



**SOUTH
CAROLINA
PORTS**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR FISCAL
YEAR ENDED
JUNE 30, 2019

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200 Ports Authority Drive
Mount Pleasant, SC 29464

www.scsipa.com

December 31, 2019

Dear Board Members, Customers and Port Partners:

South Carolina Ports Authority (“SCPA”) saw approximately 9% cargo growth in fiscal year 2019, handling a record 2.4 million twenty-foot equivalent container units (TEUs) and 195,000 vehicles. Inland Port Greer reported its busiest fiscal year yet with 143,000 rail moves, and Inland Port Dillon had a successful first year with 30,000 rail moves.

This unprecedented growth enables us to further progress important infrastructure projects, equipping the Port to efficiently handle bigger ships and cargo volumes for decades to come. We remain focused on modernizing the Wando Welch Terminal in Mount Pleasant, building the Hugh K. Leatherman, Sr. Terminal in North Charleston and deepening the Charleston Harbor to 52 feet.

The Wando terminal will have fifteen 155-foot tall ship-to-shore cranes and the ability to handle three 14,000 TEU ships simultaneously by 2021. Site work for the future Leatherman terminal continues with the first phase set to open in Spring of 2021. The Charleston Harbor Deepening Project was included in the president’s 2019 budget with a \$138 million allocation – a significant milestone. The entrance channel dredging work is underway, followed by dredging from the lower harbor up to the Wando Terminal, and then to the Leatherman Terminal. By 2021, Charleston will have the deepest harbor on the East Coast at 52-feet, ensuring the Port remains globally competitive.

SCPA is also increasing retail volumes through distribution centers, intermodal rail and our inland port system to handle growing imports for the Southeast. SCPA is a major driver of the overall South Carolina Economy. SCPA makes a \$63.4 billion economic impact annually on the State, according to a new study from the University of South Carolina’s Darla Moore School of Business.

As I reflect on the past 10 years leading this organization, I am proud of the work we have accomplished and look forward to what’s ahead. The move into our modern headquarters building in Mount Pleasant has further strengthened our workforce, and we earned recognition as one of the Best Places to Work in South Carolina in 2019. The work we do and the way we do it would truly not be possible without the expertise of our 700-employee workforce and the greater South Carolina maritime community. I am grateful for the hard work and dedication they exhibit every day. We will continue to invest in our people, infrastructure and capacity as we strive to be the preferred option of the top 10 US container ports, further boosting our State’s economy as we grow.

Regards,

Jim Newsome
President & CEO



200 Ports Authority Drive
Mount Pleasant, SC 29464

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December 31, 2019

Board of Directors
South Carolina State Ports Authority
200 Ports Authority Drive
Mount Pleasant, South Carolina 29464

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, 2019. 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.

Elliott Davis, LLC, Certified Public Accountants, has issued an unmodified opinion on South Carolina State Ports Authority’s financial statements for the year ended June 30, 2019. An unmodified opinion on the financial statements for the year ended June 30, 2018 was issued by PricewaterhouseCoopers LLP. 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. SCSPA is an economic driver and key competitive advantage for South Carolina. The Port is responsible for one in 10 jobs statewide, and port-supported jobs pay nearly 40 percent higher than the state's average annual wage.

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. Totalling 201 acres, this facility includes 2,460 feet of continuous berth space; five container cranes, two of which are Super Post-Panamax and three of which are Post-Panamax; approximately 134 acres of container storage space; and an on-terminal intermodal rail yard. Three Super-Post-Panamax cranes are scheduled to be transferred from the Authority's Wando Welch Terminal during Fiscal Years 2020 and 2021 and will replace the Post-Panamax cranes currently in operation. Vessel transit time from this facility to open sea is approximately two hours. Just outside the North Charleston Terminal, the Authority leases land to a private tenant which operates a 150,000-square-foot cold storage facility.

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 contains 3,800 continuous feet of berth space, 689 total acres and more than 400 developed acres, which includes 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 twelve Super-Post Panamax cranes, with three additional Super-Post-Panamax cranes and four replacement Super-Post-Panamax cranes on order. The terminal routinely handles 13,000-14,000 TEU vessel calls and in September 2017 handled the largest vessel to call the United States East Coast, the CMA-CGM Theodore Roosevelt with 14,414 TEUs of capacity. Vessel transit time from this facility to open sea is approximately two hours.

Columbus Street Terminal

Located on the Cooper River, six miles from the open ocean, the Columbus Street Terminal is the Authority's primary Ro-Ro, breakbulk, heavy lift and project cargo facility. This terminal spans 155 acres, with 3,500 continuous feet of berth, an on-terminal rail yard served by Norfolk Southern and CSX and three warehouses encompassing 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 and transloading facility. Of Charleston's five terminals, Union Pier Terminal is the closest to open sea and is located two blocks south of the Columbus Street Terminal in downtown Charleston. This 71-acre facility has over 2,470 continuous feet of wharf and 334,000 square feet of warehouse space. Vessel transit time from this facility to open sea is approximately one hour.

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. Transit time to open sea is approximately one-and-a-half hours.

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 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.

In April 2018, SCSPA opened its second inland port in Dillon, South Carolina, a region with close proximity to I-95 and the North Carolina/South Carolina border. This facility is served by CSX and the total investment was \$51.5 million with approximately \$42 million contributed by the Authority and \$9.5 million by CSX. The 110-acre terminal has a double stack rail shuttle to and from Charleston. The Inland Port Dillon provides a unique, short-haul rail service for existing clients in the area and serves as a draw for economic development. Harbor Freight Tools, which recently completed a one-million square foot distribution center expansion, is the anchor tenant for this facility. The terminal is located within the Carolinas I-95 Mega Site, a 3,400-acre industrial park where industrial clients will find easy access to both the Inland Port Dillon and I-95.

Long-Term Financial Planning

Over the last ten years, the Authority's container volume, measured in twenty-foot equivalent units, has grown from 1.28 million in fiscal year 2010 to 2.40 million in fiscal year 2019, a compound annual growth rate of 7.23%. Because of this, the SCSPA and the State of South Carolina are investing nearly \$1.55 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, and wharf reinforcements.

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 \$558 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, with portions completed by 2021. Based on USACE's Project Management Plan, it is anticipated that the local share of the project will be approximately \$270 million, and the federal share will be approximately \$288 million. As of 2019, this project has been fully funded pending one last Senate approval. The State appropriated \$300 million, together with interest earned thereon, to cover costs associated with the deepening of the Charleston Harbor. In addition, the State advanced proceeds of a \$50 million Proviso Loan to bridge the federal funding period. The Proviso Loan is expected to be paid back by federal funds when received and approved for reimbursement. To date, the federal government has authorized \$108 million with an additional \$138 million pending Senate approval which will fully fund the project. It is projected that when the project is complete, Charleston will be the deepest port on the US East Coast.

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 will be constructed in three phases, with timing based on market demand. The first phase will result in 1,400 linear feet of berth, 134 developed acres of which 47 acres dedicated to container storage space, five ship-to-shore cranes, and 25 rubber-tired-gantry cranes. This phase will add more than 625,000 TEUs when operational. At full build-out (after completion of all three phases), the Leatherman Terminal is projected to add 2.4 million TEUs representing an increase of nearly 100% of incremental new container capacity. Additionally, the Leatherman Terminal will feature approximately 3,510 linear feet of berth, 266-developed acres, 165 acres of dedicated container space, 14 ship-to-shore cranes, and 70 rubber-tired gantry cranes. To-date, more than 6,300 miles of wick drains have been installed to aid in consolidating the underlying soil with over 4.0 million tons of crushed stone and over 4.0 million cubic yards of soil placed as fill and surcharge material. Phase one of the Hugh Leatherman Sr. Terminal is scheduled for opening in 2021. HLT will feature a dedicated commercial access road connecting the terminal to Interstate 26 and, via an additional private road, to a new intermodal rail facility being built nearby. Combined, HLT Phase 1 and the SCSPA's associated share of the access road will cost approximately \$986 million.

SCSPA continues to modernize the Wando Welch Terminal. Over multiple years, the Authority is investing \$450 million. Work includes creating a new chassis yard, improving traffic patterns and purchasing new equipment. By the end of 2021, the Wando Welch Terminal will be equipped with fifteen 155-foot-tall ship-to-shore cranes and 65 rubber-tired gantry cranes, enabling it to comfortably handle three 14,000 TEU vessels simultaneously.

Construction of SCSPA's new headquarters was completed in fiscal year 2019 and employees were phased in to the new facility beginning January 2019. The new facility consolidates employees from multiple office locations in a modern, open office space at the Wando Welch Terminal.

Acknowledgements

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the South Carolina State Ports Authority for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2018. This was the second year that the Authority has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

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, Elliott Davis, LLC. We wish to thank all members of the SCSPA 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 G. Padgett
Chief Financial Officer



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

South Carolina State Ports Authority

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morrell

Executive Director/CEO

SC PORTS BOARD OF DIRECTORS



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COO



PHIL PADGETT
CFO



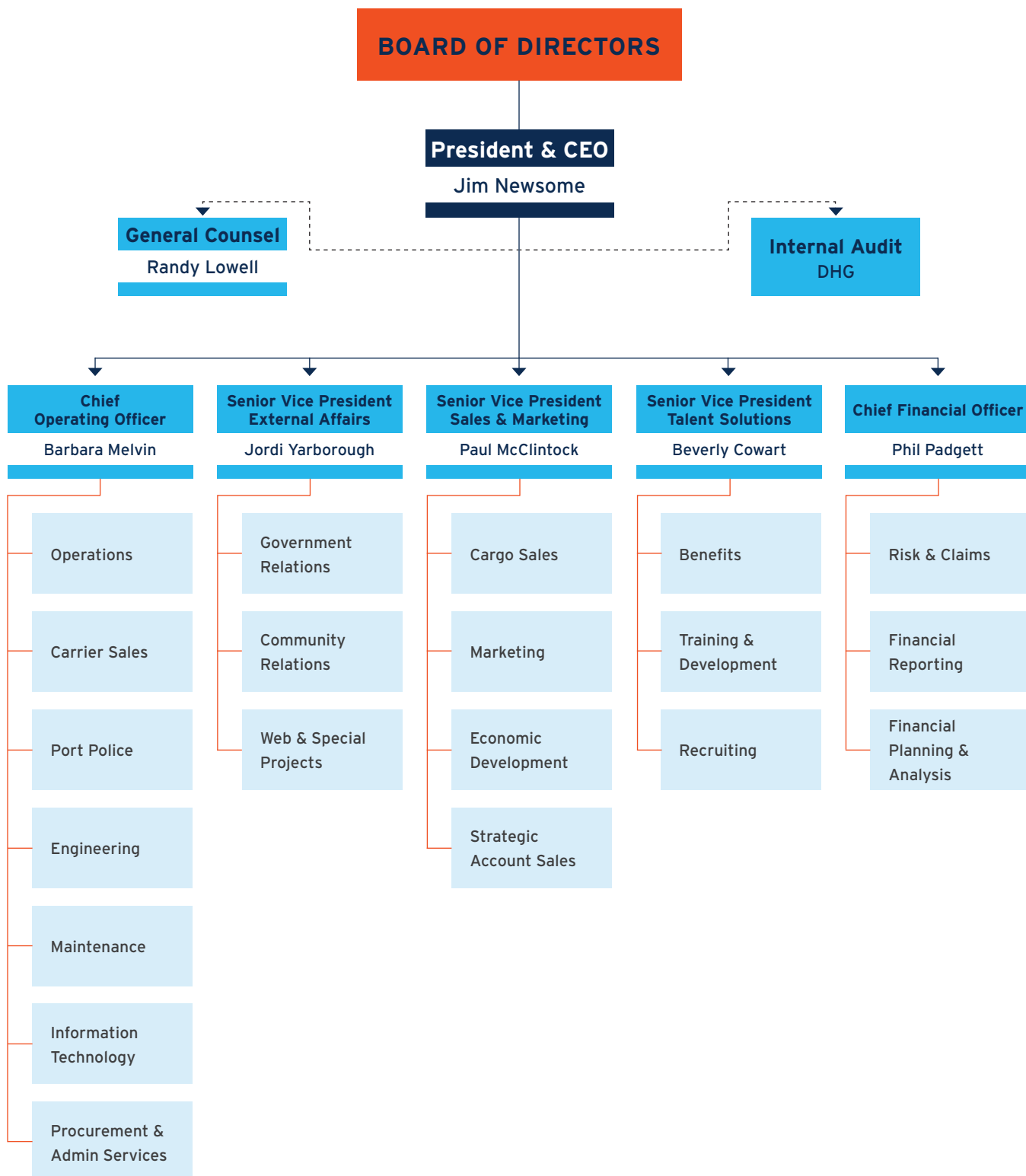
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JORDI YARBOROUGH
SVP External
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FINANCIAL SECTION



**SOUTH
CAROLINA
PORTS**

THE WORLD CONNECTS HERE

South Carolina State Ports Authority

**Financial Statements and
Required Supplemental Information
June 30, 2019 and 2018**

South Carolina State Ports Authority

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June 30, 2019 and 2018

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To the Board of Directors
South Carolina State Ports Authority
Mount Pleasant, South Carolina



Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the South Carolina State Ports Authority (the "Ports Authority"), a component unit of the State of South Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Ports Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Ports Authority as of June 30, 2019, and the respective changes in financial position and, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of the Ports Authority as of and for the year ended June 30, 2018 were audited by other auditors whose report, dated October 15, 2018, expressed an unmodified opinion on those financial statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Schedule of the Ports Authority's Total OPEB Liability, the Schedule of the Ports Authority's OPEB Contributions, the Schedule of the Ports Authority's Proportionate Share of the Net Pension Liability, and the Schedule of the Ports Authority's Pension Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB 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 regarding the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient audit evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Port Authority's basic financial statements. The Introductory Section and Statistical Section as listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2019, on our consideration of the Ports Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ports Authority's internal control over financial reporting and compliance.



Charleston, South Carolina
October 24, 2019

Annual Financial Report

The annual financial report of the South Carolina Ports Authority ("Ports Authority" or the "Authority") provides an overview of the Ports Authority's financial activities for the fiscal years ended June 30, 2019 and 2018. 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 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. These facilities primarily handle import and export containerized, breakbulk, and bulk cargoes.

Operating Highlights

- During fiscal year 2019, the Ports Authority handled a record, 2,393,095 twenty-foot equivalent units (TEUs). This represents an increase of approximately 9.0% over fiscal year 2018's 2,199,873 TEUs and a 12.0% increase over fiscal year 2017.
- The Authority has experienced significant growth in rail moves at the Inland Port Greer. In fiscal year 2019 the facility handled 143,204 rail moves through the facility, representing a compound annual growth rate ("CAGR") of 25% since its first full year of operations in fiscal year 2015.
- Inland Port Dillon opened in April 2018. This facility handled approximately 30,000 rail moves during fiscal year 2019, its first full year of operations.
- In July 2017, the Authority executed the Project Partnership Agreement with the Department of the Army to begin the construction phase of the 52-foot harbor deepening project, which will result in the deepest harbor on the east coast. During fiscal year 2019, \$138 million of federal funding was included in the President's proposed 2020 budget. Pending congressional approval, this will fully fund the project to completion.
- A new 80,000 square foot corporate office was completed in January 2019. Employees from five locations throughout the Charleston region were consolidated into one location.
- As the Authority focuses on constructing Phase 1 of the Hugh K. Leatherman, Sr. Terminal and modernizing operations at its Wando Welch Terminal, \$180 million was invested in port infrastructure during fiscal year 2019 along with a contribution of \$23 million to the South Carolina Department of Transportation to assist in the construction of the Port Access Road to Leatherman Terminal.

Financial Highlights

- The Ports Authority's total net position was \$856.5 million, \$814.4 million, and \$830.1 million as of June 30, 2019, 2018, and 2017 respectively. The Authority's total net position increased \$42.1 million during the current fiscal year and has increased \$26.4 million over fiscal year 2017. Over the three fiscal years, the net position of the Ports Authority has experienced a compound annual growth rate of 1.6%.
- The Ports Authority generated its highest total operating revenues in history of \$294.3 million for the fiscal year ended June 30, 2019. This represents an increase of 16.8% over the \$252.0 million generated for the fiscal year ended June 30, 2018 and a 24.8% increase over revenues in fiscal year 2017 of \$235.8 million.
- Cash flow from operating activities was the highest in the Port's history with \$90.5 million in fiscal year 2019, representing a 23.0% increase over fiscal year 2018 and 16.0% over fiscal year 2017.

Analysis of Overall Financial Position and Results of Operations

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

<i>(in thousands)</i>	2019	2018	2017
Total operating revenues	\$ 294,326	\$ 252,013	\$ 235,789
Total TEUs (equivalent number of 20' container units)	2,393	2,200	2,138
Breakbulk pier tonnage	625	761	859

A total of 1,696, 1,705, and 1,765 vessels (excluding barges) docked during the years ended June 30, 2019, 2018, and 2017, respectively. The Authority is ranked as the second busiest port in the South Atlantic Coast in volume of TEUs and ninth in the United States.

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:

<i>(in thousands of dollars)</i>	2019	2018	2017
Assets			
Current assets	\$ 586,714	\$ 610,497	\$ 471,906
Held by trustee for debt services	34,160	20,007	36,241
Capital assets, net	1,388,022	1,201,467	1,016,564
Other assets	<u>1,334</u>	<u>1,254</u>	<u>1,165</u>
Total assets	2,010,230	1,833,225	1,525,876
Deferred outflows of resources	<u>27,202</u>	<u>25,783</u>	<u>11,943</u>
Total assets and deferred outflows of resources	<u>\$ 2,037,432</u>	<u>\$ 1,859,008</u>	<u>\$ 1,537,819</u>
Liabilities			
Current liabilities	\$ 81,042	\$ 49,485	\$ 70,804
Long-term obligations	<u>1,094,469</u>	<u>990,334</u>	<u>636,808</u>
Total liabilities	<u>1,175,511</u>	<u>1,039,819</u>	<u>707,612</u>
Deferred inflows of resources	<u>5,420</u>	<u>4,777</u>	<u>119</u>
Net position			
Net investment in capital assets	712,008	611,645	456,215
Restricted for debt service	34,161	7,344	16,805
Unrestricted	<u>110,332</u>	<u>195,423</u>	<u>357,068</u>
Total net position	<u>856,501</u>	<u>814,412</u>	<u>830,088</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 2,037,432</u>	<u>\$ 1,859,008</u>	<u>\$ 1,537,819</u>

Total assets and deferred outflows of resources increased 9.6% or \$178 million from \$1,859 million to \$2,037 million during 2019. The main driver behind the increase is the Authority's investment in capital infrastructure, as net capital assets grew from \$1.20 billion in fiscal year 2018 to \$1.39 billion in fiscal year 2019. Investments were made to improve infrastructure and equipment at existing facilities, as well as, to construct Phase 1 of the new Hugh K. Leatherman Sr. Terminal.

