SOUTH CAROLINA STATE PORTS AUTHORITY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR FISCAL YEAR ENDED JUNE 30, 2017

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SOUTH CAROLINA PORTS

The South Carolina State Ports Authority is a discreetly presented component of the State of South Carolina.

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SOUTH CAROLINA PORTS
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January 31, 2018

Board of Directors
South Carolina State Ports Authority
176 Concord Street
Charleston, SC 29401

Members of the South Carolina State Ports Authority Board of Directors:

The South Carolina State Ports Authority ("SCSPA" or "Authority") is pleased to present the Comprehensive Annual Financial Report for the fiscal years ended June 30, 2017. This report provides readers with an understanding of the SCSPA's financial condition and activities.

Management assumes responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Internal controls are designed to provide reasonable, but not absolute, assurance that assets are safeguarded, financial transactions are properly recorded and that the financial statements are free of any material misstatements. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived from such control and that the evaluation of costs and benefits requires estimates and judgments by the Authority's management.

PricewaterhouseCoopers LLP, Certified Public Accountants, have issued an unqualified opinion on South Carolina State Ports Authority's financial statements for the years ended June 30, 2017 and 2016. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the South Carolina State Ports Authority

Founded in 1942, the SCSPA owns and operates public marine and inland terminals in four (4) regions within the state: Charleston, Georgetown, Greer and Dillon. The facilities within these regions are owner-operated terminals, meaning the SCSPA owns the terminals, operates all container cranes and handling equipment, manages, and operates all container storage yards.

The SCSPA promotes, develops and facilitates waterborne commerce to meet the current and future needs of its customers, and for the economic benefit of the citizens and businesses of South Carolina. The SCSPA fulfills this mission by delivering cost competitive facilities and services, collaborating with customers and stakeholders, and sustaining its financial self-sufficiency.

Comprised of six (6) public marine terminals, the SCSPA is the ninth largest container port in the United States and one of the busiest container ports along the Southeast and Gulf coasts. SCSPA is recognized as one of the nation's most efficient and productive ports. The impact of the SCSPA represents nearly 10% of South Carolina's GDP. Trade through SCSPA ports facilitates 187,200 South Carolina jobs while providing an overall economic impact of $53 billion.

The SCSPA operates as a self-supporting governmental enterprise and is directed by a nine-member governing board of directors, whose members are appointed by the Governor of South Carolina for five-year terms. The board also includes the Secretaries of Transportation and Commerce as additional ex officio, nonvoting members.

Business of the Authority

The Port of Charleston is comprised of five (5) ocean terminals handling import and export containerized, breakbulk, roll-on/roll-off ("Ro-Ro"), and bulk cargo. The Authority also owns and oversees the operation of a cruise facility located on the Cooper River in downtown Charleston.

North Charleston Terminal
Located on the Cooper River, fifteen miles from the open ocean, the North Charleston Terminal is primarily a container facility with some breakbulk and transloading activities. Totaling 201 acres, this facility includes 2,460 feet of continuous berth space; six container cranes, four of which are Post-Panamax and two of which are Super-Post-Panamax; approximately 134 acres of container storage space; and an on-terminal intermodal rail yard. Vessel transit time from this facility to open sea is approximately two hours.

Wando Welch Terminal
Located on the east bank of the Wando River, nine miles from the open ocean, the Wando Welch Terminal is primarily a container facility. The largest of the Authority's facilities, the Wando Welch Terminal totals nearly 689 acres with 3,800 continuous feet of berth space, approximately 267 acres of container storage space, and an on-terminal 188,000 square foot warehouse. This terminal is the largest in terms of both physical size and pier container volumes at the Port of Charleston, offering ten container cranes, all of which are Super-Post-Panamax, with two additional cranes on order. Vessel transit time form this facility to open sea is approximately one and a half hours.

Columbus Street Terminal
Located on the Cooper River, six miles from the open ocean, the Columbus Street Terminal offers a combination of Ro-Ro and breakbulk services. This facility totals 155 acres and features 3,500 continuous feet of berth space, an on-terminal rail yard and three warehouses that house breakbulk cargo totaling over 365,000 square feet. Vessel transit time from this facility to open sea is approximately one hour.

Union Pier Terminal
Located on the Cooper River, six miles from the open ocean, Union Pier Terminal is primarily a breakbulk cargo facility. Of Charleston's five terminals, Union Pier Terminal is the closest to open sea. This 71-acre facility has over 2,470 continuous feet of wharf, 334,000 square feet of warehouse space, and is served by Norfolk-Southern and CSX railways. Vessel transit time from this facility to open sea is approximately one hour. Union Pier Terminal also accommodates the Port of Charleston's cruise operations. The cruise terminal features 1,000 feet of wharf and 18,000 square feet of building space.

Veterans Terminal
Located on the Cooper River, nine miles from the open ocean, Veterans Terminal is a transloading facility with limited breakbulk operations. This 110-acre facility has four piers and approximately 97,000 square feet of warehouse space and is served by Norfolk-Southern and CSX railways.

The Port of Georgetown is a 45-acre facility located approximately 60 miles northeast of Charleston on the Sampit River, approximately 16.5 miles from the Atlantic Ocean. The Authority owns two facilities at the Port of Georgetown: Pier 31 and Pier 32. Pier 31 consists of a 500-foot berth, a 700-foot berth, 139,800 square feet of warehouse space and 25 acres of paved open storage area. This facility, which is operated by the Authority, is used primarily for the import and export of breakbulk cargo. Pier 32 consists of a 600-foot pier equipped with a 75-ton gantry crane. Harbor depth continues to be a limiting factor for the growth of the Port of Georgetown, which constitutes less than 1% of the Authority's operating revenue.

The Authority opened the Inland Port in Greer, South Carolina for test cargo in October 2013, and it became fully operational by November 2013. With an anchor tenant of BMW Manufacturing Company, the Inland Port, which operates 24 hours a day, seven days a week, is an intermodal rail facility that transfers import and export containers and cargo 6 days a week via rail over 200 miles between Charleston and Greer. The Inland Port, providing overnight double-stack rail service, improves the efficiency of freight movements between the Authority, the upstate manufacturing region, and neighboring states, thus promoting economic development and rail efficiency in the State of South Carolina.

Long-Term Financial Planning

Over the last ten years, the Authority's container volume, measured in twenty-foot equivalent units, has grown from 1.69 million in fiscal year 2008 to 2.14 million in fiscal year 2017. More importantly, the SCSPA saw growth of approximately 10% from fiscal year 2016 to fiscal year 2017. Because of this, the SCSPA and the State of South Carolina are investing nearly $2.0 billion in port-dependent infrastructure over the next ten (10) years. These projects include the new 286-acre Hugh K. Leatherman Sr. Terminal ("HLT") container facility; construction of a dedicated highway connecting HLT to I-26; deepening of the Charleston Harbor to 52 feet, making it the deepest port on the US East Coast; and robust investments in existing facilities, including new cranes, rubber tire gantry cranes, top lifters, new gates and traffic improvement, a new terminal operating system, wharf reinforcements and construction of a new inland port in Dillon, South Carolina.

SCSPA is only as strong as the freight base it serves. An integrated statewide effort is continuing to deliver success in attracting large-scale investments from port-dependent firms. More than $11 billion has been invested by port-dependent firms in recent years, bringing more than 25,000 new jobs and sustainable increases in cargo volume. The most recognized brands in the world are demanding SC Ports, including BMW, Mercedes-Benz Vans, Volvo Car, Samsung, Dollar Tree, Harbor Freight Tools, Adidas, Michelin, Bridgestone, Giti Tire and many more.

Major Initiatives

The deepening of the Charleston Harbor to 52 feet is a strategic priority for SCSPA, South Carolina, and the nation. Deep, wider channels are needed to more efficiently handle the larger containerships already calling US East Coast ports, including Charleston. The $530 million plan calls for Charleston to be deepened to 52 feet mean low water in the interior channel and 54 feet mean low water in the outer channel. This will give Charleston a maximum vessel draft of 52 feet on high tide and a 24-hour draft of 48 feet. A 24-hour draft of 48 feet will allow fully-loaded 13,000 Twenty-Foot Equivalent Unit ("TEU") container ships to be worked in Charleston on all tides, a key strategic advantage. A significant milestone was reached in July when the Army Corps of Engineers and the Authority signed the Project Partnership Agreement, which essentially begins the construction phase of the project. It is projected that when the project is complete, Charleston will be the deepest port on the US East Coast.

The SCSPA is constructing an inland port facility in Dillon, SC, just off I-95 near the SC/NC border. The 110-acre, $40 million terminal will be served by CSX exclusively to and from Charleston. Scheduled for opening in the first quarter of calendar year 2018, Inland Port Dillon will provide a unique, short-haul rail service for existing clients in the area and serve as a draw for economic development in the area. The inland port will be located on the eastern side of a 3,400-acre industrial park where industrial clients will find easy access to both the inland port and I-95.

The Authority is also building a new container terminal on the Cooper River in North Charleston, the only new container terminal currently under construction in the United States. The Hugh Leatherman Sr. Terminal ("HLT") will be constructed in three phases, with timing based on market demand. The first phase consists of one ship berth, 130 acres of upland facilities, container storage and container handling equipment. HLT is designed for a capacity of 1.4 million TEUs, has more than 3,500 feet of continuous berth and 165 acres of dedicated container storage space. At full buildout, it will be served by 12 Super Post-Panamax ship-to-shore container cranes and 60 electric rubber tired gantry cranes. The terminal is currently in the detailed design phase. Site work is underway with works consisting of clearing, demolition and consolidation of soils. Phase one of the Hugh Leatherman Sr. Terminal is scheduled for opening in 2020. HLT will feature a dedicated commercial access road connecting the terminal to Interstate 26 and, via an additional private road, to the new intermodal rail facility being built nearby. Combined, HLT Phase 1 and the SCPA's associated share of the access road will cost approximately $833 million.

Acknowledgements

The preparation of the Comprehensive Annual Financial Report for the South Carolina State Ports Authority would not have been possible without the skill, effort, and dedication of the entire Finance Department staff, Chernoff Newman, and our auditors, PricewaterhouseCoopers LLP. We wish to thank all members of the SCPA Board of Directors for their continued guidance and support, and for maintaining the highest standards of professionalism in the management of the South Carolina State Ports Authority's finances.

Respectfully Submitted,

Phillip Padgett
Controller

Stanley Van Ostran
Senior Vice President & Chief Financial Officer

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SCPA BOARD OF DIRECTORS

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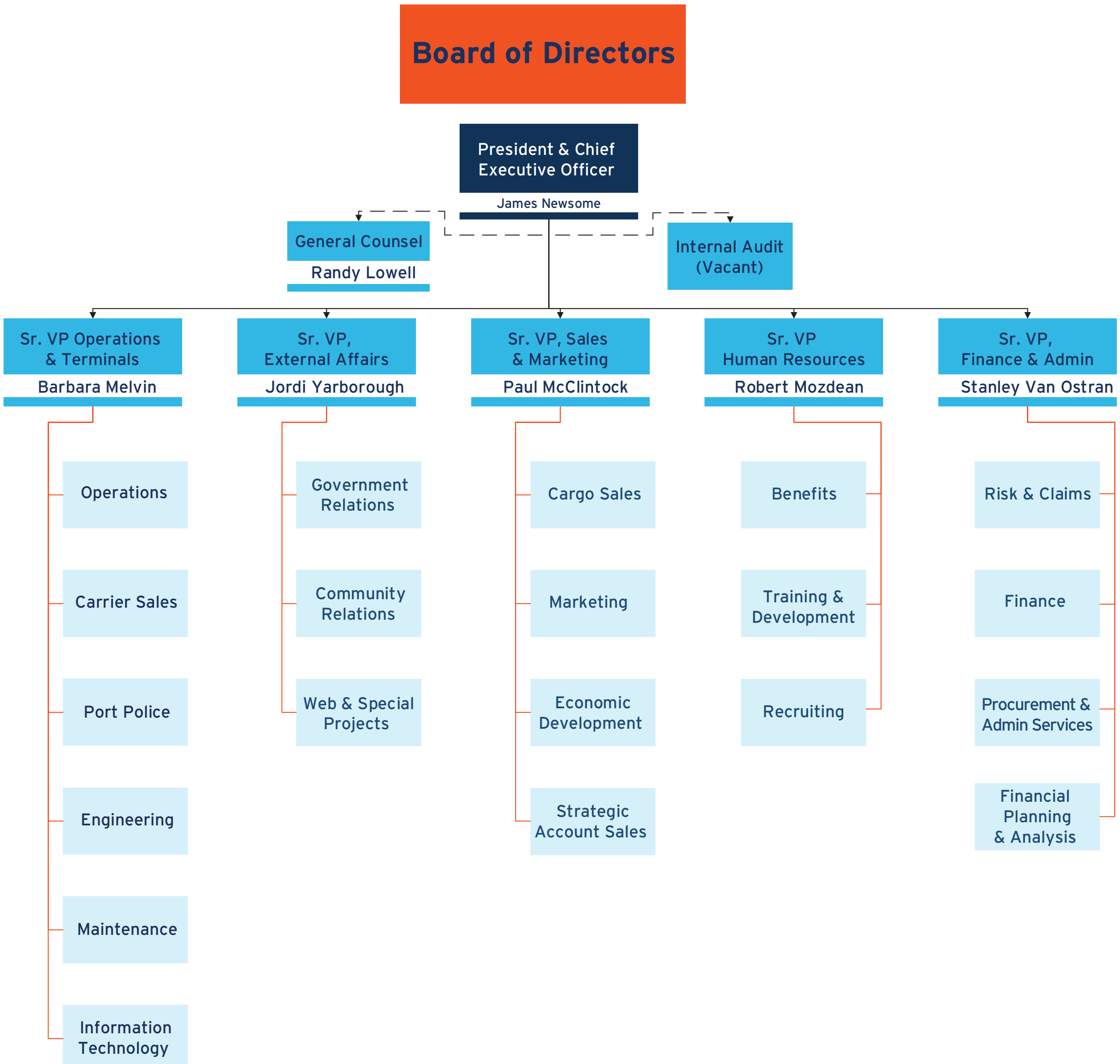
ORGANIZATIONAL CHART



FINANCIAL SECTION

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Report of Independent Auditors

To the Board of Directors and Management of
South Carolina State Ports Authority

We have audited the accompanying financial statements of the South Carolina State Ports Authority (the “Ports Authority”), a component unit of the State of South Carolina, which comprise the statements of net position as of June 30, 2017 and 2016, and the related statements of revenues, expenses and changes in net position, and of cash flows for the years then ended.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

Auditors’ Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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, we consider internal control relevant to the Company'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 Company'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.

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Opinion

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

Emphasis of Matter

As discussed in Note 1, the financial statements of the Ports Authority are intended to present the financial position, changes in financial position and cash flows of the State of South Carolina that are attributable to transactions of the Ports Authority. They do not purport to, and do not, present fairly the financial position of the State of South Carolina as of June 30, 2017 and 2016, and the changes in financial position or its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matter

The accompanying management's discussion and analysis on pages 3 through 10 and the required supplemental information on pages 54 through 59 are required by accounting principles generally accepted in the United States of America 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 audits 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.

PricewaterhouseCoopers LLP

Spartanburg, South Carolina
October 6, 2017

Required Supplementary Information

South Carolina State Ports Authority
Management's Discussion and Analysis
June 30, 2017 and 2016

Annual Financial Report

The annual financial report of the South Carolina State Ports Authority ("Ports Authority" or the "Authority") provides an overview of the Ports Authority's financial activities for the fiscal years ended June 30, 2017 and 2016. Management's discussion and analysis should be read in conjunction with the Authority's accompanying financial statements and notes to the financial statements.

Certain information provided by the Ports Authority, including written, as outlined above, or oral statements made by its representatives, may contain forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical fact, which address activities, events or developments that the Ports Authority expects or anticipates will or may occur in the future, contain forward-looking information.

Actual results may differ materially from those projected or suggested in such forward-looking information. This forward-looking information is based upon various factors and was derived using various assumptions.

About the Authority

The South Carolina State Ports Authority was created in 1942 by Act Number 626 of the South Carolina General Assembly for the general purposes of developing and improving the harbors and seaports of Charleston, Georgetown and Beaufort for the handling of waterborne commerce, and to foster and stimulate the shipment of freight and commerce through these ports. The Ports Authority has no stockholders or equity holders and is directed by a governing board, whose members are appointed by the Governor of South Carolina for five-year terms. The Board consists of nine voting members and the Secretaries of Transportation and Commerce as additional ex officio, nonvoting members. The Ports Authority owns and is responsible for the operation of six ocean terminals at the ports of Charleston and Georgetown, as well as inland port facilities in Greer and Dillon (under construction). These facilities primarily handle import and export containerized breakbulk, and bulk cargoes.

Operating Highlights

- During fiscal year 2017, the Ports Authority handled a record, 2,137,704 twenty foot equivalent units (TEUs). This represents an increase of 10% over fiscal year 2016's 1,943,170 and a 12% increase over 2015.
- Construction of the South Carolina Inland Port at Dillon commenced in the first quarter of fiscal year 2017 with an estimated completion in third quarter of fiscal year 2018.
- The Authority had its first 13,000 TEU vessel dock at the Wando Welch Terminal.
- The Ports Authority experienced record rail moves at the South Carolina Inland Port at Greer with approximately 122,000 in fiscal year 2017.
- Investment in capital infrastructure, led by Phase 1 of the Hugh K. Leatherman, Sr. Terminal, reached its highest level in history with over $180 million in capital spend.

Financial Highlights

- The Ports Authority's total net position was $836.2 million, $742.5 million, and $678.8 million as of June 30, 2017, 2016, and 2015 respectively. The Authority's total net position increased $92 million (12.4%) during the current fiscal year and $155.7 million (22.9%) over fiscal year 2015.
- The Ports Authority generated its highest total operating revenues in history of $233.6 million for the fiscal year ended June 30, 2017. This represents an increase of 10.6% over the $211.2 million generated for the fiscal year ended June 30, 2016 and an 18.8% increase over revenues in fiscal year 2015 of $196.7 million.

South Carolina State Ports Authority
Management's Discussion and Analysis
June 30, 2017 and 2016

Analysis of Overall Financial Position and Results of Operations

The Ports Authority's performance measures during fiscal years ended June 30 are as follows:

(in thousands)	2017	2016	2015
Total operating revenues	$ 233,648	$ 211,166	$ 196,759
Total TEUs (equivalent number of 20' container units)	2,138	1,943	1,916
Breakbulk pier tonnage	859	1,151	1,421

A total of 1,765, 1,900, and 1,896 vessels (excluding barges) docked during the years ended June 30, 2017, 2016, and 2015, respectively. The Ports Authority provided services to the top 11 largest container ship lines based on US containerized import and export cargo volumes as of June 30, 2017, as reported in the *Alphaliner Top 100 Report.*

Statements of Net Position (Balance Sheets)

A condensed summary of the Ports Authority's balance sheet and resulting net position at June 30 is shown below:

(in thousands of dollars)	2017	2016	2015
Assets			
Current assets	$ 231,908	$ 253,772	$ 250,683
Internally designated assets	239,998	247,539	63,200
Held by trustee for debt service	36,241	36,196	15,827
Property and equipment, net	1,016,209	846,394	751,871
Other assets	9,895	9,093	2,383
Total assets	1,534,251	1,392,994	1,083,964
Deferred outflows of resources	9,753	8,412	6,003
Total assets and deferred outflows of resources	$ 1,544,004	$ 1,401,406	$ 1,089,967
Liabilities			
Current liabilities	$ 68,716	$ 64,721	$ 40,606
Long-term obligations	638,896	594,032	365,093
Total liabilities	707,612	658,753	405,699
Deferred inflows of resources	119	144	5,470
Net position			
Invested in capital assets, net of debt	462,400	485,494	453,477
Restricted for debt service, net of debt	16,805	16,672	9,194
Unrestricted	357,068	240,343	216,127
Total net position	836,273	742,509	678,798
Total liabilities, deferred inflows of resources and net position	$ 1,544,004	$ 1,401,406	$ 1,089,967

Total assets and deferred outflows of resources increased 10.1% or $143 million from $1,401 million to $1,544 million during 2017. The main driver behind the increase can be seen in property and equipment as the Authority continues to improve equipment and facilities and construct two new facilities, the Hugh K. Leatherman, Sr Terminal and new inland port facility in Dillon, South Carolina.

