

ALABAMA STATE PORT AUTHORITY

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

SEPTEMBER 30, 2023 AND 2022



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The report accompanying this deliverable was issued
by Warren Averett, LLC.

**ALABAMA STATE PORT AUTHORITY
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SEPTEMBER 30, 2023 AND 2022**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Alabama State Port Authority

Opinion

We have audited the accompanying financial statements of the Alabama State Port Authority, an enterprise agency of the State of Alabama, as of and for the years ended September 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Alabama State Port Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Alabama State Port Authority (Authority) as of September 30, 2023 and 2022, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Management's Responsibility for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension, and OPEB information on pages 4-14 and 62-72 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2024, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Mobile, Alabama
March 14, 2024

**ALABAMA STATE PORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2023 AND 2022**

The discussion and analysis of the financial performance of the Alabama State Port Authority (Authority) provides an overview of the entity's financial activities for the fiscal years ended September 30, 2023 and 2022. Please read this summary in conjunction with the Authority's financial statements and the accompanying notes that follow this section, which are essential in identifying the changes to the financial condition that occurred during the most recent fiscal year.

Operating Highlights

The Alabama State Port Authority is growing at a record pace. In addition to expansion projects that are actively underway at the container terminal and the harbor deepening and widening project (Project), the Authority has more than \$1.7 billion in planned investments over the next 10 years. These investments include inland intermodal container facilities, constructing on-dock rail access at the container terminal, enhancing general cargo piers, and modernizing McDuffie Coal Terminal.

- The Authority's economic impact for calendar year 2022 showed over \$98.3 billion in impact statewide.
- The Authority was named the second fastest-growing port of entry in the United States (U.S.) in the past 10 years by Forbes.
- The Authority maintained year-over-year containerized cargo volume despite a 15-20% dip market-wide.
- The Authority received a \$20 million appropriation from the State of Alabama (State) for improvements to McDuffie Coal Terminal.
- In partnership with CSX, NS, and Amtrak, the Authority was awarded a Consolidated Rail Infrastructure and Safety Improvements (CRISI) grant that will support freight rail infrastructure to accommodate passenger rail service.
- Ongoing management of federally funded projects that include the \$366 million ship channel expansion and \$438 million in federal funds for Authority facilities.

Calendar Year 2022 Statewide Economic Impact | The Alabama State Port Authority commissioned its periodic economic impact report, which covered the calendar year 2022, showing the Authority's impact on Alabama's economy was \$98.3 billion, an increase of roughly \$13 billion from the previous year's impact. In addition to the overall \$98.3 billion statewide economic impact, the Authority supports 351,359 jobs in Alabama, one out of every seven jobs statewide. These jobs amount to \$22.5 billion in income for Alabamians. Additionally, in 2022 alone, the Authority and its related industries gave back \$2.4 billion in taxes to the state and local governments.

Second Fastest Growing Port of Entry in the U.S. | Recently named by Forbes as the second fastest-growing port of entry in the U.S., the Authority's capabilities make it an ideal gateway for all types of cargo, from coal and containers to forest products and steel to automobiles and aggregates. With deep water, modern equipment, and multimodal connectivity, Alabama's only deep-water seaport is one of the most efficient, versatile, and accessible ports in the nation.

**ALABAMA STATE PORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2023 AND 2022**

Steady Containerized Cargo Volumes Despite Softening Markets | Containerized cargo volumes maintained stability in 2023 despite volumes being down 15-20% nationwide, and it continues to be the fastest-growing container terminal in the U.S. The rapid growth through the container terminal has been fueled by reliable terminal operations, capacity, and the service offered by the Authority and its operator partner, APM Terminals (APMT). With an average truck turn time of 51 minutes for a dual move, shippers are actively shifting their supply chains to leverage logistics solutions provided by the Authority and APMT as they work to meet consumer demands.

\$20M for McDuffie Coal Terminal Modernization | The Authority's McDuffie Coal Terminal is one of the largest coal-handling facilities in the nation and a critical piece of the supply chain for steel production worldwide. McDuffie Coal Terminal provides diverse handling capabilities – ship, barge, and rail – and is the recipient of a recent \$20 million appropriation by the Alabama Legislature, which will be directly invested in state-of-the-art equipment for the terminal. With Alabama's metallurgical coal exports surging to support global steel production, McDuffie Coal Terminal and the Authority are rising to meet the demand with a \$200 million investment underway to improve terminal operations and efficiencies.

CRISI Grant to Support Freight Infrastructure for Passenger Rail | In partnership with CSX, NS, and Amtrak, the Authority was awarded a CRISI grant that will support freight rail infrastructure to accommodate passenger rail service. The Authority's portion of the project and primary benefit is the Virginia Street Lead, for which the Authority will be providing a \$750,000 match.

Ongoing Management of Federally Funded Projects | Led by the U.S. Army Corps of Engineers (USACE), Alabama's seaport modernization program began construction in May 2021 to deliver a deeper and wider Mobile Ship Channel and to improve the turning basin in the lower harbor. This key project will take the Mobile Harbor to a 50-foot draft in 2025. The Mobile Ship Channel deepening and widening is under phased construction, with three of six phases complete as of February 2024. The deeper channel will allow neo-panamax-sized vessels up to 14,000 Twenty-foot Equivalent Units (TEU) to load to capacity. The USACE and the State have fully funded the \$366 million harbor modernization program.

Financial Highlights

- The Authority's revenues increased to \$184,911,783 in fiscal 2023 as compared to \$164,513,160 in fiscal 2022 and \$155,915,487 in fiscal 2021.
- The Authority's assets plus deferred outflows of resources exceeded its liabilities plus deferred inflows of resources (net position) at September 30, 2023, 2022, and 2021, by \$411,458,296, \$390,705,121 and \$376,439,475, respectively.
- The Authority's total net position increased \$20,753,175 in fiscal 2023 as compared to an increase of \$14,265,646 in fiscal 2022 and an increase of \$38,551,397 in fiscal 2021.
- Total bonded debt of the Authority decreased to \$283,375,798 as of September 30, 2023, as compared to \$297,189,229 and \$312,126,000 as of September 30, 2022 and 2021, respectively.

**ALABAMA STATE PORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2023 AND 2022**

Overview of the Financial Statements

Governmental entities adhere to accounting and financial reporting rules and regulations promulgated by the Governmental Accounting Standards Board (GASB). The Authority established a reporting model mandated by GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. The Authority follows enterprise fund accounting and reporting requirements, including the accrual basis of accounting and applications of GASB pronouncements, thus the basic financial statements of the Authority include the following financial elements:

The **statements of net position** provide the reader with information about the assets of the Authority as well as outstanding liabilities. The difference between assets, deferred outflows, liabilities, and deferred inflows is reported as net position. The presentation of net position provides additional details, which may assist the reader in understanding the unrestricted resources of the Authority as compared to those that are restricted. Changes over time in net position may indicate an improving or deteriorating financial condition.

The **statements of revenues, expenses, and changes in net position** reflect the revenues and expenses, both operating and nonoperating, of the current and previous fiscal years. The net of revenues less expenses, when combined with other nonoperating items such as investment income, interest expense, and capital grants and contributions, represents the net increase or decrease in the Authority's net position for the fiscal year. A review of these statements provides an indication of the financial health of the Authority.

The **statements of cash flows** present those items that affect the Authority's cash and cash equivalents during the fiscal year. A reconciliation of the Authority's operating income to the cash provided by operating activities, is also included.

The notes to the financial statements provide additional information that may not be readily apparent from the financial statements.

**ALABAMA STATE PORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2023 AND 2022**

Analysis of Financial Statements

This discussion of the Authority's financial statements highlights major changes in the Authority's assets, deferred outflows, liabilities, and deferred inflows for fiscal 2023 and fiscal 2022, as well as changes in revenues and expenses as reflected in the accompanying financial statements.

	2023	2022*	2021*
Assets			
Current and other assets	\$ 366,870,099	\$ 374,112,448	\$ 377,306,295
Capital assets, net	676,625,510	644,351,343	632,766,175
Total assets	<u>1,043,495,609</u>	<u>1,018,463,791</u>	<u>1,010,072,470</u>
Deferred outflows of resources	<u>27,471,759</u>	<u>28,709,199</u>	<u>24,811,503</u>
Liabilities			
Long-term bonds payable, net	282,208,998	294,205,714	308,849,451
Net pension liability	27,385,468	21,345,801	21,451,914
Net OPEB liability	15,665,083	13,243,637	13,623,335
Other liabilities	77,694,358	59,185,405	49,858,363
Total liabilities	<u>402,953,907</u>	<u>387,980,557</u>	<u>393,783,063</u>
Deferred inflows of resources	<u>256,555,165</u>	<u>268,487,312</u>	<u>264,661,435</u>
Net position			
Net investment in capital assets	385,581,202	343,718,264	319,951,453
Restricted:			
Debt service	24,771,703	27,059,875	31,198,328
Capital projects	-	-	682,096
Unrestricted	<u>1,105,391</u>	<u>19,926,982</u>	<u>24,607,598</u>
Total net position	<u>\$ 411,458,296</u>	<u>\$ 390,705,121</u>	<u>\$ 376,439,475</u>

As revised. See Note 1 to the financial statements.

**ALABAMA STATE PORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2023 AND 2022**

The Authority's Net Position

Changes in net position over time is one measurement of the Authority's financial condition. The Authority's increase in net position for fiscal 2023 was \$20,753,175. This represents an increase of \$6,487,529 from fiscal 2022 activity. Due to increased volumes and improved terms within coal handling agreements, increased shipments of iron and steel products, and increases in intermodal traffic and rail ferry service at Terminal Railway, operating revenues showed a significant increase from fiscal 2022. The Authority continued to receive funding, as it has since 2016, as a designated energy port under the Water Resources Reform and Development Act (WRRDA Act). These funds are used, as designated approved activities under the WRRDA Act, for maintenance dredging, dredged materials management, and environmental remediation related to dredging berths and Federal navigation channels. In fiscal 2023, the Authority received \$5,544,000 from this funding source and recognized \$2,436,836 of revenue, offsetting costs incurred associated with approved dredging activities.

The Authority's increase in net position for fiscal 2022 was \$14,265,646. This represents a reduction of \$24,285,751 from fiscal 2021 activity. Despite lower volumes of metallurgical coal (5%), operating revenues increased from fiscal 2021 due to improved terms within coal handling agreements, increased shipments of pulp, paper, and forest products (25%) offsetting decreased tonnages of iron and steel products (16%), and dramatic increases in intermodal traffic and improved rail ferry service at Terminal Railway. The Authority continued to receive funding, as it has since 2016, as a designated energy port under the Water Resources Reform and Development Act (WRRDA Act). These funds are used, as designated approved activities under the WRRDA Act, for maintenance dredging, dredged materials management, and environmental remediation related to dredging berths and Federal navigation channels. In fiscal 2022, the Authority received and recognized \$4,950,000 of revenue, offsetting costs incurred associated with approved dredging activities.

Of the Authority's \$411,458,296 in net position as of September 30, 2023, \$385,581,202 represents its investment in capital assets (including intangible assets), less any outstanding debt used to acquire or construct these assets. In addition, \$24,771,703 of the Authority's net position represents resources subject to external bond restrictions related to the use of these funds for debt service. The remaining \$1,105,391 consists of items not considered to be net investment in capital assets or restricted net position.

**ALABAMA STATE PORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2023 AND 2022**

Statements of Revenues, Expenses, and Changes in Net Position

The following table presents a condensed comparative summary of the Authority's revenues, expenses, and changes in net position for the fiscal years ended September 30, 2023, 2022, and 2021:

	<u>2023</u>	<u>2022*</u>	<u>2021*</u>
Operating revenues	\$ 184,911,783	\$ 164,513,160	\$ 155,915,487
Operating expenses	166,442,309	142,982,027	121,657,614
Operating income	18,469,474	21,531,133	34,257,873
Net nonoperating expenses	(5,205,956)	(14,427,104)	(13,632,233)
Income before capital grants and contributions	13,263,518	7,104,029	20,625,640
Capital grants and contributions	7,489,657	7,161,617	17,925,757
Increase in net position	20,753,175	14,265,646	38,551,397
Net position, beginning of year	390,705,121	376,439,475	337,888,078
Net position, end of year	<u>\$ 411,458,296</u>	<u>\$ 390,705,121</u>	<u>\$ 376,439,475</u>

*As revised. See Note 1 to the financial statements.

Fiscal 2023 operating revenues increased 12% as compared to 2022, from \$164.5 million to \$184.9 million, mainly from increased volumes and improved terms within coal handling agreements, along with continued increases in container traffic, greater utilization of the intermodal container transfer facility (ICTF), and additional activity at Terminal Railway. Revenue at McDuffie Coal Terminal increased by \$16.3 million (23%), due to increased volume and more favorable terms. Terminal Railway revenues improved by \$1.6 million (6%) over fiscal 2022, a result of increases in intermodal switching, general switching, storage, rail ferry usage, and railcar repairs. General Cargo/Intermodal revenues increased by \$0.8 million (2%) due to slight increases in iron and steel products, partially offset by fewer shipments of pulp, paper, and forest products. Marine Liquid Bulk Terminal increased by \$0.1 million (2%) related to the increase of customer shipments through the facility. The Real Estate division increased by \$2.4 million (13%) due largely to the allocation of energy port funds and increased activity with Pig Iron in fiscal 2023. The Other operating revenue category decreased by \$0.7 million (9%) primarily due to fees associated with third-party usage of the Authority's dredge-material management areas and decreased vessel and harbor master activity, which are partially offset by improved terminal utilization at Mobile Middle Bay Port.

The Authority received \$7.5 million in capital grants and contributions to partially fund the Upper Mobile Bay Beneficial Use Wetland Creation Site Project, the Montgomery ICTF project, the Chickasaw Rail expansion project, the project for Phase IV expansion of the container terminal, to repair roofs, cameras, and bulkheads after Hurricanes Sally and Zeta, and to repower a locomotive with diesel emissions reduction technology.

**ALABAMA STATE PORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2023 AND 2022**

Fiscal 2022 operating revenues increased 6% as compared to 2021, from \$155.9 million to \$164.5 million, resulting largely from improved terms within coal handling agreements, increased demand for pulp, paper, and forest products, new rail ferries that brought continuity of service, record container traffic, and greater utilization of the ICTF. Revenue at McDuffie Coal Terminal increased by \$4.4 million (6%), due to more favorable terms. Terminal Railway revenues were \$2.8 million (12%) more than fiscal 2021, a result of increases in intermodal switching, general switching, storage, rail ferry usage, and railcar repairs, which were partially offset by decreased metallurgical coal volume and charges for handling hazardous materials. General Cargo/Intermodal revenues increased by \$1.0 million (3%) due to increased shipments of pulp, paper, and forest products somewhat offset by decreased tonnages of iron and steel products. Marine Liquid Bulk Terminal increased by \$0.5 million (13%) related to the increase of customer shipments through the facility. The Real Estate division decreased by \$1.3 million (6%) due largely to no allocation of energy port funds, which decreased revenues by \$1.4 million in fiscal 2022. The Other operating revenue category increased by \$1.2 million (19%) due to fees associated with third-party usage of the Authority's dredge-material management areas, increased vessel and harbormaster activity, improved terminal utilization at Mobile Middle Bay Port, and a slight increase in steel-related revenue at the Axis Inland Dock.

The Authority received approximately \$7.2 million in grant revenue to partially fund the Upper Mobile Bay Beneficial Use Wetland Creation Site Project, to repair roofs, cameras, and bulkheads after Hurricanes Sally and Zeta, and to repower a locomotive with diesel emissions reduction technology.

The next table lists operating revenues by business segment for each fiscal year ended September 30:

	<u>2023</u>	<u>2022*</u>	<u>2021*</u>
Operating revenues			
McDuffie Coal Terminal	\$ 86,197,647	\$ 69,919,373	\$ 65,486,584
General Cargo/Intermodal	40,069,149	39,288,129	38,275,968
Terminal Railway	26,854,462	25,272,756	22,514,468
Real Estate	20,861,091	18,531,517	19,802,856
Marine Liquid Bulk Terminal	4,346,539	4,265,861	3,761,245
Other	6,582,895	7,235,524	6,074,366
Total operating revenues	<u>\$ 184,911,783</u>	<u>\$ 164,513,160</u>	<u>\$ 155,915,487</u>

*As revised. See Note 1 to the financial statements.

**ALABAMA STATE PORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2023 AND 2022**

Fiscal 2023 operating expenses increased as compared to fiscal 2022 from \$143.0 million to \$166.4 million. Expenses associated with the operation and maintenance of facilities increased by approximately \$16.7 million, with the majority (\$15.6 million) related to increased maintenance of facilities, primarily McDuffie Coal Terminal. Personnel costs associated with labor tied to previously mentioned maintenance activity and additional headcount at various business units account for approximately \$6.5 million in increased costs as well as the use of outside services totaling another \$1.1 million. These costs were largely offset (\$6.2 million) by lower costs related to the dredging at the Authority's berths and activities at dredge material management sites. The remainder of the \$16.7 million increase in operation and maintenance of facilities was a mixture of changes to insurance costs, equipment rental, utilities, and other miscellaneous expenses.

