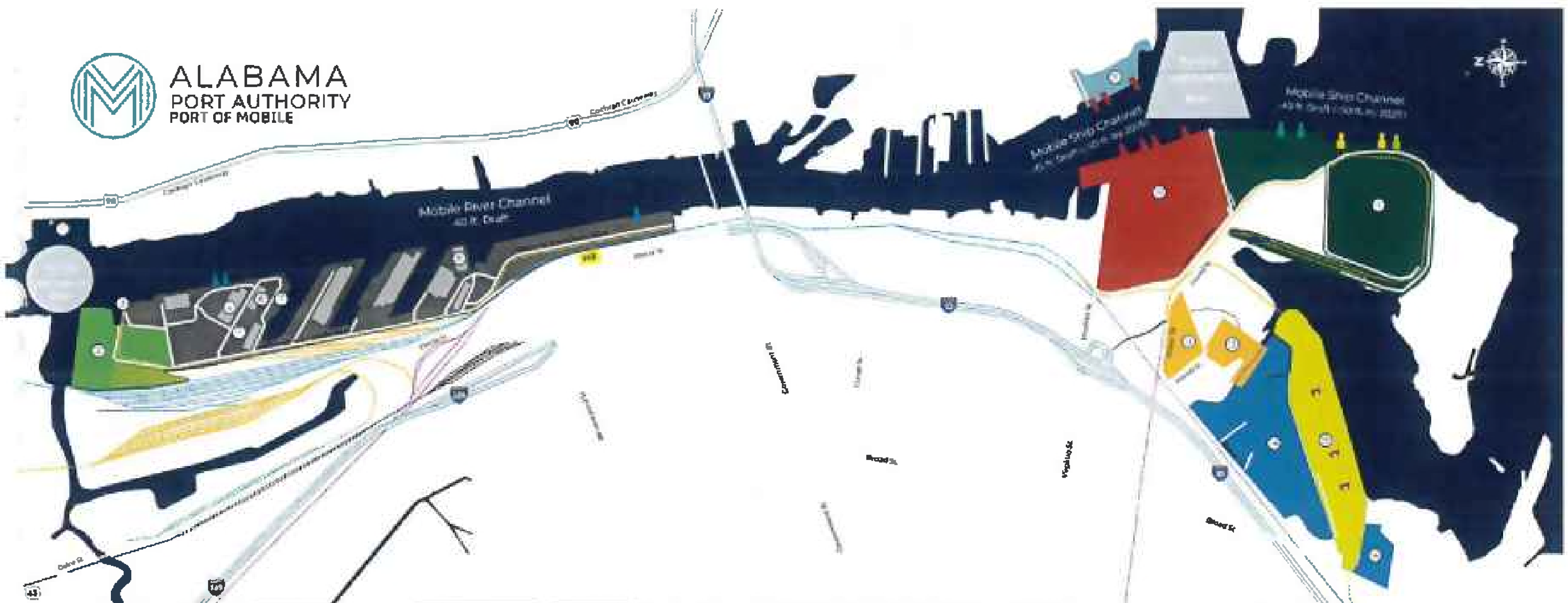
ALABAMA STATE PORT AUTHORITY

AN ENTERPRISE FUND OF THE STATE OF ALABAMA

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Years Ended September 30, 2022 & 2021



FACILITIES LEGEND

Upper Harbor
1. Blakeley Island Terminal

Main Docks/General Cargo
2. AutoMobile International RO/RO Terminal
3. CG Railway
4. Alabama Steel Terminal (AST)
5. Cement Terminal
6. Grain Elevator
7. Pig Iron Dock
8. Seaonus Refrigerated Services

Lower Harbor
9. Pinto Steel Terminal
10. Container Terminal
11. McDuffie Coal Terminal
12. Lineage Logistics
13. Lineage Logistics Option Property
14. Logistics Park
15. Intermodal Container Transfer Facility (ICTF)

OCEAN CARRIERS

Main Docks/General Cargo
- BBC Chartering
- Clipper Americas
- Dar Gulf Shipping
- G2 Ocean
- Glovis Americas
- Hoegh Autoliners
- Intermarine
- LD Seaplane
- Oslo Caribbear
- Carrier Saga Welco
- Wallenius Wilhelmsen

Mobile Container Terminal
- CMA-CGM
- Cosco
- Evergreen
- Hapag-Lloyd
- Hyundai Merchant
- Marine Maersk
- MSC
- Ocean Network Express
- OOCL
- Sealand
- Yang Ming
- ZIM

Barge Line Operators
- American Commercial Barge Line
- Cooper Marine & Timberlands
- Kirby Offshore Marine
- Marquette Transportation
- Parker Towing Company
- Waterway Towing

RAIL CARRIERS

- BNSF*/AGR
- Alabama Export Railroad
- CG Railway
- CN*
- CSX*
- Kansas City Southern*
- Norfolk Southern*
- TASD

*Class I Railroad

ALE and KCS have access to the Port of Mobile via CN tracks

PILOT ASSOCIATIONS

Mobile Bar Pilots
Mobile Harbor Pilots

LEGEND

- RTG Cranes
- STS Cranes
- Mobile Harbor Cranes
- Ship Loaders
- Ship Unloaders
- Ship Loader/Unloader
- Rail

HQ 250 N. Water Street
Mobile, AL 36602

**Map not shown to scale

ALABAMA STATE PORT AUTHORITY

An Enterprise Fund of the State of Alabama

Mobile, AL

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2022 & 2021

PREPARED BY THE FINANCIAL SERVICES DEPARTMENT


GLOBAL BRAVE

ALABAMA STATE PORT AUTHORITY
An Enterprise Fund of the State of Alabama
Mobile, AL

ANNUAL COMPREHENSIVE FINANCIAL REPORT

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INTRODUCTORY SECTION


MAERSK
HAMBURG SÜD

ALABAMA STATE PORT AUTHORITY
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Mobile, AL

COMPREHENSIVE ANNUAL FINANCIAL REPORT

DIRECTORY OF OFFICIALS

FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2022 AND 2021

GOVERNOR OF ALABAMA

Kay Ivey

BOARD OF DIRECTORS

T. Bestor Ward, III, Chairman At Large	Alvin K. Hope, II, 1st Vice Chair Southern Region	Ben C. Stimpson, Jr., 2nd Vice Chair Southern Region
Tony R. Cochran Northern Region	Daryl H. Dewberry At Large	Horace H. Horn, Jr. Central Region
Carl T. Jamison Central Region	Dr. Patricia G. Sims Northern Region	Mayor Sandy Stimpson, Ex-Officio* Mayor of Mobile County

PORT OFFICIALS

John C. Driscoll
Director,
Chief Executive Officer

Rick Clark
Deputy Director,
Chief Operating Officer

Linda K. Paaymans
Secretary-Treasurer,
Chief Financial Officer

Beth Branch
Chief Commercial Officer

Patrick Seals
Chief Information Officer

Maria W. Williams
Comptroller

* The Mayor of the City of Mobile and the President of the Mobile County Commission rotate as members of the board of directors for a one year tenure beginning every August 1st.

ALABAMA STATE PORT AUTHORITY

March 30, 2023

To The Directors of The Alabama State Port Authority Board:

We are pleased to present the Annual Comprehensive Financial Report of the Alabama State Port Authority ("the Authority"), an agency of the State of Alabama established in accordance with the laws of the State of Alabama, for the years ended September 30, 2022 and 2021. The purpose of the report is to provide the Board of Directors, the Comptroller, and the Chief Examiner of the State of Alabama, the public, and other interested parties with reliable information concerning the financial condition and results of the operations of the Authority.

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Authority and its management. The Financial Services Department of the Authority prepared this report according to the guidelines recommended by the Government Finance Officers Association of the United States and Canada (GFOA).

To the best of our knowledge and belief, the enclosed data is accurate in all material respects and reported in a manner designed to present fairly the financial position, changes in financial position, cash flows, and results of operations of the Authority in accordance with accounting principles generally accepted in the United States of America (GAAP). All disclosures necessary to enable the reader to gain an understanding of the Authority's financial activities have been included.

Governmental accounting and auditing principles require that management provide a narrative to accompany the basic financial statements. This narrative, entitled Management's Discussion and Analysis, follows the independent auditors' report in the Financial Section of this report. Read this letter of transmittal in conjunction with Management's Discussion and Analysis, as they are complementary documents.

Certain statistical and demographic information included in this report do not come from accounting records of the Authority, rather presented as reader information.

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PROFILE OF THE AUTHORITY

General

The Alabama State Port Authority, an agency of the State of Alabama created in 2000 pursuant to the provisions of Title 33 of the Code of Alabama 1975, as amended, owns, and manages certain operations at the Port of Mobile, Alabama's seaport. Prior to August 2000, the Alabama State Docks Department owned and managed these same facilities with an appointed Director, serving at the pleasure of the Governor as a member of their Cabinet. Effective August 1, 2000, the name of the Alabama State Docks Department changed to the Alabama State Port Authority, and the Authority became a separate agency of the State governed by a nine-member board of directors.

The Legislature created the Authority to promote, develop, construct, maintain, and operate all harbors and seaports within the State or its jurisdiction, including the inland waterways program of the State. The Authority is a self-supporting entity whose finances are accounted separately and apart from those of the State, with the Authority functioning much in the manner of an enterprise operation. The Authority retains its revenues, its net earnings are not paid into the State Treasury, and the Authority has generally received no appropriations from the General Fund of the State of Alabama other than for some capital improvements. A recent economic impact report from calendar year 2021 showed that the Port of Mobile is responsible for $85 billion in annual economic impact and generates 312,896 jobs across the State of Alabama.

The Authority serves all 67 counties in the State of Alabama and oversees the deep-water public port facilities at the Port of Mobile. The Authority conducts most of its activities in Mobile, the Authority's extensive facilities in and around Mobile being an integral part of the Port of Mobile hereinafter discussed. The Port of Mobile is strategically located in the northern Gulf of Mexico with access to an international airport and two interstate systems, I-65 running north/south and I-10 running east/west. In addition to interstates, air, and rail, the Authority's container, general cargo, and bulk facilities have immediate access to nearly 15,000 miles of inland waterways. Once the currently underway channel deepening and widening project is completed in 2025, the Port of Mobile will offer the deepest container terminal in the Gulf of Mexico.

The Authority also owns eight inland ports on the rivers of Alabama. During the fiscal year, the Authority purchased a 272-acre parcel in Montgomery, Alabama on which to build and operate an inland container transfer facility (ICTF). This facility is expected to begin operation in 2025 and will be served by CSX, providing new advantages and opportunities for shippers. This facility, and a similar one envisioned in North Alabama, are funded through federal budget appropriations and grants advocated by retired Senator Richard Shelby. As will be discussed more fully below, the

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Authority operates certain business segments directly while outsourcing other business segments to third parties through leases or license arrangements.

