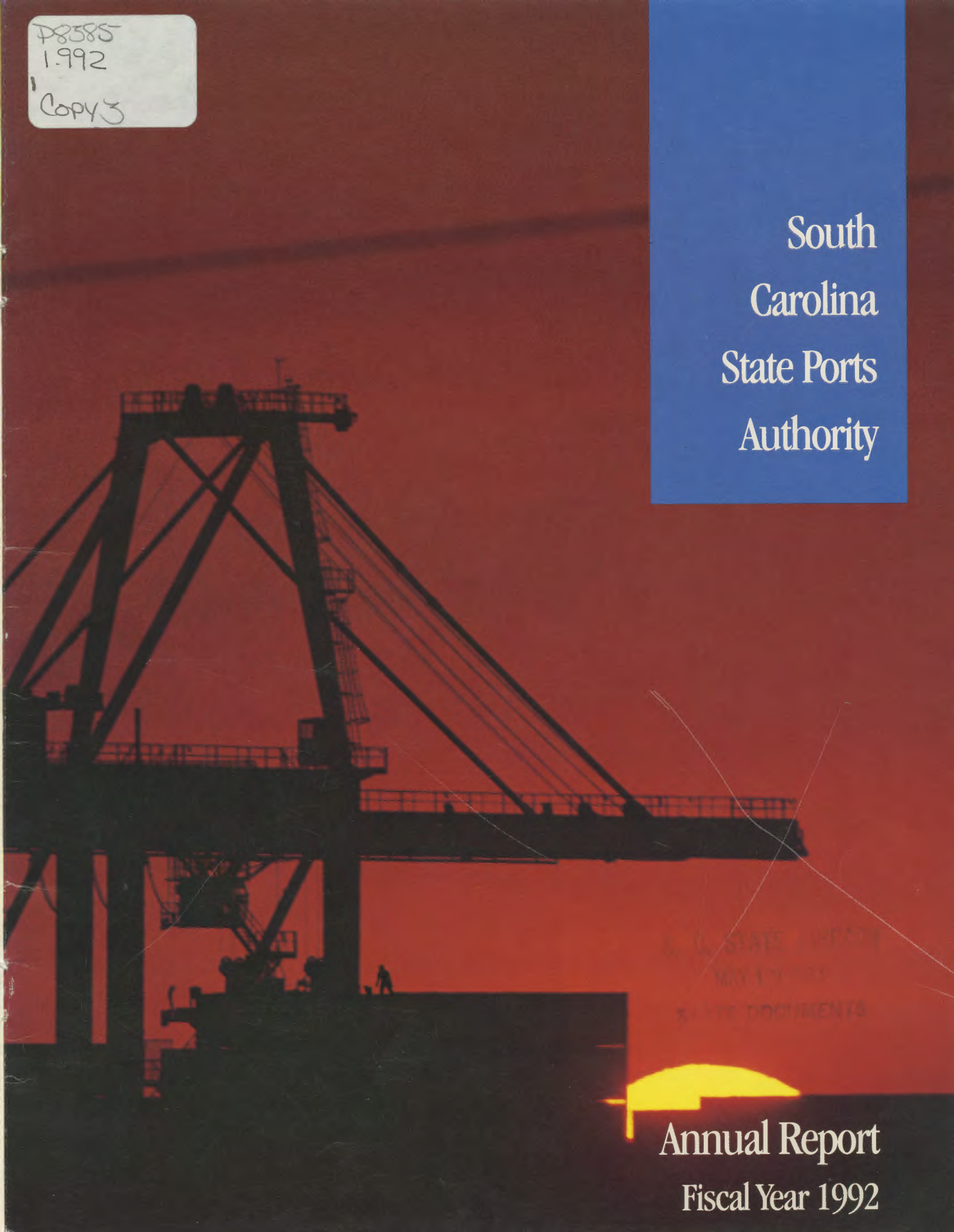


South Carolina State Ports Authority

Annual Report
Fiscal Year 1992

Message from the Chairman and the Executive Director

Robert V. Royall, Jr.
Chairman

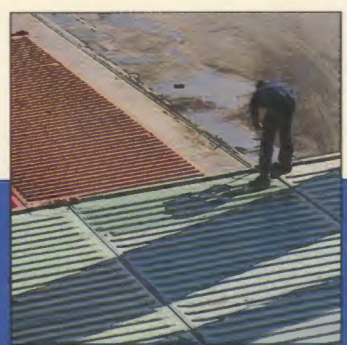
W. Don Welch
Executive Director

In 1992, as the South Carolina State Ports Authority commemorated its 50th anniversary year it continued to focus on its legislated mission. The SPA was founded in 1942 to contribute to the economic development of South Carolina by "fostering and stimulating waterborne commerce and shipment of freight." Key to the Authority's success in meeting its mission is its own mandate and commitment to developing and maintaining competitive, efficiently operated facilities while also maintaining financial self-sufficiency.