General and administrative expenses increased by \$3.4 million during fiscal 2023, driven by \$2.4 million in personnel expenses due to additional resources to accommodate growth at the Authority along with customary increases for existing staff. The remaining \$1.0 million is mainly from needed outside resources for information technology and internal and external affairs activities, along with minor increases in travel, supplies, and miscellaneous expenses.

Fiscal 2022 operating expenses increased as compared to fiscal 2021, from \$121.7 million to \$143.0 million. Expenses associated with the operation and maintenance of facilities increased by approximately \$18.3 million, with the majority (\$13.5 million) associated with the increased cost of dredging at the Authority's berths and activities at dredge material management sites. Other factors related to the increase in operation and maintenance of facilities were \$2.8 million in increased personnel expense due to newly effective collective bargaining agreements, \$1.9 million increase in maintenance materials and services at McDuffie Coal Terminal, a \$0.6 million increase in insurance premiums related to the hardened market following a flurry of natural disasters, and other higher costs for equipment rental, utilities, and operating supplies.

General and administrative expenses increased by \$2.7 million during fiscal 2022, driven by \$0.8 million in personnel expenses due to normal increases, labor market pressures, and the addition of positions for succession planning. The remaining \$1.5 million is split among efforts related to rebranding, commercial development, resumption of passenger rail, safety and environmental activities, facilities maintenance, information technology improvements, and the resumption of travel post-COVID.

	<u>2023</u>	<u>2022*</u>	<u>2021*</u>
Operating expenses			
Operation and maintenance of facilities	\$ 105,107,785	\$ 88,437,391	\$ 70,186,443
Depreciation and amortization	40,412,873	37,042,819	36,693,973
General and administrative	20,921,651	17,501,817	14,777,198
Total operating expenses	<u>\$ 166,442,309</u>	<u>\$ 142,982,027</u>	<u>\$ 121,657,614</u>

*As revised. See Note 1 to the financial statements.

**ALABAMA STATE PORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2023 AND 2022**

	2023	2022*	2021*
Nonoperating income (expenses)			
Investment income	\$ 1,728,399	\$ 171,171	\$ 52,402
Change in fair value of interest rate swap	-	251,940	171,445
Interest expense	(12,209,891)	(13,240,022)	(13,961,367)
Interest rate swap expense	-	368	(423,113)
Non-capital port development contributions	17,350,000	15,550,000	16,500,000
Non-capital port development expenses	(17,350,000)	(15,550,000)	(16,500,000)
Gain (loss) on disposal of capital assets	516,050	(2,936,592)	693,370
Insurance recoveries	4,407,570	603,722	1,393,625
Other, net	351,916	722,309	(1,558,595)
Net nonoperating expenses	<u>\$ (5,205,956)</u>	<u>\$ (14,427,104)</u>	<u>\$ (13,632,233)</u>
Capital grants and contributions	<u>\$ 7,489,657</u>	<u>\$ 7,161,617</u>	<u>\$ -</u>

*As revised. See Note 1 to the financial statements.

Net nonoperating expenses decreased to \$5.2 million in fiscal 2023 compared to \$14.4 million in fiscal 2022. Investment income increased \$1.6 million in fiscal 2023 as compared to fiscal 2022 due to rising interest rates and higher cash balances, and interest expense continued a downward trend, decreasing by \$1.0 million in fiscal 2023, as compared to fiscal 2022. Non-capital port development contributions and expenses represent payments made on behalf of the Authority by the State to the USACE for the Non-Federal Share of the seaport modernization program. The funding for the Non-Federal Share of the construction costs of the Project, as well as related funding for the dredging of berths for McDuffie Coal Terminal and Mobile Container Terminal to match the channel depth, is provided by the State out of proceeds of bonds issued by the State Highway Finance Corporation and secured by revenues from certain taxes levied by the State. Gain on disposal of assets of \$0.5 million includes a \$0.6 million gain associated with the accretion of a Hurricane Katrina-related contra-asset that reached its finality in fiscal 2023, which was partially offset with a net loss of \$0.1 million on the sale and disposal of assets. The Authority also received \$4.4 million of insurance reimbursements for damages from Hurricane Sally and for damages to equipment at McDuffie Coal Terminal.

Net nonoperating expenses increased to \$14.4 million in fiscal 2022 compared to \$13.6 million in fiscal 2021. Investment income increased \$0.1 million in fiscal 2022 as compared to fiscal 2021 due to rising interest rates and higher cash balances. Interest expense decreased by \$0.7 million due to the maturation of the Docks Facilities Revenue Refunding Bond Series 2008A and lower interest on the Docks Facilities Revenue Refunding Bond Series 2017. The interest rate swap expired with the maturation of the Series 2008A bond. Non-capital port development contributions and expenses represent payments made on behalf of the Authority by the State to the USACE for the Non-Federal Share of the seaport modernization program. The funding for the Non-Federal Share of the construction costs of the Project, as well as related dredging of berths for McDuffie Coal Terminal and Mobile Container Terminal to match the channel depth, is provided by the State out of proceeds of bonds issued by the State Highway Finance Corporation and secured by revenues from certain taxes levied by the State. Loss on disposal of assets of \$2.9 million includes a \$3.5 million loss associated with the replacement of a railcar dump with a more efficient and reliable model, and a \$0.6 million gain associated with the accretion of a Hurricane Katrina-related contra-asset that will reach finality in fiscal 2023. The Authority also received \$0.6 million of insurance reimbursements for damages from Hurricane Sally.

**ALABAMA STATE PORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2023 AND 2022**

Statements of Cash Flows

The following is a summary of the major sources and uses of cash and cash equivalents for the past three years. Cash equivalents are considered liquid investments generally with an original maturity of three months or less:

	<u>2023</u>	<u>2022*</u>	<u>2021*</u>
Cash flows provided by operating activities	\$ 30,665,643	\$ 36,378,883	\$ 43,272,104
Cash flows used in capital and related financing activities	(44,686,656)	(2,457,300)	(33,494,668)
Cash flows provided by (used in) investing activities	1,728,399	7,781,171	(1,980,313)
Net (decrease) increase in cash and cash equivalents	(12,292,614)	41,702,754	7,797,123
Cash, cash equivalents, and restricted cash			
Beginning of year	<u>139,164,518</u>	<u>97,461,764</u>	<u>89,664,641</u>
End of year	<u>\$ 126,871,904</u>	<u>\$ 139,164,518</u>	<u>\$ 97,461,764</u>

As revised. See Note 1 to the financial statements.

During fiscal 2023, the Authority expended approximately \$61.6 million on capital projects and assets. A few of the capital projects completed during fiscal 2023 included commissioning of a stacker reclaimer at McDuffie Coal Terminal, repairs and renovations to several buildings and piers, refurbishment and expansion of the diesel shop at Terminal Railway, and purchase of 13 acres in Mobile for future expansion. Other assets purchased included computer equipment, vehicles, maintenance, machinery, and shop equipment.

Progress made on projects during the year included upgrading and modernizing of equipment at McDuffie Coal Terminal, modifying cranes at Pinto Island to be able to handle coal, roof repairs to warehouses on the main docks, refurbishment and upgrades to Marine Liquid Bulk Terminal's dock fire suppression system, and commencement of several projects at Terminal Railway that include repairs and expansion of tracks.

During fiscal 2022, the Authority expended approximately \$43.7 million on capital projects and assets. The Authority completed several capital projects during fiscal 2022, including replacement of a rotary railcar dump system at McDuffie Coal Terminal, repairs/renovations of reception areas at the Authority's headquarters, and trolley rail upgrades for cranes at Pinto Island. Projects to replace roofs and a bulkhead on the main docks were also completed. The Authority also purchased property in Montgomery, Alabama, for the inland container ICTF and property adjacent to other land held by the Authority in Mobile, Alabama. Assets purchased included computer equipment, vehicles, maintenance, and shop equipment.

Progress made on projects during the year include the locomotive repowering project utilizing eco-friendly technology, initial steps for implementing geographic information system technology for the Authority, and commencement of Phase IV of the Choctaw Point container terminal.

For detailed information on capital asset activity, see Note 3 to the financial statements.

**ALABAMA STATE PORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2023 AND 2022**

Long-Term Debt Activities

During fiscal 2020, the Authority issued the \$46,986,000 Docks Facilities Revenue Bond Series 2020 (Series 2020), at a fixed rate of 1.91% per annum, with interest payable on the first day of each month, commencing October 1, 2020. Annual principal payments are due beginning October 1, 2021, through maturity on October 1, 2040. The Authority used proceeds from Series 2020 to refund part of the Short-Term Docks Facilities Revenue Bond Series 2018 (Series 2018) and used \$3,014,000 of investment funds remaining from Series 2018 proceeds to provide long-term funding to expand the container handling capacity of its operations at the Choctaw Point Container Terminal, including approximately 400' by 200' dock extension, and paving, drainage, and lighting for an addition of approximately 20 acres to the container storage area.

During fiscal 2017, the Authority issued the Docks Facilities Revenue Refunding Bonds Series 2017 for the purpose of refunding the outstanding Docks Facilities Revenue Bonds Series 2006A, Series 2006B, Series 2006D, and Series 2010. Additionally, the new bonds funded the cost of a surety bond in lieu of the required deposit to the debt service reserve fund, paid the premium for a policy of municipal bond insurance with respect to the insured Series 2017 Bonds, and provided for the issuance costs for the Series 2017 Bonds.

With respect to the Docks Facilities Revenue Refunding Bonds Series 2017, approximately \$9.1 million and \$9.6 million of principal related to this series is scheduled to be due in fiscal 2024 and 2025, respectively. Principal payments of approximately \$2.0 and \$2.1 million are scheduled to be due in fiscal 2024 and 2025, respectively, for Docks Facilities Revenue Bond Series 2020. Of these scheduled payments, the Authority expects to pay these amounts from cash generated by operations, with the debt service reserve funds and surety bonds providing additional security. While not pledged to secure payment of the bonds, the Authority has first call on certain severance tax revenues of the State related to coal, oil, and gas.

For further discussion of the Authority's long-term debt, see Note 7 to the financial statements.

Cautionary Note Regarding Forward-Looking Statements

Certain information provided by the Authority, including written 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 the statements of historical fact, which address future activities, events, or developments that the Authority expects or anticipates will or may occur, contain forward-looking information.

In reviewing such information, it should be kept in mind that 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 is derived using various assumptions. The Authority does not update forward-looking information contained in this report or elsewhere to reflect actual results, changes in assumptions, or changes in other factors.

Requests for Information

This financial report is designed and intended to provide a general overview of the Authority's financial position and results of operations. Questions concerning any of the information provided in this report, or requests for additional financial information, may be addressed to the Chief Financial Officer, Alabama State Port Authority, P.O. Box 1588, Mobile, Alabama 36633.

**ALABAMA STATE PORT AUTHORITY
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2023 AND 2022**

	ASSETS	
	<u>2023</u>	<u>2022*</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 102,100,201	\$ 112,104,643
Cash and cash equivalents, restricted	24,771,703	27,059,875
Trade accounts receivable, net of allowance for doubtful accounts of \$907,043 and \$298,752 as of September 30, 2023 and 2022, respectively	12,611,905	19,176,196
Capital grants receivable	5,994,265	2,066,654
Accrued interest receivable	823,293	926,945
Current portion of lease receivable	6,808,536	6,678,985
Inventories	4,029,253	3,830,532
Prepaid expenses and other assets	<u>4,009,908</u>	<u>2,801,759</u>
Total current assets	<u>161,149,064</u>	<u>174,645,589</u>
NONCURRENT ASSETS		
Lease receivable, net of current portion	202,659,673	194,305,919
Capital assets, net	676,625,510	644,351,343
Other assets, net	<u>3,061,362</u>	<u>5,160,940</u>
Total noncurrent assets	<u>882,346,545</u>	<u>843,818,202</u>
TOTAL ASSETS	<u>\$ 1,043,495,609</u>	<u>\$ 1,018,463,791</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension	\$ 9,117,737	\$ 7,429,681
Other postemployment benefits	7,917,651	10,230,228
Unamortized loss on debt refunding	<u>10,436,371</u>	<u>11,049,290</u>
Total deferred outflows of resources	<u>\$ 27,471,759</u>	<u>\$ 28,709,199</u>

*As revised. See Note 1 to the financial statements.

See notes to the financial statements.

**ALABAMA STATE PORT AUTHORITY
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2023 AND 2022**

LIABILITIES AND NET POSITION		
	2023	2022*
CURRENT LIABILITIES		
Accounts and contracts payable	\$ 10,107,115	\$ 12,779,570
Accrued liabilities:		
Salaries and wages	3,074,296	2,917,298
Vacation and sick leave	3,191,965	2,963,847
Environmental liability	-	159,520
Current maturities of bonds payable	11,166,410	13,813,431
Accrued interest payable	5,802,321	5,970,749
Other	3,421,311	2,536,106
Total current liabilities	36,763,418	41,140,521
NONCURRENT LIABILITIES		
Vacation and sick leave	2,127,978	1,975,898
Unearned revenues	33,881,937	9,992,618
Environmental liability	3,144,076	3,507,706
Unpaid claims	992,589	869,753
Net pension liability	27,385,468	21,345,801
Net other postemployment benefits liability	15,665,083	13,243,637
Bonds payable, net of premiums (net) and current maturities	282,208,998	294,205,714
Other noncurrent liabilities	784,360	1,698,909
Total noncurrent liabilities	366,190,489	346,840,036
TOTAL LIABILITIES	\$ 402,953,907	\$ 387,980,557
DEFERRED INFLOWS OF RESOURCES		
Pension	\$ 716,748	\$ 3,655,569
Leases	237,881,993	236,490,944
Other postemployment benefits	17,956,424	28,340,799
Total deferred inflows of resources	\$ 256,555,165	\$ 268,487,312
NET POSITION		
Net investment in capital assets	\$ 385,581,202	\$ 343,718,264
Restricted for debt service	24,771,703	27,059,875
Unrestricted	1,105,391	19,926,982
Total net position	\$ 411,458,296	\$ 390,705,121

*As revised. See Note 1 to the financial statements.

See notes to the financial statements.

ALABAMA STATE PORT AUTHORITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

	<u>2023</u>	<u>2022*</u>
OPERATING REVENUES		
McDuffie Coal Terminal	\$ 86,197,647	\$ 69,919,373
General Cargo/Intermodal	40,069,149	39,288,129
Terminal Railway	26,854,462	25,272,756
Real Estate	20,861,091	18,531,517
Marine Liquid Bulk Terminal	4,346,539	4,265,861
Other	6,582,895	7,235,524
Total operating revenues	<u>184,911,783</u>	<u>164,513,160</u>
OPERATING EXPENSES AND LOSSES		
Operation and maintenance of facilities	105,107,785	88,437,391
Depreciation and amortization	40,412,873	37,042,819
General and administrative	20,921,651	17,501,817
Total operating expenses and losses	<u>166,442,309</u>	<u>142,982,027</u>
OPERATING INCOME	<u>18,469,474</u>	<u>21,531,133</u>
NONOPERATING INCOME (EXPENSES)		
Interest income	1,728,399	171,171
Change in fair value of interest rate swap	-	251,940
Interest expense	(12,209,891)	(13,240,022)
Interest rate swap income (expense)	-	368
Non-capital port development contributions	17,350,000	15,550,000
Non-capital port development expense	(17,350,000)	(15,550,000)
Gain (loss) on disposal of capital assets	516,050	(2,936,592)
Insurance recoveries	4,407,570	603,722
Other, net	351,916	722,309
Total nonoperating expenses	<u>(5,205,956)</u>	<u>(14,427,104)</u>
Income before capital grants and contributions	13,263,518	7,104,029
Capital grants and contributions	<u>7,489,657</u>	<u>7,161,617</u>
Increase in net position	20,753,175	14,265,646
NET POSITION		
Beginning of year, as restated	<u>390,705,121</u>	<u>376,439,475</u>
End of year	<u>\$ 411,458,296</u>	<u>\$ 390,705,121*</u>

As revised. See Note 1 to the financial statements.

See notes to the financial statements.

**ALABAMA STATE PORT AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022**

	<u>2023</u>	<u>2022*</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 172,254,507	\$ 149,446,212
Cash payments to suppliers for goods and services	(95,670,942)	(67,359,455)
Cash payments to employees for services	(45,917,922)	(45,707,874)
Net cash provided by operating activities	<u>30,665,643</u>	<u>36,378,883</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(61,613,344)	(43,741,818)
Principal receipts on leases	7,087,653	51,871,065
Interest receipts on leases	6,245,268	6,056,470
Principal paid on bonds	(13,813,431)	(14,936,771)
Interest paid on bonds, leases, and subscriptions	(12,469,839)	(12,966,807)
Principal paid on leases and subscriptions	(1,250,694)	(1,287,870)
Proceeds from capital grants and contributions	26,351,406	11,222,400
Other proceeds	368,755	722,309
Insurance proceeds	4,407,570	603,722
Net cash used in capital and related financing activities	<u>(44,686,656)</u>	<u>(2,457,300)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	1,728,399	171,171
Return of collateral from interest rate swap	-	7,610,000
Net cash provided by investing activities	<u>1,728,399</u>	<u>7,781,171</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(12,292,614)	41,702,754
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH		
Beginning of year	139,164,518	97,461,764
End of year	<u>\$ 126,871,904</u>	<u>\$ 139,164,518</u>

*As revised. See Note 1 to the financial statements.

