,639	$ 2,331,854

Lease and commission income receivable due to the Authority at June 30, 2015 and 2014 were $456,187 and $434,007, respectively.

Hotel, Marina, Land and Other Facility Leases — On February 26, 1996, the Authority entered into a 99 year non-renewable lease with Gulf Stream Capital Associates, LLC for the development of approximately 35.6 acres of the Authority's property. The leased premises include land and land improvements. The leased land is owned by the Authority, but will be maintained by the lessee. The leasehold improvements are owned by the lessee during the lease period and at the expiration of the lease, ownership of the assets reverts to the lessor.

The leased premises are subdivided into parcels for the ease of administration and orderly development. Parcel A contains a hotel. Parcel A-1 contains ten cottages (with two more cottages planned for construction), a clubhouse, and a pool. Parcel B-1 is the marina. Development of parcels B, C, D, and E may include retail shops, restaurants, and rental condominiums. Development of parcels B, C, and D commenced in 2012 with the construction of a restaurant. Development of parcel E has not yet commenced. The Authority has the right to approve the master plan for each parcel prior to commencement of development of that parcel. Furthermore, the Authority has the right to review and approve all plans and specifications for construction.

Lease payments for the hotel (parcel A) is comprised of a “base rent”, which is adjusted annually based upon movements of the Consumer Price Index, and “percentage rent” based upon the revenues generated by the property. Lease payments for the cottages (parcel A-1) are “percentage rent” based upon the revenues generated by the property. Lease payments for the marina (parcel B-1) are comprised of a “base rent” and “percentage rent” based on revenues generated by the property. Until development is completed on parcels B, C, and D, monthly lease payments are $30,000 per month. Lease payments on Parcel E are $10,000 per month until development occurs. After development, lease payments on parcels B, C, D and E will be comprised of a “base rent” and “percentage rent” based upon revenues generated.

NOTE G – LEASE AND COMMISSION INCOME (CONTINUED)

Golf Course — The Authority leases certain real property and improvements erected thereon known as the Patriots Point Golf course (the "golf course") to GINN-LA Fund IV Charleston PP Golf, LLC. The lease is automatically renewed at the start of four separate ten-year periods unless the lessee elects to terminate the lease as of the termination date of the then current term by giving written notice to the Authority at least 120 days prior to the termination date of the then current lease term. The lessee has not elected to terminate the lease agreement, and thus the lease period has been extended to December 31, 2021. The terms of the lease agreement provide for the lessee to pay the greater of a base or activity driven rent, as defined by the agreement.

Food and Beverage Commissions — On February 27, 2014, the Authority entered into a contract for the food and vending services on the property with Top Shelf Catering Company LLC (“Top Shelf”). The terms of the contract began on March 16, 2014 and will continue through March 15, 2019 with the option to renew through March 15, 2021. Under the contract with Top Shelf, the Authority receives 20% of CPO galley, concessions, overnight camping meals, and catering revenue as a commission.

Athletic Complex Lease — The Authority entered into a nonrenewable land operating lease agreement effective April 1997, with the College of Charleston to provide for an athletic complex situated on approximately 32 acres of land belonging to the Authority. The land lease agreement provides for the facilities to be owned and maintained by College of Charleston during the lease term. At the end of the lease, the premises and any improvements to the premises revert to the Authority. The annual lease amounts are as follows: years 1 through 5 - $90,000; year 6 - $120,000; years 7 through 65 - the prior year lease amount plus any increases in the Consumer Price Index.

Flight Simulation Commissions — The Authority entered into an agreement August 1996 with Flight Avionics of North America, Inc. to receive commissions on flight simulator revenues. The commission is calculated as 50% of the flight simulator net profit. The most recent contract term expired February 28, 2012, although both parties continue to operate under the terms of the contract while working on a new contract.

Fort Sumter Tour Commissions — The Authority receives commissions and facility rent from Fort Sumter Tours, Inc., a tour boat operator who sells tickets from the Authority's facility. The valuation basis for the commissions is 1.5% of gross receipts. The initial contract term, which ended January 31, 1991, had the option to renew for ten five-year terms, and Fort Sumter Tours, Inc. renewed the contract through January 2016.

