

South Carolina State Ports Authority

Report on Financial Statements and Required Supplementary Information

For the fiscal years ended June 30, 2024 and 2023

South Carolina State Ports Authority

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of the South Carolina State Ports Authority (the "Ports Authority"), a component unit of the State of South Carolina, as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Ports Authority's basic financial statements as listed in the Index.

In our opinion, 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, 2024 and 2023, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibility for the Audit of the Financial Statements section of our report. We are required to be independent of the Ports Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Ports Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Ports Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Ports Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2024, 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 solely 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 the effectiveness of the Ports Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Ports Authority's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Elliott Davis, LLC". The signature is written in a cursive, flowing style.

Charleston, South Carolina
September 24, 2024

South Carolina State Ports Authority

Management's Discussion and Analysis (unaudited)

June 30, 2024 and 2023

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, 2024 and 2023. 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. Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation.

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, as well as inland port facilities in Greer and Dillon. These facilities primarily handle import and export containerized, breakbulk, and bulk cargoes.

Operational Highlights

- The Ports Authority experienced record rail moves at both Inland Ports during fiscal year 2024. Inland Port Greer had 187,638 rail moves, an increase of 27.8% over fiscal year 2023 and 24.0% above fiscal year 2022. Inland Port Dillon had 42,769 rail moves, an increase of 9.3% over fiscal year 2023 and 64.4% above fiscal year 2022.
- The Ports Authority's SMART Chassis Pool generated \$42.6 million in operating revenue in its second full year of operations, an increase of 9.7% above fiscal year 2023.
- During fiscal year 2024, the Ports Authority handled over 1.2 million pier containers at its Wando Welch Terminal. During fiscal year 2024, the Ports Authority handled 2,496,899 twenty-foot equivalent units (TEUs), a decrease of 3.3% from fiscal year 2023 and a 12.5% decrease from fiscal year 2022.
- With the support of the South Carolina General Assembly, the Ports Authority purchased a 280-acre industrial waterfront property that sits adjacent to the North Charleston Terminal. The acquisition will provide additional berth space for vessels and increase total capacity of a modernized North Charleston Terminal to approximately 5 million TEUs.

South Carolina State Ports Authority

Management's Discussion and Analysis (unaudited)

June 30, 2024 and 2023

- Construction of the Navy Base Intermodal Facility (NBIF) and infrastructure supporting the Leatherman & Wando Terminal barge operations continued during fiscal year 2024. The NBIF will be dual served with a private dedicated drayage road from the Leatherman Terminal. The facility will allow the Ports Authority to direct rail-intensive shipping services to the Leatherman Terminal and enhance the utilization of Inland Ports Greer and Dillon.

Financial Highlights

- The Ports Authority generated operating revenues of \$404.0 million for the fiscal year ended June 30, 2024. This represents a decrease of 9.9% from the \$448.5 million generated for the fiscal year ended June 30, 2023, and an 8.8% decrease in revenues from fiscal year 2022 of \$443.1 million.
- The Authority had cash flow from operating activities of \$104.1 million in fiscal year 2024, representing a 37.7% decrease from fiscal year 2023 and 38.4% decrease from fiscal year 2022.
- The Ports Authority's total net position was \$1,014.5 million, \$880.8 million, and \$755.1 million as of June 30, 2024, 2023, and 2022, respectively. The Authority's total net position increased \$133.7 million during the current fiscal year and \$259.4 million from fiscal year 2022.

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 of dollars)

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Total operating revenues	\$ 404,003	\$ 448,508	\$ 443,102
Total TEUs (equivalent number of 20' container units)	2,497	2,581	2,853
Breakbulk pier tonnage	845	827	880

A total of 1,561, 1,579, and 1,465 vessels (excluding barges) docked during the fiscal years ended June 30, 2024, 2023, and 2022, respectively.

Statements of Net Position (Balance Sheets)

The Statements of Net Position present the financial position of the Authority at the end of the fiscal year and includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources with net position reported as the difference between total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Increases and decreases in net position may serve as an indicator of the current fiscal health of the organization and the Authority's financial position over time.

South Carolina State Ports Authority
Management's Discussion and Analysis (unaudited)
June 30, 2024 and 2023

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

<i>(in thousands of dollars)</i>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Assets			
Current assets	\$ 489,787	\$ 585,320	\$ 577,557
Held by trustee for debt services	33,162	35,806	33,759
Capital assets, net	2,227,330	2,021,346	1,907,742
Other assets	<u>33,135</u>	<u>21,656</u>	<u>14,039</u>
Total assets	2,783,414	2,664,128	2,533,097
Deferred outflows of resources			
	<u>85,519</u>	<u>100,016</u>	<u>76,216</u>
Total assets and deferred outflows of resources	<u>\$ 2,868,933</u>	<u>\$ 2,764,144</u>	<u>\$ 2,609,313</u>
 <i>(in thousands of dollars)</i>			
	<u>2024</u>	<u>2023</u>	<u>2022</u>
Liabilities			
Current liabilities	\$ 134,542	\$ 124,496	\$ 94,498
Long-term obligations	<u>1,678,635</u>	<u>1,709,979</u>	<u>1,728,078</u>
Total liabilities	<u>1,813,177</u>	<u>1,834,475</u>	<u>1,822,576</u>
Deferred inflows of resources	<u>41,306</u>	<u>48,855</u>	<u>31,648</u>
Net position			
Net investment in capital assets	814,024	584,756	488,248
Restricted for debt service and capital projects	51,910	41,109	37,795
Unrestricted	<u>148,516</u>	<u>254,949</u>	<u>229,046</u>
Total net position	<u>1,014,450</u>	<u>880,814</u>	<u>755,089</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 2,868,933</u>	<u>\$ 2,764,414</u>	<u>\$ 2,609,313</u>

ASSETS

Total current assets of the Ports Authority decreased \$95.5 million during fiscal year 2024, representing a decrease from fiscal year 2023 of 16.3%. Drivers of these changes include the following:

- Current cash and investments decreased from \$499.2 million in fiscal year 2023 to \$390.1 million in fiscal year 2024. The 21.9% decrease is primarily related to the \$105 million acquisition of a property adjacent to the North Charleston Terminal for future expansion. This spend was offset by positive cash flow provided by operating, investing and noncapital financing activities during the year. Current cash and investments increased from \$481.6 million in fiscal year 2022 to \$499.2 million in fiscal year 2023. The 3.7% increase is attributable to commencement of the SMART Pool, which created an additional business segment for the Authority that produced approximately \$16 million in operating earnings in its first full year of operations. The Ports Authority also experienced its first full year of revenue since the pandemic in the cruise business segment, which helped supplement operating cash flow. Additionally, the Ports Authority continued to see lingering demurrage revenue in fiscal year 2023 from supply chain congestion that had such a major impact in fiscal year 2022.

South Carolina State Ports Authority

Management's Discussion and Analysis (unaudited)

June 30, 2024 and 2023

- Accounts receivable (trade) decreased \$1.3 million in fiscal year 2024 from \$48.2 million to \$46.9 million, a decrease of 2.8%. The slight decrease in fiscal year 2024 is related to a decrease in revenue during the year coupled with a small increase in receivable turnover days. In fiscal year 2023, accounts receivable (trade) decreased \$23.0 million from \$71.2 million to \$48.2 million, a decrease of 32.3%. The decrease was primarily driven by the normalization of demurrage charges during fiscal year 2023.
- Other receivables increased \$13.8 million in fiscal year 2024 to \$26.4 million, primarily related to outstanding amounts owed for NBIF and grant expense reimbursement and for closing on the North Island property sale to Berkeley County. Other receivables increased \$7.8 million in fiscal year 2023 to \$12.6 million, primarily related to outstanding amounts owed for NBIF expense reimbursement and for closing on the Georgetown Terminal transfer to Georgetown County.
- Inventories increased slightly in fiscal year 2024 to \$13.1 million from \$11.7 million in fiscal year 2023 as the Authority maintained additional spare parts for equipment because of supply chain constraints that limited availability and delivery during fiscal year 2023. In fiscal year 2023, inventories increased \$1.1 million.
- Prepaid expenses and other current assets increased from \$9.3 million to \$9.8 million in fiscal year 2024, relating primarily to an increase in prepaid insurance costs. In fiscal year 2023, prepaid expense and other current assets increased \$2.3 million.

Funds held by trustee for debt service include debt service and debt service reserve funds for previously issued revenue bonds. Fluctuations in these balances directly relate to scheduled bond payments in the specific year, and any earnings on securities held in the accounts. During fiscal year 2024, funds held by trustee for debt service increased \$0.4 million from \$35.8 million to \$36.2 million. Total increase over the two-year period is \$2.4 million.

The capital assets of the Authority continued to grow in fiscal year 2024 as they increased \$206.0 million or 10.2% from \$2,021.3 million in fiscal year 2023 to \$2,227.3 million in fiscal year 2024. During fiscal year 2024, the Ports Authority invested approximately \$105 million in an industrial property adjacent to the North Charleston Terminal for expansion and additional terminal capacity. Additionally, investments in capital assets were made to improve infrastructure and equipment at existing facilities and the Navy Base Intermodal Facility. Capital assets have increased by \$319.6 million or 16.8% since fiscal year 2022.

Other noncurrent assets and receivables decreased \$2.0 million in fiscal year 2024 from \$16.4 million to \$14.4 million. The balance has increased \$4.4 million since fiscal year 2022. During fiscal year 2022, the Authority adopted GASB 87, *Leases*, resulting in the inclusion of the present value of all lease payments in the Statements of Net Position as other noncurrent assets and receivables. The Authority's increase in this balance from fiscal year 2022 can be attributed to this implementation, while the slight decrease from fiscal year 2023 to fiscal year 2024 is related to additional investment in the Jasper Ocean Terminal along with scheduled receipts on lease agreements.

Deferred Outflows of Resources decreased \$14.5 million during the year and is attributed to the Authority recognizing their 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 contributions to pension and other post-employment benefit plans made during 2024 that were paid subsequent to both plans' measurement date of June 30, 2023. The decrease 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. Amortization related to revenue bond refunding (2019C & 2019D) done in fiscal year 2020 also had minor impact on the decrease.

South Carolina State Ports Authority

Management's Discussion and Analysis (unaudited)

June 30, 2024 and 2023

LIABILITIES

The Authority's current liabilities increased during fiscal year 2024 from \$124.5 million to \$134.5 million, an increase of approximately 8.0%. Items to consider relating to these changes are the following:

- Current maturities of long-term debt increased \$0.5 million in fiscal year 2024 from \$30.9 million in fiscal year 2023 to \$31.4 million in the current year. Current maturities of long-term debt increased \$2.7 million from \$28.2 million in fiscal year 2022 to \$30.9 million in fiscal year 2023. Primary driver of this increase is related to increased principal payments for 2018, 2019A and 2019B revenue bonds.
- Accounts payable (including construction) totaled \$64.8 million in fiscal year 2024. This represents an increase of \$15.8 million or 32.2% from fiscal year 2023's \$49.0 million. The increase in fiscal year 2024 is primarily attributable to higher retainage on construction contracts at year-end. In fiscal year 2023, accounts payable (including construction) increased \$23.1 million. The increase was primarily attributable to amounts owed to the City of North Charleston for the rail overpass MOU and to the City of Charleston for mitigation related to the NBIF. The Authority also had some additional accruals in fiscal year 2023 related to the SMART Pool that increased the balance at June 30, 2023.
- Accrued liabilities totaled \$28.8 million in fiscal year 2024 and primarily reflect accrued interest and accrued payroll and related expenses. The decrease of \$4.5 million from fiscal year 2023 is a product of lower accruals for payroll and related expenses in the current year. Accrued liabilities have decreased \$9.9 million since fiscal year 2022, a decrease of 25.6%.

During fiscal year 2024, the Ports Authority's long-term obligations decreased \$31.4 million or 1.8% from \$1,710.0 million to \$1,678.6 million. The \$1,710.0 million in long-term obligations in fiscal year 2023, represents a decrease of \$18.1 million or 1.0% from fiscal year 2022. Drivers of these changes include the following:

- The Authority's total OPEB liability is \$59.0 million in fiscal year 2024. This reflects an increase of \$1.0 million from fiscal year 2023. Primary drivers of the total OPEB liability increase were service costs and interest on the OPEB liability offset by assumption changes related to the effective discount rate as it increased from 3.69% to 3.86% and benefit payments made during the year. The total OPEB liability decreased \$28.3 million from fiscal year 2022 to fiscal year 2023. Primary drivers of the total OPEB liability decrease were assumption changes related to the discount rate and favorable plan experience.
- Net pension liability of the Authority increased by \$5.5 million from \$178.4 million in fiscal year 2023 to \$183.9 million in fiscal year 2024, an increase of 3.1%. The increase in the net pension liability relates to the net difference between projected and actual investment earnings, changes in proportionate share and the Ports Authority's actual pension plan contributions made during 2024. In fiscal year 2022, the net pension liability of the Authority was \$119.8 million.
- The long-term debt of the Ports Authority decreased from \$1,451.3 million in fiscal year 2023 to \$1,407.8 million in fiscal year 2024, a decrease of 3.0%. The decrease was directly attributable to no new assumption of debt, scheduled principal payments, and the early repayment of a note payable during fiscal year 2024. In fiscal year 2023, long-term debt decreased from \$1,484.9 million in fiscal year 2022 to \$1,451.3 million in fiscal year 2023, a decrease of 2.3%. The decrease was directly attributable to no new debt and scheduled principal payments during the year.

South Carolina State Ports Authority

Management's Discussion and Analysis (unaudited)

June 30, 2024 and 2023

Deferred inflows of resources decreased \$7.6 million from \$48.9 million in fiscal year 2023 to \$41.3 million in fiscal year 2024. The primary driver of the Ports Authority's decrease was related to the cancellation of chassis leases during fiscal year 2024. In fiscal year 2023, deferred inflows of resources increased \$17.3 million. The primary driver was related to deferred inflows related to post-employment benefit plans as assumption changes related to the effective discount rate and the difference between actual and expected experience increased the Authority balance by \$28.7 million. Additionally, the Authority saw an increase of \$7.4 million related to additional leases brought on in fiscal year 2023. Both increases were offset by a decrease in deferred outflows related to the defined benefit plan of the Authority.

NET POSITION

The largest portion of the Ports Authority's net position each year (80.2%, 66.4%, and 64.7% at June 30, 2024, 2023 and 2022, 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 (5.1%, 4.7%, and 5.0% at June 30, 2024, 2023 and 2022, respectively) represents resources that are subject to external restrictions. The remaining unrestricted net position (14.7%, 28.9% and 30.3% at June 30, 2024, 2023 and 2022, respectively) may be used to meet any of the Ports Authority's ongoing obligations.