South Carolina State Ports Authority
Management's Discussion and Analysis
June 30, 2017 and 2016

Deferred Outflows of Resources increased approximately $1.3 million during the year to recognize the Ports Authority's allocated share of difference between actual and expected pension experience, the net difference between projected and actual investment earnings, changes in proportionate share and the Ports Authority's actual pension plan contributions made during 2017 that were paid subsequent to the pension plans' measurement date of June 30, 2016.

Total liabilities increased 7.4% or $49 million from $659 million to $708 million during 2017. The change was directly related to a $25 million debt facility for new equipment and a $20 million loan to develop the new inland port at Dillon.

The Ports Authority also recognized $119 thousand of deferred inflows of resources for the allocated share of the difference between actual and expected pension experience and changes in proportionate share during 2017.

Total assets and deferred outflows of resources increased 28.5% or $311 million from $1,090 million to $1,401 million during 2016. A substantial portion of this increase was a result of the issuance of the Series 2015 revenue bonds that carry a par amount of $294 million. These bonds were issued to fund the purchase and construction of capital assets.

Deferred Outflows of Resources increased approximately $2.4 million during the prior year to recognize the Port Authority's allocated share of difference between actual and expected pension experience, the net difference between projected and actual investment earnings, changes in proportionate share and the Port Authority's actual pension plan contributions made during 2016 that were paid subsequent to the pension plans' measurement date of June 30, 2015.

Total liabilities increased 62.3% or $253 million from $406 million to $659 million during 2016. The change was principally due to $294 million of Series 2015 bonds issued.

The Ports Authority also recognized $144 thousand of deferred inflows of resources for the allocated share of the difference between actual and expected pension experience and changes in proportionate share during 2016.

The largest portion of the Ports Authority's net position each year (55.4%, 65.4% and 66.8% at June 30, 2017, 2016 and 2015, respectively) represents its investment in capital assets (e.g., land, buildings, improvements, and equipment), less the related debt outstanding used to acquire those capital assets. The Ports Authority uses these capital assets to provide services to major steamship lines and their agents for movement of maritime cargo; consequently, these assets are not available for future spending. Although the Ports Authority's investment in capital assets reported is shown net of related debt, it is noted that the resources required to repay this debt must be provided annually from operations, since the capital assets themselves generally are not sold to liquidate liabilities.

An additional portion of the Ports Authority's net position (2.0%, 2.2% and 1.4% at June 30, 2017, 2016 and 2015, respectively) represents resources that are subject to external restrictions. The remaining unrestricted net position (42.6%, 32.4% and 31.8% at June 30, 2017, 2016 and 2015, respectively) may be used to meet any of the Ports Authority's ongoing obligations as defined by the revenue bond covenants.

South Carolina State Ports Authority
Management's Discussion and Analysis
June 30, 2017 and 2016

Statements of Revenues, Expenses and Changes in Net Position
A condensed comparative summary of the Ports Authority's revenues, expenses and changes in net position for the years ended June 30 is shown below:

(in thousands of dollars)	2017	2016	2015
Operating revenues	$ 233,648	$ 211,166	$ 196,759
Operating expenses	195,672	172,465	166,045
Operating earnings	37,976	38,701	30,714
Nonoperating income (expense), net	40,172	17	(3,232)
Contribution to State of South Carolina	(1,000)	(1,000)	(1,000)
Contribution to Aiken County, South Carolina	-	-	(74)
Contribution to Georgetown County, South Carolina	(15)		
Contribution to Sumter County, South Carolina		(1,383)	(425)
Contribution to Cherokee County, South Carolina	(500)		
Capital grants from the federal government	5,681	5,156	361
Contribution from State of South Carolina	2,046	7,185	6,050
Contribution from Spartanburg County, South Carolina	7,095	15,035	281
Contribution from Dillon County, South Carolina	2,309		
Contribution from Norfolk Southern Railway Company		-	1,134
Increase in net position	$ 93,764	$ 63,711	$ 33,809

Operating revenues increased 10.6% from $211.2 million to $233.6 million during 2017. This increase is primarily attributed to increased volumes of containerized cargo and continued success of our inland port facility in Greer. During fiscal year 2017, volumes increased approximately 10% from 1,943,170 TEUs in 2016 to 2,137,702 in 2017. The cruise business segment also experienced moderate revenue growth as a result of a 5.6% increase in passengers over 2016.

Operating revenues increased 7.3% from $196.8 million to $211.2 million during 2016. The increase is attributable to both rate and volume increases across several key areas. In Charleston, gains were realized primarily in the container and cruise business segments. While total container volumes remained flat as a result of overall leveling in international trade, the Authority achieved a slight increase ending the year with 1,943,170 twenty-foot equivalent units (TEUs), a 1.4% increase year over year. The revenue increases within this segment are a result of new contracts with moderate price increases that were negotiated during fiscal 2015 and fully realized during fiscal 2016. Additionally, the rapid rail program within this segment realized increases with total containerized rail volume in and out of Charleston at 23% versus 20% in fiscal 2015. The cruise business segment experienced moderate revenue increases as a result of a 12.3% increase in passengers. In Greer, the SC Inland Port has continued strong growth since inception of operations in November 2013. In fiscal 2016, the Inland Port achieved 91,698 rail moves, a 57% volume increase over the previous year, contributing $3.7 million in additional operating revenues.

South Carolina State Ports Authority
Management's Discussion and Analysis
June 30, 2017 and 2016

The following table breaks down operating revenues by location for each fiscal year ended June 30:

(in thousands of dollars)	2017	2016	2015
Operating revenues			
Charleston	$ 218,716	$ 198,869	$ 188,459
Georgetown	782	936	1,282
Greer	11,814	9,301	5,617
Other	2,336	2,060	1,401
Total operating revenues	$ 233,648	$ 211,166	$ 196,759

The following table breaks down operating expenses for each fiscal year ended June 30:

(in thousands of dollars)	2017	2016	2015
Operating expenses (gains)			
Direct operating expenses	$ 123,876	$ 117,476	$ 106,100
Administrative expense	36,704	28,920	26,313
Depreciation expense	37,233	33,687	33,753
Gain on property damage, net of insurance proceeds	(2,141)	(7,618)	(121)
Total operating expenses	$ 195,672	$ 172,465	$ 166,045

Direct operating expenses for fiscal year 2017 increased by 5.9% from $117 million in 2016 to $124 million in 2017. The increases are primarily a result of operating changes and volume gains. Wage increases and overtime policy changes for operations personnel were initiated in order to ensure the attraction and retention of essential talent at the Ports Authority. The final impacts of the retirement incentive plan were also recognized during the year. Similarly, repairs and maintenance for cranes and other material handling equipment increased during the year as the Ports Authority completed necessary maintenance to handle increased volume.

Administrative expenses for fiscal year 2017 increased by 26.9% from $28.9 million in 2016 to $36.7 million in 2017. This was partially due to the third-year application of GASB 68, *Accounting and Financial Reporting for Pension Plans,* resulting in an increase of the Ports Authority's allocable share of pension costs. See Note 9 – Retirement Plans for additional information on GASB 68. In addition, the Ports Authority experienced an increase in legal costs during the fiscal year as the transition to external general counsel was complete. There was also an increase in incentive awards during fiscal year 2017, due to increased volumes and net position.

Depreciation expense increased 10.5% in fiscal year 2017. This was primarily due to the purchase of two new super post-Panamax cranes at the Wando Welch Terminal, completion of two facilities for BMW in Greer, extensive paving at the North Charleston Terminal, and completion of a reefer service area at the Wando Welch Terminal.

A gain on property damage was recorded in fiscal year 2017 in the amount of $2.1 million. This was primarily due to legal settlement for a prior year incident at Veterans Terminal.

South Carolina State Ports Authority
Management's Discussion and Analysis
June 30, 2017 and 2016

Direct operating expenses for fiscal year 2016 increased by 10.4% from $106 million in 2015 to $117 million in 2016. The increases are primarily a result of operating changes, volume gains and several nonrecurring events. The Authority extended terminal operating hours to accommodate higher volumes during fiscal 2015 and the full-year impact of this change was realized during fiscal 2016. Increased volumes in overall rail connectivity, both at the Inland Port in Greer and within Charleston's rapid rail program, also resulted in higher levels of direct operating expense. In addition to operating changes and volume growth, the Ports Authority initiated a retirement incentive plan that spanned fiscal years 2016 and 2017. The impact resulted in incremental expense in 2016 and carried over into fiscal 2017. One last notable event that was complete in fiscal 2016 is the crane relocation, moving three ship-to-shore cranes from Wando Welch Terminal to the North Charleston Terminal. This move totaled an additional $3 million in fiscal 2016 and is a nonrecurring operating expense.

Administrative expenses for fiscal year 2016 increased by 9.9% from $26.3 million in 2015 to $28.9 million in 2016. This was primarily due to the second-year application of GASB 68, Accounting and Financial Reporting for Pension Plans, resulting in an increase of the Ports Authority's allocable share of pension costs. See Note 9 – Retirement Plans for additional information on GASB 68. Additionally, the Authority increased its advertising dollars in fiscal year 2016 with a state-wide public awareness campaign highlighting the recent publication of the economic impact study.

Depreciation expense remained relatively flat year over year with a 0.2% decline in fiscal year 2016.

A gain related to insurance recovery on property damage was recorded in fiscal year 2016 in the amount of $7.6 million. The majority of the total gain in 2016 relates to a prior year incident at Veterans Terminal.

Nonoperating income (expense) increased from ($1.4) million to $40.5 million in 2017. This was principally due to the sale of the main office building of the Ports Authority.

Nonoperating income (expense) decreased from ($3.2) million in 2015 to ($1.4) million in 2016. This was primarily due to interest income from funds held with the SC State Treasurer.

The Ports Authority made contributions to the State of South Carolina for the Cooper River Bridge during the years ended June 30, 2017, 2016 and 2015, as more fully described in Note 13 – Other Matters. During the years ended June 30, 2017, 2016 and 2015, approximately $0 million, $1.4 million, and $0.4 million, respectively, was contributed to Sumter County for water and sewer infrastructure to support the construction of a major manufacturing facility. During the year ended June 30, 2017, the Ports Authority contributed $.02 million to Georgetown County for a steel mill study and $0.5 million to Cherokee County for economic development. There were no contributions made to Georgetown or Cherokee County during the years ended June 30, 2016 and 2015. These payments have been treated as nonoperating contributions to the state and county governments in South Carolina and therefore have reduced the Ports Authority's net position. These contributions are not treated as a capital asset of the Ports Authority and future payments are not recorded as a liability.

For fiscal years ending June 30, 2017 and 2016, approximately $7.1 million and $15.0 million, respectively was received from Spartanburg County as reimbursement for construction of facilities for use by BMW. This is further described in Note 7 – Commitments. Additionally, for the year ended June 30, 2017, $2.0 million was received from the State of South Carolina as reimbursement for harbor deepening studies as well as bi-state development of the Jasper Ocean Terminal. For the year ended June 30, 2016, $7.2 million was received from the State of South Carolina as reimbursement for harbor deepening studies as well as bi-state development of the Jasper Ocean Terminal.

During the years ended June 30, 2017, 2016 and 2015, the Ports Authority earned approximately $5.7 million, $5.2 million and $0.4 million, respectively, in federal grant money to be used for wharf repairs and improvements at the Wando Welch Terminal as well as security related projects to enhance facilities.

South Carolina State Ports Authority
Management's Discussion and Analysis
June 30, 2017 and 2016

Statements of Cash Flows
A condensed comparative summary of the statements of cash flows for the years ended June 30 is shown below:

(in thousands of dollars)	2017	2016	2015
Cash flow from operating activities	$ 77,981	$ 64,681	$ 66,834
Cash flow from (used in) from investing activities	3,285	(14,846)	1,296
Cash flow from (used in) noncapital financing activities	394	(1,383)	(553)
Cash flow (used in) from capital and related financing activities	(85,410)	100,947	46,522
Change in cash and cash equivalents	(3,750)	149,399	114,099
Cash and cash equivalents			
Beginning of year	419,300	269,901	155,802
End of year	$ 415,550	$ 419,300	$ 269,901

The Ports Authority's available cash and cash equivalents decreased from $419.3 million in 2016 to $415.6 million in 2017. Cash flows from operating activities increased from $64.7 million in 2016 to $78 million in 2017. The increase can be principally attributed to higher revenues from increased volumes. Cash flows from (used in) investing activities increased from $(14.8) million in 2016 to $3.3 million in 2017. This increase is primarily related to investment purchases made during 2016 that were not duplicated in 2017. Net cash from (used in) noncapital financing activities increased from $1.4 million in 2016 to $0.4 million in 2017. This increase is related to fewer contributions provided to South Carolina Counties during 2017 for infrastructure improvements. These infrastructure improvements are not the assets of the Authority. Additionally, the Authority received increased funding from the State of South Carolina for bi-state development. Net cash from (used in) capital and related financing activities decreased from $100.9 million in 2016 to $(85.4) million in 2017, primarily as a result of less debt proceeds received during the current year and the increase in overall capital spend.

The Ports Authority's available cash and cash equivalents increased from $270.0 million in 2015 to $419.3 million in 2016. Cash flows from operating activities decreased from $66.8 million in 2015 to $64.7 million in 2016. The decrease can be attributed to higher operating costs for both employees and suppliers. Cash flows from (used in) investing activities decreased from $1.3 million in 2015 to $(14.8) million in 2016. This decrease is primarily related to investment purchases made during 2016. Net cash used in noncapital financing activities increased from $0.6 million in 2015 to $1.4 million in 2016. This increase is related to the increase in grant monies provided to Sumter Counties during 2016 for infrastructure improvements. These infrastructure improvements are not the assets of the Ports Authority, and therefore these payments are classified as noncapital financing activities. Net cash from capital and related financing activities increased from $46.5 million in 2015 to $100.9 million in 2016 as a result of debt and insurance proceeds received during the current year offset by an increase in capital asset acquisitions and principal paid on debt.

Capital Assets and Debt Administration
The Ports Authority's investment in capital assets was $1 billion as of June 30, 2017, representing a18.2% increase over June 30, 2016, and a 33% increase over 2015. The investments include land, land improvements, buildings, terminal equipment and projects in progress.

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Major capital investments over the past two fiscal years include the following:

- Wharf Restoration at Wando Welch Terminal
- Purchase and upgrade Ship-to-Shore Container Cranes
- Purchase of Rubber-Tired-Gantry Cranes and other Material Handling Equipment
- 52-Foot Harbor Deepening of Charleston Harbor
- Hugh K. Leatherman, Sr. Terminal (In Progress)
- Construction of Inland Port – Dillon (In Progress)
- Construct Manufacturing Support Facilities – BMW
- Reefer Service Area at Wando Welch Terminal

Additional information on the capital assets and projects of the Authority can be found in Note 3 and Note 6 to the financial statements.

Debt Administration
The administration of our debt and borrowing capacity is essential to achieving the current capital and growth plan of the Authority. The Ports Authority issued revenue bonds in 2010 ($170 million) and 2015 ($294 million) and have total revenue bonds outstanding of $444 million and $449 million as of June 30, 2017, and 2016, respectively. Additionally, the Authority has promissory notes outstanding with various third parties totaling $85 million and $41 million as of June 30, 2017 and 2016, respectively. Additional information on the Ports Authority's long-term debt can be found in Note 5 to the financial statements.

Credit Rating
The Ports Authority's Senior Revenue Bonds, Series 2015 and Series 2010, are rated by Moody's and Standard and Poor's, A1 and A+, respectively.

Contacting the Ports Authority's Financial Management
If you have questions about this report or need additional financial information, contact the Ports Authority's Chief Financial Officer, P.O. Box 22287, Charleston, SC 29413-2287 USA.

South Carolina State Ports Authority
Statements of Net Position
June 30, 2017 and 2016

(in thousands of dollars)	2017	2016
Assets		
Current assets		
Cash	$ 14,834	$ 7,484
Investments	160,718	164,277
Accounts receivable		
Trade, net of allowance for doubtful accounts of $1,178 in 2017 and $1,250 in 2016	31,500	27,333
Other receivables	11,411	40,879
Inventories, net	7,678	7,423
Prepaid and other current assets	4,822	4,513
Interest rate exchange agreements	945	1,863
Total current assets	231,908	253,772
Noncurrent assets and investments		
Investments internally designated for capital acquisitions	239,998	247,539
Investments held by trustee for debt service	36,241	36,196
Property and equipment, net	1,016,209	846,394
Intangible assets and goodwill, net	8,730	8,532
Other receivables	1,165	561
Total assets	1,534,251	1,392,994
Deferred outflows of resources		
Defined benefit plans	9,753	8,412
Total assets and deferred outflows of resources	$ 1,544,004	$ 1,401,406
Liabilities		
Current liabilities		
Current maturities on long-term debt	$ 8,698	$ 7,078
Accounts payable	9,644	10,113
Accounts payable, construction	15,686	15,522
Retainage payable on construction contracts	11,651	7,987
Accrued interest payable	11,618	11,564
Accrued employee compensation and payroll, related withholdings and liabilities	9,476	7,734
Interest rate exchange agreements	1,834	2,948
Postretirement obligation, current portion	-	1,669
Harbor deepening obligation, current portion	109	106
Total current liabilities	68,716	64,721
Postretirement obligation, long-term	13,279	10,112
Net pension liability	79,665	74,296
Harbor deepening obligation, long-term	4,110	4,219
Long-term debt, net of current maturities	541,842	505,405
Total liabilities	707,612	658,753
Deferred inflows of resources		
Defined benefit plans	119	144
Net position		
Net investment in capital assets	462,400	485,494
Restricted		
For debt service, net of related debt	16,805	16,672
Unrestricted	357,068	240,343
Total net position	836,273	742,509
Total liabilities, deferred inflows and net position	$ 1,544,004	$ 1,401,406

The accompanying notes are an integral part of these financial statements.

South Carolina State Ports Authority
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2017 and 2016

(in thousands of dollars)	**2017**	**2016**
Operating revenues	$ 233,648	$ 211,166
Operating expenses (gains)		
Direct operating expense	123,876	117,476
Administrative expense	36,704	28,920
Depreciation expense	37,233	33,687
Gain on property damage, including insurance recovery	(2,141)	(7,618)
Total operating expenses	195,672	172,465
Operating earnings	37,976	38,701
Nonoperating revenues (expenses)		
Interest income	5,717	5,452
Other expense, net	(1,386)	(2,330)
Gain (loss) on sale of property and equipment, net	37,063	(951)
Interest expense	(1,418)	(2,043)
Unrealized gain (loss) on interest rate exchange agreements	196	(111)
Contribution to the State of SC for Cooper River Bridge	(1,000)	(1,000)
Contribution to Sumter County for infrastructure improvements	-	(1,383)
Contribution to Georgetown County for steel mill study	(15)	-
Contribution to Cherokee County for economic improvements	(500)	-
Contribution from the State of SC for Jasper Ocean Terminal	1,875	1,000
Total nonoperating revenues (expenses)	40,532	(1,366)
Excess revenues over expenses before capital contributions and special items	78,508	37,335
Contribution from the State of SC for Harbor Deepening	137	6,185
Grant from the SC Department Public Safety	34	-
Capital grants from the federal government	5,681	5,156
Contribution from Spartanburg County for BMW facility	7,095	15,035
Contribution of land from Dillon County for inland port	2,309	-
Increase in net position	93,764	63,711
Total net position		
Beginning of year	742,509	678,798
End of year	$ 836,273	$ 742,509

The accompanying notes are an integral part of these financial statements.