Historical Cost of Leased Land and Improvements — The total historical cost and net value of land and depreciable land improvements leased to parties external to the State of South Carolina reporting entity, is as follows:

	Golf Course	Hotel, Marina, Land, and Other Facilities
Capital Assets, Not Being Depreciated:		
Land and Improvements	$ 1,430,055	$ 2,500,660
Capital Assets, Depreciable		
Depreciable Land Improvements	613,325	183,334
Less: Accumulated Depreciation	(613,325)	(183,334)
Total Capital Assets, Depreciable, Net	-	-
Capital Assets, Net	$ 1,430,055	$ 2,500,660

NOTE G – LEASE AND COMMISSION INCOME (CONTINUED)

Future Minimum Rental Payments — A schedule of future minimum base rental income payments on non-cancellable leases of the hotel, cottages, marina, undeveloped parcels, golf courses, and athletic complex are as follows:

	College Charleston	Non-State of South Carolina Parties	Total
2016	$ 162,793	923,173	$ 1,085,966
2017	162,793	915,964	1,078,757
2018	162,793	915,964	1,078,757
2019	162,793	915,964	1,078,757
2020	162,793	915,964	1,078,757
2021 - 2025	813,964	4,047,786	4,861,750
2026 - 2030	813,964	3,515,754	4,329,718
2031 - 2035	813,964	3,515,754	4,329,718
2036 - 2040	813,964	3,515,754	4,329,718
2041 - 2045	813,964	3,515,754	4,329,718
2046 - 2050	813,964	3,515,754	4,329,718
2051 - 2055	813,964	3,515,754	4,329,718
2056 - 2060	813,964	3,515,754	4,329,718
2061 - 2065	284,888	3,515,754	3,800,642
2066 - 2070	-	3,515,754	3,515,754
2071 - 2075	-	3,515,754	3,515,754
2076 - 2080	-	3,515,754	3,515,754
2081 - 2085	-	3,515,754	3,515,754
2086 - 2090	-	3,515,754	3,515,754
2091 - 2095	-	3,515,754	3,515,754
2096 - 2099	-	567,151	567,151
Total Future Rents	$ 7,610,565	58,422,522	$ 66,033,087

NOTE H – RELATED PARTY TRANSACTIONS

State of South Carolina and Agencies:

The Authority has significant transactions with the State and various State agencies. From time to time the Authority will provide rental facilities to other agencies that are part of the State reporting entity. For the years ended June 30, 2015 and 2014, no facility rentals were provided to other State Agencies.

The Authority receives certain services at no cost from State agencies. The main services received by the Authority from State agencies are: maintenance of certain accounting records and payroll and disbursement processing from the State Comptroller General, check preparation and banking functions from the State Treasurer, and legal services from the State Attorney General. For certain of these services the Authority also utilizes the services of third parties.

NOTE H – RELATED PARTY TRANSACTIONS (CONTINUED)

State of South Carolina and Agencies (Continued):

Other services which are available at no cost from the Budget and Control Board include personnel, management, assistance in the preparation of the State budget, review and approval of certain budget amendments and other centralized functions. Retirement plan administration services are provided at no cost from the Public Employee Benefit Authority ("PEBA").

The Authority had financial transactions with various State agencies during the years ended June 30, 2015 and 2014. Significant payments were made to PEBA for retirement and insurance plan contributions. The Authority also made payments to divisions of the State Budget and Control Board for office supplies, printing, telephone, and interagency mail services. The amounts of expenses for the years ended June 30, 2015 and 2014 applicable to these related party transactions are not readily available.

The Authority leases an athletic complex to College of Charleston. Both entities are part of the State of South Carolina reporting entity. Lease revenue during the years ended June 30, 2015 and 2014 was $167,740 and $166,587, respectively.

NOTE I – RISK MANAGEMENT

The Authority is exposed to various risks of loss, which include property damage, automobile liability, injury and illness to employees, injury to visitors, injury to volunteers, tort liability, and business interruption. The Authority maintains State insurance coverage for each of these risks. In addition, the Authority maintains a commercial crime policy for theft. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. There were no significant reductions in insurance coverage from coverage in the prior year. The costs of settled claims and claims/losses have not exceeded this coverage in any of the past three years for the insured risks or for self-insured employee fidelity losses in the past three years.