Statements of Revenues, Expenses and Changes in Net Position

The Authority's revenues and expenses are accounted for in the Statements of Revenues, Expenses and Changes in Net Position. This statement presents the results of operations and shows how the Authority's net position changed during the fiscal year and whether the fiscal condition has improved or worsened during the year.

South Carolina State Ports Authority
Management's Discussion and Analysis (unaudited)
June 30, 2024 and 2023

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

<i>(in thousands of dollars)</i>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Operating revenue	\$ 404,003	\$ 448,508	\$ 443,102
Operating expenses	<u>406,285</u>	<u>397,975</u>	<u>344,550</u>
Operating (loss) income	(2,282)	50,533	98,552
Gain (loss) on disposal of property and equipment, net	2,532	3,593	(3,406)
Other nonoperating income (expense), net	(29,660)	(35,692)	(65,298)
Impairment loss on capital assets	(18,562)	-	-
Contributions from State of South Carolina, net	134,873	45,155	5,409
Contribution from the federal government	35,440	-	-
Contributions to other governments/organizations, net	<u>(138)</u>	<u>(100)</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>124,485</u>	<u>12,956</u>	<u>(63,295)</u>
Revenues in excess of expenses before capital grants	122,203	63,489	35,257
Capital grants from the federal government	11,433	3,754	3,855
Contributions from State of South Carolina – property	<u>-</u>	<u>58,482</u>	<u>-</u>
Change in net position	133,636	125,725	39,112
Net position, beginning	880,814	755,089	715,642
Adoption of GASB 96	<u>-</u>	<u>-</u>	<u>335</u>
Net position, ending	<u>\$ 1,014,450</u>	<u>\$ 880,814</u>	<u>\$ 755,089</u>

Total operating revenues in fiscal year 2024 were \$404.0 million, a decrease of 9.9% from \$448.5 million in fiscal year 2023. This decrease is primarily attributed to depressed container volume revenues coupled with demurrage revenues returning to pre-pandemic levels. Fiscal year 2023 operating revenues of \$448.5 million were up 1.2% from fiscal year 2022 as the Authority commenced the SMART Pool, along with a full year of cruise operations after the pandemic and lingering demurrage revenues during fiscal year 2023.

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

<i>(in thousands of dollars)</i>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Operating revenues			
Container	\$ 284,625	\$ 328,508	\$ 365,850
Breakbulk & RoRo Cargo	30,042	28,590	26,812
Inland Ports	30,834	35,936	39,557
Cruise	15,850	15,603	7,287
Chassis	42,568	38,802	2,696
All other	<u>84</u>	<u>1,069</u>	<u>900</u>
Total operating revenues	<u>\$ 404,003</u>	<u>\$ 448,508</u>	<u>\$ 443,102</u>

South Carolina State Ports Authority
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June 30, 2024 and 2023

The container business segment continues to be the primary driver of operating revenue for the Ports Authority, representing 70.5%, 73.2%, and 82.6% of operating revenues in fiscal years 2024, 2023, and 2022, respectively. During fiscal year 2024, the Authority experienced depressed container volumes resulting in container business revenues being down 13.4%. The Authority benefited from strong breakbulk and chassis operations as the two segments saw a \$5.2 million increase in revenue helping offset demurrage revenues that returned to pre-pandemic levels of \$8.8 million in fiscal year 2024. During fiscal year 2023 and 2022, as containers dwelled on terminal longer and cargo owners dealt with supply chain constraints, demurrage revenue ballooned to approximately \$37.0 million and \$82.5 million, respectively.

Breakbulk & RoRo Cargo represent approximately 7.4%, 6.4% and 6.1% of operating revenues of the Authority in fiscal years 2024, 2023, and 2022, respectively. During fiscal year 2024, the Authority moved 210,817 vehicles through the terminal. This represented an increase of approximately 11.8% from 2023 when the Authority saw 188,517 vehicles as production resumed after the supply chain disruptions experienced during fiscal year 2023. The Authority moved 219,712 vehicles in fiscal year 2022.

Total operating revenue for the inland ports at Greer and Dillon decreased \$5.1 million or 14.2% in fiscal year 2024. The Authority's inland port network represents approximately 7.6%, 8.0%, and 8.9% of operating revenues for fiscal years 2024, 2023, and 2022, respectively. While rail moves were up at Inland Port Greer (27.8%) during fiscal year 2024, demurrage revenue decreased to \$1.1 million compared to an elevated \$11.7 million recognized in fiscal year 2023. In fiscal year 2022, demurrage revenue at Inland Port Greer was \$14.0 million. Inland Port Dillon experienced record rail moves of 42,769 in fiscal year 2024, an increase of 9.26% over fiscal year 2023.

In fiscal year 2024, the Authority handled 295,624 cruise passengers, generating \$15.9 million in cruise revenue, representing 3.9% of total operating revenue. After being shut down because of COVID-19, cruises resumed in January 2022 and the Authority handled 294,136 cruise passengers in fiscal year 2023. The resumption of activity generated operating revenue of \$15.6 million, an increase of \$8.3 million from fiscal year 2022 when the Authority only had cruise passenger activity for the second half of the fiscal year.

In its second year of operations, the SMART Pool produced \$42.6 million in operating revenue and represented 10.5% of total operating revenues of the Authority. In fiscal year 2023, the Authority finished its first full year of the SMART Chassis Pool with \$38.8 million in operating revenue. In fiscal year 2022, the Authority began leasing chassis monthly in anticipation of the commencement of the SMART Chassis Pool, generating \$2.7 million in operating revenue, representing less than 1% of total operating revenues of the Ports Authority.

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

(in thousands of dollars)

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Operating expenses			
Direct operating expenses	\$ 266,571	\$ 254,640	\$ 223,818
Administrative expense	55,553	59,899	44,451
Depreciation expense	<u>84,161</u>	<u>83,436</u>	<u>76,281</u>
Total operating expenses	<u>\$ 406,285</u>	<u>\$ 397,975</u>	<u>\$ 344,550</u>

South Carolina State Ports Authority

Management's Discussion and Analysis (unaudited)

June 30, 2024 and 2023

Operating expenses of the Authority increased \$8.3 million in fiscal year 2024 from \$398.0 million in fiscal year 2023 to \$406.3 million, an increase of 2.1%. The increase in operating expenses over the last year primarily relate to a full year of chassis lease fees and maintenance, up approximately \$17.5 million from fiscal year 2023. The Authority incurred a one-time expense of \$6.1 million related to a transition of terminal operating system in fiscal year 2024. The Authority also felt the impact of the hardening insurance market, with increased premiums across all lines. Fiscal year 2024 wages were down \$11.5 million, or 7% from prior year. Fiscal year 2023 operating expenses increased \$53.4 million from fiscal year 2022 operating expense of \$344.6 million. The increase in operating expenses over the two-year period of fiscal year 2022 to 2023 is reflective of supply chain constraints and higher wages. The Authority also saw depreciation expense increase from \$76.3 million in fiscal year 2022 to \$83.4 million in fiscal year 2023, an increase of \$7.1 million or 9.3%. This increase was expected as the Authority continues to implement its capital plan that included opening the Hugh Leatherman Terminal and the SMART Chassis Pool.

Non-operating revenues increased \$111.5 million during fiscal year 2024 from \$13.0 million in fiscal year 2023 to \$124.5 million. Drivers of non-operating expenses include the following:

- Interest income in fiscal year 2024 was \$19.7 million versus fiscal year 2023 interest income of \$13.1 million, as returns on cash and investments increased in the current year. Interest income in fiscal year 2022 was \$6.0 million.
- Unrealized gain on investments was \$14.0 million in fiscal year 2024 and \$722 thousand in fiscal year 2023 after recognizing unrealized losses of \$22.6 million in fiscal year 2022.
- Interest expense was \$51.3 million in fiscal year 2024 after incurring \$51.9 million in interest expense for fiscal year 2023, representing all interest paid for senior and subordinate debt obligations of the Authority. In fiscal year 2022, interest expense was \$50.7 million.
- During fiscal year 2024, the Authority received contributions from the State of South Carolina of \$135.9 million related to the construction of the Navy Base Intermodal Facility and Jasper Ocean Terminal. The Authority also received \$35.4 million from the federal government for harbor deepening.
- In fiscal year 2024, the Authority recorded an extraordinary impairment loss on chassis equipment of \$18.6 million.
- The Authority made a \$9.9 million settlement payment for the development of Union Pier in fiscal year 2024.

Capital Assets and Debt Administration

The Ports Authority's investment in capital assets was \$2.2 billion as of June 30, 2024, representing a 10.2% increase over June 30, 2023, and a 16.8% increase over 2022. The investments include land, land improvements, buildings, equipment, railroad tracks, furniture and fixtures, projects in progress, and intangible lease and subscription assets.

South Carolina State Ports Authority

Management's Discussion and Analysis (unaudited)

June 30, 2024 and 2023

Major capital investments and other significant expenditures over the past two fiscal years include the following:

- Purchase of approximate 280-acre property adjacent to North Charleston Terminal
- Navy Base Intermodal Transfer Facility and Barge Infrastructure
- Hugh K. Leatherman Terminal – Phase 1
- Expansion of Inland Port Greer
- Purchase and upgrades of Rubber-Tired-Gantry (RTG) Cranes and other Material Handling Equipment
- Traffic flow improvements and densification at the Wando Welch Terminal

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

Debt Administration

The administration of our debt and borrowing capacity is essential to achieving the current capital and growth plan of the Authority. The Ports Authority issued revenue bonds in 2010 (\$170 million), 2015 (\$294 million), 2018 (\$325 million), and 2019 (\$657 million). The 2010 revenue bonds were legally defeased in fiscal year 2018 and portions of the 2015 revenue bonds were refunded in fiscal year 2020 with the Series' 2019C (\$125 million) and 2019D (\$152 million). Total revenue bonds outstanding were \$998.0 million, \$1.01 billion, and \$1.02 billion as of June 30, 2024, 2023 and 2022, respectively. Additionally, the Authority has direct borrowings outstanding with various third parties totaling \$373.9 million and \$403.1 million as of June 30, 2024, and 2023, respectively. Additional information on the Ports Authority's long-term debt can be found in Note 6 to the financial statements.

Credit Rating

The Ports Authority's Senior Revenue Bonds, Series 2019A, Series 2019B, Series 2019C, Series 2019D, 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

As of June 30, 2024 and 2023

(in thousands of dollars)

	2024	2023
Assets		
Current assets		
Cash and cash equivalents, unrestricted	\$ 328,844	\$ 440,951
Cash and cash equivalents, restricted	55,543	52,853
Cash and cash equivalents held by trustee for debt service	33,162	32,879
Investments, unrestricted	5,687	5,383
Accrued interest receivable	3,534	4,206
Accounts receivable trade, net of allowance for doubtful accounts of \$2,383 in 2024 and \$2,252 in 2023	46,889	48,246
Other receivables	26,371	12,612
Inventories, net	13,119	11,737
Prepaid and other current assets	9,800	9,332
Total current assets	<u>522,949</u>	<u>618,199</u>
Noncurrent assets		
Investments, restricted	15,666	5,303
Investments held by trustee for debt service	3,082	2,927
Capital assets, net	2,227,330	2,021,346
Other noncurrent assets and receivables	14,387	16,353
Total noncurrent assets	<u>2,260,465</u>	<u>2,045,929</u>
Total assets	<u>2,783,414</u>	<u>2,664,128</u>
Deferred outflows of resources		
Defined benefit plans	47,773	58,707
Post-employment benefit plans	15,208	17,714
Deferred loss on refunding bonds	22,538	23,595
Total deferred outflows of resources	<u>85,519</u>	<u>100,016</u>
Total assets and deferred outflows of resources	<u>\$ 2,868,933</u>	<u>\$ 2,764,144</u>
Liabilities		
Current liabilities		
Current maturities of total OPEB liability	\$ 2,449	\$ 2,056
Current maturities of long-term debt	31,405	30,927
Accounts payable	35,307	33,739
Accounts payable, construction	17,586	14,422
Retainage payable	11,902	846
Accrued interest	22,181	22,764
Accrued payroll and related expenses	6,637	10,525
Other liabilities	7,075	9,217
Total current liabilities	<u>134,542</u>	<u>124,496</u>
Noncurrent liabilities		
Total OPEB liability, net of current maturities	58,981	58,023
Net pension liability	183,897	178,388
Long-term debt, net of current maturities	1,407,774	1,451,343
Other non-current liabilities	27,983	22,225
Total noncurrent liabilities	<u>1,678,635</u>	<u>1,709,979</u>
Total liabilities	<u>1,813,177</u>	<u>1,834,475</u>
Deferred inflows of resources		
Defined benefit plans	829	835
Post-employment benefit plans	25,759	28,700
Leases	14,718	19,320
Total deferred inflows of resources	<u>41,306</u>	<u>48,855</u>
Net position		
Net investment in capital assets	814,024	584,756
Restricted for		
Debt service	41,910	41,109
Capital projects	10,000	-
Unrestricted	148,516	254,949
Total net position	<u>1,014,450</u>	<u>880,814</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 2,868,933</u>	<u>\$ 2,764,144</u>

The Accompanying Notes to Financial Statements Are An Integral Part of This Statement.

South Carolina State Ports Authority
Statements of Revenues, Expenses and Changes in Net Position
For the fiscal years ended June 30, 2024 and 2023

(in thousands of dollars)

	<u>2024</u>	<u>2023</u>
Operating revenues	\$ 404,003	\$ 448,508
Operating expenses		
Direct operating	266,571	254,640
Administrative	55,553	59,899
Depreciation	84,161	83,436
Total operating expenses	<u>406,285</u>	<u>397,975</u>
Operating (loss) income	(2,282)	50,533
Nonoperating revenues (expenses)		
Interest income	19,651	13,125
Other (expense) income, net	(11,945)	2,364
Impairment loss on capital assets	(18,562)	-
Gain on disposal of property and equipment, net	2,532	3,593
Interest expense	(51,332)	(51,903)
Unrealized gain on investments, net	13,966	722
Contribution to the State of SC for Arthur Ravenel Jr. Bridge	(1,000)	(1,000)
Contribution to Project Spartan for infrastructure improvements	(121)	-
Contribution to Wards Creek Trail Project	(17)	-
Contribution to Georgetown County for infrastructure improvements	-	(1,000)
Contribution to Port Royal Sound Foundation	-	(100)
Contribution from the State of SC for Navy Base Intermodal Facility	134,873	45,048
Contribution from the State of SC for Georgetown	-	1,000
Contribution from the State of SC for Port Royal Sound Foundation	-	100
Contribution from Spartanburg County for infrastructure improvements	-	250
Contribution from SC Coordinating Council for Economic Development	-	750
Contribution from Federal Government for harbor deepening	35,440	-
Contribution from the State of SC for Jasper Ocean Terminal	1,000	7
Total nonoperating revenues (expenses)	<u>124,485</u>	<u>12,956</u>
Revenues in excess of expenses before capital grants	122,203	63,489
Capital grants from the federal government	11,433	3,754
Contribution of property from the State of SC for Navy Base Intermodal Facility	-	41,103
Contribution from SC Department of Commerce for BMW expansion	-	17,379
Increase in net position	<u>133,636</u>	<u>125,725</u>
Total net position		
Beginning of year	880,814	755,089
End of year	<u>\$ 1,014,450</u>	<u>\$ 880,814</u>

The Accompanying Notes to Financial Statements Are An Integral Part of This Statement.