8.3 million tons of cargo destined for, or coming from, over 112 foreign countries moved through South Carolina's ports at Charleston, Georgetown, and Port Royal in Fiscal 1992. 6.3 million tons, the majority of the total cargo, was in containers and moved through Charleston. The work at these three ports generated $46.4 million in revenues. Operating expenses were tightly controlled in order to end the year with $5.8 million in earnings which were reinvested in port facilities.

The State Ports Authority differs from most state agencies in that it must compete daily with subsidized ports in other states to attract and keep the services of privately owned companies. Steamship lines and shippers are free to choose any port that serves their needs. Consequently, the SPA constantly works to keep productivity high and costs low to its users; balancing that effort is the driving need to provide the capital required to maintain its facilities and, as a result, to preserve our customer base.

In 50 years Charleston has come from a derelict port visited by a few tramp freighters to the second largest container port in the eastern United States.



"...the SPA constantly works to keep productivity high and costs low to its users..."

The South Carolina State Ports Authority planned and directed the growth and development of two sister specialty ports at Georgetown and Port Royal. The past and the present set the stage for the future, and it is more than symbolic that the Authority celebrated its anniversary year by taking major steps forward toward final completion of existing facilities at the Wando, and with land purchases under negotiation for a new terminal for the next century.

The Wando Terminal in Charleston, recognized worldwide by the leading steamship lines as one of the most efficient and productive container terminals in the United States, moved well ahead on its $90 million final expansion program. The carefully planned additions include 1,375 feet of dock, 65 acres of container handling area, and a seven-acre, state-of-the-art storm water system and detention pond. The SPA has used its revenues and capital bonds backed solely through Port revenues to fund the new construction. It is significant that the $65 million bond issue offered in the first half of fiscal 1991-1992 was awarded an insured Triple-A credit rating, the result of consistent fiscal responsibility over the years.

"In 50 years Charleston has become the second largest container port in the eastern United States."

The SPA will put each new increment of the Wando Terminal into operation as soon as it is completed in order to meet cargo through-put demands. However, by the 21st-century, construction of a new terminal is vital. Even as the Authority honored its founders and their planning, the current Authority set a bold path to the future with the planned purchase of 827 acres on Daniel Island in FY93 with 20,000 feet of Cooper River water frontage. Daniel Island is in the center of Charleston Harbor, but until the recent opening of I-526, it was relatively isolated and undeveloped. Studies are underway for transportation corridors, channel improvements, and an overall terminal master plan. The facility should come on-line as the Wando Terminal reaches full capacity. The Daniel Island Terminal will be built in stages over a 15 to 20-year time frame as market demand occurs.

With careful planning and attention to reducing overhead while maximizing efficiency, the Authority has provided capital to ensure a quality port. This year, for the third year in a row, the Port of Charleston received recognition as the top quality Port from "Distribution" magazine. It has consistently been voted first, ahead of all other United States ports, in this recognition by steamship lines and shippers.

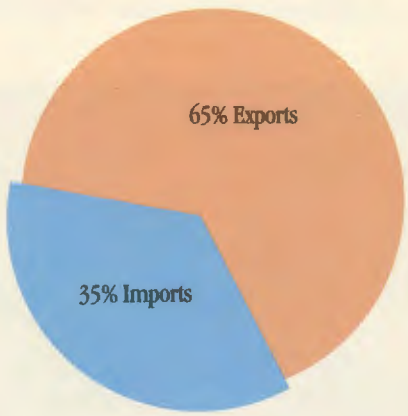
"...one of the most efficient and productive container terminals in the United States..."

The Authority must be flexible in accommodating and serving the trends of the international economy. The balancing act required to prepare for the future is a delicate one. Even in times of slow economic growth, the Authority must look ahead to the 10 to 20-year world growth pattern to set its building and marketing timetable. The world economy and the world market have remained level for the past several years. However, a recent analysis by the World Sea Trade Service, which specifically uses the Port of Charleston as part of its world shipping projection, shows a more optimistic future than it has forecast in the last 18 months.

World Sea Trade Service projects the trade growth at Charleston at 5.27% annually through the year 2000. To know from which areas of the globe this new business will come, the Authority's marketing analysts study the developing trade trends constantly. As different areas of the world move into prominence in the marketplace, Port sales staff work to ensure that the Port has steamship lines serving the trade route to that region. The Port must be on top of the trends and ahead of the competition.

"...flexible in accommodating and serving the trends of the international economy..."

Charleston is already a major export port for the United States, with 65% of its cargo funneling into the export trade. Exports create jobs in our state and the United States; nationally, export activities are responsible for one job out of every six. The lower level of the dollar will continue to enhance the market worldwide for U.S. exports. Trade forecasts show that exports through Charleston can be expected to increase at more than double the rate of imports over the next decade. Charleston can expect 6.6% annual growth in exports vs. 2.8% for imports. This increase will place the Charleston container export level at 68% to 70% by the beginning of the next century.