Deferred Outflows of Resources increased approximately \$1.42 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, assumption changes, changes in proportionate share and the Ports Authority's actual pension plan contributions made during 2019 that were paid subsequent to both plans' measurement date of June 30, 2018. The increase also reflects the difference between actual and expected benefit experience, the net difference between projected and actual investment earnings, and assumption changes for other post-employment benefits.

Total liabilities increased 13.0% or \$136.0 million from \$1,040 million to \$1,176 million during 2019. The main driver of this change was the addition of subordinate debt during fiscal year 2019 for the purchase of additional equipment at the Wando Welch Terminal and to aid in the 52-foot harbor deepening project. The increase was also driven by increases to the Authority's net pension liability (\$7.1 million) and post-employment benefits liability (\$1.6 million) in fiscal year 2019, both of which are actuarially driven.

The Ports Authority recognized \$625 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 2019 and \$4.8 million for post-employment benefits related to differences between actual and expected experience, assumption changes, service costs, and benefit payments.

Total assets and deferred outflows of resources increased 20.9% or \$321 million from \$1,538 million to \$1,859 million during fiscal year 2018. The main driver behind the increase was the issuance of the Series 2018 Bonds with proceeds of \$365 million, issued at a par value of \$325 million, and equipment financing proceeds of \$80 million, offset by the defeasance of the Series 2010 Bonds in the amount of \$155 million. The use of these funds can be seen in capital assets as the Authority continues to improve infrastructure and equipment at existing facilities and construct two new facilities, the Hugh K. Leatherman, Sr. Terminal and the new inland port facility in Dillon, South Carolina, which was completed in fiscal year 2018.

Deferred Outflows of Resources increased approximately \$13.8 million during the fiscal year 2018 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, assumption changes, changes in proportionate share and the Ports Authority's actual pension plan contributions made during fiscal year 2018 that were paid subsequent to both plans' measurement date of June 30, 2017. The increase also reflects the adoption of Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, which recognizes deferred outflows related to other postemployment benefits.

Total liabilities increased 46.9% or \$332 million from \$708 million to \$1,040 million during fiscal year 2018. The change was directly related to the senior-lien bond issuance and equipment financing. The increase was also driven by the implementation of GASB Statement No. 75, which requires the full actuarially accrued liability related to post-employment benefits to be recognized in the balance sheet, resulting in an increase of approximately \$39.6 million. Additionally, the net pension liability of the authority increased by approximately \$18.9 million related to the recognition of the Authority's proportionate share. Offsetting these increases was the defeasance of the Series 2010 Bonds in the amount of \$150 million.

The Ports Authority also recognized \$59 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 fiscal year 2018 and \$4.7 million for post-employment benefits related to assumption changes as part of the GASB Statement No. 75 implementation.

The largest portion of the Ports Authority's net position each year (83.1%, 75.1% and 55.0% at June 30, 2019, 2018 and 2017, 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 (4.0%, 0.9% and 2.0% at June 30, 2019, 2018 and 2017, respectively) represents resources that are subject to external restrictions. The remaining unrestricted net position (12.9%, 24.0% and 43.0% at June 30, 2019, 2018 and 2017, respectively) may be used to meet any of the Ports Authority's ongoing obligations.

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:

<i>(in thousands of dollars)</i>	2019	2018	2017
Operating income	\$ 294,326	\$ 252,013	\$ 235,789
Operating expenses	<u>252,083</u>	<u>216,247</u>	<u>197,813</u>
Operating earnings	42,243	35,766	37,976
(Loss) gain on sale of property and equipment, net	(4,253)	8,832	37,063
Other nonoperating income (expense), net	25,534	(5,602)	3,109
Contribution to State of South Carolina	(1,000)	(1,000)	(1,000)
Contribution to Department of Transportation	(23,000)	(12,600)	-
Contribution to CSX	-	(709)	-
Contribution to Georgetown County, South Carolina	-	-	(15)
Contribution to Cherokee County, South Carolina	-	-	(500)
Contribution to Army Corps of Engineers	(3,933)	(299,043)	-
Contribution from Army Corps of Engineers	-	275	-
Capital grants from the federal government	2,004	762	5,681
Contribution from State of South Carolina	4,494	299,318	2,046
Contribution from Spartanburg County, South Carolina	-	-	7,095
Contribution from Dillon County, South Carolina	-	-	2,309
Change in net position	<u>42,089</u>	<u>25,999</u>	<u>93,764</u>
Net position, beginning	814,412	830,088	736,624
Adoption of GASB 75	-	(41,675)	-
Net position, ending	<u>\$ 856,501</u>	<u>\$ 814,412</u>	<u>\$ 830,088</u>

Operating revenues increased 16.8% from \$252.0 million to \$294.3 million during fiscal year 2019. This increase is primarily attributed to increased volumes of containerized cargo, continued success of our inland port facility in Greer and the first full year of operations at our inland port facility in Dillon. During fiscal year 2019, container volumes increased approximately 9.0%.

A gain related to settlement of an insurance claim was recorded in fiscal year 2019 in the amount of \$6.0 million. This was due to settlement of a prior year insurance claim at Veterans Terminal. This gain is included in operating earnings in the Statements of Revenue, Expenses and Changes in Net Position.

Operating revenues increased 6.9% from \$235.8 million to \$252.0 million during fiscal year 2018. This increase is primarily attributed to increased volumes of containerized cargo and continued success of our inland port facility in Greer. During fiscal year 2018, volumes increased approximately 3% from 2,137,702 in 2017 to 2,199,873 in 2018.

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

<i>(in thousands)</i>	2019	2018	2017
Operating revenues			
Container	\$ 231,828	\$ 198,503	\$ 184,723
Breakbulk & RoRo Cargo	22,091	24,655	23,152
Inland Port Greer	16,925	14,736	11,814
Inland Port Dillon	4,557	144	-
Cruise	10,397	11,203	10,841
All other	<u>8,528</u>	<u>2,772</u>	<u>5,259</u>
Total operating revenues	<u>\$ 294,326</u>	<u>\$ 252,013</u>	<u>\$ 235,789</u>

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

<i>(in thousands)</i>	2019	2018	2017
Operating expenses			
Direct operating expenses	\$ 162,364	\$ 137,861	\$ 123,876
Administrative expense	42,166	36,863	36,704
Depreciation expense	47,553	41,523	37,233
Total operating expenses	<u>\$ 252,083</u>	<u>\$ 216,247</u>	<u>\$ 197,813</u>

Direct operating expenses for fiscal year 2019 increased by 17.8% from \$137.9 million in fiscal year 2018 to \$162.4 million in fiscal year 2019. The increases are primarily a result of personnel costs and increased expenses associated with volume gains. Personnel costs continued to increase during fiscal year 2019 as the Authority brought on additional staffing at increased wages to handle record volumes. Additionally, the Authority saw an increase in repairs and maintenance expense from wear and tear on equipment from increased usage and incurred expenses related to Inland Port Dillon which completed its first full year of operations in fiscal year 2019.

Administrative expenses increased in fiscal year 2019 with an increase of 14.4% from \$36.9 million in fiscal year 2018 to \$42.2 million in fiscal year 2019. Main drivers include increased information technology and professional services costs during fiscal year 2019.

Depreciation expense increased 14.5% in fiscal year 2019 as the Authority continued to place capital assets into service as part of infrastructure and terminal upgrades.

Direct operating expenses for fiscal year 2018 increased by 11.2% from \$124.0 million in fiscal year 2017 to \$137.9 million in fiscal year 2018. The increases are primarily a result of personnel costs and increased expenses associated with volume gains. Personnel costs continued to increase during fiscal year 2018 as the Authority brought on additional staffing at increased wages to handle record volumes. Additionally, the Authority saw an increase in repairs and maintenance expense from wear and tear on equipment as usage increased.

Administrative expenses remained relatively flat for fiscal year 2018 evidenced by an increase of 0.54% from \$36.7 million in 2017 to \$36.9 million in 2018. Over the last three years, the Ports Authority has focused its efforts on decreasing administrative expenses. While the full impact of these efforts was realized in fiscal year 2018, retirement expenses resulting from GASB Statement No. 68, Accounting and Financial Reporting for Pension Plans, continued to drive noteworthy book increases related to the Ports Authority's allocable share of pension costs, resulting in a \$2.7 million increase in fiscal year 2018. See Note 8 for additional information.

Depreciation expense increased 11.5% in fiscal year 2018. This was primarily due to the completion of the wharf refurbishment project at the Wando Welch Terminal and the inland port facility in Dillon, SC.

Nonoperating income increased from \$10.3 million of expense in fiscal year 2018 to \$21.3 million of income in fiscal year 2019. In fiscal year 2019, the Authority recognized a gain related to the assumption of property from the Charleston Naval Complex Redevelopment Authority, which was offset by a conveyance of property acquired for the construction of Inland Port Greer back to the City of Greer.

Nonoperating income decreased from \$40.7 million to \$10.3 million of expense in fiscal year 2018. In fiscal year 2018, the Authority recognized a gain related to the sale of an office building, which was offset by costs related to the Series 2018 Bond issuance, as well as a loss on the defeasance of the Series 2010 Bonds.

The Ports Authority made contributions to the State of South Carolina for the Cooper River Bridge during the years ended June 30, 2019, 2018 and 2017, as more fully described in Note 12 – Other Matters. During the years ended June 30, 2019, 2018 and 2017, the Ports Authority contributed \$23.0 million, \$12.6 million, and \$0 to the Department of Transportation and \$0, \$709 thousand, and \$0 to CSX for infrastructure improvements. The Authority also contributed \$3.9 million, \$299.0 million, and \$0 to the Army Corps of Engineers for the 52-foot harbor deepening project. These funds were reimbursed to the Authority from the State of South Carolina. 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.

During the years ended June 30, 2019, 2018 and 2017, the Ports Authority earned approximately \$2.0 million, \$762 thousand and \$5.7 million, respectively, in federal grant money to be used for wharf repairs and improvements at the Wando Welch Terminal, storm recovery, and security related projects to enhance facilities. Additionally, for the years ended June 30, 2019, 2018 and 2017, \$600 thousand, \$275 thousand, and \$2.0 million, respectively, was received from the State of South Carolina as reimbursement for bi-state development of the Jasper Ocean Terminal.

Statements of Cash Flows

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

<i>(in thousands of dollars)</i>	2019	2018	2017
Cash flow from operating activities	\$ 90,481	\$ 73,551	\$ 77,981
Cash flow from (used in) investing activities	(5,450)	21,217	5,160
Cash flow (used in) from noncapital financing activities	(11,805)	(25,811)	3,306
Cash flow from (used in) capital and related financing activities	<u>(100,655)</u>	<u>60,116</u>	<u>(90,197)</u>
Change in cash and cash equivalents	(27,429)	129,073	(3,750)
Cash and cash equivalents			
Beginning of year	544,623	415,550	419,300
End of year	<u>\$ 517,194</u>	<u>\$ 544,623</u>	<u>\$ 415,550</u>

The Ports Authority's available cash and cash equivalents decreased from \$544.6 million in fiscal year 2018 to \$517.2 million in fiscal year 2019. Cash flows from operating activities increased from \$73.6 million in fiscal year 2018 to \$90.5 million in fiscal year 2019. The major drivers of this increase are growth in container volumes along with moderate rate adjustments leading to a \$42.3 million increase in operating revenues from fiscal year 2018 to fiscal year 2019 offset by a \$29.8 million increase in direct and administrative expense during the same time period. Additionally, the net pension liability increased \$7.1 million during fiscal year 2019, increasing cash flow from operating activities by the same amount. Cash flows from investing activities decreased from \$21.2 million in 2018 to \$(5.5) million in 2019. This decrease is principally attributed to an increase in investments purchased during fiscal year 2019. Net cash from noncapital financing activities increased from \$(25.8) million in 2018 to \$(11.8) million in 2019. This is related to an increase in contributions provided to the Department of Transportation for infrastructure improvements along with a decrease in contributions made to the Army Corps of Engineers for the 52-foot harbor deepening project. These infrastructure improvements are not the assets of the Authority.

Net cash from (used in) capital and related financing activities decreased from \$60.1 million in 2018 to \$(100.7) million in 2019. This decrease was directly related to an equipment financing and bond issuance occurring during fiscal year 2018. The Authority did issue additional subordinate debt in fiscal year 2019 but was offset by capital spend and the servicing of current debt obligations.

The Ports Authority's available cash and cash equivalents increased from \$415.6 million in 2017 to \$544.6 million in 2018. Cash flows from operating activities decreased from \$78.0 million in 2017 to \$73.6 million in 2018. One of the major influences on this decrease was the change in deferred pension inflows and outflows during fiscal year 2018, as they increased approximately \$12.2 million and decreased cash flow from operating activities by the same amount. The decrease can also be attributed to higher revenues from increased volumes and steamship contract rates offset by increases in cash paid to suppliers and employees. Cash flows from investing activities increased from \$5.2 million in 2017 to \$21.2 million in 2018. This increase is principally attributed to an increase in investments sold during fiscal year 2018. Net cash from noncapital financing activities decreased from \$3.3 million in 2017 to \$(25.8) million in 2018. This decrease is related to contributions provided to the Department of Transportation for infrastructure improvements and contributions made to the Army Corps of Engineers for the 52-foot harbor deepening project. These infrastructure improvements are not the assets of the Authority. Net cash from (used in) capital and related financing activities increased from \$(90.2) million in 2017 to \$60.1 million in 2018. This increase was directly related to an equipment financing and bond issuance occurring during fiscal year 2018. The debt proceeds received were off-set by increased capital spend and the servicing of current debt obligations.

Capital Assets and Debt Administration

The Ports Authority's investment in capital assets was \$1.4 billion as of June 30, 2019, representing a 15.5% increase over June 30, 2018, and a 36.5% increase over 2017. The investments include land, land improvements, buildings, terminal equipment and projects in progress.

Major capital investments and other significant expenditures 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 (In Progress)
 - Hugh K. Leatherman, Sr. Terminal (In Progress)
 - Construction of Inland Port – Dillon
 - Construction of new main office facility
 - Construction of new chassis yards at Inland Port Greer, North Charleston, and Wando Welch Terminals (In Progress)
 - Purchase of approximately 941 acres for proposed distribution center development in Ridgville, SC
- 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), 2015 (\$294 million), and 2018 (\$325 million). The 2010 revenue bonds were legally defeased in fiscal year 2018. Total revenue bonds outstanding were \$619.0 million as of June 30, 2019, and 2018. Additionally, the Authority has promissory notes outstanding with various third parties totaling \$267.9 million and \$161.6 million as of June 30, 2019 and 2018, 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 2018 and Series 2015, 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, 200 Ports Authority Drive, Mount Pleasant, SC 29464 USA.

*(in thousands of dollars)***Assets**

Current assets

Cash and cash equivalents, unrestricted	\$ 213,509	\$ 214,197
Cash and cash equivalents, restricted	165,572	322,635
Investments, unrestricted	5,375	5,194
Investments, restricted	132,738	2,597
Accounts receivable		
Trade, net of allowance for doubtful accounts of \$1,700 in 2019 and \$1,572 in 2018	41,330	38,549
Other receivables	10,774	13,365
Inventories, net	9,634	8,557
Prepaid and other current assets	6,809	4,834
Interest rate exchange agreements	973	569
Total current assets	<u>586,714</u>	<u>610,497</u>

Noncurrent assets

Investments held by trustee for debt service	34,160	20,007
Capital assets, net	1,388,022	1,201,467
Other receivables	1,334	1,254
Total noncurrent assets	<u>1,423,516</u>	<u>1,222,728</u>
Total assets	<u>2,010,230</u>	<u>1,833,225</u>

Deferred outflows of resources

Defined benefit plans	22,880	21,952
Post employment benefit plans	2,570	1,860
Goodwill	1,752	1,971
Total deferred outflows of resources	<u>27,202</u>	<u>25,783</u>
Total assets and deferred outflows of resources	<u>\$ 2,037,432</u>	<u>\$ 1,859,008</u>

Liabilities

Current liabilities

Current maturities on long-term debt	\$ 14,473	\$ 5,419
Accounts payable	14,727	9,001
Accounts payable, construction	21,762	15,326
Retainage payable on construction contracts	4,501	3,858
Accrued interest payable	16,625	7,537
Accrued employee compensation and payroll, related withholdings and liabilities	7,564	7,110
Interest rate exchange agreements	1,274	1,121
Harbor deepening obligation, current portion	116	113
Total current liabilities	<u>81,042</u>	<u>49,485</u>

Noncurrent liabilities

Post employment benefit obligation	54,530	52,907
Net pension liability	105,681	98,579
Harbor deepening obligation, long-term	3,881	3,997
Long-term debt, net of current maturities	930,377	834,851
Total noncurrent liabilities	<u>1,094,469</u>	<u>990,334</u>
Total liabilities	<u>1,175,511</u>	<u>1,039,819</u>

Deferred inflows of resources

Defined benefit plans	625	59
Post employment benefit plans	4,795	4,718
Total deferred inflows of resources	<u>5,420</u>	<u>4,777</u>

Net position

Net investment in capital assets, net of related debt	712,008	611,645
Restricted		
For debt service	34,161	7,344
Unrestricted	<u>110,332</u>	<u>195,423</u>
Total net position	<u>856,501</u>	<u>814,412</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 2,037,432</u>	<u>\$ 1,859,008</u>

(in thousands of dollars)

	2019	2018
Operating revenues	\$ 294,326	\$ 252,013
Operating expenses		
Direct operating expense	162,364	137,861
Administrative expense	42,166	36,863
Depreciation expense	47,553	41,523
Total operating expenses	252,083	216,247
Operating income	42,243	35,766
Nonoperating (expenses) revenues		
Interest income	11,088	5,230
Other expense, net	22,875	(9,589)
(Loss) gain on sale of property and equipment, net	(4,253)	8,832
Interest expense	(8,679)	(1,580)
Unrealized gain on interest rate exchange agreements	250	337
Contribution to the State of SC for Cooper River Bridge	(1,000)	(1,000)
Contribution to Department of Transportation for infrastructure improvements	(23,000)	(12,600)
Contribution to CSX for infrastructure improvements	-	(709)
Contribution to Army Corps of Engineers for Harbor Deepening	(3,933)	(299,043)
Contribution from Army Corps of Engineers for Harbor Deepening	-	275
Contribution from the State of SC for Harbor Deepening	3,894	299,043
Contribution from the State of SC for Jasper Ocean Terminal	600	275
Total nonoperating (expenses) revenues	(2,158)	(10,529)
Excess revenues over expenses before capital contributions and special items	40,085	25,237
Capital grants from the federal government	2,004	762
Increase in net position	42,089	25,999
Total net position		
Beginning of year	814,412	830,088
Adoption of GASB Statement No. 75	-	(41,675)
End of year	\$ 856,501	\$ 814,412

