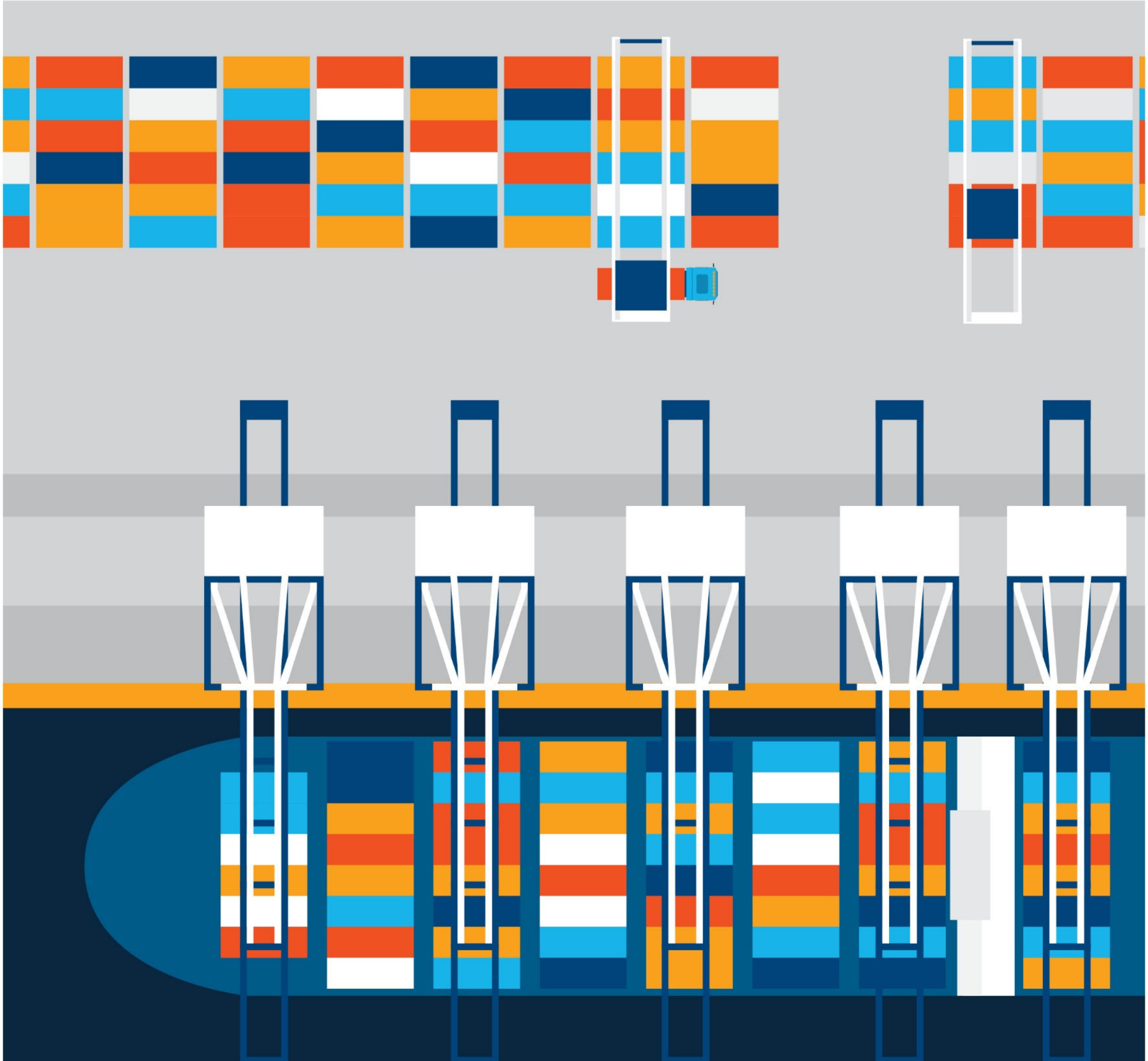


# ANNUAL COMPREHENSIVE FINANCIAL REPORT

## FOR FISCAL YEAR ENDED JUNE 30, 2021

Prepared by the SCSPA Finance Department

SOUTH CAROLINA PORTS

SOUTH CAROLINA PORTS
200 Ports Authority Drive
Mount Pleasant, SC 29464
www.scspa.com

November 5, 2021

Dear Board Members, Customers, and Port Partners:

South Carolina State Ports Authority (SCSPA) invested significantly in capacity in fiscal year 2021 to efficiently handle growing cargo volumes and rising retail imports, ensuring our global competitiveness for years to come. In March 2021, SCSPA launched operations at the state-of-the-art Hugh K. Leatherman Terminal. The container terminal adds 700,000 twenty-foot equivalent units (TEUs) of capacity to the East Coast port market and enables the Port of Charleston to seamlessly handle a 20,000-TEU ship. The Leatherman Terminal is the only greenfield container terminal to open in the country since 2009 and the only new container terminal capacity planned in the United States until 2030.

SCSPA is also investing in existing infrastructure, including modernizing the Wando Welch Terminal, expanding Inland Port Greer, and deploying new cargo-handling equipment to enhance efficiency and capabilities. We are preparing to launch a chassis pool in 2022 and are working with partners to achieve a 52-foot depth in Charleston Harbor in 2022. This was all accomplished while dealing with a very constrained supply chain, brought on by the global pandemic. The initial dip in volumes was soon followed by an unprecedented import boom as consumers bought more retail goods.

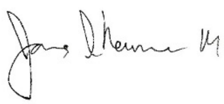
SCSPA handled more pier containers than ever before in fiscal year 2021, moving 2.55 million TEUs, which is a 9.6% increase year-over-year. SCSPA saw 253,983 vehicles roll across the docks, while rail-served Inland Port Greer and Inland Port Dillon set cargo records with a combined 192,829 rail moves. Our incredible port team, broader maritime community, and motor carrier and logistics partners made this possible by showing up every day to keep freight moving. We owe these essential workers immense gratitude for delivering vital goods to our communities and companies.

Amid great challenges in the supply chain, business is booming at SCSPA. We continue to move cargo for world-class companies, and we look forward to handling more goods for global retailers. Our strategic investments attract business. We have invested $2 billion in recent years to provide much-needed cargo capacity and big-ship capabilities. We are now working on the final pieces of our infrastructure plan to remain a top 10 U.S. container port.

To keep pace with the needs of our customers and to handle future cargo growth, it is imperative that we develop near-dock rail. With the support of the South Carolina Legislature, we will invest $550 million into a dual-served rail cargo yard and an inner-harbor barge to swiftly move more cargo for customers. The Navy Base Intermodal Facility will provide near-dock rail to the Leatherman Terminal and increase our rail competitiveness with CSX and Norfolk Southern, while the barge will transport cargo between the Wando Welch and Leatherman terminals.

The foresight to invest in infrastructure at the right time is critical to our success. South Carolina's economy depends on a fluid supply chain, and port operations support 1 in 10 jobs for South Carolinians. Alongside our many partners, elected leaders and board members, SCSPA will endeavor to build on our momentum, creating lasting benefits for South Carolina.

Regards,



Jim Newsome
President & CEO

SOUTH CAROLINA PORTS
200 Ports Authority Drive
Mount Pleasant, SC 29464
www.scspa.com

November 10, 2021

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

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

The South Carolina State Ports Authority ("SCSPA" or "Authority") is pleased to present the Annual Comprehensive Financial Report for the fiscal year ended June 30, 2021. This report provides readers with an understanding of the SCSPA's financial condition and activities.

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

Elliott Davis, LLC, Certified Public Accountants, has issued an unmodified opinion on South Carolina State Ports Authority's financial statements for the years ended June 30, 2021 and 2020. The independent auditor's report is located at the front of the financial section of this report.

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

**Profile of the South Carolina State Ports Authority**

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

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

Comprised of seven (7) public marine terminals, the SCSPA is the ninth largest container port in the United States and one of the busiest container ports along the Southeast and Gulf coasts. SCSPA is recognized as one of the nation's most efficient and productive ports. SCSPA is an economic driver and key competitive advantage for South Carolina. The Port is responsible for one in 10 jobs statewide, and port-supported jobs pay nearly 40 percent higher than the state's average annual wage.

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

**SCSPA Terminals**

Wando Welch Terminal
Located on the east bank of the Wando River, nine miles from the open ocean, the Wando Welch Terminal is primarily a container facility. The largest of the Authority's facilities, the Wando Welch Terminal contains 3,800 continuous feet of berth space, 689 total acres and more than 400 developed acres, which includes 267 acres of container storage space, and an on-terminal 188,000 square foot warehouse. This terminal is the largest in terms of both physical size and pier container volumes at the Port of Charleston, will offer fifteen Super-Post Panamax cranes and routinely handles 13,000-14,000 TEU vessel calls. Vessel transit time from this facility to open sea is approximately two hours.

Hugh K. Leatherman Terminal
Located on the west bank of the Cooper River in North Charleston, South Carolina, the 286-acre Hugh K. Leatherman Terminal is primarily a container facility. The first phase of this project opened in March 2021 and marked the first greenfield container terminal opening in the United States since 2009. The first phase consists of 1,400 linear feet of berth, 134 developed acres, five ship-to-shore cranes and 25 rubber-tired-gantry-cranes. Vessel transit time from this facility to open sea is approximately one-and-a-half hours.

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

Columbus Street Terminal
Located on the Cooper River, six miles from the open ocean, the Columbus Street Terminal is the Authority's primary Ro-Ro, breakbulk, heavy lift, and project cargo facility. This terminal spans 155 acres, with 3,500 continuous feet of berth, an on-terminal rail yard served by Norfolk Southern and CSX and three warehouses encompassing 365,000 square feet. Vessel transit time from this facility to open sea is approximately one hour.

Union Pier Terminal

Located on the Cooper River, six miles from the open ocean, Union Pier Terminal is primarily a breakbulk cargo and transloading facility. Of Charleston's six terminals, Union Pier Terminal is the closest to open sea and is located two blocks south of the Columbus Street Terminal in downtown Charleston. This 71-acre facility has over 2,470 continuous feet of wharf and 334,000 square feet of warehouse space. Vessel transit time from this facility to open sea is approximately one hour.

Veterans Terminal

Located on the Cooper River, nine miles from the open ocean, Veterans Terminal is a transloading facility with limited breakbulk operations. Transit time to open sea is approximately one-and-a-half hours.

Georgetown Terminal

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

Inland Port Greer

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

Inland Port Dillon

In April 2018, SCSPA opened its second inland port in Dillon, South Carolina, a region with close proximity to I-95 and the North Carolina/South Carolina border. This facility is served by CSX and the total investment was $51.5 million with approximately $42 million contributed by the Authority and $9.5 million by CSX. The 110-acre terminal has a double stack rail shuttle to and from Charleston. The Inland Port Dillon provides a unique, short-haul rail service for existing clients in the area and serves as a draw for economic development. Harbor Freight Tools, which completed a one-million square foot distribution center expansion in 2019, is the anchor tenant for this facility. The terminal is located within the Carolinas I-95 Mega Site, a 3,400-acre industrial park where industrial clients will find easy access to both the Inland Port Dillon and I-95.

**Long-Term Financial Planning**

Over the last ten years, the Authority's container volume, measured in twenty-foot equivalent units, has grown from 1.43 million in fiscal year 2012 to 2.55 million in fiscal year 2021, a compound annual growth rate of 6.64%. With the expectation for continued growth, the SCSPA has invested more than $2 billion in recent years to enhance port infrastructure as bigger ships and more cargo comes to the Port of Charleston. SCSPA is realizing major infrastructure projects at the right time, most notably with the opening of the Hugh K. Leatherman Terminal's $1 billion Phase One. In fiscal year 2021 alone, SCSPA invested more than $289 million to increase capabilities and capacity at the Port of Charleston. With the support of the SC Legislature, SCSPA looks to invest $550 million to develop a near-dock, rail-served cargo yard and an inner harbor barge operation. SC Ports' Navy Base Intermodal Facility will provide near-dock rail to the Leatherman Terminal where containers will be trucked between the facilities on a 1-mile restricted drayage road. CSX and Norfolk Southern will serve the Navy Base Intermodal Facility, swiftly moving cargo for customers and greatly increasing rail and port competitiveness.

**Major Initiatives**

The deepening of the Charleston Harbor to 52 feet continues to be a strategic priority for SCSPA, South Carolina, and the nation. Deeper, wider channels are needed to more efficiently handle the larger containerships already calling US East Coast ports, including Charleston. The $571 million plan calls for Charleston to be deepened to 52 feet mean low water in the interior channel and 54 feet mean low water in the outer channel, with portions completed by 2021. Based on USACE's Project Management Plan, it is anticipated that the local share of the project will be approximately $270 million, and the federal share will be approximately $301 million. This project was fully funded in fiscal year 2020. The State appropriated $300 million, together with interest earned thereon, to cover costs associated with the deepening of the Charleston Harbor. In addition, the State advanced proceeds of a $50 million Proviso Loan to bridge the federal funding period. The Proviso Loan is expected to be paid back by federal funds when received and approved for reimbursement. To date, the federal government has authorized $246 million, fully funding the project. It is projected that when the project is complete, Charleston will be the deepest port on the US East Coast.

In fiscal year 2021, the Authority launched operations of Phase One at the Hugh K. Leatherman Terminal, a new container terminal on the Cooper River in North Charleston, and the only greenfield container terminal to open in the United States since 2009. The Hugh K. Leatherman Terminal will be constructed in three phases, with timing based on market demand. The completed first phase consists of 1,400 linear feet of berth, 134 developed acres of which 47 acres dedicated to container storage space, five ship-to-shore cranes, and 25 rubber-tired-gantry cranes. This adds 700,000 TEUs of capacity to the Port of Charleston. At full build-out (after completion of all three phases), the Leatherman Terminal is projected to add 2.4 million TEUs representing an increase of nearly 100% of incremental new container capacity. Additionally, the Leatherman Terminal will feature approximately 3,510 linear feet of berth, 266-developed acres, 165 acres of dedicated container space, 14 ship-to-shore cranes, and 70 rubber-tired gantry cranes. HLT features a dedicated commercial access road connecting the terminal to Interstate 26.

With the opening of Phase 1 of the Hugh K. Leatherman Terminal and the continued growth of SCSPA, it is crucial that we develop near-dock rail infrastructure to ensure the efficient movement of goods in our supply chain. South Carolina General Assembly and Governor Henry McMaster recognized this need by including $200 million of the $550 million needed for SCSPA's Navy Base Intermodal Facility and inner-harbor barge in the 2021-2022 fiscal-year budget. This future rail facility will be dually served by CSX and Norfolk Southern and is designed to connect to the Leatherman Terminal via a private drayage road. The inner-harbor barge operation will transport containers between the Wando Welch and Leatherman Terminals.

In April and June 2021, the SCSPA Board of Directors approved resolutions for the creation of a chassis pool (South Carolina Maritime Chassis Pool) to be owned and operated by the SCSPA. The resolutions enable the SCSPA to procure equipment to operate the chassis pool in an amount not to exceed $187 million. The chassis pool will provide newer, modern chassis which will reduce out-of-service levels and lower repair and maintenance costs for users. The expected commencement date of the new chassis pool is spring of 2023.

**Acknowledgements**

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the South Carolina State Ports Authority for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2020. This was the fourth year that the Authority has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

Respectfully Submitted,

Phillip G. Padgett
Chief Financial Officer

Government Finance Officers Association

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

**South Carolina State Ports Authority**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morrill

Executive Director/CEO

## SC PORTS BOARD OF DIRECTORS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**DAVE POSEK**
Vice Chairman


**KURT GRINDSTAFF**
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**WILLIE "COACH" JEFFRIES**
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**PAM LACKEY**


**WHIT SMITH**


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**KENNY JACKSON**


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President and CEO


**BARBARA MELVIN**
Chief Operating Officer


**PHIL PADGETT**
Chief Financial Officer


**BEVERLY COWART**
SVP Talent Solutions


**JORDI YARBOROUGH**
SVP Community Engagement & Secretary to the Board


**MICAH MALLACE**
SVP Marketing & Sales


**PAUL MCCLINTOCK**
SVP Export Projects

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Senior Director, Chief of Port Police

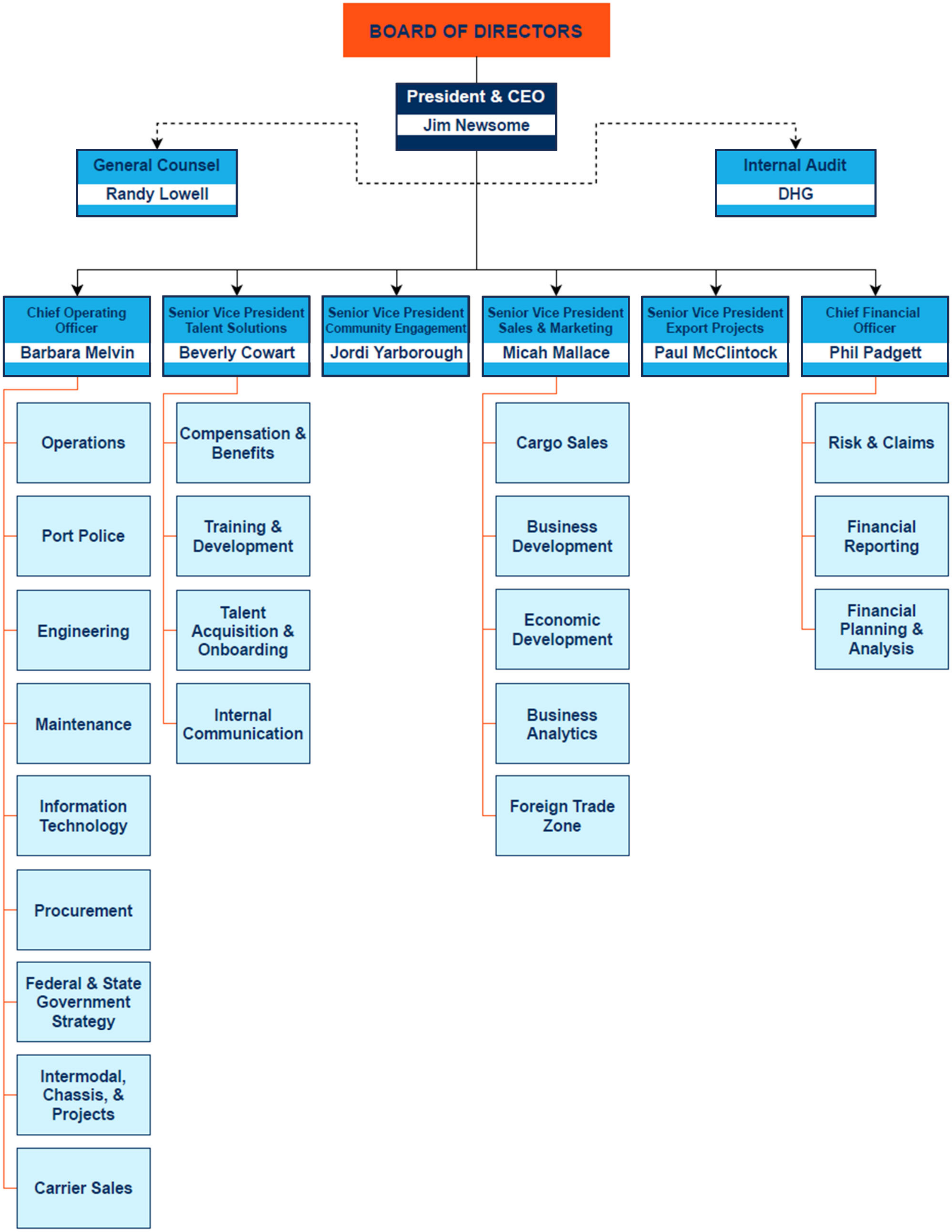

**JOEL BRITT**
Senior Director, Operations


**MIKE STRESEMANN**
Senior Director, Crane & Equipment Maintenance


**STEVE KEMP**
Senior Director, Intermodal, Chassis, & Operations Projects


**STEVE RAUCH**
Senior Director, Information Technology


**WALTER LAGARENNE**
Senior Director, Engineering & Facilities


BOARD OF DIRECTORS
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Cargo Sales
Business Development
Economic Development
Business Analytics
Foreign Trade Zone
Risk & Claims
Financial Reporting
Financial Planning & Analysis

# FINANCIAL SECTION

# South Carolina State Ports Authority

## Financial Statements and Required Supplemental Information June 30, 2021 and 2020

# South Carolina State Ports Authority
## Index
## June 30, 2021 and 2020

Page(s)

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of the South Carolina State Ports Authority (the "Ports Authority"), a component unit of the State of South Carolina, as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Ports Authority's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

***Opinion***

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, 2021 and 2020, 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.

***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, although not a part of the basic financial statements, is required by Government 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 regarding the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient audit evidence to express an opinion or provide any assurance.

**Other Information**

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2021, on our consideration of the Ports Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Ports Authority's internal control over financial reporting and compliance.

Elliott Davis, LLC

Charleston, South Carolina
September 21, 2021

**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, 2021 and 2020. 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 seven ocean terminals at the ports of Charleston and Georgetown, as well as inland port facilities in Greer and Dillon. These facilities primarily handle import and export containerized, breakbulk, and bulk cargoes.

**Operational Highlights**

- During fiscal year 2021, the Ports Authority handled 2,548,873 twenty-foot equivalent units (TEUs). The volumes represent the highest in the Ports Authority's history and an increase of approximately 9.6% over fiscal year 2020 and a 6.5% increase over fiscal year 2019.
- The rail-served inland ports continued to grow and capture market share in fiscal year 2021. Inland Port Dillon, situated on Interstate 95 in the Pee Dee region of South Carolina achieved its highest fiscal year volume on record with 34,987 rail moves, representing 7.8% growth over fiscal year 2020. Inland Port Greer, situated in the upstate of South Carolina, achieved 157,842 rail moves in fiscal year 2021, which represents increases of 12.6% and 10.2% from fiscal years 2020 and 2019, respectively.
- In April 2021, the Ports Authority opened Phase I of the Hugh K. Leatherman Terminal (Leatherman Terminal), the first greenfield terminal in the United States since 2009. Phase I includes five ship-to-shore cranes with 169 feet of lift height, 25 hybrid rubber-tired-gantry cranes (RTGs), 700 thousand TEU of capacity, and a dedicated access road to/from Interstate 26.
- In December 2020, Wal-Mart broke ground on an approximately 3-million square foot storage and cross-dock facility that will support approximately 850 Wal-Mart and Sam's Club stores across South Carolina and neighboring states. The $220 million facility will create approximately 1,000 jobs and is expected to boost the Authority's container volumes by approximately 5%.
- During fiscal year 2021, the Ports Authority commenced expansion of Inland Port Greer with the support of a BUILD Grant. The expansion involves building additional rail processing and storage tracks within the terminal, expanding the container yard to the east and west, enlarging the existing chassis yard, and building new facilities for maintenance and terminal operations.

**Financial Highlights**

- The Ports Authority generated record operating revenues of $312.8 million for the fiscal year ended June 30, 2021. This represents an increase of 7.0% from the $292.3 million generated for the fiscal year ended June 30, 2020 and a 6.3% increase over revenues in fiscal year 2019 of $294.3 million.
- The Authority had record cash flow from operating activities of $114.0 million in fiscal year 2021, representing a 29.3% increase from fiscal year 2020 and 26.9% over fiscal year 2019.
- The Ports Authority's total net position was $715.5 million, $744.0 million, and $856.5 million as of June 30, 2021, 2020, and 2019 respectively. The Authority's total net position decreased $28.5 million during the current fiscal year and $141 million from fiscal year 2019.

**Novel Coronavirus (COVID-19)**

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency directly related to a new strain of coronavirus originating in Wuhan, China (COVID-19) and the risks to the international community as the virus spread globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. Many countries around the world, have implemented significant governmental measures to control the spread of the virus, including temporary closure of businesses, severe restrictions on travel and the movement of people, and other material limitations on the conduct of business. As an essential business, the Authority has maintained normal operating hours throughout the pandemic in order to keep the supply chain fluid. While the impact of COVID-19 was felt throughout all operating business segments at the end of fiscal year 2020 and the beginning of fiscal year 2021, the Authority bounced back with record pier container volumes, record inland port rail moves, increases in breakbulk tonnage, record operating revenues, and record operating cash flow in fiscal year 2021.