South Carolina State Ports Authority
Statements of Cash Flows
Years Ended June 30, 2017 and 2016

(in thousands of dollars)	**2017**	**2016**
Cash flows from operating activities		
Cash received from customers	$ 230,392	$ 208,516
Cash paid to suppliers	(87,618)	(86,122)
Cash paid for employees	(64,793)	(57,713)
Net cash provided by operating activities	77,981	64,681
Cash flows from investing activities		
Proceeds from sale of investments	27,942	15,577
Purchases of investments	(28,138)	(35,563)
Interest received on investments	5,356	6,140
Payment to support bi-state development	(1,875)	(1,000)
Net cash provided by (used in) investing activities	3,285	(14,846)
Cash flows from noncapital financing activities		
Contribution to the State of SC for Cooper River Bridge	(1,000)	(1,000)
Contribution to Sumter County for infrastructure improvements	-	(1,383)
Contribution to Georgetown County for steel mill study	(15)	-
Contribution to Cherokee County for economic improvements	(500)	-
Contribution from State of SC Department of Public Safety	34	-
Contribution from the State of SC for Jasper Ocean Terminal	1,875	1,000
Net cash provided by (used in) noncapital financing activities	394	(1,383)
Cash flows from capital and related financing activities		
Acquisition and construction of capital assets	(180,885)	(114,291)
Cash received from insurance proceeds	2,340	7,618
Proceeds from sale of property and equipment	42,265	717
Cash paid for demolition of cranes	-	(988)
Contribution from the State of South Carolina for harbor deepening	5,023	1,300
Proceeds from revenue bonds	-	312,443
Principal paid on revenue bonds	(5,270)	(5,035)
Proceeds from notes payable	45,000	19,385
Principal paid on harbor deepening	(106)	(104)
Principal paid on other debt	(1,248)	(109,306)
Interest paid on revenue bonds	(22,672)	(10,565)
Interest paid on harbor deepening obligation	(130)	(133)
Interest paid on other debt	(1,351)	(830)
Contribution from Spartanburg County	21,916	143
Capital grants	9,708	593
Cash flow (used in) provided by capital and related financing activities	(85,410)	100,947
Net (decrease) increase in cash and cash equivalents	(3,750)	149,399
Cash and cash equivalents		
Beginning of year	419,300	269,901
End of year	$ 415,550	$ 419,300
Reconciliation of cash to financial statements		
Cash	$ 14,834	$ 7,484
Investments	160,718	164,277
Investments internally designated for capital acquisitions	239,998	247,539
Total cash and cash equivalents	$ 415,550	$ 419,300

The accompanying notes are an integral part of these financial statements.

South Carolina State Ports Authority
Statements of Cash Flows
Years Ended June 30, 2017 and 2016

(in thousands of dollars)	**2017**	**2016**
Reconciliation of operating earnings to net cash provided by operating activities		
Operating earnings	$ 37,976	$ 38,701
Adjustments to reconcile operating earnings to net cash provided by operating activities		
Depreciation	37,233	33,687
Provision for doubtful accounts	498	(144)
Other expense, net	346	568
Amortization	35	36
Gain on property damage, net of insurance proceeds	(2,340)	(7,618)
Operating expense funded by grant	(33)	-
Changes in operating assets and liabilities		
Accounts receivable	(1,996)	(2,631)
Inventories	(348)	(205)
Prepaid and other current assets	(164)	(281)
Accounts payable and other liabilities	(469)	47
Payroll related liabilities	1,742	(665)
Post retirement liability	1,498	1,446
Pension liability	4,003	1,740
Net cash provided by operating activities	$ 77,981	$ 64,681

Noncash Investing, Capital and Related Financing Activities

The following are noncash investing, capital and related financing activities as of and for the year ended June 30:

(in thousands of dollars)	**2017**	**2016**
Property and equipment included in accounts payable	$ 31,556	$ 27,938
Unrealized gain (loss) on interest rate swap	196	(111)
Unrealized (loss) gain on investments	(151)	383
Port Royal property transfer included in other receivables	8,743	11,611
Contributions in other receivables	1,081	24,815
Interest income included in interest receivable	1,436	1,075

The accompanying notes are an integral part of these financial statements.

South Carolina State Ports Authority
Notes to Financial Statements
June 30, 2017 and 2016

1. Summary of Significant Accounting Policies

Organization and Basis of Presentation

The South Carolina State Ports Authority ("Ports Authority") was created in 1942 by Act Number 626 of the South Carolina General Assembly for the general purposes of developing and improving the harbors and seaports of Charleston, Georgetown and Beaufort for the handling of waterborne commerce and to foster and stimulate the shipment of freight and commerce through these ports. The Ports Authority owns and is responsible for the operation of six ocean terminals at the ports of Charleston and Georgetown, as well as inland port facilities in Greer and Dillon (under construction). These facilities handle import and export containerized and breakbulk and bulk cargoes.

The Ports Authority operates as a self-supporting governmental enterprise and uses the accrual basis of accounting applicable to governmental enterprise funds. The Ports Authority has no stockholders or equity holders and is directed by a governing board whose members are appointed by the Governor of South Carolina for five-year terms. In addition to the nine voting members of the Board of Directors appointed by the Governor, there are two nonvoting board members including the Secretary of Transportation and the Secretary of Commerce. The Ports Authority's financial statements are included in the State of South Carolina general purpose financial statements as a discretely presented component unit.

All activities of the Ports Authority are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The transactions of the Ports Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operations are included in the balance sheet. Net position is segregated into: net investment in capital assets; restricted; and unrestricted components. These classifications are defined as follows:

- Net investment in capital assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets components as the unspent proceeds.

- Restricted – This component of net assets consists of external constraints placed on net position use by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

South Carolina State Ports Authority
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- Unrestricted net position – This component of net position consists of net assets that do not meet the definition of “restricted” or “net investment in capital assets”.

New Accounting Pronouncements
The GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, in June 2015. This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement is effective for fiscal years beginning after June 15, 2017 and will have a material impact on the financial statements of the Ports Authority.

In March 2016, GASB issued Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer’s pension liability is measured as of a date other than the employer’s most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. The Ports Authority is currently evaluating the impact that this Statement will have on its financial statements.

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (ARO’s). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance of this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018 and the Ports Authority is currently evaluating the impact that this Statement will have on its financial statements.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The Ports Authority is currently evaluating the impact that this Statement will have on its financial statements.

South Carolina State Ports Authority
Notes to Financial Statements
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In March 2017, GASB issued Statement No. 85, *Omnibus*. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The Ports Authority is currently evaluating the impact that this Statement will have on its financial statements.

In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. The requirements for this Statement are effective for reporting periods beginning after June 15, 2017, however, this Statement is not expected to have an effect on the financial statements of the Ports Authority.

Cash, Investments and Pooled Investments

The Ports Authority maintains cash, investments and pooled investments for operations, debt service and capital improvements. Funds are deposited in banks, money market accounts, and pooled investment funds maintained with the State Treasurer. Cash, investments and pooled investments used for operations are included on the balance sheet as "cash" and "investments." Investments maintained in accordance with revenue bond debt service requirements are included on the statement of net position as "held by trustee for debt service." Cash, investments and pooled investments committed by the Board of Directors for capital expansion are included on the statement of net position as "internally designated for capital acquisitions." Amounts invested with the State Treasurer are part of an internal investment pool. The pool operates as a demand deposit account and amounts invested in the pool are classified as cash and cash equivalents for purposes of the statement of cash flows. Other amounts including cash and funds internally designated for capital acquisitions are highly-liquid investments with a maturity of three-months or less, and are considered cash and cash equivalents for purposes of the statements of cash flows.

Credit Risk, Custodial Credit Risk, and Interest Rate Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the Ports Authority. The investments held by a trustee include U.S. government agency securities, which receive credit ratings from organizations such as Moody's Investors Service and Standard & Poor's. These rating agencies assign ratings to the securities by assessing the likelihood of issuer default; however, government obligations typically are not considered as having significant credit risk. The funds held by trustee received credit ratings from Moody's Investors Service of Aaa and Standard & Poor's of AAAm as of June 30, 2017 and 2016. The investments held with third party banks include money market funds, US Government securities, and interest bearing accounts with credit ratings from Moody's of AAA and P-1 and Standard & Poor's of AA+ and A-1 as of June 30, 2017 and 2016, respectively. The money invested with the State Treasurer in the cash management pool is not rated by an outside agency; however, it is the policy of the State to invest in only the highest investment grade securities including those rated at least A by the two leading national rating services.

South Carolina State Ports Authority
Notes to Financial Statements
June 30, 2017 and 2016

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the Ports Authority will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. Investments with third party banks and investments held by a trustee are not registered in the name of the Ports Authority. Investments held with third party banks are invested primarily in money market funds, US Government securities, and interest bearing accounts, which totaled approximately $40,202,000 and $13,996,000 as of June 30, 2017 and 2016, respectively. Investments held by a trustee are invested in government agency securities, which totaled $36,241,000 and $36,196,000 as of June 30, 2017 and 2016, respectively. Investments with third party banks and investments held by a trustee are fully collateralized as of June 30, 2017 and 2016 with securities maintained by an outside party. All other investments are held in a pool established by the State Treasurer and are not collateralized.

Concentration of credit risk is the risk of loss attributed to the magnitude of the Ports Authority's investments in a single issuer. The Ports Authority does not have any individual investments that represent 5% or more of the Ports Authority's investments at June 30, 2017 and 2016. The investments held by the State Treasurer are invested in various short term investments of which no single investment is greater than 5%.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Ports Authority minimizes its interest rate risk by investing in primarily short-term securities. Interest rate risk associated with the investments at the State Treasurer, are managed by asset allocation policies and by additional constraints controlling risk exposure.

Investments and their relative maturities are as follows at June 30:

(in thousands of dollars)

		Value	
Investment Type	**Maturity**	**2017**	**2016**
Money market funds	Less than one year	$ 37,295	$ 16,961
U.S. government agency securities	Less than one year	1,002	7,712
U.S. government agency securities	One to five years	21,345	16,735

Investments in the state investment pool include obligations of the United States and certain agencies of the United States, obligations of domestic corporations, certificates of deposit and collateralized repurchase agreements. The maturity dates of these investments range from less than one year to thirty years.

Inventories
Inventories consist principally of maintenance parts and supplies valued at the lower of average cost or market. Inventory is evaluated for obsolescence on an annual basis and adjusted accordingly.

Property and Equipment
Property and equipment constructed or purchased is stated at cost. Contributed property and equipment is recorded at estimated fair value on the date received. Interest is capitalized on major long-term construction projects and is depreciated over the useful life of the related asset.

South Carolina State Ports Authority
Notes to Financial Statements
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Depreciation is computed using the straight-line method over the following estimated useful lives:

Land improvements	5 to 50 years
Buildings and structures	5 to 50 years
Railroad tracks	20 to 25 years
Terminal equipment	5 to 25 years
Furniture and fixtures	5 to 20 years

Intangible Assets and Goodwill
Intangible assets represent identifiable intangible assets including customer contracts, customer relationships, and harbor deepening. Amortization of intangible assets with definite useful lives is computed using an accelerated method based on the estimated useful lives of the related assets. The Ports Authority reviews the carrying value of intangibles for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable.

The Ports Authority tests goodwill for impairment on an annual basis, relying on a number of factors including operating results, business plans and future cash flows. Recoverability of goodwill is evaluated using a two-step process. The first step involves a comparison of the fair value of a reporting unit with its carrying value. If the carrying amount of the reporting unit exceeds its fair value, the second step of the process involves a comparison of the fair value and carrying value of the goodwill of that reporting unit. If the carrying value of the goodwill of a reporting unit exceeds the fair value of that goodwill, an impairment loss is recognized in an amount equal to the excess.

Under GASB Statement No. 69, for acquisitions occurring after December 15, 2013 in which the consideration provided exceeds the net position acquired, the Ports Authority will report the difference as a deferred outflow of resources. The deferred outflow of resources will be attributed to future periods in a systematic and rational manner, based on professional judgment, considering the relevant circumstances of the acquisition. The Ports Authority will periodically review and revise its estimate of the attribution period in reporting periods subsequent to the acquisition.

Derivative Instruments and Hedging Activities
The Ports Authority has entered into interest rate swap agreements with banks to fix the rate of interest on long term debt. Interest rate swaps are considered derivatives and are carried on the balance sheet at fair value. The Ports Authority does not enter into financial instruments for trading or speculative purposes. Changes in the fair value of the interest rate swap agreements are presented in the statement of revenues, expenses and changes in net position.

Operating Revenues and Expenses
The statement of revenues, expenses and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing commerce through the ports. Revenue from exchange transactions is recognized at the time the transaction is completed. Nonexchange revenues, including grants and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to support commerce, other than financing costs.

South Carolina State Ports Authority
Notes to Financial Statements
June 30, 2017 and 2016

Contributions
From time to time, the Ports Authority receives contributions from the State of South Carolina or the federal government. Revenues from contributions are recognized when all eligibility requirements, including time requirements, are met. Contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

Restricted Resources
When the Ports Authority has both restricted and unrestricted resources available to finance a particular program, it is the Ports Authority's policy to use restricted resources before unrestricted resources.

Premiums on Long-Term Debt
Premiums on long-term debt are amortized as a component of interest expense over the term of the related debt obligations using the effective interest method.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Risk Management
The Ports Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; injuries to employees and natural disasters. The Ports Authority has obtained commercial insurance to cover the risk of these losses, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage.

Concentration of Credit Risk
The Ports Authority provides services and facilities usage for companies located throughout the world. During the years ended June 30, 2017 and 2016, three customers accounted for the following revenue and accounts receivable percentages:

	2017		2016	
	Revenue	Accounts Receivable	Revenue	Accounts Receivable
Customer 1	25 %	20 %	23 %	20 %
Customer 2	16	22	16	20
Customer 3	12	10	11	13
	53 %	52 %	50 %	53 %

The Ports Authority generally provides credit to its customers. The Ports Authority performs ongoing credit evaluations of its customers and generally operates under international laws, which may provide for a maritime lien on vessels in the event of default on credit terms. The Ports Authority maintains reserves for potential credit losses.

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Annual Leave Policy
Employees earn vacation at rates of 12 to 25 days per year and may accumulate up to a maximum of 5 days (previously 45 days), depending on their length of employment and type of employment contract. All employees were allowed to carry their leave balance into the new policy as their respective maximum. Upon termination, employees are paid for any unused accumulated vacation, up to their respective maximum. The liability for annual leave is accrued at the lower of its accumulated value or respective maximum in the accompanying financial statements. The liability is $2,374,000 and $2,914,000 as of June 30, 2017 and 2016, respectively.

Unemployment Compensation
The Ports Authority is liable under the South Carolina Employment Security Law for unemployment compensation to its employees. The Ports Authority has elected to reimburse the Department of Employment and Workforce for benefits paid by the Department in connection with claims. The Ports Authority records a liability for estimated future unemployment compensation claims.

Related Party Transactions
The Ports Authority conducts certain business transactions with the State of South Carolina and other entities affiliated with the State of South Carolina. Transactions with related parties are carried out in commercial terms and conditions and at market prices.

Pensions
For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Ports Authority and additions and deductions to/from the Ports Authority's fiduciary net position have been determined on the same basis as they are reported by the South Carolina Retirement Systems administered by the South Carolina Public Employees Benefit Authority (PEBA). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

2. Cash, Investments and Pooled Investments

The Ports Authority's total cash and investments at June 30, 2017 and 2016 are approximately $451.8 million and $455.5 million, respectively. Periodically, cash on deposit in federally insured institutions exceeds the limit on insured deposits and may not be specifically collateralized. The Ports Authority has not experienced any such losses in its cash or investment accounts and believes it is not exposed to any significant credit risk regarding cash and investments at June 30, 2017 and 2016.

The bond trustees invest in government agency securities and repurchase agreements collateralized by U.S. government securities. These investments are carried at their estimated fair values.

The Ports Authority purchases participation units in the State Treasurer's fund. Funds deposited with the State Treasurer as part of an internal investment pool are invested in U.S. government obligations, federal agency securities, and obligations of domestic corporations, certificates of deposit and collateralized repurchase agreements. The pool operates like a demand deposit account and includes primarily short term investments. The investments are carried at cost plus accrued interest, dividends and realized gains and losses. The value of these investments at June 30, 2017 and 2016 are approximately $401 million and $411 million, respectively.

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At June 30, the Ports Authority had bank balances as follows:

(in thousands of dollars)	2017	2016
Insured (FDIC) or collateralized by securities held by the pledging financial institution's agent in the Ports Authority's name	$ 40,202	$ 13,996
Carrying value of cash	14,834	7,484

Investments at June 30 consist of the following:

(in thousands of dollars)	2017	2016
Investment in state cash management pool	$ 372,818	$ 403,384
Funds deposited with third party banks	27,898	8,432
U.S. government agency securities, held by trustee	36,241	36,196
	436,957	448,012
Less: Amounts currently available for operating funds	160,718	164,277
Amounts held by trustee	36,241	36,196
Internally designated investments	$ 239,998	$ 247,539

The carrying values of cash and investments are included in the balance sheets as follows:

(in thousands of dollars)	2017	2016
Carrying value		
Cash	$ 14,834	$ 7,484
Investments	436,957	448,012
	$ 451,791	$ 455,496
Included in the following balance sheets captions		
Cash	$ 14,834	$ 7,484
Investments, current assets	160,718	164,277
Investments internally designated for capital acquisitions	239,998	247,539
Investments held by trustee for debt service	36,241	36,196
	$ 451,791	$ 455,496

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Investments internally designated for capital acquisitions are included in the following funds at June 30:

(in thousands of dollars)	**2017**	**2016**
Capital Improvement Fund		
Funds invested	$ 194,225	$ 79,146
	194,225	79,146
Depreciation Fund		
Cash	18,223	18
Funds invested	23,125	13,703
	41,348	13,721
Construction Fund		
Funds invested	2,432	152,704
	2,432	152,704
Other - State Port Construction Fund		
Cash	132	132
Funds invested	1,861	1,836
	1,993	1,968
	$ 239,998	$ 247,539

General provisions regarding these Funds are as follows:

The assets of the Revenue Bond Debt Service Funds and Revenue Bond Debt Service Reserve Funds are to be used for the redemption of bonds and payment of interest on the bonds. Additions to the Revenue Bond Debt Service Funds are required from operating funds in amounts equal to the annual principal and interest payments. Additions to the Reserve Funds are required from operating funds when the Reserve Fund's assets are less than the sum of the largest annual interest payment for each issue of revenue bonds outstanding. When the assets of the Reserve Funds exceed the requirements, the Ports Authority is permitted to use the Reserve Funds investment income for principal and interest payments and thereby reduce the amount of operating funds required to be transferred to the Debt Service Funds. Moneys in the Debt Service Reserve Funds can be invested and reinvested in investments collateralized by U.S. government or agency obligations, with maturities consistent with the need for moneys in the funds.

The assets of the State Port Construction Fund are unexpended contributions to the Fund and net harbormaster fees required to be transferred to the Fund. The assets are internally restricted for improvements and expansion of the Ports Authority's facilities.

Fair Value Guidance

Investments held by the Ports Authority are accounted for under GASB 72, *Fair Value Measurement and Application* and are carried at their estimated fair market value. This Statement requires the Ports Authority to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value.

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The Statement also establishes a hierarchy of inputs to valuation techniques used to measure fair value. That hierarchy has three levels. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices, included within Level 1 that are observable for the asset, either directly or indirectly. Finally, Level 3 inputs are unobservable inputs.

The cost, gross unrealized gain, gross unrealized loss, and fair values of fixed maturity securities at June 30, 2017 and 2016 is as follows:

	June 30, 2017			
Type of Investment	**Cost**	**Unrealized Gain**	**Unrealized Loss**	**Fair Market Value**
US Treasury Securities	$ 15,537,799	$ 216,980	$ (22,875)	$ 15,731,904
Gov't Sponsored Securities	6,560,798	99,464	(45,196)	6,615,066
	$ 22,098,597	$ 316,444	$ (68,071)	$ 22,346,970

	June 30, 2016			
Type of Investment	**Cost**	**Unrealized Gain**	**Unrealized Loss**	**Fair Market Value**
US Treasury Securities	$ 20,352,933	$ 464,551	$ -	$ 20,817,484
Gov't Sponsored Securities	3,710,451	32,095	(113,852)	3,628,694
	$ 24,063,384	$ 496,646	$ (113,852)	$ 24,446,178

Of the securities in an unrealized loss position at June 30, 2017, there were three securities representing approximately $19,000 that had been in a continuous loss position for greater than 12 months. There were no securities in an unrealized loss position for greater than 12 months at June 30, 2016.