(in thousands of dollars)

	2019	2018
Cash flows from operating activities		
Cash received from customers	\$ 291,545	\$ 244,771
Cash paid to suppliers	(115,607)	(94,500)
Cash paid for employees	(85,457)	(76,720)
Net cash provided by operating activities	<u>90,481</u>	<u>73,551</u>
Cash flows from investing activities		
Proceeds from sale of investments	28,106	34,705
Purchases of investments	(42,068)	(18,674)
Interest received on investments	8,512	5,186
Net cash (used in) provided by investing activities	<u>(5,450)</u>	<u>21,217</u>
Cash flows from noncapital financing activities		
Principal paid on harbor deepening	(113)	(109)
Interest paid on harbor deepening	(123)	(127)
Contribution to the State of SC for Cooper River Bridge	(1,000)	(1,000)
Contribution to Department of Transportation for infrastructure improvements	(23,000)	(12,600)
Contribution to CSX for infrastructure improvements	-	(709)
Contribution to Army Corps of Engineers for harbor deepening	(3,933)	(299,043)
Contribution from Army Corps of Engineers for harbor deepening	-	275
Contribution from the State of SC for harbor deepening	14,260	288,677
Contribution from federal government	2,004	-
Payment to support bi-state development	(500)	(1,425)
Contribution from the State of SC for Jasper Ocean Terminal	600	250
Net cash used in noncapital financing activities	<u>(11,805)</u>	<u>(25,811)</u>
Cash flows from capital and related financing activities		
Acquisition and construction of capital assets	(180,536)	(213,883)
Cash received from insurance proceeds	-	194
Proceeds from sale of property and equipment	959	18,510
Cash paid for bond issuance costs	(65)	(1,789)
Proceeds from revenue bonds	-	365,158
Principal paid on revenue bonds	-	(151,861)
Loss on bond defeasance	-	(6,200)
Proceeds from notes payable	110,000	80,012
Principal paid on other debt	(3,678)	(3,162)
Interest paid on revenue bonds	(23,742)	(22,402)
Interest paid on bond defeasance	-	(2,810)
Interest paid on other debt	(4,909)	(2,123)
Contribution from Spartanburg County	-	352
Capital grants	1,316	120
Cash flow provided by (used in) capital and related financing activities	<u>(100,655)</u>	<u>60,116</u>
Net increase (decrease) in cash and cash equivalents	<u>(27,429)</u>	<u>129,073</u>
Cash and cash equivalents		
Beginning of year	544,623	415,550
End of year	<u>\$ 517,194</u>	<u>\$ 544,623</u>
Reconciliation of cash and cash equivalents to financial statements		
Cash and cash equivalents	\$ 379,081	\$ 536,832
Current investments	138,113	7,791
Total cash and cash equivalents	<u>\$ 517,194</u>	<u>\$ 544,623</u>

(in thousands)

	2019	2018
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 42,243	\$ 35,766
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	47,300	41,523
Provision for doubtful accounts	128	422
Other expense, net	(1,191)	177
Amortization	253	35
Gain on property damage, net of insurance proceeds	-	(193)
Changes in operating assets and liabilities		
Accounts receivable	(9,144)	(7,500)
Inventories	(1,077)	(879)
Prepaid and other current assets	(1,941)	(257)
Accounts payable and other liabilities	5,726	(643)
Payroll related liabilities	454	(2,366)
Post employment benefit obligation	990	811
Net pension liability	6,740	6,655
Net cash provided by operating activities	<u>\$ 90,481</u>	<u>\$ 73,551</u>

Noncash Investing, Capital and Financing Activities

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

(in thousands of dollars)

	2019	2018
Capital assets included in accounts payable	\$ 30,259	\$ 23,294
Unrealized gain on interest rate swap	250	337
Unrealized gain (loss) on investments	190	(203)
Harbor deepening reimbursement included in other receivables	-	10,366
Contributions in other receivables	1,052	1,375
Land swap	19,440	250
Interest income included in interest receivable	3,217	1,480

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. These facilities handle import and export containerized, 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 Statements of Net Position. 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* – 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 investment in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position components as the unspent proceeds.
- *Restricted* – 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.
- *Unrestricted net position* – Consists of net position that does not meet the definition of "restricted" or "net investment in capital assets".

New Accounting Pronouncements

The Governmental Accounting Standards Board (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 Statement No. 75 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 has been adopted by the Ports Authority beginning with the fiscal year ending June 30, 2018. See Note 9 for more information.

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. The Ports Authority has evaluated the Statement and determined it does not have a material impact on its financial statements.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This 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.

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 OPEB). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The Ports Authority has evaluated this Statement and the impact can be seen in the Statements of Net Position.

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. The Ports Authority has adopted this Statement and the impact to the financial statements can be seen in Note 5.

In June 2017, GASB issued Statement No. 87, *Leases*. This Statement increases the usefulness of government's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about government's leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The Ports Authority is currently evaluating this Statement and believes it will have a material impact on its financial statements.

In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The Ports Authority has adopted this Statement and the impact to the financial statements can be seen in Note 5.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement is effective for reporting periods beginning after December 15, 2019 and should be applied prospectively. The Ports Authority is currently evaluating the impact that this Statement will have on its financial statements.

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. 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.

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practices associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. The Ports Authority is currently evaluating the impact that this Statement will have on its financial statements.

Cash and Investments

The Ports Authority maintains cash and investments for operations, debt service and capital improvements. Funds are deposited at financial institutions or invested in funds maintained by the State Treasurer. Cash and investments used for operations are included on the Statements of Net Position as "cash and cash equivalents" and "investments." If an external restriction exists as to the use of the funds it is included on the Statements of Net Position as "restricted cash" or "restricted investments." Investments maintained in accordance with revenue bond debt service reserve requirements are included on the Statements of Net Position as "held by trustee for debt service." 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 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 Aaa and Standard & Poor's of AA+ and AA+ as of June 30, 2019 and 2018, respectively. Investments held with third party banks include money market funds, U.S. 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, 2019 and 2018, 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. State law requires full collateralization of all State Treasurer bank balances, and all of the State Treasurer's investments are insured or registered or are investments for which the securities are held by the State or its agents in the State's name. Information pertaining to the reported amounts, fair values, credit risk, interest rate risk, and concentration risk of the State Treasurer's investments is disclosed in the Comprehensive Annual Financial Report of the State of South Carolina.

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 held with third party banks are invested primarily in money market funds, US Government securities, and interest-bearing accounts, which totaled approximately \$138,113,245 and \$7,801,000 as of June 30, 2019 and 2018, respectively. Investments held by a trustee are invested in government agency securities, which totaled \$34,161,000 and \$20,007,000 as of June 30, 2019 and 2018, respectively. Investments held with third party banks and investments held by a trustee are fully collateralized as of June 30, 2019 and 2018 with securities maintained by an outside party.

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's holds investments issued by or explicitly guaranteed by the U.S. Government, investments in mutual funds and investments in the State Treasurer's investment pool, which are exempt from concentration of credit risk disclosure requirements.

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)

Investment Type	Maturity	Value	
		2019	2018
Money market funds	Less than three months	\$ 41,918	\$ -
Mutual funds	Less than one year	3,161	2,597
U.S. government agency securities	Less than one year	143,602	5,194
U.S. government agency securities	One to five years	25,510	20,007

Investments in the state investment pool include obligations of the U.S. and certain agencies of the U.S., 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.

Capital Assets

Capital assets constructed or purchased are stated at cost. Contributed capital assets are recorded at estimated acquisition 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.

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

Goodwill

Goodwill is accounted for under GASB 85, *Omnibus* and GASB 69, *Government Combinations and Disposals of Government Operations* and is reported as a deferred outflow of resources in the Statements of Net Position. Deferred outflows of resources related to goodwill are attributed to future periods in a systematic and rational manner, based on the professional judgment of the Ports Authority. These outflows of resources are amortized over a period of ten years. 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 Statements of Net Position 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 Statements of Revenues, Expenses, and Changes in Net Position.

Operating Revenues and Expenses

The Statements of Revenues, Expenses and Changes in Net Position distinguish 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.

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, 2019 and 2018, three customers accounted for the following revenue and accounts receivable percentages:

	2019		2018	
	Revenue	Accounts Receivable	Revenue	Accounts Receivable
Customer 1	19%	17%	15%	17%
Customer 2	12	9	10	11
Customer 3	12	18	10	17
	<u>43%</u>	<u>44%</u>	<u>35%</u>	<u>45%</u>

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.

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 could 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 approximately \$1,986,000 and \$2,048,000 as of June 30, 2019 and 2018, respectively, and is included in accrued employee compensation and payroll, related withholdings and liabilities in the Statements of Net Position.

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 (Department) 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 net position of the Ports Authority and additions and deductions to/from the Ports Authority's 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.

Reclassifications

Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation.

Subsequent Events

In preparing these financial statements, the Ports Authority has evaluated events and transactions for potential recognition or disclosure through October 24, 2019, the date the financial statements were available to be issued.

2. Cash and Investments

The Ports Authority's total cash and cash equivalents and investments at June 30, 2019 and 2018 was approximately \$551.4 million and \$564.6 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, 2019 and 2018.

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, 2019 and 2018 are approximately \$323.5 million and \$456.8 million, respectively, and are included in unrestricted cash and cash equivalents on the Statements of Net Position.

The following schedule reconciles cash and investments in the notes to the Statements of Net Position as of June 30:

<i>(in thousands of dollars)</i>	2019	2018
<u>Statements of Net Position</u>		
Current assets		
Cash and cash equivalents, unrestricted	\$ 213,508	\$ 214,197
Cash and cash equivalents, restricted	165,573	322,635
Investments, unrestricted	5,375	5,194
Investments, restricted	132,738	2,597
Noncurrent assets		
Investments held by trustee for debt service	34,160	20,007
	<u>\$ 551,354</u>	<u>\$ 564,630</u>

Deposits and Investments

Deposits insured (FDIC) or collateralized by securities held by the pledging financial institution's agent in the Ports Authority's name	\$ 55,612	\$ 79,987
Deposits held by the State Treasurer's Office	323,469	456,846
Investments held by third party banks	138,113	7,790
U.S. government agency securities, held by trustee	34,160	20,007
	<u>\$ 551,354</u>	<u>\$ 564,630</u>

General provisions regarding these Funds are as follows:

Restricted cash and investments are held for a specific purpose and therefore not available to the Authority for general business use. Current restricted funds include funds related to the 52-foot Harbor Deepening project, construction fund of the 2018 Bond issuance, and escrow account for specific equipment purchases.

Investments held by the trustee for debt service include Revenue Bond Debt Service Funds and Revenue Bond Debt Service Reserve Funds, which 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. See Note 5. When the assets of the Reserve Funds exceed the requirements, the Ports Authority is permitted to use investment income from the Reserve Funds 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, included in current cash and cash equivalents on the Statements of Net Position, are unexpended contributions to the Fund and net harbormaster fees required to be transferred to the Fund. The assets are internally designated for improvements and expansion of the Ports Authority's facilities.

Fair Value Guidance

Investments held by the Ports Authority are accounted for under GASB Statement No. 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.

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 as of and for the years ended June 30, 2019 and 2018 are as follows:

(in thousands of dollars)

Type of Investment	2019			
	Cost	Unrealized Gain	Unrealized Loss	Fair Market Value
Money market funds	\$ 41,919	\$ -	\$ -	\$ 41,919
Mutual funds	3,162	-	-	3,162
U.S. treasury securities	166,904	412	(10)	167,306
Gov't sponsored securities	1,796	12	(2)	1,806
	<u>\$ 213,781</u>	<u>\$ 424</u>	<u>\$ (12)</u>	<u>\$ 214,193</u>

(in thousands of dollars)

Type of Investment	2018			
	Cost	Unrealized Gain	Unrealized Loss	Fair Market Value
Mutual funds	\$ 2,597	\$ -	\$ -	\$ 2,597
U.S. treasury securities	22,525	223	(187)	22,561
Gov't sponsored securities	2,693	-	(53)	2,640
	<u>\$ 27,815</u>	<u>\$ 223</u>	<u>\$ (240)</u>	<u>\$ 27,798</u>

The investment balances in the tables above and below are included in the Statements of Net Position as investments (\$ 138.1 million) and investments held by trustee for debt service (\$34.2 million). Of the securities in an unrealized loss position at June 30, 2019, there were 7 securities representing approximately \$12,000 that had been in a continuous loss position for greater than 12 months. There were fifteen securities in an unrealized loss position representing approximately \$84,000 that had been in a continuous loss position for greater than 12 months at June 30, 2018.

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:

<i>(in thousands of dollars)</i> Type of Investment	2019			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 41,919	\$ -	\$ -	\$ 41,919
Mutual funds	3,162	-	-	3,162
U.S. treasury securities	-	167,306	-	167,306
Gov't sponsored securities	-	1,806	-	1,806
	<u>\$ 45,081</u>	<u>\$ 169,112</u>	<u>\$ -</u>	<u>\$ 214,193</u>

<i>(in thousands of dollars)</i> Type of Investment	2018			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 2,597	\$ -	\$ -	\$ 2,597
U.S. treasury securities	-	22,562	-	22,562
Gov't sponsored securities	-	2,639	-	2,639
	<u>\$ 2,597</u>	<u>\$ 25,201</u>	<u>\$ -</u>	<u>\$ 27,798</u>

3. Capital Assets

Capital assets consist of the following amounts:

<i>(in thousands of dollars)</i>	Balance at June 30, 2018	Additions	Disposals	Transfers	Balance at June 30, 2019
Capital assets not depreciated:					
Land	\$ 352,532	\$ 23,970	\$ (4,530)	\$ 2,242	\$ 374,214
Capital projects in progress	<u>403,960</u>	<u>215,748</u>	<u>(1,283)</u>	<u>(97,837)</u>	<u>520,588</u>
Total capital assets not depreciated	<u>756,492</u>	<u>239,718</u>	<u>(5,813)</u>	<u>(95,595)</u>	<u>894,802</u>
Depreciable capital assets:					
Land improvements	408,479	-	(23,374)	16,869	401,974
Buildings and structures	413,221	160	(31,476)	67,871	449,776
Railroad tracks	19,418	-	-	259	19,677
Terminal equipment	189,522	157	(13,161)	6,393	182,911
Furniture and fixtures	36,881	-	(1,937)	4,203	39,147
Other	87	-	(35)	-	52
Total depreciable capital assets	<u>1,067,608</u>	<u>317</u>	<u>(69,983)</u>	<u>95,595</u>	<u>1,093,537</u>
Less: Accumulated depreciation	<u>622,633</u>	<u>47,300</u>	<u>(69,616)</u>	<u>-</u>	<u>600,317</u>
Depreciable capital assets, net	<u>444,975</u>	<u>(46,983)</u>	<u>(367)</u>	<u>95,595</u>	<u>493,220</u>
Capital assets, net	<u>\$ 1,201,467</u>	<u>\$ 192,735</u>	<u>\$ (6,180)</u>	<u>\$ -</u>	<u>\$ 1,388,022</u>

<i>(in thousands of dollars)</i>	Balance at June 30, 2017	Additions	Disposals	Transfers	Balance at June 30, 2018
Capital assets not depreciated:					
Land	\$ 206,197	\$ 208	\$ (95)	\$ 146,222	\$ 352,532
Capital projects in progress	463,281	227,018	-	(286,339)	403,960
Total capital assets not depreciated	669,478	227,226	(95)	(140,117)	756,492
Depreciable capital assets:					
Land improvements	370,336	-	(36)	38,179	408,479
Buildings and structures	347,312	-	(3,215)	69,124	413,221
Railroad tracks	16,990	-	-	2,428	19,418
Terminal equipment	163,900	12	(3,146)	28,756	189,522
Furniture and fixtures	35,993	-	(742)	1,630	36,881
Other	355	-	(268)	-	87
Total depreciable capital assets	934,886	12	(7,407)	140,117	1,067,608
Less: Accumulated depreciation	587,800	41,523	(6,690)	-	622,633
Depreciable capital assets, net	347,086	(41,511)	(717)	140,117	444,975
Capital assets, net	\$ 1,016,564	\$ 185,715	\$ (812)	\$ -	\$ 1,201,467

During the years ended June 30, 2019 and 2018, the Ports Authority incurred interest costs of \$37.6 million and \$22.7 million, respectively. Of these amounts, \$27.0 million and \$21.5 million, were capitalized, respectively.

Leases

During the years ended June 30, 2019 and 2018, 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 \$1,968,000 and \$2,158,000 respectively.

During the years ended June 30, 2019 and 2018, the Ports Authority leased office and warehouse space as well as land under operating leases, incurring expenses of approximately \$1,570,000 and \$1,729,000, respectively.

4. Goodwill

Goodwill is accounted for under GASB 85, *Omnibus* and GASB 69, *Government Combinations and Disposals of Government Operations* and is reported as a deferred outflow of resources in the Statements of Net Position. Deferred outflows of resources related to goodwill are attributed to future periods in a systematic and rational manner determined by the Ports Authority.

Deferred outflows of resources related to goodwill are amortized over a period of ten years. Amortization expense for the next five years and thereafter is as follows:

(in thousands of dollars)

2020	\$	219
2021		219
2022		219
2023		219
2024		219
Thereafter		657
	\$	<u>1,752</u>

5. Long-Term Debt

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

(in thousands of dollars)	June 30, 2018	Additions	Reductions	June 30, 2019	Current Portion
Revenue bonds – Series 2015	\$ 294,025	\$ -	\$ -	\$ 294,025	\$ -
Revenue bonds – Series 2018	325,000	-	-	325,000	6,030
Notes payable	161,658	110,000	(3,678)	267,980	6,620
Harbor deepening obligation	4,110	-	(113)	3,997	116
	<u>784,793</u>	<u>110,000</u>	<u>(3,791)</u>	<u>891,002</u>	<u>12,766</u>
Plus: Unamortized premium	59,587	-	(1,742)	57,845	1,823
	<u>\$ 844,380</u>	<u>\$ 110,000</u>	<u>\$ (5,533)</u>	<u>\$ 948,847</u>	<u>\$ 14,589</u>

(in thousands of dollars)	June 30, 2017	Additions	Reductions	June 30, 2018	Current Portion
Revenue bonds – Series 2010	\$ 150,190	\$ -	\$ (150,190)	\$ -	\$ -
Revenue bonds – Series 2015	294,025	-	-	294,025	-
Revenue bonds – Series 2018	-	325,000	-	325,000	-
Notes payable	84,808	80,012	(3,162)	161,658	3,677
Harbor deepening obligation	4,219	-	(109)	4,110	113
	<u>533,242</u>	<u>405,012</u>	<u>(153,461)</u>	<u>784,793</u>	<u>3,790</u>
Plus: Unamortized premium	21,517	40,158	(2,088)	59,587	1,742
	<u>\$ 554,759</u>	<u>\$ 445,170</u>	<u>\$ (155,549)</u>	<u>\$ 844,380</u>	<u>\$ 5,532</u>

Series 2018

On June 6, 2018, the Ports Authority issued \$325,000,000 of Series 2018 bonds having stated interest rates from 4.0% to 5.0% payable annually on each January 1 and July 1. Net proceeds of \$364,585,000 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 2018 through 2020 in the amount of \$363,372,000 and (ii) \$1,785,000 to pay certain costs and expenses related to the issuance of the Series 2018 bonds. The bonds, issued at a premium of approximately \$40,158,000, consist of term bonds maturing between July 1, 2019 and 2055. The bond premium is amortized using the effective interest method over the life of the bonds. Bond issuance costs were expensed in the period incurred.