*Container Business Segment*

The impact of COVID-19 continued at the beginning of fiscal year 2021 with monthly year-over year pier container volume declines in July (16.9%) and August (12.1%). After relatively flat volumes in September (-2.0%) and October (-2.1%), the Authority saw monthly year-over-year pier container volume increases in seven of the remaining eight months of fiscal year 2021 to achieve a record pier container volume of 1,418,865 which represents an increase of 7.7% and 4.0% from fiscal year 2020 and 2019, respectively. This was driven largely by enhanced demand for import consumer goods with import pier container increases of 11.4% and 8.9% over fiscal years 2020 and 2019, respectively. Coupled with rate increases during fiscal year 2021, total operating revenues related to the container business segment were $285.3 million, an increase of 10.4% from fiscal year 2020 and 12.6% from fiscal year 2019. With current demand for import goods, supply chain disruptions along the East Coast have surfaced related to inland distribution, trucking and chassis constraints, warehouse and storage capacity, and labor shortages. The Ports Authority's expectation is that container volumes will remain strong into calendar year 2022 as these disruptions are normalized.

*Breakbulk & RoRo Cargo*

The Authority also realized breakbulk and rolling stock cargo increases over fiscal year 2020. Beginning in March 2020, the Authority began to see declines in vehicles and breakbulk pier tons as COVID-19 disrupted supply chains and forced regional automotive manufacturers to shut down temporarily. As a result of this, the Ports Authority reported monthly pier vehicle declines, as compared to fiscal year 2019, in April (53.5%), May (88.3%) and June (22.0%). Similarly, breakbulk pier tons also experienced monthly declines when compared to fiscal year 2019, in April (47.7%), May (76.6%), and June (17.5%) with the decrease in vehicles driving the variance. Despite the COVID-19 driven declines in the fourth quarter of fiscal year 2020, pier vehicles and breakbulk pier tons bounced back strongly at the beginning of fiscal year 2021. Monthly pier vehicles, as compared to fiscal year 2020 saw increases in July (47.0%) and August (37.7%) driving increases in breakbulk pier tons of 13.1% and 25.2% in July and August, respectively. The Ports Authority finished fiscal year 2021 with total pier vehicles of 253,983 and total pier tons of 807,520, an increase of 27.1% and 26.9%, respectively, over fiscal year 2020.

*Cruise*

As a result of COVID-19, all cruise dockings at the Ports Authority were suspended by the CDC in mid-March 2020 and have not resumed. During fiscal year 2021, the Authority had no cruise passengers, representing a 100% decrease from the fiscal year ending June 30, 2020. The Ports Authority continues to monitor expected timelines to resume operations from the CDC and its homeport cruise customer, Carnival Cruise Line.

**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)* | 2021 | 2020 | 2019 |
|---|---|---|---|
| Total operating revenues | $ 312,722 | $ 292,256 | $ 294,326 |
| Total TEUs (equivalent number of 20' container units) | 2,549 | 2,325 | 2,393 |
| Breakbulk pier tonnage | 808 | 636 | 625 |

A total of 1,593, 1,567, and 1,696 vessels (excluding barges) docked during the years ended June 30, 2021, 2020, and 2019, respectively. Per Container News, the Authority is ranked as the second busiest port in the South Atlantic Coast in volume of TEUs and ninth in the United States.

**Statements of Net Position (Balance Sheets)**

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

| *(in thousands of dollars)* | 2021 | 2020 | 2019 |
|---|---|---|---|
| **Assets** | | | |
| Current assets | $ 480,937 | $ 701,304 | $ 583,552 |
| Held by trustee for debt services | 31,623 | 31,517 | 34,160 |
| Capital assets, net | 1,785,044 | 1,599,623 | 1,388,022 |
| Other assets | 4,362 | 6,209 | 4,496 |
| Total assets | 2,301,966 | 2,338,653 | 2,010,230 |
| **Deferred outflows of resources** | 74,615 | 60,007 | 27,202 |
| Total assets and deferred outflows of resources | $ 2,376,581 | $ 2,398,660 | $ 2,037,432 |
| **Liabilities** | | | |
| Current liabilities | $ 94,460 | $ 107,161 | $ 77,880 |
| Long-term obligations | 1,563,080 | 1,542,780 | 1,097,631 |
| Total liabilities | 1,657,540 | 1,649,941 | 1,175,511 |
| **Deferred inflows of resources** | 3,530 | 4,757 | 5,420 |
| **Net position** | | | |
| Net investment in capital assets | 521,164 | 548,444 | 712,008 |
| Restricted for debt service | 35,774 | 36,173 | 34,161 |
| Unrestricted | 158,573 | 159,345 | 110,332 |
| Total net position | 715,511 | 743,962 | 856,501 |
| Total liabilities, deferred inflows of resources and net position | $ 2,376,581 | $ 2,398,660 | $ 2,037,432 |

Total assets and deferred outflows of resources decreased 1.0% or $22 million from $2,399 million to $2,377 million during 2021. The Ports Authority continued investment in capital infrastructure, as net capital assets grew from $1.60 billion in fiscal year 2020 to $1.79 billion in fiscal year 2021. Investments in capital assets were made to improve infrastructure and equipment at existing facilities, as well as to construct Phase 1 of the new Hugh K. Leatherman Terminal. With these capital expenditures, the Authority saw cash and investment balances decrease $226 million in fiscal year 2021.

Deferred Outflows of Resources increased $14.6 million during the year which was 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 2021 that were paid subsequent to both plans' measurement date of June 30, 2020. The increase also reflects the difference between actual and expected benefit experience, the net difference between projected and actual investment earnings, and assumption changes for other post-employment benefits.

Total liabilities increased 0.5% or $8 million from $1,650 million to $1,658 million during 2021. The Authority saw increase in both the net pension liability ($16.8 million) and net OPEB liability ($17.6 million). 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 2021. Primary drivers of the net OPEB liability increase were assumption changes related to the discount rate, differences between expected and actual plan experience, and the passage of time. These increases were offset by decreases in accounts payable on construction contracts ($18.9 million), retainage payable ($4.3 million), and long-term debt ($17.7 million). Decreases in accounts payable on construction contracts and retainage payable primarily relate to substantial completion of Phase I of Hugh K. Leatherman Terminal, while the decrease in long-term debt primarily relates to principal payments made during fiscal year 2021.

The Ports Authority's deferred inflows of resources related to defined benefit plans decreased to $519 thousand in fiscal year 2021, representing the allocated share of the difference between actual and expected pension experience and changes in proportionate share during the year. Deferred inflows of resources for post-employment benefits decreased to $3.0 million due to differences between actual and expected experience, assumption changes, service costs, and benefit payments.

Total assets and deferred outflows of resources increased 17.8% or $362 million from $2,037 million to $2,399 million during fiscal year 2020. The main drivers behind the increase were the Authority's investment in capital infrastructure, as net capital assets grew from $1.39 billion in fiscal year 2019 to $1.60 billion in fiscal year 2020. Investments in capital assets were made to improve infrastructure and equipment at existing facilities, as well as, to construct Phase 1 of the new Hugh K. Leatherman Terminal.

Deferred Outflows of Resources increased approximately $32.8 million during fiscal year 2020 which was primarily attributed to recognizing the economic loss associated with the Series 2019C and 2019D bond refunding's. Additionally, the Ports Authority recognized its allocated share of difference between actual and expected pension experience, the net difference between projected and actual investment earnings, assumption changes, changes in proportionate share and the Ports Authority's actual pension plan contributions made during 2020 that were paid subsequent to the plans' measurement date of June 30, 2019. The increase also reflects the difference between actual and expected benefit experience, the net difference between projected and actual investment earnings, and assumption changes for other post-employment benefits.

Total liabilities increased 40.4% or $474 million from $1,176 million to $1,650 million during 2020. The main driver of this change was the addition of senior debt during fiscal year 2020 for the construction of the Port Access Road and Phase 1 of the Hugh K. Leatherman Terminal.

The Ports Authority's deferred inflows of resources increased to $854 thousand in fiscal year 2020, representing the allocated share of the difference between actual and expected pension experience and changes in proportionate share during the year and deferred inflows of resources decreased to $3.9 million for post-employment benefits related to difference between actual and expected experience, assumption changes, service costs and benefit payments.

The largest portion of the Ports Authority's net position each year (72.8%, 73.7% and 83.1% at June 30, 2021, 2020 and 2019, 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 (5.0%, 4.9% and 4.0% at June 30, 2021, 2020 and 2019, respectively) represents resources that are subject to external restrictions. The remaining unrestricted net position 22.2%, 21.4% and 12.9% at June 30, 2021, 2020 and 2019, respectively) may be used to meet any of the Ports Authority's ongoing obligations.

**Statements of Revenues, Expenses and Changes in Net Position**

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

| *(in thousands of dollars)* | **2021** | **2020** | **2019** |
|---|---|---|---|
| Operating income | $ 312,772 | $ 292,256 | $ 294,326 |
| Operating expenses | 275,730 | 264,841 | 252,083 |
| Operating earnings | 37,042 | 27,415 | 42,243 |
| Loss on sale of property and equipment, net | (3,786) | (5,391) | (4,253) |
| Other nonoperating income (expense), net | (61,853) | (11,770) | 25,534 |
| Contribution to State of South Carolina | (1,000) | (1,000) | (1,000) |
| Contribution to Department of Transportation | - | (100,000) | (23,000) |
| Contribution to Spartanburg County | (250) | - | - |
| Contribution to Army Corps of Engineers | - | (33,294) | (3,933) |
| Contribution to Department of Commerce | (500) | - | - |
| Capital grants from the federal government | 1,490 | 164 | 2,004 |
| Contribution from State of South Carolina | 406 | 11,337 | 4,494 |
| Change in net position | (28,451) | (112,539) | 42,089 |
| Net position, beginning | 743,962 | 856,501 | 814,412 |
| Net position, ending | $ 715,511 | $ 743,962 | $ 856,501 |

Operating revenues increased 7.0% from $292.3 million to $312.8 million during fiscal year 2021. This increase is primarily attributed to record volumes of containerized cargo, record rail moves at both the inland port facilities in Greer and Dillon, increased volumes of breakbulk and roll on/roll off cargo and increased demurrage charges.

Operating revenues decreased 0.7% from $294.3 million to $292.3 million during fiscal year 2020. This decrease was primarily attributed to the insurance claim settlement of $6.0 million recorded in fiscal year 2019 operating revenues. While COVID-19 had an adverse impact on pier container volumes, automobiles, and cruise passengers in the fourth quarter of fiscal year 2020, the Authority still achieved operating revenue increases in the container business segment (2.1%) and the cruise business segment (2.0%), only experiencing a decline (5.0%) in the breakbulk and ro-ro business segment.

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

| *(in thousands)* | 2021 | 2020 | 2019 |
|---|---|---|---|
| **Operating revenues** | | | |
| Container | $ 254,870 | $ 234,369 | $ 231,828 |
| Breakbulk & RoRo Cargo | 25,450 | 20,992 | 22,091 |
| Inland Ports | 30,401 | 24,155 | 21,482 |
| Cruise | 532 | 10,604 | 10,397 |
| All other | 1,519 | 2,136 | 8,528 |
| Total operating revenues | $ 312,772 | $ 292,256 | $ 294,326 |

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

| *(in thousands)* | 2021 | 2020 | 2019 |
|---|---|---|---|
| **Operating expenses** | | | |
| Direct operating expenses | $ 162,220 | $ 167,412 | $ 162,364 |
| Administrative expense | 52,556 | 42,370 | 42,166 |
| Depreciation expense | 60,954 | 55,059 | 47,553 |
| Total operating expenses | $ 275,730 | $ 264,841 | $ 252,083 |

Direct operating expenses for fiscal year 2021 decreased by 3.1% from $167.4 million in fiscal year 2020 to $162.2 million in fiscal year 2021. The decrease is a result of the transition to a single stevedore (Charleston Stevedoring Company) during the year which transferred certain equipment interchange services provided by Charleston Gate from the Authority to Charleston Stevedoring Company. Additionally, the Ports Authority saw a decrease in repair and maintenance costs offset by increases in rail drayage and direct labor expense.

Administrative expenses increased in fiscal year 2021 by 24.1% from $42.4 million in fiscal year 2020 to $52.6 million in fiscal year 2021. Main drivers include increases related to pension and OPEB entries resulting from GASB 68 and GASB 75, respectively, as well as increases related to information technology enhancements.

Depreciation expense increased 10.7% in fiscal year 2021 as the Authority completed Phase I of the Leatherman Terminal while continuing to place capital assets into service as part of infrastructure and terminal upgrades.

Direct operating expenses for fiscal year 2020 increased by 3.1% from $162.4 million in fiscal year 2019 to $167.4 million in fiscal year 2020. The increase is primarily the result of increased personnel and gate costs associated with increased operating hours during fiscal year 2020.

Administrative expenses increased slightly in fiscal year 2020 with an increase of 0.5% from $42.2 million in fiscal year 2019 to $42.4 million in fiscal year 2020. Main drivers include increased information technology and pension related costs during fiscal year 2020.

Depreciation expense increased 15.8% in fiscal year 2020 as the Authority continued to place capital assets into service as part of infrastructure and terminal upgrades.

Nonoperating expense increased from $17.2 million in fiscal year 2020 to $65.6 million in fiscal year 2021. The primary driver of the decrease in fiscal year 2021 relates to the unrealized loss on funds deposited with the State Treasurer's Office. During fiscal year 2021, the Ports Authority experienced an unrealized loss of approximately $21.8 million as compared to an unrealized gain in fiscal year 2020 of approximately $28.2 million. Additionally, the Ports Authority included $49.2 million in interest expense in fiscal year 2021, an increase of approximately $3.8 million from the $45.4 million incurred in fiscal year 2020.

Nonoperating income decreased from $21.3 million of income in fiscal year 2019 to $17.2 million of expense in fiscal year 2020. In fiscal year 2020, the Ports Authority adopted GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period.* With the adoption of this Statement, interest expense is no longer capitalized and is now included in interest expense in the Statement of Revenues, Expenses and Changes in Net Position. As a result, $47 million of interest expense is included in nonoperating expense in fiscal year 2020 that was not included in fiscal year 2019 and is offset by interest income earned during fiscal year 2020.

During the fiscal year ending June 30, 2021, the Ports Authority committed $250 thousand to Spartanburg County and $500 thousand to the Department of Commerce for infrastructure improvements. The Ports Authority made contributions to the State of South Carolina for the Cooper River Bridge during the years ended June 30, 2021, 2020 and 2019, as more fully described in Note 12 – Other Matters. During the years ended June 30, 2021, 2020 and 2019, the Ports Authority contributed $0.0 million, $100.0 million, and $23.0 million, respectively, to the Department of Transportation for infrastructure improvements. The Authority also contributed $0.0 million, $33.3 million, and $3.9 million, respectively, to the Army Corps of Engineers for the 52-foot harbor deepening project. Portions of these funds were reimbursed to the Authority from the State of South Carolina. These payments have been treated as nonoperating contributions to the state and county governments in South Carolina and therefore have reduced the Ports Authority's net position. These contributions are not treated as a capital asset of the Ports Authority and future payments are not recorded as a liability.

During the years ended June 30, 2021, 2020 and 2019, the Ports Authority received approximately $1.5 million, $164 thousand, and $2.0 million, respectively, in federal grant money to be used for security related projects to enhance facilities, storm recovery and wharf repairs and improvements at the Wando Welch Terminal. Additionally, for the years ended June 30, 2021, 2020 and 2019, $400 thousand, $400 thousand, and $600 thousand, respectively, was received from the State of South Carolina as reimbursement for bi-state development of the Jasper Ocean Terminal.

**Statements of Cash Flows**

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

| *(in thousands of dollars)* | 2021 | 2020 | 2019 |
|---|---|---|---|
| Cash flow provided by operating activities | $ 114,019 | $ 88,680 | $ 90,481 |
| Cash flow (used in) provided by investing activities | (14,465) | 49,872 | 8,029 |
| Cash flow from (used in) noncapital financing activities | 6,915 | (122,793) | (11,069) |
| Cash flow (used in) provided by capital and related financing activities | (332,423) | 116,297 | (100,891) |
| Change in cash and cash equivalents | (225,954) | 132,056 | (13,450) |
| Cash and cash equivalents | | | |
| Beginning of year | 670,574 | 538,518 | 551,968 |
| End of year | $ 444,620 | $ 670,574 | $ 538,518 |

The Ports Authority's available cash and cash equivalents decreased from $670.6 million in fiscal year 2020 to $444.6 million in fiscal year 2021. Cash flows from operating activities increased from $88.7 million in fiscal year 2020 to $114.0 million in fiscal year 2021. The major drivers of this variance were increases in container volumes to record levels along with increased demurrage charges which lead to a $20.5 million increase in operating revenues from fiscal year 2020 to fiscal year 2021. Direct operating expense decreased approximately $5.2 million during the same time period. Cash flows from (used in) investing activities decreased from $49.9 million in 2020 to $(14.5) million in 2021. This decrease is principally attributed to unrealized losses associated with funds held in the State Treasurer pool along with a decrease in interest income. Net cash from (used in) noncapital financing activities increased from $(122.8) million in 2020 to $6.9 million in 2021. This is related to a decrease in contributions provided to the Department of Transportation for infrastructure improvements and to the Army Corps of Engineers for the 52-foot harbor deepening project.

Net cash (used in) provided by capital and related financing activities decreased from $116.3 million in 2020 to $(332.4) million in 2021. This decrease was directly related to the Series 2019 (A,B,C,D) bond issuances occurring during fiscal year 2020, which provided cash to support the capital plan of the Authority. Additionally, the Authority continued to spend cash on planned projects during fiscal year 2021, as well as the servicing of current debt obligations.

The Ports Authority's available cash and cash equivalents increased from $538.5 million in fiscal year 2019 to $670.6 million in fiscal year 2020. Cash flows from operating activities decreased from $90.5 million in fiscal year 2019 to $88.7 million in fiscal year 2020. The major drivers of this variance were decreases in container volumes from record levels, offset with moderate rate adjustments which lead to a $3.9 million increase in operating revenues from fiscal year 2019 to fiscal year 2020 when you exclude the $6 million insurance settlement from fiscal year 2019. Direct operating expense increased during the same time period. Additionally, the net pension liability increased $12.6 million during fiscal year 2020, increasing cash flow from operating activities by the same amount. Cash flows from investing activities increased from $8.0 million in 2019 to $49.9 million in 2020. This increase is principally attributed to an increase in investments sold during fiscal year 2020, an increase in unrealized gains associated with funds held in the State Treasurer pool, and an increase in interest income. Net cash used in noncapital financing activities increased from $(11.1) million in 2019 to $(122.8) million in 2020. This is related to increases in contributions provided to the Department of Transportation for infrastructure improvements along with the Army Corps of Engineers for the 52-foot harbor deepening project. These infrastructure improvements are not the assets of the Authority.

Net cash from capital and related financing activities increased from $(100.9) million in 2019 to $116.3 million in 2020. This increase was directly related to the Series 2019 (A,B,C,D) bond issuances occurring during fiscal year 2020 which was partially offset by capital spend and the servicing of current debt obligations.

**Capital Assets and Debt Administration**

The Ports Authority's investment in capital assets was $1.79 billion as of June 30, 2021, representing a 11.9% increase over June 30, 2020, and a 28.8% increase over 2019. The investments include land, land improvements, buildings, terminal equipment, and projects in progress.

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

- Hugh K. Leatherman Terminal – Phase 1
- Purchase and upgrade of Ship-to-Shore Container Cranes (In Progress)
- Expansion of Inland Port Greer (In Progress)
- Infrastructure at Ridgeville Industrial Campus (In Progress)
- Purchase and upgrades of Rubber-Tired-Gantry Cranes and other Material Handling Equipment
- Traffic flow improvements and densification at the Wando Welch Terminal
- Construction of new chassis yards at Wando Welch, Inland Port Greer, and North Charleston Terminals

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 defeased in fiscal year 2020 with the Series' 2019C ($125 million) and 2019D ($152 million). Total revenue bonds outstanding were $1.02 billion, $1.03 billion, and $619 million as of June 30, 2021, 2020 and 2019, respectively. Additionally, the Authority has direct borrowings outstanding with various third parties totaling $256.4 million and $265.2 million as of June 30, 2021, and 2020, respectively. Additional information on the Ports Authority's long-term debt can be found in Note 5 to the financial statements.

**Credit Rating**

The Ports Authority's Senior Revenue Bonds, Series 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.