South Carolina State Ports Authority**Statements of Cash Flows****For the fiscal years ended June 30, 2024 and 2023***(in thousands of dollars)*

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities		
Cash received from customers	\$ 405,359	\$ 471,426
Cash paid to suppliers	(153,336)	(143,949)
Cash paid for employees	(147,903)	(160,353)
Net cash provided by operating activities	<u>104,120</u>	<u>167,124</u>
Cash flows from investing activities		
Change in unrealized gain on investments	13,966	722
Interest on investments	19,607	10,539
Net cash provided by investing activities	<u>33,573</u>	<u>11,261</u>
Cash flows from noncapital financing activities		
Proceeds from dredging	168	256
Proceeds from scrap steel sales	41	56
Payment for Union Pier settlement	(9,900)	-
Payment to captive insurance company	(30)	-
Payment to refund BUILD Grant	(573)	-
Contribution to Spartan Project	(121)	-
Contribution to the State of SC for Arthur Ravenel Jr. Bridge	(1,000)	(1,000)
Contribution to Wards Creek Trail Project	(17)	-
Contribution to Port Royal Sound Foundation	-	(100)
Contribution to DERA Grant Subrecipient	(997)	(313)
Contribution to Georgetown County	-	(1,000)
Contribution from Federal government	-	321
Contribution from Federal government for Harbor Deepening	35,440	-
Contribution from DERA Grant	831	1,415
Contribution from PDIP Grant	152	-
Contribution from BUILD Grant	134	1,888
Contribution from EPA Grant	35	-
Contribution from SEC Grant	448	-
Contribution from PEBA for pension true-up	413	-
Contribution from State of SC for tax refunds	257	-
Contribution from SC Coordinating Council for Economic Development	-	750
Contribution from State of SC for Georgetown County	-	1,000
Contribution from State of SC for Port Royal Sound Foundation	-	100
Contribution from the State of SC for the Navy Base Intermodal Facility	127,012	41,882
Contribution from the State of SC for Jasper Ocean Terminal	-	7
Net cash provided by noncapital financing activities	<u>152,293</u>	<u>45,262</u>
Cash flows from capital and related financing activities		
Acquisition and construction of capital assets	(296,600)	(127,342)
Proceeds from sale of capital assets	7,107	3,787
Lease payments	(4,186)	3,214
SBITA payments	(1,218)	(866)
Principal paid on revenue bonds	(11,275)	(8,980)
Principal paid on other debt	(29,174)	(19,191)
Interest paid on revenue bonds	(42,927)	(43,433)
Interest paid on other debt	(10,025)	(9,949)
Net cash used in capital and related financing activities	<u>(388,298)</u>	<u>(202,760)</u>
Net (decrease) increase in cash and cash equivalents	<u>(98,312)</u>	<u>20,887</u>
Cash and cash equivalents		
Beginning of year	540,296	519,409
End of year	<u>\$ 441,984</u>	<u>\$ 540,296</u>

The Accompanying Notes to Financial Statements Are An Integral Part of This Statement.

South Carolina State Ports Authority**Statements of Cash Flows****For the fiscal years ended June 30, 2024 and 2023***(in thousands of dollars)*

	2024	2023
Reconciliation of cash and cash equivalents to financial statements		
Cash and cash equivalents	\$ 417,549	\$ 526,683
Investments	24,435	13,613
Total cash and cash equivalents	<u>\$ 441,984</u>	<u>\$ 540,296</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating (loss) income	\$ (2,282)	\$ 50,533
Adjustments to reconcile operating (loss) income to net cash provided by operating activities		
Depreciation	84,161	83,436
Provision for doubtful accounts	131	2,019
Amortization	8,858	2,037
Lease revenue	(3,489)	(3,995)
Expense reclasses	6,316	-
Changes in operating assets and liabilities		
Accounts receivable trade	1,252	20,895
Other receivables	(85)	-
Inventories, net	(1,382)	(1,082)
Prepaid and other current assets	(790)	(2,082)
Accounts payable and other liabilities	(1,674)	4,809
Payroll related liabilities	(2,971)	(3,289)
Net pension liability	16,438	14,055
Other liabilities	(363)	(212)
Net cash provided by operating activities	<u>\$ 104,120</u>	<u>\$ 167,124</u>
Noncash Investing, Capital and Financing Activities		
The following are noncash investing, capital and financing activities as of and for the fiscal year ended June 30:		
Capital assets included in accounts payable	\$ 9	\$ 2,801
Unrealized gain on investments	13,966	722
Interest income included in interest receivable	(672)	1,872
Contribution from State of SC for BMW expansion	-	(17,379)
Contribution from Palmetto Rail for NBIF property	-	(41,103)
Noncash other capital activities	(17,372)	15
Lease assets	1,185	(14,463)
Lease liabilities	(4)	14,463
SBITA assets	(15,994)	(1,236)
SBITA liabilities	15,994	1,236

The Accompanying Notes to Financial Statements Are An Integral Part of This Statement.

South Carolina State Ports Authority

Notes to Financial Statements

June 30, 2024 and 2023

Note 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 port of Charleston, 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, 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.

South Carolina State Ports Authority

Notes to Financial Statements

June 30, 2024 and 2023

Note 1. Summary of Significant Accounting Policies, Continued

Components of net investment in capital assets are as follows:

(in thousands of dollars)

	<u>2024</u>	<u>2023</u>
Capital assets, net	\$ 2,227,330	\$ 2,021,346
Unspent bond proceeds	55,533	52,844
Bonds payable	(997,950)	(1,009,225)
Unamortized bond premiums	(67,282)	(69,924)
Deferred loss on refunding bonds	22,538	23,595
Notes payable	(373,947)	(403,121)
Lease liabilities	(6,102)	(13,721)
Subscription liabilities	(16,608)	(1,770)
Construction related payables and retainage	(29,488)	(15,268)
	<u>\$ 814,024</u>	<u>\$ 584,756</u>

- *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:

In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*. This statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability. This Statement also addresses certain application issues. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. The Ports Authority is currently evaluating the impact that this Statement will have on its financial statements.

In January 2024, GASB issued Statement No. 102, *Certain Risk Disclosures*. This statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. The Ports Authority is evaluating this requirement with plans for adoption in the fiscal year ending June 30, 2025.

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023. The Ports Authority is evaluating this requirement with plans for adoption in the fiscal year ending June 30, 2025.

South Carolina State Ports Authority

Notes to Financial Statements

June 30, 2024 and 2023

Note 1. Summary of Significant Accounting Policies, Continued

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*. This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). The requirements of this Statement are effective for fiscal years ending after June 15, 2023 and the Ports Authority has adopted this pronouncement.

Other accounting standards that have been issued or proposed by the GASB or other standards-setting bodies are not expected to have a material impact on the Ports Authority's financial position, changes in net position, or cash flows.

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." Cash or investments maintained in accordance with revenue bond debt service 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 Statements of Cash Flows. Other highly liquid investments with a maturity of three-months or less 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 the trustee include U.S. government agency securities, which receive credit ratings from organizations such as Moody's Investors Service, Standard & Poor's, and Fitch Ratings, Inc. 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 Fitch Ratings, Inc. of AA+ as of June 30, 2024 and 2023. Investments include money market funds, U.S. Government securities and interest-bearing accounts with credit ratings from Moody's Investors Service of Aaa and Fitch Ratings of AA+ as of June 30, 2024 and 2023. 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 the State Treasurer's investments are insured or registered or are investments for which the securities are held by the State or its agents in the State's name. Information pertaining to the reported amounts, fair values, credit risk, interest rate risk, and concentration risk of the State Treasurer's investments is disclosed in the Annual Comprehensive Financial Report of the State of South Carolina.

South Carolina State Ports Authority

Notes to Financial Statements

June 30, 2024 and 2023

Note 1. Summary of Significant Accounting Policies, Continued

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 are invested primarily in money market funds, mutual funds, US Government securities, and interest-bearing accounts, which totaled approximately \$21,353,000 and \$10,686,000 as of June 30, 2024 and 2023, respectively. Investments held by the trustee are invested in government agency securities, which totaled approximately \$36,244,000 and \$35,806,000 as of June 30, 2024 and 2023, respectively. Investments and investments held by trustee are fully collateralized as of June 30, 2024 and 2023.

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 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)

<u>Investment Type</u>	<u>Maturity</u>	<u>2024</u>	<u>2023</u>
Money market funds	Less than three months	\$ 175,222	\$ 129,097
Mutual funds	Less than one year	5,666	5,303
Certificate of deposit	Less than one year	10,080	-
U.S. government agency securities	Less than one year	1,661	989
U.S. government agency securities	One to five years	3,688	4,394
U.S. treasury bills	Less than one year	258	-

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 and are recorded at cost. Inventory is evaluated for obsolescence on an annual basis and adjusted accordingly.

Capital assets:

Capital assets with a value of \$10,000 or greater that are constructed or purchased are capitalized and stated at cost. Contributed capital assets are recorded at estimated fair value on the date received. Donated works of art and similar items should be reported at acquisition value rather than fair value. Capital assets received in a service concession arrangement should be reported at acquisition value.

South Carolina State Ports Authority

Notes to Financial Statements

June 30, 2024 and 2023

Note 1. Summary of Significant Accounting Policies, Continued

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
Equipment	5 to 25 years
Furniture and fixtures	5 to 20 years

Lease receivable:

Lease receivables are measured at the present value of the lease payments expected to be received during the lease term. Under a lease agreement, the Ports Authority may receive variable lease payments based on changes in the Consumer Price Index (CPI). The variable payments are recorded as an inflow of resources in the period incurred. A deferred inflow of resources is recorded to offset the lease receivable. The deferred inflow of resources is recorded at the inception of the lease in an amount equal to the initial recording of the lease receivable plus any prepayments and less any incentives given. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease. Lease receivables are included in other receivables and other noncurrent assets and receivables in the Statements of Net Position.

Lease liabilities:

Lease liabilities are measured at the present value of expected lease payments over the lease term. An intangible right-to-use asset is recorded to offset the lease liability. The intangible asset is recorded at the inception of the lease in an amount equal to the initial recording of the lease liability plus any initial direct costs, plus any prepayments, and less any incentives received. The intangible right-to-use asset is amortized on a straight-line basis over the shorter of the lease term or the useful life of the lease asset. Lease liabilities are included in other current and non-current liabilities in the Statements of Net Position.

Subscription liabilities:

Under GASB 96, Subscription-Based Information Technology Arrangements (SBITAs), subscription liabilities are measured at the present value of expected SBITA payments over the subscription term. An intangible right-to-use subscription asset is recorded to offset the subscription liability. The intangible right-to-use subscription asset is measured at the value of the subscription liability plus any initial implementation costs and prepayments, less any incentives received. The intangible right-to-use subscription asset is amortized on a straight-line basis over the shorter of the subscription term or the useful life of the underlying IT assets. Subscription liabilities are included in other current and non-current liabilities in the Statements of Net Position.

South Carolina State Ports Authority

Notes to Financial Statements

June 30, 2024 and 2023

Note 1. Summary of Significant Accounting Policies, Continued

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 Authority. 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.

Deferred outflows/inflows of resources:

Deferred outflows of resources represent a consumption of net assets applicable to future reporting periods. The Ports Authority's deferred outflows of resources consist of (i) deferred loss on debt refunding – the defeasance of previously outstanding revenue bonds resulting in deferred refunding losses. These deferred losses are recognized as a component of interest expense over the remaining life of the old or new debt, whichever is shorter; (ii) net pension and total OPEB liabilities – decreases in net pension and total OPEB liabilities that are not included in expense. Also, employer contributions related to pension and OPEB that are made subsequent to the measurement date are reported as deferred outflows of resources. Deferred inflows of resources represent an acquisition of net assets applicable to future reporting periods. The Ports Authority's deferred inflows of resources consist of increases in net pension liabilities and total OPEB liabilities not included in expense and leases receivable.

South Carolina State Ports Authority

Notes to Financial Statements

June 30, 2024 and 2023

Note 1. Summary of Significant Accounting Policies, Continued

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 for the years ending June 30, 2024, 2023, and 2022.

Concentration of credit risk:

The Ports Authority provides services and facilities usage for companies located throughout the world. During the years ended June 30, 2024 and 2023, three customers accounted for the following revenue and accounts receivable percentages:

	2024		2023	
	Revenue	Accounts Receivable	Revenue	Accounts Receivable
Customer 1	14%	14%	13%	22%
Customer 2	14	13	12	10
Customer 3	12	15	13	17
	<u>40%</u>	<u>42%</u>	<u>38%</u>	<u>49%</u>

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

Annual leave policy:

Employees earn vacation at rates of 12 to 25 days per year and may accumulate up to a maximum of 5 days, 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 its accumulated value for the current year plus the respective maximum in the accompanying financial statements. The liability is approximately \$2,471,000 and \$2,584,000 as of June 30, 2024 and 2023, respectively, and is included in accrued payroll and related expenses in the Statements of Net Position.

South Carolina State Ports Authority

Notes to Financial Statements

June 30, 2024 and 2023

Note 1. Summary of Significant Accounting Policies, Continued

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.

Subsequent events:

In preparing these financial statements, the Ports Authority has evaluated events and transactions for potential recognition or disclosure through September 24, 2024, the date the financial statements were available to be issued.

Note 2. Cash and Investments

The Ports Authority's total cash and cash equivalents and investments at June 30, 2024 and 2023 was approximately \$441,984,000 and \$540,296,000, 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, 2024 and 2023.

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.

Investments held with the State Treasurer are insured or registered or are investments for which the securities are held by the State or its agents in the State's name. Information pertaining to the reported amounts, fair values, and the credit risk of the State Treasurer's investments is disclosed in the Annual Comprehensive Financial Report of the State of South Carolina. For the fiscal years ending June 30, 2024 and 2023, approximately \$(1,230,000) of the \$76,095,000 and \$(15,116,000) of the \$334,779,000, respectively, identified in the schedule on the following page as "Deposits held by State Treasurer" is attributable to unrealized losses.