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 May 14, 2018, the Ports Authority legally defeased the outstanding principal amount of its \$170,000,000 original principal amount Revenue Bonds, Series 2010 using approximately \$155,330,000 in cash. The Ports Authority's obligations with respect to the Series 2010 bonds were satisfied in full upon such defeasance. The transaction resulted in a nonoperating loss of approximately \$6.2 million in fiscal year 2018.

In connection with the Series 2018 and 2015 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) for Series 2015 only, 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). Management believes the Ports Authority is in compliance with these covenants as of June 30, 2019 and 2018.

Optional Redemption

The Series 2018 and 2015 Bonds maturing on or after July 1, 2029 and 2026, respectively, shall be subject to redemption prior to maturity, at the option of the Ports Authority, on and after July 1, 2028 and 2025, 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 2018 and 2015 Bonds to be redeemed, together with interest accrued thereon to the date fixed for redemption.

Mandatory Sinking Fund Redemption

The Series 2018 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, 2039, 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 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 principal amounts for both Series 2018 and 2015 are indicated below:

(in thousands of dollars)
2040 Term Bond

	2018 Series Amount	2015 Series Amount
Year		
2036	\$ -	\$ 2,595
2037	-	2,700
2038	-	2,810
2039	-	2,925
2040	-	3,040

(in thousands of dollars)
2043 5% Term Bond

	2018 Series Amount	2015 Series Amount
Year		
2039	\$ 13,225	\$ -
2040	13,910	-
2041	5,820	-
2042	6,115	-
2043	6,430	-

	2018 Series Amount	2015 Series Amount
2045 4% Term Bond		
Year		
2041	\$ -	\$ 4,610
2042	-	4,795
2043	-	4,990
2044	-	5,195
2045	-	5,410

	2018 Series Amount	2015 Series Amount
2045 5% Term Bond		
Year		
2041	\$ -	\$ 7,350
2042	-	7,730
2043	-	8,125
2044	-	8,540
2045	-	8,975

2048 5% Term Bond		2018 Series Amount	2015 Series Amount
Year			
2044		\$ 6,760	\$ -
2045		7,110	-
2046		7,475	-
2047		7,855	-
2048		8,260	-
2050 Term Bond		2018 Series Amount	2015 Series Amount
Year			
2046		\$ -	\$ 15,115
2047		-	15,930
2048		-	16,790
2049		-	17,695
2050		-	18,645
2055 Term Bond		2018 Series Amount	2015 Series Amount
Year			
2051		\$ -	\$ 19,655
2052		-	20,710
2053		-	21,830
2054		-	23,005
2055		-	24,245
2055 4% Term Bond		2018 Series Amount	2015 Series Amount
Year			
2049		\$ 4,245	\$ -
2050		4,480	-
2051		4,720	-
2052		4,970	-
2053		5,240	-
2054		5,520	-
2055		5,825	-

2055 5% Term Bond	2018 Series Amount	2015 Series Amount
Year		
2049	\$ 4,415	\$ -
2050	4,585	-
2051	4,755	-
2052	4,945	-
2053	5,130	-
2054	5,330	-
2055	5,520	-

Direct Borrowings

Pursuant to a loan agreement dated as of April 30, 2019, the Authority entered into a loan agreement with the South Carolina State Treasurer's Office for \$50,000,000 in advance of the contribution by the United States government of the federal share of the cost of the Charleston Harbor deepening project (see Note 6). The loan is payable as to interest only until such time as either the debt is extinguished, or the principal amortization commences. The loan bears interest at a per annum rate equal to the average yield on the South Carolina State investment pool (currently 2.1% per annum). Upon receipt by the Authority of the federal government's reimbursement of any moneys advanced by the Authority for the federal share of the cost of the Charleston Harbor deepening project, the Authority is required to apply such funds to any principal amount remaining on the loan on the date of reimbursement. If the Authority makes no principal payments on the loan by January 1, 2025, the Authority will pay, from available funds, based on no more than a 25-year amortization, the drawn principal balance. The loan is unsecured and expressly subordinate to all debt obligations of the Authority.

On March 19, 2019, the Ports Authority entered into a loan and security agreement with a bank for \$40,000,000. The loan was evidenced by certain Subordinate Lien Revenue Bond, Series 2019B, in the same amount. Proceeds will be used to purchase material handling equipment for the Wando Welch Terminal. Interest is payable semi-annually at a rate of 3.16% per annum, beginning September 15, 2019. The first principal payment is due September 15, 2020, and payments are made semi-annually thereafter until the loan matures on March 15, 2035. As of June 30, 2019, the Ports Authority had amounts outstanding under this loan agreement of \$40,000,000.

On January 15, 2019, the Ports Authority entered into a loan and security agreement with a bank for \$20,000,000. The loan was evidenced by certain Subordinate Lien Revenue Bond, Series 2019A, in the same amount. Proceeds will be used to purchase material handling equipment for the Wando Welch Terminal with the purchased assets securing the loan. Interest is payable semi-annually at a rate of 3.439% per annum, beginning July 15, 2019. The first principal payment is due July 15, 2020, and payments are made semi-annually thereafter until the loan matures on January 15, 2035. As of June 30, 2019, the Ports Authority had amounts outstanding under this loan agreement of \$20,000,000.

On May 15, 2018, the Ports Authority entered into a loan and security agreement with a bank for \$80,000,000. The loan was evidenced by certain Subordinate Lien Revenue Bond, Series 2018, in the same amount. Proceeds will be used to purchase material handling equipment for the Wando Welch terminal with the purchased assets securing the loan. Interest is payable semi-annually at a rate of 3.341% per annum, beginning November 15, 2018. The first principal payment is due November 15, 2019, and payments are made annually thereafter until the loan matures on May 15, 2034. As of June 30, 2019 and 2018, the Ports Authority had amounts outstanding under this loan agreement of \$80,000,000.

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 were 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, 2019, and 2018, the Ports Authority had amounts outstanding under this loan agreement of \$18,445,000 and \$19,233,000, respectively.

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 were used to purchase material handling equipment for the Wando Welch and North Charleston terminals with the purchased assets securing the loan. 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, 2019, and 2018, the Ports Authority had amounts outstanding under this loan agreement of \$23,977,000 and \$25,000,000, respectively.

On January 29, 2015, the Ports Authority entered into a promissory note agreement with a bank for \$14,000,000. Interest was 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 was 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, 2019, and 2018, the Ports Authority had amounts outstanding under this loan agreement of \$12,320,000 and \$12,880,000, respectively.

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, 2019, and 2018, the Ports Authority had amounts outstanding under this loan agreement of \$23,231,000 and \$24,532,000, respectively.

Maturities of long-term debt are summarized as follows:

(in thousands of dollars)	Revenue Bonds		Other Long-Term Debt	
	Principal	Interest	Principal	Interest
2020	\$ 6,030	\$ 30,438	\$ 6,735	\$ 7,454
2021	6,325	30,129	9,099	6,238
2022	6,650	29,804	9,352	5,975
2023	6,980	29,464	27,282	5,471
2024	7,325	29,106	8,401	4,985
2025–2029	42,780	139,491	102,492	20,603
2030–2034	54,945	127,464	81,061	13,281
2035–2039	70,045	112,365	26,677	1,110
2040–2044	89,065	93,349	878	67
2045–2049	113,415	69,001	-	-
2050–2054	146,020	36,393	-	-
2055–2059	69,445	3,520	-	-
	<u>\$ 619,025</u>	<u>\$ 730,524</u>	<u>\$ 271,977</u>	<u>\$ 65,184</u>

The components of interest expense for the years ended June 30, 2019 and 2018 are as follows:

<i>(in thousands)</i>	2019	2018
Interest expense on long-term debt	\$ 37,636	\$ 23,859
Amortization of premiums on long-term debt	(1,743)	(417)
Unrealized gain on interest rate exchange agreements	(250)	(337)
Capitalized interest expense	<u>(26,964)</u>	<u>(21,525)</u>
	<u>\$ 8,679</u>	<u>\$ 1,580</u>

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 Statements 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 \$193.9 million and \$145.6 million as well as commitments for non-construction property, plant, and equipment of approximately \$34.0 million and \$3.2 million at June 30, 2019 and 2018, respectively.

Harbor Deepening

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. The US Army Corps of Engineers has estimated that portions of the harbor deepening project will be complete by 2021 and, as of fiscal year 2019, is expected to cost approximately \$558 million. Based on US Army Corps of Engineers Project Management Plan, it is anticipated that the local share of the project will be approximately \$270 million and the federal share will be approximately \$288 million. As of June 30, 2019, this project has been fully funded pending one last Senate approval expected in October 2019. The State appropriated \$300 million, together with interest earned thereon, to cover costs associated with the deepening of the Charleston Harbor. In addition, the State advanced the proceeds of the \$50 million Proviso Loan to bridge the federal funding period (see Note 5). The Proviso Loan is expected to be paid back by federal funds when received and approved for reimbursement. To date, the federal government has authorized \$108 million with an additional \$138 million pending Senate approval, which will fully fund the project.

The Ports Authority and the Army Corps 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, 2019, and 2018, the remaining balance is \$4.0 million and \$4.1 million, respectively, and is reflected in current and noncurrent liabilities in the Statements of Net Position.

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, with construction of the first phase having already commenced and expected to be completed in 2021. The first phase consists of 1,400 linear feet of berth, 134 developed acres, five ship-to-shore cranes, and 25 rubber-tired-gantry-cranes. The cost for the first phase is currently estimated to be approximately \$846 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. As of June 30, 2019, the Ports Authority has spent approximately \$410.2 million on construction, permitting, consulting and engineering costs related to the first phase of the new terminal.

Corporate Office

During fiscal year 2019, construction was completed for a new 80,000 square foot corporate office complex located adjacent to the Wando Welch Terminal in Mount Pleasant, South Carolina. The new facility consolidated Ports Authority employees previously located in five disparate offices across the Charleston area. A total of \$42.4 million in costs were incurred as of June 30, 2019 with the total project cost not to exceed \$44.5 million. All employees were moved into the new office by March 2019.

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 by governmental entities.

On June 30, 2019 and 2018, the Ports Authority had the following derivative instruments outstanding:

2019 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	\$15,667,500	7/1/2008	7/1/2026	Pay 3.6671% Fixed Receive 70% of 1M LIBOR	Aa2/AA
B	Pay Fixed-Receive Floating	Hedge of changes in cash flows on the Series 1998 bonds	36,557,500	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	52,225,000	7/1/2008	7/1/2026	Pay SIFMA Receive 3.508%	A1/A

2018 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	\$17,505,000	7/1/2008	7/1/2026	Pay 3.6671% Fixed Receive 70% of 1M LIBOR	Aa2/AA
B	Pay Fixed-Receive Floating	Hedge of changes in cash flows on the Series 1998 bonds	40,845,000	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	58,350,000	7/1/2008	7/1/2026	Pay SIFMA Receive 3.508%	A1/A

As of June 30, 2019, and 2018, 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 Statements of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2019 and 2018.

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, 2019 and 2018 are as follows:

	Derivative	2019	2018	Change in fair value
Item A	Pay Fixed Receive Floating	\$ (1,274,441)	\$ (1,121,000)	\$ (153,441)
Item B	Pay Fixed Receive Floating	(2,970,809)	(2,616,000)	(354,809)
Item C	Receive Fixed Pay Floating	3,943,963	3,185,000	758,963
		<u>\$ (301,287)</u>	<u>\$ (552,000)</u>	<u>\$ 250,713</u>

Changes in fair value at June 30, 2018 and 2017 are as follows:

	Derivative	2018	2017	Change in fair value
Item A	Pay Fixed Receive Floating	\$ (1,121,000)	\$ (1,834,000)	\$ 713,000
Item B	Pay Fixed Receive Floating	(2,616,000)	(4,282,000)	1,666,000
Item C	Receive Fixed Pay Floating	3,185,000	5,227,000	(2,042,000)
		<u>\$ (552,000)</u>	<u>\$ (889,000)</u>	<u>\$ 337,000</u>

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, 2019, and 2018 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 floating, 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 are not subject to foreign currency risk.

Commitments

All 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 must 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, 2019, and 2018, the Ports Authority had a credit rating of A1 by Moody's and A+ by Standard & Poor's and no collateral has been posted under any derivative instruments.

The Ports Authority terminated all of the interest rate swap agreements in August 2019. See Note 14.

8. Retirement Plans

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

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

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 and other benefits for teachers and employees of the state and its political subdivisions. SCRS covers employees of state-agencies, public school districts, higher education institutions, other participating local subdivisions of government and individuals newly elected to the South Carolina General Assembly at or after the 2012 general election.

The State Optional Retirement Program (State ORP) is a defined contribution plan that is offered as an alternative to SCRS to certain newly hired employees of state agencies, institutions of higher education, public school districts and individuals first elected to the General Assembly at or after the general election in November 2012. State ORP participants direct the investment of their funds into an account administered by one of four third party record keepers.

The South Carolina Police Officers Retirement System (PORS), a cost-sharing multiple-employer defined benefit pension plan, was established 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 and other benefits to police officers and firefighters. PORS also covers peace officers, coroners, probate judges and magistrates.

Membership

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

- **SCRS** - Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.
- **State ORP** - As an alternative to membership in SCRS, newly hired state, public school, and higher education employees and individuals newly elected to the S.C. General Assembly beginning with the November 2012 general election have the option to participate in the State ORP. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the four third party record keepers. For this reason, State ORP assets are not part of the retirement systems' trust funds for financial statement purposes. 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 the ORP vendor 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.

Benefits

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

Contributions

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

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

The Retirement System Funding and Administration Act establishes a ceiling on employee contribution rates at 9 percent and 9.75 percent for SCRS and PORS respectively. The employer contribution rates will continue to increase annually by 1 percent through July 1, 2022. The legislation's ultimate scheduled employer rate is 18.56 percent for SCRS and 21.24 percent for PORS. The amortization period is scheduled to be reduced one year for each of the next 10 years to a twenty-year amortization period.

Required employee contribution rates are as follows:

	2019	2018
SCRS		
Employee class two	9.00 %	9.00 %
Employee class three	9.00 %	9.00 %
State ORP employee	9.00 %	9.00 %
PORS		
Employee class two	9.75 %	9.75 %
Employee class three	9.75 %	9.75 %

Required employer contribution rates are as follows:

	2019	2018
SCRS		
Employer class two	14.41 %	13.41 %
Employer class three	14.41 %	13.41 %
Employer incidental death benefit	0.15 %	0.15 %
State ORP		
Employer contribution	0.34 %	13.41 %
Employer incidental death benefit	0.15 %	0.15 %
PORS		
Employer class two	16.84 %	15.84 %
Employer class three	16.84 %	15.84 %
Employer incidental death benefit	0.20 %	0.20 %
Employer accidental death program	0.20 %	0.20 %

Actuarial Assumptions and Methods

Actuarial valuations of the plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past 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 for the period ending June 30, 2015.

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

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2018 and June 30, 2017.

	2018	
	SCRS	PORS
Actuarial cost method	Entry age normal	Entry age normal
Actuarial assumptions		
Investment rate of return	7.25 %	7.25 %
Projected salary increases	3.0% to 12.5%	3.5% to 9.5%
Includes inflation at	2.25 %	2.25 %
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. The base mortality assumptions, the 2016 Public Retirees of South Carolina Mortality table (2016 PRSC), was developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using published Scale AA projected from the year 2016.

Assumptions used in the determination of the TPL as of June 30, 2018 and 2017 are as follows.

Former job class	Males	Females
Educators	2016 PRSC Males multiplied by 92%	2016 PRSC Females multiplied by 98%
General employees and members of the general assembly	2016 PRSC Males multiplied by 100%	2016 PRSC Females multiplied by 111%
Public safety and firefighters	2016 PRSC Males multiplied by 125%	2016 PRSC Females multiplied by 111%

Net Pension Liability

The NPL is calculated separately for each system and represents that particular system's TPL determined in accordance with GASB Statement No. 67 less each System's fiduciary net position. NPL totals, as of June 30, 2018 and 2017, for SCRS and PORS are presented below.

	2018			
	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
(in thousands of dollars)				
SCRS	\$ 48,821,731	\$ 26,414,916	\$ 22,406,815	54.1%
PORS	7,402,973	4,570,430	2,832,543	61.7%
	2017			
	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
(in thousands of dollars)				
SCRS	\$ 48,244,437	\$ 25,732,829	\$ 22,511,608	53.3%
PORS	7,013,684	4,274,123	2,739,561	60.9%

The TPL is calculated by the Systems' actuary, and each plan's fiduciary net position is reported in the Systems' financial statements. The NPL is disclosed in accordance with the requirements of GASB Statement No. 67 in the Systems' notes to the financial statements and required supplementary information. Liability calculations performed by the Systems' actuary for the purpose of satisfying the requirements of GASB Statement Nos. 67 and 68 are not applicable for other purposes, such as determining the plans' funding requirements.

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

At June 30, 2019 and 2018, the Ports Authority reported a liability of \$105.7 million and \$98.6 million, respectively for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 and 2017, 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 2018 and 2017 relative to the contributions made by all participating employers. At June 30, 2018 and 2017, the Ports Authority's proportion was 0.4693 and 0.4374 percent, respectively for the SCRS and 0.0093 and 0.0096 percent, respectively for the PORS.

