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

elliott davis

Independent Auditor's Report

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 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 on pages 3-11, the Schedule of the Ports Authority's Total OPEB Liability on page 56, the Schedule of the Ports Authority's OPEB Contributions on page 57, the Schedule of the Ports Authority's Proportionate Share of the Net Pension Liability on page 58, and the Schedule of the Ports Authority's Pension Contributions on page 59 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 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.

Elliott Davis, LLC

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:

(in thousands)	**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:

(in thousands of dollars)	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	1,334	1,254	1,165
Total assets	2,010,230	1,833,225	1,525,876
Deferred outflows of resources	27,202	25,783	11,943
Total assets and deferred outflows of resources	$ 2,037,432	$ 1,859,008	$ 1,537,819
Liabilities			
Current liabilities	$ 81,042	$ 47,743	$ 68,716
Long-term obligations	1,094,469	992,076	638,896
Total liabilities	1,175,511	1,039,819	707,612
Deferred inflows of resources	5,420	4,777	119
Net position			
Net investment in capital assets	712,008	611,645	456,215
Restricted for debt service	34,161	7,344	16,805
Unrestricted	110,332	195,423	357,068
Total net position	856,501	814,412	830,088
Total liabilities, deferred inflows of resources and net position	$ 2,037,432	$ 1,859,008	$ 1,537,819

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 he 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:

(in thousands of dollars)	2019	2018	2017
Operating income	$ 294,326	$ 252,013	$ 235,789
Operating expenses	252,083	216,247	197,813
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	42,089	25,999	93,764
Net position, beginning	814,412	830,088	736,624
Adoption of GASB 75	-	(41,675)	-
Net position, ending	$ 856,501	$ 814,412	$ 830,088

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:

(in thousands)	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	8,528	2,772	5,259
Total operating revenues	$ 294,326	$ 252,013	$ 235,789

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

(in thousands)	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	$ 252,083	$ 216,247	$ 197,813

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 9 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:

(in thousands of dollars)	**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	(100,655)	60,116	(90,197)
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	$ 517,194	$ 544,623	$ 415,550

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 Ridgeville, 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.

South Carolina State Ports Authority
Statements of Net Position
Years Ended June 30, 2019 and 2018

(in thousands of dollars)	2019	2018
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	586,714	610,497
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	1,423,516	1,222,728
Total assets	2,010,230	1,833,225
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	27,202	25,783
Total assets and deferred outflows of resources	$ 2,037,432	$ 1,859,008
Liabilities		
Current liabilities		
Current maturities on long-term debt	$ 14,473	$ 3,790
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	81,042	47,856
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	836,480
Total noncurrent liabilities	1,094,469	991,963
Total liabilities	1,175,511	1,039,819
Deferred inflows of resources		
Defined benefit plans	625	59
Post employment benefit plans	4,795	4,718
Total deferred inflows of resources	5,420	4,777
Net position		
Net investment in capital assets, net of related debt	712,008	611,645
Restricted		
For debt service	34,161	7,344
Unrestricted	110,332	195,423
Total net position	856,501	814,412
Total liabilities, deferred inflows of resources and net position	$ 2,037,432	$ 1,859,008

South Carolina State Ports Authority
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2019 and 2018

(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

South Carolina State Ports Authority
Statements of Cash Flows
Years Ended June 30, 2019 and 2018

(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	90,481	73,551
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	(5,450)	21,217
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	(11,805)	(25,811)
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	(100,655)	60,116
Net increase (decrease) in cash and cash equivalents	(27,429)	129,073
Cash and cash equivalents		
Beginning of year	544,623	415,550
End of year	$ 517,194	$ 544,623
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	$ 517,194	$ 544,623

South Carolina State Ports Authority
Statements of Cash Flows
Years Ended June 30, 2019 and 2018

(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	$ 90,481	$ 73,551

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 AAAm 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 it's 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)

		Value	
Investment Type	**Maturity**	**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
	43%	44%	35%	45%

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:

(in thousands of dollars)		2019		2018
Statements of Net Position				
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
	$	551,354	$	564,630
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
	$	551,354	$	564,630

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)	2019			
Type of Investment	**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
	$ 213,781	$ 424	$ (12)	$ 214,193

(in thousands of dollars)	2018			
Type of Investment	**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
	$ 27,815	$ 223	$ (240)	$ 27,798

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:

(in thousands of dollars)	2019			
Type of Investment	**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
	$ 45,081	$ 169,112	$ -	$ 214,193

(in thousands of dollars)	2018			
Type of Investment	**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
	$ 2,597	$ 25,201	$ -	$ 27,798

3. Capital Assets

Capital assets consist of the following amounts:

(in thousands of dollars)	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	403,960	215,748	(1,283)	(97,837)	520,588
Total capital assets not depreciated	756,492	239,718	(5,813)	(95,595)	894,802
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	1,067,608	317	(69,983)	95,595	1,093,537
Less: Accumulated depreciation	622,633	47,300	(69,616)	-	600,317
Depreciable capital assets, net	444,975	(46,983)	(367)	95,595	493,220
Capital assets, net	$ 1,201,467	$ 192,735	$ (6,180)	$ -	$ 1,388,022