State law requires full collateralization of all State Treasurer bank balances. The State Treasurer must correct any deficiencies in collateral within seven days.

South Carolina State Ports Authority

Notes to Financial Statements

June 30, 2024 and 2023

Note 2. Cash and Investments, Continued

The Port's Authority holds a foreign currency-denominated deposit. This deposit is subject to foreign currency risk, which is the risk that changes in exchange rates will adversely affect the fair value of an investment. For the fiscal year ended June 30, 2024, the foreign currency balance at fair value USD was approximately \$12,744,000. Foreign currency risk is measured by the currency's exchange rate at the balance sheet date. Gains or losses resulting from fluctuations in these exchange rates are reported in the Statements of Revenues, Expenses, and Changes in Net Position. No foreign currency deposits were held as of June 30, 2023.

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

(in thousands of dollars)

	<u>2024</u>	<u>2023</u>
<u>Statements of Net Position</u>		
Current assets		
Cash and cash equivalents, unrestricted	\$ 328,844	\$ 440,951
Cash and cash equivalents, restricted	55,543	52,853
Cash and cash equivalents held by trustee for debt service	33,162	32,879
Investments, unrestricted	5,687	5,383
Noncurrent assets		
Investments, restricted	15,666	5,303
Cash & Investments held by trustee for debt service	<u>3,082</u>	<u>2,927</u>
	<u>\$ 441,984</u>	<u>\$ 540,296</u>
 <u>Deposits and Investments</u>		
Deposits insured (FDIC) or collateralized by securities held by the pledging financial institution's agent in the Ports Authority's name	\$ 308,292	\$ 159,025
Deposits held by the State Treasurer's Office	76,095	334,779
Investments held by third party banks	21,353	10,686
Deposits held by trustee	<u>36,244</u>	<u>35,806</u>
	<u>\$ 441,984</u>	<u>\$ 540,296</u>

General provision regarding these funds are as follows:

Restricted cash and investments are held for a specific purpose and therefore not available to the Ports Authority for general business use. Current restricted funds include funds related to escrow deposits for specific equipment purchases and future environmental remediation.

South Carolina State Ports Authority

Notes to Financial Statements

June 30, 2024 and 2023

Note 2. Cash and Investments, Continued

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 6). 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. Cash 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 cash 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 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.

Securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Securities classified in Level 3 are valued using discounted cash flow techniques.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the investment's risk. Money market and mutual funds classified in Level 1 of the fair value hierarchy are valued directly from a predetermined primary external pricing vendor. Assets classified in Level 2 are subject to pricing by an alternative pricing source due to lack of information available by the primary vendor.

South Carolina State Ports Authority

Notes to Financial Statements

June 30, 2024 and 2023

Note 2. Cash and Investments, Continued

The cost, gross unrealized gain, gross unrealized loss, and fair values of fixed maturity securities as of and for the years ended June 30, 2024 and 2023 are as follows:

(in thousands of dollars)

	2024			
	<u>Cost</u>	<u>Unrealized Gain</u>	<u>Unrealized Loss</u>	<u>Fair Market Value</u>
Money market funds	\$ 175,222	\$ -	\$ -	\$ 175,222
Mutual funds	5,666	-	-	5,666
Certificate of deposit	10,080	-	-	10,080
U.S. treasury bills	258	-	-	258
U.S. treasury securities	5,181	29	(138)	5,072
Gov't sponsored securities	297	-	(20)	277
	<u>\$ 196,704</u>	<u>\$ 29</u>	<u>\$ (158)</u>	<u>\$ 196,575</u>

(in thousands of dollars)

	2023			
	<u>Cost</u>	<u>Unrealized Gain</u>	<u>Unrealized Loss</u>	<u>Fair Market Value</u>
Money market funds	\$ 129,097	\$ -	\$ -	\$ 129,097
Mutual funds	5,303	-	-	5,303
U.S. treasury securities	5,379	8	(274)	5,113
Gov't sponsored securities	297	-	(27)	270
	<u>\$ 140,076</u>	<u>\$ 8</u>	<u>\$ (301)</u>	<u>\$ 139,783</u>

For the fiscal year ended June 30, 2024, unrealized gain on investments as reported on the Statements of Revenues, Expenses and Changes in Net Position of \$13,966,000 included unrealized gains on investments of \$80,000 and unrealized gains on deposits held by state treasurer of \$13,886,000. Unrealized gains on investments as reported on the Statements of Revenues, Expenses and Changes in Net Position of \$722,000 for the year ended June 30, 2023, includes unrealized loss on investments of \$(82,000) and unrealized gain on deposits held by state treasurer of \$804,000.

The investment balances in the tables above and below are included in the Statements of Net Position as investments (approximately \$21,353,000 and \$10,686,000 as of June 30, 2024 and 2023, respectively) and cash and cash equivalents held by trustee for debt service (approximately \$3,082,000 and \$2,927,000 as of June 30, 2024 and 2023, respectively). There were 10 securities in an unrealized loss position at June 30, 2024, 9 of which were greater than 12 months. There were 16 securities in an unrealized loss position at June 30, 2023, 14 of which were in a loss position for greater than 12 months.

South Carolina State Ports Authority

Notes to Financial Statements

June 30, 2024 and 2023

Note 2. Cash and Investments, Continued

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)

	2024			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 175,222	\$ -	\$ -	\$ 175,222
Mutual funds	5,666	-	-	5,666
Certificate of deposit	10,080	-	-	10,080
U.S. treasury bills	258	-	-	258
U.S. treasury securities	-	5,072	-	5,072
Gov't sponsored securities	-	277	-	277
	<u>\$ 191,226</u>	<u>\$ 5,349</u>	<u>\$ -</u>	<u>\$ 196,575</u>

(in thousands of dollars)

	2023			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 129,097	\$ -	\$ -	\$ 129,097
Mutual funds	5,303	-	-	5,303
U.S. treasury securities	-	5,113	-	5,113
Gov't sponsored securities	-	270	-	270
	<u>\$ 134,400</u>	<u>\$ 5,383</u>	<u>\$ -</u>	<u>\$ 139,783</u>

South Carolina State Ports Authority

Notes to Financial Statements

June 30, 2024 and 2023

Note 3. Capital Assets

Capital assets consist of the following amounts:

<i>(in thousands of dollars)</i>	Balance at June 30, 2023	Additions	Disposals	Transfers	Balance at June 30, 2024
Capital assets not depreciated:					
Land	\$ 777,861	\$ -	\$ (3,039)	\$ 107,828	\$ 882,650
Capital projects in progress	<u>148,700</u>	<u>310,821</u>	<u>(24,953)</u>	<u>(166,953)</u>	<u>267,615</u>
Total capital assets not depreciated	<u>926,561</u>	<u>310,821</u>	<u>(27,992)</u>	<u>(59,125)</u>	<u>1,150,265</u>
Depreciable capital assets:					
Land improvements	713,547	-	(73)	46,098	759,572
Buildings and structures	700,928	-	-	1,128	702,056
Railroad tracks	23,508	-	-	-	23,508
Equipment	418,395	1	(2,656)	11,524	427,264
Furniture and fixtures	42,266	-	-	375	42,641
Intangible lease assets	14,660	-	-	-	14,660
Intangible subscription assets	<u>3,325</u>	<u>16,313</u>	<u>(4)</u>	<u>-</u>	<u>19,634</u>
Total depreciable capital assets	1,916,629	16,314	(2,729)	59,125	1,989,335
Less: Accumulated depreciation					
Land improvements	340,684	35,076	(5)	5	375,760
Buildings and structures	254,057	22,975	-	(7)	277,025
Railroad tracks	11,624	991	-	-	12,615
Equipment	175,921	24,076	(2,585)	2	197,414
Furniture and fixtures	<u>37,553</u>	<u>1,044</u>	<u>-</u>	<u>-</u>	<u>38,597</u>
Total accumulated depreciation	819,839	84,162	(2,590)	-	901,411
Intangible lease assets	1,003	7,713	-	-	8,716
Intangible subscription assets	<u>1,002</u>	<u>1,145</u>	<u>(4)</u>	<u>-</u>	<u>2,143</u>
	2,005	8,858	-	-	10,859
Depreciable capital assets, net	<u>1,094,785</u>	<u>(76,706)</u>	<u>(139)</u>	<u>59,125</u>	<u>1,077,065</u>
Capital assets, net	<u>\$ 2,021,346</u>	<u>\$ 234,115</u>	<u>\$ (28,131)</u>	<u>\$ -</u>	<u>\$ 2,227,330</u>

South Carolina State Ports Authority

Notes to Financial Statements

June 30, 2024 and 2023

Note 3. Capital Assets, Continued

<i>(in thousands of dollars)</i>	Balance at June 30, 2022	Additions	Disposals	Transfers	Balance at June 30, 2023
Capital assets not depreciated:					
Land	\$ 716,971	\$ 57,957	\$ (2,269)	\$ 5,202	\$ 777,861
Capital projects in progress	<u>75,065</u>	<u>128,242</u>	<u>-</u>	<u>(54,607)</u>	<u>148,700</u>
Total capital assets not depreciated	<u>792,036</u>	<u>186,199</u>	<u>(2,269)</u>	<u>(49,405)</u>	<u>926,561</u>
Depreciable capital assets:					
Land improvements	709,541	-	(2,542)	6,548	713,547
Buildings and structures	694,476	525	(8,791)	14,718	700,928
Railroad tracks	23,844	-	(415)	79	23,508
Equipment	395,199	25	(4,140)	27,311	418,395
Furniture and fixtures	41,517	-	-	749	42,266
Intangible lease assets	819	14,769	(928)	-	14,660
Intangible subscription assets	<u>2,064</u>	<u>1,261</u>	<u>-</u>	<u>-</u>	<u>3,325</u>
Total depreciable capital assets	1,867,460	16,580	(16,816)	49,405	1,916,629
Less: Accumulated depreciation					
Land improvements	308,168	34,841	(2,325)	-	340,684
Buildings and structures	239,431	22,835	(8,209)	-	254,057
Railroad tracks	10,949	997	(322)	-	11,624
Equipment	156,064	23,762	(3,905)	-	175,921
Furniture and fixtures	<u>36,552</u>	<u>1,001</u>	<u>-</u>	<u>-</u>	<u>37,553</u>
Total accumulated depreciation	751,164	83,436	(14,761)	-	819,839
Intangible lease assets	450	1,175	(622)	-	1,003
Intangible subscription assets	<u>140</u>	<u>862</u>	<u>-</u>	<u>-</u>	<u>1,002</u>
	590	2,037	(622)	-	2,005
Depreciable capital assets, net	<u>1,115,706</u>	<u>(68,893)</u>	<u>(1,433)</u>	<u>49,405</u>	<u>1,094,785</u>
Capital assets, net	<u>\$ 1,907,742</u>	<u>\$ 117,306</u>	<u>\$ (3,702)</u>	<u>\$ -</u>	<u>\$ 2,021,346</u>

South Carolina State Ports Authority

Notes to Financial Statements

June 30, 2024 and 2023

Note 4. Leases

The Ports Authority, as a lessor, recognizes a lease receivable and deferred inflows of resources at the commencement of a lease term, with certain exceptions for leases of assets held as investments, certain regulated leases, short-term leases and leases that transfer ownership of the underlying asset. As a lessor, the asset underlying the lease is not unrecognized. The lease receivable is measured at the present value of the lease payments expected to be received during the lease term. The deferred inflow of resources is measured at the value of the lease receivable plus any payments received and less any incentives given at or before the commencement of the lease.

For *GASB No. 87, Leases*, the Ports Authority's leases were categorized as follows:

1. Included
2. Excluded – short-term

Included leases:

For included leases, the Ports Authority recognized lessor lease receivable of \$15,333,000 and \$19,775,000 for the fiscal years ending June 30, 2024 and 2023, respectively, and is included in other receivables and other noncurrent assets and receivables in the Statements of Net Position. For the fiscal year ended June 30, 2024, the Ports Authority reported lease revenue of \$3,489,000 and interest revenue of \$635,000. For the fiscal year ending June 30, 2023, the Ports Authority reported lease revenue of \$3,995,000 and interest revenue of \$682,000.

The Ports Authority used an incremental borrowing rate of 3.0% for leases prior to July 1, 2022. Starting July 1, 2022, leases are discounted using the 10-year treasury rate plus 1% as of the lease commencement date to discount lease revenue to net present value unless the lease specifies an implicit borrowing rate. One lease was discounted using its implicit rate of 5.0% as specified in the lease. Some leases include termination clauses, without cause, after a specified date. Those periods were not included in the term of the lease.

Land

The Ports Authority leases land for terms that range from 3 to 55 years. The terms of the land lease agreements include fixed revenue components based on total acreage. Some land lease agreements include a variable revenue component based on the Consumer Price Index (CPI). Other adjustments include one-time rent waivers that are also included in variable revenue. Variable revenue/(waivers) totaled \$(70,000) and \$(33,000) for the fiscal years ending June 30, 2024 and 2023, respectively. The variable revenue and rent waivers were not included in the measurement of the lease receivable.

Buildings

The Ports Authority leases buildings and warehouses for terms that range from two to five years. The terms of the building lease agreements include a fixed revenue component based on total square footage. Some building lease agreements include a variable revenue component based on changes in CPI and some include discounts contingent upon container volume. Variable revenue/(discounts) totaled \$59,000 and \$85,000 for the fiscal years ending June 30, 2024 and 2023, respectively. The variable building revenue and volume discounts were not included in the measurement of the lease receivable.

South Carolina State Ports Authority

Notes to Financial Statements

June 30, 2024 and 2023

Note 4. Leases, Continued

Minimum future lease receipts are:

(in thousands of dollars)

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 2,206	\$ 523	\$ 2,729
2026	2,312	435	2,747
2027	2,423	343	2,766
2028	2,056	256	2,312
2029	2,090	181	2,271
2030–2034	2,120	453	2,573
2035–2039	534	274	808
2040–2044	508	203	711
2045–2049	590	120	710
2050–2054	332	38	370
2055–2059	29	22	51
2060–2064	33	18	51
2065–2069	38	12	50
2070–2074	45	6	51
2075–2076	17	-	17
	<u>\$ 15,333</u>	<u>\$ 2,884</u>	<u>\$ 18,217</u>

Excluded – short-term leases:

The Ports Authority does not recognize lease receivable and deferred inflows of resources for short-term leases. Short-term leases are certain leases that have a maximum possible term under the lease contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised.

The Ports Authority, as a lessee, recognizes an intangible right-to-use asset and a lease liability at the commencement of the lease term, with certain exceptions for leases of assets held as investments, certain regulated leases, short-term leases and leases that transfer ownership of the underlying asset. The lease liability is measured at the present value of the lease payments expected to be paid during the lease term. The intangible right-to-use asset is measured at the value of the lease liability plus any initial direct costs and prepayments and less any incentives received.