For the years ended June 30, 2019 and 2018, the Ports Authority recognized pension expense of \$14.6 million and \$13.1 million, respectively. At June 30, 2019 and 2018, the Ports Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
<i>(in thousands of dollars)</i>		
Difference between actual and expected experience	\$ 198	\$ 618
Net difference between projected and actual earnings on pension plan investments	1,676	-
Changes in actuarial assumptions	4,190	-
Changes in proportionate share and differences between contributions and proportionate share of contributions	8,843	7
The Ports Authority's contributions subsequent to the measurement date	7,973	-
	<u>\$ 22,880</u>	<u>\$ 625</u>

	2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
<i>(in thousands of dollars)</i>		
Difference between actual and expected experience	\$ 441	\$ 54
Net difference between projected and actual earnings on pension plan investments	2,758	-
Changes in actuarial assumptions	5,790	-
Changes in proportionate share and differences between contributions and proportionate share of contributions	6,762	5
The Ports Authority's contributions subsequent to the measurement date	6,201	-
	<u>\$ 21,952</u>	<u>\$ 59</u>

The \$8.0 million and \$6.2 million reported as deferred outflows of resources related to pensions resulting from the Port's contributions paid subsequent to the measurement date for the SCRS and PORS plans during the years ended June 30, 2019 and 2018, respectively, will be recognized as a reduction of the net pension liability during the years ended June 30, 2020 and 2019, 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, 2019		
2020	\$ 7,960,267	\$ 23,529
2021	5,788,031	18,435
2022	533,889	1,906
2023	(46,142)	(187)
	SCRS	PORS
Years Ended June 30, 2018		
2020	\$ 5,527,564	\$ 18,761
2021	6,413,260	23,696
2022	4,340,551	18,463
2023	(645,047)	1,660

Long-Term Expected Rate of Return

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

The expected returns, along with the expected inflation rate, form the basis for the revised target asset allocation adopted at the beginning of the 2018 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and by adding expected inflation and is summarized in the table below. For actuarial purposes, the 7.25 percent assumed annual investment rate of return used in the calculation of the TPL includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

	2019		
	Target asset allocation	Expected arithmetic real rate of return	Long term expected portfolio real rate of return
Asset class			
Global equity	47.0%		
Global public equity	33.0	6.99%	2.31%
Private equity	9.0	8.73	0.79
Equity options strategies	5.0	5.52	0.28
Real assets	10.0		
Real estate (Private)	6.0	3.54	0.21
Real estate (REITs)	2.0	5.46	0.11
Infrastructure	2.0	5.09	0.10
Opportunistic	13.0		
GTAA/risk parity	8.0	3.75	0.30
Hedge funds (non-PA)	2.0	3.45	0.07
Other opportunistic strategies	3.0	3.75	0.11
Diversified credit	18.0		
Mixed credit	6.0	3.05	0.18
Emerging markets debt	5.0	3.94	0.20
Private debt	7.0	3.89	0.27
Conservative fixed income	12.0		
Core fixed income	10.0	0.94	0.09
Cash and short duration (net)	2.0	0.34	0.01
Total expected real return	<u>100.0%</u>		<u>5.03%</u>
Inflation for actuarial purposes			<u>2.25</u>
Total expected nominal return			<u>7.28%</u>

	2018		
Asset class	Target asset allocation	Expected arithmetic real rate of return	Long term expected portfolio real rate of return
Global equity	45.0%		
Global public equity	31.0	6.72%	2.08%
Private equity	9.0	9.60	0.86
Equity options strategies	5.0	5.91	0.30
Real assets	8.0		
Real estate (Private)	5.0	4.32	0.22
Real estate (REITs)	2.0	6.33	0.13
Infrastructure	1.0	6.26	0.06
Opportunistic	17.0		
GTAA/risk parity	10.0	4.16	0.42
Hedge funds (non-PA)	4.0	3.82	0.15
Other opportunistic strategies	3.0	4.16	0.12
Diversified credit	18.0		
Mixed credit	6.0	3.92	0.24
Emerging markets debt	5.0	5.01	0.25
Private debt	7.0	4.37	0.31
Conservative fixed income	12.0		
Core fixed income	10.0	1.60	0.16
Cash and short duration (net)	2.0	0.92	0.02
Total expected real return	<u>100.0%</u>		<u>5.32%</u>
Inflation for actuarial purposes			<u>2.25</u>
Total expected nominal return			<u>7.57%</u>

Discount Rate

The discount rate used to measure the TPL was 7.25 percent as of June 30, 2019 and 2019. The projection of cash flows used to determine the discount rate assumed that the contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina State Code of Laws. Based on those assumptions, the 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 TPL.

Sensitivity Analysis

The following table presents the Ports Authority's proportionate share of the collective NPL of the participating employers calculated using the June 30, 2019 and 2018 discount rate of 7.25 percent, as well as what the Ports Authority's proportionate share of the NPL would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

		2019		
		1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
<i>(in thousands of dollars)</i>				
Ports Authority's share of the net pension liability				
SCRS	\$	134,376	\$ 105,416	\$ 84,275
PORS		357	265	189

		2018		
		1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
<i>(in thousands of dollars)</i>				
Ports Authority's share of the net pension liability				
SCRS	\$	126,921	\$ 98,315	\$ 81,215
PORS		356	264	191

Additional Financial and Actuarial Information

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

Deferred 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 or are subject to a 3-year rolling vest. Compensation expense is recognized for payments made to the plans. As of June 30, 2019, and June 30, 2018, contributions to the plan were approximately \$3,552,094 and \$2,894,607, respectively.

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

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. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

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 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.

At June 30, 2019 and 2018, the following employees were covered by the benefit terms:

<i>(in thousands of dollars)</i>	2019	2018
Retirees and beneficiaries currently receiving benefit payments	\$ 306	\$ 284
Inactive employees entitled to but not yet receiving benefit payments	-	-
Active employees	594	499
Total	<u>\$ 900</u>	<u>\$ 783</u>

Total OPEB Liability

The Ports Authority's total OPEB liability of \$54.5 million and \$52.9 million was measured as of June 30, 2018 and 2017, respectively ("measurement dates"), and was determined by an actuarial valuation as of June 30, 2017 and 2016, respectively, that was rolled forward to the measurement date.

The total OPEB liability was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

2019

Inflation	2.25%
Salary increases	3.0% to 7.0% for SCRS, including inflation
Discount rate	3.62%
Healthcare cost trend rates	6.4% decreasing to an ultimate rate of 4.15% over 15 years; ultimate trend rate includes a 0.15% adjustment for the excise tax
Participation rate	78% of eligible retirees for full, 60% of retirees for partially funded subsidy and 10% who are not eligible for any subsidy

2018

Inflation	2.25%
Salary increases	3.0% to 7.0% for SCRS, including inflation
Discount rate	3.56%
Healthcare cost trend rates	7.0% decreasing to an ultimate rate of 4.15% over 15 years; ultimate trend rate includes a 0.15% adjustment for the excise tax
Participation rate	78% of eligible retirees for full, 60% of retirees for partially funded subsidy and 10% who are not eligible for any subsidy

The discount rate was based on the daily rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index." Mortality rates were based on the 2016 Public Retirees of South Carolina Mortality Table for Males or Females, as appropriate, with fully generational mortality projections from the year 2016 based on the ultimate rates in Scale MP-2014. The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study as of June 30, 2018 and a measurement date of June 30, 2018. The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study as of June 30, 2016, and update procedures were used to roll forward the total OPEB liability to June 30, 2017.

(in thousands of dollars)

	2019	2018
Total OPEB obligation, beginning of year	\$ 52,907	\$ 56,645
Service cost	1,848	1,779
Interest on the total OPEB liability	1,883	1,655
Changes of benefit terms	-	-
OPEB Plan administrative expense	-	-
Difference between expected and actual experience	717	3
Changes in assumptions or other inputs	(968)	(5,484)
Benefit payments	(1,857)	(1,691)
Net change in total OPEB liability	1,623	(3,738)
Total OPEB obligation, end of year	\$ 54,530	\$ 52,907

Changes of assumptions or other inputs reflect a change in the discount rate from 2.92% as of July 1, 2016 to 3.56% as of June 30, 2017 and to 3.62% as of June 30, 2018.

Sensitivity Analysis

The following presents the total OPEB liability of the Ports Authority, as well as what the Ports Authority's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.56 percent) or 1-percentage-point higher (4.56 percent) than the current discount rate:

	2019		
	1% Decrease (2.56%)	Discount Rate (3.56%)	1% Increase (4.56%)
(in thousands of dollars)			
Total OPEB liability	\$ 63,765	\$ 54,530	\$ 47,122

	2018		
	1% Decrease (2.56%)	Discount Rate (3.56%)	1% Increase (4.56%)
(in thousands of dollars)			
Total OPEB liability	\$ 61,722	\$ 52,907	\$ 45,721

The following presents the total OPEB liability of the Ports Authority, as well as what the Ports Authority's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (6 percent decreasing to 3.15 percent) or 1-percentage point higher (8 percent decreasing to 5.15 percent) than the current healthcare cost trend rates:

	2019		
	1% Decrease 6.00% decreasing to 3.15%	Healthcare Cost Trend Rates 7.00% decreasing to 4.15%	1% Increase 8.00% decreasing to 5.15%
(in thousands of dollars)			
Total OPEB liability	\$ 45,866	\$ 54,530	\$ 65,758

	2018		
	1% Decrease 6.00% decreasing to 3.15%	Healthcare Cost Trend Rates 7.00% decreasing to 4.15%	1% Increase 8.00% decreasing to 5.15%
(in thousands of dollars)			
Total OPEB liability	\$ 43,935	\$ 52,907	\$ 64,576

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

For the years ended June 30, 2019 and 2018, the Ports Authority recognized OPEB expense of \$2.9 million and \$2.7 million, respectively. The Ports Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources at June 30:

	2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
<i>(in thousands of dollars)</i>		
Difference between actual and expected experience	\$ 626	\$ -
Changes in actuarial assumptions or other inputs	-	4,795
The Ports Authority's contributions subsequent to the measurement date	1,944	-
	<u>\$ 2,570</u>	<u>\$ 4,795</u>

	2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
<i>(in thousands of dollars)</i>		
Difference between actual and expected experience	\$ 3	\$ -
Changes in actuarial assumptions or other inputs	-	4,718
The Ports Authority's contributions subsequent to the measurement date	1,857	-
	<u>\$ 1,860</u>	<u>\$ 4,718</u>

Amounts reported for SCRS as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	2019
<i>(in thousands of dollars)</i>	
Years Ended June 30:	
2020	\$ (798)
2021	(798)
2022	(798)
2023	(798)
2024	(798)
Thereafter	(179)

	2018
<i>(in thousands of dollars)</i>	
Years Ended June 30:	
2019	\$ (765)
2020	(765)
2021	(765)
2022	(765)
2023	(765)
Thereafter	(890)

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 facilities for use with 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:

<i>(in thousands of dollars)</i>	2019	2018
Cost	\$ 38,138	\$ 39,298
Accumulated depreciation	26,503	28,470

Minimum future operating revenue and rentals, to be received under noncancelable agreements as of June 30, 2019 were:

<i>(in thousands of dollars)</i>	
2020	\$ 3,613
2021	2,977
2022	2,889
2023	1,613
2024	1,396
Thereafter	27,514
	<u>\$ 40,002</u>

11. Fair Value of Financial Instruments

The carrying values of cash, accounts receivable, accounts and retainage payable, credit agreements 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, 2019 and 2018 was approximately \$619 million.

12. Other Matters**Ridgeville Property**

On June 26, 2018, the Ports Authority executed an agreement for the purchase of approximately 942 acres of land in Ridgeville, South Carolina for \$16.2 million. Proposed use of the site will be for the development of warehouse and distribution centers to facilitate the movement of cargo to and from the Port of Charleston.

Cooper River Bridge

After contributing \$21 million before fiscal year 2004, 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 position.

Payments to the State of South Carolina for the Cooper River Bridge totaled \$1 million in each fiscal year 2019 and 2018.

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 \$500 thousand and \$1.4 million in cash to the joint organization in fiscal years ended June 30, 2019 and 2018, respectively. Amounts contributed in fiscal years 2019 and 2018 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 \$467 thousand and \$1.7 million for the years ended June 30, 2019 and 2018, respectively, and are included in "Other income (expense), net" in the accompanying Statements of Revenues, Expenses and Changes in Net Position.

Federal Grant Agreements

During July 2015, the Ports 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 provided federal dollars for the Wando Welch Terminal Rehabilitation, Productivity and Densification Project. The total project cost approximately \$45.2 million. The federal funds will cover approximately 23.9% 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 made during multiple phases of the project. As of June 30, 2019, and 2018, the Ports Authority had expended approximately \$10.8 million related to this grant agreement, of which, \$0 and \$1.3 million is included in other receivables as of June 30, 2019 and 2018, respectively.

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). As of June 30, 2019, and 2018, the Ports Authority has expended approximately \$605 thousand and \$763 thousand, respectively, related to these grant agreements.

Sale of Certain Properties

2009 Act No. 73 required 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, 2020. In addition, a requirement was added that the 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 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, 2020, the Ports Authority must transfer the property to the State Department of Administration as fiduciary to the Ports Authority and its bondholders. The Ports Authority shall sell the real property under terms and conditions it considers most advantageous to the Ports 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.

Insurance Claim

On October 14, 2012, a portion of the quay wall at Veteran's Terminal (VT) in North Charleston, failed. In fiscal year 2019, the Authority settled the claim with the insurance company in the amount of \$13.6 million. The Authority had already received a draw on the claim of \$7.5 million in prior years. Therefore, \$6.0 million was received in fiscal year 2019 for full and final settlement of the claim, and is included in operating revenues on the Statement of Revenues, Expenses and Changes in Net Position.

Rail Overpass

In October 2002, as amended in February 2005, the Ports 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, particularly the division of real estate on the Charleston Naval Complex. In the MOU, it is stated that the Authority acknowledges that the City requires certain minimum infrastructure, including three rail overpasses, to be in place before the Authority commences container operations, and provides for the Authority and the City to approach the South Carolina General Assembly for the funding of the rail overpasses. To date, the South Carolina General Assembly has not acted on the Authority's and City's request for funding, and, because of the absence of that funding source, the rail overpasses are not currently contemplated by the Authority to be constructed as part of Phase 1 of the Leatherman Terminal. The City has communicated in writing to the Authority its position that it believes the MOU requires that the rail overpasses be completed prior to the opening of Phase 1 of the Leatherman Terminal. The Authority believes that the rail overpasses contemplated by the MOU are dependent upon funding by the General Assembly and disagrees with the City's position. The MOU does not address how or if the rail overpasses are to be funded in the absence of funding by the General Assembly, or if the rail overpasses are required in the absence of funding. No determination has been made by the Authority as to the potential cost of construction of the rail overpasses.

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, 2019, 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.

In January 2013, the Ports Authority intervened in a federal case brought by preservation and environmental groups against the United States 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 Ports 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 was appealed, and arguments heard on February 15, 2017 by the South Carolina Court of Appeals. On October 18, 2017, the Court of appeals issued a unanimous opinion affirming the South Carolina Administrative Law Court. This was appealed to the South Carolina Supreme Court, and the Supreme Court accepted a petition for certiorari on August 21, 2018. Briefing and argument have not been scheduled at this time. 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.

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 was resolved in fiscal year 2018 against one contractor through a settlement agreement. In fiscal year 2019, a verdict was delivered in favor of the remaining contractor and the case was closed.

14. Subsequent Events

Interest Rate Swaps

As of June 30, 2019, the Authority was a party to three derivative instruments as better described in Note 7. On August 6, 2019, all three derivative instruments were terminated by the Authority for \$410,500.

2019 Bond Issuance

Subsequent to year end, the Ports Authority issued \$505,330,000 of Series 2019 (A, B, & C) bonds having stated interest rates from 3.25% to 5.0% payable annually on each January 1 and July 1. Net proceeds of \$545,942,043 were received to (i) pay or reimburse the Authority for a portion of the cost of a port access road and related improvements in connection with the development by the Authority of the Hugh K. Leatherman, Sr. Terminal, (ii) pay or reimburse the Authority for construction, equipment and other capital costs in connection with the Leatherman Terminal, and certain capital expenditures included in the Authority's capital plan, (iii) refund certain maturities of the Authority's Series 2015 Bonds, and (iv) to pay certain costs and expenses relating to the issuance of the Series 2019A, 2019B, and 2019C Bonds.

Required Supplemental Information

**SOUTH CAROLINA STATE PORTS AUTHORITY
SCHEDULE OF THE PORTS AUTHORITY'S TOTAL OPEB LIABILITY
FOR THE YEARS ENDED JUNE 30,**

<i>(in thousands of dollars)</i>	2019	2018
Total OPEB liability		
Service cost	\$ 1,848	\$ 1,779
Interest on the total OPEB liability	1,883	1,655
Changes of benefit terms	-	-
Difference between expected and actual experience	717	3
Changes in assumptions or other inputs	(968)	(5,484)
Benefit payments	<u>(1,857)</u>	<u>(1,691)</u>
Net change in total OPEB liability	1,623	(3,738)
Total OPEB liability - beginning	<u>52,907</u>	<u>56,645</u>
Total OPEB liability - ending	<u>\$ 54,530</u>	<u>\$ 52,907</u>
Covered payroll	\$ 46,051	\$ 46,051
Total OPEB liability as a percentage of covered payroll	118.41%	114.89%

Changes of assumptions: Changes of assumptions or other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used each period:

Measurement date, June 30, 2018	3.62 %
Measurement date, June 30, 2017	3.56 %
Measurement date, June 30, 2016	2.92 %

**SOUTH CAROLINA STATE PORTS AUTHORITY
SCHEDULE OF THE PORTS AUTHORITY'S OPEB CONTRIBUTIONS
FOR THE YEARS ENDED JUNE 30,**

(in thousands of dollars)

	2019	2018
Actuarially determined contribution	\$ 1,944	\$ 1,857
Contributions in relation to the actuarially determined contribution	1,944	1,857
Contribution deficiency (excess)	\$ -	\$ -
Ports Authority's covered-employee payroll**	\$ 46,051	\$ 42,582
Contributions as a percentage of covered-employee payroll**	4.22%	4.36%

**This schedule is intended to present information for 10 years. Years for which information is available will be presented here until a full 10-year trend is compiled.*

***Covered-employee payroll is the payroll of employees that are provided with OPEB through the OPEB plan. Contributions to the OPEB plan are not based on a measure of pay.*

**SOUTH CAROLINA STATE PORTS AUTHORITY
SCHEDULE OF THE PORTS AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEARS ENDED JUNE 30,**

<i>(in thousands of dollars)</i>	SCRS				
	2019	2018	2017	2016	2015
Ports Authority's proportion of the net pension liability	0.46930%	0.43470%	0.40660%	0.39170%	0.37560%
Ports Authority's proportionate share of the net pension liability	<u>\$ 105,416</u>	<u>\$ 98,315</u>	<u>\$ 79,430</u>	<u>\$ 74,141</u>	<u>\$ 64,669</u>
Ports Authority's covered payroll for the measurement period	<u>\$ 45,922</u>	<u>\$ 42,391</u>	<u>\$ 38,198</u>	<u>\$ 30,855</u>	<u>\$ 29,304</u>
Ports Authority's proportionate share of the net pension liability as a percentage of its covered payroll	229.55%	231.92%	207.94%	240.29%	220.68%
Plan fiduciary net position as a percentage of the total pension liability	54.10%	53.34%	52.91%	56.99%	59.92%
	PORS				
	2019	2018	2017	2016	2015
Ports Authority's proportion of the net pension liability	0.0093%	0.0096%	0.0093%	0.0071%	0.0079%
Ports Authority's proportionate share of the net pension liability	<u>\$ 265</u>	<u>\$ 264</u>	<u>\$ 235</u>	<u>\$ 155</u>	<u>\$ 152</u>
Ports Authority's covered payroll for the measurement period	<u>\$ 129</u>	<u>\$ 130</u>	<u>\$ 118</u>	<u>\$ 95</u>	<u>\$ 85</u>
Ports Authority's proportionate share of the net pension liability as a percentage of its covered payroll	205.43%	203.08%	199.15%	163.16%	178.82%
Plan fiduciary net position as a percentage of the total pension liability	61.70%	60.94%	60.44%	64.57%	67.55%