(in thousands of dollars)	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
	$ 1,752

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
	784,793	110,000	(3,791)	891,002	12,766
Plus: Unamortized premium	59,587	-	(1,742)	57,845	1,823
	$ 844,380	$ 110,000	$ (5,533)	$ 948,847	$ 14,589

(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
	533,242	405,012	(153,461)	784,793	3,790
Plus: Unamortized premium	21,517	40,158	(2,088)	59,587	-
	$ 554,759	$ 445,170	$ (155,549)	$ 844,380	$ 3,790

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	-

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

2045 5% Term Bond	**2018 Series Amount**	**2015 Series Amount**
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:

	Revenue Bonds		Other Long-Term Debt	
(in thousands of dollars)	**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	-	-
	$ 619,025	$ 730,524	$ 271,977	$ 65,184

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

(in thousands)	**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	(26,964)	(21,525)
	$ 8,679	$ 1,580

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
		$ (301,287)	$ (552,000)	$ 250,713

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)
		$ (552,000)	$ (889,000)	$ 337,000

Credit Risk

The Ports Authority is exposed to actual credit risk on investment derivatives that are in asset positions. To minimize its exposure to loss related to credit risk, it is the Ports Authority's policy to require collateral posting provisions in its nonexchange traded derivatives. Those terms require the full collateralization of the fair value of derivative instruments in asset positions (net of any netting provisions) should the counterparty's rating fall below Baa2 or BBB. In addition, each credit support annex requires collateral posting at various rating levels with threshold amounts. Collateral generally consists of cash, U.S. government securities and U.S. agency securities. As of June 30, 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.

9. 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			
(in thousands of dollars)	**Total Pension Liability**	**Plan Fiduciary Net Position**	**Employers' Net Pension Liability (Asset)**	**Plan Fiduciary Net Position as a Percentage of the Total Pension Liability**
SCRS	$ 48,821,731	$ 26,414,916	$ 22,406,815	54.1%
PORS	7,402,973	4,570,430	2,832,543	61.7%

	2017			
(in thousands of dollars)	**Total Pension Liability**	**Plan Fiduciary Net Position**	**Employers' Net Pension Liability (Asset)**	**Plan Fiduciary Net Position as a Percentage of the Total Pension Liability**
SCRS	$ 48,244,437	$ 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:

(in thousands of dollars)	**2019** Deferred Outflows of Resources	**2019** Deferred Inflows of Resources
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	-
	$ 22,880	$ 625

(in thousands of dollars)	**2018** Deferred Outflows of Resources	**2018** Deferred Inflows of Resources
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	-
	$ 21,952	$ 59

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	100.0%		5.03%
Inflation for actuarial purposes			2.25
Total expected nominal return			7.28%

	2018		
	Target asset allocation	Expected arithmetic real rate of return	Long term expected portfolio real rate of return
Asset class			
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	100.0%		5.32%
Inflation for actuarial purposes			2.25
Total expected nominal return			7.57%

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

	2018		
(in thousands of dollars)	**1% Decrease (6.25%)**	**Discount Rate (7.25%)**	**1% Increase (8.25%)**
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.

10. 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:

(in thousands of dollars)	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	$ 900	$ 783

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

	2018		
(in thousands of dollars)	**1% Decrease (2.56%)**	**Discount Rate (3.56%)**	**1% Increase (4.56%)**
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		
(in thousands of dollars)	**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%**
Total OPEB liability	$ 45,866	$ 54,530	$ 65,758

	2018		
(in thousands of dollars)	**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%**
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:

(in thousands of dollars)	2019 Deferred Outflows of Resources	2019 Deferred Inflows of Resources
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	-
	$ 2,570	$ 4,795

(in thousands of dollars)	2018 Deferred Outflows of Resources	2018 Deferred Inflows of Resources
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	-
	$ 1,860	$ 4,718

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:

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

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

11. 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:

(in thousands of dollars)	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:

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

12. 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.

13. 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.

14. 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.

15. 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,

(in thousands of dollars)	**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	(1,857)	(1,691)
Net change in total OPEB liability	1,623	(3,738)
Total OPEB liability - beginning	52,907	56,645
Total OPEB liability - ending	$ 54,530	$ 52,907
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,

(in thousands of dollars)	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	$ 105,416	$ 98,315	$ 79,430	$ 74,141	$ 64,669
Ports Authority's covered payroll for the measurement period	$ 45,922	$ 42,391	$ 38,198	$ 30,855	$ 29,304
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	$ 265	$ 264	$ 235	$ 155	$ 152
Ports Authority's covered payroll for the measurement period	$ 129	$ 130	$ 118	$ 95	$ 85
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,

(in thousands of dollars)	**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.*