The following table provides the hierarchy information about the Ports Authority's financial assets measured at fair value on a recurring basis at June 30, 2017 and 2016:

	June 30, 2017			
Type of Investment	**Level 1**	**Level 2**	**Level 3**	**Total**
US Treasury Securities	$ 15,731,904	$ -	$ -	$ 15,731,904
Gov't Sponsored Securities		6,615,066		6,615,066
	$ 15,731,904	$ 6,615,066	$ -	$ 22,346,970

	June 30, 2016			
Type of Investment	**Level 1**	**Level 2**	**Level 3**	**Total**
US Treasury Securities	$ 20,817,484	$ -	$ -	$ 20,817,484
Gov't Sponsored Securities		3,628,694		3,628,694
	$ 20,817,484	$ 3,628,694	$ -	$ 24,446,178

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Notes to Financial Statements
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3. Property and Equipment

Property and equipment consist of the following amounts:

(in thousands of dollars)	Balance at June 30, 2016	Additions	Write-Offs/ Disposals	Transfers	Balance at June 30, 2017
Land	$ 202,613	$ 3,746	$ (162)	$ -	$ 206,197
Land improvements	327,916		(461)	42,881	370,336
Buildings and structures	335,364		(13,958)	25,906	347,312
Railroad tracks	16,990				16,990
Terminal equipment	155,534		(2,227)	10,593	163,900
Furniture and fixtures	29,303		(4)	6,694	35,993
Capital projects in progress	342,330	207,028	(3)	(86,074)	463,281
	1,410,050	210,774	(16,815)	-	1,604,009
Less: Accumulated depreciation	563,656	37,233	(13,089)		587,800
Property and equipment, net	$ 846,394	$ 173,541	$ (3,726)	$ -	$ 1,016,209

(in thousands of dollars)	Balance at June 30, 2015	Additions	Write-Offs/ Disposals	Transfers	Balance at June 30, 2016
Land	$ 203,281	$ 143	$ (675)	$ (136)	$ 202,613
Land improvements	314,742	-	(334)	13,508	327,916
Land held for sale	2,674	-	(2,674)	-	-
Buildings and structures	339,214	-	(16,421)	12,571	335,364
Buildings and structures held for sale	1,140	-	-	(1,140)	-
Railroad tracks	16,962	-	-	28	16,990
Terminal equipment	146,945	-	(3,105)	11,694	155,534
Furniture and fixtures	27,220	-	(1)	2,084	29,303
Capital projects in progress	249,411	140,459	(8,931)	(38,609)	342,330
	1,301,589	140,602	(32,141)	-	1,410,050
Less: Accumulated depreciation	549,718	33,687	(19,749)	-	563,656
Property and equipment, net	$ 751,871	$ 106,915	$ (12,392)	$ -	$ 846,394

During the years ended June 30, 2017 and 2016, the Ports Authority incurred interest costs of $23.6 million and $18.8 million, respectively. Of these amounts, $22.5 million and $16.3 million, were capitalized, respectively.

Leases

During the years ended June 30, 2017 and 2016, the Ports Authority leased yard trucks and other equipment under operating leases, generally for a term of 12 months or less, incurring expenses of approximately $2,214,000 and $2,317,000, respectively.

During the years ended June 30, 2017 and 2016, the Ports Authority leased office and warehouse space as well as land under operating leases, incurring expenses of approximately $1,178,000 and $902,000, respectively.

During the years ended June 30, 2017 and 2016, the Ports Authority leased software, incurring expenses of approximately $48,000 and $104,000, respectively.

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4. Intangible Assets and Goodwill

Intangible assets and goodwill consist of the following at June 30:

(in thousands of dollars)	2017	2016
Intangible assets subject to amortization		
Customer contracts, amortized over two years	$ 47	$ 47
Customer relationships, amortized over eighteen years	645	645
Other	184	184
	876	876
Less: Accumulated amortization	(754)	(719)
Intangible assets subject to amortization, net	122	157
Harbor deepening, project in process	6,418	6,185
Goodwill	2,190	2,190
	$ 8,730	$ 8,532

The intangible assets are amortized using a method based on the estimated useful lives of the assets. The harbor deepening intangible asset will be amortized or evaluated for impairment in the future, whichever is deemed appropriate. Amortization expense for the next five years and thereafter is as follows:

(in thousands of dollars)	
2018	$ 35
2019	35
2020	25
2021	20
2022	7
2023	-
	$ 122

5. Long-Term Debt

Borrowings and payments on long-term debt are as follows:

(in thousands of dollars)	June 30, 2016	Additions	Reductions	June 30, 2017	Current Portion
Revenue bonds – Series 2010	$ 155,460	$ -	$ (5,270)	$ 150,190	$ 5,535
Revenue bonds – Series 2015	294,025	-	-	294,025	-
Notes payable	41,056	45,000	(1,248)	84,808	3,163
	490,541	45,000	(6,518)	529,023	8,698
Plus: Unamortized premium	21,942	-	(425)	21,517	-
	$ 512,483	$ 45,000	$ (6,943)	$ 550,540	$ 8,698

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(in thousands of dollars)	June 30, 2015	Additions	Reductions	June 30, 2016	Current Portion
Revenue bonds – Series 2010	$ 160,495	$ -	$ (5,035)	$ 155,460	$ 5,270
Revenue bonds – Series 2015	-	294,025	-	294,025	-
Notes payable	130,977	19,385	(109,306)	41,056	1,808
	291,472	313,410	(114,341)	490,541	7,078
Plus: Unamortized premium	2,024	20,235	(317)	21,942	-
	$ 293,496	$ 333,645	$ (114,658)	$ 512,483	$ 7,078

Series 2015
On November 4, 2015, the Ports Authority issued $294,025,000 of Series 2015 bonds having stated interest rates ranging from 3.5% to 5.25% payable annually on each January 1 and July 1. Net proceeds of $314,260,000 were received to (i) pay or reimburse the Ports Authority for costs associated with the expansion and improvement of the Authority's facilities, including the reimbursement to the Ports Authority of certain costs previously incurred and certain capital expenditures as included in the Ports Authority's capital budget for fiscal years 2016 through 2018 in the amount of $300,000,000, (ii) $12,443,000 to fund the debt service reserve fund and (iii) $1,817,000 to pay certain costs and expenses related to the issuance of the Series 2015 bonds. The bonds, issued at a premium of approximately $20,235,000, consist of term bonds maturing between July 1, 2026 and 2055. The bond premium is amortized using the effective interest method over 40 years, the life of the bonds. Bond issuance costs were expensed in the period incurred.

Series 2010
On December 7, 2010, the Ports Authority issued $170,000,000 of Series 2010 bonds having stated interest rates ranging from 4.0% to 5.5% payable annually on each January 1 and July 1. Net proceeds of $171,597,000 were received to (i) pay or reimburse the Ports Authority for costs associated with the expansion and improvement of the Authority's facilities, including the reimbursement to the Ports Authority of certain costs previously incurred and certain capital expenditures as included in the Port Authority's capital budget for fiscal years 2011 through 2013 in the amount of $164,594,000, (ii) $6,632,000 to fund the debt service reserve fund and (iii) $371,000 to pay certain costs and expenses related to the issuance of the Series 2010 bonds. The bonds, issued at a premium of approximately $2,595,000, consist of serial bonds totaling $80,955,000 maturing between July 1, 2013 and 2025, term bonds totaling $10,700,000 maturing on July 1, 2028 and term bonds of $78,345,000 maturing on July 1, 2040. The bond premium is amortized using the effective interest method over 30 years, the life of the bonds. Unamortized bond issuance costs were expensed in the period incurred.

In connection with both the 2015 and 2010 Series outstanding revenue bonds, (1) the Ports Authority's net revenues (defined as the portion of revenues remaining after providing for the proper operation and maintenance of facilities) are pledged for payment of bond principal and interest, (2) a statutory lien on the Ports Authority's facilities exists and (3) the Ports Authority is required to maintain Revenue Bond Debt Service Funds; Revenue Bond Debt Service Reserve Funds; an Operations and Maintenance Fund; a Construction Fund (until funds are exhausted) and a Capital Improvement Fund (for improvement of Ports Authority facilities); and a Depreciation Fund (for operating equipment). The Ports Authority is in compliance with these covenants as of June 30, 2017 and 2016.

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Optional Redemption

The Series 2015 and 2010 Bonds maturing on or after July 1, 2026 and 2021, respectively, shall be subject to redemption prior to maturity, at the option of the Ports Authority, on and after July 1, 2025 and 2020, respectively, in whole or in part, at any time in any order of maturity selected by the Ports Authority, at the principal amount of the Series 2015 and 2010 Bonds to be redeemed, together with interest accrued thereon to the date fixed for redemption.

Mandatory Sinking Fund Redemption

The Series 2015 bonds shall be subject to mandatory sinking fund redemption, by lot in such manner as the trustee shall deem fair and appropriate for random selection, prior to maturity, commencing July 1, 2036, and on each July 1 thereafter, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the redemption date, without premium. The Series 2010 bonds are subject to mandatory sinking fund redemption, by lot, prior to maturity, commencing July 1, 2026 and commencing July 1, 2028 and on each July 1 thereafter, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the redemption date, without premium. The principal amounts for both Series 2015 and 2010 are indicated below:

(in thousands of dollars)

2028 Term Bond	**2015 Series Amount**	**2010 Series Amount**
Year		
2026	$ -	$ 3,990
2027	-	4,215
2028	-	2,495

(in thousands of dollars)

2040 Term Bond	**Amount**	**Amount**
Year		
2028	$ -	$ 1,955
2029	-	4,690
2030	-	4,945
2031	-	5,210
2032	-	5,495
2033	-	5,790
2034 `	-	6,100
2035	-	6,430
2036	2,595	6,775
2037	2,700	7,140
2038	2,810	7,525
2039	2,925	7,930
2040	3,040	8,360

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2045 4% Term Bond	2015 Series Amount	2010 Series Amount
Year		
2041	$ 4,610	$ -
2042	4,795	-
2043	4,990	-
2044	5,195	-
2045	5,410	-

2045 5% Term Bond	Amount	Amount
Year		
2041	$ 7,350	$ -
2042	7,730	-
2043	8,125	-
2044	8,540	-
2045	8,975	-

2050 Term Bond	Amount	Amount
Year		
2046	$ 15,115	$ -
2047	15,930	-
2048	16,790	-
2049	17,695	-
2050	18,645	-

2055 Term Bond	Amount	Amount
Year		
2051	$ 19,655	$ -
2052	20,710	-
2053	21,830	-
2054	23,005	-
2055	24,245	-

Promissory Notes

On March 21, 2017, the Ports Authority entered into a mortgage of real estate and security agreement with Marlboro Development Team, Inc., a South Carolina Corporation for $20,000,000. Proceeds will be used for the development and construction of the South Carolina Inland Port located in Dillon, SC. Principal and interest are payable annually with interest based on a rate of 2.7% per annum. The loan matures on March 21, 2037. As of June 30, 2017, the Ports Authority had amounts outstanding under this loan agreement of $20,000,000.

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On December 15, 2016, the Ports Authority entered into a loan and security agreement with a bank for $25,000,000. The loan was evidenced by certain Subordinate Lien Revenue Bond, Series 2016, in the same amount. Proceeds will be used to purchase material handling equipment for the Wando Welch and North Charleston terminals. Interest is payable semi-annually at a rate of 2.056% per annum, beginning June 15, 2017. The first principal payment is due December 15, 2018 and are made annually thereafter until the loan matures on December 15, 2032. As of June 30, 2017, the Ports Authority had amounts outstanding under this loan agreement of $25,000,000.

On January 29, 2015, the Ports Authority entered into a promissory note agreement with a bank for $14,000,000. Interest is payable monthly for twelve months and then, semi-annually beginning July 29, 2016. The interest rate per annum is based on the 90-day published LIBOR plus .85%, with a floor of 1.25%. The first principal payment is due January 29, 2017. Principal payments are made annually in equal amounts with all outstanding principal and interest due on January 29, 2025. Proceeds from this note were used for the development and construction of a cold storage facility located in North Charleston, SC. As of June 30, 2017 and 2016, the Ports Authority had amounts outstanding under this loan agreement of $14,000,000.

On December 19, 2012, the Ports Authority entered into a promissory note agreement with a bank for $25,000,000. The promissory note was increased to $30,000,000 on June 20, 2013. Principal and interest are payable monthly with interest based on a rate of 2.56% per annum. The loan matures on December 19, 2022. Proceeds from this note were used for the development and construction of the South Carolina Inland Port located in Greer, SC. As of June 30, 2017 and 2016, the Ports Authority had amounts outstanding under this loan agreement of $25,808,000 and $27,056,000, respectively.

Maturities of long-term debt are summarized as follows:

	Revenue Bonds		**Other Long-Term Debt**	
(in thousands of dollars)	**Principal**	**Interest**	**Principal**	**Interest**
2018	$ 5,535	$ 22,402	$ 3,163	$ 1,877
2019	5,810	22,118	3,675	1,804
2020	6,090	21,821	3,750	1,722
2021	6,390	21,509	3,830	1,635
2022	6,725	21,173	3,910	1,547
2023–2027	36,240	100,113	40,161	4,326
2028–2032	33,115	91,304	11,687	2,469
2033–2037	42,540	81,876	14,632	586
2038–2042	54,390	70,027	-	-
2043–2047	68,875	55,541	-	-
2048–2052	88,715	35,702	-	-
2053–2057	89,790	9,737		
	$ 444,215	$ 553,323	$ 84,808	$ 15,966

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The components of interest expense for the years ended June 30, 2017 and 2016 are as follows:

(in thousands of dollars)	**2017**	**2016**
Interest expense on long-term debt	$ 24,240	$ 19,054
Amortization of premiums on long-term debt	(425)	(317)
Unrealized (gain) loss on investments	151	(384)
Capitalized interest expense	(22,548)	(16,310)
	$ 1,418	$ 2,043

The Ports Authority capitalizes interest costs, net of interest income earned from bond proceeds, in connection with the construction of various Port facilities. These costs are netted against interest expense on the statement of revenues, expenses and changes in net position.

6. Commitments

Construction

In addition to routine commitments for repairs and maintenance, the Ports Authority had commitments for construction of approximately $160.8 million and $231.5 million as well as commitments for nonconstruction property, plant, and equipment of approximately $22.6 million and $7.7 million at June 30, 2017 and 2016, respectively.

Harbor Deepening

The Ports Authority and the Army Corp. of Engineers (Federal entity) entered into a cooperation agreement to further deepen the Charleston Harbor to its present depth of 45 feet on June 5, 1998. The Ports Authority has paid a portion of the local share amount of $47.7 million, utilizing $31.7 million from the State of South Carolina's funding sources provided for this project. The remaining portion of the local share is being paid over a period of 30 years and includes annual interest of 3%. As of June 30, 2017 and 2016 the remaining balance is $4.2 million and $4.3 million, respectively, and is reflected in current and long term liabilities.

In September 2015, the USACE issued a Chief's report recommending the Charleston Harbor be deepened to 52 feet with a projected all-in cost of $533 million and projected completion by the end of 2019. The overall project will be complete on a cost share basis with the federal government. It is anticipated that the Ports Authority's total share of the project will be $354 million and the federal share will be $179 million. During fiscal year 2012, the SC General Assembly appropriated $300 million along with interest earned to the Harbor Deepening Reserve Fund to cover costs associated with the deepening of the Charleston harbor. Any additional funding required is the responsibility of the Ports Authority. The Authority is in the process of seeking the remaining $179 million from the federal government. As of June 30, 2017, the Authority has spent $7.1 million on the feasibility phase, $1.7 million on the PED phase and $9.7 million in mitigation. The PED and mitigation spending was reimbursed by the SC General Assembly appropriation. Costs incurred during the PED phase and in all phases going forward are included in intangible assets. As of June 30, 2017, there were no post-feasibility costs due from the state of South Carolina included in other receivables.

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BMW Manufacturing Support Facility

During the fiscal year ended June 30, 2017, the Ports Authority completed construction of an approximately 61,000 square foot BMW manufacturing support facility to be located at its current Spartanburg County plant. To assist with the funding of the support facility the South Carolina Coordinating Council for Economic Development is providing an economic assistance grant not to exceed $17.5 million to Spartanburg County. The funds may be used for infrastructure, site improvements, and construction activities. As construction progresses, the Ports Authority will draw down the economic assistance funds from Spartanburg County to cover the cost of construction. BMW has committed to provide monies from sources other than the grant for cost overruns that are required to complete the project. As of June 30, 2017, $352,000 of the grant funds due from Spartanburg County are included in other receivables.

Hugh K. Leatherman Sr. Terminal

In May 2007, the Ports Authority received permits to begin construction of a 286 acre container terminal facility on a portion of the former Charleston Naval Base on the west bank of the Cooper River in North Charleston, SC. This facility is planned to be constructed in phases. The first phase will consist of one marine berth, required container yard support areas and necessary equipment. The cost for the first phase is currently estimated to be approximately $834 million and is subject to revision based on the timing of construction and other factors which could result in a significant increase in total project costs. The remaining phases will be developed over many years on a demand driven basis.

The initial portion of the first phase of construction for the new terminal involves engineering, design, and permitting costs as well as three critical-path projects. The Ports Authority continues to move forward with these critical-path projects based on its current financial capabilities and funding committed by the State of South Carolina for the access road. As of June 30, 2017, the Ports Authority has spent approximately $301 million on construction, permitting, consulting and engineering costs related to the first phase of the new terminal. The remaining costs associated with these critical path projects are approximately $178 million, a portion of which the Ports Authority expects to recover as reimbursement from cost overruns. After completion of these critical-path projects, the dock and wharf construction, paving, and equipping the terminal will follow to complete the first phase of construction. The additional cost of these projects is estimated to be $354 million.

Dillon

During September 2016, the Ports Authority announced plans to develop a second inland port facility in Dillon, South Carolina to support growth of intermodal container volumes and expand access to markets in neighboring states and throughout the Northeast and Midwest. The Ports Authority broke ground in the first quarter of fiscal year 2017 with plans to open the facility by the end of the fiscal year.

7. Interest Rate Exchange Agreements

On July 1, 2008, the Ports Authority adopted GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This statement provides guidance on recognition, measurement and disclosure of derivative instruments entered into by governmental entities.

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On June 30, 2017 and 2016, the Ports Authority had the following derivative instruments outstanding:

2017 Item	Type	Objective	Current Notional Amount	Effective Date	Maturity Date	Terms	Counterparty Rating
A	Pay Fixed-Receive Floating	Hedge of changes in cash flows on the Series 1998 bonds	$ 19,282,500	7/1/2008	7/1/2026	Pay 3.6671% Fixed Receive 70% of 1M LIBOR	Aa2/AA Aa2/AA
B	Pay Fixed-Receive Floating	Hedge of changes in cash flows on the Series 1998 bonds	44,992,500	7/1/2008	7/1/2026	Pay 3.6671% Fixed Receive 70% of 1M LIBOR	A1/A
C	Received Fixed-Pay Floating	Hedge of changes in cash flows on the Series 1998 bonds	64,275,000	7/1/2008	7/1/2026	Pay SIFMA Receive 3.508%	A1/A

2016 Item	Type	Objective	Current Notional Amount	Effective Date	Maturity Date	Terms	Counterparty Rating
A	Pay Fixed-Receive Floating	Hedge of changes in cash flows on the Series 1998 bonds	$ 20,992,500	7/1/2008	7/1/2026	Pay 3.6671% Fixed Receive 70% of 1M LIBOR	Aa2/AA Aa2/AA
B	Pay Fixed-Receive Floating	Hedge of changes in cash flows on the Series 1998 bonds	48,982,500	7/1/2008	7/1/2026	Pay 3.6671% Fixed Receive 70% of 1M LIBOR	A1/A
C	Received Fixed-Pay Floating	Hedge of changes in cash flows on the Series 1998 bonds	69,975,000	7/1/2008	7/1/2026	Pay SIFMA Receive 3.508%	A1/A

As of June 30, 2017 and 2016, the Ports Authority determined that none of its interest rate swaps meet the criteria under GASB 53 for effectiveness; therefore, all three of the Port Authority's interest rate swap contracts are classified as investment derivatives per guidance included in GASB No. 53. Changes in the fair value of the interest rate swap contracts are included in nonoperating income (expense) on the statement of revenues, expenses and changes in net position for the years ended June 30, 2017 and 2016. The Ports Authority anticipates holding the interest rate exchange contracts through maturity.

The fair values of the interest rate swaps were estimated using the zero-coupon method of bootstrapping the yield curve. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero coupon bonds due on the date of each future net settlement on the swaps. All interest rate swaps are classified as Level 2 investments in the Fair Value Hierarchy under GASB 72.