World trends affect the SPA's specialty ports of Georgetown and Port Royal just as they affect Charleston. Georgetown is moving well in the international marketplace for cement and salt. Careful study of future dredge disposal sites for Georgetown continues as the Authority prepares to meet future dredging needs in an environmentally safe manner.

At Port Royal, clay is being exported, and bananas from Latin America are coming in weekly for distribution around the Southeast. The bananas, Nanito Brand from Ecuador, are new business at Port Royal and add a welcome diversification of service for the Port. New land acquisition and an exchange of property with the township prepared the way for improved terminal configuration at Port Royal with increased capacity for the Port, and enhanced access to the waterfront for the citizens.

The SPA is constantly working to add new business by building relationships with the shipping lines and the major corporations of the world. The

"Exports create jobs in our state and the United States..."

SPA and the services it offers are a strong attraction to businesses to settle in South Carolina to the benefit of the entire state. As such, it is a valuable tool to the South Carolina Development Board as it carries out its mission of bringing strong, clean industry to the state.

A milestone this year, which demonstrated very clearly the reason the South Carolina legislature founded the Authority 50 years ago, and the reason the Authority fights so hard to stay ahead of competing ports, was the choice of Greer, S.C., by Bavarian Motor Works for a major manufacturing complex.

BMW cited the Port of Charleston as critical to its decision in favor of South Carolina, and, working with the governor's development team, the Authority provided both financial and professional support for the BMW package. The Authority board responded in a positive and timely basis in assisting the state with a project of such significance and economic importance to South

"...a strong attraction to businesses to settle in South Carolina..."

Carolina. The SPA looks forward to working closely with BMW as it develops a highly productive and attractive operation in South Carolina, the first such development in building BMW's outside of Germany. The Port in Charleston is proud to be a member of this production team for the future.

The future is coming into focus. A port's good reputation is a combination of natural advantage and high productivity. The Port of Charleston has one of the finest natural harbors in the United States. Its renowned activity comes from building the finest facilities and equipment and meshing those facilities with a waterfront team of dedicated workers.

We began this report with the Authority's mission statement; we conclude by once again expressing our appreciation to all who are involved in making our Port System one of the finest in the world - the companies we serve, the shippers, the maritime community, and the legislative and state leaders who make it all possible.

Robert V. Royall, Jr.
Chairman

W. Don Welch
Executive Director

"...a combination of natural advantage and high productivity..."

South Carolina State Ports Authority Balance Sheets,

June 30, 1992 and 1991
(in thousands)

ASSETS	1992	1991
Current assets:		
Cash	$ 1,564	$ 406
Operating funds invested by the State Treasurer	5,476	9,053
Accounts receivable:		
Trade (less allowance for doubtful accounts of $721 in 1992 and $691 in 1991)	7,329	6,941
Other	279	259
Inventories	956	899
Prepayments and other current assets	873	1,548
Total current assets	16,477	19,106
Assets restricted by revenue bond covenants	71,594	27,502
Property and equipment, net	221,658	205,534
Unamortized bond issue costs	1,578	238
Total assets	$311,307	$252,380
LIABILITIES AND CAPITALIZATION		
Current liabilities payable from current assets:		
Accounts payable	$ 1,158	$ 1,271
Accrued employee compensation and payroll-related withholdings and liabilities	1,878	2,418
Total current liabilities payable from current assets	3,036	3,689
Current liabilities payable from restricted assets:		
Current maturities of long-term debt	425	1,219
Accounts payable, construction	3,089	1,180
Retainage payable on construction contracts	1,268	480
Accrued interest payable	2,819	1,154
Total current liabilities payable from restricted assets	7,601	4,033
Long-term debt	65,132	24,231
Capitalization:		
Contributed capital	148,768	139,415
Accumulated earnings reinvested in the business	86,770	81,012
Total capitalization	235,538	220,427
Total liabilities and capitalization	$311,307	$252,380

See notes to financial statements.

Statements of Reinvested Earnings and Accumulated Earnings Reinvested in the Business

for the years ended June 30, 1992 and 1991 (in thousands)

	1992	1991
Operating revenue	$ 46,414	$ 46,554
Operating expenses:		
Direct operating expense	19,430	19,273
Administrative expense	9,326	10,468
Depreciation expense	11,636	11,236
Total operating expenses	40,392	40,977
Operating earnings	6,022	5,577
Nonoperating income (expense):		
Interest income	1,425	2,586
Other income	407	1,791
Interest expense	(723)	(1,605)
Other expense	(553)	(220)
Total nonoperating income, net	556	2,552
Earnings reinvested in Port operations and facilities before extraordinary item	6,578	8,129
Extraordinary item resulting from defeasance of series 1982A and 1989 revenue bonds	(820)	
Reinvested earnings	5,758	8,129
Accumulated earnings reinvested in the business at beginning of year	81,012	72,883
Accumulated earnings reinvested in the business at end of year	$ 86,770	$ 81,012

See notes to financial statements.