All the Authority's wharves are public facilities. The main complex lies in the upper channel, north of the Mobile River tunnels, and consists of the General Cargo facilities containing 30 berths and almost 5 million square feet of covered and open storage, the Grain Elevator, roll-on/roll-off terminals, rail switching yards, a cold storage facility, and various diversified operations. Federal funding sources are also providing for a modernization program for the general cargo piers.

The McDuffie Terminal is located approximately two miles south of the Mobile River tunnels. The 550-acre facility includes three berths with two ship loaders and two vessel discharge cranes, two barge unloaders, one barge loader, two rail car dumps, six stacker reclaimers, two double wing stackers, and a rail load out facility. The facility, surrounded by rail loop tracks, includes a series of connecting conveyors providing tremendous flexibility. The terminal has the advantage of water depths of up to 45 feet.

The Authority owns and operates its own switching railroad, which services the Authority's facilities and other local industries near the port. The railroad owns and provides services on approximately 75 miles of railroad track.

The Authority also has operations farther south in the Theodore industrial complex, which includes Middle Bay Port, with a 600-foot two-sided pier and the Marine Liquid Bulk Terminal. The Marine Liquid Bulk Terminal contains a 1,100-foot pier, equipped for efficient discharge of bulk liquid products, with nearby industrial land available for development. The Liquid Bulk Terminal enjoys water depths of up to 40 feet and is equipped with fire suppression equipment.

APM Terminals Mobile provides containerized cargo shippers with access to global networks covering a multitude of trade routes to and from the Port of Mobile. APM Terminals, an independent division within the A.P. Moller-Maersk Group, operates and manages APM Terminals Mobile. The Alabama State Port Authority and APM Terminals jointly invested an initial $350 million to construct APM Terminals Mobile, the Port of Mobile's state-of-the-art container terminal. APM Terminals Mobile opened in 2008 served by 2,000 feet of berth with up to 45 feet of water depth, and two post-Panamax and two super post-Panamax ship-to-shore gantry cranes. During fiscal year 2020, the Authority completed a nearly $47 million expansion that elongated the berth to 2,400 feet to simultaneously accommodate two post-Panamax vessels, as well as increased the size of the operating yard to an annual throughput capacity of 650,000 Twenty-foot Equivalent Units (TEU). Since 2018, the Port of Mobile has been the fastest-growing container terminal in the United States with a growth rate of 61.2% over the five-year period. As such, the

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Authority and APM Terminals agreed to further enlargement of the facility, to be delivered in phases at an additional investment by the parties of $104 million and includes land improvements and two new ship-to-shore super post-panamax cranes. The expansion is currently under construction and will bring annual throughput capacity to over one million TEU by the third quarter of 2026, and over 1.8 million TEU when the fifth expansion is undertaken.

The Authority invested $50 million in an intermodal container transfer facility that opened in 2016, also operated by APM Terminals Mobile. The Canadian National Railroad is currently providing service to Jackson, MS, Memphis, TN, Chicago, IL, and Canada from this near dock, container rail facility. In fiscal 2022, CSX initiated an intermodal service from Mobile to Chicago and the greater Midwest. From the ICTF in Mobile, containers can reach Chicago in three days. A critical project, funded through federal budget appropriations and grants, includes constructing, by 2025, a fly-over bridge between the container terminal and the ICTF, making the ICTF an on-dock facility, and enabling the development of an adjacent logistics facility. This facility provides access to five Class I and four short-line railroads.

The Pinto Island Terminal is the Alabama State Port Authority's deep-water import steel slab terminal that began operations in February 2010. This facility is capable of handling in excess of five million tons of semi-finished steel slabs per year. The 12.5-acre terminal consists of 1,050 feet of deep-water dock dredged to a depth of up to 45 feet, as well as a semi-automated barge loading system positioned between the ship berth and the shoreline. The terminal is equipped with three wide-span gantry cranes, each having an outreach of 150 feet, and back reach of 165 feet. The cranes can unload steel from ships to barges, or to the terminal storage yard consisting of 150,000 metric tons of storage capacity. The cranes and the terminal's heavy lift machines utilize electro-permanent magnetic lifting beams to move steel slabs weighing up to 40 metric tons each. The steel slabs arrive by vessel, destined for the AM/NS Calvert steel facility located upriver from the Authority in North Mobile County, Alabama. Beginning in fiscal year 2019, the Pinto Island Terminal unloaded steel slabs from ships to a nearby free-trade zone, and in fiscal year 2020, loaded its first vessel of steel slabs, demonstrating its ability to load steel slabs for export. In fiscal 2022, the Authority ordered two gantry buckets for the Pinto Island cranes to build redundancy and capacity. This is in response to the expected reduction in demand for import slabs by AM/NS Calvert beginning in fiscal year 2023 due to the commissioning of an electric arc furnace at its facility.

Governance

The Governor of the State of Alabama appoints eight members to the Board of Directors of the Authority, subject to confirmation by the Senate of the State of Alabama, for staggered five-year terms. Per statute, the Governor must appoint two board members from each of three regions, including the Central Region, Northern Region, and Southern Region, plus two At-Large (anywhere in the state) members. In addition, one ex-officio member, either the Mayor of the City of Mobile or the President of the Mobile County Commission, on a one-year rotating basis, serves as the ninth member of the Board. The Board of Directors appoints the Director of the Authority. The Director serves as the chief executive officer of the Authority and as such is responsible for managing the affairs of the Authority.

As an agency of the State, the Authority is not a component unit of any county or city within the State of Alabama since none of these exercise oversight responsibilities over the Authority. Such oversight responsibility means the existence of financial interdependency, the significant ability to influence operations and the accountability for fiscal years. This structure allows the Authority to take a much-needed long-term business outlook for investments, planning, and strategic direction setting.

LOCAL ECONOMY AND OUTLOOK

Mobile County, the location of the principal operations of the Authority, has a diversified economic base including manufacturing, retail and service segments. The current top ten manufacturers by number of employees are Austal, AM/NS Calvert, Airbus U.S. Manufacturing Facility, VT MAE, Outokumpu Stainless, Evonik Corporation, SSAB Americas, Kimberly-Clark Corporation, Continental Aerospace Technologies, and UOP Honeywell, LLC.

The Mobile area has experienced significant economic growth and diversification over the past several years, and there were several exciting announcements during the year.

• **Evonik** announced plans to build a new plant on its current site to produce methyl mercaptan, which is used to manufacture its MetAmino (DL-methionine) product, used in livestock farming to feed animals in a healthy and sustainable manner. The site currently receives raw materials from third-party suppliers to produce methionine. Scheduled to come online in the second half of 2024, the new plant will strengthen the Mobile site and set it apart as a global, best-in-class hub for reliable and cost-optimized supply of methionine to markets in the Americas.

• **The Authority** exercised its option on 272 acres in Montgomery, Alabama on which to build and operate an inland ICTF. The project will extend intermodal rail service from the Authority's ICTF in Mobile in support of Alabama regional growth in manufacturing, retail, distribution, and agribusiness sectors, providing shippers cost-competitive transportation services to and from one

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• **Airbus Americas** announced expansion plans at their current facility at the Mobile Aeroplex at Brookley, adding a third Final Assembly Line to support increased production of Airbus' A320 family of single-aisle passenger aircraft. An estimated 1,000 new jobs will be created with this expansion.

• **Canfor Southern Pine** announced plans to develop a new state-of-the-art sawmill for manufacturing and processing wood products in Axis. The new sawmill will be replacing the company's existing facility in Mobile. The new facility is expected to produce 250-million board feet per year, resulting in approximately $85 million annually brought into the community through local expenditures.

• **Great Southern Wood** is expanding the existing Great Southern Wood Treatment facility in Mobile County. The project is estimated to cost approximately $13.7 million and create at least 12 new jobs paying a weighted, average wage of $23.94 per hour.

Overall unemployment for Mobile County ended the 2022 calendar year at 2.7%. The State of Alabama ended the 2021 calendar year at 2.6%, while the national unemployment rate ended the year at 3.5%.

The Authority is also critical to the economic growth of the region's economy. The Authority's capital improvement and diversification policies have resulted in significant capacity increases, which place the Authority in a position to accommodate additional cargo volumes. Increased volumes through the Authority affect the region's economy in a positive manner.

FINANCIAL POLICIES AND LONG-TERM FINANCIAL PLANNING

Accounting Policies

The accounting policies of the Authority and this report conform to accounting principles generally accepted in the United States of America for local governmental units as prescribed by the Governmental Accounting Standards Board (GASB), including the reporting model referred to as GASB Statement No. 34. Note 1 to the financial statements includes a summary of significant accounting policies.

Financial Statement Responsibility

The integrity and objectivity of the data in these financial statements and supplemental schedules, including estimates and judgments relating to matters not concluded by year-end, and the Annual Comprehensive Financial Report are the responsibility of the Chief Financial Officer. Therefore,

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ALABAMA STATE PORT AUTHORITY

the Chief Financial Officer maintains, at reasonable cost, a system of internal accounting controls, to give reasonable assurance that the Authority's assets remain protected and financial transactions documented properly.

The Financial Services Division, under the direction of the Comptroller, maintains the general accounting records of the Authority. The planning and conducting of the financial operations of the Authority are in a responsible and progressive manner. The Department of Examiners of Public Accounts of the State of Alabama periodically audits these records. The independent accounting firm of Warren Averett, LLC, performs independent audits of the Authority's annual financial statements. As necessary, Warren Averett, LLC audits the Authority's compliance with the requirements described in the Uniform Guidance (Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards) that are applicable to each of the Authority's major federal programs.

Independent Accountants
The financial statements as of September 30, 2022 and 2021, and for the years then ended have been audited by Warren Averett, LLC, independent accountants, as stated in their report appearing herein.

Internal Accounting Control
In developing and evaluating the Authority's accounting system, and affecting the adequacy of internal accounting controls, are the Authority's Board, management, and other personnel, and are designed to provide reasonable assurance regarding the achievement of objectives in the following categories: (a) reliability of financial reporting; (b) effectiveness and efficiency of operations; and (c) compliance with applicable laws and regulations.

The Authority's internal control structure consists of five interrelated components, which are:

1. Control environment: Management philosophy, style, and values set the tone of the Authority as a well-controlled organization, influencing the control consciousness of our people. It is the foundation for all other components of internal control providing discipline and structure.

2. Risk assessment: The Authority identifies and analyzes relevant risks to achieve its objectives, forming a basis for determining how to manage the risk.

3. Control activities: These are comprised of the Authority's policies and procedures that help ensure execution of management directives. These activities include approvals/authorization, verification, reconciliations and segregation of duties.

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4. Information and communication: This component is the identification, capture, and exchange of management information reports and analysis of external information.