See notes to the financial statements.

**ALABAMA STATE PORT AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022**

	<u>2023</u>	<u>2022*</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 18,469,474	\$ 21,531,133
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	40,412,873	37,042,819
Bad debt expense	608,286	97,085
Leasing activity:		
Lease income	(20,321,525)	(19,088,825)
Lease payments	62,764	332,549
Changes in assets and liabilities:		
Trade accounts receivable	5,956,005	(5,840,699)
Inventories	(198,721)	(232,807)
Prepaid expenses and other assets	(1,208,149)	3,052,085
Other assets, net	(6,152,006)	(3,113,193)
Net pension asset and deferred outflows	(1,688,056)	(2,830,030)
Net pension liability and deferred inflows	3,100,846	2,911,957
Other postemployment benefits liability and deferred inflows and outflows	(5,650,352)	(6,830,934)
Accounts and contracts payable	(4,880,678)	841,373
Accrued liabilities, unearned revenues, and other liabilities	2,154,882	8,506,370
Net cash provided by operating activities	<u>\$ 30,665,643</u>	<u>\$ 36,378,883</u>

*As revised. See Note 1 to the financial statements.

Noncash Items

Construction in progress additions of \$4,784,778 and \$2,578,555 were included in accounts and contracts payable as of September 30, 2023 and 2022, respectively.

See notes to the financial statements.

**ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Alabama State Port Authority (Authority) is an enterprise agency of the State of Alabama (State) created to engage in promoting, developing, constructing, maintaining, and operating harbors, seaports, and riverports within the State.

The Authority operates a coal handling and storage facility, general cargo/intermodal facilities which include the Pinto Island Steel Terminal, a switching railway, and a liquid bulk terminal, primarily in Mobile, Alabama. The primary commodities handled and stored are wood, paper products, liquid chemicals, steel and other metals, and coal. The Authority also owns land and facilities that it leases to others.

The Governor of the State appoints eight members of the Board of Directors of the Authority (Board), subject to confirmation by the Alabama Senate. The Governor designates one of the confirmed members of the Board as the Board's Chairperson. In addition, one ex-officio member serves as the ninth member of the Board. The ex-officio member annually rotates between the Mayor of the City of Mobile and the President of the Mobile County Commission. The Board appoints the Director of the Authority. The Director is the chief executive officer responsible for managing the affairs of the Authority. The Alabama State Legislature has the authority to create and enact laws and statutes that govern the affairs of the Authority.

The Authority is not a legally separate entity from the State and, for financial reporting purposes, is considered to be part of the State. Additionally, the Authority is largely independent of the control of the State Comptroller, State Auditor, and State Treasurer, but lacks the corporate powers to make them legally separate and is, therefore, part of the primary government. The Authority is considered an agency of the primary government of the State and is presented as a business-type activity in the basic financial statements of the State. The financial statements of the Authority include all operations and activities of the Authority.

Cumulative Effect of Recently Implemented Pronouncements

The Governmental Accounting Standards Board (GASB) issued Statement No. 96, *Subscription-based Information Technology Arrangements* (GASB 96), which is effective for reporting periods beginning after June 15, 2022. The Authority adopted this guidance during fiscal 2023 and retrospectively applied it to the financial statements and disclosures for fiscal 2022. GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This statement establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability, and provides capitalization criteria for outlays, other than subscription payments.

**ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

The effects of the changes from the implementation of GASB 96 on the Authority's financial statements as of September 30, 2022, and for the year then ended are as follows:

	<u>Originally Stated</u>	<u>Adjustments</u>	<u>Revised</u>
Condensed Statement of Net Position			
Current assets	\$ 174,645,589	\$ -	\$ 174,645,589
Noncurrent assets	841,543,091	2,275,111	843,818,202
Total assets	<u>1,016,188,680</u>	<u>2,275,111</u>	<u>1,018,463,791</u>
Deferred outflows of resources	28,709,199	-	28,709,199
Current liabilities	40,115,810	1,024,711	41,140,521
Noncurrent liabilities	345,219,557	1,620,479	346,840,036
Total liabilities	<u>385,335,367</u>	<u>2,645,190</u>	<u>387,980,557</u>
Deferred inflows of resources	268,487,312	-	268,487,312
Net position			
Net investment in capital assets	344,088,343	(370,079)	343,718,264
Restricted expendable	27,059,875	-	27,059,875
Unrestricted	19,926,982	-	19,926,982
Total net position	<u>\$ 391,075,200</u>	<u>\$ (370,079)</u>	<u>\$ 390,705,121</u>
Condensed Statement of Revenues, Expenses, and Changes in Net Position			
Operating revenues	\$ 164,513,160	\$ -	\$ 164,513,160
Operating expenses	142,635,896	346,131	142,982,027
Operating income	21,877,264	(346,131)	21,531,133
Net nonoperating expenses	(14,403,156)	(23,948)	(14,427,104)
Income before capital grants and contributions	7,474,108	(370,079)	7,104,029
Capital grants and contributions	7,161,617	-	7,161,617
Increase in net position	14,635,725	(370,079)	14,265,646
Net position, beginning of year	376,439,475	-	376,439,475
Net position, end of year	<u>\$ 391,075,200</u>	<u>\$ (370,079)</u>	<u>\$ 390,705,121</u>

**ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

GASB issued Statement No. 87, *Leases* (GASB 87), which is effective for reporting periods beginning after December 15, 2019 (subsequently extended 18 months by GASB No. 95). The Authority adopted this guidance during fiscal 2022 and retrospectively applied it to the financial statements and disclosures for fiscal 2021. GASB 87 requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of each contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. GASB 87 also expands lease disclosures related to the timing, significance, and purpose of a government's leasing arrangements.

The effects of the changes from the implementation of GASB 87 on the Authority's financial statements as of September 30, 2021, and for the year then ended are as follows:

	<u>Originally Stated</u>	<u>Adjustments</u>	<u>Revised</u>
Condensed Statement of Net Position			
Current assets	\$ 123,387,369	\$ 9,214,266	\$ 132,601,635
Noncurrent assets	651,751,571	225,719,264	877,470,835
Total assets	<u>775,138,940</u>	<u>234,933,530</u>	<u>1,010,072,470</u>
Deferred outflows of resources	24,811,503	-	24,811,503
Current liabilities	41,336,418	323,310	41,659,728
Noncurrent liabilities	352,069,826	53,509	352,123,335
Total liabilities	<u>393,406,244</u>	<u>376,819</u>	<u>393,783,063</u>
Deferred inflows of resources	34,380,022	230,281,413	264,661,435
Net position			
Net investment in capital assets	319,944,165	7,288	319,951,453
Restricted expendable	31,880,424	-	31,880,424
Unrestricted	20,339,588	4,268,010	24,607,598
Total net position	<u>\$ 372,164,177</u>	<u>\$ 4,275,298</u>	<u>\$ 376,439,475</u>
Condensed Statement of Revenues, Expenses, and Changes in Net Position			
Operating revenues	\$ 151,655,871	\$ 4,259,616	\$ 155,915,487
Operating expenses	121,677,526	(19,912)	121,657,614
Operating income	29,978,345	4,279,528	34,257,873
Net nonoperating expenses	(13,628,003)	(4,230)	(13,632,233)
Income before capital grants and contributions	<u>16,350,342</u>	<u>4,275,298</u>	<u>20,625,640</u>
Capital grants and contributions	17,925,757	-	17,925,757
Increase in net position	34,276,099	4,275,298	38,551,397
Net position, beginning of year	<u>337,888,078</u>	<u>-</u>	<u>337,888,078</u>
Net position, end of year	<u>\$ 372,164,177</u>	<u>\$ 4,275,298</u>	<u>\$ 376,439,475</u>

**ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Reclassifications

During the year ended September 30, 2023, balances held in debt service funds and restricted for use in debt service obligations, which were previously reported as investments, were reclassified as cash and cash equivalents, restricted, on the accompanying balance sheets. For better comparability, previously reported investment balances and certain amounts previously reported as investing cash flows were also reclassified. Certain other reclassifications have been made to previously reported financial statements to conform to the current year's presentation. There was no impact to prior period net position or change in net position as a result of these reclassifications.

Implementation of Accounting Standards

In October 2021, the GASB issued Statement No. 98, *Annual Comprehensive Financial Report*, which established the term Annual Comprehensive Financial Report and its acronym, ACFR, to be used in reporting for state and local governments. The Authority adopted this guidance during fiscal 2022. There was no impact to the Authority's financial position or results of operations as a result of the implementation.

Basis of Accounting

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. For financial reporting purposes, the Authority is considered a special-purpose government engaged only in business-type activities as defined by GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. Accordingly, the financial statements of the Authority have been prepared in accordance with GAAP using the economic measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

Net Position

The Authority presents net position in the following three categories according to external restrictions or availability of assets for satisfaction of Authority obligations:

- **Net investment in capital assets:** Capital assets and right-to-use lease assets, net of accumulated depreciation and amortization and reduced by outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets, and retainage payable on construction contracts. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets, or the related debt are included in this component of net position.
- **Restricted:** The Authority classifies net position resulting from transactions with purpose restrictions as restricted net position until the specific resources are used for the required purpose or for as long as the provider requires the resources to remain intact.
- **Unrestricted:** Net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position. Unrestricted net position may be designated for specific purposes by action of management or the Board.

**ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fair Value Application and Measurement

Fair value is applied to assets and liabilities that the Authority holds primarily for the purpose of income or profit and that have a present service capacity based solely on their ability to generate cash or to be sold to generate cash. The Authority categorizes its fair value measurements within the value hierarchy established by GAAP. The hierarchy is based upon valuation inputs used to measure the fair value of the respective asset or liability. Level 1 inputs include quoted prices in active markets for identical assets; Level 2 inputs include observable inputs other than quoted prices included in Level 1 inputs; Level 3 inputs include unobservable inputs.

Cash and Cash Equivalents

The Authority considers all liquid debt instruments (including restricted assets), with a maturity of three months or less when purchased, to be cash equivalents.

Accounts Receivable

Accounts receivable arise in the ordinary course of business. The Authority recognizes an allowance for doubtful accounts based on historical experience, coupled with a review of the current status of existing receivables. This allowance is deducted from the accounts receivable balance to properly reflect the net realizable value. The Authority writes off accounts receivable when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. Bad debt expense was \$608,286 and \$97,085 for the years ended September 30, 2023 and 2022, respectively, and is included in operating revenues.

Inventories

Inventories consist of maintenance materials and operating supplies and are stated at the lower of cost or market, determined on an average cost method.

Revenues and Expenses

Operating activities, as reported on the statements of revenues, expenses, and changes in net position, are defined as activities that generally result from exchange transactions, such as payments received for providing services and payments made for services or goods received. Nearly all of the Authority's revenues and expenses are from exchange transactions. Total operating revenues are reported net of discounts and allowances, including those related to uncollectible accounts. Grants for capital activities are not considered operating or nonoperating activities but are presented after nonoperating activities on the accompanying statements of revenues, expenses, and changes in net position.

In fiscal 2023 and 2022, the Authority, designated as an Energy Port under the Water Resources Reform and Development Act of 2014, received funds totaling \$5,544,000 and \$4,950,000, respectively, from the U.S. Army Corps of Engineers (USACE) for use in dredging and other approved activities. Amounts earned during the year are included in operating revenues on the statements of revenues, expenses, and changes in net position, and are not considered as federal expenditures for purposes of the Uniform Guidance. These resources are received from the Harbor Maintenance Tax Fund, which is funded through charges applied to the value of cargo being loaded or unloaded from a vessel, exclusive of export cargo, and is assessed on imported cargo, domestic cargo, and the transport of passengers moving through U.S. ports. The owner of the cargo is responsible for paying the tax.

**ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Leases

As lessor, the Authority records a lease receivable at the commencement of the lease, which is measured at the present value of the minimum lease payments expected to be received during the remaining lease term. Payments are discounted using the interest rate implicit in the lease or, when the lease does not have an implicit rate, using the Authority's Incremental Borrowing Rate (IBR), which is estimated based on current borrowing rates for entities with bond ratings comparable to the Authority's bond rating. Minimum payments used for measuring the lease include fixed payments and variable payments that are fixed in substance, such as volume-based payments when the lease contains minimum volume commitments. Variable payments that depend on an index or a rate (such as the Consumer Price Index) are initially measured using the index or rate as of the commencement of the lease term. Variable payments based on future performance of the lessee or usage of the underlying asset (such as payments based on throughput in excess of minimum volume commitments or in the absence of minimum volume commitments) are recognized as inflows in the period to which those payments relate. Renewal options are included in measurement of the lease when it is reasonably certain that the options will be exercised. The Authority also records deferred inflows of resources at the commencement of the lease, which is recognized as lease revenue on a straight-line basis over the lease term.

As lessee, the Authority records a lease liability and a right-to-use lease asset at the commencement of the lease term. The lease liability is measured at the present value of the lease payments expected to be made during the lease term. The right-to-use lease asset is an intangible asset that represents the Authority's right to use the leased property during the lease term and is recorded at the initial measurement of the lease liability, adjusted for any lease payments made to the lessor, and any lease incentives received from the lessor, at or before commencement of the lease, and initial direct costs that are ancillary charges necessary to place the leased asset into service.

Capital Assets

Capital assets constructed or acquired by purchase, and general infrastructure assets are stated at historical cost. The cost of additions includes direct labor and materials, and allocable general and administrative expenses. Certain assets have been financed under lease contracts and the amortization of such assets is charged to operations. Donated capital assets are stated at their acquisition value on the date donated. The Authority's capitalization threshold is a minimum of \$500 and one-year life.

Ordinary maintenance, repairs, and minor renewals and betterments are expensed as incurred. Major renewals and betterments are treated as capital additions. Upon retirement of capital assets, the cost and related accumulated depreciation are eliminated from the accounts, and any gain or loss is included in nonoperating income (expenses) in the accompanying statements of revenues, expenses, and changes in net position.

Depreciation is computed using the straight-line method over the estimated useful lives of assets, ranging from 5-40 years for wharves, piers, and containerized yards; 25-40 years for railroad tracks and crossings; 5-40 years for buildings and structures, and improvements other than buildings; 4-40 years for machinery and equipment; and 5-20 years for furniture and fixtures. Depreciation expense related to equipment originally acquired under capital leases is computed on a straight-line basis over the shorter of the useful life of the equipment or the lease term.

**ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Capital Assets – Continued

Costs incurred to acquire the perpetual right to use certain railroad tracks not owned by the Authority are amortized on a straight-line basis over a 40-year period.

Impairment of Long-Lived Assets

The recoverability of assets is reviewed when events or changes in circumstances occur that indicate that the carrying value of the asset may not be recoverable. The assessment of possible impairment is based on the ability to recover the carrying value of the asset from the future cash flows of the related asset. If the cash flows are less than the carrying value of such asset, an impairment loss is recognized for the difference between the estimated fair value and the carrying value. No such losses were incurred for the years ended September 30, 2023 and 2022.

Costs of Engineering Services and Dredging

Costs of engineering services incurred for the purpose of determining the feasibility of contemplated projects are recorded within construction work in progress. If a project is constructed, the costs are capitalized as part of the cost of the facility. If the plans for a project are abandoned, such costs are expensed in the period of abandonment. Costs associated with periodic dredging of waterways are recorded in construction work in progress, transferred to unamortized dredging costs at the time of completion, and amortized on a straight-line basis over periods of six months to 10 years based on historical siltation rates. Such costs are included in other assets, net on the accompanying statements of net position. Dredging costs that are deemed annual maintenance costs with a future benefit period of less than one year are expensed in the period incurred.

Deferred Outflows of Resources

Deferred outflows of resources include unamortized loss on debt refunding, which is amortized as a component of interest expense over the shorter of the remaining life of the old debt or the life of the new debt; and deferred outflows related to pension and other postemployment benefits (OPEB), which are amortized as a component of pension and OPEB expense in future years. Deferred outflows related to pension and OPEB represent:

- Differences between expected and actual experience
- Changes in the proportionate share of the multiple-employer plans
- Differences between projected and actual earnings on pension and OPEB investments
- Changes in assumptions
- Amounts resulting from timing differences of contributions made subsequent to the measurement dates, but as of the date of the basic financial statements.

Deferred Inflows of Resources

Deferred inflows related to pension and OPEB represent differences between expected and actual experience, changes in the proportionate share of the multiple-employer plans, differences between projected and actual earnings on pension and OPEB investments, and changes in assumptions. Deferred inflows related to leases represent amounts that will be recognized as lease revenue on a straight-line basis over the remaining term of the lease.

**ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Discounts/Premiums on Bonds Payable

Discounts/premiums on bonds payable are amortized as a component of interest expense over the term of the related debt obligations using the straight-line method, which is not materially different than amortization that would be recognized using the effective interest method.