For GASB No. 87, Leases, the Ports Authority's leases were categorized as follows:

1. Included
2. Excluded – short-term

South Carolina State Ports Authority

Notes to Financial Statements

June 30, 2024 and 2023

Note 4. Leases, Continued

Included leases:

For included leases, the Ports Authority is reporting a lessee lease liability of \$6,102,000 for the year ending June 30, 2024 and \$13,721,000 for the year ending June 30, 2023, and is included in other current and non-current liabilities in the Statements of Net Position. For the fiscal year ended June 30, 2024, the Ports Authority reported lease expense of \$7,713,000 and interest expense of \$480,000. For the fiscal year ended June 30, 2023, the Ports Authority reported lease expense of \$1,175,000 and interest expense of \$97,000.

Lease liability activity for the fiscal years ending June 30, 2024 and 2023 are as follows:

<i>(in thousands of dollars)</i>	<u>June 30, 2023</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2024</u>	<u>Current Portion</u>
Lease liability	\$ 13,721	\$ -	\$ (7,619)	\$ 6,102	\$ 5,912

<i>(in thousands of dollars)</i>	<u>June 30, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2023</u>	<u>Current Portion</u>
Lease liability	\$ 364	\$ 14,769	\$ (1,412)	\$ 13,721	\$ 7,618

The Ports Authority used an incremental borrowing rate of 3.0% for leases prior to July 1, 2022. Starting July 1, 2022, leases are discounted using the 10-year treasury rate plus 1% as of the lease commencement date to discount the lease to net present value unless the lease specifies an implicit borrowing rate. None of the lease agreements entered by the Ports Authority as a lessee include an implicit rate of return. Some leases include a termination clause available to either party after a certain date, without cause. Those periods were not included in the term of the lease.

Land

The Ports Authority leases land with a term of five years. Fixed land expense totaled \$0 and \$18,000 for the fiscal years ending June 30, 2024 and 2023, respectively. The terms of the land lease agreements do not include a variable expense component.

Buildings

The Ports Authority leases buildings on terminal with a term of two years. Fixed building expense totaled \$222,000 and \$203,000 for the fiscal years ending June 30, 2024 and 2023, respectively. The terms of the building lease agreements do not include a variable expense component.

Equipment

The Ports Authority leases container chassis, printing and postage equipment for terms that range from two to five years. Fixed equipment expense totaled \$7,491,000 and \$954,000 for the fiscal years ending June 30, 2024 and 2023, respectively. The container chassis leases include a variable component based on the number of chassis units leased over a stated minimum. Variable expenses totaled \$2,161,000 and \$125,000 for the fiscal years ending June 30, 2024 and 2023, respectively. The variable chassis expenses were not included in the measurement of the lease liability.

South Carolina State Ports Authority

Notes to Financial Statements

June 30, 2024 and 2023

Note 4. Leases, Continued

Lease assets by class for the fiscal years ending June 30, 2024 and 2023 are as follows:

<i>(in thousands of dollars)</i>	Balance at June 30, 2023	Additions	Disposals	Transfers	Balance at June 30, 2024
Lease assets:					
Buildings	\$ 388	\$ -	\$ -	\$ -	\$ 388
Equipment	14,272	-	-	-	14,272
Total lease assets	<u>14,660</u>	-	-	-	<u>14,660</u>
Less: Accumulated amortization					
Buildings	40	222	-	-	262
Equipment	963	7,491	-	-	8,454
Total accumulated amortization	<u>1,003</u>	<u>7,713</u>	-	-	<u>8,716</u>
Lease assets, net	<u>\$ 13,657</u>	<u>\$ (7,713)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,944</u>

<i>(in thousands of dollars)</i>	Balance at June 30, 2022	Additions	Disposals	Transfers	Balance at June 30, 2023
Lease assets:					
Land	\$ 48	\$ 138	\$ (186)	\$ -	\$ -
Buildings	394	388	(394)	-	388
Equipment	377	14,243	(348)	-	14,272
Total lease assets	<u>819</u>	<u>14,769</u>	<u>(928)</u>	-	<u>14,660</u>
Less: Accumulated amortization					
Land	34	18	(52)	-	-
Buildings	230	203	(393)	-	40
Equipment	186	954	(177)	-	963
Total accumulated amortization	<u>450</u>	<u>1,175</u>	<u>(622)</u>	-	<u>1,003</u>
Lease assets, net	<u>\$ 369</u>	<u>\$ 13,594</u>	<u>\$ (306)</u>	<u>\$ -</u>	<u>\$ 13,657</u>

Minimum future lease expenditures are:

<i>(in thousands of dollars)</i>	Principal	Interest	Total
2025	\$ 5,912	\$ 125	\$ 6,037
2026	96	5	101
2027	94	2	96
	<u>\$ 6,102</u>	<u>\$ 132</u>	<u>\$ 6,234</u>

South Carolina State Ports Authority

Notes to Financial Statements

June 30, 2024 and 2023

Note 4. Leases, Continued

Excluded – short-term leases:

The Ports Authority does not recognize lease liability and an intangible right-to-use asset for short-term leases. Short-term leases are certain leases that have a maximum possible term under the lease contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised.

Note 5. Subscription Based Information Technology Arrangements (SBITAs)

The Ports Authority recognizes an intangible right-to-use subscription asset and a corresponding subscription liability at the commencement of the SBITA term. There are certain exceptions for contracts that meet the definition of a lease under GASB 87, short-term SBITAs with a maximum possible term of 12 months or less, including any options to extend, and licensing arrangements that provide a perpetual license to use a vendor's computer software. The Ports Authority has entered into SBITAs involving terminal scheduling software, data center and infrastructure software, intermodal software, legal software, information technology security software, utilities system software, CRM software, and various desktop and server software.

The subscription liability is measured at the present value of the subscription payments expected to be paid during the subscription term. The intangible right-to-use subscription asset is measured at the value of the subscription liability plus any initial implementation costs and prepayments, less any incentives received.

For GASB No. 96, *Subscription-Based Information Technology Arrangements*, the Ports Authority's SBITAs were categorized as follows:

1. Included
2. Excluded – short-term

Included subscription based information technology agreements:

The Ports Authority recognizes SBITAs with terms that range from one to six years. For included SBITAs, the Ports Authority is reporting a subscription liability of \$16,608,000 for the year ending June 30, 2024 and \$1,770,000 for the year ending June 30, 2023, and is included in other current and non-current liabilities in the Statements of Net Position. For the fiscal year ended June 30, 2024, the Ports Authority reported subscription expense of \$1,145,000 and interest expense of \$66,000. For the fiscal year ended June 30, 2023, the Ports Authority reported subscription expense of \$862,000 and interest expense of \$71,000.

Some of the Ports Authority SBITAs include a variable component for additional service offerings and additional licenses over a stated minimum. Variable expenses totaled \$449,000 and \$447,000 for the fiscal years ending June 30, 2024 and 2023. The variable subscription expenses were not included in the measurement of the subscription liability.

South Carolina State Ports Authority

Notes to Financial Statements

June 30, 2024 and 2023

Note 5. Subscription Based Information Technology Arrangements (SBITAs), Continued

Subscription liability activity for the fiscal years ending June 30, 2024 and 2023 are as follows:

<i>(in thousands of dollars)</i>	<u>June 30, 2023</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2024</u>	<u>Current Portion</u>
Subscription liability	\$ 1,770	\$ 16,172	\$ (1,334)	\$ 16,608	\$ 746

<i>(in thousands of dollars)</i>	<u>June 30, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2023</u>	<u>Current Portion</u>
Subscription liability	\$ 1,580	\$ 987	\$ (797)	\$ 1,770	\$ 820

The Ports Authority used an incremental borrowing rate of 3.0% for SBITAs that commenced prior to July 1, 2022. Starting July 1, 2022, SBITAs are discounted using the 10-year treasury rate plus 1% as of the subscription commencement date to discount the subscription obligation to net present value unless the SBITA specifies an implicit borrowing rate. None of the SBITAs entered by the Ports Authority include an implicit rate of return. Some SBITAs include a termination clause available to either party after a certain date, without cause. Those periods were not included in the term of the subscription.

Minimum future subscription expenditures are:

<i>(in thousands of dollars)</i>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 746	\$ 875	\$ 1,621
2026	1,168	837	2,005
2027	1,815	761	2,576
2028	1,984	660	2,644
2029	2,088	549	2,637
2030–2034	8,807	985	9,792
	<u>\$ 16,608</u>	<u>\$ 4,667</u>	<u>\$ 21,275</u>

Excluded – short-term SBITA:

The Ports Authority does not recognize a subscription liability or an intangible right-to-use subscription asset for short-term SBITAs. A short-term SBITA has a maximum possible term under the SBITA contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised.

South Carolina State Ports Authority

Notes to Financial Statements

June 30, 2024 and 2023

Note 6. Long-Term Debt

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

<i>(in thousands of dollars)</i>	<u>June 30, 2023</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2024</u>	<u>Current Portion</u>
Revenue bonds – Series 2015	\$ 55,300	\$ -	\$ -	\$ 55,300	\$ -
Revenue bonds – Series 2018	299,015	-	(7,325)	291,690	7,685
Revenue bonds – Series 2019 A	121,160	-	(1,255)	119,905	1,320
Revenue bonds – Series 2019 B	257,170	-	(2,695)	254,475	2,835
Revenue bonds – Series 2019 C	125,000	-	-	125,000	-
Revenue bonds – Series 2019 D	151,580	-	-	151,580	-
Notes payable	403,121	-	(29,174)	373,947	19,565
	<u>1,412,346</u>	<u>-</u>	<u>(40,449)</u>	<u>1,371,897</u>	<u>31,405</u>
Plus: Unamortized premium	69,924	-	(2,642)	67,282	2,652
	<u>\$ 1,482,270</u>	<u>\$ -</u>	<u>\$ (43,091)</u>	<u>\$ 1,439,179</u>	<u>\$ 34,057</u>

<i>(in thousands of dollars)</i>	<u>June 30, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2023</u>	<u>Current Portion</u>
Revenue bonds – Series 2015	\$ 55,300	\$ -	\$ -	\$ 55,300	\$ -
Revenue bonds – Series 2018	305,995	-	(6,980)	299,015	7,325
Revenue bonds – Series 2019 A	121,910	-	(750)	121,160	1,255
Revenue bonds – Series 2019 B	258,420	-	(1,250)	257,170	2,695
Revenue bonds – Series 2019 C	125,000	-	-	125,000	-
Revenue bonds – Series 2019 D	151,580	-	-	151,580	-
Notes payable	422,312	-	(19,191)	403,121	19,652
	<u>1,440,517</u>	<u>-</u>	<u>(28,171)</u>	<u>1,412,346</u>	<u>30,927</u>
Plus: Unamortized premium	72,540	-	(2,616)	69,924	2,642
	<u>\$ 1,513,057</u>	<u>\$ -</u>	<u>\$ (30,787)</u>	<u>\$ 1,482,270</u>	<u>\$ 33,569</u>

Series 2019D:

On November 20, 2019, the Ports Authority issued \$151,580,000 of Series 2019D Bonds having stated interest rates from 2.95% to 3.87% payable annually on each January 1 and July 1. Net proceeds of approximately \$164,287,000 were received to (i) refund certain maturities of the Authority's Series 2015 Bonds and (ii) to pay certain costs and expenses relating to the issuance and sale of the Series 2019D Bonds. As a result of the Series 2019D refunding, the Ports Authority achieved net present value savings of approximately \$11,185,000.

South Carolina State Ports Authority

Notes to Financial Statements

June 30, 2024 and 2023

Note 6. Long-Term Debt, Continued

Series 2019A, 2019B, and 2019C (2019 Bonds):

On October 2, 2019, the Ports Authority issued \$505,330,000 of Series 2019 (A, B, & C) Bonds having stated interest rates from 3.0% to 5.0% payable annually on each January 1 and July 1. Net proceeds of approximately \$545,942,000 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 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 Ports 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. The Series 2019A and 2019B Bonds, issued at a premium of approximately \$13,780,000 and \$27,689,000, respectively, consist of term bonds maturing between July 1, 2022 and 2059. 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. The Series 2019C refunding was issued at par and resulted in net present value savings of approximately \$9,753,000 for the Ports Authority.

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 Ports Authority's facilities, and certain capital expenditures included in the Ports Authority's capital plan, (ii) 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 Ports Authority's facilities, and certain capital expenditures included in the Authority's capital plan, (ii) to fund the debt service reserve fund, and (iii) 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 the life of the bonds. Bond issuance costs were expensed in the period incurred.

In connection with the Series 2019A, 2019B, 2019C, 2019D, 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, 2024 and 2023.

South Carolina State Ports Authority

Notes to Financial Statements

June 30, 2024 and 2023

Note 6. Long-Term Debt, Continued

Optional redemption:

The 2019D Bonds shall be subject to redemption prior to maturity, at the option of the Ports Authority, on and after July 1, 2029, in whole or in part at any time and in any order of maturity selected by the Ports Authority, at the principal amount of the Series 2019D Bonds to be redeemed, together with interest accrued thereon on the date fixed for redemption. The Series 2019 Bonds maturing on or after July 1, 2030, shall be subject to redemption prior to maturity, at the option of the Ports Authority, on and after July 1, 2029, in whole or in part, at any time in any order of maturity selected by the Ports Authority, at the principal amount of the 2019D Bonds to be redeemed, together with interest accrued thereon on the date fixed for 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 2019D and Series 2019C 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, 2035, 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 2019A and Series 2019B 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, 2040, 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 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.

Direct borrowings:

On December 22, 2021, the Ports Authority entered into an approximately \$88,865,000 lease purchase agreement with a bank to defray the costs of acquiring equipment to be utilized for the operation of the Authority's SMART Chassis Pool. The agreement bears interest at the rate of 2.21% with payments due semi-annually commencing on June 22, 2022 and ending December 22, 2036. As of June 30, 2024 and 2023, the Ports Authority had amounts outstanding under this agreement of approximately \$76,012,000 and \$81,238,000, respectively.

South Carolina State Ports Authority

Notes to Financial Statements

June 30, 2024 and 2023

Note 6. Long-Term Debt, Continued

On July 23, 2021, the Ports Authority entered into a loan and security agreement with a bank for \$65,000,000. The loan was evidenced by certain promissory note in the same amount. Proceeds of the loan were used to defray the costs of acquiring equipment to be utilized in the Ports Authority's SMART Chassis Pool. The promissory note initially had a ten-year term that included a variable rate (LIBOR plus 125 basis points) interest only period for up to sixteen months whereby the Ports Authority could draw down the loan from time to time. On December 17, 2021, the Ports Authority executed and delivered a permanent promissory note under the Loan Agreement in the amount of approximately \$35,593,000. The permanent loan bears interest at the rate of 2.26% with payments due on the 30th day of each month commencing January 30, 2022 and ending July 30, 2031. There will be 114 equal payments of principal and interest with a final balloon payment. As of June 30, 2024 and 2023, the Ports Authority had amounts outstanding under this loan agreement of approximately \$30,460,000 and \$32,548,000, respectively.