5. Monitoring: This is the process of assessing the quality of internal control performance over time, and includes supervisor/managerial reviews, internal/external audits, and Board oversight.

Internal control, no matter how well designed and operated, can provide only reasonable assurance to management and the Board regarding achievement of the Authority's control objectives. Limitations inherent to internal control affect the likelihood of achievement of these control objectives. These include the realities that human judgement in decision-making can be faulty and that breakdowns in internal control can occur because of such human failures as simple error or mistake. Additionally, the collusion of two or more people, or management override of internal control, can circumvent controls. The cost of the Authority's internal control can be another limiting factor, as it should not exceed the expected benefits derived.

We believe the Authority's internal accounting controls, with independent internal audit functions performed by the State of Alabama Department of Examiners of Public Accounts, adequately safeguard the Authority's assets, and provide reasonable assurance of the proper recording of financial transactions.

Budgets

The Authority staff prepares an annual operating budget based upon projected revenues and expenses for the subsequent fiscal year. Based upon projected cash flows from the operating budget and other expected funding sources, the staff also prepares a capital budget. Management submits the budgets to the Board of Directors for approval.

Following the adoption of the budgets by the Board of Directors, management monitors the budgets on a monthly, quarterly, and annual basis. Budget variances are included in the monthly financial reports to the Board of Directors.

Management submits major new projects not included in the adopted budgets to the Board of Directors for approval. New minor projects do not require Board of Director approval provided the overall capital plan remains within budget.

Capital Planning

The Authority has maintained an aggressive capital improvement program, initially consolidated into a master development plan in 2001, and updated at appropriate intervals. Planning includes phased program expenditures, as necessary, to accommodate business growth and

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requirements. Private sector participation, grant funding, state participation, and federal appropriations comprise critical elements of the capital plan. The capital plan currently includes projects totaling more than $1 billion over the next six years should funding be secured.

The Alabama State Port Authority and the U.S. Army Corps of Engineers executed the Mobile Harbor Preconstruction, Engineering, and Design Agreement during fiscal year 2020, as well as entered into the Project Partnership Agreement. Construction on the modifications began in fiscal year 2021. The Project Partnership Agreement allowed the project to move into the contracting and construction phases. The State of Alabama is financing the local share of the project and utilizing fuel tax revenue, generated as part of the Rebuild Alabama Infrastructure Plan, to pay for revenue bonds issued through a special transportation financing authority. The Federal Government allocated $274.3 million in the Fiscal Year 2020 Work Plan, providing the resources for the full federal share of the approximately $365.7 million project cost.

On March 2, 2022, the U.S. Department of Transportation awarded $100 million to the Alabama State Port Authority (ASPA) and the Mobile Airport Authority (MAA) through the USDOT Demonstration Program Grant to facilitate capital infrastructure at the Port of Mobile and the Mobile Downtown Airport (BFM). The intention of the competitive grant, authorized under the Consolidated Appropriations Act, is to increase the efficiency of freight movements by air, rail, highway, and water. The Authority will receive $38 million to leverage freight movement efficiencies. The Authority will invest in an inter-terminal connector bridge at the container intermodal complex to connect the marine terminal with the ICTF terminals and adjacent logistics park. The Authority will also invest in site development and civil infrastructure in preparation for the construction of a distribution center.

Later that month, as part of the fiscal 2022 spending bills, the Authority was awarded $200 million in federal appropriations. $132.7 million has been designated for improvements at the Port of Mobile, including for the design and construction of docks, wharves, and piers, as well as for land acquisition and site development. $67.3 million of funding was granted for freight and intermodal rail infrastructure improvements at the Port of Mobile and the Montgomery ICTF in an initiative to connect inland Alabama industry as far north as Birmingham to container service from Mobile.

In December 2022, the Authority was once again the recipient of forward-looking Federal investment with another $200 million in directed spending grants. These fiscal 2023 funds will be used to provide rail infrastructure improvements, construct an inland ICTF in north Alabama, and to provide resources for the fifth phase of expansion at the Choctaw Point Container Terminal.

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resulted in additional 20-acres of container storage area with a 400-foot extension of the dock itself.

During fiscal 2022, APM Terminals and the Authority agreed to add 30.3 acres to the existing 134-acre facility in a phased project that will bring the facility's annual throughput capacity to one million TEU. These improvements mark the fourth time the Authority and APMT have expanded the container terminal since its opening in October 2008. The new $104 million Phase IV expansion program adds a new sheet pile wall on the north side of the terminal to facilitate the filling of approximately 13 acres of man-made water-bottoms, creating new land. The project will also develop another 17.3 acres adjacent to the water-bottoms providing a combined yard of 30.3 acres. The first 17.3 acres are expected to be completed in the third quarter of 2024, and the remaining 13 acres are expected to be completed in the third quarter of 2026. The Authority and APM Terminals will partner in the delivery of the project with APM Terminals committed to install two new ship-to-shore super post-panamax cranes with investment totaling $30 million. Currently, the container terminal is equipped to simultaneously dock two 14,000 TEU vessels, serviced by four gantry cranes, two super post-panamax and two post-panamax. The Authority will undertake $74 million in land improvements. Densification of the entire facilities or Phase V will take place in subsequent years.

The ICTF is the second element of the facility, with funding provided by multiple sources including the Authority, the U.S. Department of Transportation, and private sector sources. During 2012, the Authority received a $12 million U.S. Department of Transportation grant through their Transportation Investment Generating Economic Recovery (TIGER) grant program to construct Phase I of the intermodal rail facility. The Authority funded the non-federal portion to complete this phase, put into operation in June 2016. As container volumes continue to climb, the Port Authority is moving forward on infrastructure investments to add capacity and efficiencies for shippers utilizing the gateway. In March 2022, the U.S. Department of Transportation granted the Authority and the Mobile Airport Authority a combined $100 million to enhance the Port of Mobile's multimodal transportation hub to better serve commerce. Specifically, Authority's $38 million portion of the award will construct two projects aimed at increasing capacity for intermodal rail and multimodal freight movements at the Port of Mobile. Planned investment includes a new inter-terminal bridge connecting the marine terminal with the intermodal rail facility and the adjacent logistics park. Funds will also provide for site development work at the adjacent logistics park.

Construction of the logistics park, the third element, began during fiscal 2020 when MTC Logistics, a company headquartered in Baltimore, began erecting steel for their estimated $61 million refrigerated cargo facility and International Distribution Center, which opened in October 2021. A

ALABAMA STATE PORT AUTHORITY

private entity has been competitively selected for negotiating the development of the remaining 100 acres of the logistics park.

McDuffie Coal Terminal Improvements

The Authority is undertaking a series of projects to optimize the McDuffie Coal Terminal as a coal export facility. The terminal is the third largest coal terminal in the United States, primarily serving metallurgical coal. Alabama's metallurgical coal is a high-grade, low-sulfur coal recognized worldwide for its specific chemical makeup and is essential for steel production supporting the automotive industry. Constructed in the 1970s, McDuffie was built to import thermal coal for energy production. At present, these operating systems have exceeded their lifespan by 20-25 years and require constant maintenance to adapt and serve export coal requirements. Frequent malfunctions and breakdowns create severely reduced performance rates and major inefficiencies, causing disruption to supply chains that are critical not only to automotive manufacturing but also to heavy industrial and infrastructure construction.

As thermal coal continues to be replaced with environmentally friendly natural gas for energy production, McDuffie has adapted to an import/export facility. Import coal will phase out completely by the end of 2023, at which point McDuffie will need to transition to an export-only facility. Once this happens, the Port expects an additional 8-9 million tons of metallurgical coal to be moved through the terminal annually. The terminal's current coal handling system needs multiple upgrades to permanently switch from an import/export terminal to export-only. In addition to the age of the equipment and directional change, thermal and metallurgical coal consistencies are very different. While thermal coal is a rocky product, metallurgical coal is a fine, powdery material. McDuffie's conveyors and transfer towers must be upgraded to reduce product loss and allow for more efficient handling of metallurgical coal.

During fiscal year 2022, the Authority completed the replacement of the of a rotary railcar dump system at the McDuffie Coal Terminal, and completed the engineering and design, and began construction of a new central parts and equipment warehouse for the terminal. To meet the requirements to permanently become an export-only facility, and to increase the throughput, the Authority plans to spend upward of $100 million on upgrading conveyor systems and transfer towers, increasing conveyor belt speeds, and purchasing new equipment to replace aged equipment which includes three new stacker reclaimers, a barge haul system, and a barge unloader.

Terminal Railway Improvements

In order to provide for the growth of the intermodal and export coal businesses, the Authority has defined certain Terminal Railway projects as critical to success. These center on additional

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interchange yard space, track expansion, improvements to existing tracks and facilities, as well as upgrades to information systems. In fiscal year 2022, the Authority purchased heavy equipment for the maintenance of way team that improved productivity and minimized manual operations, improving the safety of the crew as well. This equipment included a rail-mounted tie crane, rail-mounted tie inserter, hi-rail dump truck, and hi-rail welder truck, as well as a grapple truck and a spike puller. The efficiencies gained by the maintenance of way team will allow them to do more of the work to raise the rail beds, as well as other work that had previously been assigned to contracted crews. Also, during the fiscal year, work began to rebuild the diesel shop, and a new locomotive was ordered for delivery in fiscal year 2023.

Automobile Terminal

The Authority signed an agreement with AutoMOBILE International Terminal to operate a new automobile logistics facility on the site of the former Bulk Materials Handling Plant. The 60-acre, $60 million dollar investment of the roll-on/roll-off AutoMOBILE Terminal concluded in June 2021. Handover of the property to the operator of the terminal occurred at that time. The Authority applied and received support for this initiative through the RESTORE Act, established in connection with the Deepwater Horizon oil spill, and the U.S. Department of Transportation TIGER grant programs. The concessionaire, AutoMOBILE International Terminal, made a sizeable investment in the automobile-related facilities, while the Authority was responsible for infrastructure improvements. The first vehicles were delivered to the facility in December 2022.

Channel Improvement

During fiscal year 2020, the Authority secured both state and federal funding for the project to widen and deepen the Mobile Harbor ship channel. The Alabama State Port Authority and the U.S. Army Corps of Engineers executed the Mobile Harbor Preconstruction, Engineering, and Design Agreement as well as entered into the Project Partnership Agreement. The channel widening and deepening project, which began in June 2021 with completion expected by the first quarter of 2025, continued to progress on time and on budget through fiscal year 2022.