Statements of Cash Flows

for the years ended
June 30, 1992 and 1991
(in thousands)

	1992	1991
Cash flows from operating activities:		
Cash received from customers	$ 45,977	$ 46,220
Cash paid to suppliers and employees	(28,736)	(29,877)
Other earnings, net	(92)	1,495
Net cash provided by operating activities	17,149	17,838
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(26,662)	(21,724)
Increase (decrease) in retainage and construction accounts payable	2,697	(886)
Insurance proceeds		2,966
Proceeds received in connection with issuance of 1991 revenue bonds	64,633	
Principal paid on revenue bonds	(24,420)	(1,015)
Principal paid on other debt	(128)	(130)
Interest paid on revenue bonds	(1,854)	(2,100)
Cash deposited into trust on defeasance of bonds	(566)	
Interest paid on other debt	(66)	(84)
Contributed capital by State	9,353	
Bond issuance costs	(1,612)	
Proceeds from sale of capital assets	57	214
Net cash provided by (used in) capital and related financing activities	21,432	(22,759)
Cash flows from investing activities:		
Purchase of United States Treasury Bills	(37,585)	
(Purchase) sale and maturity of other investment securities, net	(13,192)	987
Interest on investments	3,092	2,710
Net cash (used in) provided by investing activities	(47,685)	3,697
Net decrease in cash and cash equivalents	(9,104)	(1,224)
Cash and cash equivalents:		
Beginning of year	31,092	32,316
End of year	$ 21,988	$ 31,092

See notes to financial statements.

Statements of Cash Flows, *Continued*

for the years ended June 30, 1992 and 1991 (in thousands)

	1992	1991
Reconciliation of operating earnings to net cash provided by operating activities:		
Operating earnings	$ 6,022	$ 5,577
Adjustments to reconcile operating earnings to net cash provided by operating activities:		
Other earnings, net	(92)	1,495
Depreciation	11,636	11,236
Reduction in carrying value of capital assets	26	26
Provision for doubtful accounts	30	145
	17,622	18,479
Changes in assets and liabilities:		
Accounts receivable	(438)	(334)
Inventory	(57)	(4)
Prepayments and other current assets	675	(94)
Accounts payable	(113)	(747)
Payroll-related liabilities	(540)	538
	(473)	(641)
Net cash provided by operating activities	$ 17,149	$ 17,838

A reconciliation of cash and cash equivalents reflected in the statement of cash flows to the balance sheet is as follows (in thousands):

	Current Assets	Restricted Assets	Statement of Cash Flows Total
Cash and cash equivalents, July 1, 1991	$ 9,459	$ 21,633	$ 31,092
Net decrease	(2,419)	(6,685)	(9,104)
Cash and cash equivalents, June 30, 1992	$ 7,040	$ 14,948	$ 21,988

Cash and cash equivalents are comprised of demand deposits and investments with an original maturity of three months or less and include cash and cash equivalents, as defined in Note 1, restricted by revenue bond covenants.

	1992	1991
Schedule of non-cash capital and related financing activities:		
Amortization and write-off of bond issue discount	$296	$24

See notes to financial statements.

Notes to Financial Statements

1. Summary of Significant Accounting Policies:

Organization and Basis of Accounting - The South Carolina State Ports Authority (the 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 Beaufort, Charleston and Georgetown 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 seven ocean terminals at the ports of Charleston, Georgetown and Port Royal. These facilities handle import and export containerized and breakbulk 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 (the Authority Board), whose members are appointed by the Governor of South Carolina for seven-year terms. The Ports Authority's financial statements are included in the State of South Carolina general purpose financial statements.

Cash Management - The Ports Authority's investments include funds invested in a statewide investment pool managed by the State Treasurer and debt service and debt service reserve funds managed by bond trustees. The State Treasurer invests in U.S. government securities and agency obligations. The bond trustees invest in government securities, repurchase agreements and money market accounts collateralized by U.S. government securities. These investments are carried at cost plus accrued interest, which approximates market value.

Inventories - Inventories consist principally of maintenance parts and supplies valued at average cost.

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

Depreciation is computed using the straight-line method generally over the following estimated useful lives:

Land improvements	3 to 50 years
Buildings and structures	5 to 50 years
Railroad tracks	20 to 25 years
Terminal equipment	3 to 25 years
Furniture and fixtures	2 to 20 years

1. Summary of Significant Accounting Policies, *continued:*

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 Employment Security Commission for benefits paid by the Commission in connection with claims. The Ports Authority records a liability for estimated future unemployment compensation claims.