On July 9, 2021, the Ports Authority entered into a loan and security agreement with a bank for \$55,000,000. The loan was evidenced by a promissory note in the same amount. Proceeds of the loan were used to defray the costs of acquiring equipment to be utilized in the Ports Authority's SMART Chassis Pool. The promissory note bears interest at a fixed rate of 2.40%, has a ten-year term, and is collateralized by the equipment. The loan was initially a closed-end line of credit whereby the Ports Authority could draw on the loan until July 1, 2023. On February 28, 2022, the Ports Authority entered into a First Amendment to this agreement. As amended, the Note bears interest at a fixed rate of 2.40% per annum with principal and interest payable on the first day of each month beginning March 1, 2022 and ending September 1, 2036. As of June 30, 2024 and 2023, the Ports Authority had amounts outstanding under this loan agreement of approximately \$46,965,000 and \$50,304,000, respectively.

On January 26, 2021, the Ports Authority entered into a loan and security agreement with a bank for approximately \$21,255,000. The loan was evidenced by a Subordinate Lien Revenue Refunding Bond, Series 2021, in the same amount. Proceeds were used to refund the Ports Authority's \$30,000,000 promissory note agreement which was entered into for the development and construction of the South Carolina Inland Port located in Greer, SC. Principal and interest are payable monthly at a rate of 2.70% per annum, beginning March 1, 2021 with payments made monthly thereafter until the loan matures on February 1, 2031. As of June 30, 2024 and 2023, the Ports Authority had amounts outstanding under this loan agreement of approximately \$19,614,000 and \$20,112,000, respectively.

On April 17, 2020, the Ports Authority entered into a loan and security agreement with a bank for approximately \$82,933,000. The loan was evidenced by a Subordinate Lien Revenue Bond, Series 2020, in the same amount. Proceeds were used to refund the Ports Authority's \$25,000,000 Subordinate Lien Revenue Bond, Series 2016, \$20,000,000 Subordinate Lien Revenue Bond, Series 2019A and \$40,000,000 Subordinate Lien Revenue Bond, Series 2019B which were issued to purchase material handling equipment for the Wando Welch Terminal with the purchased assets and a third lien on net revenues securing the loan. Principal and interest are payable semi-annually at a rate of 2.09% per annum, beginning September 15, 2020 with payments made semi-annually thereafter until the loan matures on March 15, 2035. As of June 30, 2024 and 2023, the Ports Authority had amounts outstanding under this loan agreement of approximately \$68,677,000 and \$72,314,000, respectively.

South Carolina State Ports Authority

Notes to Financial Statements

June 30, 2024 and 2023

Note 6. Long-Term Debt, Continued

Pursuant to a loan agreement dated as of April 30, 2019, the Ports 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 7). 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 which is 2.52% and 1.82% as of June 30, 2024 and 2023, respectively. Upon receipt by the Ports Authority of the federal government's reimbursement of any moneys advanced by the Ports Authority for the federal share of the cost of the Charleston Harbor deepening project, the Ports Authority is required to apply such funds to any principal amount remaining on the loan on the date of reimbursement. If the Ports Authority makes no principal payments on the loan by January 1, 2025, the Ports 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 Ports Authority. The loan was subsequently forgiven by the South Carolina General Assembly through the ratification of General Bill H.5100, effective August 2024 (see Note 12).

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 a Subordinate Lien Revenue Bond, Series 2018, in the same amount. Proceeds were 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 3.34% per annum, beginning November 15, 2018. The first principal payment was due November 15, 2019, and payments are made annually thereafter until the loan matures on May 15, 2034. As of June 30, 2024 and 2023, the Ports Authority had amounts outstanding under this loan agreement of approximately \$64,665,000 and \$67,939,000, respectively.

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 at 2.70% per annum. The loan matures on March 21, 2037. As of June 30, 2024, and 2023, the Ports Authority had amounts outstanding under this loan agreement of approximately \$14,174,000 and \$15,074,000, 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. On June 27, 2023, an Amendment was executed to replace 90-day published LIBOR with Adjusted Term SOFR as an alternative benchmark rate for purposes of the existing documents. The amendment modifies the interest rate per annum and is now based on the 90-day published SOFR plus .26% with a floor of 1.25%. As of June 30, 2023, the Ports Authority had an amount outstanding under this loan agreement of \$10,080,000. In February 2024, the Ports Authority paid the loan in full.

South Carolina State Ports Authority

Notes to Financial Statements

June 30, 2024 and 2023

Note 6. Long-Term Debt, Continued

The Ports Authority and the Army Corps of Engineers (Federal entity) entered into a cooperation agreement to 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 \$47,700,000, utilizing \$31,700,000 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 3.00%. As of June 30, 2024, and 2023, the remaining balance is approximately \$3,381,000 and \$3,512,000, respectively.

The \$50 million Charleston Harbor Deepening loan from the State Treasurer was forgiven in August 2024 and, as a result, is not included in the maturity schedule presentation. The maturities of all other long-term debt are summarized as follows:

(in thousands of dollars)

	Revenue Bonds		Direct Borrowing Debt	
	Principal	Interest	Principal	Interest
2025	\$ 11,840	\$ 42,349	\$ 19,565	\$ 7,960
2026	12,440	41,742	20,050	7,475
2027	13,150	41,102	20,548	6,977
2028	13,825	40,428	21,058	6,466
2029	14,540	39,718	21,592	5,933
2030–2034	88,325	186,775	162,041	35,628
2035–2039	118,650	162,679	58,240	1,766
2040–2044	148,745	132,608	753	67
2045–2049	184,140	97,192	-	-
2050–2054	224,595	56,747	-	-
2055–2059	148,075	14,539	-	-
2060	19,625	369	-	-
	<u>\$ 997,950</u>	<u>\$ 856,248</u>	<u>\$ 323,847</u>	<u>\$ 72,272</u>

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

(in thousands of dollars)

	2024	2023
Interest expense on long-term debt	\$ 52,371	\$ 53,295
Interest expense on leases and SBITAs	546	168
Amortization of premiums on long-term debt	(2,642)	(2,617)
Amortization of deferred outflows for bond refunding	1,057	1,057
	<u>\$ 51,332</u>	<u>\$ 51,903</u>

South Carolina State Ports Authority

Notes to Financial Statements

June 30, 2024 and 2023

Note 7. Commitments

Construction:

In addition to routine commitments for repairs and maintenance, the Ports Authority had commitments for construction of approximately \$224,649,000 and \$333,036,000 as well as commitments for non-construction property, plant, and equipment of approximately \$9,495,000 and \$12,746,000 at June 30, 2024 and 2023, respectively.

Arthur Ravenel Jr. Bridge:

After contributing \$21,000,000 before fiscal year 2004, the Ports Authority agreed to pay \$1,000,000 per year beginning in fiscal year 2004 for a total of \$45,000,000 for the construction of the Arthur Ravenel Jr. 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 Arthur Ravenel Jr. Bridge totaled \$1,000,000 in each of the fiscal years ending June 30, 2024 and 2023.

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. During fiscal year 2023, construction was completed, and activities have shifted to minor dike construction for the dredge disposal areas and post-construction monitoring as required as part of the project permit. As of June 30, 2024, the project cost to date is \$563,577,000 and the remaining tasks are estimated to cost approximately \$3,707,000 based on estimates provided by the US Army Corps of Engineers. Federal and local funding for the project totals \$579,692,000 with \$245,955,000 funded by the Federal Government and \$333,737,000 funded by the State of South Carolina. The State appropriated \$300,000,000 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 \$50,000,000 Proviso Loan to bridge the federal funding period (see Note 6). The Proviso Loan is expected to be paid back by federal funds when received and approved for reimbursement. The federal government has authorized \$35,440,000 towards project reimbursement that was received during fiscal year 2024.

Navy base intermodal facility:

On June 21, 2021, the South Carolina General Assembly ratified Appropriations Bill H.4100. As part of the bill, the Ports Authority was appropriated \$200,000,000 for cargo infrastructure related to the Navy Base Intermodal Facility (NBIF). On June 22, 2022, the General Assembly ratified Appropriations Bill H.5150. As part of the bill, the Ports Authority was appropriated an additional \$350,000,000 for the NBIF and Container Barge Infrastructure.

South Carolina State Ports Authority

Notes to Financial Statements

June 30, 2024 and 2023

Note 7. Commitments, Continued

On July 1, 2021, the Ports Authority entered into an intergovernmental agreement with the South Carolina Department of Commerce and its Division of Public Railways to cooperate on the construction and operation of the Navy Base Intermodal Facility on the former Charleston Naval Complex for the purpose of serving the Port of Charleston with near-dock, equal access to Norfolk Southern Railway Company and CSX Transportation, Inc. to meet future intermodal container transportation demand in the Charleston region. Under the terms of the agreement, the Ports Authority retains the obligation, authority and responsibility for the bidding, award, construction, and operation of the NBIF. The Ports Authority has expended approximately \$193,588,000 and \$58,715,000 of the State appropriated funding as of June 30, 2024 and 2023, respectively.

Rail overpass:

On December 20, 2021, the Ports Authority and the City of North Charleston entered into a Settlement Agreement related to a 2002 MOU, as amended. The terms of the agreement call for the Ports Authority to pay the City of North Charleston \$40,000,000 in equal payments of \$10,000,000 each year for four years. The Ports Authority made a \$10,000,000 payment in each fiscal year ending June 30, 2024 and 2023. The remaining \$10,000,000 is included in accounts payable in the Statement of Net Position.

Note 8. Retirement Plans

The South Carolina Public Employee Benefit Authority (PEBA), created July 1, 2012, is the state agency responsible for the administration and management of the retirement systems and benefit 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. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as custodian, co-trustee and co-fiduciary of the Systems and the assets of the retirement trust funds. The Retirement System Investment Commission (Commission as the governing body, RSIC as the agency), created by the General Assembly in 2005, has exclusive authority to invest and manage the retirement trust funds' assets. The Commission, an eight-member board, serves as co-trustee and co-fiduciary for 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.

South Carolina State Ports Authority

Notes to Financial Statements

June 30, 2024 and 2023

Note 8. Retirement Plans, Continued

PEBA issues an Annual Comprehensive Financial Report (ACFR) containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The ACFR is publicly available through 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 29223. PEBA is a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the ACFR for the state.

Plan descriptions:

The South Carolina Retirement System (SCRS), a costsharing multiple-employer defined benefit pension plan, was established 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 and participating charter schools, public higher education institutions, other participating local subdivisions of government and individuals first elected to the South Carolina General Assembly at or after the general election in November 2012.

The State Optional Retirement Program (State ORP) is a defined contribution plan that is offered as an alternative to SCRS to newly hired state, public higher education institution and public school district employees, as well as individuals first elected to the South Carolina 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 service providers. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the four third party service providers. For this reason, State ORP assets are not part of the retirement systems' trust funds for financial statement purposes.

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.

In addition to the plans described above, PEBA also administers three single employer defined benefit pension plans, which are not covered in this report. They are the Retirement System for Members of the General Assembly of the State of South Carolina (GARS), the Retirement System for Judges and Solicitors of the State of South Carolina (JSRS), and the South Carolina National Guard Supplemental Retirement Plan (SCNG).

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 first elected to the South Carolina General Assembly at or after the general election in November 2012. A member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. A member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

South Carolina State Ports Authority

Notes to Financial Statements

June 30, 2024 and 2023

Note 8. Retirement Plans, Continued

- State ORP – As an alternative to membership in SCRS, newly hired state, public school and higher education employees, as well as individuals first elected to the South Carolina General Assembly at or after the general election in November 2012 have the option to participate in the State ORP. Contributions to the State ORP are at the same rates as SCRS. A direct remittance is required from the employer to the member's account with the ORP service provider 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; be a coroner in a full-time permanent position; or be 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. A member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. A 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 the benefit terms for each system is presented below.

- SCRS – A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

South Carolina State Ports Authority

Notes to Financial Statements

June 30, 2024 and 2023

Note 8. Retirement Plans, Continued

- 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:

Actuarial valuations are performed annually by an external consulting actuary to ensure applicable contribution rates satisfy the funding parameters specified in Title 9 of the South Carolina Code of Laws. Under these provisions, SCRS and PORS contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability (UAAL) over a period that does not exceed the number of years scheduled in state statute. Effective July 1, 2017, employee rates were increased and capped at 9 percent for SCRS and 9.75 percent for PORS. The legislation also increased employer contribution rates beginning July 1, 2017, for both SCRS and PORS until reaching 18.56 percent for SCRS and 21.24 percent for PORS. The legislation included a further provision that if the scheduled contributions are not sufficient to meet the funding periods set in state statute, the PEBA board would increase the employer contribution rates as necessary to meet the funding periods set for the applicable year.

Pension reform legislation modified statute such that the employer contribution rates for SCRS and PORS to be further increased, not to exceed one-half of one percent in any one year if necessary, in order to improve the funding of the plans. The statute set rates intended to reduce the unfunded liability of SCRS and PORS to the maximum amortization period of 20 years from 30 years over a ten-year schedule, as determined by the annual actuarial valuations of the plan. Finally, under the revised statute, the contribution rates for SCRS and PORS may not be decreased until the plans are at least 85 percent funded.

South Carolina State Ports Authority

Notes to Financial Statements

June 30, 2024 and 2023

Note 8. Retirement Plans, Continued

Required employee contribution rates are as follows:

	<u>2024</u>	<u>2023</u>
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:

	<u>2024</u>	<u>2023</u>
SCRS		
Employer class two	18.41%	17.41%
Employer class three	18.41%	17.41%
Employer incidental death benefit	0.15%	0.15%
State ORP		
Employer contribution	18.41%	17.41%
Employer incidental death benefit	0.15%	0.15%
PORS		
Employer class two	20.84%	19.84%
Employer class three	20.84%	19.84%
Employer incidental death benefit	0.20%	0.20%
Employer accidental death program	0.20%	0.20%

Actuarial assumptions and methods:

Actuarial valuations of the ongoing 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, 2019.

South Carolina State Ports Authority

Notes to Financial Statements

June 30, 2024 and 2023

Note 8. Retirement Plans, Continued

The June 30, 2023, total pension liability (TPL), net pension liability (NPL), and sensitivity information shown in this report were determined by our consulting actuary, Gabriel Roeder Smith & Company (GRS) and are based on an actuarial valuation performed as of July 1, 2022. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2023, using generally accepted actuarial principles. There was no legislation enacted during the 2023 legislative session that had a material change in the benefit provisions for any of the systems.