Vacation and Sick Leave

Employees earn vacation at rates of 5 to 31 days per year, depending on their length of employment, and may accumulate up to a maximum of 60 days, depending on their employee classification. Upon termination, employees are paid for any unused accumulated vacation. Employees earn sick leave at a rate of up to 13 days per year, depending on employee classification. Employees accumulate up to a maximum of 150 days of sick leave depending upon the employee classification. One-half of unused accumulated sick leave is paid to certain employees upon retirement. The vacation and sick leave liability, with terminal cash benefits payable, is accrued at its accumulated value. The liability for compensated absences increased in fiscal 2023 by approximately \$380,000 and increased in fiscal 2022 by approximately \$296,000.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Accrued sick leave	\$ 846,581	\$ 63,722	\$ 87,958	\$ 822,345	\$ 493,407
Accrued vacation leave	4,093,164	563,292	158,858	4,497,598	2,698,558
	<u>\$ 4,939,745</u>	<u>\$ 627,014</u>	<u>\$ 246,816</u>	<u>\$5,319,943</u>	<u>\$3,191,965</u>

Unearned Revenues

Unearned revenues represent payments received in advance for services or non-exchange contributions, with revenues recognized as earned over the term of the related agreement.

Risk Management

The Authority is exposed to various risks of loss relating to tort litigation; theft of, damage to, and destruction of property; errors and omissions; and natural disasters. The Authority carries either commercial insurance, or coverage provided through The State Insurance Fund of Alabama (a self-insurance fund coupled with excess commercial coverage). The State Insurance Fund of Alabama has a coverage deductible of \$5,000. The commercial inland marine coverage for equipment has a deductible ranging from \$750,000 to \$1,750,000 for any one occurrence and depends upon the classification of the asset and the type of risk coverage applicable.

The Authority is also exposed to the risk of loss resulting from general, professional, fiduciary, law enforcement, and cyber liability for which it carries commercial insurance having deductibles ranging from \$- to \$250,000. The Authority is self-insured to the extent of the amounts deductible from loss coverage amounts. The Authority also provides for losses in excess of its primary coverages for general liability, general employer liability, maritime employer liability, and auto liability by carrying excess/umbrella liability insurance coverage up to \$100 million.

**ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Risk Management – Continued

The Authority is partially self-insured with respect to workers' compensation claims. Each claim for a loss in excess of the established self-insured retention of \$750,000 or \$1,000,000, depending on the classification code of the affected employee, is covered up to the \$25 million policy limit. An accrual for uninsured claims due within one year is included in other accrued liabilities, and the long-term portion is shown as unpaid claims in the accompanying statements of net position. Claims that have been incurred but have not been reported, as well as a case development factor for known claims, have been accrued as unpaid claims. During fiscal 2023, fiscal 2022, and fiscal 2021, the Authority had no settlements that exceeded insurance coverage limits.

The Authority enters into contractual obligations in the ordinary course of business, including management agreements, purchase agreements, and leases for premises and equipment. Management does not anticipate that the ultimate liability arising, if any, related to these obligations will have a material adverse effect on the Authority's financial statements.

Concentration of Credit Risk

The Authority provides services and facilities usage for companies located throughout the world. The Authority periodically performs 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, along with domestic laws which allow warehousemen's liens on cargo in these situations. The Authority maintains reserves for potential credit losses.

Revenues from the Authority's top 10 customers for the years ended September 30, 2023 and 2022, were approximately 64% and 61% of total operating revenues, respectively.

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, deferred inflows, and the disclosure of contingencies at the date of the financial statements, and revenues and expenses during the reporting period. Actual results could differ from those estimates.

The estimates susceptible to significant changes include those used in determining the allowance for doubtful accounts, reserves for workers' compensation claims and litigation claims, pension and OPEB obligations, and the liability for environmental remediation. Although some variability is inherent in these estimates, management believes that the amounts provided are adequate and reasonable.

**ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

2. CASH AND CASH EQUIVALENTS

The Authority maintains sweep accounts with financial institutions in which the account balances are held in short-term investments/repurchase agreements on a nightly basis and returned to the accounts the following business day. Repurchase agreements of approximately \$892,000 and \$891,000 are included in cash and cash equivalents as of September 30, 2023 and 2022, respectively.

The Board approves, by resolution, all banks or other financial institutions utilized as depositories for Authority funds. Prior to approval, each proposed depository must provide evidence of its designation by the Alabama State Treasurer as a qualified public depository (QPD) under the Security of Alabama Funds Enhancement Act (SAFE). From time to time, the Board may request that the depository provide evidence of its continuing designation as a QPD. Under the mandatory SAFE program, each QPD is required to hold collateral for all of its public depositories on a pooled basis in a custody account established for the State Treasurer as SAFE administrator. In the unlikely event a public entity should suffer a deposit loss due to QPD insolvency or default, a claim form would be filed with the State Treasurer who would use the SAFE pool collateral or other means to reimburse the loss. Given the nature of the State requirement, deposits held in QPD institutions are not subject to categorization by use.

As of September 30, 2023 and 2022, \$101,207,968 and \$111,213,345, respectively, of cash and cash equivalents represent deposits qualified under the SAFE program. All remaining cash and cash equivalents are amounts that are insured or registered, or securities held by the Authority or its agent in the Authority's name.

Deposits can be exposed to various risk factors including custodial credit risk and foreign currency risk. Deposits can be exposed to custodial credit risk if they are not covered by depository insurance and the deposits are a) uncollateralized, b) collateralized with securities held by the pledging financial institution or c) collateralized with securities held by the pledging financial institution's trust department but not in the depositor-government's name. Given that a majority of the Authority's cash deposits qualify under the SAFE program, the Authority's exposure to custodial credit risk is minimal. Since the Authority does not have any deposits impacted by foreign currencies, there is no associated foreign currency risk.

Restricted Cash and Cash Equivalents

As of September 30, 2023 and 2022, restricted cash of \$24,771,703 and \$27,059,875, respectively, was held in money market funds with no maturity dates. These funds are restricted as to use for debt service obligations.

**ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

3. CAPITAL ASSETS

The following table is a summary of the activity of various components of capital assets for the year ended September 30, 2023:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Transfers</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land in use	\$ 38,452,578	\$ 2,921,772	\$ -	\$ 41,374,350
Land for future development	41,675,314	-	-	41,675,314
Intangible asset, easement	10,000	-	-	10,000
Construction work in progress *	25,932,606	82,586,211	(74,066,754)	34,452,063
Total capital assets not being depreciated	106,070,498	85,507,983	(74,066,754)	117,511,727
Capital assets being depreciated:				
Wharves, piers, and containerized yards	298,270,106	13,780,890	(252,518)	311,798,478
Railroad tracks and crossings	64,848,161	726,320	-	65,574,481
Railroad track usage rights	3,266,015	-	-	3,266,015
Buildings and structures	121,684,059	3,006,612	184,483	124,875,154
Improvements other than buildings	292,477,517	10,476,332	(278,468)	302,675,381
Machinery and equipment	388,164,707	22,624,752	(327,427)	410,462,032
Furniture and fixtures	30,053,647	2,059,967	(1,715,553)	30,398,061
Total capital assets being depreciated	1,198,764,212	52,674,873	(2,389,483)	1,249,049,602
Less accumulated depreciation:				
Wharves, piers, and containerized yards	143,072,366	7,008,355	(112,408)	149,968,313
Railroad tracks and crossings	37,510,872	1,756,394	-	39,267,266
Railroad track usage rights	3,260,935	338	-	3,261,273
Buildings and structures	85,546,685	2,183,333	-	87,730,018
Improvements other than buildings	135,665,232	9,262,579	(57,553)	144,870,258
Machinery and equipment	234,749,112	9,386,192	(741,801)	243,393,503
Furniture and fixtures	23,098,190	1,268,266	(1,615,934)	22,750,522
Total accumulated depreciation	662,903,392	30,865,457	(2,527,696)	691,241,153
Total capital assets being depreciated, net	535,860,820	21,809,416	138,213	557,808,449
Right-to-use capital assets being amortized:				
Leased building and equipment	280,055	-	(152,531)	127,524
Subscription assets	3,600,511	303,312	(123,825)	3,779,998
Total right-to-use capital assets being amortized:	3,880,566	303,312	(276,356)	3,907,522
Less accumulated amortization:				
Leased building and equipment	135,141	67,421	(152,531)	50,031
Subscription assets	1,325,400	1,350,582	(123,825)	2,552,157
Total accumulated amortization	1,460,541	1,418,003	(276,356)	2,602,188
Total right-to-use capital assets being amortized, net:	2,420,025	(1,114,691)	-	1,305,334
Capital assets, net	\$ 644,351,343	\$ 106,202,708	\$ (73,928,541)	\$ 676,625,510

*For fiscal 2023, retirements/transfers of \$74,066,754 from construction work in progress includes \$55,596,646 of assets capitalized and placed in service, with the remaining amounts transferred to unamortized dredging costs or expensed.

**ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

3. CAPITAL ASSETS – CONTINUED

The following table is a summary of the activity of various components of capital assets for the year ended September 30, 2022:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Transfers</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land in use	\$ 35,098,032	\$ 3,354,546	\$ -	\$ 38,452,578
Land for future development	41,675,314	-	-	41,675,314
Intangible asset, easement	10,000	-	-	10,000
Construction work in progress *	24,378,591	66,752,415	(65,198,400)	25,932,606
Total capital assets not being depreciated	101,161,937	70,106,961	(65,198,400)	106,070,498
Capital assets being depreciated:				
Wharves, piers, and containerized yards	291,049,006	7,221,100	-	298,270,106
Railroad tracks and crossings	64,268,352	579,809	-	64,848,161
Railroad track usage rights	3,266,015	-	-	3,266,015
Buildings and structures	116,236,658	5,262,918	184,483	121,684,059
Improvements other than buildings	291,819,847	657,670	-	292,477,517
Machinery and equipment	373,323,431	23,351,185	(8,509,909)	388,164,707
Furniture and fixtures	29,270,873	831,701	(48,927)	30,053,647
Total capital assets being depreciated	1,169,234,182	37,904,383	(8,374,353)	1,198,764,212
Less accumulated depreciation:				
Wharves, piers, and containerized yards	136,226,495	6,845,871	-	143,072,366
Railroad tracks and crossings	35,639,554	1,871,318	-	37,510,872
Railroad track usage rights	3,260,565	370	-	3,260,935
Buildings and structures	83,390,848	2,155,837	-	85,546,685
Improvements other than buildings	126,426,537	9,238,695	-	135,665,232
Machinery and equipment	230,622,013	9,477,243	(5,350,144)	234,749,112
Furniture and fixtures	22,063,932	1,083,185	(48,928)	23,098,189
Total accumulated depreciation	637,629,944	30,672,519	(5,399,072)	662,903,391
Total capital assets being depreciated, net	531,604,238	7,231,864	(2,975,281)	535,860,821
Right-to-use capital assets being amortized:				
Leased building and equipment	615,178	97,030	(432,153)	280,055
Subscription assets	2,933,171	667,340	-	3,600,511
Total right-to-use capital assets being amortized:	3,548,349	764,370	(432,153)	3,880,566
Less accumulated amortization				
Leased building and equipment	231,177	336,117	(432,153)	135,141
Subscription assets	-	1,325,400	-	1,325,400
Total accumulated amortization	231,177	1,661,517	(432,153)	1,460,541
Total right-to-use capital assets being amortized, net:	3,317,172	(897,147)	-	2,420,025
Capital assets, net	\$ 636,083,347	\$ 76,441,678	\$ (68,173,681)	\$ 644,351,344

*For fiscal 2022, retirements/transfers of \$65,198,400 from construction work in progress, includes \$37,904,383 of assets that were capitalized and placed in service, with the remaining amounts transferred to unamortized dredging costs or expensed.

**ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

3. CAPITAL ASSETS – CONTINUED

Construction work in progress comprises construction and development costs during the construction period and is valued at cost. Depreciation is not recorded until construction is substantially complete and the assets are ready for productive use. Transfers out of construction work in progress that are not capitalized are reclassified to unamortized dredging costs or to expense accounts, allowing for retirements and transfers from this category to be incrementally greater than additions to capital assets.

As of September 30, 2023, construction work in progress includes:

- \$7.9 million for construction of a central warehouse at McDuffie Coal Terminal
- \$6.9 million for projects jointly undertaken with the USACE at Gaillard Island, within and surrounding Mobile Harbor
- \$5.3 million for upgrading existing equipment at the terminals
- \$4.1 million associated with the Phase 4 Expansion at Choctaw Point Container Terminal
- \$2.2 million associated with various building upgrades and repairs
- \$2.1 million for refurbishment and upgrades to the fire suppression system at Marine Liquid Bulk Terminal
- \$1.5 million related to expenditures associated with land development
- \$1.4 million related to expansion and rebuilding of tracks at Terminal Railway
- \$1.3 million related to the construction of the Montgomery, Alabama, Inland Intermodal Container Transfer Facility
- \$0.7 million related to upgrades and repairs to piers, wharves, and bulkheads
- \$0.4 million related to information technology upgrades
- \$0.3 million associated with environmental activities
- \$0.2 million related to dredging projects

Estimated future commitments for capital expenditures related to construction work in progress for active projects as of September 30, 2023, is approximately \$67.5 million. Funds from cash, operating revenues, grants, and partnerships will satisfy these commitments.

Depreciation and amortization expense for the years ended September 30, 2023 and 2022, was approximately \$32,283,000 and \$32,334,000, respectively. An intangible asset, railroad track usage rights, net is also included in capital assets.

**ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

4. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

The Authority has noncancellable subscription agreements for use of various information technology software and licenses with terms ranging from one to five years. Total subscription assets and related accumulated amortization are disclosed in Note 3 above.

Minimum future subscription payments are as follows:

	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total Payments</u>
2024	\$ 1,022,455	\$ 18,253	\$ 1,040,708
2025	309,763	7,545	317,308
2026	152,668	4,606	157,274
2027	154,662	2,612	157,274
2028	117,321	635	117,956
	<u>\$ 1,756,869</u>	<u>\$ 33,651</u>	<u>\$ 1,790,520</u>

5. LEASES

The Authority has entered into various leasing agreements as the lessor for the use of land and buildings for initial terms ranging from one to thirty years. The agreements generally contain options for the lessee to extend the term for additional periods ranging from one to ten years, which are included in the measurement of the lease receivable when it is reasonably certain that the options will be exercised. Payment terms in the agreements include fixed revenue components, variable revenue based on the Consumer Price Index (CPI), and/or revenues dependent on the lessee's throughput volumes. Variable lease revenue not included in the measurement of the lease receivable totaled \$4,293,242 and \$7,619,137 for fiscal 2023 and fiscal 2022, respectively. Some agreements contain minimum volume commitments that are considered fixed in substance and are therefore included in the measurement of the lease receivable.

The majority of the lease receivable is comprised of concessionaire agreements that are protected by confidentiality agreements. Under the concessionaire agreements, lessees operate facilities on the Authority's property for lease terms longer than those of other lease arrangements, and payment terms include clauses related to the lessee's annual throughput volumes. The other lease arrangements represent relatively shorter lease terms with fixed or variable revenue components.

Lease receivables and related revenues are summarized as follows for fiscal 2023:

	<u>Lease Receivable</u>	<u>Lease Revenue</u>	<u>Lease Interest Revenue</u>
Concessionaire agreements	\$ 181,779,114	\$ 15,115,458	\$ 5,565,406
Other lease agreements	27,689,095	3,374,753	576,210
	<u>\$ 209,468,209</u>	<u>\$ 18,490,211</u>	<u>\$ 6,141,616</u>

**ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

5. LEASES – CONTINUED

Lease receivables and related revenues are summarized as follows for fiscal 2022:

	<u>Lease Receivable</u>	<u>Lease Revenue</u>	<u>Lease Interest Revenue</u>
Concessionaire agreements	\$ 185,346,171	\$ 19,950,261	\$ 5,713,577
Other lease agreements	15,638,733	2,733,497	410,952
	<u>\$ 200,984,904</u>	<u>\$ 22,683,758</u>	<u>\$ 6,124,529</u>

Minimum future lease receipts are as follows:

	<u>Principal Receipts</u>	<u>Interest Receipts</u>	<u>Total Receipts</u>
2024	\$ 6,808,536	\$ 6,327,274	\$ 13,135,810
2025	6,995,386	6,159,576	13,154,962
2026	7,004,408	5,981,694	12,986,102
2027	7,429,333	5,806,495	13,235,828
2028	7,888,492	5,593,300	13,481,792
2029 - 2033	35,048,661	24,771,934	59,820,595
2034 - 2038	25,743,634	20,169,108	45,912,742
2039 - 2043	29,254,044	15,859,303	45,113,347
2044 - 2048	23,520,243	11,568,752	35,088,995
2049 - 2053	28,769,897	7,183,020	35,952,917
2054 - 2058	29,407,323	2,641,037	32,048,360
2059	1,598,252	8,299	1,606,551
	<u>\$ 209,468,209</u>	<u>\$ 112,069,792</u>	<u>\$ 321,538,001</u>

6. OTHER ASSETS, NET

The following is a summary of other assets, net as of September 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Unamortized dredging costs	\$ 1,315,508	\$ 3,292,839
Prepaid bond insurance	1,745,854	1,868,101
Other assets, net	<u>\$ 3,061,362</u>	<u>\$ 5,160,940</u>

Amortization expense related to dredging costs for the years ended September 30, 2023 and 2022, was approximately \$8,129,000 and \$4,840,000, respectively. Amortization expense related to bond insurance premiums was approximately \$122,000 for both years ended September 30, 2023 and 2022, and is included in interest expense on the statements of revenues, expenses, and changes in net position.

**ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

7. BONDS PAYABLE

The following table provides a summary of the long-term bonds payable for the year ended September 30, 2023:

	<u>Beginning Balance</u>	<u>Issuances</u>	<u>Payments/ Refundings</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds payable from direct borrowings:					
Docks Facilities Revenue Bond Series 2020, originally issued for \$46,986,000, 1.91% due annually through fiscal 2041	\$ 45,034,229	\$ -	\$ 1,988,431	\$ 43,045,798	\$ 2,026,410
Bonds payable:					
Docks Facilities Revenue Refunding Bonds Series 2017A, originally issued for \$123,770,000, 5.00% due periodically through fiscal 2036	121,995,000	-	-	121,995,000	6,990,000
Docks Facilities Revenue Refunding Bonds Series 2017C, originally issued for \$6,130,000, 5.00% due October 1, 2036	6,130,000	-	-	6,130,000	-
Docks Facilities Revenue Refunding Bonds Series 2017D, originally issued for \$132,990,000, 1.35% to 4.72% due annually through fiscal 2041	124,030,000	-	11,825,000	112,205,000	2,150,000
	<u>297,189,229</u>	<u>\$ -</u>	<u>\$ 13,813,431</u>	283,375,798	<u>\$ 11,166,410</u>
Plus: Unamortized premium, net	10,829,916			9,999,610	
Less: Current maturities	<u>(13,813,431)</u>			<u>(11,166,410)</u>	
Long-term debt, net	<u>\$ 294,205,714</u>			<u>\$ 282,208,998</u>	

**ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

7. BONDS PAYABLE – CONTINUED

The following table provides a summary of the long-term bonds payable for the year ended September 30, 2022:

	<u>Beginning Balance</u>	<u>Issuances</u>	<u>Payments/ Refundings</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds payable from direct borrowings:					
Docks Facilities Revenue Refunding Bond Series 2008A, originally issued for \$61,300,000, variable rate (indexed to LIBOR) due annually through fiscal 2022	\$ 8,040,000	\$ -	\$ 8,040,000	\$ -	\$ -
Docks Facilities Revenue Bond Series 2020, originally issued for \$46,986,000, 1.91% due annually through fiscal 2041	46,986,000	-	1,951,771	45,034,229	1,988,431
Bonds payable:					
Docks Facilities Revenue Refunding Bonds Series 2017A, originally issued for \$123,770,000, 5.00% due periodically through fiscal 2036	121,995,000	-	-	121,995,000	-
Docks Facilities Revenue Refunding Bond Series 2017C, originally issued for \$6,130,000, 5.00% due October 1, 2036	6,130,000	-	-	6,130,000	-
Docks Facilities Revenue Refunding Bonds Series 2017D, originally issued for \$132,990,000, 1.35% to 4.72% due annually through fiscal 2041	128,975,000	-	4,945,000	124,030,000	11,825,000
	<u>312,126,000</u>	<u>\$ -</u>	<u>\$14,936,771</u>	297,189,229	<u>\$13,813,431</u>
Plus: Unamortized premium, net	11,660,222			10,829,916	
Less: Current maturities	<u>(14,936,771)</u>			<u>(13,813,431)</u>	
Long-term debt, net	<u>\$308,849,451</u>			<u>\$294,205,714</u>	

**ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

7. BONDS PAYABLE – CONTINUED

All gross revenues of the Authority collateralize the outstanding balances of the Docks Facilities Revenue Refunding Bonds Series 2017 A-D (Series 2017) and the Docks Facilities Revenue Bond Series 2020 (Series 2020). Gross revenues are generated from services provided, including all special handling and processing charges, tariffs, surcharges, and for the use of docks facilities, and other fees and payments made under any lease. Docks facilities are defined as docks and all types of related facilities, including elevators, compressors, conveyors, warehouses, water and rail terminals, coal handling and storage facilities, steel handling facilities, grain elevator facilities, wharves, piles, quays, loading and unloading facilities, and other related structures, facilities, equipment, property, and property improvements owned or under the management of the Authority.

On August 26, 2020, the Authority issued a \$46,986,000 Docks Facilities Revenue Bond Series 2020 (Series 2020), at a fixed rate of 1.91% per annum, with interest payable on the first day of each month. Annual principal payments are due through maturity on October 1, 2040. Proceeds from Series 2020 were used to provide long term funding to expand the container handling capacity of its operations at the Choctaw Point Container Terminal, including an approximately 400' by 200' dock extension, and paving, drainage, and lighting for an addition of approximately 20 acres to the container storage area. Series 2020 was issued as a fully amortized, 20-year tenor bond with level annual debt service of \$2,848,585.

The Docks Facilities Revenue Refunding Bond Series 2017 and Series 2020 require the Authority to adhere to several general and restrictive financial covenants. The financial covenants in the agreements require the Authority to meet minimum debt service coverage ratios with the most restrictive being a ratio of 100% coverage of revenues and investment income to operating expenses and annual debt service (as defined). The Authority is in compliance with all debt covenants as of September 30, 2023.

Amortization of deferred outflows of resources resulting from debt refunding and amortization of unamortized premiums on long-term debt was \$217,386 and \$431,414 for the years ended September 30, 2023 and 2022, respectively, and is included in interest expense in the statements of revenues, expenses, and changes in net position.

The Series 2020 Bond results from a direct borrowing. Future minimum maturities on the bond payable from a direct borrowing as of September 30, 2023, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 2,026,410	\$ 787,367	\$ 2,813,777
2025	2,064,575	746,590	2,811,165
2026	2,105,061	707,135	2,812,196
2027	2,144,755	666,232	2,810,987
2028	2,185,720	625,117	2,810,837
2029-2033	11,570,638	2,468,610	14,039,248
2034-2038	12,719,265	1,300,966	14,020,231
2039-2041	8,229,374	172,119	8,401,493
	<u>\$ 43,045,798</u>	<u>\$ 7,474,136</u>	<u>\$ 50,519,934</u>

**ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

7. BONDS PAYABLE – CONTINUED

Future minimum maturities on bonds payable as of September 30, 2023, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 9,140,000	\$ 11,246,188	\$ 20,386,188
2025	9,565,000	10,820,329	20,385,329
2026	10,015,000	10,369,699	20,384,699
2027	10,495,000	9,892,759	20,387,759
2028	10,400,000	9,401,408	19,801,408
2029-2033	60,340,000	38,909,633	99,249,633
2034-2038	74,190,000	22,359,555	96,549,555
2039-2041	56,185,000	3,786,454	59,971,454
	<u>\$ 240,330,000</u>	<u>\$ 116,786,025</u>	<u>\$ 357,116,025</u>

8. RESTRICTED NET POSITION

Restricted net position, which represents cash and investments held by trustees under various bond agreements, consists of the following as of September 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Debt service:		
Docks Facilities Renewal and Replacement Fund	\$ 7,747,519	\$ 7,241,364
Docks Facilities Revenue Bonds, Series 2017A Debt Service Fund	10,079,404	3,054,907
Docks Facilities Revenue Bonds, Series 2017C Debt Service Fund	154,049	153,276
Docks Facilities Revenue Bonds, Series 2017D Debt Service Fund	4,692,919	14,543,466
Docks Facilities Revenue Bond, Series 2020 Debt Service Fund	2,097,812	2,066,862
Total restricted	<u>\$24,771,703</u>	<u>\$27,059,875</u>

**ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

9. RETIREMENT PLANS

The Authority contributes to four retirement plans covering substantially all of its employees:

Alabama State Port Authority Hourly Paid Workers Defined Contribution Plan (Hourly DC Plan), Employees' Retirement System of Alabama (ERS), Hourly Paid Alabama State Port Authority Workers Retirement Plan (Hourly DB Plan), and Terminal Railway Alabama State Port Authority Workers Supplemental Retirement Plan (Railway Plan). The plans had the following balances as of and for the years ended September 30:

2023	<u>ERS</u>	<u>Hourly DB Plan</u>	<u>Railway Plan</u>	<u>Total</u>
Pension assets	\$ 30,716,864	\$ 20,027,462	\$ 1,287,554	\$ 52,031,880
Pension liabilities	56,177,237	21,450,336	1,789,775	79,417,348
Net pension liability	\$ 25,460,373	\$ 1,422,874	\$ 502,221	\$ 27,385,468
Deferred outflows	\$ 6,642,178	\$ 2,214,671	\$ 260,888	\$ 9,117,737
Deferred inflows	\$ 589,132	\$ 32,299	\$ 95,317	\$ 716,748
Pension expense	\$ 1,910,460	\$ 1,493,853	\$ 94,432	\$ 3,498,745
2022	<u>ERS</u>	<u>Hourly DB Plan</u>	<u>Railway Plan</u>	<u>Total</u>
Pension assets	\$ 37,013,935	\$ 19,124,065	\$ 1,208,704	\$ 57,346,704
Pension liabilities	54,942,624	21,944,917	1,804,964	78,692,505
Net pension liability	\$ 17,928,689	\$ 2,820,852	\$ 596,260	\$ 21,345,801
Deferred outflows	\$ 3,507,594	\$ 3,578,049	\$ 344,038	\$ 7,429,681
Deferred inflows	\$ 3,513,948	\$ -	\$ 141,621	\$ 3,655,569
Pension expense	\$ 1,227,018	\$ 1,909,549	\$ 90,267	\$ 3,226,834

Alabama State Port Authority Hourly Paid Workers Defined Contribution Plan (Hourly DC Plan)

Plan Description

Hourly paid workers of the Authority participate in a defined contribution plan that requires all hourly employees, other than employees of the Terminal Railway, to contribute a minimum of 2% of wages toward their retirement. Vesting in the employer's portion of the defined contribution plan is five years. Employees enrolled solely in the defined contribution plan, and those that have frozen their participation in the Hourly DB Plan, receive a basic employer contribution of 6% of wages, and a 50% match on the first 6% of employee contributions. Employees that remain in the Hourly DB Plan as their primary retirement vehicle do not receive a basic employer contribution to the Hourly DC Plan; however, they do receive a match of 25% on the first 6% of employee contributions and continue to accrue the benefits of the Hourly DB Plan. Newly hired employees are automatically enrolled in the Hourly DC Plan as their sole Authority-provided retirement plan. The Authority's contributions to the Hourly DC Plan for the years ended September 30, 2023 and 2022, were approximately \$1,344,000 and \$1,144,000, respectively.

**ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

9. RETIREMENT PLANS – CONTINUED

Employees' Retirement System of Alabama (ERS)

Plan Description

Salaried employees of the Authority subject to the classified system of the State participate in the Employees' Retirement System of Alabama (ERS), a tiered, agent multiple-employer, public employee defined benefit retirement plan. The ERS was established as of October 1, 1945, under the provisions of Act 515 of the State Legislature of 1945. The Authority's participation in the ERS is a cost-sharing arrangement with no separate actuarial information available for the Authority alone. The ERS is a component unit of the State for financial reporting purposes. Detailed information about the pension plan's fiduciary net position is available in the separately issued ERS financial report available at www.rsa-al.gov.

Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of the ERS, and additions to/deductions from ERS's fiduciary net position have been determined on the same basis as they are reported by ERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

Benefits Provided

The ERS provides retirement allowances and other specified benefits for state employees, state police, and employees of cities, counties, towns, and quasi-public organizations on an elective basis. The Board of Control is responsible for the general administration and operation of the ERS. The ERS provides retirement benefits as well as death and disability benefits as established by State Law. The retirement benefit provisions are established by Title 36, Chapter 27 of Alabama State Law and must be amended by statute. Benefits for ERS members vest after 10 years of credited service.

Effective October 1, 2012, the Alabama Legislature changed the structure to a tiered plan. State employees hired before January 1, 2013, are classified as ERS Tier 1 members. These employees are eligible to retire after 25 years of creditable service regardless of age, or at age 60 with 10 years of creditable service. State employees hired after January 1, 2013, who do not have prior service are classified as ERS Tier 2 members. These employees may retire at age 62 with at least 10 years of creditable service. State employees who retire are entitled to an annual retirement benefit, payable monthly for life. ERS provides one year of additional retirement service credit for each five (5) years of employment to those eligible as a full-time firefighter, correctional officer, or law enforcement officer, provided that the member remits to the ERS an additional 1% of his or her current annual earnable compensation or the previous year's annual earnable compensation, whichever is higher.

This allows for these employees to retire after 20 years of service. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 1 members of ERS are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service. Tier 2 members of ERS are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service.

**ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

9. RETIREMENT PLANS – CONTINUED

Employees' Retirement System of Alabama (ERS) – Continued

Benefits Provided – Continued

A pre-retirement death benefit is offered in which the account is credited with ERS employer contributions and investment income on such funds. The pre-retirement death benefit (in the form of group term life insurance) is paid in addition to the return of member contributions upon the death of an active ERS member who has completed at least one year of active membership in the system and whose date of death was within 90 days of such member's last date of actual service. However, a surviving spouse beneficiary may elect a survivor allowance in lieu of this benefit. The pre-retirement death benefit is equal to the annual earnable compensation of the member as reported to the ERS for the preceding year ending September 30.

When a member withdraws from service through resignation, the member's accumulated contributions and a portion of accumulated interest credited to the account may be returned to the member.

Contributions

Title 36, Chapter 27 of the Alabama State Law established the contribution requirements and may only be amended by State statute. The law provides that the Board of Control engage an actuary to prepare an annual valuation of the assets and liabilities of the various reserves.

The actuary has computed, as of the date of the latest available actuarial valuation, the estimated present value of benefits payable to retired members, beneficiaries, and active members. The actuarial valuations are prepared using the entry age normal method. The present value of the expected benefits payable on account of the active members is added to the present value of the expected future payments to retired members and beneficiaries to obtain the present value of all expected benefits payable from ERS on account of the present group of members and beneficiaries.

ERS funding policies provide for employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate assets to pay benefits when due. The employer contributions required to support the benefits are determined following a level funding approach, and consist of a normal contribution, an accrued liability contribution, and a portion to finance administrative costs.

The accrued liability contribution is expected to liquidate the accrued liability within the ERS funding period of 30 years.

**ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

9. RETIREMENT PLANS – CONTINUED

Employees' Retirement System of Alabama (ERS) – Continued

Contributions – Continued

The employee required contribution rate to ERS for Tier 1 covered members, with the exception of law enforcement officers, is 7.50% of earnable compensation. The employee required contribution rate to ERS for Tier 1 certified law enforcement officers is 8.50% of earnable compensation. The employer required contribution rate to ERS for all employees in Tier 1 was 14.82% for fiscal 2023 and 14.83% for fiscal 2022. Tier 2 covered members, with the exception of law enforcement officers, contribute 6.00% of earnable compensation. The employee required contribution rate to ERS for Tier 2 certified law enforcement officers is 7.00% of earnable compensation. The employer required contribution rate to ERS for all employees in Tier 2 was 14.44% for both fiscal 2023 and 2022. The Authority's total contribution requirement and contributions made for fiscal 2023 and 2022 were approximately \$2,356,000 and \$2,178,000, respectively, which consisted of approximately \$1,596,000 and \$1,465,000 from the Authority and \$760,000 and \$713,000 from employees, respectively.

Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to ERS

As of September 30, 2023, the Authority reported a liability of \$25,460,373 for its proportionate share of the net ERS liability. The net ERS liability was measured as of September 30, 2022, and the total ERS liability used to calculate the net ERS liability was determined by an actuarial valuation as of September 30, 2021. The Authority's proportion of the net ERS liability was based on a projection of the Authority's long-term share of contributions to the ERS plan relative to the projected contributions of all participating entities, actuarially determined. At the September 30, 2022 measurement date, the Authority's proportion was 0.648%, which was an increase from 0.641%, its proportion measured as of the September 30, 2021 measurement date.