Statements of Cash Flows - For purposes of the statement of cash flows, the Ports Authority considers all demand deposits and short-term investments (including restricted funds, except Debt Service Funds, Debt Service Reserve Funds, the 1991 Construction Fund and the 1989 Rebate Fund) purchased with an original maturity of three months or less to be cash equivalents.

Concentration of Credit Risk - The Ports Authority provides services and facilities usage for companies located throughout the world. 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.

2. Equity in Cash, Investments and Pooled Investments:

The Ports Authority maintains cash balances and pooled investments available for operations and cash, investments and pooled investments restricted for debt service on revenue bonds and for capital improvements. Funds are deposited in banks and in pooled investment funds maintained by the State Treasurer. Cash and pooled investments used for operations are included on the balance sheet as "Cash" and "Operating funds invested by the State Treasurer." Cash, investments and pooled investments maintained in accordance with revenue bond covenants are included on the balance sheet as "Assets restricted by revenue bond covenants."

CASH: At June 30, 1992, the carrying amount of the Ports Authority's cash was $5,772,000, and the bank balance was $6,472,000. Of the bank balance, $100,000 was covered by federal depository insurance and $6,372,000 was collateralized by overnight repurchase agreements and other securities.

2. Equity in Cash, Investments and Pooled Investments, *continued:*

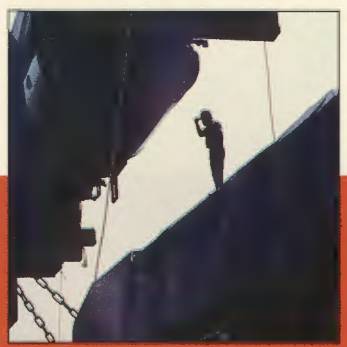
INVESTMENTS: At June 30, 1992, the Ports Authority's investments were held either by the State Treasurer in pooled investment funds or by certain banks in trust accounts. The Ports Authority's investments maintained by banks totalling $38,231,000, which are invested in direct obligations of the U.S. Government, are categorized as Category 3 investments as defined by the Governmental Accounting Standards Board. These securities are held by the trustee bank's trust department and are not registered in the Ports Authority's name.

The Ports Authority's total cash and investments at June 30, 1992 and 1991 were $78,634,000 and $36,961,000, respectively, at cost, which approximates market value.

3. Assets Restricted by Revenue Bond Covenants:

Restricted funds at June 30 summarized by fund are (in thousands):

	1992	1991
Investments held by trustee:		
Revenue bonds:		
1967 Debt Service Fund	$ 322	$ 587
1967 Debt Service Reserve Fund	411	393
1982A and 1989 Debt Service Fund		1,806
1982A and 1989 Debt Service Reserve Fund		2,949
1991 Construction Fund	50,408	
1991 Debt Service Fund	2,726	
1991 Debt Service Reserve Fund	2,639	
1989 Rebate Fund	140	134
Total investments held by trustee	56,646	5,869
Cash and cash equivalents:		
Capital Improvement Fund:		
Cash	4,003	110
Funds invested by the State Treasurer	2,155	17,188
	6,158	17,298
Capital Improvement Fund (Port Royal)	1,705	1,612
Capital Improvement Fund (Georgetown)	994	940
Wando Completion Fund	3,800	
Total capital improvement fund	12,657	19,850
Depreciation Fund:		
Cash	176	88
Funds invested by the State Treasurer	2,027	1,621
Total depreciation fund	2,203	1,709



3. Assets Restricted by Revenue Bond Covenants, *continued:*

	1992	1991
Other, State Port Construction Fund:		
Cash	29	18
Funds invested by the State Treasurer	59	56
Total other, state port construction fund	88	74
Total cash and cash equivalents	14,948	21,633
Total assets restricted by revenue bond covenants	$ 71,594	$ 27,502

In connection with outstanding revenue bonds, (1) the Ports Authority's net revenues (defined as the portion of revenues remaining after providing for the proper operation and maintenance of facilities) are pledged for payment of bond principal and interest, (2) a statutory lien on the Ports Authority's facilities exists and (3) the Ports Authority is required to maintain Revenue Bond Debt Service Funds, Revenue Bond Debt Service Reserve Funds, a Revenue Bond Construction Fund (for unexpended revenue bond proceeds), a Capital Improvement Fund (for improvement of Ports Authority facilities), and a Depreciation Fund (for operating equipment).

General provisions regarding these Funds are as follows:

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

3. Assets Restricted by Revenue Bond Covenants, *continued:*

Additions to the Capital Improvement Fund and Depreciation Fund are required in amounts equal to the annual budget for facilities improvements and equipment. Proceeds from the sale of real and personal property also are required to be deposited to these Funds. The Funds can be used for improvements, betterments, and extensions of facilities, restoration of depreciated or obsolete property, operating equipment, unforeseen contingencies, and payment of principal or interest on outstanding bonds if the assets of the Debt Service or Debt Service Reserve Funds are not sufficient to make such payments. Maturities of investments in the Capital Improvement Funds and Depreciation Funds are limited to a maximum of five years and three years, respectively.