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2023 and June 30, 2022.

	<u>SCRS</u>	<u>PORS</u>
Actuarial cost method	Entry age normal	Entry age normal
Actuarial assumptions		
Investment rate of return	7.00%	7.00%
Projected salary increases	3.0% to 11.0%	3.5% to 10.5%
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 2020 Public Retirees of South Carolina Mortality table (2020 PRSC), was developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using 80% of Scale UMP projected from the year 2020.

Assumptions used in the determination of the TPL as of June 30, 2023 and 2022 are as follows.

Former job class	<u>Males</u>	<u>Females</u>
Educators	2020 PRSC Males multiplied by 95%	2020 PRSC Females multiplied by 94%
General employees and members of the general assembly	2020 PRSC Males multiplied by 97%	2020 PRSC Females multiplied by 107%
Public safety and firefighters	2020 PRSC Males multiplied by 127%	2020 PRSC Females multiplied by 107%

South Carolina State Ports Authority

Notes to Financial Statements

June 30, 2024 and 2023

Note 8. Retirement Plans, Continued

Net pension liability:

The NPL is calculated separately for each system and represents that particular system's TPL determined in accordance with GASB No. 67 less that System's fiduciary net position. NPL totals, as of June 30, 2023 and 2022, for SCRS and PORS are presented below.

(in thousands of dollars)

	2023			
	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	\$ 58,464,402	\$ 34,286,962	\$ 24,177,441	58.6%
PORS	9,450,022	6,405,925	3,044,096	67.8%

(in thousands of dollars)

	2022			
	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	\$ 56,454,780	\$ 32,212,627	\$ 24,242,153	57.1%
PORS	8,937,687	5,938,708	2,998,979	66.4%

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 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 67 and 68 are not applicable for other purposes, such as determining the plans' funding requirements.

South Carolina State Ports Authority

Notes to Financial Statements

June 30, 2024 and 2023

Note 8. Retirement Plans, Continued

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions:

At June 30, 2024 and 2023, the Ports Authority reported a liability of approximately \$183,897,000 and \$178,388,000, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023 and 2022, 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 2023 and 2022 relative to the contributions made by all participating employers. At June 30, 2024 and 2023, the Ports Authority's proportion was 0.7600 and 0.7350 percent, respectively, for the SCRS and 0.0051 and 0.0066 percent, respectively, for the PORS.

For the years ended June 30, 2024 and 2023, the Ports Authority recognized pension expense for SCRS of approximately \$33,125,000 and \$30,927,000, respectively. For the years ended June 30, 2024 and 2023, the Ports Authority recognized pension expense (benefit) for PORS of approximately \$(14,000) and \$18,000, respectively. At June 30, 2024 and 2023, the Ports Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

(in thousands of dollars)

	<u>SCRS – 2024</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between actual and expected experience	\$ 3,190	\$ (510)
Net difference between projected and actual earnings on pension plan investments	-	(251)
Changes in actuarial assumptions	2,815	-
Changes in proportionate share and differences between contributions and proportionate share of contributions	25,497	-
The Ports Authority's contributions subsequent to the measurement date	<u>15,745</u>	<u>-</u>
	<u>\$ 47,247</u>	<u>\$ (761)</u>

South Carolina State Ports Authority

Notes to Financial Statements

June 30, 2024 and 2023

Note 8. Retirement Plans, Continued

(in thousands of dollars)

	<u>PORS – 2024</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between actual and expected experience	\$ 7	\$ (2)
Net difference between projected and actual earnings on pension plan investments	-	-
Changes in actuarial assumptions	3	-
Changes in proportionate share and differences between contributions and proportionate share of contributions The Ports Authority's contributions subsequent to the measurement date	-	(66)
	<u>516</u>	<u>-</u>
	<u>\$ 526</u>	<u>\$ (68)</u>
 Total SCRS and PORS	 <u>\$ 47,773</u>	 <u>\$ (829)</u>

(in thousands of dollars)

	<u>SCRS – 2023</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between actual and expected experience	\$ 1,548	\$ (777)
Net difference between projected and actual earnings on pension plan investments	275	-
Changes in actuarial assumptions	5,715	-
Changes in proportionate share and differences between contributions and proportionate share of contributions The Ports Authority's contributions subsequent to the measurement date	34,680	-
	<u>16,459</u>	<u>-</u>
	<u>\$ 58,677</u>	<u>\$ (777)</u>

South Carolina State Ports Authority

Notes to Financial Statements

June 30, 2024 and 2023

Note 8. Retirement Plans, Continued

(in thousands of dollars)

	<u>PORS – 2023</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between actual and expected experience	\$ 3	\$ (4)
Net difference between projected and actual earnings on pension plan investments	1	-
Changes in actuarial assumptions	8	-
Changes in proportionate share and differences between contributions and proportionate share of contributions	-	(54)
The Ports Authority's contributions subsequent to the measurement date	18	-
	<u>\$ 30</u>	<u>\$ (58)</u>
 Total SCRS and PORS	 <u>\$ 58,707</u>	 <u>\$ (835)</u>

Approximately \$16,261,000 and \$16,477,000 reported as deferred outflows of resources related to pensions resulting from the Ports Authority's contributions paid subsequent to the measurement date for the SCRS and PORS plans during the years ended June 30, 2024 and 2023, respectively, will be recognized as a reduction of the net pension liability during the years ended June 30, 2025 and 2024, 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:

	<u>SCRS</u>	<u>PORS</u>
Year Ended June 30, 2024		
2024	\$ 17,577	\$ (26)
2025	6,803	(30)
2026	6,469	(2)
2027	(108)	-
Year Ended June 30, 2023		
2023	\$ 17,365	\$ (16)
2024	14,990	(16)
2025	4,439	(22)
2026	4,647	8

South Carolina State Ports Authority

Notes to Financial Statements

June 30, 2024 and 2023

Note 8. Retirement Plans, Continued

Long-term expected rate of return:

The long-term expected rate of return on pension plan investments is based upon 20-year capital market assumptions. The long-term expected rates of return represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market-based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2023 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 adding expected inflation and is summarized in the table on the following page. For actuarial purposes, the 7 percent assumed annual investment rate of return used in the calculation of the TPL includes a 4.75 percent real rate of return and a 2.25 percent inflation component.

	2024		
	<u>Target Asset Allocation</u>	<u>Expected Arithmetic Real Rate of Return</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
Public equity	46.0%	6.62%	3.04%
Bonds	26.0%	0.31%	0.08%
Private equity	9.0%	10.91%	0.98%
Private debt	7.0%	6.16%	0.43%
Real assets			
Real estate	9.0%	6.41%	0.58%
Infrastructure	3.0%	6.62%	0.20%
Total expected return	<u>100.0%</u>		<u>5.31%</u>
Inflation for actuarial purposes			<u>2.25%</u>
			<u>7.56%</u>

South Carolina State Ports Authority

Notes to Financial Statements

June 30, 2024 and 2023

Note 8. Retirement Plans, Continued

	2023		
	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long-Term Expected Portfolio Real Rate of Return
Public equity	46.0%	6.79%	3.12%
Bonds	26.0%	(0.35)%	(0.09)%
Private equity	9.0%	8.75%	0.79%
Private debt	7.0%	6.00%	0.42%
Real assets			
Real estate	9.0%	4.12%	0.37%
Infrastructure	3.0%	5.88%	0.18%
Total expected return	<u>100.0%</u>		4.79%
Inflation for actuarial purposes			<u>2.25%</u>
			<u>7.04%</u>

Discount rate:

The discount rate used to measure the TPL was 7 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on those assumptions, the System's fiduciary net position was projected to be available to make all the 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, 2024 and 2023 discount rate of 7 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 percent lower (6 percent) or 1 percent higher (8 percent) than the current rate:

(in thousands of dollars)

	2024		
	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Ports Authority's share of the net pension liability			
SCRS	\$ 237,413	\$ 183,742	\$ 139,134
PORS	218	155	103

South Carolina State Ports Authority

Notes to Financial Statements

June 30, 2024 and 2023

Note 8. Retirement Plans, Continued

(in thousands of dollars)

	2023		
	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Ports Authority's share of the net pension liability			
SCRS	\$ 228,461	\$ 178,190	\$ 136,396
PORS	276	198	134

Additional financial and actuarial information:

Information contained in this note was compiled from the Systems' audited financial statements for the fiscal year ended June 30, 2023, and the accounting valuation report as of June 30, 2023. Additional financial information supporting the preparation of the Schedules (including the unmodified audit opinion on the financial statements and required supplementary information) is available in the Systems' ACFR.

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, which is administered by USI Consulting Group. The Ports Authority makes payments into the plans each year of employment and the participants in the plans become fully vested at the end of a five-year period. Compensation expense is recognized for payments made to the plans. For the years ended June 30, 2024 and 2023, the Ports Authority recognized compensation expense of approximately \$1,137,000 and \$1,679,000, respectively. At June 30, 2024 and 2023, the Ports Authority reported a liability of approximately \$5,530,000 and \$5,303,000, respectively, for the plans, which are included in other non-current liabilities in the Statements of Net Position.

Note 9. Other Post-Employment Benefits (OPEB)

The Ports Authority provides single employer, post-employment health care benefits including group healthcare, dental and vision to eligible employees who retire from the Ports Authority. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

The Plan consists of hospital benefits, major medical benefits, a prescription drug program, dental and vision care program. The health care benefits cover medical and hospitalization costs for retirees and their dependents. If the retiree is eligible for Medicare, Ports Authority coverage is secondary.

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

South Carolina State Ports Authority

Notes to Financial Statements

June 30, 2024 and 2023

Note 9. Other Post-Employment Benefits (OPEB), Continued

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, 2024 and 2023, the following employees were covered by the benefit terms:

	<u>2024</u>	<u>2023</u>
Retirees and beneficiaries currently receiving benefit payments	289	289
Inactive employees entitled to but not yet receiving benefit payments	-	-
Active employees	<u>925</u>	<u>925</u>
Total	<u>1,214</u>	<u>1,214</u>

South Carolina State Ports Authority

Notes to Financial Statements

June 30, 2024 and 2023

Note 9. Other Post-Employment Benefits (OPEB), Continued

Total OPEB liability:

The Ports Authority's total OPEB liability of approximately \$61,430,000 and \$60,079,000 was measured as of June 30, 2023 and 2022, respectively (measurement dates).

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:

	<u>2024</u>
Inflation	2.25%
Salary increases	3.00% to 9.5%, including inflation
Discount rate	3.86%
Healthcare cost trend rates	6.00% decreasing to an ultimate rate of 4.00% after 13 years
Participation rate	85% of eligible retirees for full subsidy, 60% of retirees for partially funded subsidy and 10% who are not eligible for any subsidy
	<u>2023</u>
Inflation	2.25%
Salary increases	3.00% to 9.5%, including inflation
Discount rate	3.69%
Healthcare cost trend rates	6.00% decreasing to an ultimate rate of 4.00% after 13 years
Participation rate	85% of eligible retirees for full subsidy, 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 2020 Public Retirees of South Carolina Mortality Table for Males or Females, as appropriate, with fully generational mortality projections from the year 2020 based on the ultimate rates in Scale MP-2019. The actuarial assumptions used in the June 30, 2023 valuation was based on the results of an actuarial experience study and measurement date of June 30, 2023. The assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study as of June 30, 2021, and a measurement date of June 30, 2022.

<i>(in thousands of dollars)</i>	<u>2024</u>	<u>2023</u>
Total OPEB obligation, beginning of year	\$ 60,079	\$ 86,312
Service cost	2,707	5,159
Interest on the total OPEB liability	2,229	1,686
Difference between expected and actual experience	89	(10,986)
Changes in assumptions or other inputs	(1,618)	(19,972)
Benefit payments	(2,056)	(2,120)
Net change in total OPEB liability	<u>1,351</u>	<u>(26,233)</u>
Total OPEB obligation, end of year	<u>\$ 61,430</u>	<u>\$ 60,079</u>

South Carolina State Ports Authority

Notes to Financial Statements

June 30, 2024 and 2023

Note 9. Other Post-Employment Benefits (OPEB), Continued

Changes of assumptions reflect a change in the discount rate from 3.69% as of June 30, 2022 to 3.86% as of June 30, 2023. In fiscal year 2023, changes of assumptions or other inputs reflect a change in the discount rate from 1.92% as of June 30, 2021 to 3.69% as of June 30, 2022.

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 (2.86 percent) or 1-percentage-point higher (4.86 percent) than the current discount rate:

(in thousands of dollars)

	2024		
	1% Decrease (2.86%)	Discount Rate (3.86%)	1% Increase (4.86%)
Total OPEB liability	\$ 71,908	\$ 61,430	\$ 53,042

(in thousands of dollars)

	2023		
	1% Decrease (2.69%)	Discount Rate (3.69%)	1% Increase (4.69%)
Total OPEB liability	\$ 70,352	\$ 60,079	\$ 51,851

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 (5 percent decreasing to 3 percent) or 1-percentage point higher (7 percent decreasing to 5 percent) than the current healthcare cost trend rates:

(in thousands of dollars)

	2024		
	1% Decrease (5.00%) Decreasing to (3.00%)	Healthcare Cost Trend Rates (6.00%) Decreasing to (4.00%)	1% Increase (7.00%) Decreasing to (5.00%)
Total OPEB liability	\$ 51,186	\$ 61,430	\$ 74,868

South Carolina State Ports Authority

Notes to Financial Statements

June 30, 2024 and 2023

Note 9. Other Post-Employment Benefits (OPEB), Continued

(in thousands of dollars)

	<u>2023</u>		
	1% Decrease (5.00%) Decreasing to (3.00%)	Healthcare Cost Trend Rates (6.00%) Decreasing to (4.00%)	1% Increase (7.00%) Decreasing to (5.00%)
Total OPEB liability	\$ 50,526	\$ 60,079	\$ 72,543

OPEB expense, deferred outflows of resources and deferred inflows of resources:

For the years ended June 30, 2024 and 2023, the Ports Authority recognized OPEB expense of approximately \$3,287,000 and \$5,370,000, respectively. Approximately \$2,371,000 and \$2,056,000 reported as deferred outflows of resources related to OPEB resulting from the Ports Authority's contributions paid subsequent to the measurement date during the fiscal years ended June 30, 2024 and 2023, respectively, will be recognized as a reduction of the total OPEB liability during the fiscal years ended June 30, 2025 and 2024, 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)

	<u>2024</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between actual and expected experience	\$ 1,737	\$ (8,512)
Changes in actuarial assumptions or other inputs	11,100	(17,247)
The Ports Authority's contributions subsequent to the measurement date	<u>2,371</u>	<u>-</u>
	<u>\$ 15,208</u>	<u>\$ (25,759)</u>

(in thousands of dollars)

	<u>2023</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between actual and expected experience	\$ 2,070	\$ (9,749)
Changes in actuarial assumptions or other inputs	13,588	(18,951)
The Ports Authority's contributions subsequent to the measurement date	<u>2,056</u>	<u>-</u>
	<u>\$ 17,714</u>	<u>\$ (28,700)</u>

South Carolina State Ports Authority

Notes to Financial Statements

June 30, 2024 and 2023

Note 9. Other Post-Employment Benefits (OPEB), Continued

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

Year Ended June 30, 2024

(in thousands of dollars)

2025	\$	(1,006)
2026		(873)
2027		(1,031)
2028		(1,432)
2029		(1,890)
Thereafter		(6,689)

Year Ended June 30, 2023

(in thousands of dollars)

2024	\$	(1,476)
2025		(834)
2026		(700)
2027		(859)
2028		(1,260)
Thereafter		(7,913)

Note 10. Other Matters

Jasper County:

The Ports Authority entered into a joint government organizational agreement with the State of Georgia for the formation of a bi-state facility to be operated jointly between the Ports Authority and the State of Georgia. The legal and operational structure of the potential bi-state facility is not known at this time. The Ports Authority contributed \$1,000,000 and \$7,000 in cash to the joint organization in fiscal years ended June 30, 2024 and 2023, respectively. Amounts contributed in fiscal years 2024 and 2023 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 \$47,000 and \$34,000 for the years ended June 30, 2024 and 2023, respectively, and are included in other income (expense) in the accompanying Statements of Revenues, Expenses and Changes in Net Position.