**This schedule is intended to present information for 10 years. Years for which information is available will be presented here until a full 10-year trend is compiled.*

**SOUTH CAROLINA STATE PORTS AUTHORITY
SCHEDULE OF THE PORTS AUTHORITY'S PENSION CONTRIBUTIONS
FOR THE YEARS ENDED JUNE 30,**

<i>(in thousands of dollars)</i>	SCRS				
	2019	2018	2017	2016	2015
Contractually required contribution	\$ 7,950	\$ 6,183	\$ 5,102	\$ 4,355	\$ 3,615
Contributions in relation to the contractually required contribution	7,950	6,183	5,102	4,355	3,615
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Ports Authority's covered payroll	\$ 50,906	\$ 45,922	\$ 42,391	\$ 38,198	\$ 30,855
Contributions as a percentage of covered payroll	15.62%	13.46%	12.04%	11.40%	11.72%

	PORS				
	2019	2018	2017	2016	2015
Contractually required contribution	\$ 23	\$ 18	\$ 16	\$ 12	\$ 12
Contributions in relation to the contractually required contribution	23	18	16	12	12
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Ports Authority's covered payroll	\$ 136	\$ 129	\$ 130	\$ 118	\$ 95
Contributions as a percentage of covered payroll	16.91%	13.95%	12.31%	10.17%	12.63%

**This schedule is intended to present information for 10 years. Years for which information is available will be presented here until a full 10-year trend is compiled.*

STATISTICAL SECTION



**SOUTH
CAROLINA
PORTS**

THE WORLD CONNECTS HERE

CONDENSED SUMMARY OF NET POSITION

2019 FINANCIAL REPORT | 73

(IN THOUSANDS)

	As of June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Assets										
Current assets ⁽¹⁾	\$191,378	\$266,282	\$257,196	\$224,363	\$194,623	\$313,883	\$501,311	\$471,906	\$610,497	\$586,714
Held by trustee for debt service	6,495	15,919	15,451	15,642	15,733	15,827	36,196	36,241	20,007	34,160
Capital assets, net	594,087	615,273	637,558	693,792	737,770	751,871	846,551	1,016,564	1,201,467	1,388,022
Other assets	5,005	5,225	3,488	2,453	2,417	2,383	561	1,165	1,254	1,334
Total assets	796,965	902,699	913,693	936,250	950,543	1,083,964	1,384,619	1,525,876	1,833,225	2,010,230
Deferred outflows of resources⁽²⁾	-	-	-	-	-	6,003	10,602	11,943	25,783	27,202
Total assets and deferred outflows of resources	\$796,965	\$902,699	\$913,693	\$936,250	\$950,543	\$1,089,967	\$1,395,221	\$1,537,819	\$1,859,008	\$2,037,432
Liabilities										
Current liabilities	\$40,938	\$43,485	\$38,669	\$47,703	\$43,494	\$40,606	\$64,721	\$68,716	\$49,485	\$81,042
Post employment benefit obligation, long-term	-	-	4,767	5,985	7,230	8,699	10,112	13,279	52,907	54,530
Net pension liability	-	-	-	-	-	64,821	74,296	79,665	98,579	105,681
Harbor deepening obligation, long-term	-	-	-	-	-	4,326	4,219	4,110	3,997	3,881
Long-term debt, net of current maturities	95,561	177,517	172,407	177,384	190,920	287,247	505,405	541,842	834,851	930,377
Total liabilities	136,499	221,002	215,843	231,072	241,644	405,699	658,753	707,612	1,039,819	1,175,511
Deferred inflows of resources	-	-	-	-	-	5,470	144	119	4,777	5,420
Net position	660,466	681,697	697,850	705,178	708,899	678,798	736,324	830,088	814,412	856,501
Total liabilities, deferred inflows and net position	\$796,965	\$902,699	\$913,693	\$936,250	\$950,543	\$1,089,967	\$1,395,221	\$1,537,819	\$1,859,008	\$2,037,432

(1) Includes Internally Designated Assets For Construction.

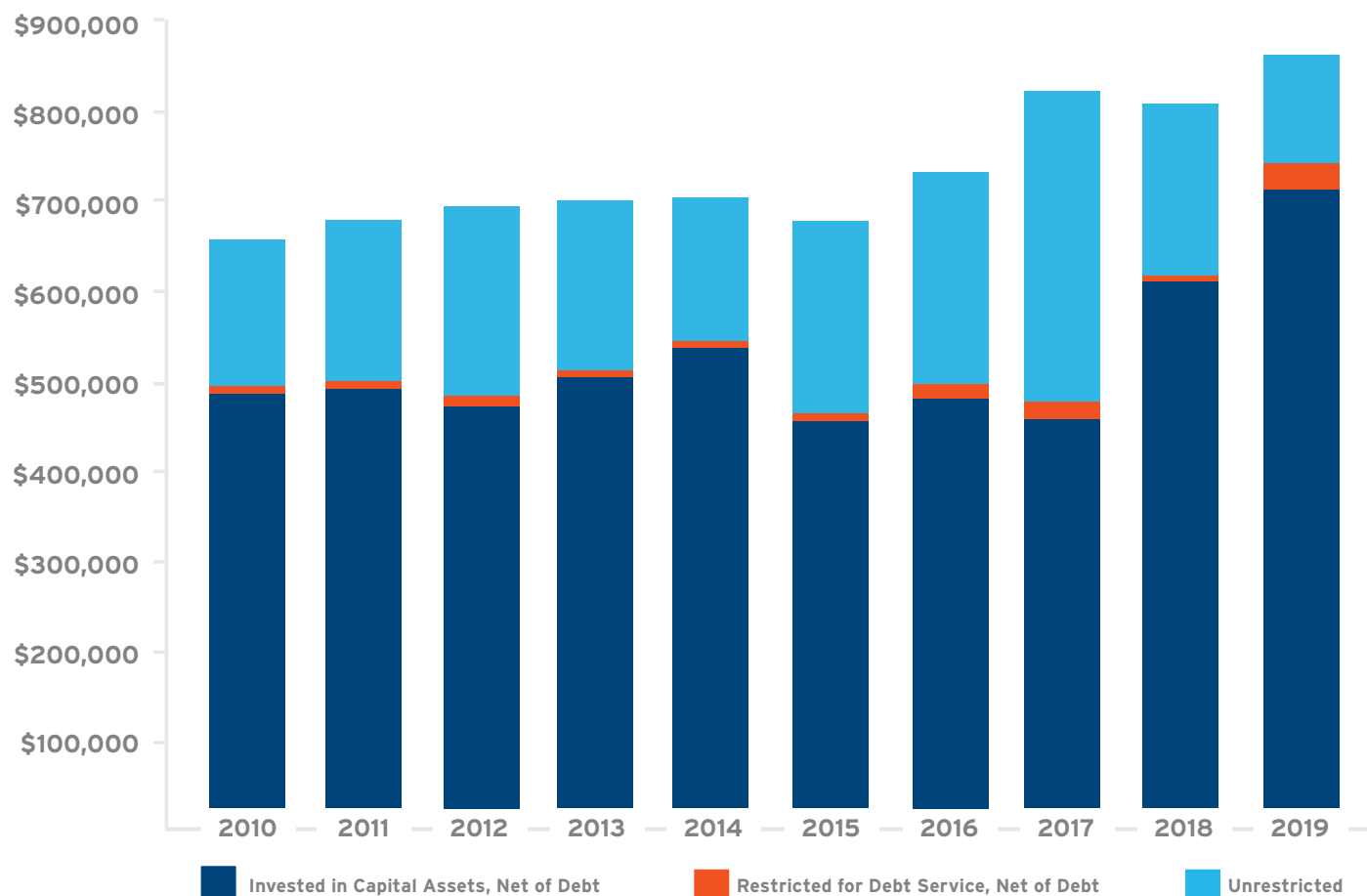
(2) Goodwill Included in Deferred Outflows of Resources as of FY 2018 Audited Financial Statements.

STATEMENT OF NET POSITION

2019 FINANCIAL REPORT | 74

(IN THOUSANDS)

	As of June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Invested in Capital Assets, Net of Debt	\$ 486,023	\$ 490,660	\$ 471,360	\$ 504,276	\$ 536,757	\$ 453,477	\$ 479,309	\$ 456,215	\$ 611,645	\$ 712,008
Restricted for Debt Service, Net of Debt	6,495	9,287	8,818	9,009	9,100	9,194	16,672	16,805	7,344	34,161
Restricted for Capital Projects	1,459	1,175	1,000	-	-	-	-	-	-	-
Restricted for Federal Grant Purposes	-	515	-	-	-	-	-	-	-	-
Unrestricted	166,489	180,060	216,672	191,893	163,042	216,127	240,343	357,068	195,423	110,332
Total Net Position	\$ 660,466	\$ 681,697	\$ 697,850	\$ 705,178	\$ 708,899	\$ 678,798	\$ 736,324	\$ 830,088	\$ 814,412	\$ 856,501



HISTORICAL REVENUES, EXPENSES & CHANGES IN NET POSITION

2019 FINANCIAL REPORT | 75

(IN THOUSANDS)

Operating Revenues

Direct Operating Revenues

Gain on Property Damage, Including Insurance Recovery ⁽¹⁾

Total Operating Revenues

Operating Expenses

Direct Operating Expenses

Administrative Expenses

Depreciation Expense

Total Operating Expenses

Operating Income

Nonoperating Revenues (Expenses)

Interest Income

Other Income (Expense), Net

Gain (Loss) on Sale of Property and Equipment, Net

Interest Expense

Unrealized Gain on Interest Rate Exchange Agreements

Contribution to State of SC - Cooper River Bridge

Contribution to Department of Transportation for Infrastructure Improvement

Contribution to CSX for Infrastructure Improvements

Contribution to Army Corps of Engineers for Harbor Deepening

Contribution from Army Corps of Engineers for Harbor Deepening

Contributions from State of SC for Harbor Deepening

Contribution to Berkeley County - Highway Interchange

Contribution to Aiken County - Infrastructure Improvements

Contribution to Sumter County - Infrastructure Improvements

Contribution to Georgetown County - Steel Mill Study

Contribution to Cherokee County - Economic Improvements

Contribution from the State of SC - Jasper Ocean Terminal

Contribution from the State of SC - Land Trust

Total Non Operating Revenues (Expenses)

Excess Revenues over Expenses (Before Capital Contributions and Special Items)

Contribution (other) for Harbor Deepening

Grant from the SC Department of Public Safety

Capital Contribution - Charleston Naval Complex Redevelopment Authority

Capital Grants from Federal Government

Contribution from Spartanburg County for BMW Land/Facility

Contribution of Land from Dillon County for Inland Port

Contribution from Norfolk Southern Railway Company

Condemnation of Leasehold Rights

Increase in Net Position

Total Net Position

Beginning of Year

Adoption of GASB 68

Adoption of GASB 65

Adoption of GASB 75

Harbor Deepening Restatement

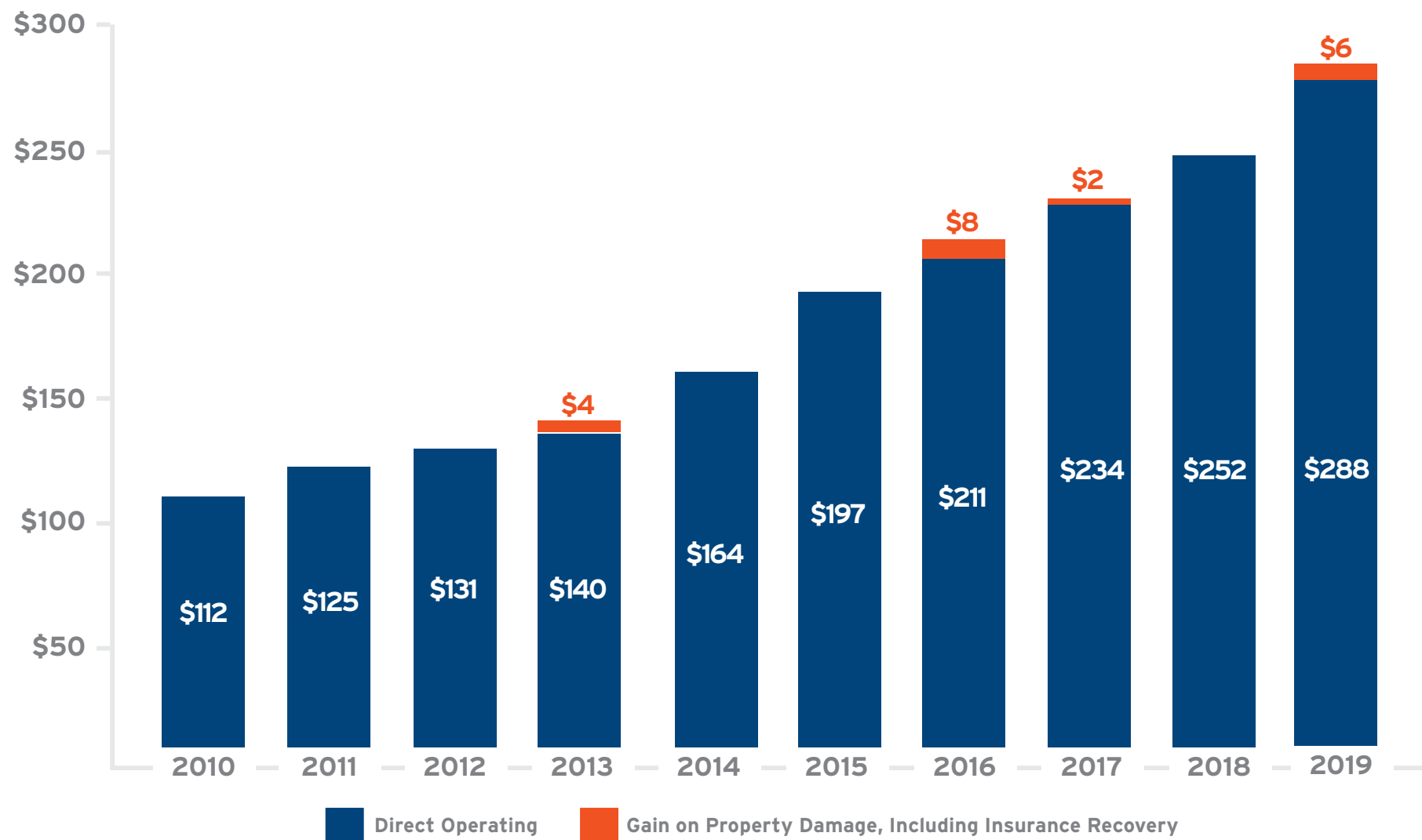
End of Year

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Operating Revenues										
Direct Operating Revenues	\$ 111,744	\$ 124,649	\$ 130,948	\$ 140,388	\$ 164,143	\$ 196,759	\$ 211,166	\$ 233,648	\$ 251,820	\$ 288,326
Gain on Property Damage, Including Insurance Recovery ⁽¹⁾	-	-	-	3,706	350	121	7,618	2,141	193	6,000
Total Operating Revenues	111,744	124,649	130,948	144,094	164,493	196,880	218,784	235,789	252,013	294,326
Operating Expenses										
Direct Operating Expenses	55,918	59,856	71,567	75,625	91,622	106,100	117,476	123,876	137,861	162,364
Administrative Expenses	17,922	19,316	21,140	23,440	26,163	26,313	28,920	36,704	36,863	42,166
Depreciation Expense	29,532	28,834	30,967	28,702	32,415	33,753	33,687	37,233	41,523	47,553
Total Operating Expenses	103,372	108,006	123,674	127,767	150,200	166,166	180,083	197,813	216,247	252,083
Operating Income	8,372	16,643	7,274	16,327	14,293	30,714	38,701	37,976	35,766	42,243
Nonoperating Revenues (Expenses)										
Interest Income	5,500	4,091	4,745	3,283	2,163	2,520	5,452	5,717	5,230	11,088
Other Income (Expense), Net	(1,518)	(2,550)	448	(430)	(382)	(6,135)	(2,330)	(1,386)	(9,589)	22,875
Gain (Loss) on Sale of Property and Equipment, Net	2,475	26	53	62	(54)	2,650	(951)	37,063	8,832	(4,253)
Interest Expense	(1,746)	(438)	(610)	(1,748)	(849)	(3,163)	(2,043)	(1,418)	(1,580)	(8,679)
Unrealized Gain on Interest Rate Exchange Agreements	-	1,484	688	610	436	896	(111)	196	337	250
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 Department of Transportation for Infrastructure Improvement	-	-	-	-	-	-	-	-	(12,600)	(23,000)
Contribution to CSX for Infrastructure Improvements	-	-	-	-	-	-	-	-	(709)	-
Contribution to Army Corps of Engineers for Harbor Deepening	-	-	-	-	-	-	-	-	(299,043)	(3,933)
Contribution from Army Corps of Engineers for Harbor Deepening	-	-	-	-	-	-	-	-	275	-
Contributions from State of SC for Harbor Deepening	-	-	-	-	-	-	6,185	-	299,043	3,894
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	275	600
Contribution from the State of SC - Land Trust	-	-	-	-	-	5,000	-	-	-	-
Total Non Operating Revenues (Expenses)	(3,289)	1,613	4,324	(8,316)	(3,887)	1,319	4,819	40,532	(10,529)	(2,158)
Excess Revenues over Expenses (Before Capital Contributions and Special Items)	5,083	18,256	11,598	8,011	10,406	32,033	43,520	78,508	25,237	40,085
Contribution (other) for Harbor Deepening	-	-	-	-	-	-	(6,185)	137	-	-
Grant from the SC Department of Public Safety	-	-	-	-	-	-	-	34	-	-
Capital Contribution - Charleston Naval Complex Redevelopment Authority	-	-	-	-	-	-	-	-	-	-
Capital Grants from Federal Government	2,677	1,918	6,082	1,517	143	361	5,156	5,681	762	2,004
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 Position	\$ 7,760	\$ 21,231	\$ 17,680	\$ 7,328	\$ 11,652	\$ 33,809	\$ 57,526	\$ 93,764	\$ 25,999	\$ 42,089
Total Net Position										
Beginning of Year	652,706	660,466	681,697	697,850	705,178	708,899	678,798	736,324	830,088	814,412
Adoption of GASB 68	-	-	-	-	-	(63,910)	-	-	-	-
Adoption of GASB 65	-	-	(1,527)	-	-	-	-	-	-	-
Adoption of GASB 75	-	-	-	-	-	-	-	-	(41,675)	-
Harbor Deepening Restatement	-	-	-	-	(7,931)	-	-	-	-	-
End of Year	\$ 660,466	\$ 681,697	\$ 697,850	\$ 705,178	\$ 708,899	\$ 678,798	\$ 736,324	\$ 830,088	\$ 814,412	\$ 856,501

(1) As of FY 2018 Audited Financial Statements included in Operating Revenues.