## AS OF JUNE 30, 2021 AND 2020

| *(in thousands of dollars)* | 2021 | 2020 |
|---|---|---|
| **Assets** | | |
| Current assets | | |
| Cash and cash equivalents, unrestricted | $ 307,208 | $ 250,973 |
| Cash and cash equivalents, restricted | 99,448 | 367,868 |
| Cash and cash equivalents held by trustee for debt service | 28,645 | 28,478 |
| Investments, unrestricted | 5,168 | 5,568 |
| Investments, restricted | - | 13,032 |
| Accrued interest receivable | 3,032 | 3,294 |
| Accounts receivable trade, net of allowance for doubtful accounts of $307 in 2021 and $417 in 2020 | 48,660 | 38,803 |
| Other receivables | 339 | 6,071 |
| Inventories, net | 9,755 | 9,794 |
| Prepaid and other current assets | 7,327 | 5,901 |
| Total current assets | 509,582 | 729,782 |
| Noncurrent assets | | |
| Investments, restricted | 4,151 | 4,655 |
| Investments held by trustee for debt service | 2,978 | 3,039 |
| Capital assets, net | 1,785,044 | 1,599,623 |
| Other receivables | 211 | 1,554 |
| Total noncurrent assets | 1,792,384 | 1,608,871 |
| Total assets | 2,301,966 | 2,338,653 |
| **Deferred outflows of resources** | | |
| Defined benefit plans | 29,718 | 25,310 |
| Post-employment benefit plans | 19,188 | 6,399 |
| Goodwill | - | 1,533 |
| Deferred loss on refunding bonds | 25,709 | 26,765 |
| Total deferred outflows of resources | 74,615 | 60,007 |
| Total assets and deferred outflows of resources | $ 2,376,581 | $ 2,398,660 |
| **Liabilities** | | |
| Current liabilities | | |
| Current maturities of long-term debt | $ 15,088 | $ 15,625 |
| Accounts payable | 10,625 | 9,467 |
| Accounts payable, construction | 28,171 | 47,058 |
| Retainage payable | 1,955 | 6,291 |
| Accrued interest | 22,988 | 23,067 |
| Accrued payroll and related expenses | 14,001 | 5,533 |
| Deferred revenue | 1,509 | - |
| Harbor deepening obligation, current portion | 123 | 120 |
| Total current liabilities | 94,460 | 107,161 |
| Noncurrent liabilities | | |
| Net OPEB liability | 78,454 | 60,817 |
| Net pension liability | 135,131 | 118,329 |
| Harbor deepening obligation, long-term | 3,638 | 3,762 |
| Long-term debt, net of current maturities | 1,337,493 | 1,354,567 |
| Other non-current liabilities | 8,364 | 5,305 |
| Total noncurrent liabilities | 1,563,080 | 1,542,780 |
| Total liabilities | 1,657,540 | 1,649,941 |
| **Deferred inflows of resources** | | |
| Defined benefit plans | 519 | 854 |
| Post-employment benefit plans | 3,011 | 3,903 |
| Total deferred inflows of resources | 3,530 | 4,757 |
| **Net position** | | |
| Net investment in capital assets | 521,164 | 548,444 |
| Restricted | | |
| For debt service | 35,774 | 36,173 |
| Unrestricted | 158,573 | 159,345 |
| Total net position | 715,511 | 743,962 |
| Total liabilities, deferred inflows of resources and net position | $ 2,376,581 | $ 2,398,660 |

*The accompanying Notes to Financial Statements are an integral part of this statement.*

**FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020**

| *(in thousands of dollars)* | **2021** | **2020** |
|---|---|---|
| **Operating revenues** | $ 312,772 | $ 292,256 |
| **Operating expenses** | | |
| Direct operating | 162,220 | 167,412 |
| Administrative | 52,556 | 42,370 |
| Depreciation and amortization | 60,954 | 55,059 |
| Total operating expenses | 275,730 | 264,841 |
| Operating income | 37,042 | 27,415 |
| **Nonoperating (expenses) revenues** | | |
| Interest income | 8,858 | 11,943 |
| Other income (expense), net | 274 | (6,485) |
| Loss on disposal of property and equipment, net | (3,786) | (5,391) |
| Interest expense | (49,196) | (45,411) |
| Interest expense on financing lease | (37) | - |
| Unrealized (loss) gain on investments, net | (21,752) | 28,183 |
| Contribution to the State of SC for Cooper River Bridge | (1,000) | (1,000) |
| Contribution to Department of Transportation for infrastructure improvements | - | (100,000) |
| Contribution to Spartanburg County for infrastructure improvements | (250) | - |
| Contribution to Department of Commerce for infrastructure improvements | (500) | - |
| Contribution to Army Corps of Engineers for Harbor Deepening | - | (33,294) |
| Contribution from the State of SC for Harbor Deepening | 10 | 6,037 |
| Other contributions related to Harbor Deepening | (4) | - |
| Contribution from the State of SC for Jasper Ocean Terminal | 400 | 5,300 |
| Total nonoperating (expenses) revenues | (66,983) | (140,118) |
| Expenses in excess of revenues before capital grants | (29,941) | (112,703) |
| Capital grants from the federal government | 1,490 | 164 |
| Decrease in net position | (28,451) | (112,539) |
| **Total net position** | | |
| Beginning of year | 743,962 | 856,501 |
| End of year | $ 715,511 | $ 743,962 |

*The accompanying Notes to Financial Statements are an integral part of this statement.*

**FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020**

| *(in thousands of dollars)* | **2021** | **2020** |
|---|---|---|
| **Cash flows from operating activities** | | |
| Cash received from customers | $ 302,915 | $ 294,783 |
| Cash paid to suppliers | (85,436) | (108,261) |
| Cash paid for employees | (103,460) | (97,842) |
| Net cash provided by operating activities | 114,019 | 88,680 |
| **Cash flows from investing activities** | | |
| Proceeds from sale of investments | - | 10,263 |
| Purchases of investments | (23,027) | (392) |
| Interest on investments | 8,962 | 40,401 |
| Payment to support bi-port development | (400) | (400) |
| Net cash (used in) provided by investing activities | (14,465) | 49,872 |
| **Cash flows from noncapital financing activities** | | |
| Proceeds from dredging | 44 | - |
| Proceeds from other income | 41 | - |
| Cash paid for Ridgeville tract | (102) | - |
| Contribution to the State of SC for Cooper River Bridge | (1,000) | (1,000) |
| Contribution to Department of Transportation for infrastructure improvements | - | (100,000) |
| Contribution to Army Corps of Engineers for harbor deepening | (4) | (33,294) |
| Contribution from the State of SC for harbor deepening | 6,047 | 6,037 |
| Contribution from federal government | 747 | 164 |
| Contribution from the State of SC Department of Public Safety | 604 | - |
| Contribution from CSX Transportation, Inc. | 138 | - |
| Contribution from the State of SC for Jasper Ocean Terminal | 400 | 5,300 |
| Net cash provided by (used in) noncapital financing activities | 6,915 | (122,793) |
| **Cash flows from capital and related financing activities** | | |
| Acquisition and construction of capital assets | (289,168) | (228,675) |
| Cash received from insurance proceeds | - | 6,000 |
| Proceeds from sale of capital assets | 22,824 | 4,299 |
| Cash paid for bond issuance costs | - | (3,022) |
| Cash paid for financed lease | (126) | - |
| Proceeds from revenue bonds | - | 698,379 |
| Principal paid on revenue bonds | (6,325) | (312,990) |
| Proceeds from notes payable | 21,255 | 82,933 |
| Principal paid on harbor deepening | (120) | (116) |
| Principal paid on other debt | (30,007) | (89,554) |
| Interest paid on revenue bonds | (44,151) | (30,004) |
| Interest paid on harbor deepening | (116) | (1,171) |
| Interest paid on bond defeasance | - | (2,707) |
| Interest paid on other debt | (6,489) | (7,075) |
| Cash flows (used in) provided by capital and related financing activities | (332,423) | 116,297 |
| Net (decrease) increase in cash and cash equivalents | (225,954) | 132,056 |
| **Cash and cash equivalents** | | |
| Beginning of year | 670,574 | 538,518 |
| End of year | $ 444,620 | $ 670,574 |
| **Reconciliation of cash and cash equivalents to financial statements** | | |
| Cash and cash equivalents | $ 435,301 | $ 647,319 |
| Investments | 9,319 | 23,255 |
| Total cash and cash equivalents | $ 444,620 | $ 670,574 |

*The accompanying Notes to Financial Statements are an integral part of this statement.*

**FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020**

| *(in thousands of dollars)* | 2021 | 2020 |
|---|---|---|
| **Reconciliation of operating income to net cash provided by operating activities** | | |
| Operating income | $ 37,042 | $ 27,415 |
| Adjustments to reconcile operating income to net cash provided by operating activities | | |
| Depreciation | 59,394 | 54,814 |
| Provision for doubtful accounts | 74 | (1,277) |
| Other expense, net | 989 | (2,610) |
| Amortization | 1,560 | 245 |
| Changes in operating assets and liabilities | | |
| Accounts receivable | (9,883) | 3,998 |
| Inventories | 39 | (160) |
| Prepaid and other current assets | (1,378) | 885 |
| Accounts payable and other liabilities | 1,917 | (5,260) |
| Deferred revenue | (1,638) | - |
| Payroll related liabilities | 9,888 | (1,382) |
| Post-employment benefit obligation | 3,956 | 1,556 |
| Net pension liability | 12,059 | 10,446 |
| Net cash provided by operating activities | $ 114,019 | $ 88,680 |

**Noncash Investing, Capital and Financing Activities**

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

| *(in thousands of dollars)* | 2021 | 2020 |
|---|---|---|
| Capital assets included in accounts payable | $ 23,100 | $ 61,886 |
| Unrealized gain on interest rate exchange agreements | - | 301 |
| Unrealized gain on investments | (21,752) | 28,183 |
| Harbor deepening reimbursement included in other receivables | - | 6,037 |
| Contributions in other receivables | 1,360 | 441 |
| Land swap | 20,373 | 5,564 |
| Interest income included in interest receivable | 263 | 2,500 |
| Other capital activities | (344) | - |
| Intergovernmental activities | 750 | - |

*The accompanying Notes to Financial Statements are an integral part of this statement.*

## 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 seven ocean terminals at the ports of Charleston and Georgetown, as well as inland port facilities in Greer and Dillon. These facilities handle import and export containerized, breakbulk and bulk cargoes.

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

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

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

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

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

- *Unrestricted net position* – Consists of net position that does not meet the definition of "restricted" or "net investment in capital assets".

**New Accounting Pronouncements**

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement (1) defines a subscription-based information technology arrangement (SBITA); (2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. The Ports Authority is currently evaluating the impact that this Statement will have on its financial statements.

In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance.* The primary objective of this Statement is to provide temporary relief to governments in light of the COVID-19 pandemic, effective immediately. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides for the following pronouncements:

- Statement No. 83, *Certain Asset Retirement Obligations*
- Statement No. 84, *Fiduciary Activities*
- Statement No. 87, *Leases*
- Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests*
- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*

The Ports Authority adopted Statement No. 95 in the fiscal year ended June 30, 2020. The Ports Authority adopted Statement No. 88 during fiscal year ended June 30, 2019. The adoption of Statement No. 95 had no effect on the Ports Authority's financial statements, with exception of the implementation of Statement No. 89 as noted below.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period* was effective for reporting periods beginning after December 15, 2019 and should be applied prospectively. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The Ports Authority adopted this Statement in fiscal year ended June 30, 2020.

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The requirement of this Statement will improve financial reporting by establishing the definitions of Public-Private and Public-Public Partnerships (PPPs) and Availability Payment Arrangements (APAs) and providing uniform guidance on transactions that meet those definitions. The required disclosures will allow users to understand the scale and important aspects of a government's PPPs and evaluate future obligations and assets resulting from PPPs. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. The Ports Authority is currently evaluating the impact that this Statement will have on its financial statements.

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.” 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 and Standard & Poor’s. These rating agencies assign ratings to the securities by assessing the likelihood of issuer default; however, government obligations typically are not considered as having significant credit risk. The funds held by trustee received credit ratings from Moody’s Investors Service of Aaa and Standard & Poor’s of AAA as of June 30, 2021, and 2020. Investments include money market funds, U.S. Government securities, and interest-bearing accounts with credit ratings from Moody’s of Aaa and Standard & Poor’s of AAA as of June 30, 2021, and 2020. 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 Comprehensive Annual Financial Report of the State of South Carolina.

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the Ports Authority will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. Investments are invested primarily in money market funds, US Government securities, and interest-bearing accounts, which totaled approximately $9,319,000 and $23,255,000 as of June 30, 2021 and 2020, respectively. Investments held by the trustee are invested in government agency securities, which totaled approximately $31,623,000 and $31,517,000 as of June 30, 2021 and 2020, respectively. Investments and investments held by trustee are fully collateralized as of June 30, 2021 and 2020 with securities maintained by outside parties.

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)*

| | | Value | |
|---|---|---|---|
| **Investment Type** | **Maturity** | **2021** | **2020** |
| Money market funds | Less than three months | $ 45,809 | $ 49,140 |
| Mutual funds | Less than one year | 4,151 | 4,655 |
| U.S. government agency securities | Less than one year | 1,807 | 14,582 |
| U.S. government agency securities | One to five years | 6,310 | 7,019 |

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 $5,000 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. GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period* was adopted in fiscal year 2020 and interest is expensed in the period incurred. Prior to the adoption of Statement No. 89, interest was capitalized on major long-term construction projects and depreciated over the useful life of the related asset.

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

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

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

**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 are the consumption of net position 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 net OPEB liabilities – decreases in net pension and net 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 are the acquisition of net position that is applicable to future reporting periods. The Ports Authority's deferred inflows of resources consist of increases in net pension and net OPEB liabilities not included in expense.

**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, 2021, 2020, and 2019.

**Risks and Uncertainties**
The 2019 novel coronavirus ("COVID-19") has adversely affected, and may continue to adversely affect economic activity globally, nationally, and locally. It is unknown the extent to which COVID-19 may spread, may have a destabilizing effect on financial and economic activity and may increasingly have the potential to negatively impact the Ports Authority and its customers' costs, demand for the Ports Authority's services, and the U.S. economy. The extent of the impact of the COVID-19 outbreak on the Ports Authority cannot be predicted at this time.

**Concentration of Credit Risk**
The Ports Authority provides services and facilities usage for companies located throughout the world. During the years ended June 30, 2021 and 2020, three customers accounted for the following revenue and accounts receivable percentages:

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | Revenue | Accounts Receivable | Revenue | Accounts Receivable |
| Customer 1 | 17% | 30% | 18% | 17% |
| Customer 2 | 12 | 12 | 12 | 12 |
| Customer 3 | 11 | 11 | 11 | 15 |
| | 40% | 53% | 41% | 44% |

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 $2,459,000 and $2,038,000 as of June 30, 2021 and 2020, respectively, and is included in accrued payroll and related expenses in the Statements of Net Position.

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

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

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

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

**Subsequent Events**
In preparing these financial statements, the Ports Authority has evaluated events and transactions for potential recognition or disclosure through September 21, 2021, the date the financial statements were available to be issued.

## 2. Cash and Investments

The Ports Authority's total cash and cash equivalents and investments at June 30, 2021 and 2020 was approximately $447,600,000 and $673,600,000, 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, 2021 and 2020.

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 Comprehensive Annual Financial Report of the State of South Carolina. For the fiscal years ending June 30, 2021 and 2020, approximately $6,270,000 of the $368,263,000 and $27,697,000 of the $565,417,000, respectively, identified in the schedule on the following page as "Deposits held by State Treasurer" is attributable to unrealized appreciation.

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

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

| *(in thousands of dollars)* | 2021 | 2020 |
|---|---|---|
| **Statements of Net Position** | | |
| Current assets | | |
| Cash and cash equivalents, unrestricted | $ 307,208 | $ 250,973 |
| Cash and cash equivalents, restricted | 99,448 | 367,868 |
| Cash and cash equivalents held by trustee for debt service | 28,645 | 28,478 |
| Investments, unrestricted | 5,168 | 5,568 |
| Investments, restricted | - | 13,032 |
| Noncurrent assets | | |
| Investments, restricted | 4,151 | 4,655 |
| Investments held by trustee for debt service | 2,978 | 3,039 |
| | $ 447,598 | $ 673,613 |
| **Deposits and Investments** | | |
| Deposits insured (FDIC) or collateralized by securities held by the pledging financial institution's agent in the Ports Authority's name | $ 38,393 | $ 53,425 |
| Deposits held by the State Treasurer's Office | 368,263 | 565,417 |
| Investments held by third party banks | 9,319 | 23,255 |
| Deposits held by trustee | 28,674 | 28,516 |
| U.S. government agency securities, held by trustee | 2,949 | 3,000 |
| | $ 447,598 | $ 673,613 |

General provisions regarding these Funds are as follows:

Restricted cash and investments are held for a specific purpose and therefore not available to the Authority for general business use. Current restricted funds include funds related to the 52-foot Harbor Deepening project, construction funds of the 2018, 2019A and 2019B bond issuances, and escrow deposits for specific equipment purchases.

Investments held by the trustee for debt service include Revenue Bond Debt Service Funds and Revenue Bond Debt Service Reserve Funds, which are to be used for the redemption of bonds and payment of interest on the bonds. Additions to the Revenue Bond Debt Service Funds are required from operating funds in amounts equal to the annual principal and interest payments. Additions to the Reserve Funds are required from operating funds when the Reserve Fund's assets are less than the sum of the largest annual interest payment for each issue of revenue bonds outstanding. See Note 5. When the assets of the Reserve Funds exceed the requirements, the Ports Authority is permitted to use investment income from the Reserve Funds for principal and interest payments and thereby reduce the amount of operating funds required to be transferred to the Debt Service Funds. 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.

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 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.

The cost, gross unrealized gain, gross unrealized loss, and fair values of fixed maturity securities as of and for the years ended June 30, 2021 and 2020 are as follows:

| *(in thousands of dollars)* | 2021 | | | |
|---|---|---|---|---|
| **Type of Investment** | **Cost** | **Unrealized Gain** | **Unrealized Loss** | **Fair Market Value** |
| Money market funds | $ 45,809 | $ - | $ - | $ 45,809 |
| Mutual funds | 4,151 | - | - | 4,151 |
| U.S. treasury securities | 6,539 | 139 | (3) | 6,675 |
| Gov't sponsored securities | 1,417 | 26 | (1) | 1,442 |
| | $ 57,916 | $ 165 | $ (4) | $ 58,077 |

| *(in thousands of dollars)* | 2020 | | | |
|---|---|---|---|---|
| **Type of Investment** | **Cost** | **Unrealized Gain** | **Unrealized Loss** | **Fair Market Value** |
| Money market funds | $ 49,140 | $ - | $ - | $ 49,140 |
| Mutual funds | 4,655 | - | - | 4,655 |
| U.S. treasury securities | 19,698 | 434 | - | 20,132 |
| Gov't sponsored securities | 1,417 | 52 | - | 1,469 |
| | $ 74,910 | $ 486 | $ - | $ 75,396 |

Unrealized losses on investments as reported on the Statements of Revenues, Expenses and Changes in Net Position of ($21,752,000) for the year ended June 30, 2021, includes unrealized losses on investments of ($324,000) and unrealized loss on deposits held by state treasurer of ($21,428,000). For the fiscal year ended June 30, 2020, unrealized gain on investments as reported on the Statements of Revenues, Expenses and Changes in Net Position of $28,183,000 included unrealized gains on investments of $486,000 and unrealized appreciation on deposits held by state treasurer of $27,697,000.

The investment balances in the tables above and below are included in the Statements of Net Position as investments (approximately $9,319,000 and $23,255,000 as of June 30, 2021 and 2020, respectively) and investments held by trustee for debt service (approximately $2,980,000 and $3,040,000 as of June 30, 2021 and 2020, respectively). There were five securities in an unrealized loss position at June 30, 2021, none of which were in a loss position for greater than 12 months. There were no securities in an unrealized loss position at June 30, 2020.

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)* | 2021 | | | |
|---|---|---|---|---|
| **Type of Investment** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Money market funds | $ 45,809 | $ - | $ - | $ 45,809 |
| Mutual funds | 4,151 | - | - | 4,151 |
| U.S. treasury securities | - | 6,675 | - | 6,675 |
| Gov't sponsored securities | - | 1,442 | - | 1,442 |
| | $ 49,960 | $ 8,117 | $ - | $ 58,077 |

| *(in thousands of dollars)* | 2020 | | | |
|---|---|---|---|---|
| **Type of Investment** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Money market funds | $ 49,140 | $ - | $ - | $ 49,140 |
| Mutual funds | 4,655 | - | - | 4,655 |
| U.S. treasury securities | - | 20,132 | - | 20,132 |
| Gov't sponsored securities | - | 1,469 | - | 1,469 |
| | $ 53,795 | $ 21,601 | $ - | $ 75,396 |

## 3. Capital Assets

Capital assets consist of the following amounts:

| *(in thousands of dollars)* | Balance at June 30, 2020 | Additions | Disposals | Transfers | Balance at June 30, 2021 |
|---|---|---|---|---|---|
| Capital assets not depreciated: | | | | | |
| Land | $ 374,341 | $ 20,372 | $ (21,401) | $ 322,896 | $ 696,208 |
| Capital projects in progress | 615,601 | 258,042 | - | (800,810) | 72,833 |
| Total capital assets not depreciated | 989,942 | 278,414 | (21,401) | (477,914) | 769,041 |
| Depreciable capital assets: | | | | | |
| Land improvements | 443,703 | - | (6,794) | 232,275 | 669,184 |
| Buildings and structures | 498,134 | - | (11,246) | 182,954 | 669,842 |
| Railroad tracks | 19,774 | - | - | - | 19,774 |
| Terminal equipment | 256,553 | 317 | (7,193) | 61,706 | 311,383 |
| Furniture and fixtures | 40,132 | - | - | 979 | 41,111 |
| Other | 27 | - | (27) | - | - |
| Total depreciable capital assets | 1,258,323 | 317 | (25,260) | 477,914 | 1,711,294 |
| Less: Accumulated depreciation | 648,642 | 59,394 | (12,745) | - | 695,291 |
| Depreciable capital assets, net | 609,681 | (59,077) | (12,515) | 477,914 | 1,016,003 |
| Capital assets, net | $ 1,599,623 | $ 219,337 | $ (33,916) | $ - | $ 1,785,044 |

| *(in thousands of dollars)* | Balance at June 30, 2019 | Additions | Disposals | Transfers | Balance at June 30, 2020 |
|---|---|---|---|---|---|
| Capital assets not depreciated: | | | | | |
| Land | $ 374,214 | $ 5,001 | $ (5,495) | $ 621 | $ 374,341 |
| Capital projects in progress | 520,588 | 280,434 | (11,849) | (173,572) | 615,601 |
| Total capital assets not depreciated | 894,802 | 285,435 | (17,344) | (172,951) | 989,942 |
| Depreciable capital assets: | | | | | |
| Land improvements | 401,974 | - | - | 41,729 | 443,703 |
| Buildings and structures | 449,776 | - | (7,059) | 55,417 | 498,134 |
| Railroad tracks | 19,677 | - | - | 97 | 19,774 |
| Terminal equipment | 182,911 | - | (1,081) | 74,723 | 256,553 |
| Furniture and fixtures | 39,147 | - | - | 985 | 40,132 |
| Other | 52 | - | (25) | - | 27 |
| Total depreciable capital assets | 1,093,537 | - | (8,165) | 172,951 | 1,258,323 |
| Less: Accumulated depreciation | 600,317 | 54,814 | (6,489) | - | 648,642 |
| Depreciable capital assets, net | 493,220 | (54,814) | (1,676) | 172,951 | 609,681 |
| Capital assets, net | $ 1,388,022 | $ 230,621 | $ (19,120) | $ - | $ 1,599,623 |

During the years ended June 30, 2021 and 2020, the Ports Authority incurred interest costs of approximately $49,200,000 and $45,400,000, respectively. In fiscal year 2020, the Ports Authority adopted GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period.* With the adoption of this Statement, interest expense is no longer capitalized, but is expensed in the Statement of Revenues, Expenses and Changes in Net Position. Therefore, of the incurred interest costs, none was capitalized in the fiscal years ended June 30, 2021 and 2020.

**Leases**

During the years ended June 30, 2021 and 2020, the Ports Authority leased yard trucks and other equipment under operating leases, generally for a term of 12 months or less, incurring expenses of approximately $1,712,000 and $2,165,000 respectively.

During the years ended June 30, 2021 and 2020, the Ports Authority leased office and warehouse space as well as land under operating leases, incurring expenses of approximately $154,000 and $214,000, respectively.

## 4. Goodwill

Goodwill is accounted for under GASB 85, *Omnibus* and GASB 69, *Government Combinations and Disposals of Government* Operations and is reported as a deferred outflow of resources in the Statements of Net Position. Deferred outflows of resources related to goodwill are attributed to future periods in a systematic and rational manner determined by the Ports Authority. During the fiscal year ended June 30, 2021, the Ports Authority had amortization of goodwill of approximately $146,000 before writing off the remaining goodwill balance of $1,387,000. As of June 30, 2021 and 2020, goodwill totaled $0 and $1,533,000, respectively.

## 5. Long-Term Debt

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

| *(in thousands of dollars)* | June 30, 2020 | Additions | Reductions | June 30, 2021 | Current Portion |
|---|---|---|---|---|---|
| Revenue bonds – Series 2015 | $ 55,300 | $ - | $ - | $ 55,300 | $ - |
| Revenue bonds – Series 2018 | 318,970 | - | (6,325) | 312,645 | 6,650 |
| Revenue bonds – Series 2019 A | 121,910 | - | - | 121,910 | - |
| Revenue bonds – Series 2019 B | 258,420 | - | - | 258,420 | - |
| Revenue bonds – Series 2019 C | 125,000 | - | - | 125,000 | - |
| Revenue bonds – Series 2019 D | 151,580 | - | - | 151,580 | - |
| Notes payable | 261,359 | 21,256 | (30,007) | 252,608 | 8,438 |
| Harbor deepening obligation | 3,881 | - | (120) | 3,761 | 123 |
| | 1,296,420 | - | (36,452) | 1,281,223 | 15,211 |
| Plus: Unamortized premium | 77,654 | - | (2,535) | 75,119 | - |
| | $ 1,374,074 | $ 21,256 | $ (38,987) | $ 1,356,342 | $ 15,211 |

| *(in thousands of dollars)* | June 30, 2019 | Additions | Reductions | June 30, 2020 | Current Portion |
|---|---|---|---|---|---|
| Revenue bonds – Series 2015 | $ 294,025 | $ - | $ (238,725) | $ 55,300 | $ - |
| Revenue bonds – Series 2018 | 325,000 | - | (6,030) | 318,970 | 6,325 |
| Revenue bonds – Series 2019 A | - | 121,910 | - | 121,910 | - |
| Revenue bonds – Series 2019 B | - | 258,420 | - | 258,420 | - |
| Revenue bonds – Series 2019 C | - | 125,000 | - | 125,000 | - |
| Revenue bonds – Series 2019 D | - | 151,580 | - | 151,580 | - |
| Notes payable | 267,980 | 82,933 | (89,554) | 261,359 | 9,300 |
| Harbor deepening obligation | 3,997 | - | (116) | 3,881 | 120 |
| | 891,002 | 739,843 | (334,425) | 1,296,420 | 15,745 |
| Plus: Unamortized premium | 57,845 | 41,469 | (21,660) | 77,654 | - |
| | $ 948,847 | $ 781,312 | $ (356,085) | $ 1,374,074 | $ 15,745 |

**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 $164,287,011 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 $11,185,072.