Legislative initiatives

The Authority maintains a very active presence in both the state and federal legislative arenas. A significant part of the legislative initiative is to identify and pursue funding that will benefit the Authority, the port community, and the State of Alabama. The Authority continues to work with congressional and other partners on realizing industry support for the full use of the Harbor Maintenance Tax proceeds.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) issues its Certificate of Achievement for Excellence in Financial Reporting to those governmental entities that publish an easily readable and efficiently organized Comprehensive Annual Financial Report whose contents conform to program standards. Such report must satisfy both generally accepted accounting principles and applicable legal requirements.

We believe our current report conforms to the Certificate of Achievement Program requirement; therefore, we are submitting it to the GFOA to determine its eligibility for certification.

ACKNOWLEDGEMENTS

The preparation of this report would be impossible without the tireless efforts of the members of the Financial Services Division staff. We would like to thank the officials and staff members from the other divisions of the Authority who also contributed to this effort.

John C. Driscoll

Director & CEO

Linda K. Paaymans

Secretary-Treasurer,
Chief Financial Officer

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Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Alabama State Port Authority

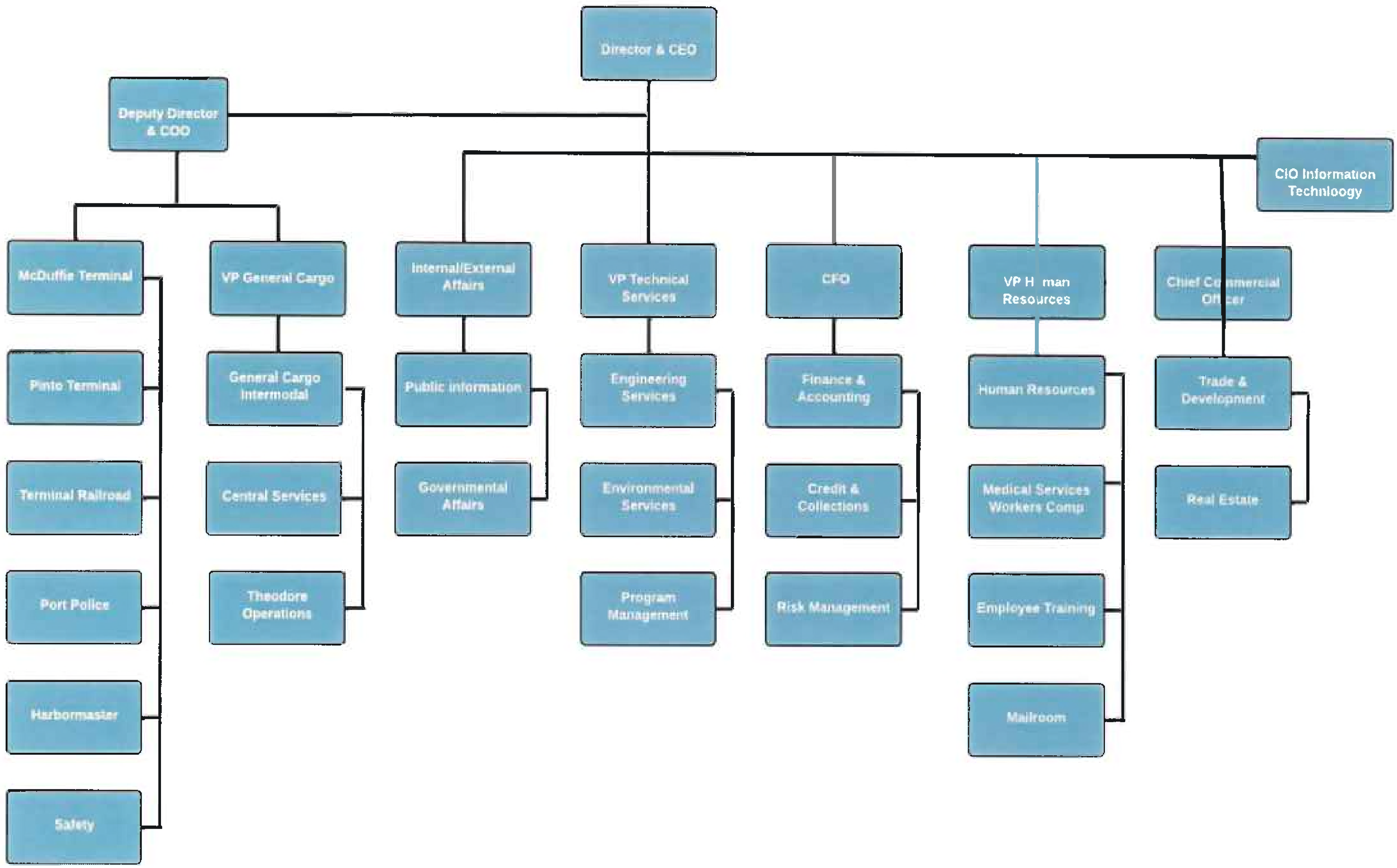
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

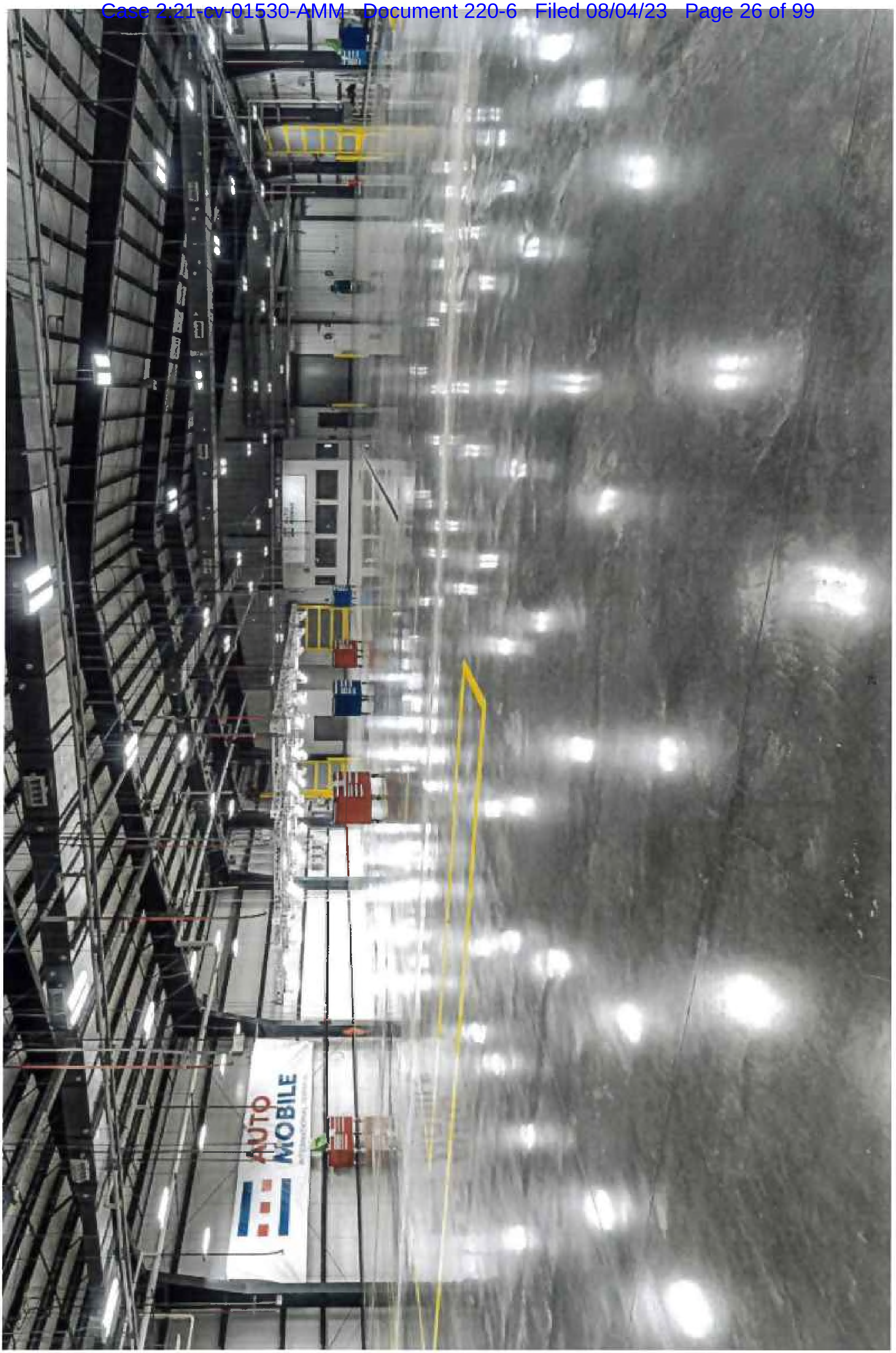
September 30, 2021

Christopher P. Morrill

Executive Director/CEO

ALABAMA STATE PORT AUTHORITY
ORGANIZATIONAL CHART
As of September 30, 2022




AUTO
MOBILE

FINANCIAL SECTION

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 agency of the State of Alabama, as of and for the years ended September 30, 2022 and 2021, 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, 2022 and 2021, 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 – 15 and 68–77, 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 23, 2023, 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.

Warren Averett, LLC

Mobile, Alabama
March 23, 2023

ALABAMA STATE PORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2022 AND 2021

During fiscal 2022, the Authority and APMT agreed to add container capacity at the Port of Mobile. Under the agreement, the Authority and APMT will add 30.3 acres to the existing 134-acre facility bringing the facility's annual throughput capacity to one million TEUs. These improvements mark the fourth time the Authority and APMT have expanded the container terminal since its opening in October 2008. The new $104 million Phase 4 expansion program adds a new sheet pile wall on the north side of the terminal to facilitate the filling of approximately 13 acres of man-made water-bottoms, creating new land. The project will also develop another 17.3 acres adjacent to the water-bottoms providing a combined yard of 30.3 acres. The first 17.3 acres are expected to be completed in the third quarter of 2024, and the remaining 13 acres are expected to be completed in the third quarter of 2026. The Authority and APMT, will partner in the delivery of the project with APMT committed to install two new ship-to-shore super post-panamax cranes with investment totaling $30 million. Currently, the container terminal is equipped to simultaneously dock two 14,000 TEU vessels, serviced by four gantry cranes, two super post-panamax and two post-panamax. The Authority will undertake $74 million in land improvements.

The Authority and the Mobile Airport Authority were jointly awarded $100 million from the U.S. Department of Transportation multimodal demonstration program. Funds from this program are intended to increase efficiency of freight movements by air, rail, highway, and water. The Authority will utilize the $38 million it was awarded under this grant to construct an interterminal connector between the marine terminal and the nearby ICTF and logistics park. This project will be completed by early 2025. Funding will also be invested in site improvements at the adjacent logistics park. This will help expand and optimize the growing container terminal and help the Authority provide cost effective, reliable, and efficient freight and intermodal cargo service.