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

4. Property and Equipment:

Property and equipment consist of the following amounts at June 30, 1992 and 1991 (in thousands):

	1992	1991
Land	$ 43,430	$ 37,286
Land improvements	63,640	59,687
Buildings and structures	162,890	160,139
Railroad tracks	3,132	3,098
Terminal equipment	24,874	24,360
Furniture and fixtures	2,488	2,148
Capital projects in progress	29,007	16,501
	329,461	303,219
Less accumulated depreciation	107,803	97,685
Property and equipment, net	$221,658	$205,534

5. Long-Term Debt:

On December 19, 1991, the Authority legally defeased $23,330,000 of outstanding 1982A and 1989 Series bonds with average interest rates of 10.8% and 7.6%, respectively. The Ports Authority used existing cash reserves to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with a bank as escrow agent to provide for all future debt service payments on the 1982A and 1989 Series bonds. As a result, the 1982A and 1989 bonds are considered to be defeased and the liability for those bonds has been removed from long-term debt.

5. Long-Term Debt, *continued:*

Although the defeasance resulted in the recognition of an accounting loss of $820,000, which has been treated as an extraordinary item, for the year ended June 30, 1992, the Ports Authority in effect reduced its aggregate debt service payments by approximately $6,540,000 over the next seventeen years and obtained an economic gain (difference between the present values of the old and new debt service payments) of $1,520,000.

During fiscal 1992, the Ports Authority issued Series 1991 bonds to provide funds to finance a portion of the cost of improvements and expansion to its container facilities at the Wando Terminal. The bonds, issued at a discount of $1,092,000, consist of serial bonds totalling $17,895,000 maturing July 1, 2006; term bonds of $11,130,000 maturing on July 1, 2011; and term bonds of $36,700,000 maturing on July 1, 2021. The bond discount is being amortized over thirty years, the life of the bonds. Unamortized bond discount at June 30, 1992 was $1,070,000. Interest is payable each January 1 and July 1 at rates ranging from 5% to 6.75%.

The Series 1991 Bonds may generally be redeemed prior to maturity, at the option of the Ports Authority, or after July 1, 2001. The redemption prices as a percentage of principal amount are as follows (plus interest accrued to date):

Redemption Date (Inclusive)	Redemption Price
July 1, 2001 to June 30, 2002	102%
July 1, 2002 to June 30, 2003	101
July 1, 2003 and thereafter	100

The 1991 Bonds may also be subject to redemption at the option of the Ports Authority without premium at any time as a whole at the principal amount thereof if the project, or any substantial portion thereof, is damaged or destroyed, or if any public authority condemns or exercises the power of eminent domain over the project.

5. Long-Term Debt, ***continued:***

The Series 1991 Bonds, due July 1, 2011 and July 1, 2021, are subject to mandatory sinking fund redemption by lot on July 1 in each of the following years and will be redeemed at 100% of the principal amount plus accrued interest at the redemption date (in thousands):

Term Bonds Due 2011		Term Bonds Due 2021	
Year	Amount	Year	Amount
2007	$1,950	2012	$2,690
2008	2,080	2013	2,870
2009	2,215	2014	3,065
2010	2,365	2015	3,270
2011	2,520	2016	3,490
		2017	3,725
		2018	3,975
		2019	4,245
		2020	4,530
		2021	4,840

The Ports Authority also has outstanding long-term debt consisting of Revenue Bonds, Series 1967 bearing interest from 3.8% to 3.85% and other debt. Other debt consists of two notes issued for land purchased at interest rates of 7.5% and 11.5%.

Maturities of long-term debt are summarized as follows (in thousands):

	1967 Revenue Bonds	1991 Revenue Bonds	Other Debt	Total
1993	$300	$	$125	$ 425
1994		870	131	1,001
1995		915	137	1,052
1996		960	64	1,024
1997		1,015	71	1,086
Thereafter		61,965	73	62,038
	300	65,725	601	66,626
Less:				
Current portion	300		125	425
Unamortized bond discount		1,069		1,069
Long-term portion	$- 0 -	$64,656	$476	$65,132

Interest cost incurred in 1992 and 1991 was $3,619,000 and $2,148,000, respectively. Of the interest cost incurred, $1,229,000 and $543,000 were capitalized in 1992 and 1991, respectively.