South Carolina State Ports Authority

Notes to Financial Statements

June 30, 2024 and 2023

Note 10. Other Matters, Continued

Federal grant agreements:

The Ports Authority has been awarded grants from the Department of Homeland Security, United States Environmental Protection Agency, and the Department of Transportation, Maritime Administration (DOT) (as an agent of the Transportation Security Administration). As of June 30, 2024 and 2023, the Ports Authority has expended approximately \$11,433,000 and \$3,754,000, 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 were extended to June 30, 2023 and as of June 30, 2023, the property was under contract for sale. In June 2024, the Ports Authority closed on the sale of the property to Berkeley County in the amount of \$4,000,000, recognizing a gain of \$2,455,000 on the sale, and is reflected in the Statements of Revenues, Expenses, and Changes in Net Position for the fiscal year ended June 30, 2024.

South Carolina Maritime Chassis Pool:

On January 7, 2022, the Ports Authority executed a First Amendment to the Chassis Purchase Agreement dated July 12, 2021, for the purchase of an additional 5,700 chassis to utilize in the SMART Pool. A second amendment was executed on August 5, 2022, to revise the number of ordered chassis to 5,697 and for the Authority to provide additional funding for shipping costs related to the order. In October 2022, Pitts Enterprises, the chassis manufacturer, was formally notified by Customs & Border Protection (CBP) that it had begun a formal Enforce and Protection Act (EAPA) investigation and imposed interim measures due to accusations of duty evasion. At the time the interim measures were imposed, the Ports Authority had 2,310 chassis enroute from Vietnam. Upon their arrival in Charleston, CBP placed the chassis in their custody while conducting the investigation. In May 2023, CBP determined that there was substantial evidence to support that Pitts Enterprises entered covered merchandise for consumption in the United States through duty evasion.

With this determination, the Ports Authority is currently working with Pitts Enterprises to find a viable resolution to replace the chassis currently being held by CBP. As of June 30, 2024, the Ports Authority has paid \$41,123,000 under the terms of the contract. During fiscal year 2024, the Ports Authority began to market and sell the chassis for re-export out of the United States. At June 30, 2024, the Ports Authority deemed it necessary to write down the remaining units to the estimated fair market value and recognized an extraordinary loss of \$18,562,000 in the Statements of Revenues, Expenses, and Changes in Net Position. The Ports Authority will continue to actively market and sell the remaining units.

Note 11. 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, 2024, and management intends to vigorously defend the Ports Authority in such matters. While the ultimate results cannot be predicted with certainty, management does not expect these matters to have a material adverse effect on the financial position of the Ports Authority.

South Carolina State Ports Authority

Notes to Financial Statements

June 30, 2024 and 2023

Note 11. Litigation, Continued

On March 17, 2021, the State of South Carolina and the Ports Authority filed unfair labor practice charges against the United States Maritime Alliance, Ltd. (USMX), the International Longshoreman's Association, AFL-CIO, CLC and the International Longshoreman's Association, AFL-CIO, CLC, Local 1422 (together, the ILA) with the National Labor Relations Board (NLRB) for entering into and maintaining an unlawful hot-cargo agreement as contained in Article VII, Section 7 of the USMX-ILA collective-bargaining agreement (Master Agreement) at the Hugh K. Leatherman Terminal (HLT). The NLRB issued a complaint against Respondents (USMX and the ILA). Following issuance of the complaint, in April 2021, the ILA filed a lawsuit in the New Jersey Superior Court (the Lawsuit) against two USMX member-carriers seeking to effectuate the unlawful provision in the Master Agreement. In doing so, the ILA not only reaffirmed the unlawful nature of Article VII, Section 7 of the Master Agreement, it asserted additional unlawful interpretations of the Master Contract. The State of South Carolina and Ports Authority (joined by USMX) filed additional charges against the ILA for these additional unlawful interpretations, and the NLRB issued a second complaint against the ILA. A hearing was held before an Administrative Law Judge on June 9th and 10th, 2021. The Administrative Law Judge ruled in favor of the Ports Authority. The ILA appealed to the full NLRB board and the Ports Authority cross-appealed. On December 16, 2022, the three-member NLRB Board reversed the Administrative Law Judge's decision and ruled against the Ports Authority in a 2-1 decision. The Ports Authority appealed to the United States Court of Appeals for the Fourth Circuit on January 17, 2023. Oral argument was held before a three-judge panel of that Court on June 26, 2023, and on July 28, 2023, the panel ruled against the Ports Authority and affirmed the NLRB Board's decision in a 2-1 decision. The Ports Authority filed a petition for a writ of certiorari with the United States Supreme Court on September 25, 2023. The petition was denied on February 24, 2024.

Efforts are underway to assess the impact of the decision on the financial position of the Ports Authority related to operations at HLT; however, this impact cannot be determined at this time.

On April 4, 2022, a wrongful death action was filed against the Ports Authority for a death resulting from an electrical accident that occurred at the Wando Welch Terminal on April 27, 2020. The complaint asserts multiple instances of negligence, among other claims. The claims are subject to the liability cap set forth in the South Carolina Tort Claims Act. The Ports Authority has answered and discovery is underway. The Ports Authority intends to vigorously defend against the claims. The financial impact on the Ports Authority cannot be determined at this time.

On August 29, 2024, BMW Manufacturing Company, LLC (BMW) sent a claim notice letter to the Ports Authority asserting flood damage during storms to certain BMW vehicles while on the Ports Authority's Columbus Street Terminal. The Ports Authority intends to vigorously defend against the claims. The financial impact on the Ports Authority cannot be determined at this time.

Note 12. Subsequent Events

On June 27, 2024, the General Assembly ratified General Bill H.5100 and Capital Reserve Fund Bill H.5101. As part of H.5100, the \$50,000,000 harbor deepening Proviso Loan with the South Carolina State Treasurer's Office dated April 30, 2019, was forgiven. This loan forgiveness is deemed to be effective in August 2024. As part of H.5101, the State appropriated \$55,000,000 to the Ports Authority for the acquisition of property in North Charleston, South Carolina. Funding is expected to be available to the Ports Authority in September 2024.

Required Supplementary Information

South Carolina State Ports Authority
Schedule of the Ports Authority's Total OPEB Liability
For the fiscal years ended June 30,

(in thousands of dollars)

	2024	2023	2022	2021	2020	2019	2018
Total OPEB liability							
Service cost	\$ 2,707	\$ 5,159	\$ 3,642	\$ 2,596	\$ 1,781	\$ 1,848	\$ 1,779
Interest on the total OPEB liability	2,229	1,686	1,941	1,913	1,971	1,883	1,655
Difference between expected and actual experience	89	(10,986)	41	2,677	62	717	3
Changes in assumptions or other inputs	(1,618)	(19,972)	4,298	12,422	4,416	(968)	(5,484)
Benefit payments	(2,056)	(2,120)	(2,064)	(1,971)	(1,943)	(1,857)	(1,691)
Net change in total OPEB liability	1,351	(26,233)	7,858	17,637	6,287	1,623	(3,738)
Total OPEB liability - beginning	60,079	86,312	78,454	60,817	54,530	52,907	56,645
Total OPEB liability - ending	<u>\$ 61,430</u>	<u>\$ 60,079</u>	<u>\$ 86,312</u>	<u>\$ 78,454</u>	<u>\$ 60,817</u>	<u>\$ 54,530</u>	<u>\$ 52,907</u>
Covered employee payroll	\$ 85,954	\$ 79,294	\$ 56,476	\$ 53,575	\$ 51,042	\$ 46,051	\$ 42,582
Total OPEB liability as a percentage of covered employee payroll	71.47%	75.77%	152.83%	146.44%	119.15%	118.41%	124.25%

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, 2023	3.86%
Measurement date, June 30, 2022	3.69%
Measurement date, June 30, 2021	1.92%
Measurement date, June 30, 2020	2.45%
Measurement date, June 30, 2019	3.13%
Measurement date, June 30, 2018	3.62%
Measurement date, June 30, 2017	3.56%

*There are no assets accumulated in a trust that meets the criteria of GASB codification P22.101 or P52.101 to pay related benefits for the pension/OPEB plan.

**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 OPEB Contributions
For the fiscal years ended June 30,

(in thousands of dollars)

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 2,371	\$ 2,056	\$ 2,120	\$ 2,065	\$ 1,971	\$ 1,944	\$ 1,857
Contributions in relation to the actuarially determined contribution	<u>2,371</u>	<u>2,056</u>	<u>2,120</u>	<u>2,065</u>	<u>1,971</u>	<u>1,944</u>	<u>1,857</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Ports Authority's covered-employee payroll**	<u>\$ 79,679</u>	<u>\$ 85,954</u>	<u>\$ 79,294</u>	<u>\$ 56,476</u>	<u>\$ 53,575</u>	<u>\$ 51,042</u>	<u>\$ 46,051</u>
Contributions as a percentage of covered-employee payroll**	2.98%	2.39%	2.67%	3.66%	3.68%	3.81%	4.03%

*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 fiscal years ended June 30,

<i>(in thousands of dollars)</i>	SCRS									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Ports Authority's proportion of the net pension liability	0.75998%	0.73504%	0.55232%	0.52767%	0.51704%	0.46930%	0.43470%	0.40660%	0.39170%	0.37560%
Ports Authority's proportionate share of the net pension liability	<u>\$ 183,742</u>	<u>\$ 178,190</u>	<u>\$ 119,529</u>	<u>\$ 134,830</u>	<u>\$ 118,061</u>	<u>\$ 105,416</u>	<u>\$ 98,315</u>	<u>\$ 79,430</u>	<u>\$ 74,141</u>	<u>\$ 64,669</u>
Ports Authority's covered payroll for the measurement period	<u>\$ 85,865</u>	<u>\$ 79,189</u>	<u>\$ 56,342</u>	<u>\$ 53,438</u>	<u>\$ 50,906</u>	<u>\$ 45,922</u>	<u>\$ 42,391</u>	<u>\$ 38,198</u>	<u>\$ 30,855</u>	<u>\$ 29,304</u>
Ports Authority's proportionate share of the net pension liability as a percentage of its covered payroll	213.99%	225.02%	212.15%	252.31%	231.92%	229.55%	231.92%	207.94%	240.29%	220.68%
Plan fiduciary net position as a percentage of the total pension liability	60.73%	57.06%	60.75%	50.71%	54.40%	54.10%	53.34%	52.91%	56.99%	59.92%
	PORS									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Ports Authority's proportion of the net pension liability	0.0051%	0.0066%	0.0089%	0.0091%	0.0094%	0.0093%	0.0096%	0.0093%	0.0071%	0.0079%
Ports Authority's proportionate share of the net pension liability	<u>\$ 155</u>	<u>\$ 198</u>	<u>\$ 230</u>	<u>\$ 301</u>	<u>\$ 268</u>	<u>\$ 265</u>	<u>\$ 264</u>	<u>\$ 235</u>	<u>\$ 155</u>	<u>\$ 152</u>
Ports Authority's covered payroll for the measurement period	<u>\$ 89</u>	<u>\$ 105</u>	<u>\$ 134</u>	<u>\$ 137</u>	<u>\$ 136</u>	<u>\$ 129</u>	<u>\$ 130</u>	<u>\$ 118</u>	<u>\$ 95</u>	<u>\$ 85</u>
Ports Authority's proportionate share of the net pension liability as a percentage of its covered payroll	174.16%	188.57%	171.64%	219.71%	197.06%	205.43%	203.08%	199.15%	163.16%	178.82%
Plan fiduciary net position as a percentage of the total pension liability	67.79%	66.45%	70.37%	58.79%	62.69%	61.70%	60.94%	60.44%	64.57%	67.55%

South Carolina State Ports Authority
Schedule of the Ports Authority's Pension Contributions
For the fiscal years ended June 30,

(in thousands of dollars)

	SCRS									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 15,745	\$ 16,459	\$ 14,082	\$ 9,303	\$ 9,159	\$ 7,950	\$ 6,183	\$ 5,102	\$ 4,355	\$ 3,615
Contributions in relation to the contractually required contribution	15,745	16,459	14,082	9,303	9,159	7,950	6,183	5,102	4,355	3,615
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Ports Authority's covered payroll	\$ 77,247	\$ 85,865	\$ 79,189	\$ 56,342	\$ 53,438	\$ 50,906	\$ 45,922	\$ 42,391	\$ 38,198	\$ 30,855
Contributions as a percentage of covered payroll	20.38%	19.17%	17.78%	16.51%	17.14%	15.62%	13.46%	12.04%	11.40%	11.72%

	PORS									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 516	\$ 18	\$ 19	\$ 26	\$ 25	\$ 23	\$ 18	\$ 16	\$ 12	\$ 12
Contributions in relation to the contractually required contribution	516	18	19	26	25	23	18	16	12	12
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Ports Authority's covered payroll	\$ 2,432	\$ 89	\$ 105	\$ 134	\$ 137	\$ 136	\$ 129	\$ 130	\$ 118	\$ 95
Contributions as a percentage of covered payroll	21.22%	20.22%	18.10%	19.40%	18.25%	16.91%	13.95%	12.31%	10.17%	12.63%