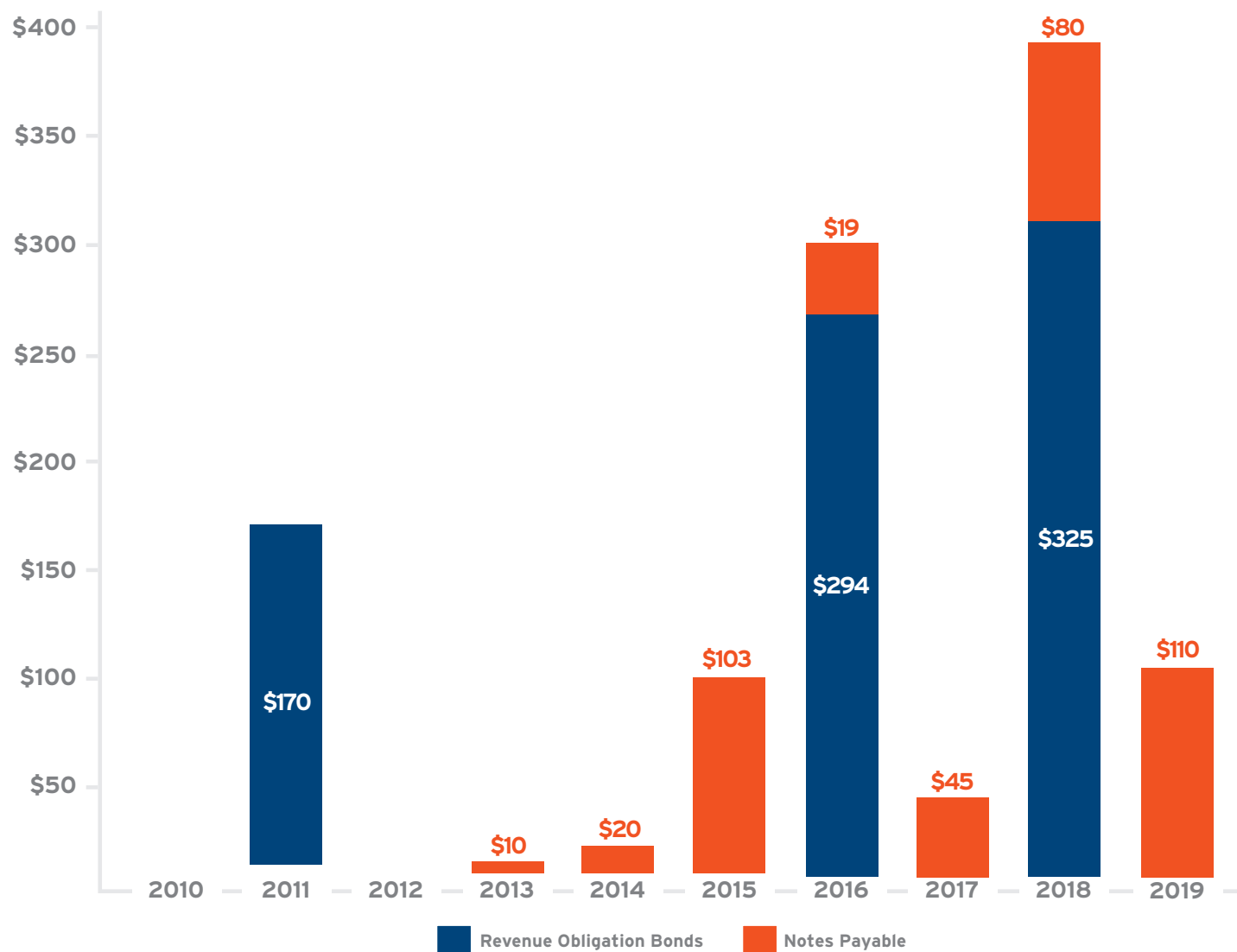
OPERATING REVENUES

(IN MILLIONS)



HISTORICAL DEBT ISSUANCES

(IN MILLIONS)



FY2011 – Portions of the Series 1998 Bonds were legally defeased during this year which is not reflected in this chart.
FY2018 – The Series 2010 Bonds were legally defeased during this year which is not reflected in this chart.

RATIO OF OUTSTANDING DEBT TO OPERATING REVENUES

(IN THOUSANDS)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenue Bonds - Series 1998	\$ 97,955	\$ 8,475	\$ 4,350	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
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	294,025	294,025
Revenue Bonds - Series 2018	-	-	-	-	-	-	-	-	325,000	325,000
Unamortized Premium on Revenue Bonds ⁽¹⁾	-	-	-	-	-	-	21,942	21,517	59,587	57,845
Notes Payable	1,311	960	607	10,343	29,458	130,977	41,056	84,808	161,658	267,980
Harbor Deepening Obligation	-	-	-	-	4,289	4,429	4,325	4,219	4,110	3,997
Total	\$ 99,266	\$ 179,435	\$ 174,957	\$ 180,343	\$ 199,087	\$ 295,901	\$ 516,808	\$ 554,759	\$ 844,380	\$ 948,847
Operating Revenues ⁽²⁾	\$ 111,744	\$ 124,649	\$ 130,948	\$ 140,388	\$ 164,143	\$ 196,759	\$ 211,166	\$ 233,648	\$ 251,820	\$ 288,326
Ratio - Total Debt/Operating Revenues	0.89	1.44	1.34	1.28	1.21	1.50	2.45	2.37	3.35	3.29

(1) Includes Series 2010, 2015, and 2018 Revenue Bonds.

(2) Operating Revenues Excludes Gain on Property Damage, Including Insurance Recovery.

**DEBT SERVICE REQUIREMENTS
SENIOR LIEN BONDS**

2019 FINANCIAL REPORT | 79

(IN THOUSANDS)

Fiscal Year Ending June 30,	Series 2015			Series 2018			
	Principal	Interest	Debt Service	Principal	Interest	Debt Service	Total Debt Service
2020	-	14,688	14,688	6,030	15,749	21,779	36,467
2021	-	14,688	14,688	6,325	15,440	21,765	36,453
2022	-	14,688	14,688	6,650	15,116	21,766	36,454
2023	-	14,688	14,688	6,980	14,775	21,755	36,443
2024	-	14,688	14,688	7,325	14,418	21,743	36,431
2025	-	14,688	14,688	7,685	14,042	21,727	36,415
2026	-	14,688	14,688	8,070	13,649	21,719	36,407
2027	1,655	14,647	16,302	6,905	13,274	20,179	36,481
2028	1,740	14,562	16,302	7,260	12,920	20,180	36,482
2029	1,830	14,473	16,303	7,635	12,548	20,183	36,486
2030	1,925	14,379	16,304	8,025	12,156	20,181	36,485
2031	2,010	14,296	16,306	8,430	11,745	20,175	36,481
2032	2,100	14,208	16,308	8,860	11,313	20,173	36,481
2033	2,185	14,114	16,299	9,325	10,858	20,183	36,482
2034	2,285	14,016	16,301	9,800	10,380	20,180	36,481
2035	2,395	13,911	16,306	10,300	9,877	20,177	36,483
2036	2,490	13,814	16,304	10,830	9,349	20,179	36,483
2037	2,595	13,712	16,307	11,380	8,794	20,174	36,481
2038	2,700	13,606	16,306	11,965	8,210	20,175	36,481
2039	2,810	13,496	16,306	12,580	7,597	20,177	36,483
2040	2,925	13,381	16,306	13,225	6,951	20,176	36,482
2041	3,040	13,262	16,302	13,910	6,273	20,183	36,485
2042	11,960	12,925	24,885	5,820	5,780	11,600	36,485
2043	12,525	12,360	24,885	6,115	5,481	11,596	36,481
2044	13,115	11,768	24,883	6,430	5,168	11,598	36,481
2045	13,735	11,148	24,883	6,760	4,838	11,598	36,481
2046	14,385	10,498	24,883	7,110	4,491	11,601	36,484
2047	15,115	9,768	24,883	7,475	4,127	11,602	36,485
2048	15,930	8,953	24,883	7,855	3,743	11,598	36,481
2049	16,790	8,094	24,884	8,260	3,341	11,601	36,485
2050	17,695	7,189	24,884	8,660	2,939	11,599	36,483
2051	18,645	6,235	24,880	9,065	2,539	11,604	36,484
2052	19,655	5,230	24,885	9,475	2,122	11,597	36,482
2053	20,710	4,170	24,880	9,915	1,685	11,600	36,480
2054	21,830	3,054	24,884	10,370	1,229	11,599	36,483
2055	23,005	1,877	24,882	10,850	753	11,603	36,485
2056	24,245	636	24,881	11,345	255	11,600	36,481

HISTORICAL DEBT SERVICE COVERAGE RATIOS

(IN THOUSANDS)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Operating Revenues	\$ 111,744	\$ 124,649	\$ 130,948	\$ 140,388	\$ 164,143	\$ 196,759	\$ 211,166	\$ 235,789	\$ 252,013	\$ 294,326
Operating Expenses	103,372	108,006	123,674	124,061	149,850	166,045	172,465	197,813	216,247	252,083
Operating Earnings	8,372	16,643	7,274	16,327	14,293	30,714	38,701	37,976	35,766	42,243
Nonoperating Revenues (Expenses), net ⁽¹⁾	4,711	2,613	5,324	1,777	1,314	(3,232)	(1,366)	40,669	(10,529)	(2,158)
Excess Revenues over Expenses before capital Contributions, Grants and special items	13,083	19,256	12,598	18,104	15,607	27,482	37,335	78,645	25,237	40,085
Capital Contributions from/(to) Government Entities and Grants from Federal Government and special items	(5,323)	1,975	5,082	(10,776)	(3,955)	6,327	26,376	15,119	762	2,004
Excess Revenues over Expenses after Contributions and Grants	7,760	21,231	17,680	7,328	11,652	33,809	63,711	93,764	25,999	42,089
Adjustments:										
Depreciation	29,532	28,834	30,967	28,702	32,415	33,753	33,687	37,233	41,523	47,553
Unrealized Gains ⁽²⁾	(716)	(1,484)	(688)	(610)	(436)	(896)	111	(196)	(337)	(250)
Interest Expense ⁽³⁾	2,462	930	610	1,748	849	3,163	2,043	1,418	1,580	8,679
Net Gains and Losses on the Disposal of Assets	(2,475)	(27)	(53)	(62)	54	(2,650)	951	(37,063)	(8,832)	4,253
Land Contributions from the State	-	(1,057)	-	-	-	-	-	-	-	-
Land Contributions from Dillon Co. ⁽⁴⁾	-	-	-	-	-	-	-	(2,309)	-	-
Land Contributions from Federal Gov't	-	-	-	-	-	-	-	-	-	(23,335)
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)	(275)	(600)
Contribution to Jasper Ocean Terminal	-	-	-	-	-	1,088	1,083	1,875	1,425	500
Contribution from State - for Harbor Deepening	-	-	-	-	-	-	(6,185)	137	299,043	(3,894)
Capital Grants from Federal Government	(2,677)	(1,918)	(6,082)	(1,517)	(143)	(361)	(5,156)	(5,681)	(762)	(2,004)
Contribution from Spartanburg for BMW facility	-	-	-	-	-	(281)	(15,035)	(7,095)	-	-
Contributions from SC Dept of Public Safety	-	-	-	-	-	-	-	(34)	-	-
Contributions from Railway Co for Inland Port	-	-	-	-	(1,103)	(1,134)	-	-	-	-
Contribution to Department of Transportation for infrastructure improvements	-	-	-	-	-	-	-	-	12,600	23,000
Contribution to the Army Corps of Engineers for Harbor Deepening	-	-	-	-	-	-	-	-	(299,043)	3,933
Contribution from the Army Corps of Engineers for Harbor Deepening	-	-	-	-	-	-	-	-	275	-
Pass through Payments Related to Grants above ⁽⁵⁾	413	242	1,095	135	95	-	796	91	15	-
Pension - GASB 68 ⁽⁶⁾	-	-	-	-	-	-	1,542	3,995	6,656	6,740
OPEB ⁽⁷⁾	-	-	-	-	-	-	1,643	1,606	933	1,059
Net Harbormaster Fees	38	(74)	(68)	14	33	4	(17)	(227)	(259)	(269)
Loss on Defeasance of Series 2010 Bonds ⁽⁸⁾	-	-	-	-	-	-	-	-	6,194	-
Bond Issue Costs ⁽⁹⁾	61	962	105	50	1,372	60	1,817	-	1,790	65
Net Adjustments	34,638	27,408	26,886	38,553	38,337	33,195	18,663	(6,610)	63,526	65,794
Net Revenues Available for Debt Service	\$ 42,398	\$ 48,639	\$ 44,566	\$ 45,881	\$ 49,989	\$ 67,004	\$ 82,374	\$ 87,154	\$ 89,525	\$ 107,883
Series 1998 Bonds	9,081	6,728	4,478	-	-	-	-	-	-	-
Series 2010 Bonds	-	-	9,277	13,167	13,264	13,259	13,251	13,254	13,249	-
Series 2015 Bonds	-	-	-	-	-	-	2,326	14,688	14,688	14,688
Series 2018 Bonds	-	-	-	-	-	-	-	-	-	9,054
Principal and Interest Paid on Senior Lien Bonds	9,081	6,728	13,755	13,167	13,264	13,259	15,577	27,942	27,937	23,742
Principal and Interest Paid Second Lien Bonds	-	-	-	-	-	1,925	1,925	1,925	1,925	1,925
Principal and Interest Paid on Third Lien Bonds	-	-	-	-	-	3	78	1,042	2,517	6,596
Total Principal and Interest Paid	9,081	6,728	13,755	13,167	13,264	15,187	17,580	30,908	32,379	32,263
Debt Service Coverage Ratio - Senior Lien	4.67x	7.23x	3.24x	3.48x	3.77x	5.05x	5.29x	3.12x	3.20x	4.54x
Debt Service Coverage Ratio - Senior & Second Lien	-	-	-	-	-	4.41x	4.71x	2.92x	3.00x	4.20x
Debt Service Coverage Ratio - All	-	-	-	-	-	4.41x	4.69x	2.82x	2.76x	3.34x

(1) Includes interest expense.

(2) Unrealized gains on the fair value of interest rate exchange agreements and invested assets.

(3) Reflects amounts deducted for capitalized interest expense.

(4) Donated land did not require cash expenditure by the Authority.

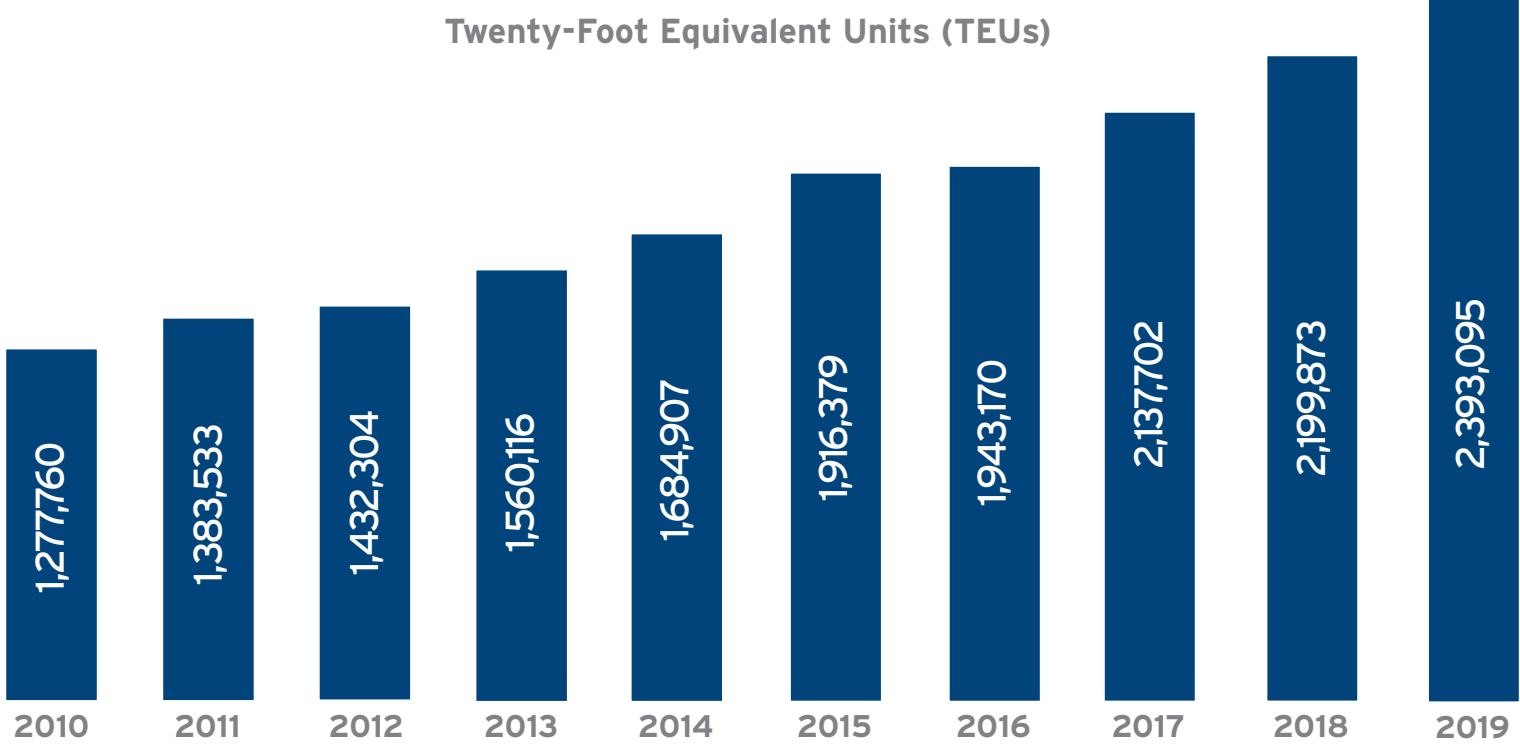
(5) Payments reported in Other Income(Expense), net amount in the Authority's Financial Statements.