As part of the FY2022 Omnibus Appropriations Act, the Authority was awarded $200 million, of which $132.7 million will be utilized for improvements that include the design and construction of docks, wharves, and piers, as well as for land acquisition and site development. The remaining $67.3 million will fund the construction of an inland intermodal container transfer facility (ICTF) in Montgomery, Alabama by the Port Authority and CSX Transportation (CSXT). This project provides regional intermodal shippers rapid transit to and from the Port of Mobile and is expected to take 28-36 months to complete. The project also funds certain rail improvements at the Port of Mobile for intermodal and freight rail infrastructure improvements. The facility will serve the region's manufacturing, distribution centers and other businesses utilizing containerized cargo. When completed, the ICTF will be serviced by CSXT Intermodal and reestablishes regularly scheduled rail service at the Port of Mobile and provides a foundation to expand intermodal services further inland. Intermodal rail investment is important to the port's growth, but it will also add much needed capacity and fluidity to the transportation network relieving overly congested east and west coast gateways. The Authority will also contribute capital toward the project, with CSXT taking advantage of the Growing Alabama Tax Credit Program. When completed the project will generate more than 2,600 direct and indirect jobs, $340 million in business revenues and over $14.2 million in state and local taxes.

The Authority unveiled its new website and a harmonious family of new brandmarks aimed at highlighting the capabilities and connectivity at one of the nation's largest deep-water seaports. The new website – www.ALPorts.com – utilizes imagery reflective of the port's infrastructure investment and provides in a streamlined format information important to the port's customers, service providers, stakeholders, and the public at large. The brandmark's streamlined "M" design illustrates the modernization of the port. The family of brand colors are representative of what the Authority provides to employees, customers, and stakeholders. Blue represents trust and responsibility, red represents energy and passion, and green represents reliability and sustainability.

The unveiled family of brand iconography reflects the Authority's dual mission. Nationally, and around the world, the Authority at the Port of Mobile is recognized for its cargo diversity, efficiency, business-friendly service, and connectivity. The full-service public seaport terminals support import and export containerized, breakbulk, bulk, RO/RO, and over-dimensional cargo movements across major global trade lanes. Additionally, the Authority has statutory authority over Alabama's navigable waterways, river, and deep-water ports. In this context, the Authority's mission is to develop transportation solutions to support first, Alabama's, and then the nation's, shippers to foster economic development and generate jobs.

Results of the 2021 Economic Impact Study were published during fiscal 2022 and showed that the Authority provided $85 billion in value to the State of Alabama over calendar year 2021. The study was conducted by Martin Associates, a leading economic research and consulting firm specializing in economic studies for ports worldwide. Martin Associates analyzed the direct, indirect, and induced economic impacts of the Authority's operations and the related private-sector port businesses for the 2021 calendar year. The report showed increased growth compared to 2019 in nearly every business line. The highest growth was in the container cargo, lumber, and liquid bulk sectors. Compared to the last study completed in 2019, there was a 217% increase in overall economic impact, 94% increase in jobs and 225% increase in tax revenues to the State and local governments. The Authority is the fastest-growing container terminal in the United States over the past five years, with 54.9% volume growth since 2017.

During fiscal 2022, several administrative changes and additions were made to help support the Authority's growth. Patrick Seals was hired as the Chief Information Officer and brings extensive knowledge on building IT roadmaps, implementing core ERP systems, leading change through high-impact technology initiatives, and creating top-tier IT cultures. Also, with the recent retirement of Judith Adams, Vice President (VP) of Internal and External Affairs, the external affairs team was expanded with three critical hires: Maggie Oliver, VP of Communications and Federal Affairs, serving as the primary spokesperson while leading communications strategy and federal affairs; Catherine Reaves, VP of Policy and State Affairs leading state affairs and driving development of public policy to support the Authority's commercial goals; Molly Tillman, Director of Public Affairs, managing external engagement to support government relations, communications, and commercial activities. These changes help foster the Authority's commitment to provide efficient and competitive options for customers. Building strength as part of organizational realignment, Melissa Jordan joined the Authority as VP of Finance, providing support to the Chief Financial Officer at a time of tremendous growth and continuity for the future.

ALABAMA STATE PORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2022 AND 2021

Financial Highlights

- The Authority's revenues increased to $164,513,160 in fiscal 2022 as compared to $155,915,487 in fiscal 2021, and increased from $139,822,169 in fiscal 2020.
- The Authority's assets plus deferred outflows of resources exceeded its liabilities plus deferred inflows of resources (net position) at September 30, 2022, 2021, and 2020, by $391,075,200, $376,439,475, and $337,888,078, respectively.
- The Authority's total net position increased $14,635,725 in fiscal 2022 as compared to an increase of $38,551,397 in fiscal 2021, and an increase of $24,653,238 in fiscal 2020.
- Total bonded debt of the Authority decreased to $297,189,229 as of September 30, 2022, as compared to $312,126,000 and $325,186,000 as of September 30, 2021 and 2020, respectively.

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 cash provided by operating activities to the Authority's operating income, as reflected on the statements of revenues, expenses, and changes in net position, 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, 2022 AND 2021

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 2022 and fiscal 2021, as well as changes in revenues and expenses as reflected in the accompanying financial statements.

	2022	2021*	2020
Assets			
Current and other assets	$ 374,257,362	$ 377,306,295	$ 137,304,900
Capital assets, net	641,931,318	632,766,175	621,425,390
Total assets	1,016,188,680	1,010,072,470	758,730,290
Deferred outflows of resources	28,709,199	24,811,503	28,923,740
Liabilities			
Long-term debt outstanding, net	294,205,714	308,849,451	324,616,527
Net pension liability	21,345,801	21,451,914	20,099,684
Net OPEB liability	13,243,637	13,623,335	29,406,243
Other liabilities	56,540,215	49,858,363	46,861,263
Total liabilities	385,335,367	393,783,063	420,983,717
Deferred inflows of resources	268,487,312	264,661,435	28,782,235
Net position			
Net investment in capital assets	344,088,343	319,951,453	295,756,279
Restricted expendable:			
Debt service	27,059,875	31,198,328	29,165,784
Capital projects	-	682,096	681,924
Unrestricted	19,926,982	24,607,598	12,284,091
Total net position	$ 391,075,200	$ 376,439,475	$ 337,888,078

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

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 2022 was $14,635,725. This represents a reduction of $23,915,672 from fiscal 2021 results. Despite lower volumes of metallurgical coal (5%), operating revenues increased from fiscal 2021 due to a change in the customer mix with newer contracts with higher handling rates taking the place of legacy contracts, 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 the 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.

The Authority's increase in net position for fiscal 2021 was $38,551,397. This represents an improvement of $13,898,159 from fiscal 2020 results. Operating revenues increased from fiscal 2020 due to a change in the customer mix with newer contracts with higher handling rates taking the place of legacy contracts, despite slightly lower volumes of metallurgical coal (2%), strength in general cargo, and improved utilization of commercial real estate. Total tonnages of iron and steel products increased (14%), and forest products increased (4%). The Authority continued to receive funding as a designated energy port. In fiscal 2021, $4,950,000 of revenue from this funding source was recognized, which offset costs incurred associated with approved dredging activities.

Of the Authority's $391,075,200 in net position as of September 30, 2022, $344,088,343 represents its investment in capital assets (including intangible assets), less any outstanding debt used to acquire or construct these assets. In addition, $27,059,875 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 $19,926,982 consists of items not considered to be investment in capital assets, net or restricted net position.

ALABAMA STATE PORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2022 AND 2021

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, 2022, 2021, and 2020:

	2022	2021*	2020
Operating revenues	$ 164,513,160	$ 155,915,487	$ 139,822,169
Operating expenses	142,635,896	121,657,614	130,910,647
Operating income	21,877,264	34,257,873	8,911,522
Net nonoperating expenses	(14,403,156)	(13,632,233)	(8,160,720)
Income before capital grants and contributions	7,474,108	20,625,640	750,802
Capital grants and contributions	7,161,617	17,925,757	23,902,436
Increase in net position	14,635,725	38,551,397	24,653,238
Net position, beginning of year	376,439,475	337,888,078	313,234,840
Net position, end of year	$ 391,075,200	$ 376,439,475	$ 337,888,078

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

Fiscal 2022 operating revenues increased 6% as compared to 2021, from $155.9 million to $164.5 million, resulting largely from a change in the customer mix with newer contracts with higher handling rates taking the place of legacy contracts, 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 the McDuffie Coal Terminal increased by $4.6 million (7%), due to a more favorable customer mix. The Terminal Railway revenues were $2.6 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. The 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.

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, litigation before the Surface Transportation Board, safety and environmental activities, facilities maintenance, information technology improvements, and the resumption of travel post-COVID.

Fiscal 2021 operating expenses decreased as compared to fiscal 2020, from $130.9 million to $121.7 million. Expenses associated with the operation and maintenance of facilities decreased by approximately $9.1 million, with the majority ($9.3 million) associated with the McDuffie Coal Terminal. A reduction in coal volume at the McDuffie Coal Terminal (4%) drove reductions in variable costs ($3.5 million) and maintenance costs ($5.4 million). The expected discontinuation of importation of thermal coal also allowed for reduced customary maintenance on specific equipment. Additional reductions include lower allocations for other postemployment benefits (OPEB) ($2.1 million), and lower maintenance at the Inland Docks division ($0.5 million), where allision repairs were incurred during fiscal 2020. Partially offsetting these cost reductions were higher dredging costs ($1.7 million), a result of higher siltation rates, as well as higher transportation costs for hauling dredge material to management sites.

Operating expenses were higher at the General Cargo/Intermodal division ($1.1 million) largely due to increases for dredging ($2.0 million) and damages caused by Hurricanes Sally and Zeta ($0.8 million) that fall outside of insurance limits, which were partially offset by decreases in maintenance expense ($1.1 million), and allocated OPEB charges ($0.6 million). As a result of increased overall volume (1%), the Terminal Railway incurred higher expenses during fiscal 2021 as compared with fiscal 2020 ($0.8 million). Railcar switching activity increased noticeably in grain cars (133%) and at the ICTF (241%), while coal switching (5%) and general switching (7%) decreased slightly. The majority of the expense increase was in maintenance, with a small increase in personnel. Expense at the Real Estate division was higher ($0.2 million) due to increased dredging expense ($1.0 million) and higher contract engineering and outside services ($0.2 million), that was partially offset by reductions in the fiscal year adjustment of the environmental reserve ($1.0 million).

General and administrative expenses decreased by $2.5 million during fiscal 2021, driven by a large decrease in allocated OPEB charges ($1.4 million); constrained personnel expenses due to the tight labor market causing difficulties in filling open positions from normal attrition ($0.5 million); continued travel prohibition due to surges in the coronavirus limiting customer, employee, and board of director activities ($0.3 million); and a onetime expense in fiscal 2020 to furnish a film about the Port of Mobile to be shown at the National Maritime Museum of the Gulf of Mexico ($0.1 million).