6. Contributed Capital and Plant Expansion:

Contributed capital at June 30, 1992 and 1991 consisted of (in thousands):

	1992	1991
State of South Carolina:		
For general operations before 1959-60 (a)	$ 3,498	$ 3,498
Proceeds from State Ports General Expansion Bonds	22,000	22,000
Proceeds from State Ports Grain Elevator Expansion Bonds	2,000	2,000
Proceeds from State Capital Improvement Bonds	106,372	106,372
For Wando Terminal Access Road (Department of Highways and Public Transportation)	65	65
For BMW Plant Land Purchase	9,353	
Total	143,288	133,935
City of Charleston and Southern Railway	3,180	3,180
State Port Construction Fund (b)	1,653	1,653
Federal Grant for construction of Passenger Terminal	344	344
Federal Grant for rail rehabilitation	303	303
Total Contributed Capital	$148,768	$139,415

(a) Contributions for general operations before 1959-60 include donations made by Charleston County and the City of Charleston.

(b) Contributions to the State Port Construction Fund were received primarily from the Maritime Association of the Port of Charleston.

The State of South Carolina has authorized funds for improvement and expansion of Ports Authority facilities using the proceeds of State Capital Improvement Bonds issued by the state. The authorized funds are released as needed once approval to proceed on specific projects is given by the Authority Board and by the State Budget and Control Board. The Ports Authority records these funds as additions to contributed capital when the funds are committed by the State Treasurer.

7. Commitments:

Leases - The Ports Authority leases from the U.S. government two adjacent parcels of real estate in Charleston, South Carolina, under an operating lease expiring December 31, 2012. The lease provides exclusive use to the Ports Authority of one parcel and shares use of the other parcel with the lessor. As of June 30, 1992, minimum rental payments required under this operating lease total $1,229,000 and are due $60,000 per year in the years 1993 through 1997 and $929,000 thereafter. Rental expense under operating leases for the years ended June 30, 1992 and 1991 was $446,000 and $408,000, respectively.

Construction - In addition to routine commitments for repairs and maintenance, the Ports Authority had commitments for construction of approximately $28,000,000 at June 30, 1992.

The Federal Water Resources Development Act of 1986 authorized the deepening of Charleston Harbor from its official 35-foot depth to an official 40-foot depth for the inside channels and a 42-foot depth for the entrance channel. The project will take five to seven years to complete, and will cost approximately $89.3 million. This Act, which authorizes construction of 41 separate port deepening projects, requires a local nonfederal sponsor to share in the cost of each project. The nonfederal share of the Charleston Harbor Deepening Project is estimated to be $31.3 million. The state legislature has authorized state general obligation bonds to pay the local nonfederal share. The proceeds of these bonds will be contributed to the Ports Authority for the benefit of the contracting federal agency, and the state will repay the principal and interest without charge to the Ports Authority.

To facilitate payment in connection with the state's share of the Charleston Harbor Deepening Project, the Ports Authority established letter of credit arrangements with a regional bank. The contracting federal agency is authorized to draw against the letters of credit as construction progresses. The total available under these letters of credit is $2,394,000 at June 30, 1992.

The Ports Authority has committed to purchase and improve certain land in Greer, South Carolina, for a total estimated cost of $45.2 million. As of June 30, 1992, the Ports has expended approximately $6.5 million on this project. The project is to be funded by $5 million from the Ports Authority and the balance from the State of South Carolina and related entities. As of June 30, 1992, the State of South Carolina and related entities have contributed $9.4 million of capital to the Ports Authority related to the land purchase.

7. Commitments, *continued:*

The land purchase and site improvements are the result of a statewide effort that resulted in Bavarian Motor Works ("BMW") locating an automobile manufacturing facility in South Carolina. The Ports Authority has committed to lease the aforementioned land and land improvements to BMW under a lease agreement that covers a 50-year period. BMW will lease the land for $1 per year with an option to acquire the property at the end of the lease term for a price equal to the Ports Authority's original cost. BMW is required to build an automobile production facility on the property. If BMW should discontinue operations of the facility, BMW is required to purchase the site from the Ports Authority at original cost. BMW can also elect to purchase all or part of the land at any time during the lease term at historical cost. The Authority intends to enter into the lease agreement with BMW during the 1992-1993 fiscal year.

8. Retirement Plans and Other Post-Retirement Benefits:

Employees of the Ports Authority participate in the South Carolina Retirement System's employees retirement plan ("PERS"), a defined benefit, cost-sharing, multiple-employer, public employee retirement system. Substantially all full-time permanent Ports Authority employees are required to participate in PERS. The payroll for employees covered by PERS for the year ended June 30, 1992 was $13,781,000. The payroll for employees not covered by PERS for the year ended June 30, 1992 was $519,000.

Under PERS, employees who retire at or after age 65 or have 30 years of service are entitled to a retirement benefit, payable monthly for life, equal to 1.82% of average final compensation times years of credited service. Final average compensation is the employee's average salary over the twelve highest consecutive quarters. Benefits are fully vested after five years of service. Vested employees may retire at or after age 55 and receive reduced retirement benefits. PERS also provides death and disability benefits. Benefits are established by state statute.