**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 $545,942,043 were received to (i) pay or reimburse the Authority for a portion of the cost of a port access road and related improvements in connection with the development by the Authority of the Hugh K. Leatherman 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 $13,779,974 and $27,688,640, 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 $9,752,855 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, including the reimbursement to the Ports Authority of certain costs previously incurred and certain capital expenditures as included in the Ports Authority's capital budget for fiscal years 2018 through 2020 in the amount of $363,372,000 and (ii) $1,785,000 to pay certain costs and expenses related to the issuance of the Series 2018 Bonds. The bonds, issued at a premium of approximately $40,158,000, consist of term bonds maturing between July 1, 2019 and 2055. The bond premium is amortized using the effective interest method over the life of the bonds. Bond issuance costs were expensed in the period incurred.

**Series 2015**
On November 4, 2015, the Ports Authority issued $294,025,000 of Series 2015 Bonds having stated interest rates ranging from 3.5% to 5.25% payable annually on each January 1 and July 1. Net proceeds of $314,260,000 were received to (i) pay or reimburse the Ports Authority for costs associated with the expansion and improvement of the Ports Authority's facilities, including the

reimbursement to the Ports Authority of certain costs previously incurred and certain capital expenditures as included in the Ports Authority's capital budget for fiscal years 2016 through 2018 in the amount of $300,000,000, (ii) $12,443,000 to fund the debt service reserve fund and (iii) $1,817,000 to pay certain costs and expenses related to the issuance of the Series 2015 bonds. The bonds, issued at a premium of approximately $20,235,000, consist of term bonds maturing between July 1, 2026 and 2055. The bond premium is amortized using the effective interest method over 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, 2021 and 2020.

***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 January 26, 2021, the Ports Authority entered into a loan and security agreement with a bank for $21,255,357. The loan was evidenced by certain 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, 2021, the Ports Authority had amounts outstanding under this loan agreement of $21,070,270.

On April 17, 2020, the Ports Authority entered into a loan and security agreement with a bank for $82,932,577. The loan was evidenced by certain 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 2.086% per annum, beginning September 15, 2020 with payments made semi-annually thereafter until the loan matures on March 15, 2035. As of June 30, 2021 and 2020, the Ports Authority had amounts outstanding under this loan agreement of $79,363,634 and $82,932,577, respectively.

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 6). The loan is payable as to interest only until such time as either the debt is extinguished, or the principal amortization commences. The loan bears interest at a per annum rate equal to the average yield on the South Carolina State investment pool which is 2.00% and 2.27% as of June 30, 2021 and 2020, 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.

On March 19, 2019, the Ports Authority entered into a loan and security agreement with a bank for $40,000,000. The loan was evidenced by certain Subordinate Lien Revenue Bond, Series 2019B, in the same amount. Proceeds were used to purchase material handling equipment for the Wando Welch Terminal. Interest is payable semi-annually at a rate of 3.16% per annum, beginning September 15, 2019. The first principal payment is due September 15, 2020, and payments are made semi-annually thereafter until the loan matures on March 15, 2035. This loan was refunded during the fiscal year ended June 30, 2020 with Subordinate Lien Revenue Bond, Series 2020 and as of June 30, 2021 and 2020, the Ports Authority had no amounts outstanding under this loan agreement.

On January 15, 2019, the Ports Authority entered into a loan and security agreement with a bank for $20,000,000. The loan was evidenced by certain Subordinate Lien Revenue Bond, Series 2019A, in the same amount. Proceeds 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 3.439% per annum, beginning July 15, 2019. The first principal payment is due July 15, 2020, and payments are made semi-annually thereafter until the loan matures on January 15, 2035. This loan was refunded during the fiscal year ended June 30, 2020 with Subordinate Lien Revenue Bond, Series 2020 and as of June 30, 2021 and 2020, the Ports Authority had no amounts outstanding under this loan agreement.

On May 15, 2018, the Ports Authority entered into a loan and security agreement with a bank for $80,000,000. The loan was evidenced by certain Subordinate Lien Revenue Bond, Series 2018, in the same amount. Proceeds 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 3.341% 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, 2021 and 2020, the Ports Authority had amounts outstanding under this loan agreement of $74,169,008 and $77,133,000, 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 based on a rate of 2.7% per annum. The loan matures on March 21, 2037. As of June 30, 2021, and 2020, the Ports Authority had amounts outstanding under this loan agreement of $16,804,224 and $17,635,000, respectively.

On December 15, 2016, the Ports Authority entered into a loan and security agreement with a bank for $25,000,000. The loan was evidenced by certain Subordinate Lien Revenue Bond, Series 2016, in the same amount. Proceeds were used to purchase material handling equipment for the Wando Welch and North Charleston Terminals with the purchased assets securing the loan. Interest is payable semi-annually at a rate of 2.056% per annum, beginning June 15, 2017. The first principal payment is due December 15, 2018 and are made annually thereafter until the loan matures on December 15, 2032. This loan was refunded during the fiscal year ended June 30, 2020 with Subordinate Lien Revenue Bond, Series 2020 and as of June 30, 2021 and 2020, the Ports Authority had no amounts outstanding under this loan agreement.

On January 29, 2015, the Ports Authority entered into a promissory note agreement with a bank for $14,000,000. Interest was payable monthly for twelve months and then, semi-annually beginning July 29, 2016. The interest rate per annum is based on the 90-day published LIBOR plus .85%, with a floor of 1.25%. The first principal payment was due January 29, 2017. Principal payments are made annually in equal amounts with all outstanding principal and interest due on January 29, 2025. Proceeds from this note were used for the development and construction of a cold storage facility located in North Charleston, SC. As of June 30, 2021, and 2020, the Ports Authority had amounts outstanding under this loan agreement of $11,200,000 and $11,760,000, respectively.

On December 19, 2012, the Ports Authority entered into a promissory note agreement with a bank for $25,000,000. The promissory note was increased to $30,000,000 on June 20, 2013. Principal and interest are payable monthly with interest based on a rate of 2.56% per annum. The loan matures on December 19, 2022. Proceeds from this note were used for the development and construction of the South Carolina Inland Port located in Greer, SC. This loan was refunded during the fiscal year ended June 30, 2021 with Subordinate Lien Revenue Refunding Bond, Series 2021. As of June 30, 2021, and 2020, the Ports Authority had amounts outstanding under this loan agreement of $0 and $21,893,000, respectively.

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%. As of June 30, 2021, and 2020, the remaining balance is approximately $3,800,000 and $3,900,000, respectively.

Maturities of long-term debt are summarized as follows:

| | Revenue Bonds | | Direct Borrowing Debt | |
|---|---|---|---|---|
| *(in thousands of dollars)* | Principal | Interest | Principal | Interest |
| 2022 | $ 6,650 | $ 43,824 | $ 8,562 | $ 5,359 |
| 2023 | 8,980 | 43,433 | 8,777 | 5,136 |
| 2024 | 11,275 | 42,927 | 8,999 | 4,906 |
| 2025 | 11,840 | 42,349 | 68,187 | 4,624 |
| 2026 | 12,440 | 41,742 | 8,902 | 4,318 |
| 2027–2031 | 72,845 | 198,426 | 63,998 | 33,981 |
| 2032–2036 | 101,255 | 177,869 | 86,201 | 7,053 |
| 2037–2041 | 129,900 | 151,442 | 2,292 | 196 |
| 2042–2046 | 162,515 | 118,829 | 451 | 20 |
| 2047–2051 | 199,290 | 82,045 | - | - |
| 2052–2056 | 233,615 | 37,830 | - | - |
| 2057–2061 | 74,250 | 5,716 | - | - |
| | $ 1,024,855 | $ 986,432 | $ 256,369 | $ 65,593 |

The components of interest expense for the years ended June 30, 2021 and 2020 are as follows:

| *(in thousands)* | 2021 | 2020 |
|---|---|---|
| Interest expense on long-term debt | $ 50,675 | $ 47,276 |
| Amortization of premiums on long-term debt | (2,536) | (2,580) |
| Amortization of deferred outflows for bond refunding | 1,057 | 715 |
| | $ 49,196 | $ 45,411 |

## 6. Commitments

### Construction

In addition to routine commitments for repairs and maintenance, the Ports Authority had commitments for construction of approximately $68,650,000 and $268,100,000 as well as commitments for non-construction property, plant, and equipment of approximately $7,500,000 and $604,000 at June 30, 2021 and 2020, respectively.

### Harbor Deepening

On July 19, 2017, the Ports Authority executed a Project Partnership Agreement (PPA) with the Department of the Army to commence construction of the post-45 harbor deepening project for the Charleston Harbor. The US Army Corps of Engineers has estimated that portions of the harbor deepening project will be complete in 2021 and is expected to cost approximately $570,500,000. Based on US Army Corps of Engineers Project Management Plan, it is anticipated that the local share of the project will be approximately $270,000,000, and the federal share will be approximately $300,500,000. This project has been fully funded after final Senate approval in October 2019. 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 5). The Proviso Loan is expected to be paid back by federal funds when received and approved for reimbursement. To date, the federal government has authorized $246,000,000 which will fully fund the project.

**Hugh K. Leatherman Terminal**

In May 2007, the Ports Authority received permits to begin construction of a 286-acre container terminal facility on a portion of the former Charleston Naval Base on the west bank of the Cooper River in North Charleston, SC. The first phase of this project opened in April 2021 and marked the first greenfield container terminal opening in the United States since 2009. The first phase consists of 1,400 linear feet of berth, 134 developed acres, five ship-to-shore cranes, and 25 rubber-tired-gantry-cranes. The cost for the first phase is approximately $986,000,000. The remaining phases will be developed into the future on a demand-driven basis.

**South Carolina Maritime Chassis Pool**

In April and June 2021, the Board of Directors approved resolutions for the creation of a chassis pool to be owned and operated by the Ports Authority. The resolutions enable the Ports Authority to procure equipment to operate the chassis pool in an amount not to exceed $187,000,000. The chassis pool will provide newer, modern chassis which will reduce out-of-service levels and lower repair and maintenance costs for users. The expected commencement date of the new chassis pool is late summer/early fall of 2022.

**Economic Incentive Agreement**

In January 2021, the Ports Authority entered into an economic incentive agreement with a developer to encourage the development of an approximately 1,000,000 square-foot building that could be leased or sold to a user that may utilize the Port of Charleston as part of its operations. Under the terms of the agreement, the Ports Authority committed to reimbursement of carrying costs incurred by the developer if the building has not leased a minimum of 500,000 square-feet or been sold prior to January 1, 2023. Carrying costs would not exceed $2,357,220 and would be applied from January 1, 2023 through December 31, 2023. Should the building lease a minimum of 800,000 square-feet or be sold before January 1, 2023, the Ports Authority would receive an incentive of $235,722 for entering into the agreement. As of June 30, 2021 this commitment is not reflected in the Statements of Net Position and the building has not been leased or sold.

**7. 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 various Retirement Systems and retirement programs of the state of South Carolina, including the State Optional Retirement Program and the S.C. Deferred Compensation Program, as well as the state's employee insurance programs. As such, PEBA is responsible for administering the South Carolina Retirement Systems' five defined benefit pension plans. 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.

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

**Plan Descriptions**

The South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement and other benefits for teachers and employees of the state and its political subdivisions. SCRS covers employees of state-agencies, public school districts, higher education institutions, other participating local subdivisions of government and individuals newly elected to the South Carolina General Assembly at or after the 2012 general election.

The State Optional Retirement Program (State ORP) is a defined contribution plan that is offered as an alternative to SCRS to certain newly hired employees of state agencies, institutions of higher education, public school districts and individuals first elected to the S.C. 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 Supplement 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 newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

- State ORP - As an alternative to membership in SCRS, certain newly hired state, public school, and higher education employees and individuals first elected to the S.C. General Assembly at or after the November 2012 general election 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. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

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

- SCRS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 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.
- 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. Legislation in 2017 increased, but also established a ceiling for SCRS and PORS employee contribution rates. Effective July 1, 2017, employee rates were increased to a capped rate of 9.00% for SCRS and 9.75% for PORS. The legislation also increased employer contribution rates beginning July 1, 2017 for both SCRS and PORS by two percentage points and further scheduled employer contribution rates to increase by a minimum of one percentage point each year in accordance with state statute. However, the General Assembly postponed the one percent increase in the SCRS and PORS employer contribution rates that was scheduled to go into effect beginning July 1, 2020. If the scheduled contributions are not sufficient to meet the funding periods set in state statute, the board shall increase the employer contribution rates as necessary to meet the funding periods set for the applicable year. The maximum funding period of SCRS and PORS is scheduled to be reduced over a ten-year schedule from 30 years beginning fiscal year 2018 to 20 years by fiscal year 2028.

Additionally, the Board is prohibited from decreasing the SCRS and PORS contribution rates until the funded ratio is at least 85 percent. If the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than 85 percent, then the board, effective on the following July 1, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than 85 percent. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than 85 percent, then effective on the following July 1, and annually thereafter as necessary, the board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than 85 percent.

Required employee contribution rates are as follows:

| | **2021** | **2020** |
|---|---|---|
| **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:

| | 2021 | 2020 |
|---|---|---|
| **SCRS** | | |
| Employer class two | 15.41 % | 15.41 % |
| Employer class three | 15.41 % | 15.41 % |
| Employer incidental death benefit | 0.15 % | 0.15 % |
| **State ORP** | | |
| Employer contribution | 15.41 % | 15.41 % |
| Employer incidental death benefit | 0.15 % | 0.15 % |
| **PORS** | | |
| Employer class two | 17.84 % | 17.84 % |
| Employer class three | 17.84 % | 17.84 % |
| Employer incidental death benefit | 0.20 % | 0.20 % |
| Employer accidental death program | 0.20 % | 0.20 % |

**Actuarial Assumptions and Methods**

Actuarial valuations of the plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued for the period ending June 30, 2019 for first use in the July 1, 2021 actuarial valuation.

The June 30, 2019, total pension liability (TPL), net pension liability (NPL), and sensitivity information shown in this report were determined by our consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on an actuarial valuation performed as of July 1, 2019. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2020, using generally accepted actuarial principles.

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2020 and June 30, 2019.

| | SCRS | PORS |
|---|---|---|
| Actuarial cost method | Entry age normal | Entry age normal |
| Actuarial assumptions | | |
| Investment rate of return | 7.25% | 7.25% |
| Projected salary increases | 3.0% to 12.5% | 3.5% to 9.5% |
| Includes inflation at | 2.25% | 2.25% |
| Benefit adjustments | lesser of 1% or $500 | lesser of 1% or $500 |

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumptions, the 2016 Public Retirees of South Carolina Mortality table (2016 PRSC), was developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using published Scale AA projected from the year 2016.

Assumptions used in the determination of the TPL as of June 30, 2020 and 2019 are as follows.

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

**Net Pension Liability**

The NPL is calculated separately for each system and represents that particular system's TPL determined in accordance with GASB No. 67 less that System's fiduciary net position. NPL totals, as of June 30, 2020 and 2019, for SCRS and PORS are presented below.

| | 2020 | | | |
|---|---|---|---|---|
| *(in thousands of dollars)* | **Total Pension Liability** | **Plan Fiduciary Net Position** | **Employers' Net Pension Liability (Asset)** | **Plan Fiduciary Net Position as a Percentage of the the Total Pension Liability** |
| **SCRS** | $ 51,844,188 | $ 26,292,419 | $ 25,551,769 | 50.7% |
| **PORS** | 8,046,387 | 4,730,175 | 3,316,212 | 58.8% |

| | 2019 | | | |
|---|---|---|---|---|
| *(in thousands of dollars)* | **Total Pension Liability** | **Plan Fiduciary Net Position** | **Employers' Net Pension Liability (Asset)** | **Plan Fiduciary Net Position as a Percentage of the the Total Pension Liability** |
| **SCRS** | $ 50,073,060 | $ 27,238,916 | $ 22,834,144 | 54.4% |
| **PORS** | 7,681,750 | 4,815,809 | 2,865,941 | 62.7% |

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.

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

At June 30, 2021 and 2020, the Ports Authority reported a liability of approximately $135,100,000 and $118,300,000, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 and 2019, 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 2020 and 2019 relative to the contributions made by all participating employers. At June 30, 2020 and 2019, the Ports Authority's proportion was 0.5277 and 0.5170 percent, respectively, for the SCRS and 0.0091 and 0.0094 percent, respectively, for the PORS.

For the years ended June 30, 2021 and 2020, the Ports Authority recognized pension expense of approximately $21,400,000 and $19,900,000, respectively. At June 30, 2021 and 2020, the Ports Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | SCRS - 2021 | |
|---|---|---|
| *(in thousands of dollars)* | **Deferred Outflows of Resources** | **Deferred Inflows of Resources** |
| Difference between actual and expected experience | $ 1,556 | $ (510) |
| Net difference between projected and actual earnings on pension plan investments | 9,918 | - |
| Changes in actuarial assumptions | 165 | - |
| Changes in proportionate share and differences between contributions and proportionate share of contributions | 8,709 | - |
| The Ports Authority's contributions subsequent to the measurement date | 9,303 | - |
| | $ 29,651 | $ (510) |

| | PORS - 2021 | |
|---|---|---|
| *(in thousands of dollars)* | **Deferred Outflows of Resources** | **Deferred Inflows of Resources** |
| Difference between actual and expected experience | $ 6 | $ (2) |
| Net difference between projected and actual earnings on pension plan investments | 31 | - |
| Changes in actuarial assumptions | 3 | - |
| Changes in proportionate share and differences between contributions and proportionate share of contributions | 1 | (7) |
| The Ports Authority's contributions subsequent to the measurement date | 26 | - |
| | $ 67 | $ (9) |
| **Total SCRS and PORS** | **$ 29,718** | **$ (519)** |

| *(in thousands of dollars)* | SCRS - 2020 Deferred Outflows of Resources | SCRS - 2020 Deferred Inflows of Resources |
|---|---|---|
| Difference between actual and expected experience | $ 81 | $ (848) |
| Net difference between projected and actual earnings on pension plan investments | 1,045 | - |
| Changes in actuarial assumptions | 2,379 | - |
| Changes in proportionate share and differences between contributions and proportionate share of contributions | 12,590 | - |
| The Ports Authority's contributions subsequent to the measurement date | 9,159 | - |
| | $ 25,254 | $ (848) |

| *(in thousands of dollars)* | PORS - 2020 Deferred Outflows of Resources | PORS - 2020 Deferred Inflows of Resources |
|---|---|---|
| Difference between actual and expected experience | $ 5 | $ (2) |
| Net difference between projected and actual earnings on pension plan investments | 4 | - |
| Changes in actuarial assumptions | 11 | - |
| Changes in proportionate share and differences between contributions and proportionate share of contributions | 10 | (4) |
| The Ports Authority's contributions subsequent to the measurement date | 26 | - |
| | $ 56 | $ (6) |
| **Total SCRS and PORS** | **$ 25,310** | **$ (854)** |

Approximately $9,300,000 and $9,200,000 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, 2021 and 2020, respectively, will be recognized as a reduction of the net pension liability during the years ended June 30, 2022 and 2021, 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:

| **Year Ended June 30, 2021** | **SCRS** | **PORS** |
|---|---|---|
| 2021 | $ 6,830 | $ 10 |
| 2022 | 6,374 | 7 |
| 2023 | 4,103 | 8 |
| 2024 | 2,531 | 7 |

| | | SCRS | | PORS |
|---|---|---|---|---|
| **Year Ended June 30, 2020** | | | | |
| 2020 | $ | 8,848 | $ | 20 |
| 2021 | | 3,206 | | 2 |
| 2022 | | 2,727 | | - |
| 2023 | | 467 | | 1 |

**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 2020 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and by adding expected inflation and is summarized in the table below. For actuarial purposes, the 7.25 percent assumed annual investment rate of return used in the calculation of the TPL includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

| | 2021 | | |
|---|---|---|---|
| | Target asset allocation | Expected arithmetic real rate of return | Long term expected portfolio real rate of return |
| **Asset class** | | | |
| Global equity | **51.0%** | | |
| Global public equity | 35.0 | 7.81% | 2.73% |
| Private equity | 9.0 | 8.91 | 0.80 |
| Equity options strategies | 7.0 | 5.09 | 0.36 |
| Real assets | **12.0** | | |
| Real estate (Private) | 8.0 | 5.55 | 0.44 |
| Real estate (REITs) | 1.0 | 7.78 | 0.08 |
| Infrastructure (Private) | 2.0 | 4.88 | 0.10 |
| Infrastructure (Public) | 1.0 | 7.05 | 0.07 |
| Opportunistic | **8.0** | | |
| Global Tactical Asset Allocation | 7.0 | 3.56 | 0.25 |
| Other opportunistic strategies | 1.0 | 4.41 | 0.04 |
| Credit | **15.0** | | |
| High Yield Bonds/Bank Loans | 4.0 | 4.21 | 0.17 |
| Emerging markets debt | 4.0 | 3.44 | 0.14 |
| Private debt | 7.0 | 5.79 | 0.40 |
| Rate Sensitive | **14.0** | | |
| Core fixed income | 13.0 | 1.60 | 0.21 |
| Cash and short duration (net) | 1.0 | 0.56 | 0.01 |
| Total expected return | 100.0% | | 5.80% |
| Inflation for actuarial purposes | | | 2.25 |
| | | | 8.05% |

| | 2020 | | |
|---|---|---|---|
| | Target asset allocation | Expected arithmetic real rate of return | Long term expected portfolio real rate of return |
| **Asset class** | | | |
| Global equity | **51.0%** | | |
| Global public equity | 35.0 | 7.29% | 2.55% |
| Private equity | 9.0 | 7.67 | 0.69 |
| Equity options strategies | 7.0 | 5.23 | 0.37 |
| Real assets | **12.0** | | |
| Real estate (Private) | 8.0 | 5.59 | 0.45 |
| Real estate (REITs) | 1.0 | 8.16 | 0.08 |
| Infrastructure (Private) | 2.0 | 5.03 | 0.10 |
| Infrastructure (Public) | 1.0 | 6.12 | 0.06 |
| Opportunistic | **8.0** | | |
| Global Tactical Asset Allocation | 7.0 | 3.09 | 0.22 |
| Other opportunistic strategies | 1.0 | 3.82 | 0.04 |
| Credit | **15.0** | | |
| High Yield Bonds/Bank Loans | 4.0 | 3.14 | 0.13 |
| Emerging markets debt | 4.0 | 3.31 | 0.13 |
| Private debt | 7.0 | 5.49 | 0.38 |
| Rate Sensitive | **14.0** | | |
| Core fixed income | 13.0 | 1.62 | 0.21 |
| Cash and short duration (net) | 1.0 | 0.31 | 0.00 |
| Total expected return | 100.0% | | 5.41% |
| Inflation for actuarial purposes | | | 2.25 |
| | | | 7.66% |

**Discount Rate**

The discount rate used to measure the TPL was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that the contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina 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, 2021 and 2020 discount rate of 7.25 percent, as well as what the Ports Authority’s proportionate share of the NPL would be if it were calculated using a discount rate that is 1.00 percent lower (6.25 percent) or 1 percent higher (8.25 percent) than the current rate:

| | 2021 | | |
|---|---|---|---|
| *(in thousands of dollars)* | **1% Decrease (6.25%)** | **Discount Rate (7.25%)** | **1% Increase (8.25%)** |
| **Ports Authority's share of the net pension liability** | | | |
| SCRS | $ 167,104 | $ 134,830 | $ 107,879 |
| PORS | 399 | 301 | 223 |

| | 2020 | | |
|---|---|---|---|
| *(in thousands of dollars)* | **1% Decrease (6.25%)** | **Discount Rate (7.25%)** | **1% Increase (8.25%)** |
| **Ports Authority's share of the net pension liability** | | | |
| SCRS | $ 148,732 | $ 118,061 | $ 92,464 |
| PORS | 364 | 268 | 190 |

**Additional Financial and Actuarial Information**
Information contained in these Notes to the Schedules of Employer and Non-employer Allocations and Schedules of Pension Amounts by Employer (Schedules) was compiled from the Systems' audited financial statements for the fiscal year ended June 30, 2020, and the accounting valuation report as of June 30, 2020. 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' CAFR.