	2022	2021*	2020
Operating expenses			
Operation and maintenance of facilities	$ 89,416,660	$ 70,186,443	$ 79,276,076
Depreciation and amortization	35,717,419	36,693,973	32,931,355
General and administrative	17,501,817	14,777,198	17,284,309
Impairment loss on capital assets	-	-	1,418,907
Total operating expenses	$ 142,635,896	$ 121,657,614	$ 130,910,647

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

ALABAMA STATE PORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2022 AND 2021

	2022	2021*	2020
Nonoperating income (expenses)			
Investment income	$ 171,171	$ 52,402	$ 543,848
Change in fair value of interest rate swap	251,940	171,445	590,117
Interest expense	(13,216,074)	(13,961,367)	(14,504,951)
Interest rate swap expense	368	(423,113)	(738,460)
Non-capital port development contributions	15,550,000	16,500,000	6,600,000
Non-capital port development expenses	(15,550,000)	(16,500,000)	(6,600,000)
Gain (loss) on disposal of capital assets	(2,936,592)	693,370	6,530,936
Insurance recoveries	603,722	1,393,625	-
Other, net	722,309	(1,558,595)	(582,210)
Net nonoperating expenses	$ (14,403,156)	$ (13,632,233)	$ (8,160,720)

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

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 the McDuffie Coal Terminal and the 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.

Net nonoperating expenses increased to $13.6 million in fiscal 2021 compared to $8.2 million in fiscal 2020. Investment income decreased $0.5 million in fiscal 2021 as compared to fiscal 2020 due to the historically low interest rates affecting earnings on debt service funds and investments. Interest expense decreased by $0.5 million due to lower balance of debt and continued downward-trending LIBOR rates to which the Docks Facilities Revenue Refunding Bond Series 2008A is indexed. Also affecting interest expense was refunding the Short-Term Facilities Refunding Bond Series 2018 (Series 2018 Bonds) in late fiscal 2020, reducing the interest rate of 2.38% to 1.91% with Docks Facilities Revenue Bond Series 2020. Gain on disposal of assets of $0.7 million includes a $0.6 million gain associated with the accretion of a Hurricane Katrina-related contra-asset that will reach finality in fiscal 2023, and a $0.1 million gain on the sale of miscellaneous items including an option on a piece of property adjacent to some previously sold property for industrial development. The Authority also received $1.4 million of insurance reimbursements for damages to roofs and security cameras from Hurricane Sally. During fiscal 2021, the Authority incurred an expense of $1.8 million related to the seaport modernization project that is reflected in Other, net. This expense was partially offset by the sale of a railroad maintenance tax credit to a short-line railroad and sales of scrap materials ($0.2 million).

ALABAMA STATE PORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2022 AND 2021

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:

	2022	2021*	2020
Cash flows provided by operating activities	$ 35,399,614	$ 43,272,104	$ 28,694,892
Cash flows used in noncapital financing activities	-	-	-
Cash flows used in capital and related financing activities	(1,478,031)	(33,494,668)	(56,468,753)
Cash flows provided by (used in) investing activities	12,601,719	(1,980,313)	16,491,422
Net increase (decrease) in cash and cash equivalents	46,523,302	7,797,123	(11,282,439)
Cash and cash equivalents			
Beginning of year	65,581,341	57,784,218	69,066,657
End of year	$ 112,104,643	$ 65,581,341	$ 57,784,218

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

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 the 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. Assets purchased included computer equipment, vehicles, maintenance, and shop equipment.

Progress made on projects during the year included the locomotive repowering project utilizing eco-friendly technology, initial steps for implementing Geographic Information system technology for the Authority, and commencement of Phase 4 of the Choctaw Point container terminal.

During fiscal 2021, the Authority expended approximately $43.2 million on capital projects and assets. The Authority completed a number of capital projects during fiscal 2021, including the automobile roll-on/roll-off facility, refitting a barge unloader at the McDuffie Coal Terminal, and additional expansion of the dredge-material containment sites. The Terminal Railway purchased equipment, including a number of rail switches, required by maintenance-of-way personnel to continue to keep the rails in good operating order, and had another locomotive repowered with diesel emission-reducing technology.

The Authority has constructed significant projects in the past three years with completed projects totaling approximately $151.3 million. The Authority currently has several active projects with estimated costs to complete of approximately $45.2 million. For detailed information on capital asset activity, see Note 5 to the financial statements.

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 $11.8 million and $9.1 million of principal related to this series is scheduled to be due in fiscal 2023 and 2024, respectively. Principal payments of approximately $2.0 million are scheduled to be due in both fiscal 2023 and 2024 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, 2022 AND 2021

ASSETS

	2022	2021*
CURRENT ASSETS		
Cash and cash equivalents	$ 112,104,643	$ 65,581,341
Short-term investments, restricted	19,780,175	21,184,441
Trade accounts receivable, net of allowance for doubtful accounts of $298,752 and $823,912 as of September 30, 2022 and 2021, respectively	19,176,196	13,432,582
Capital grants receivable	2,066,654	6,127,437
Accrued interest receivable	926,945	858,887
Current portion of lease receivable	6,678,985	8,346,878
Inventories	3,830,532	3,597,725
Prepaid expenses and other assets	2,801,759	13,472,344
Total current assets	167,365,889	132,601,635
NONCURRENT ASSETS		
Lease receivable, net of current portion	194,305,919	225,335,264
Investments, restricted	7,279,700	10,695,982
Right-to-use lease assets, net	144,914	384,001
Capital assets, net	641,931,318	632,766,175
Net pension asset	-	1,279,874
Other assets, net	5,160,940	7,009,539
Total noncurrent assets	848,822,791	877,470,835
TOTAL ASSETS	$1,016,188,680	$1,010,072,470
DEFERRED OUTFLOWS OF RESOURCES		
Pension	$ 7,429,681	$ 3,319,777
Other postemployment benefits	10,230,228	9,180,716
Unamortized debt refunding	11,049,290	12,311,010
Total deferred outflows of resources	$ 28,709,199	$ 24,811,503

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

ALABAMA STATE PORT AUTHORITY
STATEMENTS OF NET POSITION – CONTINUED
SEPTEMBER 30, 2022 AND 2021

LIABILITIES AND NET POSITION

	2022	2021*
CURRENT LIABILITIES		
Accounts and contracts payable	$ 12,779,570	$ 12,704,060
Accrued liabilities:		
Salaries and wages	2,917,298	2,962,826
Vacation and sick leave	2,963,847	2,786,434
Environmental liability	159,520	167,693
Current maturities of long-term debt	13,813,431	14,936,771
Accrued interest payable	5,967,046	6,247,776
Derivative liability	-	251,940
Current portion of lease liabilities	62,765	323,204
Other	1,452,333	1,279,024
Total current liabilities	40,115,810	41,659,728
NONCURRENT LIABILITIES		
Vacation and sick leave	1,975,898	1,857,622
Unearned revenues	9,992,618	227,128
Environmental liability	3,507,706	4,457,503
Unpaid claims	869,753	1,602,873
Net pension liability	21,345,801	21,451,914
Net other postemployment benefits liability	13,243,637	13,623,335
Lease liabilities, net of current portion	78,430	53,509
Long-term debt, net of premiums (net) and current maturities	294,205,714	308,849,451
Total noncurrent liabilities	345,219,557	352,123,335
TOTAL LIABILITIES	$ 385,335,367	$ 393,783,063
DEFERRED INFLOWS OF RESOURCES		
Pension	$ 3,655,569	$ 637,499
Leases	236,490,944	230,281,413
Other postemployment benefits	28,340,799	33,742,523
Total deferred inflows of resources	$ 268,487,312	$ 264,661,435
NET POSITION		
Net investment in capital assets	$ 344,088,343	$ 319,951,453
Restricted expendable:		
Debt service	27,059,875	31,198,328
Capital projects	-	682,096
Unrestricted	19,926,982	24,607,598
Total net position	$ 391,075,200	$ 376,439,475

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

ALABAMA STATE PORT AUTHORITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	2022	2021*
OPERATING REVENUES		
McDuffie Coal Terminal	$ 70,081,202	$ 65,486,584
General Cargo/Intermodal	39,288,129	38,275,968
Terminal Railway	25,110,927	22,514,468
Real Estate	18,531,517	19,802,856
Marine Liquid Bulk Terminal	4,265,861	3,761,245
Other	7,235,524	6,074,366
Total operating revenues	164,513,160	155,915,487
OPERATING EXPENSES AND LOSSES		
Operation and maintenance of facilities	89,416,660	70,186,443
Depreciation and amortization	35,717,419	36,693,973
General and administrative	17,501,817	14,777,198
Total operating expenses and losses	142,635,896	121,657,614
OPERATING INCOME	21,877,264	34,257,873
NONOPERATING INCOME (EXPENSES)		
Investment income	171,171	52,402
Change in fair value of interest rate swap	251,940	171,445
Interest expense	(13,216,074)	(13,961,367)
Interest rate swap income (expense)	368	(423,113)
Non-capital port development contributions	15,550,000	16,500,000
Non-capital port development expense	(15,550,000)	(16,500,000)
(Loss) Gain on disposal of capital assets	(2,936,592)	693,370
Insurance recoveries	603,722	1,393,625
Other, net	722,309	(1,558,595)
Total nonoperating expenses	(14,403,156)	(13,632,233)
Income before capital grants and contributions	7,474,108	20,625,640
Capital grants and contributions	7,161,617	17,925,757
Increase in net position	14,635,725	38,551,397
NET POSITION		
Beginning of year, as restated	376,439,475	337,888,078
End of year	$ 391,075,200	$ 376,439,475

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

ALABAMA STATE PORT AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	2022	2021*
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 149,446,212	$ 139,407,075
Cash payments to suppliers for goods and services	(68,338,724)	(52,945,201)
Cash payments to employees for services	(45,707,874)	(43,189,770)
Net cash provided by operating activities	35,399,614	43,272,104
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(43,741,818)	(43,235,875)
Principal receipts on leases	51,871,065	8,640,875
Interest receipts on leases	6,056,470	5,544,896
Principal paid on bonds	(14,936,771)	(13,060,000)
Interest paid on bonds and swap	(12,942,859)	(13,670,366)
Principal paid on leases	(332,549)	(238,464)
Proceeds from capital grants	11,222,400	20,889,236
Other proceeds	722,309	241,405
Insurance proceeds	603,722	1,393,625
Net cash used in capital and related financing activities	(1,478,031)	(33,494,668)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(6,488,396)	(2,034,022)
Sale of investments	11,360,693	-
Interest received on investments	119,422	53,709
Return of collateral from interest rate swap	7,610,000	-
Net cash provided by (used in) investing activities	12,601,719	(1,980,313)
NET INCREASE IN CASH AND CASH EQUIVALENTS	46,523,302	7,797,123
CASH AND CASH EQUIVALENTS		
Beginning of year	65,581,341	57,784,218
End of year	$ 112,104,643	$ 65,581,341