Changes in fair value at June 30, 2017 and 2016 are as follows:

	Derivative	2017	2016	Change in Fair Value
Item A	Pay Fixed Receive Floating	$ (1,834,000)	$ (2,948,000)	$ 1,114,000
Item B	Pay Fixed Receive Floating	(4,282,000)	(6,880,000)	2,598,000
Item C	Receive Fixed Pay Floating	5,227,000	8,743,000	(3,516,000)
		$ (889,000)	$ (1,085,000)	$ 196,000

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Changes in fair value at June 30, 2016 and 2015 are as follows:

	Derivative	2016	2015	Change in Fair Value
Item A	Pay Fixed Receive Floating	$ (2,948,000)	$ (2,770,000)	$ (178,000)
Item B	Pay Fixed Receive Floating	(6,880,000)	(6,464,000)	(416,000)
Item C	Receive Fixed Pay Floating	8,743,000	8,260,000	483,000
		$ (1,085,000)	$ (974,000)	$ (111,000)

Credit Risk
The Ports Authority is exposed to actual credit risk on investment derivatives that are in asset positions. To minimize its exposure to loss related to credit risk, it is the Ports Authority's policy to require collateral posting provisions in its nonexchange traded derivatives. Those terms require the full collateralization of the fair value of derivative instruments in asset positions (net of any netting provisions) should the counterparty's rating fall below Baa2 or BBB. In addition, each credit support annex requires collateral posting at various rating levels with threshold amounts. Collateral generally consists of cash, U.S. Government securities and U.S. Agency securities. As of June 30, 2017 and 2016 no collateral has been posted by any counterparty under any derivatives contracts.

Interest Rate Risk
The Ports Authority is exposed to interest rate risk on its interest rate derivatives. On its pay variable, receive fixed swap, SIFMA increases the Ports Authority's net payment on the swap increases. Alternatively, on its pay fixed, receive floating swaps, 1 Month LIBOR decreases the Ports Authority's net payment on the swap increases. The variable cash flows on the swaps are structured with different indices (pay SIFMA and receive 70% of 1 Month LIBOR). While there is an expectation that these two indices will offset based on a historical relationship between these two indices, there can be no assurances that the future results will be similar to past results.

Termination Risk
The Ports Authority or its counterparties may terminate a derivative instrument if the other party fails to perform under the terms of the contract. In addition, the terms of the contracts provide for additional termination events in the event that the ratings of either the counterparty or the ratings of the Ports Authority are downgraded below Baa3 or BBB (in the case of Item A) and Baa2 or BBB (in the case of Items B and C).

Foreign Currency Risk
None of the Ports Authority's derivative instruments are denominated in a foreign currency and; therefore, are not subject to foreign currency risk.

Commitments
All of the Ports Authority's derivative instruments contain provisions that require the Ports Authority to post collateral in the event of credit rating downgrades, subject to certain threshold amounts and minimum transfer amounts. If the rating of the Ports Authority drops to BBB or Baa2 and below, the Ports Authority must fully collateralize the fair value of the derivative. The collateral posted has to be in the form of cash, U.S. Government Securities or Agency securities in the amount of the fair value of the derivative instruments in liability positions net of the effect of applicable netting arrangements, and subject to certain thresholds at various ratings levels. As of June 30, 2017 and 2016, the Ports Authority currently has a credit rating of A1 by Moody's and A+ by Standard & Poor's and no collateral has been posted under any derivative instruments.

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8. Retirement Plans

The South Carolina Public Employee Benefit Authority (PEBA), which was created July 1, 2012, 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 systems and the trust funds. By law, the State Fiscal Accountability Authority (SFAA), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the South Carolina Retirement Systems (Systems) and serves as a co-trustee of the Systems in conducting that review.

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

PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The CAFR is publicly available on the Retirement Benefits' link on PEBA's website at www.peba.sc.qov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29233. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

Plan Description

The South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan, was established 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 SCRS 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.

The South Carolina Police Officers Retirement System (PORS), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1962, pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for police officers and firemen of the state and its political subdivisions.

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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 Optional Retirement Program (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' trust funds 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 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 and an incidental death benefit contribution, if applicable, which is retained by SCRS.

- PORS - To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; or to serve as a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least $2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. 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.

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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 requirements 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.

- PORS - 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 55 or with 25 years of service regardless of age. 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 at age 55 or with 27 years of service regardless of age. Both Class Two and Class Three members are eligible to receive a deferred annuity at age 55 with five or eight years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program. Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty.

  The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

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Contributions

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. Upon recommendation by the actuary in the annual actuarial valuation, the PEBA Board may adopt and present to the SFAA for approval an increase in the SCRS and PORS employer and employee contribution rates, 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 SCRS and 5 percent for PORS. 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.

Required employee contribution rates are as follows:

	2017	2016
SCRS		
Employee Class Two	8.66 %	8.16 %
Employee Class Three	8.66	8.16
State ORP Employee	8.66 %	8.16 %
PORS		
Employee Class Two	9.24 %	8.74 %
Employee Class Three	9.24	8.74

Required employer contribution rates are as follows:

SCRS		
Employer Class Two	11.41 %	10.91 %
Employer Class Three	11.41	10.91
Employer Incidental Death Benefit	0.15	0.15
State ORP		
Employer Contribution	11.41 %	10.91 %
Employer Incidental Death Benefit	0.15	0.15
PORS		
Employer Class Two	13.84 %	13.34 %
Employer Class Three	13.84	13.34
Employer Incidental Death Benefit	0.20	0.20
Employer Accidental Death Program	0.20	0.20

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Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
At June 30, 2017 and 2016, the Ports Authority reported a liability of $79.7 million and $74.3 million, respectively for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and 2015, respectively, and the total pension liability was determined by an actuarial valuation as of that date. The Ports Authority's proportion of the net pension liability was based on its share of contributions to the pension plans in fiscal years 2016 and 2015 relative to the contributions made by all participating employers. At June 30, 2016 and 2015, the Ports Authority's proportion was 0.4066 and 0.3917 percent, respectively for the SCRS and 0.0093 and 0.0071 percent, respectively for the PORS.

For the years ended June 30, 2017 and 2016, the Ports Authority recognized pension expense of $9.1 million and $6.1 million, respectively. At June 30, 2017 and 2016, the Ports Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2017	
(in thousands of dollars)	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Difference between actual and expected experience	$ 904	$ 94
Net difference between projected and actual earnings on pension plan investments	7,334	
Changes in proportionate share and differences between contributions and proportionate share of contributions	(3,606)	25
The Ports Authority's contributions subsequent to the measurement date	5,121	
	$ 9,753	$ 119

	2016	
(in thousands of dollars)	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Difference between actual and expected experience	$ 1,323	$ 133
Net difference between projected and actual earnings on pension plan investments	499	-
Changes in proportionate share and differences between contributions and proportionate share of contributions	2,222	11
The Ports Authority's contributions subsequent to the measurement date	4,368	-
	$ 8,412	$ 144

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$5.1 million and $4.4 million reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability during the years ended June 30, 2018 and 2017, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	SCRS	PORS
Years Ended June 30, 2017		
2018	$ (2,353,622)	$ (16,006)
2019	(2,353,622)	(16,006)
2020	(1,720,831)	(12,633)
2021	-	-

	SCRS	PORS
Years Ended June 30, 2016		
2017	$ (1,850,630)	$ 72
2018	(1,850,630)	72
2019	(1,298,667)	(632)
2020	-	-

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. Actuarial assumptions and methods used during the annual valuation process are subject to periodic revision, typically with an experience study, as actual results over an extended period of time are compared with past expectations and new estimates are made about the future.

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

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The following table provides a summary of the actuarial assumptions and methods used in the July 1, 2015 and 2014, valuations for SCRS and PORS, respectively.

	2015	
	SCRS	PORS
Actuarial cost method	Entry age normal	Entry age normal
Actuarial assumptions		
Investment rate of return	7.50 %	7.50 %
Projected salary increases	3.5% to 12.5%	4.0% to 10.0%
Includes inflation at	2.75 %	2.75 %
Benefit adjustments	lesser of 1% or $500	lesser of 1% or $500

	2014	
	SCRS	PORS
Actuarial cost method	Entry age normal	Entry age normal
Actuarial assumptions		
Investment rate of return	7.50 %	7.50 %
Projected salary increases	3.5% to 12.5%	4.0% to 10.0%
Includes inflation at	2.75 %	2.75 %
Benefit adjustments	lesser of 1% or $500	lesser of 1% or $500

The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000. Assumptions used in the July 1, 2015 and 2014 valuations for SCRS and PORS are as follows:

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

Long-Term Expected Rate of Return

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

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

	2017		
	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Asset class			
Global equity	43.0 %		
Global public equity	34.0	6.52 %	2.20 %
Private equity	9.0	9.30	0.84
Real assets	8.0		
Real estate	5.0	4.32	0.22
Commodities	3.0	4.53	0.13
Opportunistic	20.0		
GTAA/risk parity	10.0	3.90	0.39
HF (low beta)	10.0	3.87	0.39
Diversified credit	17.0		
Mixed credit	5.0	3.52	0.17
Emerging markets debt	5.0	4.91	0.25
Private debt	7.0	4.47	0.31
Conservative fixed income	12.0		
Core fixed income	10.0	1.72	0.17
Cash and short duration (net)	2.0	0.71	0.01
Total expected real return	100.0 %		5.10 %
Inflation for actuarial purposes			2.75
Total expected nominal return			7.85 %

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	2016		
	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Asset class			
Short term	5.0 %		
Cash	2.0	1.9 %	0.04 %
Short duration	3.0	2.0	0.06
Domestic fixed income	13.0		
Core fixed income	7.0	2.7	0.19
Mixed credit	6.0	3.8	0.23
Global fixed income	9.0		
Global fixed income	3.0	2.8	0.08
Emerging markets debt	6.0	5.1	0.31
Global public equity	31.0	7.1	2.20
Global tactical asset allocation	10.0	4.9	0.49
Alternatives	32.0		
Hedge funds (low beta)	8.0	4.3	0.34
Private debt	7.0	9.9	0.69
Private equity	9.0	9.9	0.89
Real estate (broad market)	5.0	6.0	0.30
Commodities	3.0	5.9	0.18
Total expected real return	100.0 %		6.00
Inflation for actuarial purposes			2.75
Total expected nominal return			8.75 %

Discount Rate

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

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Sensitivity Analysis
The following table presents the Ports Authority's proportionate share of the collective net pension liability of the participating employers calculated using the discount rate of 7.5 percent, as well as what the Ports Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	2017		
(in thousands of dollars)	**1% Decrease (6.5%)**	**Discount Rate (7.5%)**	**1% Increase (8.5%)**
Ports Authority's share of the net pension liability			
SCRS	$ 108,348	$ 86,853	$ 68,961
PORS	308	235	170

	2016		
(in thousands of dollars)	**1% Decrease (6.5%)**	**Discount Rate (7.5%)**	**1% Increase (8.5%)**
Ports Authority's share of the net pension liability			
SCRS	$ 93,659	$ 74,291	$ 58,057
PORS	211	155	105

Pension Plan Fiduciary Net Position
Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in the separately issued CAFR containing financial statements and required supplementary information for SCRS and PORS.

Deferred Compensation Plans
During the year ended June 30, 2012, the Ports Authority established a 401(a) defined contribution plan and a 415(m) government excess plan on behalf of certain executives at the Ports Authority. The Ports Authority makes payments into the plans each year of employment and the participants in the plan become fully vested at the end of a five year period. The assets of the plans remain the assets of the Ports Authority throughout the duration of the five years. Compensation expense is recognized for payments made to the plans. As of June 30, 2017 and June 30, 2016, contributions to the plan were approximately $2,473,738 and $1,786,715, respectively.

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Under GASB 72, the plan assets are Level 1 and are carried at their estimated fair values. A corresponding liability is recognized for the fair value of the plan assets with all unrealized gains and losses adjusted solely on the Statement of Net Position. The cost, gross unrealized gains, gross unrealized losses, and estimated fair value at June 30, 2017 and 2016 is as follows:

	June 30, 2017			
Type of Investment	Cost	Unrealized Gain	Unrealized Loss	Fair Market Value
Money market funds	$ 1,128,864	$ -	$ -	$ 1,128,864
Mutual funds	959,222	126,240	(12,627)	1,072,835
Common Stock	295,504	53,826	(22,017)	327,313
	$ 2,383,590	$ 180,066	$ (34,644)	$ 2,529,012

	June 30, 2016			
Type of Investment	Cost	Unrealized Gain	Unrealized Loss	Fair Market Value
Money market funds	$ 886,636	$ -	$ -	$ 886,636
Mutual funds	900,079	155,299	(22,301)	1,033,077
	$ 1,786,715	$ 155,299	$ (22,301)	$ 1,919,713

9. Other Post-Employment Benefits ("OPEB")

Effective July 1, 2007, the Ports Authority adopted GASB No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*. This Statement requires governmental entities to recognize and match post-employment benefit costs with related services received and also provide information regarding the actuarially calculated liability and funding level of the benefits associated with past services.

The Ports Authority provides single employer, post-employment health care benefits including group healthcare, dental and vision to eligible employees who retire from the Ports Authority. The Plan consists of hospital benefits, major medical benefits, a prescription drug program, dental and vision care program. The health care benefits cover medical and hospitalization costs for retirees and their dependents. If the retiree is eligible for Medicare, Ports Authority coverage is secondary.

The Ports Authority now follows the eligibility rules set by PEBA, which are summarized below.

Retiree Insurance Eligibility and Funding for Employees Hired Before May 2, 2008:

- At any age, with 28 years of service credit (at least 10 years must be earned service), retiree and employer fund the premium.
- At age 60 and older, with at least 10 years of service credit (at least 10 years must be earned service), retiree and employer fund the premium.
- At age 60 and older, with at least 20 years (left employment before eligible to retire) of service credit (at least 20 years must be earned service), retiree and employer fund the premium; coverage begins when eligible for retirement.

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- At age 55-60, with at least 25 years of service credit (at least 10 years must be earned service), retiree pays nonfunded premium until age 60 or when 28 years of service would have been earned. Afterward, retiree and employer fund the premium.
- At age 60 and older, with at least 5 years of service credit (at least 5 but fewer than 10 years must be earned service), retiree pays nonfunded premium.
- At any age if approved for disability, with at least 5 years of service credit (at least 4 but fewer than 10 years must be earned service), retiree and employer fund the premium.

Retiree Insurance Eligibility and Funding for Employees Hired After May 2, 2008:

- At any age, with 28 years of service credit (at least 25 years must be earned service), retiree and employer fund the premium.
- At age 60 and older or approved for disability, with at least 15 years of service credit (at least 15 years must be earned service), retiree pays retiree share plus 50% of employer share.
- At age 60 and older or approved for disability with at least 5 years of service credit (at least 5 years must be earned service), retiree pays nonfunded premium.

Eligibility requirements are subject to changes made by the South Carolina Public Employee Benefit Authority.

The South Carolina Public Employee Benefit Authority Employee Insurance Program (EIP) provides detailed eligibility and funding requirements for retiree insurance. Detailed plan information can be found at www.eip.sc.gov (Retirement Information).

Eligible retired employees participating in OPEB insurance programs pay their premiums directly to EIP. The Ports Authority paid the employer's portion of premiums directly to the EIP in the amount of approximately $1.6 million and $1.4 million for fiscal years 2017 and 2016, respectively.

Employees included in the actuarial valuation include retirees, survivors and active employees who are eligible to participate in the plan upon retirement. Expenses for OPEB premiums are recognized monthly and financed on a pay-as-you-go basis. The total OPEB premiums paid were approximately $2.3 million and $2 million for fiscal years ended June 30, 2017 and 2016, respectively. For fiscal years 2017 and 2016, the Ports Authority paid approximately 69.4% and the retirees were responsible for funding approximately 30.6%.

The Ports Authority accrued during fiscal year 2017 and 2016 of $1.5 million and $1.4 million, respectively, in retiree healthcare expense.

Annual Required Contribution
The Ports Authority's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of accrual that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

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The table below illustrates the determination of the annual required contribution ("ARC") and the end of year obligation as of June 30:

(in thousands of dollars)	2017	2016
Net OPEB obligation, beginning of year	$ 11,781	$ 10,335
Annual required contribution (ARC)	3,188	3,048
Interest and ARC adjustment	(2)	34
Annual OPEB cost	3,186	3,082
Employer contributions	(1,688)	(1,636)
Net OPEB obligation, end of year	13,279	11,781
Less: Current portion	-	(1,669)
Net OPEB obligation, long term	$ 13,279	$ 10,112

Actual contributions paid in fiscal year 2017 and 2016 include the following at June 30:

(in thousands of dollars)	2017	2016
Employer and participant contributions	$ 2,277	$ 1,999
Implicit subsidy payments on behalf of active employees	107	248
Participant contributions	(696)	(611)
Total employer contributions including interest	$ 1,688	$ 1,636

Employer contributed 53.0% and 53.1% of annual OPEB cost during fiscal year 2017 and 2016, respectively.

Schedule of Employer Contributions
The Port Authority's annual OPEB cost and the percentage of annual OPEB cost contributed to the plan for the years ended June 30, 2017 and the two preceding fiscal years are presented below.

(in thousands of dollars)	Annual Required Contributions	Actual Contributions	Percentage Contributed
Fiscal Year Ended			
June 30, 2017	$ 3,188	$ 1,688	52.9 %
June 30, 2016	3,048	1,636	53.7
June 30, 2015	2,959	1,597	54.0

The ARC of $3.2 million and $3 million for fiscal year 2017 and 2016, respectively, is based on the assumption that there is no funding in a segregated qualified trust.

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Schedule of Funding Progress

The schedule of funding progress presents multi-year trend information comparing the actuarial value of plan assets to the actuarial accrued liability.

(in thousands of dollars)	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b)-(a)/(c)]
Fiscal Year Ended						
June 30, 2017	$ -	$ 49,261	$ 49,261	0 %	$ 42,521	116 %
June 30, 2016	-	38,583	38,583	0	38,316	101

Schedule of Percentage of OPEB Cost Contributed

(in thousands of dollars)	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
Fiscal Year Ended			
June 30, 2017	$ 3,186	53.0 %	$ 13,279
June 30, 2016	3,082	53.1	11,781

Summary of Key Actuarial Methods and Assumptions

For the fiscal years ended June 30, 2017 and June 30, 2016, the Entry Age Normal and Projected Unit Credit actuarial cost methods, respectively, are used to calculate the ARC for the Port Authority's retiree health care plan. Using the plan benefits, the present health premiums and a set of actuarial assumptions, the anticipated future payments are projected. Both methods provide for a systematic funding for these anticipated payments. The yearly ARC is computed to cover the cost of benefits being earned by covered members as well as to amortize a portion of the unfunded accrued liability. GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, will require employers to use the Entry Age Normal Actuarial Cost Method.

Projections of health benefits are based on the plan as understood by the Ports Authority and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the Port Authority and the Port Authority's employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

Valuation year	July 1, 2016 – June 30, 2017
Valuation date	June 30, 2016
Actuarial cost method	Entry Age Normal
Amortization method	30 years open, level percent of active member payroll
Asset valuation method	N/A

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Valuation year	July 1, 2015 – June 30, 2016
Valuation date	June 30, 2015
Actuarial cost method	Projected Unit Credit
Amortization method	30 years open, level percent of active member payroll
Asset valuation method	N/A

	2017	**2016**
Actuarial assumptions		
Discount rate	3.75%	4.5 %
Inflation rate	2.25%	3.0 %
Projected payroll growth rate	3.0 %	3.0 %
Health care cost trend rate for medical and prescription drugs	7.0 %	6.0 %
Ultimate trend rate	4.15 %	4.5 %
Number of years for trend rates to reach the ultimate rate	15	10

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status and the annual required contributions of the Authority's retiree health care plan are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to actuarial accrued liability for benefits.

10. Facilitating Agreements

The Ports Authority has entered into agreements to provide future port services with tenants whereby it assigns certain land areas and certain of its facilities for their use for terms ranging from one month to twenty-two years. These agreements are accounted for as operating leases; revenue for port services provided and for facilities used is recorded as operating revenue when earned.

The approximate total cost and related accumulated depreciation of facilities assigned to others at June 30 were:

(in thousands of dollars)	**2017**	**2016**
Cost	$ 35,758	$ 39,786
Accumulated depreciation	22,118	17,916

Minimum future operating revenue and rentals, to be received under noncancelable agreements as of June 30, 2017 were:

South Carolina State Ports Authority
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(in thousands of dollars)

2018	$	4,530
2019		3,166
2020		2,992
2021		2,971
2022		1,401
Thereafter		28,621
	$	43,681

11. Fair Value of Financial Instruments

The carrying values of cash, accounts receivable, accounts and retainage payable, credit agreement and other debt approximate fair value. The fair values of long-term debt were estimated using discounted cash flows based on current rates available to the Ports Authority for similar borrowing arrangements and the market rate of comparable traded debt. The fair value at June 30, 2017 and 2016 was approximately $458 and $470 million, respectively.