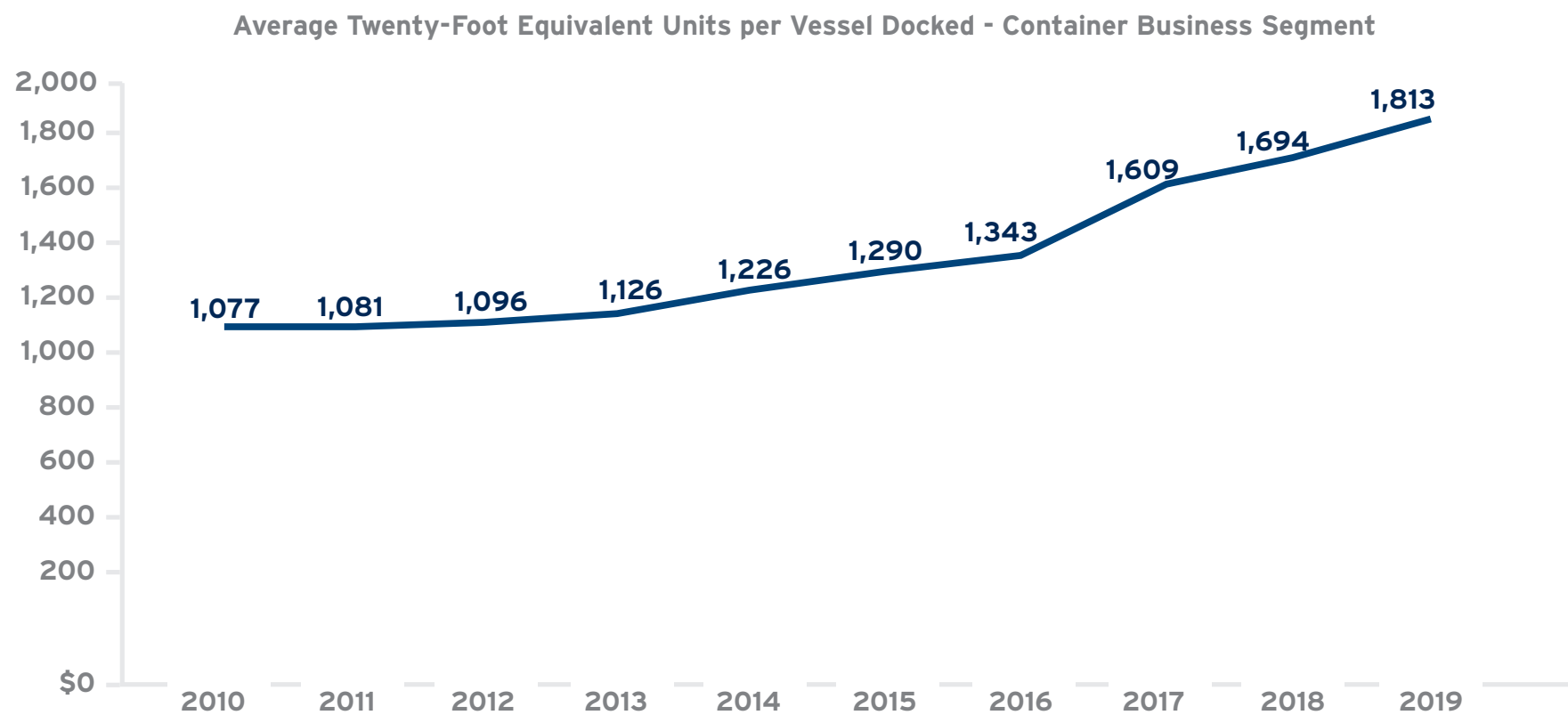
(6) Non-Cash Portion of Pension Expense.

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

(8) Book loss.

(9) Bond issue cost transactions recorded pre & post GASB 65.





(1) Vessels Docked includes ships and barges.

Twenty-Foot Equivalent Units*By Terminal*

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Columbus Street	84,513	52,549	-	-	-	160	27	-	-	-
North Charleston	378,581	409,865	514,599	570,184	531,177	563,691	648,580	463,936	560,532	539,304
Wando Welch	814,666	921,120	917,705	989,933	1,153,730	1,352,528	1,294,563	1,673,767	1,639,341	1,853,791
Total	1,277,760	1,383,534	1,432,304	1,560,117	1,684,907	1,916,379	1,943,170	2,137,703	2,199,873	2,393,095

Pier Container Lifts*By Terminal*

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Columbus Street	48,341	30,056	-	-	-	80	27	-	-	-
North Charleston	216,930	234,754	293,760	325,425	303,379	322,483	366,484	262,959	318,375	305,337
Wando Welch	475,937	538,165	528,091	564,365	653,306	772,343	730,295	944,745	932,453	1,058,898
Total	741,208	802,975	821,851	889,790	956,685	1,094,906	1,096,806	1,207,704	1,250,828	1,364,235

Non-Containerized Cargo Pier Tons*By Terminal*

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Columbus Street	65,191	258,674	595,678	578,702	590,755	721,092	808,630	818,417	733,635	605,805
Georgetown	124,636	276,570	548,919	494,645	553,039	548,933	249,149	7,466	-	-
North Charleston	76,926	7,327	7,019	35,837	6,386	908	1,626	530	19,606	6,251
Union Pier	330,819	263,083	889	77,188	150,823	144,054	90,420	31,245	3,006	11,124
Veterans	111,191	183,049	258,372	429,988	14,228	3,392	-	-	-	-
Wando Welch	886	3,000	1,513	1,848	1,038	2,469	1,298	1,470	4,253	2,143
Total	709,649	991,703	1,412,390	1,618,208	1,316,269	1,420,848	1,151,123	859,128	760,500	625,323

Inland Port Rail Moves*By Terminal*

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Dillon	-	-	-	-	-	-	-	-	628	29,580
Greer	-	-	-	-	19,512	58,407	91,698	121,761	117,812	143,204
Total	-	-	-	-	19,512	58,407	91,698	121,761	118,440	172,784

Other Statistics

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Pier Vehicles (Rolling Stock)	114,156	157,890	215,945	200,231	208,874	253,597	274,662	258,804	232,390	194,902
Cruise Passengers ⁽¹⁾	-	178,518	190,619	182,131	192,508	189,050	212,286	224,105	225,483	213,081
Ships Docked ⁽²⁾	1,528	1,695	1,745	1,839	1,830	1,896	1,900	1,765	1,705	1,696

(1) Cruise reporting began in fiscal year 2011

(2) Self-powered vessels, excluding barges.

Descr	Port Facilities							
	WANDO WELCH	NORTH CHARLESTON	COLUMBUS STREET	UNION PIER	VETERANS TERMINAL	GEORGETOWN	INLAND PORT DILLON	INLAND PORT GREER
Terminal Area (Acres)	689	201	155	70	110	46	35	110
Channel Width Min (Feet)	500	500	500	500	500	N/A	N/A	N/A
Channel Width Max (Feet)	1,000	1,000	1,000	1,000	1,000	N/A	N/A	N/A
Channel project Depth (Feet)	45	45	45	35	35	27	N/A	N/A
Berth/Working Trackage (Linear Feet)	3,800	2,500	3,500	2,470	4,452	N/A	10,080	5,200
Cargo Handled (Type)	Container Breakbulk	Container Breakbulk	Rolling Stock Breakbulk	Breakbulk Cruise	Breakbulk	Breakbulk	Container	Container
Container Crane Class								
Post-Panamax	-	4	-	-	-	-	-	-
Super Post Panamax	12	2	-	-	-	-	-	-
Total	12	6	-	-	-	-	-	-
Container Handlers								
Empty Toplifter	22	2	-	-	-	-	2	3
Toplifter	12	17	1	-	-	-	-	1
RTG	47	10	-	-	-	-	2	7
Total	81	29	1	-	-	-	4	11
Warehouse Sq. Ft.	187,680	-	359,149	500,000	96,993	103,000	-	-

SCPA Employees										
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Administrative	97	96	101	96	100	104	98	99	97	97
Operations	371	371	374	389	383	382	403	454	501	596
Grand Total	468	467	475	485	483	486	501	553	598	693

CAPITAL ASSETS

(IN THOUSANDS)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Capital projects in progress	\$ 123,012	\$ 141,907	\$ 157,216	\$ 207,602	\$ 227,910	\$ 249,411	\$ 342,330	\$ 463,281	\$ 403,960	\$ 520,588
Land	198,573	199,630	199,638	199,906	201,675	203,281	202,613	206,197	352,532	374,214
Land Improvements	211,375	230,426	256,142	275,621	303,764	317,416	327,916	370,336	408,479	401,974
Buildings and Structures	319,661	324,356	327,177	337,817	339,654	340,354	335,364	347,312	413,221	449,776
Railroad Tracks	4,727	7,660	8,859	8,869	16,826	16,962	16,990	16,990	19,418	19,677
Terminal Equipment	123,643	125,635	133,099	136,133	141,368	146,945	155,534	163,900	189,522	182,911
Furniture & Fixtures	24,221	24,037	24,106	24,659	29,117	27,220	29,303	35,993	36,881	39,147
Other	-	-	-	-	-	-	157	355	87	52
	1,005,212	1,053,651	1,106,237	1,190,607	1,260,314	1,301,589	1,410,207	1,604,364	1,824,100	1,988,339
Depreciation (Accumulated)	(411,125)	(438,378)	(468,679)	(496,815)	(522,544)	(549,718)	(563,656)	(587,800)	(622,633)	(600,317)
Net Book Value of Capital Assets	\$ 594,087	\$ 615,273	\$ 637,558	\$ 693,792	\$ 737,770	\$ 751,871	\$ 846,551	\$ 1,016,564	\$ 1,201,467	\$ 1,388,022

Description	Region	State
Population	787,643	5,084,127
Total Personal Income	\$40,136,711,994	\$222,188,000,000
Per Capita Personal Income	\$50,958	\$43,702
Unemployment Rate	2.90	3.10
<i>Source: www.charlestonregionaldata.com, www.census.gov, www.jobs.scworks.org, www.bea.gov</i>		

Top Ten Employers	
Charleston Area The Boeing Company Roper St. Francis Healthcare Trident Health System Walmart Inc. Robert Bosch LLC Volvo Car USA LLC Blackbaud, Inc. Publix Supermarkets iQor Mercedes-Benz Vans, LLC Source: www.crda.org	South Carolina BMW Manufacturing Boeing Co ABB Inc Michelin North America Inc Robert Bosch LLC Amick Processing Inc Continental Tire North America Amazon Fulfillment Ctr Husqvarna Outdoor Products Adidas Source: scworkforceinfo.com

1 IN 10 SC JOBS
CREATED BY SC PORTS

\$63.4B ANNUAL
ECONOMIC IMPACT

\$1.1B ANNUAL
TAX REVENUE GENERATED



	<u>Customer</u> ⁽¹⁾	<u>Percentage of Revenues</u>	<u>Customer Type</u>	<u>Years at SCSPA</u> ⁽²⁾	
1)	Maersk	19%	Steamship Line (Cargo)	30	
2)	Mediterranean	12%	Steamship Line (Cargo)	26	
3)	CMA-CGM/APL	11%	Steamship Line (Cargo)	25	
4)	Hapag-Lloyd	11%	Steamship Line (Cargo)	25	
5)	ONE	11%	Steamship Line (Cargo)	25+	(3)
6)	COSCO/OOCL	7%	Steamship Line (Cargo)	30	
7)	Evergreen	5%	Steamship Line (Cargo)	30	
8)	BMW	3%	Beneficial Cargo Owner	24	
9)	Carnival	3%	Cruise Line	10	
10)	Zim	2%	Steamship Line (Cargo)	20	
	All Other	16%			
		100%			

⁽¹⁾ Includes subsidiaries.

⁽²⁾ Records go back 30 years.

⁽³⁾ ONE represents a recent merger of K Line, MOL & NYK. The years represent those of the independent lines years at the Port.

	Fiscal Year Ending June 30,				
	2015	2016	2017	2018	2019
Pier Containers	1,094,906	1,096,806	1,207,704	1,250,828	1,364,235
TEUs ⁽¹⁾	1,916,379	1,943,170	2,137,702	2,199,873	2,393,095
Breakbulk and Bulk Pier Tons ⁽²⁾	1,420,847	1,151,123	859,127	760,501	625,323
Pier Vehicles	253,597	274,662	258,804	232,390	194,902
Ships Docked ⁽³⁾	1,896	1,900	1,765	1,705	1,696

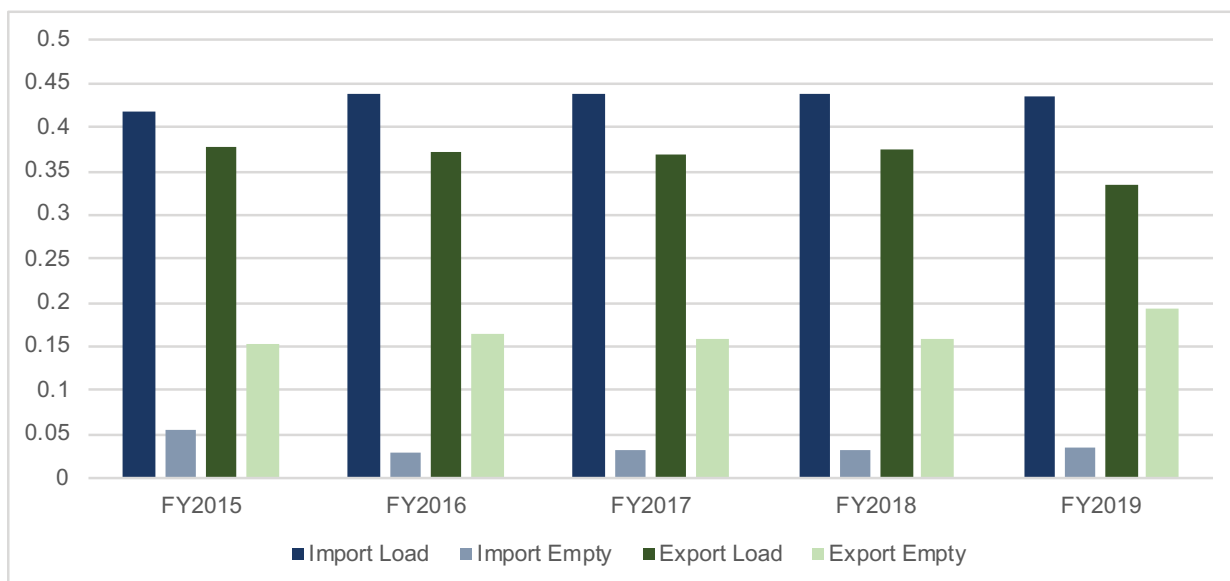
⁽¹⁾ Containers measured in Twenty-Foot Equivalent Units.

⁽²⁾ Includes net tonnage for Pier Vehicles.

⁽³⁾ Self-powered vessels, excluding barges.

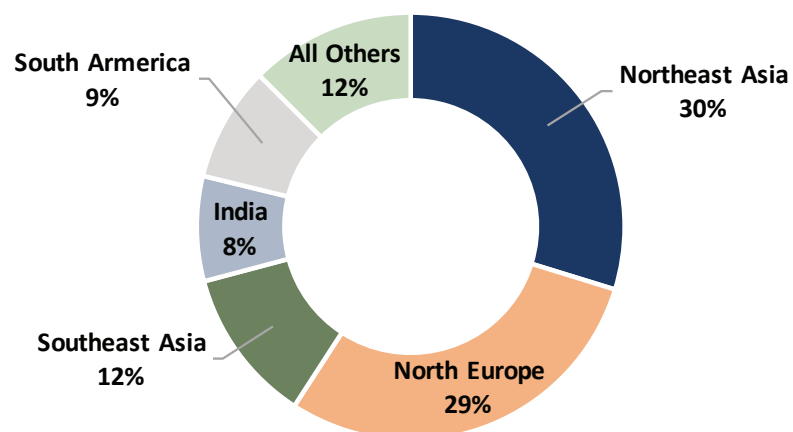
Fiscal Year	Annual TEUS			
	Import	Export	Empty	Total
2015	799,580	721,878	394,922	1,916,380
2016	848,749	721,314	373,107	1,943,170
2017	936,107	789,702	411,893	2,137,702
2018	960,610	823,588	415,676	2,199,874
2019	1,044,858	799,393	548,844	2,393,095

Annual TEUs by Percent Contribution



(LOADED TEUs)

Exports	Contribution	Imports	Contribution
1) FOREST PRODUCTS	24%	1) VEHICLES BOATS AIRCRAFT	13%
2) CHEMICALS	15%	2) MACHINERY PARTS	12%
3) FOODSTUFFS AND BASIC AGRICULTURAL MATERIALS	12%	3) YARNS FIBRES TEXTILES APPAREL	12%
4) VEHICLES BOATS AIRCRAFT	12%	4) CHEMICALS	10%
5) MISCELLANEOUS	7%	5) FURNITURE SPORTING GOODS TOYS	9%
6) YARNS FIBRES TEXTILES APPAREL	6%	6) TIRES UNFINISHED RUBBER PLASTIC PRODUCTS	8%
7) MACHINERY PARTS	5%	7) HARDWARE LIGHTING MISC METALWARE	8%
8) TIRES UNFINISHED RUBBER PLASTIC PRODUCTS	5%	8) FOREST PRODUCTS	6%
9) HARDWARE LIGHTING MISC METALWARE	3%	9) MISCELLANEOUS	4%
10) MINERAL PRODUCTS INCL COAL TILES GLASS	2%	10) MINERAL PRODUCTS INCL COAL TILES GLASS	4%
11) FURNITURE SPORTING GOODS TOYS	2%	11) FOODSTUFFS AND BASIC AGRICULTURAL MATERIALS	4%
12) INSTRUMENTS PHOTO GOODS	2%	12) METALS INCLUDING PRIMARY SHAPES	2%
13) METALS INCLUDING PRIMARY SHAPES	2%	13) FOOTWARE GLOVES BAGS	2%
14) PLASTIC FILMS SHEETS FOAM SPONGES	1%	14) ELECTRIC AND ELECTRIC GOODS	2%
15) ORES CONCENTRATES	1%	15) INSTRUMENTS PHOTO GOODS	2%
ALL OTHER	0%	ALL OTHER	2%
Total Imports	100%	Total Exports	100%

Fiscal Year 2019 Trade Lanes

(1) Source: PIERS

625,323

PIER TONS OF
BREAKBULK
CARGO



172,784

RAIL LIFTS AT
INLAND PORTS
GREER & DILLON



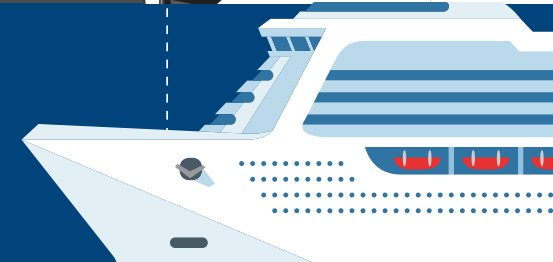
194,902

FINISHED
VEHICLES



213,081

CRUISE
PASSENGERS





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