**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 Findley Davies, Inc. 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 or are subject to a 3-year rolling vest. Compensation expense is recognized for payments made to the plans. For the years ended June 30, 2021 and 2020, the Ports Authority recognized compensation expense of $932,385 and $628,120, respectively. At June 30, 2021 and 2020, the Ports Authority reported a liability of $4,151,382 and $4,655,272, respectively, for the plans, which are included in other non-current liabilities in the Statements of Net Position.

**8. Other Post-Employment Benefits (OPEB)**

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

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

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

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

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

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

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

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

At June 30, 2021 and 2020, the following employees were covered by the benefit terms:

| | **2021** | **2020** |
|---|---|---|
| Retirees and beneficiaries currently receiving benefit payments | 282 | 306 |
| Inactive employees entitled to but not yet receiving benefit payments | - | - |
| Active employees | 726 | 594 |
| Total | 1,008 | 900 |

**Total OPEB Liability**

The Ports Authority's total OPEB liability of approximately $78,500,000 and $60,800,000 was measured as of June 30, 2020 and 2019, respectively (measurement dates), and was determined by an actuarial valuation as of June 30, 2020 and 2018, respectively, with the 2018 actuarial valuation rolled forward to prior year's measurement date.

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

| | 2021 |
|---|---|
| Inflation | 2.25% |
| Salary increases | 3.0% to 7.0% for SCRS, including inflation |
| Discount rate | 2.45% |
| Healthcare cost trend rates | 6.0% decreasing to an ultimate rate of 4.0% after 15 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 |

| | 2020 |
|---|---|
| Inflation | 2.25% |
| Salary increases | 3.0% to 7.0% for SCRS, including inflation |
| Discount rate | 3.13% |
| Healthcare cost trend rates | 6.4% decreasing to an ultimate rate of 4.15% over 15 years; ultimate trend rate includes a 0.15% adjustment for the excise tax |
| Participation rate | 78% of eligible retirees for full 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 2016 Public Retirees of South Carolina Mortality Table for Males or Females, as appropriate, with fully generational mortality projections from the year 2016 based on the ultimate rates in Scale MP-2014. The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study as of June 30, 2020 and a measurement date of June 30, 2020. The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study as of June 30, 2018, and a measurement date of June 30, 2019.

| *(in thousands of dollars)* | 2021 | 2020 |
|---|---|---|
| Total OPEB obligation, beginning of year | $ 60,817 | $ 54,530 |
| Service cost | 2,596 | 1,781 |
| Interest on the total OPEB liability | 1,913 | 1,972 |
| Changes of benefit terms | - | - |
| OPEB Plan administrative expense | - | - |
| Difference between expected and actual experience | 2,677 | 62 |
| Changes in assumptions or other inputs | 12,422 | 4,416 |
| Benefit payments | (1,971) | (1,944) |
| Net change in total OPEB liability | 17,637 | 6,287 |
| Total OPEB obligation, end of year | $ 78,454 | $ 60,817 |

Changes of assumptions reflect a change in the discount rate from 3.13% as of June 30, 2019 to 2.45% as of June 30, 2020. In fiscal year 2020, changes of assumptions or other inputs reflect a change in the discount rate from 3.62% as of June 30, 2018 to 3.13% as of June 30, 2019.

**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 (2.13 percent) or 1-percentage-point higher (4.13 percent) than the current discount rate:

| | 2021 | | |
|---|---|---|---|
| *(in thousands of dollars)* | **1% Decrease (1.45%)** | **Discount Rate (2.45%)** | **1% Increase (3.45%)** |
| Total OPEB liability | $ 93,494 | $ 78,454 | $ 66,585 |

| | 2020 | | |
|---|---|---|---|
| *(in thousands of dollars)* | **1% Decrease (2.13%)** | **Discount Rate (3.13%)** | **1% Increase (4.13%)** |
| Total OPEB liability | $ 71,506 | $ 60,817 | $ 52,284 |

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:

| | 2021 | | |
|---|---|---|---|
| *(in thousands of dollars)* | **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 | $ 64,336 | $ 78,454 | $ 97,332 |

| | 2020 | | |
|---|---|---|---|
| *(in thousands of dollars)* | **1% Decrease (5.40%) decreasing to (3.15%)** | **Healthcare Cost Trend Rates (6.40%) decreasing to (4.15%)** | **1% Increase (7.40%) decreasing to (5.15%)** |
| Total OPEB liability | $ 50,300 | $ 60,817 | $ 74,632 |

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

For the years ended June 30, 2021 and 2020, the Ports Authority recognized OPEB expense of approximately $6,000,000 and $3,500,000, respectively. Approximately $2,065,000 and $1,971,000 reported as deferred outflows of resources related to OPEB resulting from the Ports Authority's contributions paid subsequent to the measurement date during the years ended June 30, 2021 and 2020, respectively, will be recognized as a reduction of the total OPEB liability during the years ended June 30, 2022 and 2021, respectively. The Ports Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources at June 30:

| | 2021 | |
|---|---|---|
| *(in thousands of dollars)* | **Deferred Outflows of Resources** | **Deferred Inflows of Resources** |
| Difference between actual and expected experience | $ 2,855 | $ - |
| Changes in actuarial assumptions or other inputs | 14,268 | (3,011) |
| The Ports Authority's contributions subsequent to the measurement date | 2,065 | - |
| | $ 19,188 | $ (3,011) |

| | 2020 | |
|---|---|---|
| *(in thousands of dollars)* | **Deferred Outflows of Resources** | **Deferred Inflows of Resources** |
| Difference between actual and expected experience | $ 586 | $ - |
| Changes in actuarial assumptions or other inputs | 3,842 | (3,903) |
| The Ports Authority's contributions subsequent to the measurement date | 1,971 | - |
| | $ 6,399 | $ (3,903) |

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

| *(in thousands of dollars)* | **2021** |
|---|---|
| **Years Ended June 30:** | |
| 2022 | $ 1,513 |
| 2023 | 1,513 |
| 2024 | 1,513 |
| 2025 | 2,155 |
| 2026 | 2,288 |
| Thereafter | 5,130 |

| *(in thousands of dollars)* | **2020** |
|---|---|
| **Years Ended June 30:** | |
| 2021 | $ (216) |
| 2022 | (216) |
| 2023 | (216) |
| 2024 | (216) |
| 2025 | 427 |
| Thereafter | 962 |

## 9. Facilitating Agreements

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

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

| *(in thousands of dollars)* | **2021** | **2020** |
|---|---|---|
| Cost | $ 72,422 | $ 50,055 |
| Accumulated depreciation | 27,547 | 29,610 |

Minimum future operating revenue and rentals, to be received under noncancelable agreements were as follows:

| *(in thousands of dollars)* | |
|---|---|
| 2022 | $ 5,145 |
| 2023 | 3,257 |
| 2024 | 2,839 |
| 2025 | 1,771 |
| 2026 | 940 |
| Thereafter | 3,925 |
| | $ 17,877 |

## 10. Other Matters

**Cooper River 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 new Cooper River Bridge. These payments to the State of South Carolina have been treated as nonoperating expenses, and therefore, have reduced the Ports Authority's net position.

Payments to the State of South Carolina for the Cooper River Bridge totaled $1,000,000 in each of the fiscal years ending June 30, 2021 and 2020.

**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 $400,000 in cash to the joint organization in fiscal years ended June 30, 2021 and 2020. Amounts contributed in fiscal years 2021 and 2020 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 $224,000 and $422,000 for the years ended June 30, 2021 and 2020, respectively, and are included in "Other income (expense), net" in the accompanying Statements of Revenues, Expenses and Changes in Net Position.

**Cold Storage Facility**

In fiscal year 2016, the Ports Authority completed construction of a cold storage facility in North Charleston and executed an amendment to a previous land lease and license agreement with New Orleans Cold Storage (NOCS) to lease the facility. Payments commenced in January 2017 and were to continue until the end of the license agreement on December 31, 2046. In September 2020, the Ports Authority entered into a purchase and sale agreement with NOCS for the sale of the cold storage facility in the amount of $16,500,000. As a result, the Ports Authority recorded a gain on sale of property of approximately $4,900,000 during the fiscal year ending June 30, 2021.

**Federal Grant Agreements**

The Ports Authority has been awarded grants from the Department of Homeland Security, Office of State and Local Government Coordination and Preparedness, CARES Act, and the Department of Transportation, Maritime Administration (DOT) (as an agent of the Transportation Security Administration). As of June 30, 2021 and 2020, the Ports Authority has expended approximately $1,490,000 and $164,000, respectively, related to these grant agreements.

**Land Swap**

In February 2021, the Ports Authority entered into an agreement with The United States of America, acting by and through the United States Coast Guard for the exchange of parcels of property on the old Charleston Navy Base in North Charleston, South Carolina. As a result of the agreement, the Ports Authority acquired approximately 90 acres of property with an estimated fair value of $17,300,000 and received $4,540,000 cash, in exchange for approximately 76 acres with an estimated fair value of $21,840,000. As a result of the transaction, the Ports Authority recognized a loss of approximately $2,000,000. Additionally, the Ports Authority granted two easements on the acquired property for an additional $1,638,000 in cash. Revenue for the two easements is earned over the term of the easement agreement with the outstanding balance of $1,509,000 reflected in deferred revenue on the Statements of Net Position at June 30, 2021.

**Sale of Certain Properties**

2009 Act No. 73 required that the Daniel Island and Thomas (St. Thomas) Island properties be subject to a contract of sale by December 31, 2012, such sale to be completed by December 31, 2013, barring which such properties are also to be transferred to the State Department of Administration as a fiduciary to the Ports Authority and its bondholders. The requirements to sell the property have been extended to June 30, 2022. If the Ports Authority has not completed the sale of its remaining real property on Daniel Island and Thomas (St. Thomas) Island, except for the dredge disposal cells that are needed in connection with the construction of the Leatherman Terminal on the Charleston Naval Complex and for harbor deepening and for channel and berth maintenance, by June 30, 2022, the Ports Authority must transfer the property to the State Department of Administration as fiduciary to the Ports Authority and its bondholders. The Ports Authority shall sell the real property under terms and conditions it considers most advantageous to the Ports Authority and the State of South Carolina, and the price must be equal to or greater than at least one of two required independent appraisals.

On August 24, 2020, the Ports Authority entered into a Purchase and Sale Agreement, in the amount of $6,250,000, with an independent third party for the sale of property owned by the Authority on Daniel Island. During the due diligence period of the contract, the buyer determined that they did not want to move forward with the purchase and the agreement was terminated.

**Rail Overpass**

In October 2002, as amended in February 2005, the Ports Authority, and the City of North Charleston (City) entered into a Memorandum of Understanding (MOU) related to certain issues concerning the development of the Leatherman Terminal, particularly the division of real estate on the Charleston Naval Complex. In the MOU, it is stated that the Ports Authority acknowledges that the City requires certain minimum infrastructure, including three rail overpasses, to be in place before the Ports Authority commences container operations, and provides for the Ports Authority and the City to approach the South Carolina General Assembly for the funding of the rail overpasses. To date, the South Carolina General Assembly has not acted on the Ports Authority's and City's request for funding, and, because of the absence of that funding source, the rail overpasses were not constructed as part of Phase 1 of the Leatherman Terminal. The Ports Authority believes that the rail overpasses contemplated by the MOU are dependent upon funding by the General Assembly and disagrees with the City's position that the overpasses should be included as part of the terminal project. The MOU does not address how or if the rail overpasses are to be addressed in the absence of funding by the General Assembly. No determination has been made by the Ports Authority as to the potential cost of construction of the rail overpasses.

## 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, 2021, and management intends to vigorously defend the Ports Authority in such matters. While the ultimate results cannot be predicted with certainty, management does not expect these matters to have a material adverse effect on the financial position of the Ports Authority.

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

In February 2013, the same cruise terminal opponents and others filed an administrative action challenging the State permit issued for the piling work at Union Pier. The South Carolina Administrative Law Court granted summary judgment in favor of the Ports Authority and dismissed the challenge on April 21, 2014. The case was appealed, and arguments heard on February 15, 2017 by the South Carolina Court of Appeals. On October 18, 2017, the Court of appeals issued a unanimous opinion affirming the South Carolina Administrative Law Court. This was appealed to the South Carolina Supreme Court, and the Supreme Court accepted a petition for certiorari on August 21, 2018. An opinion was issued on February 19, 2020 by the Supreme Court reversing the prior decision and remanded the case back to the Administrative Law Court for a merits hearing. That case has been stayed. The effect of these administrative permit cases, related to cruise, on the financial position of the Ports Authority cannot be determined at this time.

On March 17, 2021, the State of South Carolina and the Ports Authority filed labor 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) and 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 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. No order has been issued by the Administrative Law Judge. The Ports Authority intends to aggressively protect its interests with regards to the ILA. The effect of this labor dispute on the financial position of the Ports Authority related to operations at HLT cannot be determined at this time.

On September 16, 2021, a National Labor Relations Board judge ruled in favor of the Ports Authority stating that the ILA cannot force the use of union labor at the Port of Charleston and ordered that the ILA drop a lawsuit filed against two ocean carriers that utilized the HLT. The ILA will have 28 days to file an appeal if they choose.

## 12. Subsequent Events

### South Carolina Maritime Chassis Pool

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 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 bears interest at a fixed rate of 2.4%, has a ten-year term, and is collateralized by the equipment. The loan is a closed-end line of credit whereby the Ports Authority can draw down the loan from time to time until July 1, 2023. During this two-year period, the Authority makes monthly interest-only payments. Once the interest-only period ends, the outstanding balance is amortized over the remaining term and the Authority makes monthly principal and interest payments thereafter with one final payment of the entire balance due on July 1, 2031. As of the date of issuance of these financial statements, the Ports Authority had amounts outstanding under this loan agreement of $15,890,448.

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 has a ten-year term that includes a variable rate (LIBOR plus 125 basis points) interest only period for up to sixteen months whereby the Ports Authority can draw down the loan from time to time. Once the interest-only period is converted, the outstanding balance is amortized over the remaining term at a fixed rate determined at the time of conversion and the Authority makes monthly principal and interest payments thereafter. As of the date of issuance of these financial statements, the Ports Authority had amounts outstanding under this loan agreement of $10,677,945.

### Jasper County

Subsequent to year end, the Ports Authority entered into an agreement with Jasper County to effectively convey its one-half interest in the Joint Venture to develop the Jasper Ocean Terminal. Transfer of this interest requires approval from the Ports Authority's Board of Directors, Jasper County Council, and the Board of Directors of the Georgia Ports Authority. At the date of issuance of these financial statements, the Board of Directors of the South Carolina Ports Authority and the members of Jasper County Council had approved this conveyance. The Board of Directors of the Georgia Ports Authority have until January 31, 2022 to approve or reject the transfer.

**Navy Base Intermodal Facility**

On June 21, 2021, the General Assembly ratified Appropriations Bill H.4100. As part of the bill, the South Carolina Ports Authority was appropriated $200,000,000 for cargo infrastructure related to the Navy Base Intermodal Facility (NBIF). This revenue is deemed to have occurred and is available for use in fiscal year 2022 after September 1, 2021. Funds will be utilized for construction of the NBIF.

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 will have the obligation, authority and responsibility for the bidding, award, construction, and operation of the NBIF, which is expected to commence during the fiscal year ending June 30, 2022.

# Required Supplemental Information

**SOUTH CAROLINA STATE PORTS AUTHORITY**
**SCHEDULE OF THE PORTS AUTHORITY'S TOTAL OPEB LIABILITY**
**FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020**

| *(in thousands of dollars)* | **2021** | **2020** |
|---|---|---|
| **Total OPEB liability** | | |
| Service cost | $ 2,596 | $ 1,781 |
| Interest on the total OPEB liability | 1,913 | 1,972 |
| Changes of benefit terms | - | - |
| Difference between expected and actual experience | 2,677 | 62 |
| Changes in assumptions or other inputs | 12,422 | 4,416 |
| Benefit payments | (1,971) | (1,944) |
| Net change in total OPEB liability | 17,637 | 6,287 |
| Total OPEB liability - beginning | 60,817 | 54,530 |
| Total OPEB liability - ending | $ 78,454 | $ 60,817 |
| Covered payroll | $ 53,575 | $ 51,042 |
| Total OPEB liability as a percentage of covered payroll | 146.44% | 119.15% |

*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, 2020 | 2.45 % |
| Measurement date, June 30, 2019 | 3.13 % |
| Measurement date, June 30, 2018 | 3.62 % |
| Measurement date, June 30, 2017 | 3.56 % |
| Measurement date, June 30, 2016 | 2.92 % |

**The listing of the discount rates 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 EACH FISCAL YEAR ENDED JUNE 30,**

| *(in thousands of dollars)* | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|
| Actuarially determined contribution | $ 2,065 | $ 1,971 | $ 1,944 | $ 1,857 |
| Contributions in relation to the actuarially determined contribution | 2,065 | 1,971 | 1,944 | 1,857 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - |
| Port Authority's covered-employee payroll** | $ 53,575 | $ 51,042 | $ 46,051 | $ 42,582 |
| Contributions as a percentage of covered-employee payroll** | 3.85% | 3.86% | 4.22% | 4.36% |

**This schedule is intended to present information for 10 years. Years for which information is available will be presented here until a full 10-year trend is compiled.*
***Covered-employee payroll is the payroll of employees that are provided with OPEB through the OPEB plan. Contributions to the OPEB plan are not based on a measure of pay.*

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

| *(in thousands of dollars)* | SCRS | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
| Ports Authority's proportion of the net pension liability | 0.52767% | 0.51704% | 0.46930% | 0.43470% | 0.40660% | 0.39170% | 0.37560% |
| Ports Authority's proportionate share of the net pension liability | $134,830 | $118,061 | $105,416 | $ 98,315 | $ 79,430 | $ 74,141 | $ 64,669 |
| Ports Authority's covered payroll for the measurement period | $ 53,438 | $ 50,906 | $ 45,922 | $ 42,391 | $ 38,198 | $ 30,855 | $ 29,304 |
| Ports Authority's proportionate share of the net pension liability as a percentage of its covered payroll | 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 | 50.71% | 54.40% | 54.10% | 53.34% | 52.91% | 56.99% | 59.92% |

| | PORS | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
| Ports Authority's proportion of the net pension liability | 0.0091% | 0.0094% | 0.0093% | 0.0096% | 0.0093% | 0.0071% | 0.0079% |
| Ports Authority's proportionate share of the net pension liability | $ 301 | $ 268 | $ 265 | $ 264 | $ 235 | $ 155 | $ 152 |
| Ports Authority's covered payroll for the measurement period | $ 137 | $ 136 | $ 129 | $ 130 | $ 118 | $ 95 | $ 85 |
| Ports Authority's proportionate share of the net pension liability as a percentage of its covered payroll | 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 | 58.79% | 62.69% | 61.70% | 60.94% | 60.44% | 64.57% | 67.55% |

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

**SOUTH CAROLINA STATE PORTS AUTHORITY**
**SCHEDULE OF THE PORTS AUTHORITY'S PENSION CONTRIBUTIONS**
**FOR EACH FISCAL YEAR ENDED JUNE 30**

**SCRS**

| *(in thousands of dollars)* | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|
| Contractually required contribution | $ 9,303 | $ 9,159 | $ 7,950 | $ 6,183 | $ 5,102 | $ 4,355 | $ 3,615 |
| Contributions in relation to the contractually required contribution | 9,303 | 9,159 | 7,950 | 6,183 | 5,102 | 4,355 | 3,615 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Ports Authority's covered payroll | $ 56,342 | $ 53,438 | $ 50,906 | $ 45,922 | $ 42,391 | $ 38,198 | $ 30,855 |
| Contributions as a percentage of covered payroll | 16.51% | 17.14% | 15.62% | 13.46% | 12.04% | 11.40% | 11.72% |

**PORS**

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|
| Contractually required contribution | $ 26 | $ 25 | $ 23 | $ 18 | $ 16 | $ 12 | $ 12 |
| Contributions in relation to the contractually required contribution | 26 | 25 | 23 | 18 | 16 | 12 | 12 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Ports Authority's covered payroll | $ 134 | $ 137 | $ 136 | $ 129 | $ 130 | $ 118 | $ 95 |
| Contributions as a percentage of covered payroll | 19.40% | 18.25% | 16.91% | 13.95% | 12.31% | 10.17% | 12.63% |

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

# STATISTICAL SECTION

## (IN THOUSANDS)

| | As of June 30, | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Assets** | **2012** | **2013** | **2014** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** |
| Current assets [(1)] | $257,196 | $224,363 | $194,623 | $313,883 | $501,311 | $471,906 | $610,497 | $586,714 | $705,959 | $480,937 |
| Investments, restricted [(2)] | - | - | - | - | - | - | - | - | - | 4,151 |
| Held by trustee for debt service | 15,451 | 15,642 | 15,733 | 15,827 | 36,196 | 36,241 | 20,007 | 34,160 | 31,518 | 31,623 |
| Capital assets, net | 637,558 | 693,792 | 737,770 | 751,871 | 846,551 | 1,016,564 | 1,201,467 | 1,388,022 | 1,599,623 | 1,785,044 |
| Other assets | 3,488 | 2,453 | 2,417 | 2,383 | 561 | 1,165 | 1,254 | 1,334 | 1,553 | 211 |
| Total assets | 913,693 | 936,250 | 950,543 | 1,083,964 | 1,384,619 | 1,525,876 | 1,833,225 | 2,010,230 | 2,338,653 | 2,301,966 |
| **Deferred outflows of resources** [(3)] | - | - | - | 6,003 | 10,602 | 11,943 | 25,783 | 27,202 | 60,007 | 74,615 |
| **Total assets and deferred outflows of resources** | **$913,693** | **$936,250** | **$950,543** | **$1,089,967** | **$1,395,221** | **$1,537,819** | **$1,859,008** | **$2,037,432** | **$2,398,660** | **$2,376,581** |
| **Liabilities** | | | | | | | | | | |
| Current liabilities | $38,669 | $47,703 | $43,494 | $40,606 | $64,721 | $68,716 | $49,485 | $81,042 | $112,466 | $94,460 |
| Post-employment benefit obligation, long-term | 4,767 | 5,985 | 7,230 | 8,699 | 10,112 | 13,279 | 52,907 | 54,530 | 60,817 | 78,454 |
| Net pension liability | - | - | - | 64,821 | 74,296 | 79,665 | 98,579 | 105,681 | 118,329 | 135,131 |
| Harbor deepening obligation, long-term | - | - | - | 4,326 | 4,219 | 4,110 | 3,997 | 3,881 | 3,762 | 3,638 |
| Long-term debt, net of current maturities | 172,407 | 177,384 | 190,920 | 287,247 | 505,405 | 541,842 | 834,851 | 930,377 | 1,354,567 | 1,337,493 |
| Other non-current liabilities [(4)] | - | - | - | - | - | - | - | - | - | 8,364 |
| Total liabilities | 215,843 | 231,072 | 241,644 | 405,699 | 658,753 | 707,612 | 1,039,819 | 1,175,511 | 1,649,941 | 1,657,540 |
| **Deferred inflows of resources** | - | - | - | 5,470 | 144 | 119 | 4,777 | 5,420 | 4,757 | 3,530 |
| **Net position** | 697,850 | 705,178 | 708,899 | 678,798 | 736,324 | 830,088 | 814,412 | 856,501 | 743,962 | 715,511 |
| **Total liabilities, deferred inflows and net position** | **$913,693** | **$936,250** | **$950,543** | **$1,089,967** | **$1,395,221** | **$1,537,819** | **$1,859,008** | **$2,037,432** | **$2,398,660** | **$2,376,581** |

(1) Includes Internally Designated Assets for Construction.