12. Other Matters

Cooper River Bridge

The Ports Authority agreed to pay $1 million per year beginning in fiscal year 2004 for 25 years for a total of $45 million for the construction of the new Cooper River Bridge. These payments to the State of South Carolina have been treated as nonoperating expenses and, therefore, have reduced the Ports Authority's net assets.

Payments to the State of South Carolina for the Cooper River Bridge totaled $1 million in each fiscal year 2017 and 2016.

Jasper County

The Ports Authority entered into a joint government organizational agreement with the State of Georgia for the formation of a bi-state facility to be operated jointly between the Ports Authority and the State of Georgia. The legal and operational structure of the potential bi-state facility is not known at this time. The Ports Authority contributed $1.9 million and $1 million in cash to the joint organization in fiscal years ended June 30, 2017 and 2016, respectively. Amounts contributed in fiscal year 2017 and 2016 by the Ports Authority were sourced from capital project funds provided by the State of South Carolina. The cash contribution has been used by the joint organization to support the initial planning associated with a bi-state facility. Total expenses recognized by the Ports Authority related to initial planning costs were approximately $1.7 million and $1.1 million for the years ended June 30, 2017 and 2016, respectively, and are included in Other income (expense), net.

Federal Grant Agreements

During July 2015, the Authority entered into a grant agreement in the amount of $10.8 million with the U.S. Department of Transportation Maritime Administration. The authorizing federal legislation refers to the program as the "TIGER Discretionary Grant" program. The TIGER grant will provide federal dollars for the Wando Welch Terminal Rehabilitation, Productivity and Densification Project. The total project is estimated to cost approximately $39.9 million. The federal funds will cover approximately 27.2% of the costs with the balance coming from the Ports Authority. The grant fund's qualifying expenditures are limited to the certain wharf and piling replacements and repairs

South Carolina State Ports Authority
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made during the multiple phases of the project. As of June 30, 2017 the Ports Authority has expended approximately $10.2 million related to this grant agreement, of which, $643 thousand is included in other receivables as of June 30, 2017.

The Ports Authority has been awarded grants from the Department of Homeland Security, Office of State and Local Government Coordination and Preparedness and the Department of Transportation, Maritime Administration ("DOT") (as an agent of the Transportation Security Administration) for approximately $26.2 million to be used for port security. As of June 30, 2017 and 2016, the Ports Authority has expended approximately $752 thousand and $642 thousand, respectively, related to these grant agreements.

Closure of Port Royal Terminal
Effective December 31, 2006, the Ports Authority discontinued operations and closed the Port Royal terminal located in Port Royal, SC. The State of South Carolina has mandated the closure of this terminal so that the land can be developed to generate future revenues for the State of South Carolina. The Ports Authority actively marketed the property, but when contracts failed to close by December 31, 2015, the land was transferred to the State Department of Administration for auction and sale as provided by State law, with net proceeds to be paid to the Ports Authority. As of June 30, 2017, the property at Port Royal was under contract to purchase for an undisclosed amount and scheduled to close subsequent to fiscal year-end. As of June 30, 2017 the Ports Authority has $8.7 million due from the state of South Carolina included in other receivables in relation to the Port Royal land sale based on the contract to purchase the property, less any fees incurred by the Department of Administration to market and sell the property.

Sale of Certain Properties
2009 Act No. 73 also requires that the Daniel Island and Thomas (St. Thomas) Island properties be subject to a contract of sale by December 31, 2012, such sale to be completed by December 31, 2013, barring which such properties are also to be transferred to the State Department of Administration as a fiduciary to the Ports Authority and its bondholders. The requirements to sell the property have been extended to June 30, 2018. In addition, a requirement was added that the State Ports Authority shall transfer fifty acres of its real property on Daniel Island to the Department of Parks, Recreation, and Tourism, which shall ensure, in the manner it deems appropriate, that the property is used for public recreation activities. This transfer was complete in 2016 by way of an executed long-term lease agreement. If the State Ports Authority has not completed the sale of its remaining real property on Daniel Island and Thomas (St. Thomas) Island, except for the dredge disposal cells that are needed in connection with the construction of the Leatherman terminal on the Charleston Naval Complex and for harbor deepening and for channel and berth maintenance, by June 30, 2018, the Authority must transfer the property to the State Department of Administration as fiduciary to the Ports Authority and its bondholders. The Authority shall sell the real property under terms and conditions it considers most advantageous to the Authority and the State of South Carolina, and the price must be equal to or greater than at least one of two required independent appraisals.

13. Litigation

In the ordinary course of business, the Ports Authority becomes involved in litigation, claims and administrative proceedings. Certain litigation, claims and proceedings were pending at June 30, 2017, and management intends to vigorously defend the Ports Authority in such matters. While the ultimate results cannot be predicted with certainty, management does not expect these matters to have a material adverse effect on the financial position of the Ports Authority.

South Carolina State Ports Authority
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In January 2013, the Ports Authority intervened in a federal case brought by preservation and environmental groups against the United State Army Corps of Engineers, to challenge issuance of authority for the Ports Authority to drive pilings under a building on Union Pier Terminal in renovating the building to accommodate passenger vessels. On September 19, 2013, the federal district court remanded the permit to the Corps for further review and action. The permit application is under review by the Corps of Engineers on remand. The Authority intends to continue pursuing the federal permit and to continue any legal actions necessary to perfect the final permit.

In February 2013, the same cruise terminal opponents and others filed an administrative action challenging the State permit issued for the piling work at Union Pier. The South Carolina Administrative Law Court granted summary judgment in favor of the Ports Authority, and dismissed the challenge on April 21, 2014. The case is now on appeal, briefing is completed, and arguments were heard on February 15, 2017 by the Court of Appeals. No opinion has been issued yet. The decision may be further appealed to the State Supreme Court. The Ports Authority intends to vigorously defend the permits. The effect of these administrative permit cases on the financial position of the Ports Authority related to cruise cannot be determined at this time.

On October 14, 2012, a portion of the quay wall at Veterans' Terminal (VT) in North Charleston, failed. A claim relating to the quay wall failure and remediation costs has also been asserted by the Ports Authority against the United States Navy for indemnity under Section 330 of the National Defense Authorization Act of 1993 (P.L. 102-484), as amended by P.L. 103-160. The claim is related only to oil pollution left by the United States Navy in an underground pipe near the damaged area, which had not been designated as an area of concern, nor disclosed presence of oil, which should have been cleaned out and removed by the Government. Small amounts of oil were released in an investigatory excavation before being sealed off and recovered. The presence of the oil has caused increased costs of remediation, in an amount which cannot be accurately determined until the contract for remedial work has been completed and costs tallied. The Department of Defense is defending the 330 indemnity claim and has sought additional information. Under the indemnity claim, the Government would likely be responsible only for the remediation costs related to the oil, which is excluded from insurance coverage by the Ports Authority's property insurance policy.

Construction of the Hugh K. Leatherman, Sr. Terminal was delayed by discovery of issues associated with the design and administration of the project that have required re-engineering of the containment wall structures. An excess cost statement has been delivered to the responsible parties to determine recovery of the additional construction costs caused by design and project management issues and to seek resolution by agreement. The matter has been resolved against one contractor through a settlement agreement, while the litigation continues against the remaining contractor defendant. Remediation work and construction is continuing.

In October 2002, the Authority and the City of North Charleston (City) entered into a Memorandum of Understanding (MOU) related to certain issues concerning the development of the Hugh K. Leatherman, Sr. Terminal located at the former Charleston Navy Base Facility. One requirement of the MOU is for the City and the Ports Authority (Authority) to approach the S C General Assembly for the funding of certain infrastructure which is desired by the City. The City has communicated to the Authority that it believes this infrastructure is required prior to the opening of the terminal. While the Authority disagrees with the City on this point, it plans to fully comply with all applicable terms of the MOU. At this time, no measurable impact of the City's position can reasonably be made.

South Carolina State Ports Authority
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14. Payments to Sumter County

In May 2012, the Ports Authority entered into an agreement with Sumter County, South Carolina to fund up to $5 million of infrastructure improvements to support future business development in Sumter County that ultimately will benefit water bourne commerce in the State of South Carolina. The cash payments are reflected as a contribution and are presented as a nonoperating expense. The Ports Authority contributed during fiscal year 2017 and 2016, $0 and $1.4 million, respectively.

15. Special Items

Office Building Sale

In June 2016, a contract was entered into with a third party for the purchase of the office building currently occupied by the Ports Authority. The contract was ratified in January 2017 and had a contract sales price of $38 million. The Ports Authority entered an operating lease to lease the building back from the new owners until a new office building is constructed (December 2018).

16. Subsequent Event

The Ports Authority evaluated subsequent events through October 6, 2017, which is the date these financial statements were available to be issued. The following subsequent events were noted:

Harbor Deepening Project Partnership Agreement

On July 19, 2017, the Ports Authority executed a Project Partnership Agreement (PPA) with the Department of the Army to commence construction of the post-45 harbor deepening project for the Charleston Harbor. As of the effective date of the agreement, construction costs are projected to be $529 million with additional work costs of $4.7 million for a total of $533 million. The State of South Carolina has appropriated $300 million plus interest earned for the harbor deepening project with the remainder of the costs, not allocated by the federal government for their defined share, being the responsibility of the Ports Authority. The current estimated difference between funds currently on hand and those left to be allocated to complete the project is $221.9 million. The US Army Corps of Engineers Charleston District was awarded $17.5 million in Federal appropriated funds in May 2017 and requests have and will be made in a timely manner for the appropriation of the remaining federal share. However, award of these funds is not guaranteed. Subsequent to fiscal year-end, the Ports Authority has provided $243 million of the State appropriated funds under the terms of the PPA.

Sale of Port Royal

On September 20, 2017, the Department of Administration closed on the sale of the Port Royal property with a sales price of $9 million. After settlement of all fees and costs associated with the sale, the net proceeds to the Ports Authority is $8.7 million. The Ports Authority has reflected this transaction in the financial statements as of June 30, 2017.

Required Supplemental Information

South Carolina State Ports Authority
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Effective July 1, 2007, the Ports Authority adopted GASB No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*. This Statement requires governmental entities to recognize and match post-employment benefit costs with related services received and also provide information regarding the actuarially calculated liability and funding level of the benefits associated with past services.

The Ports Authority provides post-employment health care benefits including group healthcare, dental and vision to all employees who retire from the Ports Authority. The Plan consists of hospital benefits, major medical benefits, a prescription drug program, dental and vision care program. The health care benefits cover medical and hospitalization costs for retirees and their dependents. If the retiree is eligible for Medicare, Ports Authority coverage is secondary.

Effective January 1, 2011, the Ports Authority moved from the use of private insurance carriers to the plan offered by the South Carolina Public Employee Benefit Authority (PEBA) Employee Insurance Program. The Ports Authority now follows the eligibility rules set by PEBA, which are summarized below.

Retiree Insurance Eligibility and Funding for Employees Hired Before May 2, 2008:

- At any age, with 28 years of service credit (at least 10 years must be earned service), retiree and employer fund the premium.
- At age 60 and older, with at least 10 years of service credit (at least 10 years must be earned service), retiree and employer fund the premium.
- At age 60 and older, with at least 20 years (left employment before eligible to retire) of service credit (at least 20 years must be earned service), retiree and employer fund the premium; coverage begins when eligible for retirement.
- At age 55-60, with at least 25 years of service credit (at least 10 years must be earned service), retiree pays nonfunded premium until age 60 or when 28 years of service would have been earned. Afterward, retiree and employer fund the premium.
- At age 60 and older, with at least 5 years of service credit (at least 5 but fewer than 10 years must be earned service), retiree pays nonfunded premium.
- At any age if approved for disability, with at least 5 years of service credit (at least 4 but fewer than 10 years must be earned service), retiree and employer fund the premium.

Retiree Insurance Eligibility and Funding for Employees Hired After May 2, 2008:

- At any age, with 28 years of service credit (at least 25 years must be earned service), retiree and employer fund the premium.
- At age 60 and older or approved for disability, with at least 15 years of service credit (at least 15 years must be earned service), retiree pays retiree share plus 50% of employer share.
- At age 60 and older or approved for disability with at least 5 years of service credit (at least 5 years must be earned service), retiree pays nonfunded premium.

Eligibility requirements are subject to changes made by the South Carolina Public Employee Benefit Authority.

The South Carolina Public Employee Benefit Authority Employee Insurance Program (EIP) division provides detailed eligibility and funding requirements for retiree insurance. Detailed plan information can be found at www.eip.sc.gov.

Eligible retired employees participating in OPEB insurance programs pay their premiums directly to EIP. The Ports Authority paid the employer's portion of premiums directly to the EIP in the amount of approximately $1.6 million and $1.4 million for fiscal years 2017 and 2016, respectively.

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Employees included in the actuarial valuation include retirees, survivors and active employees who are eligible to participate in the Plan upon retirement. Expenses for OPEB premiums are recognized monthly and financed on a pay-as-you-go basis. The total OPEB premiums paid were approximately $2.3 million and $2 million for fiscal years ended June 30, 2017 and 2016, respectively. For fiscal years 2017 and 2016, the Ports Authority paid approximately 69.4% and the retirees were responsible for funding approximately 30.6%.

The Ports Authority accrued during fiscal year 2017 and 2016, $1.5 million and $1.4 million, respectively, in retiree healthcare expense.

Annual Required Contribution

The Port Authority's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of accrual that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The table below illustrates the determination of the annual required contribution ("ARC") and the end of year obligation as of June 30:

(in thousands of dollars)	2017	2016
Net OPEB obligation, beginning of year	$ 11,781	$ 10,335
Annual required contribution (ARC)	3,188	3,048
Interest and ARC adjustment	(2)	34
Annual OPEB cost	3,186	3,082
Employer contributions	(1,688)	(1,636)
Net OPEB obligation, end of year	13,279	11,781
Less: Current portion	-	(1,669)
Net OPEB obligation, long term	$ 13,279	$ 10,112

Actual contributions paid in fiscal year 2017 and 2016 include the following at June 30:

(in thousands of dollars)	2017	2016
Employer and participant contributions	$ 2,277	$ 1,999
Implicit subsidy payments on behalf of active employees	107	248
Participant contributions	(696)	(611)
Total employer contributions including interest	$ 1,688	$ 1,636

Employer contributed 53.0% and 53.1% of annual OPEB cost during fiscal year 2017 and 2016, respectively.

South Carolina State Ports Authority
Required Supplemental Information
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Schedule of Employer Contributions

The Port Authority's annual OPEB cost and the percentage of annual OPEB cost contributed to the plan for the years ended June 30, 2017 and the three preceding fiscal years are presented below.

(in thousands of dollars)	Annual Required Contributions	Actual Contributions	Percentage Contributed
Fiscal Year Ended			
June 30, 2017	$ 3,188	$ 1,688	52.9 %
June 30, 2016	3,048	1,636	53.7 %
June 30, 2015	2,959	1,597	54.0 %
June 30, 2014	2,933	1,633	55.7 %

The ARC of $3.2 million and $3 million for fiscal year 2017 and 2016, respectively, is based on the assumption that there is no funding in a segregated qualified trust.

Schedule of Funding Progress

The schedule of funding progress presents multi-year trend information comparing the actuarial value of plan assets to the actuarial accrued liability.

(in thousands of dollars)	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b)-(a)/(c)]
Fiscal Year Ended						
June 30, 2017	$ -	$ 49,261	$ 49,261	0 %	$ 42,521	116 %
June 30, 2016	-	38,583	38,583	0 %	38,316	101
June 30, 2015	-	45,300	45,300	0 %	35,944	126
June 30, 2014	-	39,767	39,767	0 %	29,389	135

Schedule of Percentage of OPEB Cost Contributed

(in thousands of dollars)	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
Fiscal Year Ended			
June 30, 2017	$ 3,186	53.0 %	$ 13,279
June 30, 2016	3,082	53.1	11,781
June 30, 2015	2,989	53.4	10,335
June 30, 2014	2,958	55.2	8,943

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Summary of Key Actuarial Methods and Assumptions

For the fiscal years ended June 30, 2017 and June 30, 2016, the Entry Age Normal and Projected Unit Credit actuarial cost methods, respectively, are used to calculate the ARC for the Port Authority's retiree health care plan. Using the plan benefits, the present health premiums and a set of actuarial assumptions, the anticipated future payments are projected. Both methods provide for a systematic funding for these anticipated payments. The yearly ARC is computed to cover the cost of benefits being earned by covered members as well as to amortize a portion of the unfunded accrued liability. GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, will require employers to use the Entry Age Normal Actuarial Cost Method.

Projections of health benefits are based on the plan as understood by the Ports Authority and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the Ports Authority and the Ports Authority's employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

Valuation year	July 1, 2016 – June 30, 2017
Valuation date	June 30, 2016
Actuarial cost method	Entry Age Normal
Amortization method	30 years open, level percent of active member payroll
Asset valuation method	N/A

Valuation year	July 1, 2015 – June 30, 2016
Valuation date	June 30, 2015
Actuarial cost method	Projected Unit Credit
Amortization method	30 years open, level percent of active member payroll
Asset valuation method	N/A

	2017	2016
Actuarial assumptions		
Discount rate	3.75%	4.5 %
Inflation rate	2.25%	3.0 %
Projected payroll growth rate	3.0 %	3.0 %
Health care cost trend rate for medical and prescription drugs	7.0 %	6.0 %
Ultimate Trend Rate	4.15 %	4.5 %
Number of years for trend rates to reach ultimate rate	15	10

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status and the annual required contributions of the Authority's retiree health care plan are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to actuarial accrued liability for benefits.

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Schedule of the Ports Authority's Share of the Net Pension Liability

(in thousands of dollars)	**2017**	**2016**
SCRS		
Ports Authority's proportion of the net pension liability (asset)	0.4066%	0.3917%
Ports Authority's proportionate share of the net pension liability (asset)	$ 86,853	$ 74,141
Ports Authority's covered payroll	42,391	38,198
Ports Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	204.89%	194.21%
Plan fiduciary net position as a percentage of the total pension liability	52.9 %	57.0 %

(in thousands of dollars)	**2017**	**2016**
PORS		
Ports Authority's proportion of the net pension liability (asset)	0.0093%	0.0071%
Ports Authority's proportionate share of the net pension liability (asset)	$ 235	$ 155
Ports Authority's covered payroll	130	118
Ports Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	180.77 %	131.36 %
Plan fiduciary net position as a percentage of the total pension liability	60.4 %	64.6 %

South Carolina State Ports Authority
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June 30, 2017 and 2016

Schedule of the Ports Authority's Contributions

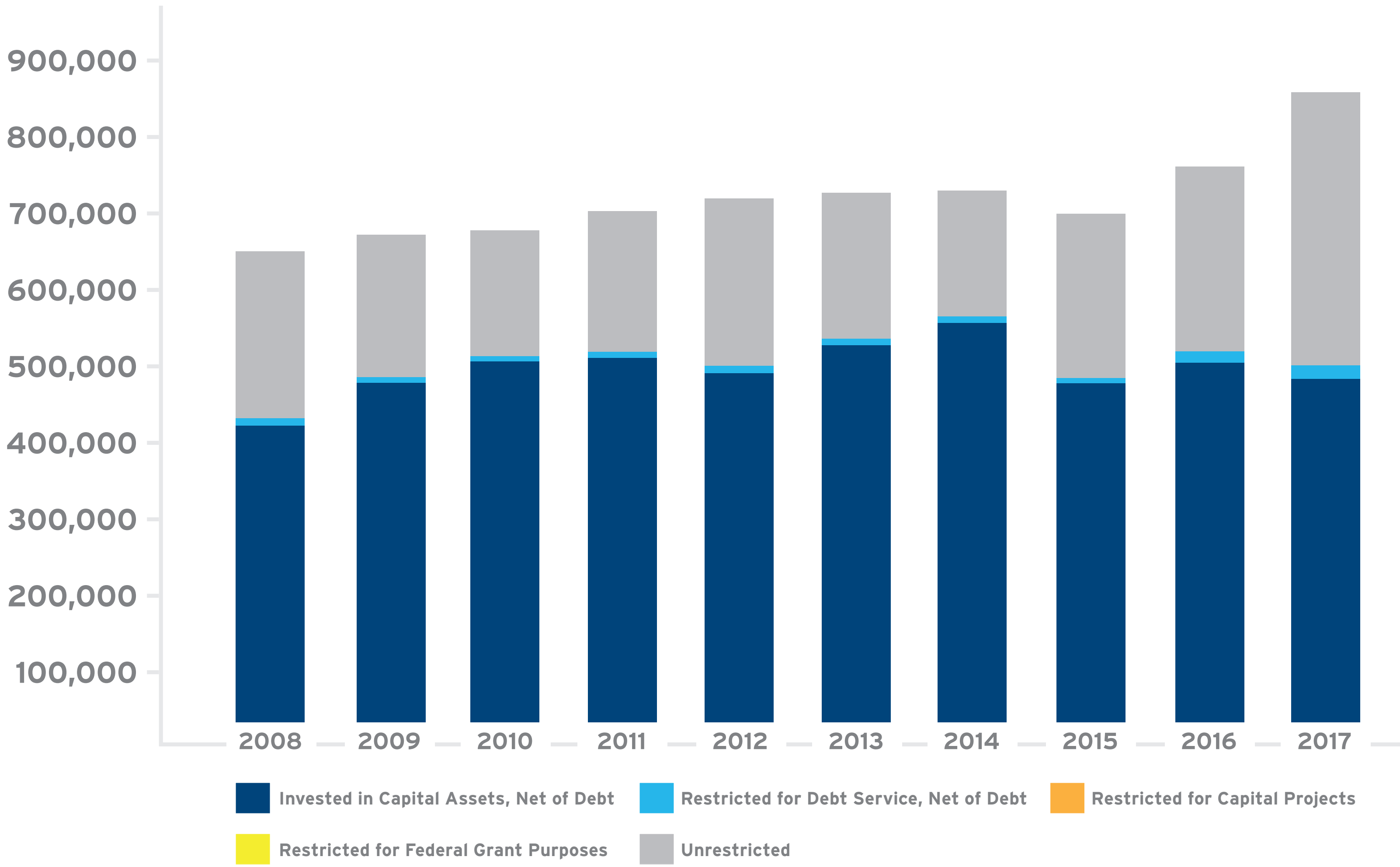
(in thousands of dollars)	2017	2016
SCRS		
Contractually required contribution	$ 4,355	$ 4,003
Contributions in relation to the contractually required contributions	(4,355)	(4,003)
Contribution deficiency (excess)	$ -	$ -
Ports Authority's covered-employee payroll	$ 42,391	$ 38,198
Contributions as a percentage of covered-employee payroll	10.27%	10.48%