The employee and employer contribution rates are actuarially determined for PERS. Employees are required by state statute to contribute 6 percent of annual compensation, and the Ports Authority must contribute 7.55 percent of total payroll of covered employees for PERS. The total contribution requirement for the year ended June 30, 1992 was $1,040,000 from the Ports Authority and $827,000 from employees for PERS.

An actuarial valuation is performed for PERS annually. At the most recent valuation date, July 1, 1991, the pension benefit obligation for retired and active members was approximately $10.6 billion. The amortized cost of assets of PERS was approximately $7.6 billion. The unfunded pension benefit obligation was approximately $3.0 billion. The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure, which is an actuarial present value of credited projected benefits, is intended to help users assess PERS's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employee retirement systems. PERS does not make separate measurements of assets and benefits payable for individual employers. The Ports Authority's contribution represented less than one percent of the total contributions to PERS.

Ten-year historical trend information showing PERS's progress in accumulating sufficient assets to pay benefits when due is presented in PERS's June 30, 1991 Comprehensive Annual Financial Report.

8. Retirement Plans and Other Post-Retirement Benefits, *continued:*

In addition to pension benefits, the Ports Authority provides post-retirement health care benefits to all retirees, such benefits being the same as for active employees except that the cost of medical insurance premiums associated with retirees' dependents are paid by the retirees. At June 30, 1992, 125 retirees were receiving benefits. The Ports Authority pays 100 percent of the cost of medical insurance premiums for the retirees. Expenses for post-retirement medical insurance premiums are recognized as paid by the Ports Authority. During the years ended June 30, 1992 and 1991, expenses for post-retirement health care benefits were $227,000 and $181,000, respectively. The Plan under which this benefit is provided may be terminated, amended or modified at any time at the sole discretion of the Ports Authority.

9. Facilitating Agreements:

The Ports Authority has entered into agreements with tenants whereby it assigns certain land areas and certain of its facilities for their use for terms ranging from one month to thirty 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; and, where appropriate, depreciation is provided on the assigned facilities.

Rental revenue is recorded when earned. In 1992 and 1991, rental revenue recorded by the Ports Authority was $2,018,000 and $2,001,000, respectively.

The approximate total cost and related accumulated depreciation of facilities assigned to others at June 30, 1992 and 1991 were (in thousands):

	1992	1991
Cost	**$162,193**	$133,131
Accumulated depreciation	**62,646**	48,086

9. Facilitating Agreements, *continued:*

Minimum future operating revenue and rentals to be received under noncancelable agreements as of June 30, 1992 were (in thousands):

Fiscal year ending June 30:	
1993	$ 6,935
1994	4,004
1995	3,113
1996	1,428
1997	636
Later years	2,393
Total minimum future operating revenue and rentals to be received	$ 18,509

10. Litigation:

In the ordinary course of business, the Ports Authority becomes involved in dredging matters, litigation, claims and administrative proceedings. Certain litigation, claims and proceedings were pending at June 30, 1992, 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.

11. Subsequent Event:

Effective October 16, 1992, the Ports Authority agreed to purchase a marine terminal site on Daniel Island, South Carolina, for a purchase price of $7,000,000.

Report of Independent Accountants

Members of the Governing Board
South Carolina State Ports Authority:

We have audited the accompanying balance sheets of the South Carolina State Ports Authority as of June 30, 1992 and 1991, and the related statements of reinvested earnings and accumulated earnings reinvested in the business and cash flows for the years then ended. These financial statements are the responsibility of the South Carolina State Ports Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the South Carolina State Ports Authority as of June 30, 1992 and 1991, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Coopers & Lybrand

Coopers & Lybrand
Columbia, South Carolina
August 28, 1992, except as to the
information presented in Note 11,
for which the date is October 16, 1992

Robert V. Royall, Jr.
Chairman

Ernest L. Willis, 3rd
Vice Chairman
(died May 18, 1992)

Theodore B. Guerard
Secretary

William L. Bethea, Jr.
Treasurer

James B. Moore

Henry Tecklenburg, Jr.

Harry A. Chapman, Jr.
(term expired February 13, 1992)

Thomas F. Hartnett

Robert L. Selman

Bill J. Coleman
(appointed to Mr. Chapman's seat)

Harry R. Easterling
(appointed to Mr. Willis' term)

W. Don Welch
Executive Director

Management

W. Don Welch, Executive Director

W.M. Lawrence, Chief Financial Officer

Anne M. Moïse, Director, Public Relations

Robert A. Loy, Director, Employee Relations

Joe T. Bryant, Senior Director, Operations & Engineering

L. Duane Grantham, Director, Marketing & Sales

Bernard S. Groseclose, Jr., Director, Planning and Development

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