Due to the one year difference in measurement date and fiscal year end, the Authority recognized ERS expense of \$1,465,596 and \$1,420,151, for the years ended September 30, 2023 and 2022, respectively. As of September 30, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to ERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 348,348	\$ 113,324
Changes in assumptions	816,442	-
Net difference between projected and actual earnings on pension plan investments	3,741,075	-
Changes in proportion and differences between Authority contributions and proportionate share of contributions	140,113	475,808
Authority contributions subsequent to the measurement date	1,596,200	-
	<u>\$ 6,642,178</u>	<u>\$ 589,132</u>

**ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

9. RETIREMENT PLANS – CONTINUED

Employees' Retirement System of Alabama (ERS) – Continued

Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to ERS – Continued

Deferred outflows of resources of \$1,596,200, which will be recognized as a reduction of the net pension liability during the year ending September 30, 2024, result from Authority contributions made subsequent to the measurement date of September 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ERS will be recognized in pension expense as follows:

Year ended September 30:

2024		\$	1,500,725
2025			916,059
2026			566,814
2027			1,473,248
			1,473,248
		\$	4,456,846

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

Utilizing the discount rate of 7.45%, the following presents the Authority's proportionate share of the net pension liability. The information presented also shows the Authority's proportionate share of the net pension liability calculated using a discount rate that is one percentage point lower and one percentage point higher than the current rate as of the September 30, 2022 measurement date:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Authority's proportionate share of the net pension liability	\$ 31,331,347	\$ 25,460,373	\$ 20,477,584

**ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

9. RETIREMENT PLANS – CONTINUED

Hourly Paid Alabama State Port Authority Workers Retirement Plan (Hourly DB Plan)

Plan Description

All of the Authority's hourly employees, other than employees of the Terminal Railway, that were employed prior to January 1, 2011, who were at least 21 years of age and had completed one year of service, were eligible to participate in the Hourly DB Plan, a single employer, noncontributory defined benefit pension plan. This benefit is based solely on years of service and does not have a wage component. The Authority was authorized to establish and fund this Hourly DB Plan by action of the State Legislature. The assets of the plan are administered by the Retirement Systems of Alabama while the Authority administers the payment of benefits. The Hourly DB Plan issues stand-alone financial statements, a copy of which may be obtained by submitting a written request to the Chief Financial Officer of the Authority. The plan was closed to new participants in fiscal 2011 in favor of the Hourly DC Plan previously described. Employees had the choice of continuing to participate in the Hourly DB Plan and receiving a reduced match of their mandated and eligible elective contributions to the Hourly DC Plan or freezing their participation in the Hourly DB Plan and receiving the enhanced matching of their contributions in the Hourly DC Plan. Those employees who were not vested as of January 1, 2011, had the additional option of transferring the fair value of their accumulated benefit in the Hourly DB Plan into the Hourly DC Plan, such sums not being subject to employer matching. These plan selections were irrevocable.

Summary of Significant Accounting Policies

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of the Hourly DB Plan, and additions to/deductions from the Hourly DB Plan's fiduciary net position have been determined on the same basis as they are reported by the Hourly DB Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Benefits Provided

Participants of the Hourly DB Plan becoming eligible for Social Security and having completed at least 10 years of service are currently entitled to benefits of \$315 to \$1,605 a month, up to 35 years of service, as well as those of any age with 30 consecutive years of service. Participants receive an additional \$43 per month for each year of service in excess of 36 years. For active participants, the plan benefits are indexed according to the CPI-U, capped at 3.00% in any year. Active participants who become disabled after completion of 5 years of service, and who are eligible for Social Security benefits, receive disability benefits which are calculated under the same methods used for normal service retirement benefits. If a participant with at least 10 years of service leaves before his/her normal retirement date, he/she will be entitled to a monthly benefit deferred to the date at which he/she becomes eligible for Social Security, determined in accordance with the normal service retirement benefits.

**ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

9. RETIREMENT PLANS – CONTINUED

Hourly Paid Alabama State Port Authority Workers Retirement Plan (Hourly DB Plan) – Continued

Employees Covered by Benefit Terms

The following employees were covered by the benefit terms as of September 30, 2023 and 2022:

	2023	2022
Inactive employees or beneficiaries currently receiving benefits	161	165
Inactive employees entitled to but not receiving benefits	30	31
Active employees	48	49
	239	245

Contributions

The Authority's funding policy is to contribute an actuarially determined amount equivalent to the "Normal Cost," utilizing the level percent of inflation (2.50%) amortization method, plus an amortization factor that is designed to remove the beginning unfunded liability over a 40-year period and other actuarial gains and losses over a 15-year period from the year of the gain or loss. Plan amendments are amortized over a 30-year period.

The annual required contribution for the current year was determined as part of the January 1, 2023 actuarial valuation using the entry age normal percent of pay method. The actuarial assumptions include a 4.75% investment rate of return, with a 2.50% inflation rate inherent in this assumption and with administrative expenses paid outside of the plan. The assumptions do not include post-retirement benefit increases. The plan does not include projected salary increases as the benefit is based solely on years of service. As of the January 1, 2021 measurement date, the plan had obtained fully funded status, resulting in a reset of all previous amortization bases to \$0 with the overfunded amount amortized over 30 years; however, as of the January 1, 2022 measurement date, the funded status was less than 100% and a layered amortization approach for actuarial gains and losses was once again established. The actuarial value of assets was determined using techniques that normalize the effects of short-term volatility in the fair value of investments with actuarial gains or losses being amortized over 15 years from the year of gain or loss on a closed basis.

Contributions were \$1,496,154 and \$1,545,711, equaling 8.69% and 10.40% of payroll of covered participants for the years ended September 30, 2023 and 2022, respectively.

Net Pension Liability

The Authority's net pension liability was measured as of September 30, 2023 and 2022, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of January 1, 2023 and 2022, rolled forward to September 30 using generally accepted actuarial principles.

**ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

9. RETIREMENT PLANS – CONTINUED

Hourly Paid Alabama State Port Authority Workers Retirement Plan (Hourly DB Plan) – Continued

Net Pension Liability – Continued

The total pension liability in the September 30, 2023 and 2022, actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	Rates	
	<u>2023</u>	<u>2022</u>
Inflation	2.50%	2.50%
Discount rate	4.75%	4.75%
Investment rate of return	4.75%	4.75%

Healthy mortality rates for the year ended September 30, 2023, for the Hourly Plan were based on the PUB-2010 General Healthy Retiree – Below Median Income Mortality Table (sex distinct) with a two-year set forward adjustment. Disabled mortality rates were based on the PUB-2010 General Disabled Retiree – Below Median Income Mortality Table (sex distinct) with a seven-year set forward adjustment for males and a three-year set forward adjustment for females.

The following illustrates the target allocation and best estimates of arithmetic real rates of return for each major asset class for the year ended September 30, 2023:

	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Investment Type:		
Short-Term Securities (cash equivalents)	7.50%	0.77%
U.S. Government / Agency (cash equivalents)	27.50%	0.77%
Corporate Bonds	34.00%	2.54%
Large-, Mid-, and Small-Cap Equities	17.00%	5.10%
Mortgage-Backed Securities	14.00%	3.79%
	<u>100.00%</u>	

As of September 30, 2023 and 2022, there were no investments in the Hourly DB Plan’s fiduciary net position that represented a concentration of 5.00% or more in any organization.

The long-term expected rate of return on the Hourly DB Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expenses and inflation) was developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

**ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

9. RETIREMENT PLANS – CONTINUED

Hourly Paid Alabama State Port Authority Workers Retirement Plan (Hourly DB Plan) – Continued

Net Pension Liability – Continued

The discount rate used to measure the total pension liability was the long-term rate of return of 4.75% for both years and a municipal bond rate (based on the 20-year Bond Buyer GO Index) of 4.09% and 4.02% as of September 30, 2023 and 2022, respectively. The projection of cash flows used to determine the discount rate assumed that contributions will be made at the current contribution rate, and the contributions will be made based on the current funding policy for future years. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Asset

	Total Pension Liability (A)	Pension Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Balances as of October 1, 2022	\$ 21,944,917	\$ 19,124,065	\$ 2,820,852
Service cost	95,481	-	95,481
Interest cost	1,011,797	-	1,011,797
Changes for experience	(105,705)	-	(105,705)
Contributions – employer	-	1,496,154	(1,496,154)
Benefit payments	(1,496,154)	(1,496,154)	-
Net investment income	-	903,397	(903,397)
Net changes	<u>(494,581)</u>	<u>903,397</u>	<u>(1,397,978)</u>
Balances as of September 30, 2023	<u>\$ 21,450,336</u>	<u>\$ 20,027,462</u>	<u>\$ 1,422,874</u>

	Total Pension Liability (A)	Pension Fiduciary Net Position (B)	Net Pension Liability (Asset) (A) - (B)
Balances as of October 1, 2021	\$ 20,443,920	\$ 21,723,794	\$ (1,279,874)
Service cost	107,417	-	107,417
Interest cost	1,038,889	-	1,038,889
Changes for experience	7,187	-	7,187
Changes in assumptions	1,893,215	-	1,893,215
Contributions – employer	-	1,545,711	(1,545,711)
Benefit payments	(1,545,711)	(1,545,711)	-
Net investment income	-	(2,599,729)	2,599,729
Net changes	<u>1,500,997</u>	<u>(2,599,729)</u>	<u>4,100,726</u>
Balances as of September 30, 2022	<u>\$ 21,944,917</u>	<u>\$ 19,124,065</u>	<u>\$ 2,820,852</u>

**ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

9. RETIREMENT PLANS – CONTINUED

Hourly Paid Alabama State Port Authority Workers Retirement Plan (Hourly DB Plan) – Continued

The change in assumptions reflected in the change in net pension (asset) liability for the year ended September 30, 2022, was due to changes to the discount rate, inflation and benefit indexing assumptions, and the mortality assumption effective January 1, 2022.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following information presents the net pension liability calculated using the discount rate of 4.75% as well as net pension liability using a discount rate that is one percentage point lower or one percentage point higher than the current rate as of September 30, 2023:

	1% Decrease (3.75%)	Current Discount Rate (4.75%)	1% Increase (5.75%)
Net pension liability (asset)	\$ 3,540,871	\$ 1,422,874	\$ (392,740)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Hourly DB Plan

For the years ended September 30, 2023 and 2022, the plan recognized pension expense of \$1,493,853 and \$1,909,549, respectively. As of September 30, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to the plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 2,214,671	\$ -
Differences between expected and actual experience	-	32,299
	\$ 2,214,671	\$ 32,299

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the Hourly DB Plan will be recognized in pension expense as follows:

Year ended September 30:

2024	\$ 648,244
2025	784,085
2026	749,043
2027	1,000
	\$ 2,182,372

**ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

9. RETIREMENT PLANS – CONTINUED

Terminal Railway Alabama State Port Authority Workers Supplemental Retirement Plan (Railway Plan)

Plan Description

All of the Authority's Terminal Railway employees who work at least one day per month, for at least seven months, participate in the Railway Plan, a single employer, non-contributory defined benefit pension plan. The Authority was authorized to establish and fund this Railway Plan by action of the State Legislature. The assets of the plan are administered by the Retirement Systems of Alabama while the Authority administers the payment of benefits. The Railway Plan issues stand-alone financial statements, a copy of which may be obtained by submitting a written request to the Chief Financial Officer of the Authority.

Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of the Railway Plan, and additions to/deductions from the Railway Plan's fiduciary net position have been determined on the same basis as they are reported by the Railway Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Benefits Provided

Employees attaining the age of 62 and completion of 10 consecutive years of service or age 60 and completion of 30 consecutive years of service are entitled to benefits of \$7 to \$210 a month, depending upon length of service. Active employees who become disabled after completion of 10 years of service and are eligible for disability benefits under the Railroad Retirement Act receive disability benefits that are calculated under the same methods used for normal service retirement benefits. If an employee leaves before meeting one of the above retirement criteria, he/she is not entitled to benefits under this plan.

Employees Covered by Benefit Terms

As of September 30, 2023 and 2022, the following employees were covered by the benefit terms:

	2023	2022
Inactive employees or beneficiaries currently receiving benefits	64	67
Active employees	101	98
	165	165

**ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

9. RETIREMENT PLANS – CONTINUED

Terminal Railway Alabama State Port Authority Workers Supplemental Retirement Plan (Railway Plan) – Continued

Contributions

The Authority's funding policy is to contribute an actuarially determined amount equivalent to the "Normal Cost," utilizing the level percent of inflation (2.50%) amortization method, plus an amortization factor that is designed to remove the beginning unfunded liability over a 40-year period and other actuarial gains and losses over a 15-year period from the year of the gain or loss. Plan amendments are amortized over a 30-year period.

The annual required contribution for the current year was determined as part of the January 1, 2023 actuarial valuation using the entry age normal percent of pay method. The actuarial assumptions include a 4.75% investment rate of return, with a 2.50% inflation rate inherent in this assumption and with administrative expenses paid outside of the plan. The assumptions do not include post-retirement benefit increases. The plan does not include projected salary increases as the benefit is based solely on years of service. The original unfunded actuarial accrued liability is being amortized over a 40-year period on a closed basis with a remaining amortization period of 3 years. The actuarial value of assets was determined using techniques that normalize the effects of short-term volatility in the fair value of investments with actuarial gains or losses being amortized over 15 years from the year of gain or loss on a closed basis.

Contributions were \$151,625 and \$133,600, equaling 1.75% and 1.58% of payroll of covered participants for the years ended September 30, 2023 and 2022, respectively.

Net Pension Liability

The Authority's net pension liability was measured as of September 30, 2023 and 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2023 and 2022, rolled forward to September 30 using generally accepted actuarial principles.

The total pension liability in the September 30, 2023 and 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	Rates	
	2023	2022
Inflation	2.50%	2.50%
Discount rate	4.75%	4.75%
Investment rate of return	4.75%	4.75%

Healthy mortality rates for the year ended September 30, 2023, for the Railway Plan were based on the PUB-2010 General Healthy Retiree – Below Median Income Mortality Table (sex distinct) with a two-year set forward adjustment. Disabled mortality rates were based on the PUB-2010 General Disabled Retiree – Below Median Income Mortality Table (sex distinct) with a seven-year set forward adjustment for males and a 3-year set forward adjustment for females.

**ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

9. RETIREMENT PLANS – CONTINUED

Terminal Railway Alabama State Port Authority Workers Supplemental Retirement Plan (Railway Plan) – Continued

Net Pension Liability – Continued

The following illustrates the target allocation and best estimates of arithmetic real rates of return for each major asset class for the year ended September 30, 2023:

	Target Allocation	Long-Term Expected Real Rate of Return
Investment Type:		
Short-Term Securities (cash equivalents)	7.50%	0.77%
U.S. Government / Agency (cash equivalents)	27.50%	0.77%
Corporate Bonds	34.00%	2.54%
Large-, Mid-, and Small-Cap Equities	17.00%	5.10%
Mortgage-Backed Securities	14.00%	3.79%
	100.00%	

As of September 30, 2023 and 2022, there were no investments in the Railway Plan’s fiduciary net position that represented a concentration of 5.00% or more in any organization.

The long-term expected rate of return on the Railway Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expenses and inflation) was developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The discount rate used to measure the total pension liability was the long-term rate of return of 4.75% for both years and a municipal bond rate (based on the 20-year Bond Buyer GO Index) of 4.09% and 4.02% as of September 30, 2023 and 2022, respectively. The projection of cash flows used to determine the discount rate assumed that contributions will be made at the current contribution rate, and the contributions will be made based on the current funding policy for future years. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

9. RETIREMENT PLANS – CONTINUED

***Terminal Railway Alabama State Port Authority Workers Supplemental Retirement Plan
(Railway Plan) – Continued***

Changes in the Net Pension Liability

	Total Pension Liability (A)	Pension Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Balances as of October 1, 2022	\$ 1,804,964	\$ 1,208,704	\$ 596,260
Service cost	26,889	-	26,889
Interest cost	83,995	-	83,995
Changes for experience	2,511	-	2,511
Contributions – employer	-	151,625	(151,625)
Benefit payments	(128,584)	(128,584)	-
Net investment income	-	55,809	(55,809)
Net changes	(15,189)	78,850	(94,039)
Balances as of September 30, 2023	\$ 1,789,775	\$ 1,287,554	\$ 502,221
	Total Pension Liability (A)	Pension Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Balances as of October 1, 2021	\$ 1,779,399	\$ 1,373,015	\$ 406,384
Service cost	22,943	-	22,943
Interest cost	91,161	-	91,161
Changes for experience	(93,489)	-	(93,489)
Changes in assumptions	138,550	-	138,550
Contributions – employer	-	133,600	(133,600)
Benefit payments	(133,600)	(133,600)	-
Net investment income	-	(164,311)	164,311
Net changes	25,565	(164,311)	189,876
Balances as of September 30, 2022	\$ 1,804,964	\$ 1,208,704	\$ 596,260

The change in assumptions reflected in the change in net pension (asset) liability for the year ended September 30, 2022, was due to changes to the discount rate, inflation and benefit indexing assumptions, and the mortality assumption effective January 1, 2022.

**ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

9. RETIREMENT PLANS – CONTINUED

Terminal Railway Alabama State Port Authority Workers Supplemental Retirement Plan (Railway Plan) – Continued

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following information presents the net pension liability calculated using the discount rate of 4.75% as well as net pension liability using a discount rate that is one percentage point lower or one percentage point higher than the current rate as of September 30, 2023:

	1% Decrease (3.75%)	Current Discount Rate (4.75%)	1% Increase (5.75%)
Net pension liability	\$ 695,365	\$ 502,221	\$ 338,435

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Railway Plan

For the years ended September 30, 2023 and 2022, the plan recognized pension expense of \$94,432 and \$90,267, respectively. As of September 30, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to the plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 141,421	\$ -
Changes in assumptions	105,669	16,830
Differences between expected and actual experience	13,798	78,487
	\$ 260,888	\$ 95,317

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the Railway Plan will be recognized in pension expense as follows:

Year ended September 30:	
2024	\$ 52,232
2025	53,473
2026	54,578
2027	4,962
2028	326
	\$ 165,571

**ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

10. OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The State Employees' Insurance Board (SEIB) is responsible for the establishment of the State of Alabama Employees' Health Insurance Plan (SEHIP) and its general administration and operation, including the determination of participant premiums. The SEIB is a body incorporated for the purpose of management of health insurance benefits and operates the SEHIP providing health care benefits to all participating State and State agency employees. For the purposes of reporting under GASB Statement No. 75, the SEHIP is assumed to be a cost-sharing-employer defined benefit other postemployment benefit (OPEB) plan. The contributions and benefit payments related to retirees are processed through the SEIB's plans along with activity related to active employees.