(in thousands of dollars)	2017	2016
PORS		
Contractually required contribution	$ 16	$ 12
Contributions in relation to the contractually required contribution	(16)	(12)
Contribution deficiency (excess)	$ -	$ -
Ports Authority's covered-employee payroll	$ 130	$ 118
Contributions as a percentage of covered-employee payroll	12.31%	10.17%

STATISTICAL SECTION

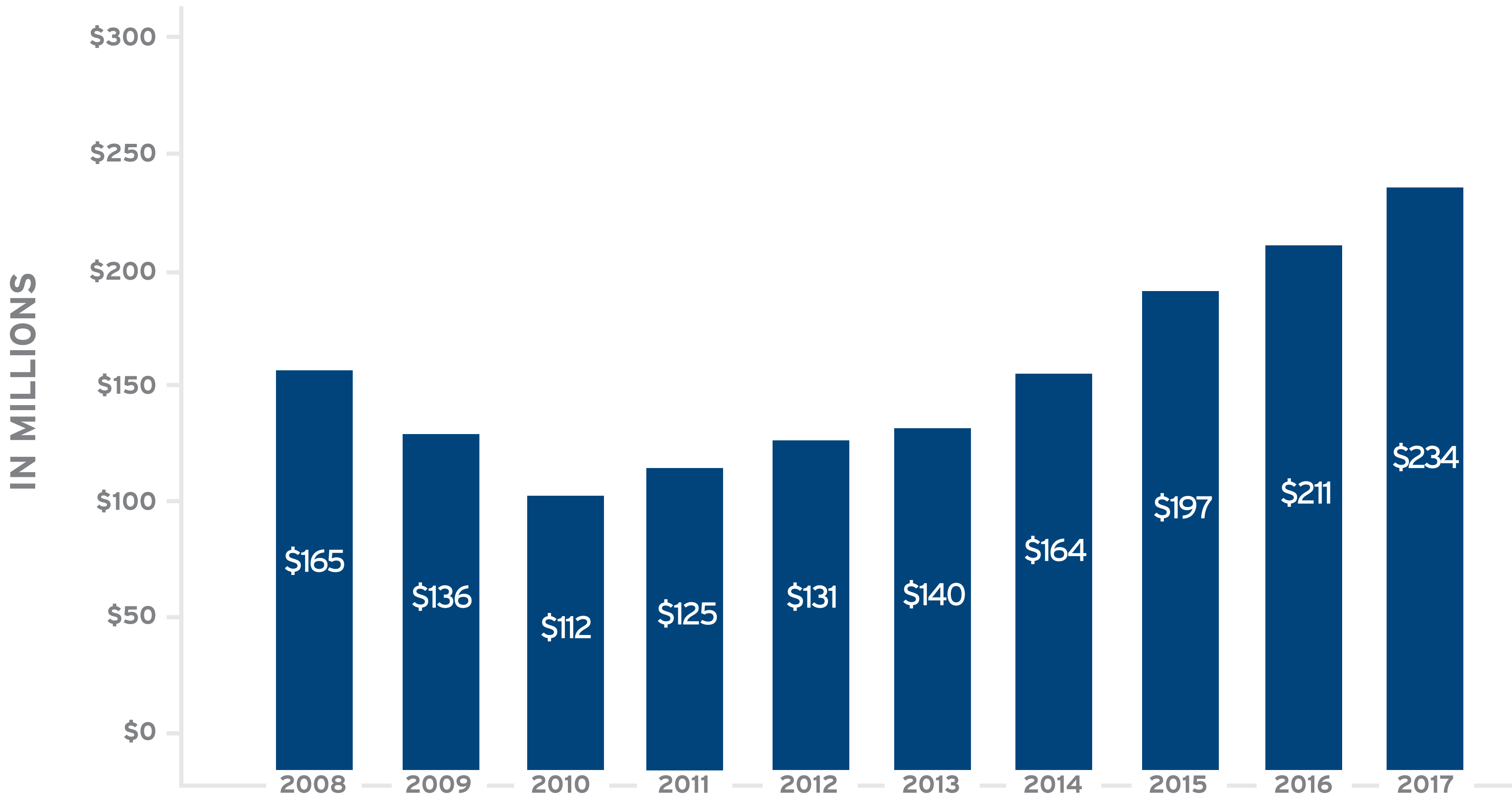
STATEMENT OF NET POSITION
(IN THOUSANDS)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Invested in Capital Assets, Net of Debt	$ 402,803	$ 455,216	$ 486,023	$ 490,660	$ 471,360	$ 504,276	$ 536,757	$ 453,477	$ 485,494	$ 462,400
Restricted for Debt Service, Net of Debt	6,384	6,403	6,495	9,287	8,818	9,009	9,100	9,194	16,672	16,805
Restricted for Capital Projects	1,790	1,628	1,459	1,175	1,000	-	-	-	-	-
Restricted for Federal Grant Purposes			-	515	-	-	-	-	-	-
Unrestricted	212,861	189,459	166,489	180,060	216,672	191,893	163,042	216,127	240,343	357,068
Total Net Position	$ 623,838	$ 652,706	$ 660,466	$ 681,697	$ 697,850	$ 705,178	$ 708,899	$ 678,798	$ 742,509	$ 836,273

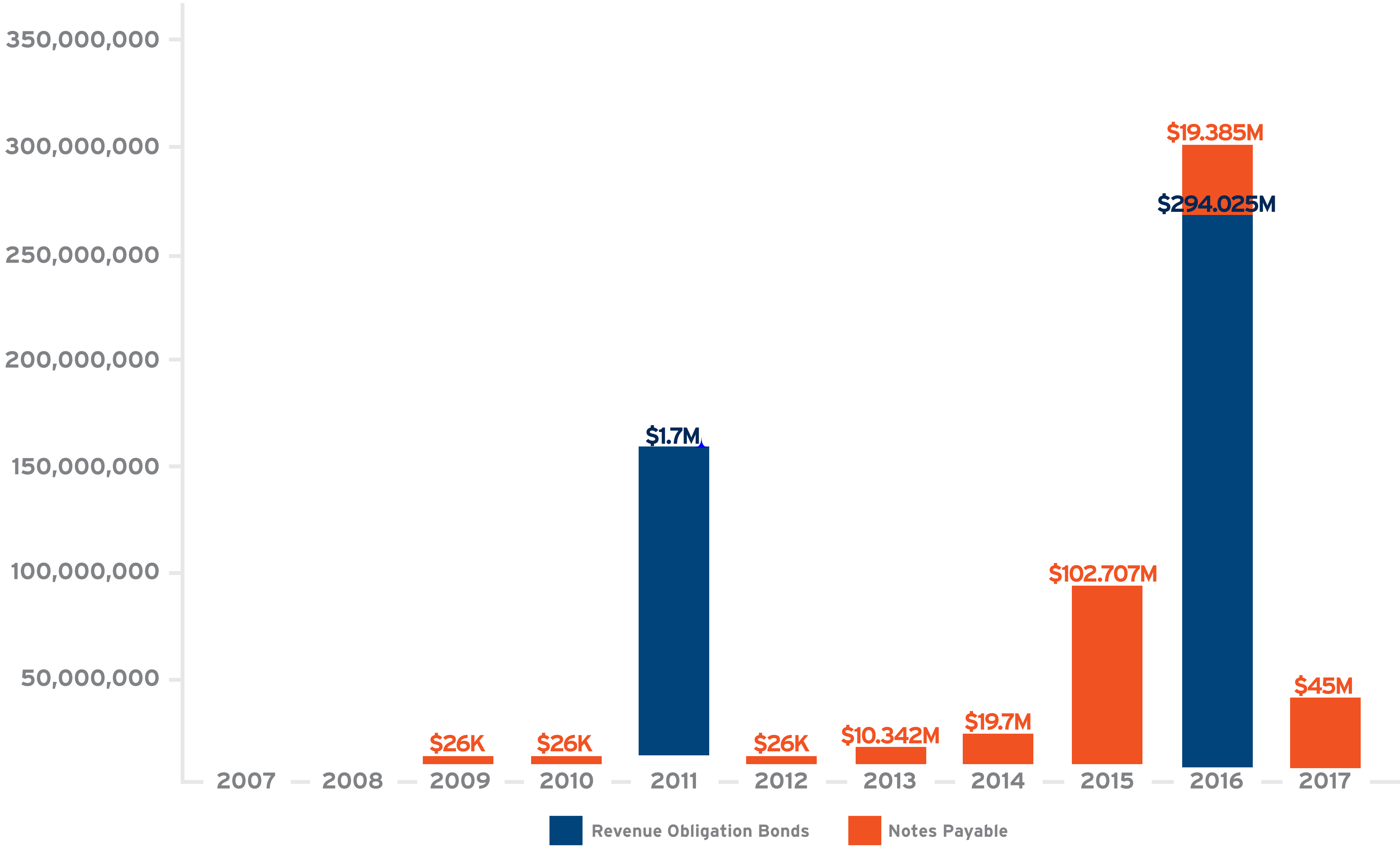


HISTORICAL REVENUES, EXPENSES & CHANGES IN NET POSITION (IN THOUSANDS)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Operating Revenues	$ 165,092	$ 136,201	$ 111,744	$ 124,649	$ 130,948	$ 140,388	$ 164,143	$ 196,759	$ 211,166	$ 233,648
Operating Expenses										
Direct Operating Expenses	62,252	60,776	55,918	59,856	71,567	75,625	91,622	106,100	117,476	123,876
Administrative Expenses	19,609	20,072	17,922	19,316	21,140	23,440	26,163	26,313	28,920	36,704
Depreciation Expense	28,538	29,669	29,532	28,834	30,967	28,702	32,415	33,753	33,687	37,233
Gain on Property Damage, Including Insurance Recovery						(3,706)	(350)	(121)	(7,618)	(2,141)
Total Operating Expenses	110,399	110,517	103,372	108,006	123,674	124,061	149,850	166,045	172,465	195,672
Operating Earnings	54,693	25,684	8,372	16,643	7,274	16,327	14,293	30,714	38,701	37,976
Nonoperating Revenues (Expenses)										
Interest Income	9,445	7,191	5,500	4,091	4,745	3,283	2,163	2,520	5,452	5,717
Other Income (Expense), Net	413	(903)	(1,518)	(2,550)	448	(430)	(382)	(6,135)	(2,330)	(1,386)
Gain (Loss) on Sale of Property and Equipment, Net	32	53	2,475	26	53	62	(54)	2,650	(951)	37,063
Interest Expense	(10,786)	(5,632)	(1,746)	(438)	(610)	(1,748)	(849)	(3,163)	(2,043)	(1,418)
Unrealized Gain on Interest Rate Exchange Agreements				1,484	688	610	436	896	(111)	196
Contribution to State of SC - Cooper River Bridge	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
Contribution to Berkeley County - Highway Interchange			(7,000)			(8,000)				
Contribution to Aiken County - Infrastructure Improvements						(1,093)	(1,315)	(74)		
Contribution to Sumter County - Infrastructure Improvements							(2,886)	(425)	(1,383)	-
Contribution to Georgetown County - Steel Mill Study							-	-	-	(15)
Contribution to Cherokee County - Economic Improvements							-	-	-	(500)
Contribution from the State of SC - Jasper Ocean Terminal							-	1,050	1,000	1,875
Contribution from the State of SC - Land Trust							-	5,000	-	-
Total Non Operating Revenues (Expenses)	(1,896)	(291)	(3,289)	1,613	4,324	(8,316)	(3,887)	1,319	(1,366)	40,532
Excess Revenues over Expenses (Before Capital Contributions)	52,797	25,393	5,083	18,256	11,598	8,011	10,406	32,033	37,335	78,508
Contribution from the State of SC for Harbor Deepening								-	6,185	137
Grant from the SC Department of Public Safety								-	-	34
Capital Contribution - Charleston Naval Comples Redevelopment Authority	23,550	16								
Capital Grants from Federal Government	639	3,459	2,677	1,918	6,082	1,517	143	361	5,156	5,681
Contribution from Spartanburg County for BMW Land/Facility				1,057	-		-	281	15,035	7,095
Contribution of Land from Dillon County for Inland Port										2,309
Contribution from Norfolk Southern Railway Company							1,103	1,134		
Condemnation of Leasehold Rights						(2,200)				
Increase in Net Assets	$ 76,986	$ 28,868	$ 7,760	$ 21,231	$ 17,680	$ 7,328	$ 11,652	$ 33,809	$ 63,711	$ 93,764
Total Net Assets										
Beginning of Year	546,852	623,838	652,706	660,466	681,697	697,850	705,178	708,899	678,798	742,509
Adoption of GASB 68								(63,910)		
Adoption of GASB 65					(1,527)					
Harbor Deepening Restatement							(7,931)			
End of Year	$ 623,838	$ 652,706	$ 660,466	$ 681,697	$ 697,850	$ 705,178	$ 708,899	$ 678,798	$ 742,509	$ 836,273


IN MILLIONS
$300
$250
$200
$150
$100
$50
$0
$165
$136
$112
$125
$131
$140
$164
$197
$211
$234
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017

HISTORICAL DEBT ISSUANCE



RATIO OF OUTSTANDING DEBT TO OPERATING REVENUES (IN THOUSANDS)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenue Bonds - Series 1998	$ 105,175	$ 101,660	$ 97,955	$ 8,475	$ 4,350	$ -	$ -	$ -	$ -	$ -
Revenue Bonds - Series 1998B	25,000	-	-	-	-	-	-	-	-	-
Revenue Bonds - Series 2010	-	-	-	170,000	170,000	170,000	165,340	160,495	155,460	150,190
Revenue Bonds - Series 2015	-	-	-	-	-	-	-	-	294,025	294,025
Notes Payable	1,999	1,662	1,311	960	607	10,343	29,458	130,977	41,056	84,808
Other Debt	-	-	-	-	-	-	-	-	-	-
Short Term Debt LOC	-	-	-	-	-	-	-	-	-	-
Total	$ 132,174	$ 103,322	$ 99,266	$ 179,435	$ 174,957	$ 180,343	$ 194,798	$ 291,472	$ 490,541	$ 529,023
Operating Revenues	$ 165,092	$ 136,201	$ 111,744	$ 124,649	$ 130,948	$ 140,388	$ 164,143	$ 196,759	$ 211,166	$ 233,648
Ratio - Total Debt/Operating Revenues	0.80	0.76	0.89	1.44	1.34	1.28	1.19	1.48	2.32	2.26

Excludes any unamortized Premium/Discount

DEBT SERVICE REQUIREMENTS
(IN THOUSANDS)

	Series 2010			Series 2015			
Fiscal Year Ending June 30,	Principal	Interest	Debt Service	Principal	Interest	Debt Service	Total Debt Service
2018	$ 5,535	$ 7,714	$ 13,249		$ 14,688	$ 14,688	$ 27,937
2019	5,810	7,430	13,240		14,688	14,688	27,928
2020	6,090	7,133	13,223		14,688	14,688	27,911
2021	6,390	6,821	13,211		14,688	14,688	27,899
2022	6,725	6,484	13,209		14,688	14,688	27,898
2023	7,075	6,122	13,197		14,688	14,688	27,885
2024	7,445	5,741	13,186		14,688	14,688	27,874
2025	7,830	5,340	13,170		14,688	14,688	27,858
2026	8,245	4,918	13,163		14,688	14,688	27,851
2027	3,990	4,592	8,582	1,655	14,647	16,302	24,884
2028	4,215	4,366	8,581	1,740	14,562	16,302	24,883
2029	4,450	4,130	8,580	1,830	14,473	16,303	24,883
2030	4,690	3,887	8,577	1,925	14,379	16,304	24,881
2031	4,945	3,634	8,579	2,010	14,296	16,306	24,885
2032	5,210	3,368	8,578	2,100	14,208	16,308	24,886
2033	5,495	3,087	8,582	2,185	14,114	16,299	24,881
2034	5,790	2,791	8,581	2,285	14,016	16,301	24,882
2035	6,100	2,479	8,579	2,395	13,911	16,306	24,885
2036	6,430	2,150	8,580	2,490	13,814	16,304	24,883
2037	6,775	1,803	8,578	2,595	13,712	16,307	24,885
2038	7,140	1,438	8,578	2,700	13,606	16,306	24,884
2039	7,525	1,053	8,578	2,810	13,496	16,306	24,884
2040	7,930	647	8,577	2,925	13,381	16,306	24,883
2041	8,360	219	8,579	3,040	13,262	16,302	24,881
2042			-	11,960	12,925	24,885	24,885
2043			-	12,525	12,360	24,885	24,885
2044			-	13,115	11,768	24,883	24,883
2045			-	13,735	11,148	24,883	24,883
2046			-	14,385	10,498	24,883	24,883
2047			-	15,115	9,768	24,883	24,883
2048			-	15,930	8,953	24,883	24,883
2049			-	16,790	8,094	24,884	24,884
2050			-	17,695	7,189	24,884	24,884
2051			-	18,645	6,235	24,880	24,880
2052			-	19,655	5,230	24,885	24,885
2053			-	20,710	4,170	24,880	24,880
2054			-	21,830	3,054	24,884	24,884
2055			-	23,005	1,877	24,882	24,882
2056			-	24,245	636	24,881	24,881