The Authority pays insurance premiums to certain other State agencies to cover risks that may occur in normal operations. The insurers promise to pay to or on behalf of the insured for covered economic losses sustained during the policy period in accordance with insurance policy and benefit program limits. State management believes it is more economical to manage certain risks internally and set aside assets for claim settlement. Several State funds accumulate assets and the State itself assumes substantially all risks for the following:

- Claims of State employees for unemployment compensation benefits (Department of Employment and Workforce);
- Claims of covered employees for workers' compensation benefits for job-related illnesses or injuries (State Accident Fund);
- Claims of covered public employees for health and dental insurance benefits (South Carolina Public Employee Benefit Authority – Insurance Benefits); and
- Claims of covered public employees for long-term disability and group-life insurance benefits (South Carolina Public Employee Benefit Authority – Insurance Benefits).

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

NOTE I – RISK MANAGEMENT (CONTINUED)

The Authority and other entities pay premiums to the State's Insurance Reserve Fund (the "IRF") which issues policies, accumulates assets to cover the risks of loss, and pays claims incurred for covered losses related to the following Authority assets, activities, and/or events:

- Theft of, damage to, or destruction of assets;
- Real property, its contents, and other equipment;
- Motor vehicles, aircraft, and watercraft (inland marine);
- Torts;
- Business interruptions; and
- Natural disasters

The IRF is a self-insurer and purchases reinsurance to obtain certain services and specialized coverage and to limit losses in the areas of property, boiler and machinery, and automobile liability. Also, the IRF purchases reinsurance for catastrophic property insurance. Reinsurance permits partial recovery of losses from reinsurers, but the IRF remains primarily liable. The IRF purchases insurance for aircraft and ocean marine coverage. The IRF's rates are determined actuarially.

State agencies and other entities are the primary participants in the State's Health and Disability Insurance Fund and in the IRF.

The Authority has recorded insurance premium expense as insurance and rental charges in the Statement of Revenues, Expenses and Changes in Net Position. When applicable, these expenses include, and the related liability has been recorded for, probable and reasonably estimable premium adjustments resulting from actual loss experience for workers compensation coverage provided by the insurer for the fiscal year for all entities it insures. The Authority is insured for such coverage under a retrospectively rated policy and premiums are accrued based on the ultimate cost of the experience to date of a group of entities.

In management's opinion, claims losses in excess of insurance coverage are unlikely and, if incurred, would be insignificant to the Authority's financial position. Furthermore, there is no evidence of asset impairment or other information to indicate that a loss expense and liability should be recorded at year-end. Therefore, no loss accrual has been recorded.

NOTE J – OTHER POST-EMPLOYMENT BENEFITS

Plan Description
In accordance with the South Carolina Code of Laws and the annual Appropriation Act, the State of South Carolina provides postemployment health and dental and long-term disability benefits to retired State and school district employees and their covered dependents. The Authority contributes to the South Carolina Retiree Health Insurance Trust Fund ("SCRHITF") and the South Carolina Long-Term Disability Insurance Trust Fund ("SCLTDITF"), cost-sharing multiple-employer defined benefit postemployment healthcare and long-term disability plans administered by the Insurance Benefits Division ("IB"), a part of the South Carolina Public Employee Benefit Authority ("PEBA").

Generally, retirees are eligible for the health and dental benefits if they have established at least ten years of retirement service credit. For new hires on May 2, 2008 and after, retirees are eligible for benefits if they have established twenty-five years of service for 100% employer funding and fifteen through twenty-four years of service for 50% employer funding. Benefits become effective when the former employee retires under a State retirement system. Basic long-term disability ("BLTD") benefits are provided to active State, public school district and participating local government employees approved for disability.

NOTE J – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Funding Policy
Section 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires these postemployment and long-term disability benefits be funded though annual appropriations by the State General Assembly for active employees to the IB and participating retirees to the PEBA, except the portion funded through the pension surcharge and provided from other applicable sources of the IB, for its active employees who are not funded by State General Fund appropriations. Employers participating in the SCRHITF are mandated by State statute to contribute at a rate assessed each year by the Office of the State Budget, 5.00% of annual covered payroll for 2015 and 4.92% of annual covered payroll for 2014. The IB sets the employer contribution rate based on a pay-as-you-go basis. 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 paid to IB was $3.22 for the years ended June 30, 2015 and 2014.

Effective May 1, 2008 the State established two trust funds through Act 195 for the purpose of funding and accounting for the employer costs of retiree health and dental insurance benefits and long-term disability insurance benefits. The SCRHITF is primarily funded through the payroll surcharge. Other sources of funding include additional State appropriated dollars, accumulated IB reserves, and income generated from investments. The SCLTDITF is primarily funded through investment income and employer contributions.