The State Employees' Insurance Fund (SEIF) was established in 1965 to provide health insurance benefits for employees and retired employees of the State and certain state agencies. Effective October 1, 1988, administration responsibility for SEIF was transferred from the Retirement Systems of Alabama to separate staff employed by the Board. All assets of the SEIF are held in trust for payment of health insurance benefits, and both active and retiree health benefits are paid through the SEIF. The contributions (both employer and plan member) and benefit payments related to retirees that are processed through the SEIF are segregated from the SEIF and reported as part of the Alabama Retired State Employees' Health Care Trust (SEIF – Retired Trust).

The financial statements of the SEIB provide reporting for SEIF and SEIF – Retired Trust, and the SEIB's audited financial statements are publicly available on the SEIB's website at www.alseib.org.

Summary of Significant Accounting Policies

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, fiduciary net position, and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the SEIB. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

Benefits Provided

The SEIB serves as the Plan Administrator for the SEHIP and is primarily responsible for the control and supervision of the SEHIP. The SEIB is also responsible for designing benefits and setting premiums. Benefits include basic medical coverage for up to 365 days of care during each hospital confinement, outpatient care, physician's benefits, radiation therapy, and major medical benefits with no lifetime maximum. This coverage remains the primary insurer for medical coverage until the retiree is entitled to Medicare, at which time health and prescription benefits are modified. A group dental contract provides basic dental maintenance coverage with a maximum benefit amount of \$1,500 during each year for each eligible participant who elects coverage. Limited vision and cancer policies are also available to eligible participants who elect coverage. Retiree medical eligibility is attained when an employee of the Authority, other than employees of the Terminal Railway, retires after reaching at least 10 years of creditable service with SEHIP.

**ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

10. OTHER POSTEMPLOYMENT BENEFITS – CONTINUED

Contributions

Code of Alabama 1975, Section 36-29-19.7 provides that the SEIB shall set forth the employer contribution to the health insurance premium for each retiree class. For retirees who retired prior to October 1, 2005, the State pays 100% of the premium for a retiree who is over 65 and eligible for Medicare. The SEIB determines annually the required contributions from agencies and retirees to adequately fund retiree health costs.

Retiree contributions vary based on type of contract, dependent coverage, Medicare eligibility and election, wellness participation, spousal surcharge, and tobacco usage. A sliding scale premium is applied to all employees retiring after September 30, 2005, based on their years of service. The premium for retiree coverage is broken down into the employer share and the retiree share. Under the sliding scale, the retiree is still responsible for the retiree share, however, the employer share will increase or decrease based upon a retiree's years of service. For those employees retiring with 25 years of service, the employer would pay 100% of the employer share of the premium. For each year less than 25, the employer share is reduced by 2.00% and the retiree share is increased accordingly. For each year over 25, the employer share is increased by 2.00% and the retiree share reduced accordingly. For members retiring on or after January 1, 2012, the 2.00% reduction in the employer share of the premium for each year of service less than 25 was increased to 4.00%. In addition, a 1.00% reduction in the employer share of the premium is added for each year of age less than the Medicare entitlement age. This additional age premium component is removed upon attaining Medicare entitlement. Furthermore, monthly retiree contributions are subject to discounts for wellness, non-tobacco use and spousal surcharge waiver and are as follows: Wellness (pre-Medicare only), \$25 retiree, \$25 spouse; non-tobacco use, \$60 retiree and spouse; spousal surcharge of \$50 if a spouse is covered but is eligible for other insurance coverage.

The contribution requirements of the plan members and state agencies are established and may be amended by the SEIB. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the SEIB. For both plan years ended September 30, 2022 and 2021, state agencies were required to contribute to the SEIF a blended rate of \$930 per month per active employee. These blended rates provide for the employer's portion of active and retired employee premiums. Additionally, the SEIB determined additional contributions totaling \$1,200,000 per year would be allocated among employers beginning in 2021. For the years ended September 30, 2023 and 2022, the Authority contributed \$922,954 and \$855,705, respectively, to the SEIF.

Net OPEB Liability

The Authority's net OPEB liability was measured as of September 30, 2022, and the total OPEB liability was determined by an actuarial valuation as of September 30, 2021. The Authority's proportion of the net OPEB liability was based on the Authority's contributions made to the plan during the fiscal year ended September 30, 2022, relative to total contributions made by all participating entities. At the September 30, 2022 measurement date, the Authority's proportion was 1.60%, which was an increase from 1.557%, its proportion measured as of the September 30, 2021 measurement date.

**ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

10. OTHER POSTEMPLOYMENT BENEFITS – CONTINUED

Net OPEB Liability – Continued

The components of the net OPEB liability as of and for the years ended September 30, 2023 and 2022, were as follows:

	<u>2023</u>	<u>2022</u>
Total OPEB liability	\$ 19,045,503	\$ 17,101,304
OPEB Fiduciary net position	<u>3,380,420</u>	<u>3,857,667</u>
Net OPEB liability	<u>\$ 15,665,083</u>	<u>\$ 13,243,637</u>
OPEB benefit	\$ (4,727,397)	\$ (5,945,229)

Actuarial Assumptions and Other Inputs

The following are the actuarial assumptions applied to all periods in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	6.00%-3.25% for State Employees, including 2.75% wage inflation
Long-term investment rate of return	7.25% compounded annually, net of investment expense, including inflation
Municipal Bond Index Rate at Measurement date	4.40%
Municipal Bond Index Rate at Prior Measurement Date	2.29%
Year Fiduciary Net Position is projected to be depleted	N/A
Single Equivalent Interest Rate at Measurement Date	7.25%
Single Equivalent Interest Rate at Prior Measurement Date	7.25%
Healthcare cost trend rate	
Pre-Medicare Eligible	6.50%
Medicare Eligible	**
Ultimate trend rate	
Pre-Medicare Eligible	4.50% in 2029
Medicare Eligible	4.50% in 2025
Dental Trend Rate	4.50%

**Initial Medicare claims are set based on scheduled increases through plan year 2023.

The rates of mortality are based on the Pub-2010 Public Mortality Plans Mortality Tables adjusted generationally based on scale MP-2020.

**ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
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10. OTHER POSTEMPLOYMENT BENEFITS – CONTINUED

Actuarial Assumptions and Other Inputs – Continued

The long-term expected rate of return on the plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) was developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. The following illustrates the target allocation and best estimates of geometric real rates of return for each major asset class for the measurement date of September 30, 2022:

Investment Type:	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	28.20%	4.40%
U.S. Domestic Stocks	55.20%	8.70%
International Developed Market Stocks	10.80%	9.80%
Cash	5.80%	1.50%
	100.00%	

Determination of the Single Equivalent Interest Rate (SEIR), or discount rate, used to measure the total OPEB liability requires projection of the Fiduciary Net Position (FNP) into the future for as long as there are anticipated benefits payable under the plan's provisions applicable to the members and beneficiaries of the Plan at the Measurement Date. If the FNP is not projected to be depleted at any point in the future, the long term expected rate of return on plan investments may be used as the SEIR. If the FNP is projected to be depleted, the SEIR is determined as the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by discounting all projected benefit payments through the date of depletion by the long-term expected rate of return (7.25% at the September 30, 2022 and 2021 measurement dates), and the present value determined by discounting those benefits after the date of depletion by the Municipal Bond Index Rate (4.40% and 2.29% at the September 30, 2021 and 2020 measurement dates, respectively). The Municipal Bond Index Rate, if necessary, is the average of the Bond Buyer General Obligation 20-year Municipal Bond Index, the Fidelity General Obligation AA 20-year Municipal Bond Index, and the S&P High Grade 20-year Municipal Bond Index.

At the September 30, 2022 and 2021, measurement dates, the FNP was not projected to be depleted at any point in the future; therefore, the long-term expected rate of return of 7.25% was used as the SEIR.

In 2022, rates of participation were adjusted to reflect actual and anticipated experience more closely. In 2021, rates of withdrawal, retirement, disability, and mortality were adjusted to more closely reflect actual experience. In 2021, economic assumptions and the assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. In 2019, assumed rates of tobacco use, spouse participation and the payment of the spousal surcharge were adjusted to more closely reflect actual and anticipated experience.

**ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
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10. OTHER POSTEMPLOYMENT BENEFITS – CONTINUED

Actuarial Assumptions and Other Inputs – Continued

Beginning in plan year 2022, the valuation reflects the provisions of legislative Act 2022-222, which allows TRS Tier II members to retire with 30 years of creditable service regardless of age with an early pension benefit retirement reduction of 2% for each year that the member is less than age 62 at retirement (age 56 for FLC), and Act 2022-351, which allows ERS State and Police Tier II members to retire with 30 years of creditable service regardless of age with an early pension benefit retirement reduction of 2% for each year that the member is less than age 62 at retirement (age 56 for FLC). Beginning in plan year 2021, the MAPD plan premium rates exclude the Affordable Care Act (ACA) Health Insurer Fee which was repealed on December 20, 2019. Effective January 1, 2020, the MAPD plan moved from self-insured to fully insured. Effective January 1, 2017, Medicare eligible medical and prescription drug benefits are provided through a Medicare Advantage Plan (MAPD) that offers prescription drug coverage. There were no other plan changes or changes in actuarial assumptions made since the prior measurement date.

The decremental assumptions and methods used in the valuation were selected based on the actuarial experience study prepared as of September 30, 2020, submitted to and adopted by the SEIB on September 14, 2021. The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the September 30, 2020 valuation were also based on this actuarial experience study.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following information presents the net OPEB liability calculated using the discount rate of 7.25% as well as net OPEB liability using a discount rate that is one percentage point lower or one percentage point higher than the current rate as of the September 30, 2022 measurement date:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net OPEB liability	\$ 18,121,957	\$ 15,665,083	\$ 13,616,007

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following information presents the net OPEB liability calculated using current healthcare cost trend rates, as well as net OPEB liability using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current rates as of the September 30, 2022 measurement date:

	1% Decrease (5.50% decreasing to 3.50% for pre-Medicare; Known decreasing to 3.50% for Medicare eligible)	Current Healthcare Cost Trend Rates (6.50% decreasing to 4.50% for pre-Medicare; Known decreasing to 4.50% for Medicare eligible)	1% Increase (7.50% decreasing to 5.50% for pre-Medicare; Known decreasing to 5.50% for Medicare eligible)
Net OPEB liability	\$ 12,650,798	\$ 15,665,083	\$ 19,334,474

**ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

10. OTHER POSTEMPLOYMENT BENEFITS – CONTINUED

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

As of September 30, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 93,030	\$ 7,945,553
Changes in assumptions	954,451	5,430,009
Net difference between projected and actual earnings on OPEB plan investments	482,272	-
Changes in proportion and differences between Authority contributions and proportionate share of contributions	5,464,943	4,580,862
Authority contributions subsequent to the measurement date	922,954	-
	\$ 7,917,650	\$ 17,956,424

Deferred outflows of resources of \$922,954 result from Authority contributions subsequent to the measurement date of September 30, 2022, and will be recognized as a reduction of the net OPEB liability in the year ended September 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended September 30:

2024	\$ (6,399,767)
2025	(4,790,369)
2026	(627,121)
2027	728,498
2028	127,031
Thereafter	-
	\$ (10,961,728)

**ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

11. UNPAID CLAIMS LIABILITIES

The Authority is partially self-insured with respect to workers' compensation claims. An accrual for uninsured claims due within one year is included in other accrued liabilities in the statements of net position. The liability for estimated claims that have been incurred but have not been reported, as well as a cash development factor for known claims, has been accrued as unpaid claims in the statements of net position. The following represents changes in those aggregate liabilities for the Authority during the years ended September 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Reported claims payable and estimated claims incurred but not reported at beginning of year	\$ 1,029,956	\$ 1,785,776
Provisions for claims	460,286	(658,372)
Payments	<u>(299,286)</u>	<u>(97,448)</u>
Reported claims payable and estimated claims incurred but not reported at end of year	1,190,956	1,029,956
Less: current liabilities	<u>198,367</u>	<u>160,203</u>
Reported long-term claims payable at end of year	<u>\$ 992,589</u>	<u>\$ 869,753</u>

12. COMMITMENTS AND CONTINGENCIES

In December 1976, the Authority purchased a parcel of land on which there was, at the time of purchase, an operating creosoting facility. Creosoting operations had existed on the property since or about 1901 and continued until or about 1986.

In December 1985, the Authority entered into a Consent Agreement and Final Order with the U.S. Environmental Protection Agency (EPA), agreeing to submit to the EPA a closure plan for the property and then implement the closure plan and meet all requirements of the post-closure permit application. The Authority, under the guidance of the Alabama Department of Environmental Management (ADEM), developed a corrective measures plan, and remediation work was completed in 2006. The plan required soil coverage (to ensure no physical contact with the contaminated soil), drainage, ongoing monitoring, and other environmental site work, which is expected to continue until defined metrics are achieved.

The EPA retains jurisdiction to bring an enforcement action against the Authority should the EPA find that handling, storage, treatment, transportation, or disposal of hazardous or solid waste at the facility presents an imminent and substantial endangerment to human health or the environment. The EPA also retains jurisdiction to approve and monitor the clean-up procedures and closure at the site.

The Authority is a defendant in various litigation and environmental disputes in the normal course of business. Management is of the opinion that the ultimate resolution of such claims will not materially affect the Authority's financial position or results of operations.

13. RELATED PARTY TRANSACTIONS

**ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

During the years ended September 30, 2023 and 2022, the Authority had no revenues or expenditures with entities having principals who are members of the Authority's Board of Directors.

14. ISSUANCE OF NEW ACCOUNTING STANDARDS

The GASB issued Statement No. 99, *Omnibus 2022*, in April 2022. The statement aims to address inconsistencies in numerous GASB Statements and is effective over multiple periods ranging from statement issuance date and years beginning after June 15, 2023. The only requirements effective for years beginning after June 15, 2023, are related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*.

The GASB issued Statement No. 100, *Accounting Changes and Error Correction*, in June 2022. The requirements of this statement are effective for fiscal years beginning after June 15, 2023. The statement enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

The GASB issued Statement No. 101, *Compensated Absences*, in June 2022. This statement is effective for fiscal years beginning after December 15, 2023, and requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means. The statement also amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability. The Authority is currently evaluating the financial statement impact of the adoption of this statement.

The GASB issued Statement No. 102, *Certain Risk Disclosures*, in December 2023. The requirements of this statement are effective for fiscal years beginning after June 15, 2024. The purpose of the statement is to improve financial reporting by providing users with information to evaluate a government's vulnerability to certain concentrations or constraints. Governments will also need to assess if events have occurred, are occurring or will occur within 12 months after financial statement issuance that could have a substantial impact on the entity.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

**ALABAMA STATE PORT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF CHANGES IN THE AUTHORITY'S NET PENSION LIABILITY (ASSET)
AND RELATED RATIOS (HOURLY DB PLAN)
LAST TEN FISCAL YEARS ENDED SEPTEMBER 30**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
TOTAL PENSION LIABILITY										
Service cost	\$ 95,481	\$ 107,417	\$ 132,274	\$ 133,730	\$ 138,460	\$ 143,789	\$ 157,083	\$ 174,718	\$ 174,718	\$ 183,862
Interest cost	1,011,797	1,038,889	1,050,335	1,104,298	1,128,442	1,237,387	1,258,862	1,281,263	1,259,169	1,244,139
Differences between expected and actual experience	(105,705)	7,187	148,067	(297,055)	(261,081)	(332,921)	34,124	(189,550)	(488,741)	-
Changes in assumptions	-	1,893,215	-	449,566	(36,917)	(684,685)	446,893	(309,826)	479,904	-
Benefit payments	(1,496,154)	(1,545,711)	(1,502,523)	(1,419,364)	(1,387,398)	(1,334,290)	(1,354,487)	(1,271,369)	(1,192,838)	(1,162,597)
Net change in total pension liability	(494,581)	1,500,997	(171,847)	(28,825)	(418,494)	(970,720)	542,475	(314,764)	232,212	265,404
Total pension liability – beginning	21,944,917	20,443,920	20,615,767	20,644,592	21,063,086	22,033,806	21,491,331	21,806,095	21,573,883	21,308,479
Total pension liability – ending (A)	21,450,336	21,944,917	20,443,920	20,615,767	20,644,592	21,063,086	22,033,806	21,491,331	21,806,095	21,573,883
PENSION FIDUCIARY NET POSITION										
Contributions – employer	1,496,154	1,545,711	1,502,523	1,419,364	1,387,398	1,334,290	1,354,487	1,271,369	1,192,838	1,174,083
Net investment income (loss)	903,397	(2,599,729)	917,145	1,575,424	1,451,331	369,013	601,428	1,094,074	396,515	420,789
Benefit payments	(1,496,154)	(1,545,711)	(1,502,523)	(1,419,364)	(1,387,398)	(1,334,290)	(1,354,487)	(1,271,369)	(1,192,838)	(1,162,597)
Net change in pension fiduciary net position	903,397	(2,599,729)	917,145	1,575,424	1,451,331	369,013	601,428	1,094,074	396,515	432,275
Pension fiduciary net position – beginning	19,124,065	21,723,794	20,806,649	19,231,225	17,779,894	17,410,881	16,809,453	15,715,379	15,318,864	14,886,589
Pension fiduciary net position – ending (B)	20,027,462	19,124,065	21,723,794	20,806,649	19,231,225	17,779,894	17,410,881	16,809,453	15,715,379	15,318,864
NET PENSION LIABILITY (ASSET) (A) - (B)	\$ 1,422,874	\$ 2,820,852	\$ (1,279,874)	\$ (190,882)	\$ 1,413,367	\$ 3,283,192	\$ 4,622,925	\$ 4,681,878	\$ 6,090,716	\$ 6,255,019
FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	93.37%	87.15%	106.26%	100.93%	93.15%	84.41%	79.02%	78.22%	72.07%	71.01%
COVERED PAYROLL	\$ 17,222,177	\$ 14,866,931	\$ 13,727,865	\$ 15,790,208	\$ 16,283,596	\$ 14,669,586	\$ 12,704,324	\$ 12,136,336	\$ 15,241,310	\$ 15,588,432
NET PENSION LIABILITY (ASSET) AS A PERCENTAGE OF COVERED PAYROLL	8.26%	18.97%	-9.32%	-1.21%	8.68%	22.38%	36.39%	38.58%	39.96%	40.13%