HISTORICAL DEBT SERVICE COVERAGE RATIOS (IN THOUSANDS)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Operating Revenues	$ 165,092	$ 136,201	$ 111,744	$ 124,649	$ 130,948	$ 140,388	$ 164,143	$ 196,759	$ 211,166	$ 233,648
Operating Expenses	110,399	110,517	103,372	108,006	123,674	124,061	149,850	166,045	172,465	195,672
Operating Earnings	54,693	25,684	8,372	16,643	7,274	16,327	14,293	30,714	38,701	37,976
Nonoperating Revenues (Expenses), net [1]	(896)	709	4,711	2,613	5,324	1,777	1,314	(3,232)	(1,366)	40,532
Excess Revenues over Expenses before capital Contributions, Grants and special items	53,797	26,393	13,083	19,256	12,598	18,104	15,607	27,482	37,335	78,508
Capital Contributions from/(to) Government Entities and Grants from Federal Government[2] and special items	23,189	2,475	(5,323)	1,975	5,082	(10,776)	(3,955)	6,327	26,376	15,256
Excess Revenues over Expenses after Contributions and Grants	76,986	28,868	7,760	21,231	17,680	7,328	11,652	33,809	63,711	93,764
Adjustments:										
Depreciation	28,538	29,669	29,532	28,834	30,967	28,702	32,415	33,753	33,687	37,233
Unrealized Gains [3]	5,422	1,888	(716)	(1,484)	(688)	(610)	(436)	(896)	111	(196)
Interest Expense [4]	5,364	3,744	2,462	930	610	1,748	849	3,163	2,043	1,418
Net Gains and Losses on the Disposal of Assets		(53)	(2,475)	(27)	(53)	(62)	54	(2,650)	951	(37,063)
Land Contributions from the State	(23,550)	(16)		(1,057)						
Land Contributions from Dillon Co. [5]										(2,309)
Contribution to State for Bridge	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Contribution to Berkeley County, SC			7,000			8,000				-
Contribution to Aiken County, SC						1,093	1,315	74		
Contribution to Georgetown County, SC										15
Contribution to Cherokee County, SC										500
Contribution to Sumter County, SC							2,886	425	1,383	-
Contribution from State - Jasper Ocean Terminal								(1,050)	(1,000)	(1,875)
Contrinbution to Jasper Ocean Terminal								1,088	1,083	1,875
Contribution from State - for Harbor Deepening									(6,185)	(137)
Capital Grants from Federal Government	(639)	(3,459)	(2,677)	(1,918)	(6,082)	(1,517)	(143)	(361)	(5,156)	(5,681)
Contribution from Spartanburg for BMW faciility								(281)	(15,035)	(7,095)
Contributions from SC Dept of Public Safety										(34)
Contributions from Railway Co for Inland Port							(1,103)	(1,134)		-
Pass through Payments Related to Grants above [6]		58	413	242	1,095	135	95		796	91
Pension - GASB 68 [7]									1,542	3,995
OPEB [8]									1,643	1,606
Net Harbormaster Fees		8	38	(74)	(68)	14	33	4	(17)	(227)
Net Adjustments	16,135	32,839	34,577	26,446	26,781	38,503	36,965	33,135	16,846	(6,884)
Net Revenues Available for Debt Service	$ 93,121	$ 61,707	$ 42,337	$ 47,677	$ 44,461	$ 45,831	$ 48,617	$ 66,944	$ 80,557	$ 86,880
1998 Bonds					4,478					
2010 Bonds					9,277		13,264	13,259	13,251	13,254
2015 Bonds							-	-	2,326	14,688
Principal and Interest Paid on Bonds	9,119	9,080	9,081	6,728	13,755	13,167	13,264	13,259	15,577	27,942
P&I paid on Inland Port	-	-	-	-	-	-	-	1,925	1,925	1,925
P&I paid on NOCS Cold Storage Facility	-	-	-	-	-	-	-	3	78	785
P&I paid on SunTrust equipment	-	-	-	-	-	-	-	-	-	257
P&I paid on Marlboro Dev. Loan - Dillon	-	-	-	-	-	-	-	-	-	-
Debt Service Coverage Ratio - Bonds	**10.21x**	**6.80x**	**4.66x**	**7.09x**	**3.23x**	**3.48x**	**3.67x**	**5.05x**	**5.17x**	**3.11x**
Debt Service Coverage Ratio - Bonds & Inland Port								**4.41x**	**4.60x**	**2.91x**
Debt Service Coverage Ratio - Bonds, Inland Port & NOCS								**4.41x**	**4.58x**	**2.83x**
Debt Service Coverage Ratio-Bonds, 1st Citizens, SunTrust										**2.81x**

1 Includes interest expense.

2 During 2002, the Authority adopted GASB 34, "Basic Financial Statements, Management Discussion and Analysis, for State and Local Governments". GASB 34 requires that these new standards make several changes to the presentation of its basic financial statements including the presentation of intergovernmental transfers in the Statement of Revenues, Expenses and Changes in Net Assets.

3 Unrealized gains on the fair value of interest rate exchange agreements and invested assets

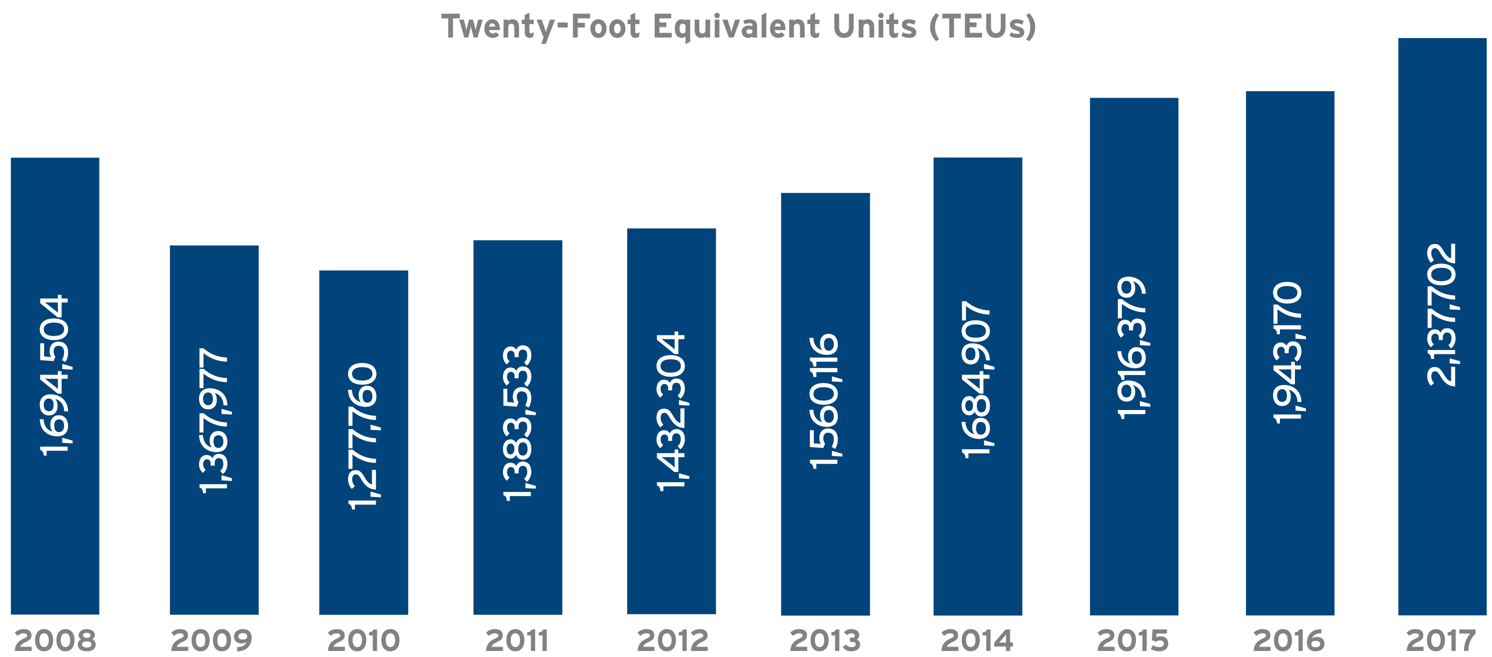
4 Reflects amounts deducted for capitalized interest expense.

5 Donated land did not require cash expenditure by the Authority.

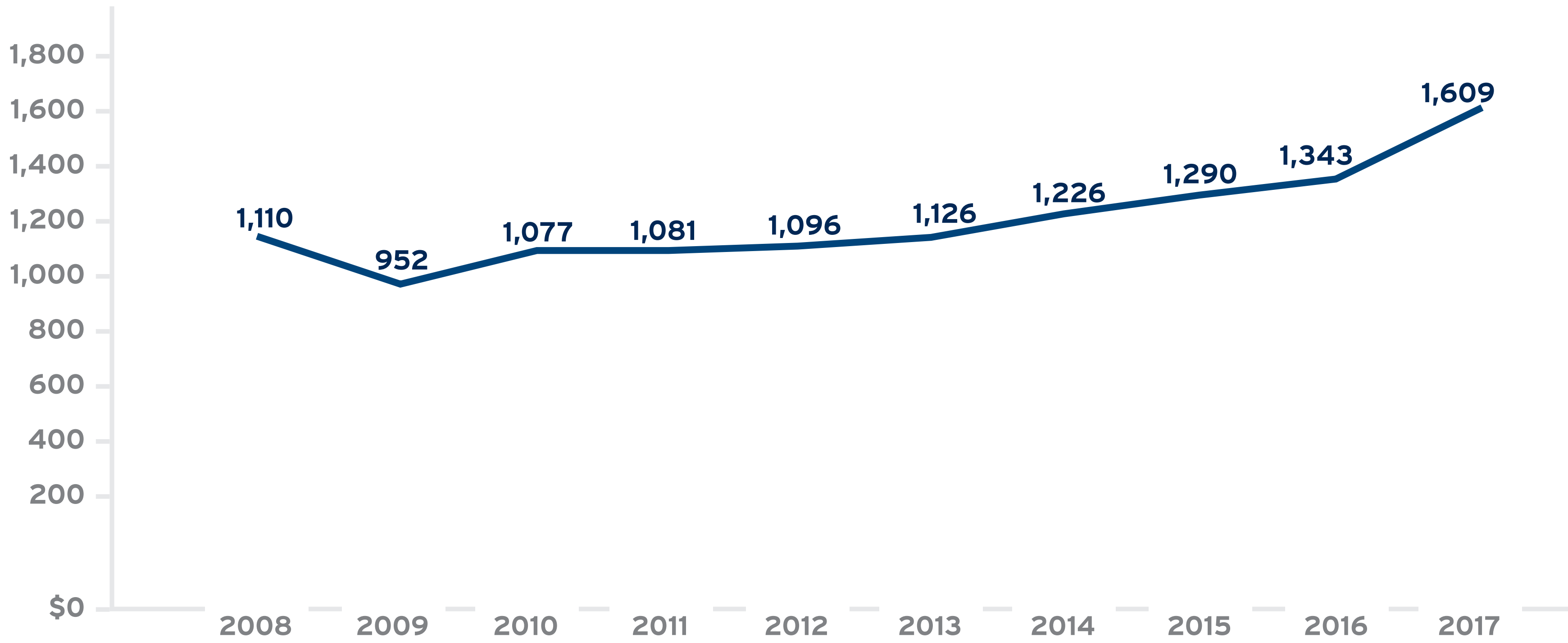
6 Payments reported in Other Income(Expense), net amount in the Authority's Financial Statements

7 Non-Cash Portion of Pension Expense

8 Non-Cash Portion of OPEB (Other Post Employment Benefits) Expense


Twenty-Foot Equivalent Units (TEUs)
1,694,504
1,367,977
1,277,760
1,383,533
1,432,304
1,560,116
1,684,907
1,916,379
1,943,170
2,137,702
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017

AVERAGE TWENTY-FOOT EQUIVALENT UNITS PER VESSEL DOCKED



*Vessels Docked includes ships and barges.

Twenty-Foot Equivalent Units
by Terminal

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Columbus Street	222,588	130,478	84,513	52,549	-	-	-	160	27	-
North Charleston	434,159	395,706	378,581	409,865	514,599	570,184	531,177	563,691	648,580	463,936
Wando Welch	1,037,757	841,793	814,666	921,120	917,705	989,933	1,153,730	1,352,528	1,294,563	1,673,767
Total	**1,694,504**	**1,367,977**	**1,277,760**	**1,383,533**	**1,432,304**	**1,560,116**	**1,684,907**	**1,916,379**	**1,943,170**	**2,137,702**

Pier Container Lifts
by Terminal

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Columbus Street	124,338	74,166	48,341	30,056	-	-	-	80	27	-
North Charleston	255,662	230,602	216,930	234,754	293,760	325,425	303,379	322,483	366,484	262,959
Wando Welch	592,791	477,452	475,937	538,165	528,091	564,365	653,306	772,343	730,295	944,745
Total	**848,453**	**782,220**	**741,208**	**802,975**	**821,851**	**889,790**	**956,685**	**1,094,906**	**1,096,806**	**1,207,704**

Non-Containerized Cargo Pier Tons
by Terminal

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Columbus Street	101,428	70,899	65,191	258,674	595,678	578,702	590,755	721,092	808,630	818,417
Georgetown	222,966	217,123	124,636	276,570	548,919	494,645	553,039	548,933	249,149	7,466
North Charleston	14,688	7,532	76,926	7,327	7,019	35,837	6,386	908	1,626	530
Port Royal	10,054	-	-	-	-	-	-	-	-	-
Union Pier	543,836	402,382	330,819	263,083	889	77,188	150,823	144,054	90,420	31,245
Veterans	-	67,043	111,191	183,049	258,372	429,988	14,228	3,392	-	-
Wando Welch	144	1,152	886	3,000	1,513	1,848	1,038	2,469	1,298	1,470
Total	**893,116**	**766,131**	**709,649**	**991,705**	**1,412,390**	**1,618,206**	**1,316,270**	**1,420,847**	**1,151,123**	**859,127**

Other Statistics	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Inland Port Rail Moves	0	0	0	0	0	0	19,512	58,407	91,698	121,761
Rolling Stock Vehicles	219,900	152,016	114,156	157,890	215,945	200,231	208,874	253,597	274,662	258,804
Cruise Passengers	0	0	0	178,518	190,619	182,131	192,508	189,050	212,286	224,105

Port Facilities							
Descr	WANDO WELCH	NORTH CHARLESTON	COLUMBUS STREET	UNION PIER	VETERANS TERMINAL	GEORGETOWN	INLAND PORT GREER
Terminal Area (Acres)	689	201	155	70	110	46	110
Channel Width Min (Feet)	500	500	500	500	500		
Channel Width Max (Feet)	1,000	1,000	1,000	1,000	1,000		
Channel project Depth (Feet)	45	45	45	35	35	27	
Berth/Working Trackage (Linear Feet)	3,800	2,500	3,500	2,470	4,452		5,200
Cargo Handled (Type)							
Container Crane Class							
Post-Panamax		4	-	-	-	-	-
Super Post Panamax	10	2	-	-	-	-	-
Total	10	6	-	-	-	-	
Container Handlers							
Empty Toplifter	24	2	-	-	-	-	3
Toplifter	17	20	-	-	-	-	1
RTG	40	8	-	-	-	-	5
Total	81	30	-	-	-	-	9
Warehouse Sq. Ft.	187,680	-	359,149	500,000	96,993	103,000	-

SCPA Employees										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Administrative	108	111	97	96	101	96	100	104	98	99
Operations	447	440	371	371	374	389	383	382	403	454
Grand Total	**555**	**551**	**468**	**467**	**475**	**485**	**483**	**486**	**501**	**553**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Construction in Process	$ 54,292	$ 69,268	$ 123,012	$ 141,907	$ 157,216	$ 207,602	$ 227,910	$ 249,411	$ 342,330	$ 463,281
Land	190,905	198,635	198,573	199,630	199,638	199,906	201,675	203,281	202,613	206,197
Land Improvements	177,159	209,441	211,375	230,426	256,142	275,621	311,695	317,416	327,916	370,336
Buildings and Structures	318,524	319,526	319,661	324,356	327,177	337,817	339,654	340,354	335,364	347,312
Railroad Tracks	5,328	5,328	4,727	7,660	8,859	8,869	16,826	16,962	16,990	16,990
Terminal Equipment	121,530	123,218	123,643	125,635	133,099	136,133	141,368	146,945	155,534	163,900
Furniture & Fixtures	22,107	23,976	24,221	24,037	24,106	24,659	29,117	27,220	29,303	35,993
	889,845	949,392	1,005,212	1,053,651	1,106,237	1,190,607	1,268,245	1,301,589	1,410,050	1,604,009
Depreciation (Accumulated)	(353,356)	(382,692)	(411,125)	(438,378)	(468,679)	(496,815)	(522,544)	(549,718)	(563,656)	(587,800)
Net Book Value of Capital Assets	**$ 536,489**	**$ 566,700**	**$ 594,087**	**$ 615,273**	**$ 637,558**	**$ 693,792**	**$ 745,701**	**$ 751,871**	**$ 846,394**	**$ 1,016,209**

Description	REGION		STATE	
Population		761,155		4,900,000
Total Personal Income	$	34,250,369	$	196,049,325,000
Per Capita Personal Income	$	44,998	$	39,517
Unemployment Rate		4.10		4.90

10 Largest Private Employers in Charleston Area	No. of Employees
Boeing	8,200
Roper St Francis Healthcare	5,500
Wal Mart	2,300
Trident Health System	2,000
Robert Bosch Corporation	1,800
SAIC	1,500
Kiawah Island Golf Resort/The Sanctuary	1,500
Blackbaud, Inc.	1,300
Verizon Wireless	1,250
Bi-Lo Stores	1,200

10 Largest Private Employers in SC	City	No. of Employees
BlueCross BlueShield of SC	Columbia	60,000
BMW Manufacturing Co	Greer	12,000
Michelin North America	Greenville	10,000
Boeing Co	North Charleston	7,500
Sealed Air Corp.	Spartanburg	6,481
Robert Bosch Corporation	Charleston	5,463
General Electric	Greenville	5,000
Daimler AG	Charleston	5,000
LPL Financial Holdings	Fort Mill	5,000
ZF Friedrichshafen	Greenville	5,000

THE WORLD CONNECTS HERE

For years, we've worked to keep freight moving from South Carolina to the rest of the world.

This year is particularly special because 2017 marks 75 years of service to the people of our state.

We invite you to join with us as we celebrate our past by looking toward the future.

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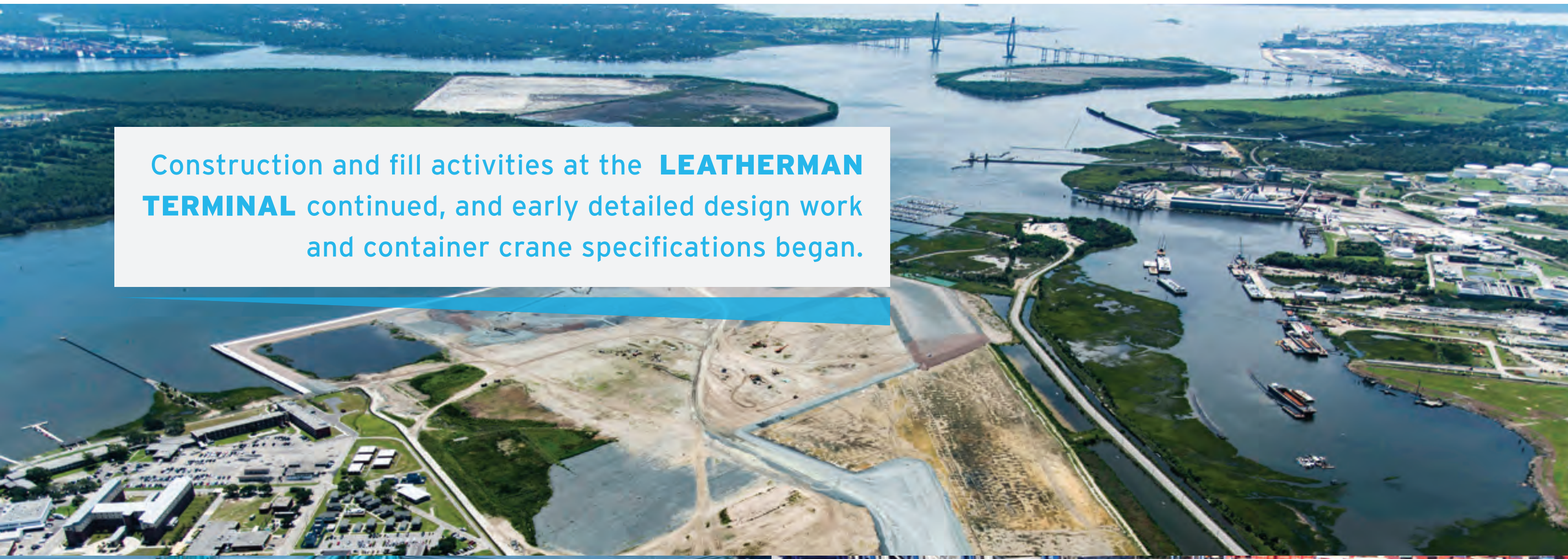
SOUTH CAROLINA PORTS



Construction and fill activities at the **LEATHERMAN TERMINAL** continued, and early detailed design work and container crane specifications began.

NEW 155' SHIP-TO-SHORE CRANES

were delivered in August 2016.

WHARF MODERNIZATION

nearly completed, including repairs and upgrades to structural support and fendering system.

NEW SIX-ACRE REFRIGERATED CONTAINER SERVICE AREA

and four five-story refrigerated container racks opened at the Wando Terminal to serve growing cold chain business.