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

NOTE K – RETIREMENT PLAN

State Retirement Plans The Authority participates in the State of South Carolina's retirement plan, which is administered by the PEBA, which was created on July 1, 2012 and administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the pension systems and the trust funds. By law, the Budget and Control Board, which consists of five elected officials, also reviews certain PEBA Board ("Board") decisions regarding the funding of the pension systems and serves as a co-trustee of the pension systems in conducting that review. PEBA issues a Comprehensive Annual Financial Report ("CAFR") containing financial statements and required supplementary information for the South Carolina Retirement Systems' pension trust funds. The CAFR is publicly available on 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, PO Box 11960, Columbia, SC 29211-1960. PEBA is considered a division of the primary government of the Sate 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 effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for employees of the state, its public school districts, and political subdivisions.

The State Optional Retirement Program ("ORP") is a defined contribution plan that is offered as an alternative to certain newly hired state, public school, and higher education employees. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers.

NOTE K – RETIREMENT PLAN (CONTINUED)

Plan Membership

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

- SCRS - 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.

- State ORP - As an alternative to membership in SCRS, newly hired state, public school, and higher education employees and individuals newly elected to the S.C. General Assembly beginning with the November 2012 general election have the option to participate in the State ORP, which is a defined contribution plan. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the investment providers. For this reason, State ORP programs are not considered part of the retirement systems for financial statement purposes. Employee and Employer contributions to the State ORP are at the same rates as SCRS. A direct remittance is required from the employers to the member's account with investment providers for the employee contribution (8 percent) and a portion of the employer contribution (5 percent). A direct remittance is also required to SCRS for the remaining portion of the employer contribution (5.75 percent) and an incidental death benefit contribution (.15 percent), if applicable, which is retained by SCRS. The Authority did not make any contributions to ORP for the years ended June 30, 2015 and 2014.

Plan 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. A brief summary of benefit terms for each system is presented below.

- SCRS - 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.

NOTE K – RETIREMENT PLAN (CONTINUED)

Plan Contributions

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. The 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 employer contribution rate that exceeds 2.9 percent of earnable compensation for the 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 provided 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 plans, 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.

As noted above, both employees and the Authority are required to contribute to the Plan at rates established and as amended by the PEBA. The Authority's contributions are actuarially determined but are communicated to and paid by the Authority as a percentage of the employees' annual eligible compensation as follows for the past three years:

	SCRS		
	2013	2014	2015
Employer Rate:			
Retirement	10.45%	10.45%	10.75%
Incidental Death Benefit	0.15%	0.15%	0.15%
Accidental Death Contributions	0.00%	0.00%	0.00%
	10.60%	10.60%	10.90%
Employee Rate	7.00%	7.50%	8.00%

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

Year Ended	SCRS Contributions	
June 30,	Required	% Contributed
2015	$ 347,863	100%
2014	319,649	100%
2013	$ 295,005	100%

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

Year Ended June 30,	SCRS Payroll
2015	$ 3,191,404
2014	3,015,557
2013	$ 2,783,066

NOTE K – RETIREMENT PLAN (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions

The most recent annual actuarial valuation reports adopted by the PEBA Board and Budget and Control Board are as of July 1, 2013. The net pension liability of the Plan was therefore determined based on the July 1, 2013 actuarial valuations, using membership data as of July 1, 2013, projected forward to the end of the fiscal year, and financial information of the pension trust funds as of June 30, 2014, using generally accepted actuarial procedures. Information included in the following schedules is based on the certification provided by PEBA's consulting actuary, Gabriel, Roeder, Smith and Company.

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, 2014, NPL amounts and the change in NPL amounts for the SCRS are as follows:

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension
SCRS	$ 42,955,205,796	25,738,521,026	$ 17,216,684,770	59.92%

At June 30, 2015, the Authority reported a liability of $5,718,694 for its proportionate share of the net pension liability for the SCRS. The net pension liability was measured as of June 30, 2014, and the total pension liability for the Plan used to calculate the net pension liability was determined based on the most recent actuarial valuation report as of July 1, 2013 that was projected forward to the measurement 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 Plan relative to the projected contributions of all participating South Carolina state and local governmental employers, actuarially determined. At June 30, 2014, the Authority's SCRS proportion was .033 percent, which was unchanged from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Authority recognized pension expense of $400,815 for the SCRS. At June 30, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
SCRS		
Differences Between Expected and Actual Experience	$ 162,044	$ -
Change in Assumptions	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	482,128
Changes in Proportion and Differences Between the Authority's Contributions and Proportionate Share of Contributions	-	-
Authority's Contributions Subsequent to the Measurement Date	347,863	-
Total SCRS	$ 509,907	$ 482,128