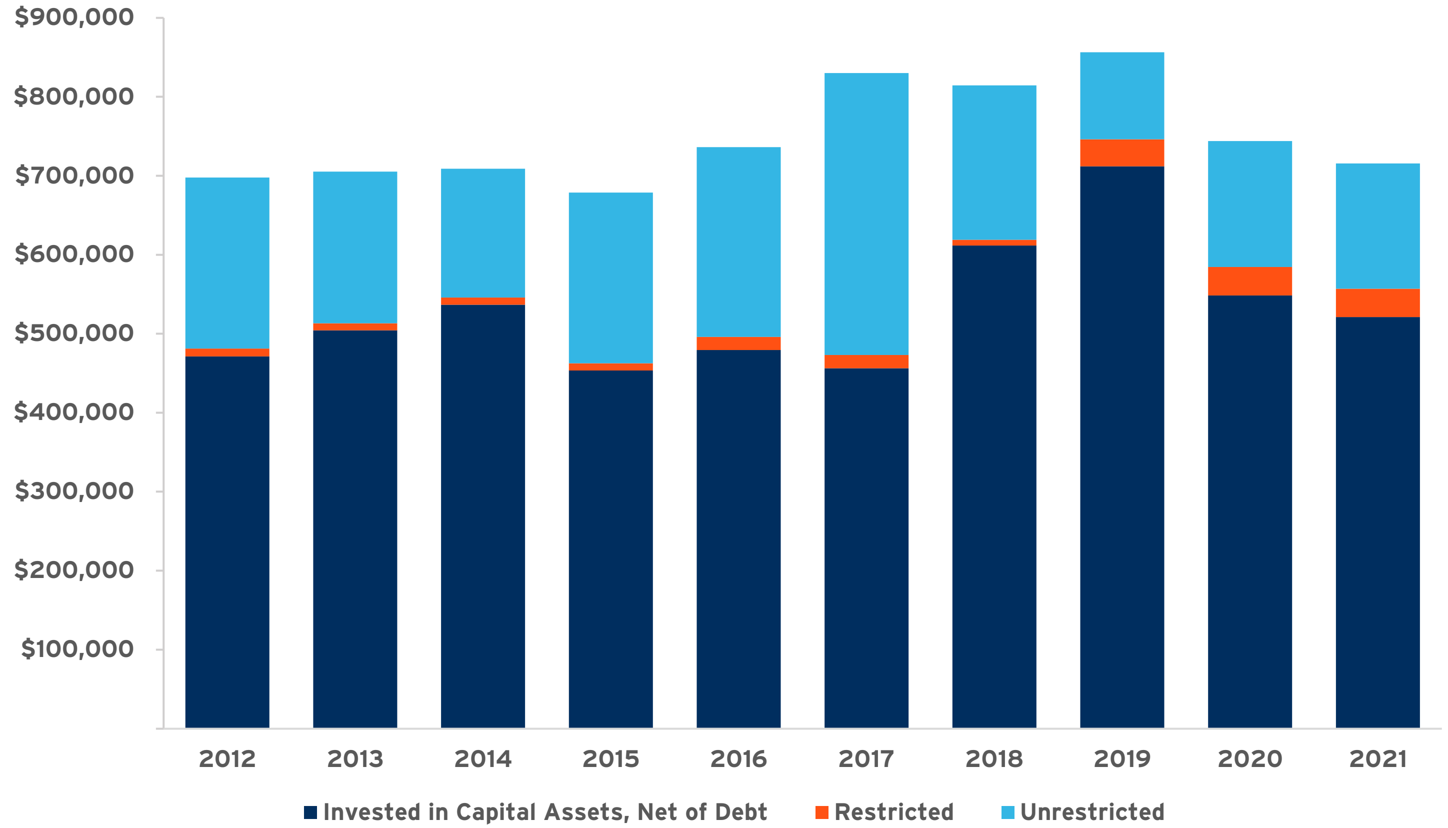
(2) Investments, restricted classified as noncurrent assets as of fiscal year 2021 Audited Financial Statements.

(3) Goodwill Included in Deferred Outflows of Resources as of fiscal year 2018 Audited Financial Statements.

(4) Liabilities reclassified as non-current liabilities as of fiscal year 2021 Audited Financial Statements.

(IN THOUSANDS)

| | As of June 30, | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
| Net Investment in Capital Assets | $471,360 | $504,276 | $536,757 | $453,477 | $479,309 | $456,215 | $611,645 | $712,008 | $548,444 | $521,164 |
| Restricted for Debt Service, Net of Debt | 8,818 | 9,009 | 9,100 | 9,194 | 16,672 | 16,805 | 7,344 | 34,161 | 36,173 | 35,774 |
| Restricted for Capital Projects | 1,000 | - | - | - | - | - | - | - | - | - |
| Unrestricted | 216,672 | 191,893 | 163,042 | 216,127 | 240,343 | 357,068 | 195,423 | 110,332 | 159,345 | 158,573 |
| Total Net Position | **$697,850** | **$705,178** | **$708,899** | **$678,798** | **$736,324** | **$830,088** | **$814,412** | **$856,501** | **$743,962** | **$715,511** |



# HISTORICAL REVENUES, EXPENSES & CHANGES IN NET POSITION

## (IN THOUSANDS)

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Operating Revenues** | | | | | | | | | | |
| Direct Operating Revenues | $ 130,948 | $ 140,388 | $ 164,143 | $ 196,759 | $ 211,166 | $ 233,648 | $ 251,820 | $ 288,326 | $ 292,256 | $ 312,772 |
| Gain on Property Damage, Including Insurance Recovery [1] | - | 3,706 | 350 | 121 | 7,618 | 2,141 | 193 | 6,000 | - | - |
| **Total Operating Revenues** | **130,948** | **144,094** | **164,493** | **196,880** | **218,784** | **235,789** | **252,013** | **294,326** | **292,256** | **312,772** |
| **Operating Expenses** | | | | | | | | | | |
| Direct Operating Expenses | 71,567 | 75,625 | 91,622 | 106,100 | 117,476 | 123,876 | 137,861 | 162,364 | 167,412 | 162,220 |
| Administrative Expenses | 21,140 | 23,440 | 26,163 | 26,313 | 28,920 | 36,704 | 36,863 | 42,166 | 42,370 | 52,556 |
| Depreciation Expense | 30,967 | 28,702 | 32,415 | 33,753 | 33,687 | 37,233 | 41,523 | 47,553 | 55,059 | 60,954 |
| Total Operating Expenses | 123,674 | 127,767 | 150,200 | 166,166 | 180,083 | 197,813 | 216,247 | 252,083 | 264,841 | 275,730 |
| **Operating Income** | **7,274** | **16,327** | **14,293** | **30,714** | **38,701** | **37,976** | **35,766** | **42,243** | **27,415** | **37,042** |
| **Non-Operating Revenues (Expenses)** | | | | | | | | | | |
| Interest Income | 4,745 | 3,283 | 2,163 | 2,520 | 5,452 | 5,717 | 5,230 | 11,088 | 11,943 | 8,858 |
| Other (Expense) Income, Net [2] | 448 | (430) | (382) | (6,135) | (2,330) | (1,386) | (9,589) | 22,875 | (6,485) | 274 |
| Gain (Loss) on Sale of Property and Equipment, Net | 53 | 62 | (54) | 2,650 | (951) | 37,063 | 8,832 | (4,253) | (5,391) | (3,786) |
| Interest Expense [3] | (610) | (1,748) | (849) | (3,163) | (2,043) | (1,418) | (1,580) | (8,679) | (45,411) | (49,196) |
| Interest Expense on Financing Lease | - | - | - | - | - | - | - | - | - | (37) |
| Unrealized Gain (Loss) on Interest Rate Exchange Agreements | 688 | 610 | 436 | 896 | (111) | 196 | 337 | 250 | - | - |
| Unrealized Gain (Loss) on Investments, Net [2] | - | - | - | - | - | - | - | - | 28,183 | (21,752) |
| Contribution to State of SC - Cooper River Bridge | (1,000) | (1,000) | (1,000) | (1,000) | (1,000) | (1,000) | (1,000) | (1,000) | (1,000) | (1,000) |
| Contribution to Department of Transportation for Infrastructure Improvement | - | - | - | - | - | - | (12,600) | (23,000) | (100,000) | - |
| Contribution to CSX for Infrastructure Improvements | - | - | - | - | - | - | (709) | - | - | - |
| Contribution to Army Corps of Engineers for Harbor Deepening | - | - | - | - | - | - | (299,043) | (3,933) | (33,294) | - |
| Contribution from Army Corps of Engineers for Harbor Deepening | - | - | - | - | - | - | 275 | - | - | - |
| Contribution from State of SC for Harbor Deepening | - | - | - | - | 6,185 | 137 | 299,043 | 3,894 | 6,037 | 10 |
| Other Contribution Related to Harbor Deepening | - | - | - | - | - | - | - | - | - | (4) |
| Contribution to Berkeley County - Highway Interchange | - | (8,000) | - | - | - | - | - | - | - | - |
| Contribution to Aiken County - Infrastructure Improvements | - | (1,093) | (1,315) | (74) | - | - | - | - | - | - |
| Contribution to Sumter County - Infrastructure Improvements | - | - | (2,886) | (425) | (1,383) | - | - | - | - | - |
| Contribution to Georgetown County - Steel Mill Study | - | - | - | - | - | (15) | - | - | - | - |
| Contribution to Cherokee County - Economic Improvements | - | - | - | - | - | (500) | - | - | - | - |
| Contribution to Spartanburg County - Infrastructure Improvements | - | - | - | - | - | - | - | - | - | (250) |
| Contribution to Department of Commerce - Infrastructure Improvements | - | - | - | - | - | - | - | - | - | (500) |
| Contribution from the State of SC - Jasper Ocean Terminal | - | - | - | 1,050 | 1,000 | 1,875 | 275 | 600 | 5,300 | 400 |
| Contribution from the State of SC - Land Trust | - | - | - | 5,000 | - | - | - | - | - | - |
| Total Non-Operating Revenues (Expenses) | 4,324 | (8,316) | (3,887) | 1,319 | 4,819 | 40,669 | (10,529) | (2,158) | (140,118) | (66,983) |
| **Excess Revenues over/(under) Expenses (Before Capital Contributions, Grants, and Special Items)** | **11,598** | **8,011** | **10,406** | **32,033** | **43,520** | **78,645** | **25,237** | **40,085** | **(112,703)** | **(29,941)** |
| Contribution (other) for Harbor Deepening | - | - | - | - | (6,185) | - | - | - | - | - |
| Grant from the SC Department of Public Safety | - | - | - | - | - | 34 | - | - | - | - |
| Capital Contribution - Charleston Naval Complex Redevelopment Authority | - | - | - | - | - | - | - | - | - | - |
| Capital Grants from Federal Government | 6,082 | 1,517 | 143 | 361 | 5,156 | 5,681 | 762 | 2,004 | 164 | 1,490 |
| Contribution from Spartanburg County for BMW Land/Facility | - | - | - | 281 | 15,035 | 7,095 | - | - | - | - |
| Contribution of Land from Dillon County for Inland Port | - | - | - | - | - | 2,309 | - | - | - | - |
| Contribution from Norfolk Southern Railway Company | - | - | 1,103 | 1,134 | - | - | - | - | - | - |
| Condemnation of Leasehold Rights | - | (2,200) | - | - | - | - | - | - | - | - |
| **Increase (Decrease) in Net Position** | **$ 17,680** | **$ 7,328** | **$ 11,652** | **$ 33,809** | **$ 57,526** | **$ 93,764** | **$ 25,999** | **$ 42,089** | **$(112,539)** | **$ (28,451)** |
| **Total Net Position** | | | | | | | | | | |
| Beginning of Year | 681,697 | 697,850 | 705,178 | 708,899 | 678,798 | 736,324 | 830,088 | 814,412 | 856,501 | 743,962 |
| Adoption of GASB 68 | - | - | - | (63,910) | - | - | - | - | - | - |
| Adoption of GASB 65 | (1,527) | - | - | - | - | - | - | - | - | - |
| Adoption of GASB 75 | - | - | - | - | - | - | (41,675) | - | - | - |
| Harbor Deepening Restatement | - | - | (7,931) | - | - | - | - | - | - | - |
| **End of Year** | **$ 697,850** | **$ 705,178** | **$ 708,899** | **$ 678,798** | **$ 736,324** | **$ 830,088** | **$ 814,412** | **$ 856,501** | **$ 743,962** | **$ 715,511** |

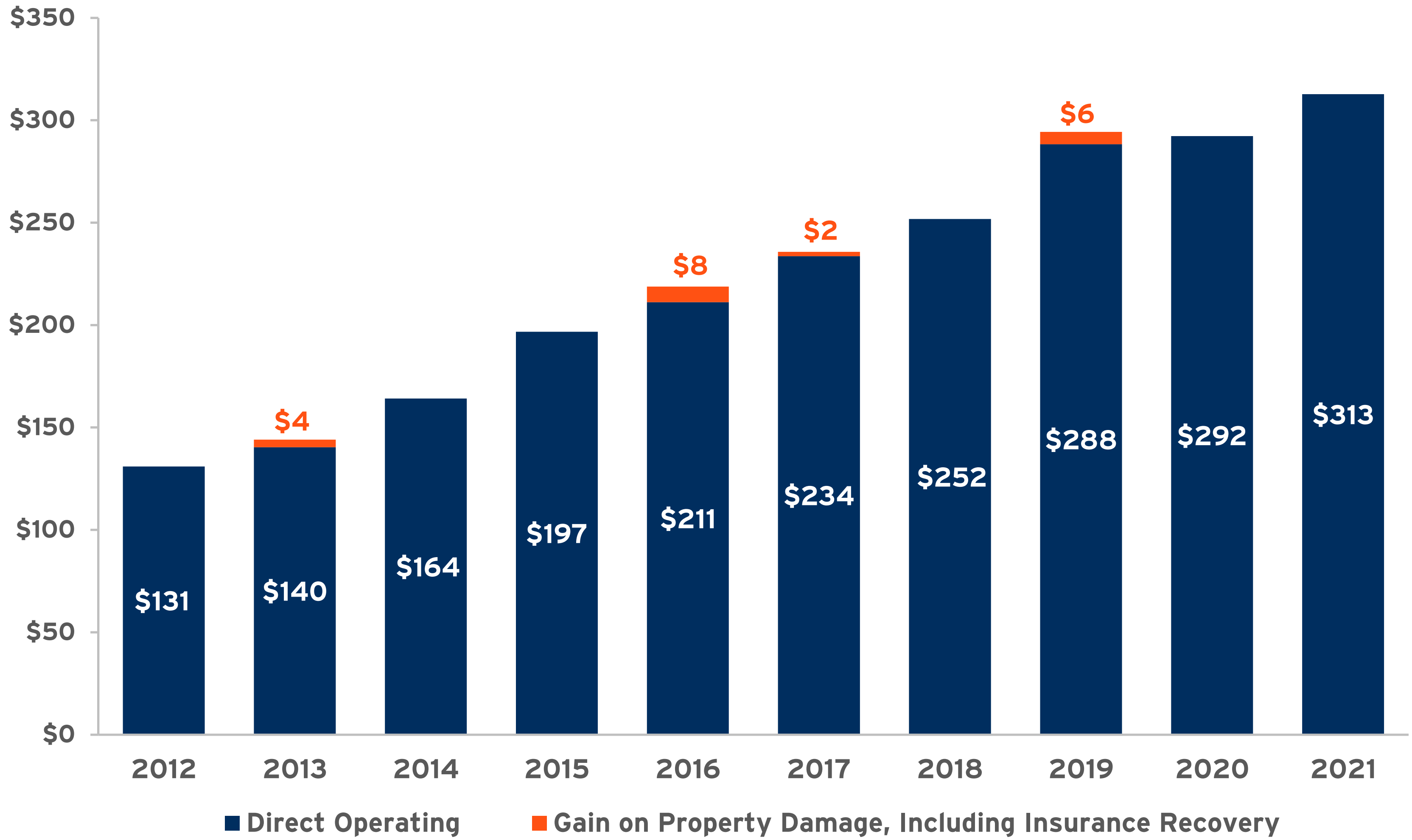
(1) As of fiscal year 2018 Audited Financial Statements included in Operating Revenues.

(2) As of fiscal year 2020 Audited Financial Statements Unrealized Gain on Investments, Net separated out from Other (Expense) Income, Net.

(3) As of fiscal year 2020 Audited Financial Statements Interest Expense is no longer capitalized per the adoption of GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period.*

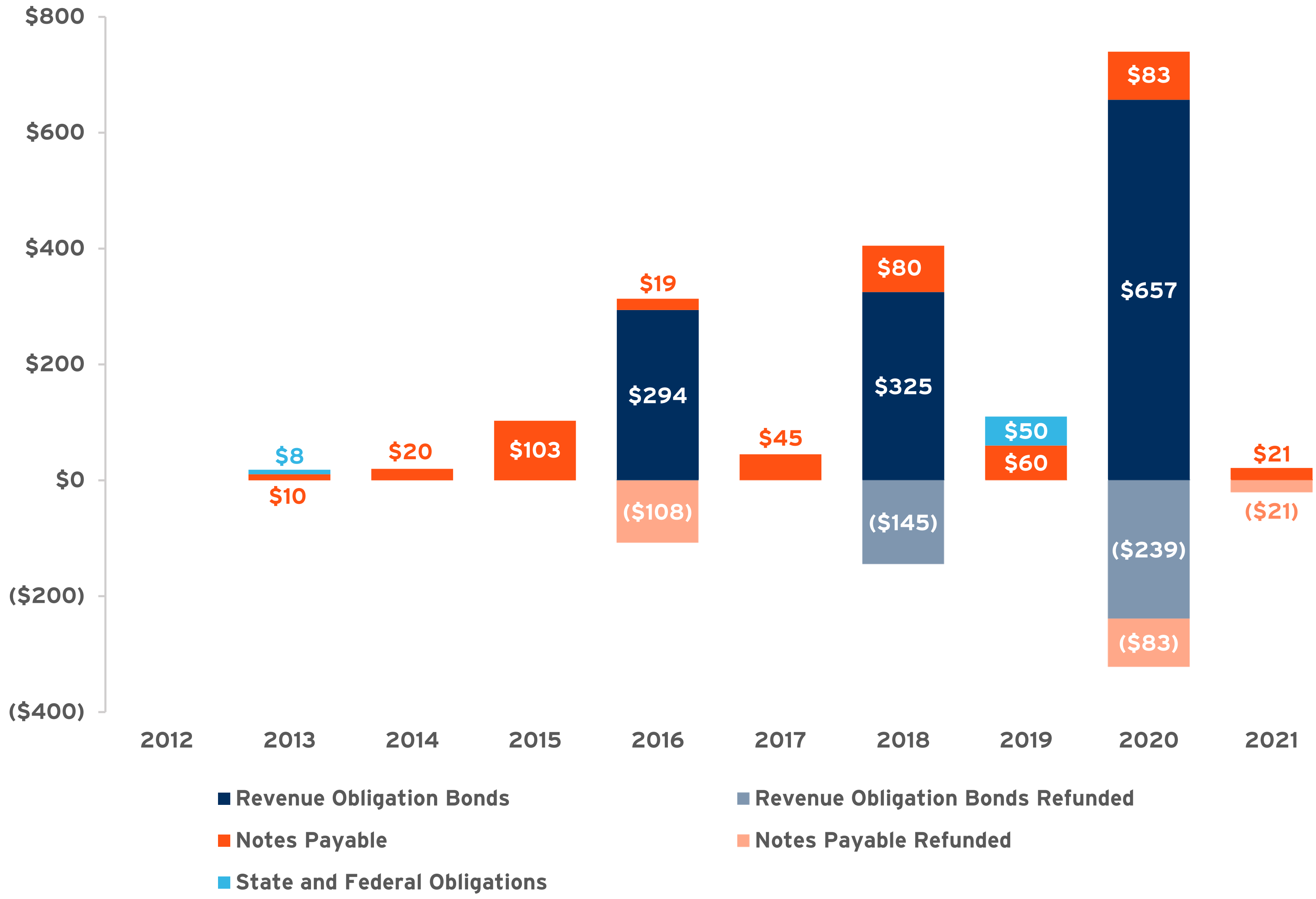
OPERATING REVENUES

(IN MILLIONS)



HISTORICAL DEBT ISSUANCES

(IN MILLIONS)



## RATIO OF OUTSTANDING DEBT TO OPERATING REVENUES

## (IN THOUSANDS)

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|---|---|---|---|
| Revenue Bonds - Series 1998 | $ 4,350 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Revenue Bonds - Series 2010 | 170,000 | 170,000 | 165,340 | 160,495 | 155,460 | 150,190 | - | - | - | - |
| Revenue Bonds - Series 2015 | - | - | - | - | 294,025 | 294,025 | 294,025 | 294,025 | 55,300 | 55,300 |
| Revenue Bonds - Series 2018 | - | - | - | - | - | - | 325,000 | 325,000 | 318,970 | 312,645 |
| Revenue Bonds - Series 2019A | - | - | - | - | - | - | - | - | 121,910 | 121,910 |
| Revenue Bonds - Series 2019B | - | - | - | - | - | - | - | - | 258,420 | 258,420 |
| Revenue Bonds - Series 2019C | - | - | - | - | - | - | - | - | 125,000 | 125,000 |
| Revenue Bonds - Series 2019D | - | - | - | - | - | - | - | - | 151,580 | 151,580 |
| Unamortized Premium on Revenue Bonds (1) | - | - | - | - | 21,942 | 21,517 | 59,587 | 57,845 | 77,654 | 75,118 |
| Notes Payable | 607 | 10,343 | 29,458 | 130,977 | 41,056 | 84,808 | 161,658 | 267,980 | 261,359 | 252,608 |
| Harbor Deepening Obligation | - | - | 4,289 | 4,429 | 4,325 | 4,219 | 4,110 | 3,997 | 3,881 | 3,761 |
| **Total** | **$ 174,957** | **$ 180,343** | **$ 199,087** | **$ 295,901** | **$ 516,808** | **$ 554,759** | **$ 844,380** | **$ 948,847** | **$1,374,074** | **$1,356,342** |
| Operating Revenues (2) | $ 130,948 | $ 140,388 | $ 164,143 | $ 196,759 | $ 211,166 | $ 233,648 | $ 251,820 | $ 288,326 | $ 292,256 | $ 312,772 |
| Ratio - Total Debt/Operating Revenues | 1.34 | 1.28 | 1.21 | 1.50 | 2.45 | 2.37 | 3.35 | 3.29 | 4.70 | 4.34 |

(1) Includes Series 2010, 2015, 2018, 2019A, and 2019B Revenue Bonds.
(2) Operating Revenues Excludes Gain on Property Damage, Including Insurance Recovery.