**ALABAMA STATE PORT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF AUTHORITY CONTRIBUTIONS (HOURLY DB PLAN)
LAST TEN FISCAL YEARS ENDED SEPTEMBER 30**

Fiscal Year	Actuarially Determined Contribution	Contributions from Authority	Contribution Excess	Covered Payroll	Contribution as a % of Payroll
2014	\$ 1,030,143	\$ 1,174,083	\$ 143,940	\$ 15,588,432	7.53%
2015	\$ 1,056,588	\$ 1,192,838	\$ 136,250	\$ 15,241,310	7.83%
2016	\$ 1,060,352	\$ 1,271,369	\$ 211,017	\$ 12,136,336	10.48%
2017	\$ 699,784	\$ 1,354,487	\$ 654,703	\$ 12,704,324	10.66%
2018	\$ 666,584	\$ 1,334,290	\$ 667,706	\$ 14,669,586	9.10%
2019	\$ 411,664	\$ 1,387,398	\$ 975,734	\$ 16,283,596	8.52%
2020	\$ 442,597	\$ 1,419,364	\$ 976,767	\$ 15,790,208	8.99%
2021	\$ 331,322	\$ 1,502,523	\$ 1,171,201	\$ 13,727,865	10.95%
2022	\$ 65,005	\$ 1,545,711	\$ 1,480,706	\$ 14,866,931	10.40%
2023	\$ 133,324	\$ 1,496,154	\$ 1,362,830	\$ 17,222,177	8.69%

Notes to Schedule

Valuation date:

Actuarially determined contribution rates are determined as of January 1, the beginning of the plan year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal percent of pay
Discount rate	4.75%
Investment rate of return	4.75%
Inflation	2.50%
Salary increases	Not applicable to this plan
Retirement age	The retirement assumption is based on a 2015 study, for experience from 2011 to 2014.
Mortality	PUB-2010 General Healthy Retiree – Below Median Income Tables (sex distinct) projected, PUB-2010 General Contingent Survivor – Below Median Income Tables (sex distinct) projected, and PUB-2010 General Disabled Retiree Tables (sex distinct) projected

**ALABAMA STATE PORT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF AUTHORITY CONTRIBUTIONS (HOURLY DB PLAN)
LAST TEN FISCAL YEARS ENDED SEPTEMBER 30**

Notes to Schedule – Continued

For fiscal year 2023 and 2022, healthy mortality rates are based on the PUB-2010 General Healthy Retiree – Below Median Income Mortality Table (sex distinct), set forward two years, with scaling adjustment of 90% for males below 65, 96% for males at or above 65, and 96% at all ages for females. Beneficiaries' mortality rates are based on the PUB-2010 General Contingent Survivor – Below Median Income mortality tables (sex distinct), with a two-year set forward adjustment. Disabled mortality rates are based on the PUB-2010 General Disabled Retiree Mortality Table (sex distinct), with a seven-year forward adjustment for males and a three-year forward adjustment for females.

Mortality rates are generationally projected using Scale MP-2020, with an adjustment of 66.67% beginning in 2019.

**ALABAMA STATE PORT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF CHANGES IN THE AUTHORITY'S NET PENSION LIABILITY
AND RELATED RATIOS (RAILWAY PLAN)
LAST TEN FISCAL YEARS ENDED SEPTEMBER 30**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
TOTAL PENSION LIABILITY										
Service cost	\$ 26,889	\$ 22,943	\$ 22,939	\$ 21,291	\$ 35,014	\$ 37,519	\$ 35,183	\$ 38,997	\$ 38,997	\$ 37,071
Interest cost	83,995	91,161	93,196	95,121	99,060	108,831	111,948	114,083	103,933	105,435
Differences between expected and actual experience	2,511	(93,489)	(15,939)	36,879	18,606	(38,525)	(18,152)	7,580	(13,058)	-
Changes in assumptions	-	138,550	-	40,371	(54,640)	(41,565)	50,585	(34,384)	163,409	-
Benefit payments	(128,584)	(133,600)	(144,209)	(154,803)	(157,017)	(153,693)	(156,147)	(159,907)	(166,205)	(168,843)
Net change in total pension liability	(15,189)	25,565	(44,013)	38,859	(58,977)	(87,433)	23,417	(33,631)	127,076	(26,337)
Total pension liability – beginning	<u>1,804,964</u>	<u>1,779,399</u>	<u>1,823,412</u>	<u>1,784,553</u>	<u>1,843,530</u>	<u>1,930,963</u>	<u>1,907,546</u>	<u>1,941,177</u>	<u>1,814,101</u>	<u>1,840,438</u>
Total pension liability – ending (A)	<u>1,789,775</u>	<u>1,804,964</u>	<u>1,779,399</u>	<u>1,823,412</u>	<u>1,784,553</u>	<u>1,843,530</u>	<u>1,930,963</u>	<u>1,907,546</u>	<u>1,941,177</u>	<u>1,814,101</u>
PENSION FIDUCIARY NET POSITION										
Contributions – employer	151,625	133,600	144,209	155,849	157,017	177,135	172,181	191,724	182,218	168,843
Net investment income (loss)	55,809	(164,311)	57,966	99,612	91,647	24,429	37,892	67,224	7,248	36,347
Benefit payments	(128,584)	(133,600)	(144,209)	(154,803)	(157,017)	(153,693)	(156,147)	(159,907)	(166,205)	(168,843)
Net change in pension fiduciary net position	78,850	(164,311)	57,966	100,658	91,647	47,871	53,926	99,041	23,261	36,347
Pension fiduciary net position – beginning	<u>1,208,704</u>	<u>1,373,015</u>	<u>1,315,049</u>	<u>1,214,391</u>	<u>1,122,744</u>	<u>1,074,873</u>	<u>1,020,947</u>	<u>921,906</u>	<u>898,645</u>	<u>862,298</u>
Pension fiduciary net position – ending (B)	<u>1,287,554</u>	<u>1,208,704</u>	<u>1,373,015</u>	<u>1,315,049</u>	<u>1,214,391</u>	<u>1,122,744</u>	<u>1,074,873</u>	<u>1,020,947</u>	<u>921,906</u>	<u>898,645</u>
NET PENSION LIABILITY (A) - (B)	<u>\$ 502,221</u>	<u>\$ 596,260</u>	<u>\$ 406,384</u>	<u>\$ 508,363</u>	<u>\$ 570,162</u>	<u>\$ 720,786</u>	<u>\$ 856,090</u>	<u>\$ 886,599</u>	<u>\$ 1,019,271</u>	<u>\$ 915,456</u>
FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	71.94%	66.97%	77.16%	72.12%	68.05%	60.90%	55.67%	53.52%	47.49%	49.54%
COVERED PAYROLL	\$ 8,649,349	\$ 8,449,683	\$ 8,059,913	\$ 7,659,706	\$ 7,787,550	\$ 7,363,599	\$ 7,331,607	\$ 7,293,665	\$ 8,324,817	\$ 8,010,453
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	5.81%	7.06%	5.04%	6.64%	7.32%	9.79%	11.68%	12.16%	12.24%	11.43%

**ALABAMA STATE PORT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF AUTHORITY CONTRIBUTIONS (RAILWAY PLAN)
LAST TEN FISCAL YEARS ENDED SEPTEMBER 30**

Fiscal Year	Actuarially Determined Contribution	Contributions from Authority	Contribution (Deficiency)	Covered Payroll	Contribution as a % of Payroll
2014	\$ 186,456	\$ 168,843	\$ (17,613)	\$ 8,010,453	2.11%
2015	184,871	182,218	(2,653)	8,324,817	2.19%
2016	195,597	191,724	(3,873)	7,293,665	2.63%
2017	175,392	172,181	(3,211)	7,331,607	2.35%
2018	178,770	177,135	(1,635)	7,363,599	2.41%
2019	155,069	157,017	1,948	7,787,550	2.02%
2020	152,267	155,849	3,582	7,659,706	2.03%
2021	149,410	144,209	(5,201)	8,059,913	1.79%
2022	144,505	133,600	(10,905)	8,449,683	1.58%
2023	150,764	128,584	(22,180)	8,649,349	1.49%

Notes to Schedule:

Valuation date:

Actuarially determined contribution rates are determined as of January 1, the beginning of the plan year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method Entry age normal percent of pay

Discount rate 4.75%

Investment rate of return 4.75%

Inflation 2.50%

Salary increases Not applicable to this plan

Retirement age The retirement assumption is based on a 2015 study, for experience from 2011 to 2014.

Mortality PUB-2010 General Healthy Retiree – Below Median Income Tables (sex distinct) projected, PUB-2010 General Contingent Survivor – Below Median Income Tables (sex distinct) projected, and PUB-2010 General Disabled Retiree Tables (sex distinct) projected

**ALABAMA STATE PORT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF AUTHORITY CONTRIBUTIONS (RAILWAY PLAN)
LAST TEN FISCAL YEARS ENDED SEPTEMBER 30**

Notes to Schedule – Continued

For fiscal year 2023 and 2022, healthy mortality rates are based on the PUB-2010 General Healthy Retiree – Below Median Income Mortality Table (sex distinct), set forward two years, with scaling adjustment of 90% for males below 65, 96% for males at or above 65, and 96% at all ages for females. Beneficiaries' mortality rates are based on the PUB-2010 General Contingent Survivor – Below Median Income Mortality Tables (sex distinct), with a two-year set forward adjustment. Disabled mortality rates are based on the PUB-2010 General Disabled Retiree Mortality Table (sex distinct), with a seven-year forward adjustment for males and a three-year forward adjustment for females.

Mortality rates are generationally projected using Scale MP-2020, with an adjustment of 66.67% beginning in 2019.

**ALABAMA STATE PORT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY (ERS)
LAST NINE FISCAL YEARS ENDED SEPTEMBER 30**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Authority's proportion of the net pension liability	0.65%	0.64%	0.68%	0.68%	0.69%	0.71%	0.73%	0.77%	0.80%
Authority's proportionate share of the net pension liability	\$ 25,460,373	\$ 17,928,689	\$ 21,045,530	\$ 19,591,321	\$ 18,123,158	\$ 18,559,817	\$ 21,030,957	\$ 20,951,325	\$ 19,617,214
Authority's covered payroll	\$ 9,973,735	\$ 9,775,621	\$ 10,234,664	\$ 9,814,156	\$ 9,340,048	\$ 9,288,753	\$ 9,732,434	\$ 10,139,151	\$ 9,932,776
Authority's proportionate share of the net pension liability as a percentage of its covered payroll	255.27%	183.40%	205.63%	199.62%	194.04%	199.81%	216.09%	206.64%	197.50%
Plan fiduciary net position as a percentage of the total pension liability	54.68%	67.37%	61.62%	63.38%	66.20%	65.44%	62.07%	62.35%	65.58%

Amounts and percentages related to the net pension liability for the fiscal year ended September 30 are based on the plan measurement date of the previous fiscal year ended September 30.

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required Authority contribution	\$ 1,596,200	\$ 1,465,596	\$ 1,420,151	\$ 1,550,045	\$ 1,416,656	\$ 1,293,396	\$ 1,300,676	\$ 1,413,503	\$ 1,362,605
Authority contributions in relation to the contractually required contribution	1,596,200	1,465,596	1,420,151	1,550,045	1,416,656	1,293,396	1,300,676	1,413,503	1,362,605
Authority contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered payroll	\$ 10,894,502	\$ 9,973,735	\$ 9,775,621	\$ 10,234,664	\$ 9,814,156	\$ 9,340,048	\$ 9,288,753	\$ 9,732,434	\$ 10,139,151
Authority contributions as a percentage of covered payroll	14.65%	14.69%	14.53%	15.15%	14.43%	13.85%	14.00%	14.52%	13.44%

**ALABAMA STATE PORT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
LAST SEVEN FISCAL YEARS ENDED SEPTEMBER 30**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Authority's proportion of the net OPEB liability	1.60%	1.55%	1.37%	1.70%	1.63%	1.29%	1.34%
Authority's proportionate share of the net OPEB liability	\$ 15,665,083	\$ 13,243,637	\$ 13,623,335	\$ 29,406,243	\$ 47,368,513	\$ 40,958,024	\$ 45,831,470
Authority's covered employee payroll	\$ 29,188,104	\$ 25,562,524	\$ 28,139,898	\$ 28,234,775	\$ 25,876,155	\$ 23,396,794	\$ 23,396,794
Authority's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	53.67%	51.81%	48.41%	104.15%	183.06%	175.06%	195.89%
Plan fiduciary net position as a percentage of the total OPEB liability	17.75%	22.56%	17.16%	9.94%	5.96%	5.05%	4.20%

Amounts and percentages related to the net OPEB liability for the fiscal year ended September 30 are based on the plan measurement date of the previous fiscal year ended September 30.

**ALABAMA STATE PORT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
LAST SEVEN FISCAL YEARS ENDED SEPTEMBER 30**

Changes in Actuarial Assumptions and Other Inputs

In 2022, rates of participation were adjusted to reflect actual and anticipated experience more closely.

In 2021, rates of withdrawal, retirement, disability, and mortality were adjusted to reflect actual experience more closely. In 2021, economic assumptions and the assumed rates of salary increases were adjusted to reflect actual and anticipated experience more closely.

In 2019, assumed rates of tobacco use, spouse participation and the payment of the spousal surcharge were adjusted to reflect actual and anticipated experience more closely.

Recent Plan Changes

Beginning in plan year 2022, the valuation reflects the provisions of the following legislative Acts:

- Act 2022-222 which allows TRS Tier II members to retire with 30 years of creditable service regardless of age with an early pension benefit retirement reduction of 2% for each year that the member is less than age 62 at retirement (age 56 for FLC),
- Act 2022-351 which allows ERS State and Police Tier II members to retire with 30 years of creditable service regardless of age with an early pension benefit retirement reduction of 2% for each year that the member is less than age 62 at retirement (age 56 for FLC).

Beginning in plan year 2021, the MAPD plan premium rates exclude the ACA Health Insurer Fee, which was repealed on December 20, 2019.

Effective January 1, 2020, the MAPD plan moved from self-insured to fully insured.

**ALABAMA STATE PORT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF AUTHORITY CONTRIBUTIONS (OPEB)
LAST SEVEN FISCAL YEARS ENDED SEPTEMBER 30**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required Authority contribution	\$ 922,954	\$ 885,705	\$ 917,111	\$ 747,379	\$ 1,265,923	\$ 1,314,110	\$ 1,201,451
Authority contributions in relation to the contractually required contribution	922,954	885,705	917,111	747,379	1,265,923	1,314,110	1,201,451
Authority contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered employee payroll	\$ 32,524,811	\$ 29,188,104	\$ 25,562,524	\$ 28,139,898	\$ 28,234,775	\$ 25,876,155	\$ 23,679,611
Authority contributions as a percentage of covered employee payroll	2.84%	3.03%	3.59%	2.66%	4.48%	5.08%	5.07%

Method and Assumptions Used in Calculations of Actuarially Determined Contributions

The actuarially determined contribution rates, as determined by the plan, are calculated as of September 30, two years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the most recent contractually required contribution rate reported in the above schedule:

**ALABAMA STATE PORT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF AUTHORITY CONTRIBUTIONS (OPEB)
LAST SEVEN FISCAL YEARS ENDED SEPTEMBER 30**

Actuarial cost method	Entry Age Normal
Amortization method	Level percent of pay, open
Remaining amortization period	30 years
Asset valuation method	Fair value of assets
Inflation	2.50%
Healthcare cost trend rate	
Pre-Medicare Eligible	6.50%
Medicare Eligible	*
Ultimate trend rate	
Pre-Medicare Eligible	4.50% in 2028
Medicare Eligible	4.50% in 2025
Dental trend rate	4.50%
Investment rate of return	7.25%, including inflation

* *Initial Medicare claims are based on scheduled increase through plan year 2023.*