NOTE K – RETIREMENT PLAN (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

$348,000 that was reported as deferred outflows of resources related to the Authority's contributions subsequent to the measurement date to the SCRS, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the SCRS will be recognized in pension expense as follows:

Year Ended June 30,	SCRS
2016	$ 70,410
2017	70,410
2018	70,410
2019	108,854
Total	$ 320,084

Actuarial Assumptions and Methods

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined during the valuation process are subject to 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 data through June 30, 2010, and the next experience study is scheduled to be conducted after the June 30, 2015 annual valuation is complete.

The following table provides a summary of the actuarial cost method and assumptions used in the July 1, 2013, valuations for SCRS.

	SCRS
Actuarial Cost Method	Entry Age
Actuarial Assumptions:	
Investment Rate of Return	7.50%
Salary Increases	Levels off at 3.5%
Includes Inflation at	2.75%
Benefit Adjustments	Lesser of 1% or $500

NOTE K – RETIREMENT PLAN (CONTINUED)

The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000.

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

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 third quarter 2012. 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. The actuarial long-term assumptions for other asset classes are based on historical results, current market characteristics and professional judgment.

NOTE K – RETIREMENT PLAN (CONTINUED)

Actuarial Assumptions and Methods (Continued)

The RSIC has exclusive authority to invest and manage the retirement trust funds' assets. As co-fiduciary of the pension systems, statutory provisions and governance policies allow the RSIC to operate in a manner consistent with a long-term investment time horizon. The expected real rates of investment return, along with the expected inflation rate, form the basis for the target asset allocation adopted annually by the RSIC. 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 below. For actuarial purposes, the 7.50 percent assumed annual investment rate of return used in the calculation of the total pension liability includes a 4.75 percent real rate of return and a 2.75 percent inflation component.

Asset Class	Target Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Short Term	5.0%		
Cash	2.0%	0.3%	0.01%
Short Duration	3.0%	0.6%	0.02%
Domestic Fixed Income	13.0%		
Core Fixed Income	7.0%	1.1%	0.08%
High Yield	2.0%	3.5%	0.07%
Bank Loans	4.0%	2.8%	0.11%
Global Fixed Income	9.0%		
Global Fixed Income	3.0%	0.8%	0.02%
Emerging Markets Debt	6.0%	4.1%	0.25%
Global Public Equity	31.0%	7.8%	2.42%
Global Tactical Asset Allocation	10.0%	5.1%	0.51%
Alternatives	32.0%		
Hedge Funds (Low Beta)	8.0%	4.0%	0.32%
Private Debt	7.0%	10.2%	0.71%
Private Equity	9.0%	10.2%	0.92%
Real Estate (Broad Market)	5.0%	5.9%	0.29%
Commodities	3.0%	5.1%	0.15%
Total Expected Real Return	100.0%		5.88%
Inflation for Actuarial Purposes			2.75%
Total Expected Nominal Return			8.63%

NOTE K – RETIREMENT PLAN (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in the SCRS will be made based on the 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 Authority's proportionate share of the net pension liability of the Plan as of June 30, 2014 to changes in the discount rate, calculated using the discount rate of 7.5 percent, as well as what it would be if it were calculated using a discount rate that is 1% point lower (6.5 percent) or 1% point higher (8.5 percent) than the current rate:

System	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Authority's proportionate share of the net pension liability of the SCRS	$ 7,400,344	5,718,694	$ 4,315,716

Plan Fiduciary Net Position

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

NOTE L – COMMITMENTS

The Authority has a lease agreement with Fort Sumter Tours, Inc. expiring January 31, 2016. As a condition of the contract with Fort Sumter Tours, Inc., the Authority is obligated to provide dredging of the boat docking facilities at the Authority. The most recent dredging took place during fiscal year ended June 30, 2014, at a cost of approximately $821,000 paid for by Fort Sumter Tours, Inc., and it is anticipated that additional dredging will be required every eight to ten years. The Authority anticipates paying for the cost of future dredging from lease and other revenues.

As a condition of locating the Congressional Medal of Honor Museum at Patriots Point, the Authority is obligated to pay the Congressional Medal of Honor Society approximately $36,000 per year during the period that the Congressional Medal of Honor Museum is located at the Authority. The contract with the Congressional Medal of Honor Museum Society is currently set to expire April 22, 2018.