# DEBT SERVICE REQUIREMENTS
# SENIOR LIEN BONDS

## (IN THOUSANDS)

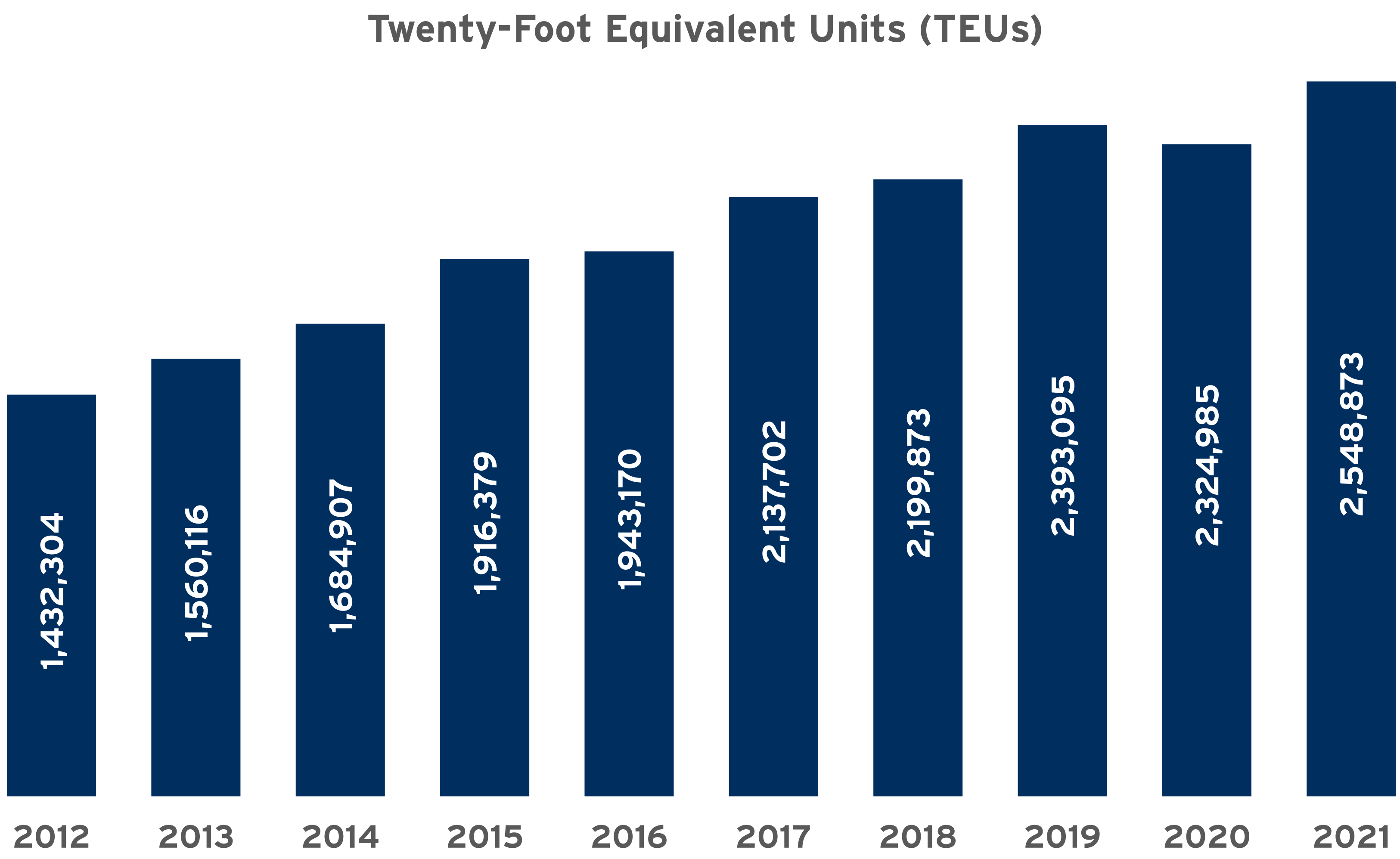
| | Series 2015 | | | Series 2018 | | | Series 2019A | | | Series 2019B | | | Series 2019C | | | Series 2019D | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Fiscal Year Ending June 30, | Principal | Interest | Debt Service | Principal | Interest | Debt Service | Principal | Interest | Debt Service | Principal | Interest | Debt Service | Principal | Interest | Debt Service | Principal | Interest | Debt Service | Total Debt Service |
| 2022 | - | 2,268 | 2,268 | 6,650 | 15,116 | 21,766 | - | 5,143 | 5,143 | - | 11,096 | 11,096 | - | 4,505 | 4,505 | - | 5,697 | 5,697 | 50,474 |
| 2023 | - | 2,268 | 2,268 | 6,980 | 14,775 | 21,755 | 750 | 5,124 | 5,874 | 1,250 | 11,065 | 12,315 | - | 4,505 | 4,505 | - | 5,697 | 5,697 | 52,413 |
| 2024 | - | 2,268 | 2,268 | 7,325 | 14,418 | 21,743 | 1,255 | 5,074 | 6,329 | 2,695 | 10,966 | 13,661 | - | 4,505 | 4,505 | - | 5,697 | 5,697 | 54,202 |
| 2025 | - | 2,268 | 2,268 | 7,685 | 14,042 | 21,727 | 1,320 | 5,009 | 6,329 | 2,835 | 10,828 | 13,663 | - | 4,505 | 4,505 | - | 5,697 | 5,697 | 54,189 |
| 2026 | - | 2,268 | 2,268 | 8,070 | 13,649 | 21,719 | 1,390 | 4,942 | 6,332 | 2,980 | 10,683 | 13,663 | - | 4,505 | 4,505 | - | 5,697 | 5,697 | 54,182 |
| 2027 | 1,655 | 2,227 | 3,882 | 6,905 | 13,274 | 20,179 | 1,460 | 4,870 | 6,330 | 3,130 | 10,530 | 13,660 | - | 4,505 | 4,505 | - | 5,697 | 5,697 | 54,252 |
| 2028 | 1,740 | 2,142 | 3,882 | 7,260 | 12,920 | 20,180 | 1,535 | 4,795 | 6,330 | 3,290 | 10,369 | 13,659 | - | 4,505 | 4,505 | - | 5,697 | 5,697 | 54,253 |
| 2029 | 1,830 | 2,052 | 3,882 | 7,635 | 12,548 | 20,183 | 1,615 | 4,717 | 6,332 | 3,460 | 10,201 | 13,661 | - | 4,505 | 4,505 | - | 5,697 | 5,697 | 54,258 |
| 2030 | 1,925 | 1,959 | 3,884 | 8,025 | 12,156 | 20,181 | 1,695 | 4,634 | 6,329 | 3,640 | 10,023 | 13,663 | - | 4,505 | 4,505 | - | 5,697 | 5,697 | 54,258 |
| 2031 | 2,010 | 1,875 | 3,885 | 8,430 | 11,745 | 20,175 | 1,780 | 4,547 | 6,327 | 3,825 | 9,836 | 13,661 | - | 4,505 | 4,505 | - | 5,697 | 5,697 | 54,250 |
| 2032 | - | 1,840 | 1,840 | 8,860 | 11,313 | 20,173 | 1,875 | 4,456 | 6,331 | 4,020 | 9,640 | 13,660 | 650 | 4,495 | 5,145 | 2,080 | 5,666 | 7,746 | 54,895 |
| 2033 | 2,185 | 1,799 | 3,984 | 9,325 | 10,858 | 20,183 | 1,970 | 4,360 | 6,330 | 4,225 | 9,434 | 13,659 | 935 | 4,472 | 5,407 | 235 | 5,632 | 5,867 | 55,430 |
| 2034 | - | 1,758 | 1,758 | 9,800 | 10,380 | 20,180 | 2,070 | 4,259 | 6,329 | 4,445 | 9,217 | 13,662 | 965 | 4,444 | 5,409 | 3,355 | 5,575 | 8,930 | 56,268 |
| 2035 | 2,395 | 1,710 | 4,105 | 10,300 | 9,877 | 20,177 | 2,175 | 4,152 | 6,327 | 4,670 | 8,990 | 13,660 | 995 | 4,413 | 5,408 | 1,085 | 5,504 | 6,589 | 56,267 |
| 2036 | 2,490 | 1,613 | 4,103 | 10,830 | 9,349 | 20,179 | 2,290 | 4,041 | 6,331 | 4,885 | 8,775 | 13,660 | 1,025 | 4,380 | 5,405 | 1,120 | 5,467 | 6,587 | 56,264 |
| 2037 | 2,595 | 1,511 | 4,106 | 11,380 | 8,794 | 20,174 | 2,405 | 3,923 | 6,328 | 5,085 | 8,576 | 13,661 | 1,065 | 4,344 | 5,409 | 1,165 | 5,426 | 6,591 | 56,269 |
| 2038 | 2,700 | 1,405 | 4,105 | 11,965 | 8,210 | 20,175 | 2,515 | 3,813 | 6,328 | 5,290 | 8,368 | 13,658 | 1,100 | 4,306 | 5,406 | 1,205 | 5,384 | 6,589 | 56,261 |
| 2039 | 2,810 | 1,295 | 4,105 | 12,580 | 7,597 | 20,177 | 2,630 | 3,697 | 6,327 | 5,510 | 8,152 | 13,662 | 1,140 | 4,267 | 5,407 | 1,250 | 5,340 | 6,590 | 56,268 |
| 2040 | 2,925 | 1,180 | 4,105 | 13,225 | 6,951 | 20,176 | 2,755 | 3,576 | 6,331 | 5,735 | 7,927 | 13,662 | 1,180 | 4,227 | 5,407 | 1,295 | 5,295 | 6,590 | 56,272 |
| 2041 | 3,040 | 1,061 | 4,101 | 13,910 | 6,273 | 20,183 | 2,880 | 3,449 | 6,329 | 6,000 | 7,663 | 13,663 | 1,225 | 4,184 | 5,409 | 1,340 | 5,248 | 6,588 | 56,272 |
| 2042 | 4,610 | 908 | 5,518 | 5,820 | 5,780 | 11,600 | 3,030 | 3,301 | 6,331 | 6,305 | 7,355 | 13,660 | 1,270 | 4,139 | 5,409 | 8,690 | 5,064 | 13,754 | 56,272 |
| 2043 | 4,795 | 720 | 5,515 | 6,115 | 5,481 | 11,596 | 3,185 | 3,146 | 6,331 | 6,630 | 7,032 | 13,662 | 1,315 | 4,092 | 5,407 | 9,020 | 4,741 | 13,761 | 56,271 |
| 2044 | 4,990 | 524 | 5,514 | 6,430 | 5,168 | 11,598 | 3,345 | 2,983 | 6,328 | 6,970 | 6,692 | 13,662 | 1,365 | 4,044 | 5,409 | 9,350 | 4,405 | 13,755 | 56,265 |
| 2045 | 5,195 | 320 | 5,515 | 6,760 | 4,838 | 11,598 | 3,520 | 2,811 | 6,331 | 7,325 | 6,334 | 13,659 | 1,415 | 3,993 | 5,408 | 9,700 | 4,057 | 13,757 | 56,268 |
| 2046 | 5,410 | 108 | 5,518 | 7,110 | 4,491 | 11,601 | 3,660 | 2,668 | 6,328 | 7,665 | 5,998 | 13,663 | 1,465 | 3,941 | 5,406 | 10,055 | 3,696 | 13,751 | 56,267 |
| 2047 | - | - | - | 7,475 | 4,127 | 11,602 | 3,770 | 2,557 | 6,327 | 7,975 | 5,685 | 13,660 | 16,510 | 3,615 | 20,125 | 1,060 | 3,492 | 4,552 | 56,265 |
| 2048 | - | - | - | 7,855 | 3,743 | 11,598 | 3,885 | 2,442 | 6,327 | 8,300 | 5,360 | 13,660 | 17,120 | 3,005 | 20,125 | 1,105 | 3,450 | 4,555 | 56,264 |
| 2049 | - | - | - | 8,260 | 3,341 | 11,601 | 4,005 | 2,323 | 6,328 | 8,640 | 5,021 | 13,661 | 17,755 | 2,372 | 20,127 | 1,145 | 3,406 | 4,551 | 56,268 |
| 2050 | - | - | - | 8,660 | 2,939 | 11,599 | 4,130 | 2,201 | 6,331 | 8,995 | 4,668 | 13,663 | 18,410 | 1,716 | 20,126 | 1,190 | 3,361 | 4,551 | 56,270 |
| 2051 | - | - | - | 9,065 | 2,539 | 11,604 | 4,295 | 2,032 | 6,327 | 9,360 | 4,302 | 13,662 | 19,085 | 1,036 | 20,121 | 1,240 | 3,314 | 4,554 | 56,268 |
| 2052 | - | - | - | 9,475 | 2,122 | 11,597 | 4,515 | 1,812 | 6,327 | 9,735 | 3,924 | 13,659 | 19,010 | 345 | 19,355 | 2,080 | 3,249 | 5,329 | 56,267 |
| 2053 | - | - | - | 9,915 | 1,685 | 11,600 | 4,750 | 1,580 | 6,330 | 10,130 | 3,530 | 13,660 | - | - | - | 21,895 | 2,785 | 24,680 | 56,271 |
| 2054 | - | - | - | 10,370 | 1,229 | 11,599 | 4,990 | 1,337 | 6,327 | 10,540 | 3,120 | 13,660 | - | - | - | 22,760 | 1,920 | 24,680 | 56,266 |
| 2055 | - | - | - | 10,850 | 753 | 11,603 | 5,250 | 1,081 | 6,331 | 10,965 | 2,694 | 13,659 | - | - | - | 23,660 | 1,020 | 24,680 | 56,273 |
| 2056 | - | - | - | 11,345 | 255 | 11,600 | 5,470 | 861 | 6,331 | 11,410 | 2,248 | 13,658 | - | - | - | 14,500 | 281 | 14,781 | 46,369 |
| 2057 | - | - | - | - | - | - | 5,650 | 680 | 6,330 | 11,880 | 1,783 | 13,663 | - | - | - | - | - | - | 19,993 |
| 2058 | - | - | - | - | - | - | 5,835 | 493 | 6,328 | 12,365 | 1,298 | 13,663 | - | - | - | - | - | - | 19,991 |
| 2059 | - | - | - | - | - | - | 6,030 | 300 | 6,330 | 12,865 | 793 | 13,658 | - | - | - | - | - | - | 19,989 |
| 2060 | - | - | - | - | - | - | 6,230 | 101 | 6,331 | 13,395 | 268 | 13,663 | - | - | - | - | - | - | 19,993 |
| 2061 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |

# HISTORICAL DEBT SERVICE COVERAGE RATIOS

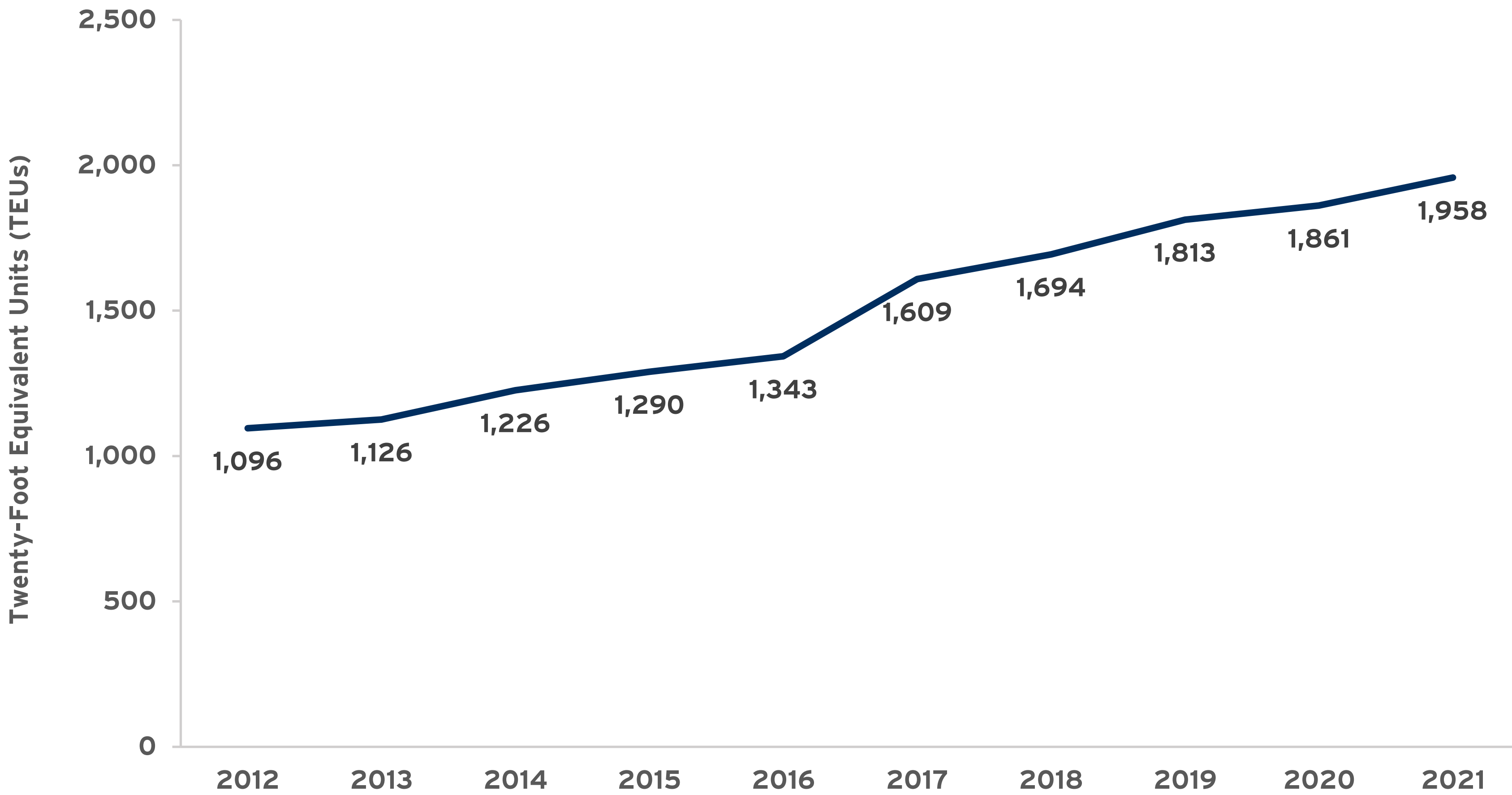
## (IN THOUSANDS)

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|---|---|---|---|
| Operating Revenues | $130,948 | $140,388 | $164,143 | $196,759 | $211,166 | $235,789 | $252,013 | $294,326 | $292,256 | $312,772 |
| Operating Expenses | 123,674 | 124,061 | 149,850 | 166,045 | 172,465 | 197,813 | 216,247 | 252,083 | 264,841 | 275,730 |
| **Operating Earnings** | **7,274** | **16,327** | **14,293** | **30,714** | **38,701** | **37,976** | **35,766** | **42,243** | **27,415** | **37,042** |
| Non-Operating Revenues (Expenses), net (1) | 5,324 | 1,777 | 1,314 | (3,232) | (1,366) | 40,669 | (10,529) | (2,158) | (140,118) | (66,983) |
| Excess Revenues over/(under) Expenses before Capital Contributions, Grants, and Special Items | 12,598 | 18,104 | 15,607 | 27,482 | 37,335 | 78,645 | 25,237 | 40,085 | (112,703) | (29,941) |
| Capital Contributions from/(to) Government Entities and Grants from Federal Government and special items | 5,082 | (10,776) | (3,955) | 6,327 | 26,376 | 15,119 | 762 | 2,004 | 164 | 1,490 |
| **Excess Revenues over/(under) Expenses after Contributions and Grants** | **17,680** | **7,328** | **11,652** | **33,809** | **63,711** | **93,764** | **25,999** | **42,089** | **(112,539)** | **(28,451)** |
| **Adjustments:** | | | | | | | | | | |
| Depreciation and Amortization | 30,967 | 28,702 | 32,415 | 33,753 | 33,687 | 37,233 | 41,523 | 47,553 | 55,059 | 60,954 |
| Unrealized (Gains)/Losses (2) | (688) | (610) | (436) | (896) | 111 | (196) | (337) | (250) | (28,183) | 21,752 |
| Interest Expense (3) | 610 | 1,748 | 849 | 3,163 | 2,043 | 1,418 | 1,580 | 8,679 | 45,411 | 49,196 |
| Net (Gains)/Losses on the Disposal of Assets | (53) | (62) | 54 | (2,650) | 951 | (37,063) | (8,832) | 4,253 | 5,391 | 3,786 |
| Land Contribution from Dillon Co. (4) | - | - | - | - | - | (2,309) | - | - | - | - |
| Land Contribution from Federal Gov't | - | - | - | - | - | - | - | (23,335) | - | - |
| Contribution to State for Bridge | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 |
| Contribution to Berkeley County, SC | - | 8,000 | - | - | - | - | - | - | - | - |
| Contribution to Aiken County, SC | - | 1,093 | 1,315 | 74 | - | - | - | - | - | - |
| Contribution to Georgetown County, SC | - | - | - | - | - | 15 | - | - | - | - |
| Contribution to Cherokee County, SC | - | - | - | - | - | 500 | - | - | - | - |
| Contribution to Sumter County, SC | - | - | 2,886 | 425 | 1,383 | - | - | - | - | - |
| Contribution to Spartanburg County - Infrastructure | - | - | - | - | - | - | - | - | - | 250 |
| Contribution to Department of Commerce - Infrastructure | - | - | - | - | - | - | - | - | - | 500 |
| Contribution from State - Jasper Ocean Terminal | - | - | - | (1,050) | (1,000) | (1,875) | (275) | (600) | (5,300) | (400) |
| Contribution to Jasper Ocean Terminal | - | - | - | 1,088 | 1,083 | 1,875 | 1,425 | 500 | 400 | - |
| Contribution (from)/to State - Harbor Deepening | - | - | - | - | (6,185) | 137 | 299,043 | (3,894) | (6,037) | 4 |
| Capital Grants from Federal Government | (6,082) | (1,517) | (143) | (361) | (5,156) | (5,681) | (762) | (2,004) | (164) | (1,490) |
| Contribution from Spartanburg for BMW facility | - | - | - | (281) | (15,035) | (7,095) | - | - | - | - |
| Contribution from SC Dept of Public Safety | - | - | - | - | - | (34) | - | - | - | - |
| Contribution from Railway Co for Inland Port | - | - | (1,103) | (1,134) | - | - | - | - | - | - |
| Contribution to Department of Transportation - Infrastructure | - | - | - | - | - | - | 12,600 | 23,000 | 100,000 | - |
| Contribution (from)/to the Army Corps of Engineers for Harbor Deepening | - | - | - | - | - | - | (299,043) | 3,933 | 33,294 | - |
| Contribution to the Army Corps of Engineers for Harbor Deepening | - | - | - | - | - | - | 275 | - | - | - |
| Pass through Payments Related to Grants above (5) | 1,095 | 135 | 95 | - | 796 | 91 | 15 | - | - | - |
| Pension - GASB 68 (6) | - | - | - | - | 1,542 | 3,995 | 6,656 | 6,740 | 10,699 | 12,058 |
| OPEB (7) | - | - | - | - | 1,643 | 1,606 | 933 | 1,059 | 1,636 | 4,150 |
| Net Harbormaster Fees | (68) | 14 | 33 | 4 | (17) | (227) | (259) | (269) | (246) | (264) |
| Loss on Defeasance of Series 2010 Bonds (8) | - | - | - | - | - | - | 6,194 | - | - | - |
| Non-Cash Adjustments to Projects | - | - | - | - | - | - | - | - | 3,508 | - |
| Bond Issue Costs (9) | 105 | 50 | 1,372 | 60 | 1,817 | - | 1,790 | 65 | 3,022 | - |
| Net Adjustments | 26,886 | 38,553 | 38,337 | 33,195 | 18,663 | (6,610) | 63,526 | 66,430 | 219,490 | 151,496 |
| **Net Revenues Available for Debt Service** | **$ 44,566** | **$ 45,881** | **$ 49,989** | **$ 67,004** | **$ 82,374** | **$ 87,154** | **$ 89,525** | **$108,519** | **$106,951** | **$123,045** |
| Series 1998 Bonds | 4,478 | - | - | - | - | - | - | - | - | - |
| Series 2010 Bonds | 9,277 | 13,167 | 13,264 | 13,259 | 13,251 | 13,254 | 13,249 | - | - | - |
| Series 2015 Bonds | - | - | - | - | 2,326 | 14,688 | 14,688 | 14,688 | 11,185 | 2,268 |
| Series 2018 Bonds | - | - | - | - | - | - | - | 9,054 | 21,779 | 21,765 |
| Series 2019A Bonds | - | - | - | - | - | - | - | - | 1,271 | 5,143 |
| Series 2019B Bonds | - | - | - | - | - | - | - | - | 2,743 | 11,096 |
| Series 2019C Bonds | - | - | - | - | - | - | - | - | 1,114 | 4,505 |
| Series 2019D Bonds | - | - | - | - | - | - | - | - | 649 | 5,697 |
| Principal and Interest Paid on Senior Lien Bonds | 13,755 | 13,167 | 13,264 | 13,259 | 15,577 | 27,942 | 27,937 | 23,742 | 38,741 | 50,474 |
| Principal and Interest Paid Second Lien Bonds | - | - | - | 1,925 | 1,925 | 1,925 | 1,925 | 1,925 | 1,925 | 962 |
| Principal and Interest Paid on Third Lien Bonds | - | - | - | 3 | 78 | 1,042 | 2,517 | 6,596 | 12,509 | 14,509 |
| **Total Principal and Interest Paid** | **13,755** | **13,167** | **13,264** | **15,187** | **17,580** | **30,909** | **32,379** | **32,263** | **53,175** | **65,945** |
| **Debt Service Coverage Ratio - Senior Lien** | **3.24x** | **3.48x** | **3.77x** | **5.05x** | **5.29x** | **3.12x** | **3.20x** | **4.57x** | **2.76x** | **2.44x** |
| **Debt Service Coverage Ratio - Senior & Second Lien** | **-** | **-** | **-** | **4.41** | **4.71x** | **2.92x** | **3.00x** | **4.23x** | **2.63x** | **2.39x** |
| **Debt Service Coverage Ratio - All** | **-** | **-** | **-** | **4.41** | **4.69x** | **2.82x** | **2.76x** | **3.36x** | **2.01x** | **1.87x** |

(1) Includes interest expense.
(2) As of fiscal year 2020 Audited Financial Statements, unrealized gains on the fair value of invested assets included with fair value of interest rate exchange agreements.
(3) Reflects amounts deducted for capitalized interest expense.
(4 ) Donated land did not require cash expenditure by the Authority.
(5) Payments reported in Other Income/(Expense), net amount in the Authority's Financial Statements.
(6) Non-Cash Portion of Pension Expense.
(7) Non-Cash Portion of OPEB (Other Post-Employment Benefits) Expense.
(8) Book loss.
(9) Bond issue cost transactions recorded pre & post GASB 65.