The Authority must maintain its attractions to draw for visitors and ensure safety. Under the donation agreement from the Department of Navy for the USS Yorktown, the Authority is required to perform routine maintenance as considered necessary to provide for appropriate presentation of the USS Yorktown. Costs associated with maintenance of the USS Yorktown and other exhibits are expensed as incurred. The revenue source for the ongoing routine maintenance is expected to be amounts generated from admissions to the exhibits of the Authority.

NOTE M – VOLUNTARY NONEXCHANGE DONATIONS

Voluntary nonexchange donations represent amounts received by the Authority to either offset maintenance expenses or assist in the funding of educational programs. All eligibility requirements for the donations are considered immediately satisfied upon receipt of the donations by the Authority. Voluntary nonexchange donations totaled $2,305 and $13,389, which were cash donations, for the fiscal years ending June 30, 2015 and 2014, respectively.

NOTE N – COLD WAR SUBMARINE MEMORIAL

In 2003, the Authority received a Cold War Submarine Memorial (the "Memorial") from the Cold War Submarine Memorial Foundation, Inc. The estimated costs associated with construction of the Memorial were $850,000. The Memorial was donated to the Authority and as such the Authority incurred no costs associated with the Memorial. No amount has been recorded within these financial statements for the donation as the authoritative accounting guidance provides that additions such as this should not be recorded when the following conditions are met (such conditions are considered met): a) held for public exhibition and education, rather than for financial gain, b) protected and preserved, and c) subject to an organizational policy that requires the proceeds for any sale to be used to acquire other items for collections.

NOTE O – GOING CONCERN

As noted in Note F, the Authority has an $8,200,000 general obligation bond payable due to the State which is due in full on November 1, 2015. The Authority does not have the financial resources available to pay the State the full amount owed on November 1, 2015, nor does it believe that it will have the financial resources to satisfy the obligation in full by November 1, 2015. The Authority’s Board has indicated its intention to deliver an alternative payment plan for the $8,200,000 obligation to the State no later than November 1, 2015. If the Authority cannot meet its obligation or if it does not receive approval from the State for an alternative payment arrangement, there would be doubt about the Authority’s ability to continue as a going concern.

Required Supplementary Information

PATRIOTS POINT DEVELOPMENT AUTHORITY
MOUNT PLEASANT, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PATRIOTS POINT DEVELOPMENT AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - SOUTH CAROLINA RETIREMENT SYSTEM

LAST TWO FISCAL YEARS

	Year Ended June 30,	
	2015	**2014**
Patriots Point Development Authority's Proportion of the Net Pension Liability	0.033%	0.033%
Patriots Point Development Authority's Proportionate Share of the Net Pension Liability	$ 5,718,694	$ 5,957,765
Patriots Point Development Authority's Covered-Employee Payroll	$ 3,015,557	$ 2,783,066
Patriots Point Development Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	189.64%	214.07%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	59.919%	56.388%

Notes to Schedule:

The amounts presented for each fiscal year were determined as of June 30th of the preceding year.

PATRIOTS POINT DEVELOPMENT AUTHORITY
MOUNT PLEASANT, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PATRIOTS POINT DEVELOPMENT AUTHORITY'S CONTRIBUTIONS
SOUTH CAROLINA RETIREMENT SYSTEM

LAST TEN FISCAL YEARS

	Year Ended June 30,									
	2015	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**
Contractually Required Contribution	$ 347,863	319,649	295,005	256,471	222,103	191,700	197,940	172,000	165,000	$ 160,000
Contributions in Relation to the Contractually Required Contribution:	347,863	319,649	295,005	256,471	222,103	191,700	197,940	172,000	165,000	160,000
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Patriots Point Development Authority's Covered-Employee Payroll	$3,191,404	3,015,557	2,783,066	2,689,785	2,365,314	2,041,534	2,107,987	1,867,535	2,012,195	$2,077,922
Contributions as a Percentage of Covered-Employee Payroll:	10.900%	10.600%	10.600%	9.535%	9.390%	9.390%	9.390%	9.210%	8.200%	7.700%

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Patriots Point Development Authority (the "Authority"), a discretely presented component unit of the State of South Carolina, as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated September 4, 2015.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Greene, Finney & Horton LLP

Greene, Finney & Horton, LLP
Mauldin, South Carolina
September 4, 2015