Twenty-Foot Equivalent Units (TEUs)
1,432,304
1,560,116
1,684,907
1,916,379
1,943,170
2,137,702
2,199,873
2,393,095
2,324,985
2,548,873
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021

## AVERAGE TWENTY-FOOT EQUIVALENT UNITS PER VESSEL DOCKED[1]




(1) Vessels Docked includes ships and barges.

**Twenty-Foot Equivalent Units**

*By Terminal*

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|---|---|---|---|
| Columbus Street | - | - | - | 160 | 27 | - | - | - | - | - |
| Hugh Leatherman | - | - | - | - | - | - | - | - | - | 31,073 |
| North Charleston | 514,599 | 570,184 | 531,177 | 563,691 | 648,580 | 463,936 | 560,532 | 539,304 | 394,011 | 435,436 |
| Wando Welch | 917,705 | 989,933 | 1,153,730 | 1,352,528 | 1,294,563 | 1,673,767 | 1,639,341 | 1,853,791 | 1,930,974 | 2,082,364 |
| **Total** | **1,432,304** | **1,560,117** | **1,684,907** | **1,916,379** | **1,943,170** | **2,137,703** | **2,199,873** | **2,393,095** | **2,324,985** | **2,548,873** |

**Pier Container Lifts**

*By Terminal*

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|---|---|---|---|
| Columbus Street | - | - | - | 80 | 27 | - | - | - | - | - |
| Hugh Leatherman | - | - | - | - | - | - | - | - | - | 16,820 |
| North Charleston | 293,760 | 325,425 | 303,379 | 322,483 | 366,484 | 262,959 | 318,375 | 305,337 | 222,388 | 240,444 |
| Wando Welch | 528,091 | 564,365 | 653,306 | 772,343 | 730,295 | 944,745 | 932,453 | 1,058,898 | 1,094,944 | 1,161,601 |
| **Total** | **821,851** | **889,790** | **956,685** | **1,094,906** | **1,096,806** | **1,207,704** | **1,250,828** | **1,364,235** | **1,317,332** | **1,418,865** |

**Non-Containerized Cargo Pier Tons**

*By Terminal*

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|---|---|---|---|
| Columbus Street | 595,678 | 578,702 | 590,755 | 721,092 | 808,630 | 818,417 | 733,635 | 605,805 | 632,092 | 799,961 |
| Georgetown | 548,919 | 494,645 | 553,039 | 548,933 | 249,149 | 7,466 | - | - | - | - |
| Hugh Leatherman | - | - | - | - | - | - | - | - | - | 2,050 |
| North Charleston | 7,019 | 35,837 | 6,386 | 908 | 1,626 | 530 | 19,606 | 6,251 | 2,498 | 3,377 |
| Union Pier | 889 | 77,188 | 150,823 | 144,054 | 90,420 | 31,245 | 3,006 | 11,124 | - | - |
| Veterans | 258,372 | 429,988 | 14,228 | 3,392 | - | - | - | - | - | 1,177 |
| Wando Welch | 1,513 | 1,848 | 1,038 | 2,469 | 1,298 | 1,470 | 4,253 | 2,143 | 1,688 | 955 |
| **Total** | **1,412,390** | **1,618,208** | **1,316,269** | **1,420,848** | **1,151,123** | **859,128** | **760,500** | **625,323** | **636,278** | **807,520** |

**Inland Port Rail Moves**

*By Terminal*

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|---|---|---|---|
| Dillon | - | - | - | - | - | - | 628 | 29,580 | 32,453 | 34,987 |
| Greer | - | - | 19,512 | 58,407 | 91,698 | 121,761 | 117,812 | 143,204 | 140,155 | 157,842 |
| **Total** | **-** | **-** | **19,512** | **58,407** | **91,698** | **121,761** | **118,440** | **172,784** | **172,608** | **192,829** |

| **Other Statistics** | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|---|---|---|---|
| Pier Vehicles (Rolling Stock) | 215,945 | 200,231 | 208,874 | 253,597 | 274,662 | 258,804 | 232,390 | 194,902 | 199,825 | 253,983 |
| Cruise Passengers | 190,619 | 182,131 | 192,508 | 189,050 | 212,286 | 224,105 | 225,483 | 213,081 | 217,673 | - |
| Ships Docked (1) | 1,745 | 1,839 | 1,830 | 1,896 | 1,900 | 1,765 | 1,705 | 1,696 | 1,567 | 1,594 |

(1) Self-powered vessels, excluding barges.

## Port Facilities

| DESCRIPTION | WANDO WELCH | NORTH CHARLESTON | HUGH LEATHERMAN [(1)] | COLUMBUS STREET | UNION PIER | VETERANS TERMINAL [(2)] | GEORGETOWN | INLAND PORT DILLON | INLAND PORT GREER |
|---|---|---|---|---|---|---|---|---|---|
| Terminal Area (Acres) | 689 | 201 | 286 | 155 | 71 | 23 | 45 | 110 | 97 |
| Developed Terminal Area (Acres) | 399 | 198 | 134 | 135 | 65 | 23 | 37 | 37 | 42 |
| Channel Width Min (Feet) | 400 | 500 | 500 | 500 | 500 | 500 | N/A | N/A | N/A |
| Channel Width Max (Feet) | 1,400 | 1,400 | 1,400 | 1,400 | 1,400 | 1,000 | N/A | N/A | N/A |
| Channel Project Depth (Feet) | 45 | 45 | 52 | 45 | 35 | 25 | 15 | N/A | N/A |
| Berth/Working Trackage (Linear Feet) | 3,800 | 2,500 | 1,400 | 3,500 | 2,500 | 2,400 | N/A | 10,080 | 5,200 |
| Cargo Handled (Type) | Container Breakbulk | Container Breakbulk | Container Breakbulk | Rolling Stock Breakbulk | Breakbulk Cruise | Breakbulk | Breakbulk | Container | Container |
| Container Crane Class | | | | | | | | | |
| Post-Panamax | 2 | 3 | - | - | - | - | - | - | - |
| Super Post Panamax | 13 | 2 | 5 | - | - | - | - | - | - |
| Total | 15 | 5 | 5 | - | - | - | - | - | - |
| Container Handlers | | | | | | | | | |
| Empty Toplifter | 30 | - | 8 | - | - | - | - | 2 | 5 |
| Toplifter | 5 | 19 | - | 1 | - | - | - | - | 1 |
| RTG | 65 | 10 | 25 | - | - | - | - | 2 | 7 |
| Total | 100 | 29 | 33 | 1 | - | - | - | 4 | 13 |
| Warehouse Sq. Ft. | 187,680 | - | - | 359,149 | 334,000 | - | 103,000 | - | - |

[(1)] Hugh Leatherman Terminal details reflect the currently completed Phase 1. At full buildout, the terminal is projected to have a developed terminal area of 266 acres, berth length of 3,510 feet, 15 ship-to-shore cranes, and 70 RTGs.
[(2)] In February 2021, SCSPA exchanged 76 acres of Veteran's Terminal with the US Coast Guard for 90 acres of property on the old Charleston Navy Base.

## SCSPA Employees

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|---|---|---|---|
| Administrative | 101 | 96 | 100 | 104 | 98 | 99 | 97 | 97 | 94 | 95 |
| Operations | 374 | 389 | 383 | 382 | 403 | 454 | 501 | 596 | 641 | 663 |
| **Grand Total** | **475** | **485** | **483** | **486** | **501** | **553** | **598** | **693** | **735** | **758** |

## (IN THOUSANDS)

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Capital projects in progress | $ 141,907 | $ 157,216 | $ 207,602 | $ 227,910 | $ 249,411 | $ 342,330 | $ 463,281 | $ 403,960 | $ 520,588 | $ 615,601 | $ 72,833 |
| Land | 199,630 | 199,638 | 199,906 | 201,675 | 203,281 | 202,613 | 206,197 | 352,532 | 374,214 | 374,341 | 696,208 |
| Land Improvements | 230,426 | 256,142 | 275,621 | 303,764 | 317,416 | 327,916 | 370,336 | 408,479 | 401,974 | 443,703 | 669,184 |
| Buildings and Structures | 324,356 | 327,177 | 337,817 | 339,654 | 340,354 | 335,364 | 347,312 | 413,221 | 449,776 | 498,134 | 669,842 |
| Railroad Tracks | 7,660 | 8,859 | 8,869 | 16,826 | 16,962 | 16,990 | 16,990 | 19,418 | 19,677 | 19,774 | 19,774 |
| Terminal Equipment | 125,635 | 133,099 | 136,133 | 141,368 | 146,945 | 155,534 | 163,900 | 189,522 | 182,911 | 256,553 | 311,383 |
| Furniture & Fixtures | 24,037 | 24,106 | 24,659 | 29,117 | 27,220 | 29,303 | 35,993 | 36,881 | 39,147 | 40,132 | 41,111 |
| Other | - | - | - | - | - | 157 | 355 | 87 | 52 | 27 | - |
| **Total Capital Assets** | **1,053,651** | **1,106,237** | **1,190,607** | **1,260,314** | **1,301,589** | **1,410,207** | **1,604,364** | **1,824,100** | **1,988,339** | **2,248,265** | **2,480,335** |
| Depreciation (Accumulated) | (438,378) | (468,679) | (496,815) | (522,544) | (549,718) | (563,656) | (587,800) | (622,633) | (600,317) | (648,642) | (695,291) |
| **Capital Assets, net** | **$ 615,273** | **$ 637,558** | **$ 693,792** | **$ 737,770** | **$ 751,871** | **$ 846,551** | **$1,016,564** | **$1,201,467** | **$1,388,022** | **$1,599,623** | **$1,785,044** |

| Description | Charleston Region(1) | State |
|---|---|---|
| Population | 799,636 | 5,118,425 |
| Total Personal Income | $44,247,617,014 | $262,121,500,000 |
| Per Capita Personal Income | $55,335 | $48,021 |
| Unemployment Rate | 4.00 | 4.30 |

*Source: www.charlestonregionaldata.com, www.census.gov, www.bls.gov, www.bea.gov*

| Top Ten Employers(2) | |
|---|---|
| **Charleston Region** | **South Carolina** |
| The Boeing Company | Walmart Inc. |
| Roper St. Francis Healthcare | Prisma Health |
| Trident Health System | BMW Manufacturing |
| Walmart Inc. | Blue Cross Blue Shield |
| Robert Bosch LLC | Michelin North America |
| Volvo Car USA LLC | The Boeing Company |
| Mercedes-Benz Vans, LLC | Roper St. Francis Healthcare |
| Blackbaud, Inc. | Duke Energy |
| BenefitFocus | Amazon Fulfillment Center |
| Publix Supermarkets | GE Power |
| Source: www.crda.org | Source: Regional data, news, and company websites |

(1) Charleston Region includes Berkeley, Charleston, and Dorchester Counties.
(2) Excludes State and Federal Entities.

## SOUTH CAROLINA

$63.4 billion annual economic impact
1 in 10 SC jobs created by SC Ports
$1.1 billion in annual tax revenue

## UPSTATE

Economic Impact: $32.8 billion
Total Jobs: 116,561
Labor Income: $6.6 billion
Percentage of Total Impact: 51.8%

## PEE DEE

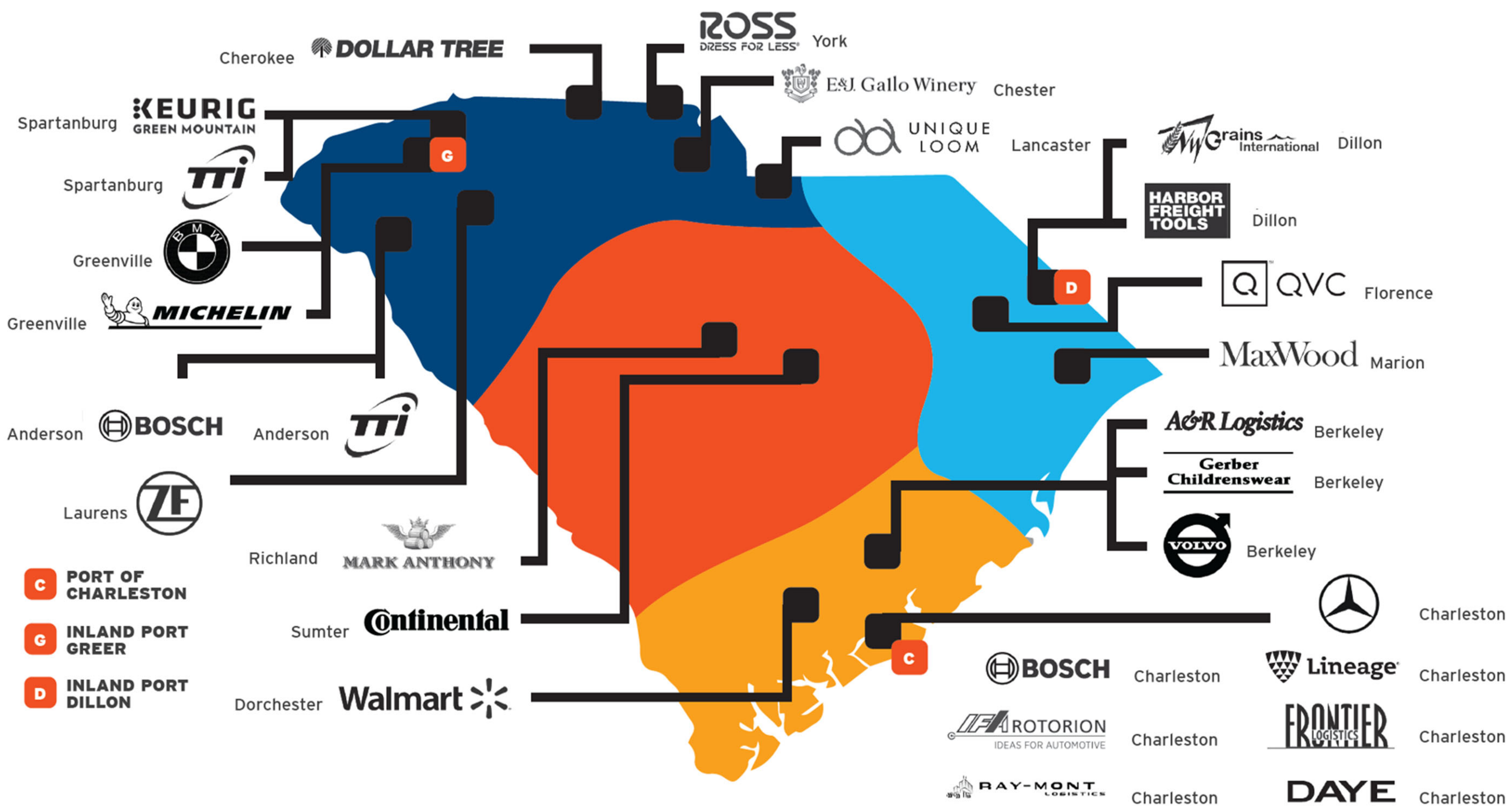
Economic Impact: $7.1 billion
Total Jobs: 25,275
Labor Income: $1.4 billion
Percentage of Total Impact: 11.3%

## MIDLANDS

Economic Impact: $15.5 billion
Total Jobs: 55,346
Labor Income: $3.1 billion
Percentage of Total Impact: 24.6%

## LOWCOUNTRY

Economic Impact: $7.8 billion
Total Jobs: 27,781
Labor Income: $1.5 billion
Percentage of Total Impact: 12.3%




Source: Moore School of Business, University of South Carolina, August 2019.

| | Customer [1] | Percentage of Revenues [2] | Customer Type | Years at SCSPA [3] |
|---|---|---|---|---|
| 1) | Maersk | 19% | Steamship Line (Cargo) | 32 |
| 2) | Mediterranean | 13% | Steamship Line (Cargo) | 28 |
| 3) | Hapag-Lloyd | 12% | Steamship Line (Cargo) | 27 |
| 4) | CMA-CGM/APL | 11% | Steamship Line (Cargo) | 27 |
| 5) | ONE | 8% | Steamship Line (Cargo) | 27+ |
| 6) | COSCO/OOCL | 7% | Steamship Line (Cargo) | 32 |
| 7) | Evergreen | 5% | Steamship Line (Cargo) | 32 |
| 8) | BMW | 4% | Beneficial Cargo Owner | 26 |
| 9) | Zim | 3% | Steamship Line (Cargo) | 22 |
| 10) | Harbor Freight Tools | 2% | Beneficial Cargo Owner | 3 |
| | All Other | 16% | | |
| | | **100%** | | |

(1) Includes subsidiaries.

(2) Includes shipping line and beneficial cargo owner customer impact. This report slightly differs from customers listed in Note 1 under “Concentration of Credit Risk” as a portion of revenues are billed to the Authority’s third-party partner rather than directly to the shipping line or beneficial cargo owner.

(3) Records go back 32 years.

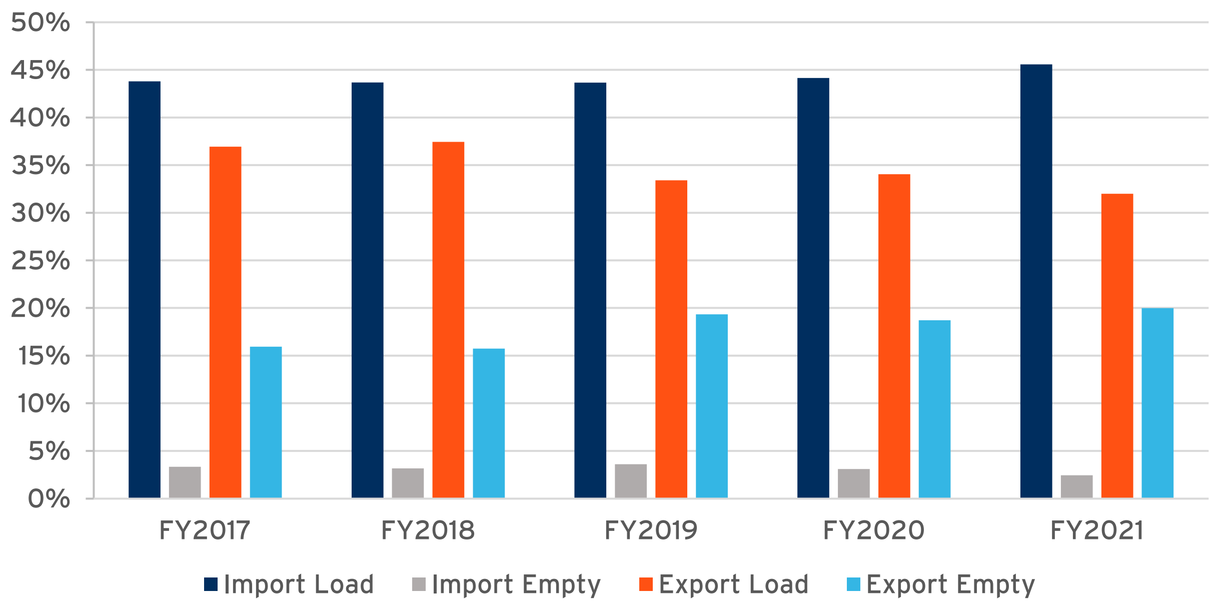
| | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|
| Pier Containers | 1,207,704 | 1,250,828 | 1,364,235 | 1,317,332 | 1,418,865 |
| TEUs | 2,137,702 | 2,199,873 | 2,393,095 | 2,324,985 | 2,548,873 |
| Breakbulk and Bulk Pier Tons (1) | 859,127 | 760,501 | 625,323 | 636,278 | 807,520 |
| Pier Vehicles | 258,804 | 232,390 | 194,902 | 199,825 | 253,983 |
| Ships Docked (2) | 1,765 | 1,705 | 1,696 | 1,567 | 1,594 |

(1) Includes net tonnage for Pier Vehicles.

(2) Self-powered vessels, excluding barges.

| | Annual TEUs | | | |
|---|---|---|---|---|
| Fiscal Year | Import | Export | Empty | Total |
| FY2017 | 936,107 | 789,702 | 411,893 | 2,137,702 |
| FY2018 | 960,610 | 823,588 | 415,676 | 2,199,873 |
| FY2019 | 1,044,858 | 799,393 | 548,844 | 2,393,095 |
| FY2020 | 1,026,514 | 791,569 | 506,902 | 2,324,985 |
| FY2021 | 1,161,407 | 815,504 | 571,963 | 2,548,873 |

## Annual TEUs By Percent Contribution

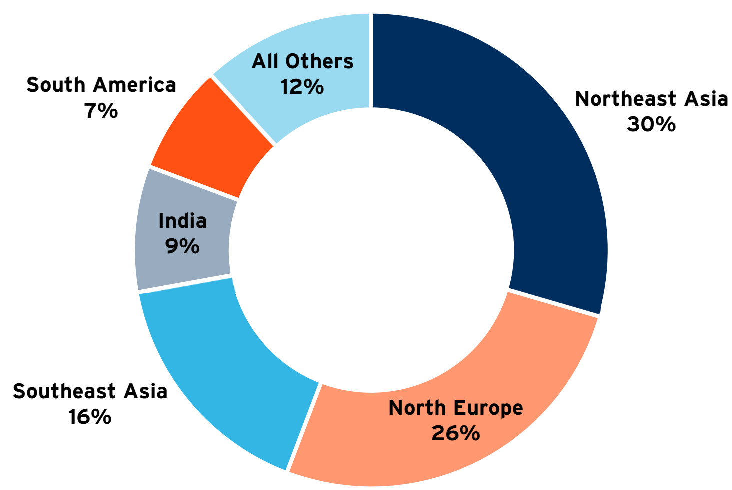


## (LOADED TEUs)

| | *Exports* | Contribution |
|---|---|---|
| 1) | FOREST PRODUCTS | 23% |
| 2) | CHEMICALS | 19% |
| 3) | VEHICLES BOATS AIRCRAFT | 14% |
| 4) | FOODSTUFFS AND BASIC AGRICULTURAL MATERIALS | 13% |
| 5) | YARNS FIBRES TEXTILES APPAREL | 6% |
| 6) | TIRES UNFINISHED RUBBER PLASTIC PRODUCTS | 4% |
| 7) | MACHINERY PARTS | 4% |
| 8) | METALS INCLUDING PRIMARY SHAPES | 3% |
| 9) | MINERAL PRODUCTS INCL COAL TILES GLASS | 3% |
| 10) | HARDWARE LIGHTING MISC METALWARE | 2% |
| 11) | FURNITURE SPORTING GOODS TOYS | 2% |
| 12) | MISCELLANEOUS | 2% |
| 13) | ORES CONCENTRATES | 2% |
| 14) | PLASTIC FILMS SHEETS FOAM SPONGES | 1% |
| 15) | ELECTRIC AND ELECTRIC GOODS | 1% |
| | ALL OTHER | 1% |
| | **Total Exports** | **100%** |

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

**Fiscal Year 2021 Trade Lanes**




(1) Source: PIERS

**2,548,873** CONTAINER TEUs (TWENTY-FOOT EQUIVALENT UNITS)

**192,829** RAIL LIFTS AT INLAND PORTS GREER & DILLON

**253,983** FINISHED VEHICLES

**0** CRUISE PASSENGERS


SOUTH
CAROLINA
PORTS
THE WORLD CONNECTS HERE SM