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

ALABAMA STATE PORT AUTHORITY
STATEMENTS OF CASH FLOWS – CONTINUED
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	2022	2021*
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$ 21,877,264	$ 34,257,873
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	35,717,419	36,693,973
Bad debt expense	97,085	220,001
Leasing activity:		
Lease income	(19,088,825)	(18,696,476)
Lease payments	332,549	238,464
Changes in assets and liabilities:		
Trade accounts receivable	(5,840,699)	2,082,773
Inventories	(232,807)	179,745
Prepaid expenses and other assets	3,052,085	3,564,126
Other assets, net	(3,113,193)	(11,082,272)
Net pension asset and deferred outflows	(2,830,030)	(2,157,583)
Net pension liability and deferred inflows	2,911,957	788,762
Other postemployment benefits liability and deferred inflows and outflows	(6,830,934)	(6,202,369)
Accounts and contracts payable	841,373	5,175,770
Accrued liabilities, unearned revenues, and other liabilities	8,506,370	(1,790,683)
Net cash provided by operating activities	$ 35,399,614	$ 43,272,104

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

Noncash Items

Construction in progress additions of $2,578,555 and $3,342,418 were included in accounts and contracts payable as of September 30, 2022 and 2021, respectively.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Alabama State Port Authority (Authority) is an 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 Pronouncement

The Governmental Accounting Standards Board (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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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:

	Originally Stated	Adjustments	Revised
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	775,138,940	234,933,530	1,010,072,470
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	393,406,244	376,819	393,783,063
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	$ 372,164,177	$ 4,275,298	$ 376,439,475
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	16,350,342	4,275,298	20,625,640
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	337,888,078	-	337,888,078
Net position, end of year	$ 372,164,177	$ 4,275,298	$ 376,439,475

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.
  - **Nonexpendable** – Net position subject to externally imposed stipulations that they be maintained permanently by the Authority. There is no such net position as of September 30, 2022 or 2021.
  - **Expendable** – Net position whose use by the Authority is subject to externally imposed stipulations that can be fulfilled by actions of the Authority pursuant to those stipulations or that expire by the passage of time.
- **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.

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.

Investments

Investments are recorded at their fair value except for investments in debt securities with maturities of less than one year at the date of purchase, which are recorded at cost. Investment income, including unrealized and realized gains and losses on investments, is presented as nonoperating income (expenses) in the accompanying statements of revenues, expenses, and changes in net position. The Authority has a policy in place that outlines permitted investments that meet the requirements of the Authority. The primary objective of the investment program is to maximize the return on investments while minimizing potential risks associated with the investment. The investment terms are intended to be established in conjunction with funding requirements based upon cash flow projections.

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 $97,085 and $220,001 for the years ended September 30, 2022 and 2021, 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Revenues and Expenses – Continued

In fiscal 2022 and 2021, the Authority, designated as an Energy Port under the Water Resources Reform and Development Act of 2014, received funds totaling $4,950,000 in each year 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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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, as appropriate.

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 forty-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, 2022 and 2021.

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 ten 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.

ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Deferred Outflows of Resources

Deferred outflows of resources include unamortized 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.

Discounts/Premiums on Long-Term Debt

Discounts/premiums on long-term debt are amortized as a component of interest expense over the term of the related debt obligations using the straight-line method, which approximates the effective interest method.

Vacation and Sick Leave

Employees earn vacation at rates of five to thirty-one 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 2022 by approximately $296,000 and decreased in fiscal 2021 by approximately $812,000.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Accrued sick leave	$ 839,335	$ 94,001	$ 86,755	$ 846,581	$ 507,949
Accrued vacation leave	3,804,721	830,420	541,977	4,093,164	2,455,898
	$ 4,644,056	$ 924,421	$ 628,732	$4,939,745	$2,963,847

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 $500,000 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.

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 2022, fiscal 2021, and fiscal 2020, 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 ten customers for the years ended September 30, 2022 and 2021, were approximately 61% and 66% 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.

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

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 $891,000 and $895,000 are included in cash and cash equivalents as of September 30, 2022 and 2021, 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.

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS – CONTINUED

As of September 30, 2022 and 2021, $111,213,345 and $64,686,578, respectively, of cash and cash equivalents represents 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.

Investments
The Authority's investment policy permits investments in:

- U.S. Government and Agency securities
- Certificates of deposit
- Money market accounts
- Mutual funds
- Repurchase agreements

The value of the Authority's investments can be exposed to credit risk, interest rate risk, foreign currency risk, and custodial credit risk. The Authority has taken the following steps to mitigate these risks:

- Custodial risk is mitigated as investments are insured and held by the Authority or the Authority's agent in the Authority's name.
- Concentration risk is mitigated as the Authority's investments are in money market funds.
- Interest rate risk is mitigated since the Authority has no fixed income securities other than repurchase agreements collateralized in the Authority's name.
- Foreign currency risk is nonexistent as no investments are held in foreign currencies.

As of September 30, 2022 and 2021, investments of $27,059,875 and $31,880,423, respectively, were held in money market funds with no maturity dates. As the investments are held in money market funds, there are no unrealized gains or losses associated with these investments.

Investments are restricted as to use for debt service obligations and for use in capital projects. Investments restricted for debt service were $27,059,875 and $31,198,328 as of September 30, 2022 and 2021, respectively. Investments restricted for capital projects were $- and $682,096 as of September 30, 2022 and 2021, respectively.

3. FAIR VALUE MEASUREMENTS

The Authority follows the guidance in GASB Statement No. 72, *Fair Value Measurement and Application*, as it relates to fair value measurements and disclosures. This guidance provides a framework for measuring fair value and a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Authority has the ability to access.

Level 2: Inputs to the valuation methodology include directly or indirectly observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability (for example, interest rates and yield curves observable at commonly quoted intervals, volatilities, loss severities, credit risks, and default rates); or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable, supported by little or no market activity, and are significant to the fair value of the assets or liabilities.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

3. FAIR VALUE MEASUREMENTS – CONTINUED

Items Measured at Fair Value on a Recurring Basis
As of September 30, 2022 and 2021, the Authority had the following assets and liabilities measured at fair value on a recurring basis:

	As of September 30, 2022		
	Fair Value	**Level 1**	**Level 2**
Assets:			
Investments	$ 27,059,875	$ 27,059,875	$ -

	As of September 30, 2021		
	Fair Value	**Level 1**	**Level 2**
Assets:			
Investments	$ 31,880,423	$ 31,880,423	$ -
Liabilities:			
Derivative liability	$ 251,940	$ -	$ 251,940

Items Measured at Fair Value on a Nonrecurring Basis
Certain assets are measured at fair value on a nonrecurring basis. These adjustments to fair value usually result from write-downs of individual assets due to impairment. There were no assets measured at fair value on a nonrecurring basis as of September 30, 2022 and 2021.

4. 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 $7,619,137 and $6,450,584 for fiscal 2022 and fiscal 2021, 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.

ALABAMA STATE PORT AUTHORITY
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SEPTEMBER 30, 2022 AND 2021

4. LEASES – CONTINUED

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

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

Lease receivables and related revenues are summarized as follows for fiscal 2021 (as revised):

	Lease Receivable	Lease Revenue	Lease Interest Revenue
Concessionaire agreements	$ 217,969,411	$ 18,893,656	$ 5,983,143
Other lease agreements	15,712,731	1,742,700	420,640
	$ 233,682,142	$ 20,636,356	$ 6,403,783

Minimum future lease receipts are as follows:

	Principal Receipts	Interest Receipts	Total Receipts
2023	$ 6,678,985	$ 6,384,526	$ 13,063,511
2024	5,715,462	5,980,712	11,696,174
2025	5,527,051	5,751,335	11,278,386
2026	5,716,676	5,611,549	11,328,225
2027	6,098,185	5,479,765	11,577,950
2028-2032	29,109,360	24,832,201	53,941,561
2033-2037	24,291,837	20,930,170	45,222,007
2038-2042	28,540,620	16,779,741	45,320,361
2043-2047	24,570,328	12,363,144	36,933,472
2048-2052	28,686,019	8,131,878	36,817,897
2053-2057	28,181,904	3,535,726	31,717,630
2058-2059	7,868,477	164,284	8,032,761
	$ 200,984,904	$ 115,945,031	$ 316,929,935

4. LEASES – CONTINUED

The Authority is a lessee for noncancellable leases of warehouse space and equipment with lease terms ranging from one to five years. As of September 30, 2022 and 2021, the Authority recognized a lease liability of $141,196 and $376,713 respectively. For fiscal 2022, the Authority reported lease expense of $411,366 and interest expense of $3,080 related to lease payments made. For fiscal 2021, Authority reported lease expense of $320,987 and interest expense of $4,230 related to lease payments made.

Right-to-use lease assets and related activity for the year ended September 30, 2022, is as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Leased building and equipment	$ 615,178	$ 97,030	$ (432,153)	$ 280,055
Less accumulated amortization	(231,177)	(336,117)	432,153	(135,141)
Right-to-use assets, net	$ 384,001	$ (239,087)	$ -	$ 144,914

Right-to-use lease assets and related activity for the year ended September 30, 2021, is as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Leased building and equipment	$ 432,154	$ 183,024	$ -	$ 615,178
Less accumulated amortization	-	(231,177)	-	(231,177)
Right-to-use assets, net	$ 432,154	$ (48,153)	$ -	$ 384,001

Minimum future lease expenditures are as follows:

	Principal Payments	Interest Payments	Total Payments
2023	$ 62,765	$ 2,135	$ 64,900
2024	28,484	1,561	30,045
2025	19,600	1,040	20,640
2026	20,103	537	20,640
2027	10,244	76	10,320
	$ 141,196	$ 5,349	$ 146,545

ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

5. CAPITAL ASSETS

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

	Beginning Balance	Additions	Retirements/ Transfers	Ending Balance
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	(48,927)	23,098,190
Total accumulated depreciation	**637,629,944**	**30,672,519**	**(5,399,071)**	**662,903,392**
Total capital assets being depreciated, net	**531,604,238**	**7,231,864**	**(2,975,282)**	**535,860,820**
Capital assets, net	**$ 632,766,175**	**$ 77,338,825**	**$ (68,173,682)**	**$ 641,931,318**

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

ALABAMA STATE PORT AUTHORITY
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5. CAPITAL ASSETS – CONTINUED

The following table is a summary of the activity of various components of capital assets for the year ended September 30, 2021:

	Beginning Balance	Additions	Retirements/ Transfers	Ending Balance
Capital assets not being depreciated:				
Land in use	$ 35,098,032	$ -	$ -	$ 35,098,032
Land for future development	41,675,314	-	-	41,675,314
Intangible asset, easement	10,000	-	-	10,000
Construction work in progress *	39,807,992	63,117,033	(78,546,434)	24,378,591
Total capital assets not being depreciated	**116,591,338**	**63,117,033**	**(78,546,434)**	**101,161,937**
Capital assets being depreciated:				
Wharves, piers, and containerized yards	284,414,661	6,634,345	-	291,049,006
Railroad tracks and crossings	61,677,957	2,590,395	-	64,268,352
Railroad track usage rights	3,266,015	-	-	3,266,015
Buildings and structures	116,018,384	33,791	184,483	116,236,658
Improvements other than buildings	252,364,550	39,455,297	-	291,819,847
Machinery and equipment	365,864,808	7,265,810	192,813	373,323,431
Furniture and fixtures	28,912,754	678,704	(320,585)	29,270,873
Total capital assets being depreciated	**1,112,519,129**	**56,658,342**	**56,711**	**1,169,234,182**
Less accumulated depreciation:				
Wharves, piers, and containerized yards	129,123,157	7,103,338	-	136,226,495
Railroad tracks and crossings	33,823,694	1,815,860	-	35,639,554
Railroad track usage rights	3,260,195	370	-	3,260,565
Buildings and structures	81,245,351	2,150,823	(5,326)	83,390,848
Improvements other than buildings	118,462,516	7,964,021	-	126,426,537
Machinery and equipment	220,968,410	9,816,251	(162,648)	230,622,013
Furniture and fixtures	20,801,754	1,611,183	(349,005)	22,063,932
Total accumulated depreciation	**607,685,077**	**30,461,846**	**(516,979)**	**637,629,944**
Total capital assets being depreciated, net	**504,834,052**	**26,196,496**	**573,690**	**531,604,238**
Capital assets, net	**$ 621,425,390**	**$ 89,313,529**	**$ (77,972,744)**	**$ 632,766,175**

*For fiscal 2021, retirements/transfers of $78,546,434 from construction work in progress, includes $56,658,342 of assets that were capitalized and placed in service, with the remaining amounts transferred to unamortized dredging costs or expensed.

5. 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, 2022, construction work in progress includes:

- $5.1 million for transport and installation of a stacker reclaimer at the McDuffie Coal Terminal
- $5.1 million for projects jointly undertaken with the USACE at Gaillard Island, within and surrounding Mobile Harbor
- $2.6 million associated with the Phase 4 Expansion at the Choctaw Point Container Terminal
- $2.6 million for upgrading existing equipment at the terminals
- $2.0 million related to upgrades to piers, wharves, and bulkheads
- $1.8 million related to dredging projects
- $1.6 million related to upgrading existing Terminal Railway equipment
- $1.3 million related to drainage upgrades at the McDuffie Coal Terminal
- $1.2 million associated with various building upgrades
- $0.7 million related to the construction of the Montgomery, Alabama, Inland Intermodal Container Transfer Facility
- $0.7 million related to expenditures associated with land development
- $0.7 million associated with environmental activities
- $0.5 million related to information technology upgrades

Estimated future commitments for capital expenditures related to construction work in progress for active projects as of September 30, 2022, is approximately $59.1 million. Funds from cash, operating revenues, grants, and partnerships will satisfy these commitments.

Depreciation expense for the years ended September 30, 2022 and 2021, was approximately $30,877,000 and $30,462,000, respectively. An intangible asset, railroad track usage rights, net is also included in capital assets and is fully amortized as of September 30, 2022 and 2021.

6. OTHER ASSETS, NET

The following is a summary of other assets, net as of September 30, 2022 and 2021:

	2022	2021
Unamortized dredging costs	$ 3,292,839	$ 5,019,190
Prepaid bond insurance	1,868,101	1,990,349
Other assets, net	$ 5,160,940	$ 7,009,539

6. OTHER ASSETS, NET – CONTINUED

Amortization expense related to dredging costs for the years ended September 30, 2022 and 2021, was approximately $4,840,000 and $6,001,000, respectively. Amortization expense related to bond insurance premiums was approximately $122,000 for both years ended September 30, 2022 and 2021, and is included in interest expense on the statements of revenues, expenses, and changes in net position.

7. LONG-TERM DEBT

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

	Beginning Balance	Issuances	Payments/ Refundings	Ending Balance	Due Within One Year
Bonds payable from direct borrowings:					
Docks Facilities Revenue Refunding Bond Series 2008A, originally issued for $61,300,000, variable rate (indexed to LIBOR)	$ 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 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	128,975,000	-	4,945,000	124,030,000	11,825,000
	312,126,000	$ -	$ 14,936,771	297,189,229	$ 13,813,431
Plus: Unamortized premium, net	11,660,222			10,829,916	
Less: Current maturities	(14,936,771)			(13,813,431)	
Long-term debt, net	$ 308,849,451			$ 294,205,714	

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7. LONG-TERM DEBT – CONTINUED

The following table provides a summary of the long-term debt for the year ended September 30, 2021:

	Beginning Balance	Issuances	Payments/ Refundings	Ending Balance	Due Within One Year
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	$ 15,700,000	$ -	$ 7,660,000	$ 8,040,000	$ 8,040,000
Docks Facilities Revenue Bond Series 2020, originially issued for $46,986,000, 1.91% due annually through fiscal 2041	46,986,000	-	-	46,986,000	1,951,771
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 Bonds Series 2017B, originally issued for $12,100,000, 5.00% due annually October 1, 2018, through fiscal 2021	4,280,000	-	4,280,000	-	-
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	130,095,000	-	1,120,000	128,975,000	4,945,000
	325,186,000	$ -	$ 13,060,000	312,126,000	$ 14,936,771
Plus: Unamortized premium, net	12,490,527			11,660,222	
Less: Current maturities	(13,060,000)			(14,936,771)	
Long-term debt, net	$ 324,616,527			$ 308,849,451	

7. LONG-TERM DEBT – CONTINUED

All gross revenues of the Authority collateralize the outstanding balances of the Docks Facilities Revenue Refunding Bonds Series 2008A (Series 2008A), 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, 2022.

Amortization of deferred outflows of resources resulting from debt refunding and unamortized premiums on long-term debt was $431,414 and $931,239 for the years ended September 30, 2022 and 2021, respectively, and is included in interest expense in the statements of revenue, expense, and changes in net position.

7. LONG-TERM DEBT – CONTINUED

The Series 2020 Bond results from a direct borrowing. Future minimum maturities on the bond payable from a direct borrowing as of September 30, 2022, are as follows:

	Principal	Interest	Total
2023	$ 1,988,431	$ 825,296	$ 2,813,727
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
2028-2032	11,354,082	2,690,212	14,044,294
2033-2037	12,480,439	1,543,153	14,023,592
2038-2041	10,870,477	333,446	11,203,923
	$ 45,034,230	$ 8,299,431	$ 53,333,661

Future minimum maturities on bonds payable as of September 30, 2022, are as follows:

	Principal	Interest	Total
2023	$ 11,825,000	$ 11,622,581	$ 23,447,581
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
2028-2032	56,955,000	41,722,623	98,677,623
2033-2037	69,130,000	25,849,987	94,979,987
2038-2041	75,030,000	6,884,440	81,914,440
	$ 252,155,000	$ 128,408,606	$ 380,563,606

8. RESTRICTED EXPENDABLE NET POSITION

Restricted expendable net position, which represents cash and investments held by trustees under various bond and interest rate swap agreements, consists of the following as of September 30, 2022 and 2021:

	2022	2021
Debt service:		
Docks Facilities Renewal and Replacement Fund	$ 7,241,364	$ 6,692,984
Docks Facilities Revenue Bonds, Series 2017A Debt Service Fund	3,054,907	3,049,931
Docks Facilities Revenue Bonds, Series 2017C Debt Service Fund	153,276	153,253
Docks Facilities Revenue Bonds, Series 2017D Debt Service Fund	14,543,466	7,701,540
Interest Rate Swap, Debt Service Fund	-	214,393
Docks Facilities Revenue Refunding Bond, Series 2008A Debt Service Fund	-	8,047,086
Docks Facilities Revenue Refunding Bond, Series 2008A Reserve Fund	-	3,313,607
Docks Facilities Revenue Bond, Series 2020 Debt Service Fund	2,066,862	2,025,534
Capital projects:		
Short-Term Docks Facilities Revenue Bond, Series 2018 Construction Fund	-	682,096
Total restricted expendable	$ 27,059,875	$ 31,880,424

9. RETIREMENT PLANS

The Authority contributes to five retirement plans, four of which cover substantially all 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:

2022	ERS	Hourly DB Plan	Railway Plan	**Total**
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 (benefit) expense	$ 1,227,018	$ 1,909,549	$ 90,267	**$ 3,226,834**

2021	ERS	Hourly DB Plan	Railway Plan	**Total**
Pension assets	$ 33,795,980	$ 21,723,794	$ 1,373,015	**$ 56,892,789**
Pension liabilities	54,841,510	20,443,920	1,779,399	**77,064,829**
Net pension liability	**$ 21,045,530**	**$ -**	**$ 406,384**	**$ 21,451,914**
Net pension asset	**$ -**	**$ (1,279,874)**	**$ -**	**$ (1,279,874)**
Deferred outflows	$ 3,157,735	$ 83,231	$ 78,811	**$ 3,319,777**
Deferred inflows	$ 285,826	$ 242,070	$ 109,603	**$ 637,499**
Pension expense	$ 1,375,218	$ 278,208	$ 44,635	**$ 1,698,061**

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, 2022 and 2021, were approximately $1,144,000 and $1,041,000, respectively.

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 ten 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.

9. RETIREMENT PLANS – CONTINUED

Employees' Retirement System of Alabama (ERS) – Continued

Benefits Provided – Continued

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.

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 ninety 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.

9. RETIREMENT PLANS – CONTINUED

Employees' Retirement System of Alabama (ERS) – Continued

Contributions – Continued

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

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 14.83% for fiscal 2022 and 14.64% for fiscal 2021. 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% in 2022 and 14.24% in 2021. The Authority's total contribution requirement and contributions made for fiscal 2022 and 2021 were approximately $2,178,000 and $2,129,000, respectively, which consisted of approximately $1,465,000 and $1,420,000 from the Authority and $713,000 and $709,000 from employees, respectively.

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

As of September 30, 2022, the Authority reported a liability of $17,928,689 for its proportionate share of the net ERS liability. The net ERS liability was measured as of September 30, 2021, and the total ERS liability used to calculate the net ERS liability was determined by an actuarial valuation as of September 30, 2020. 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, 2021 measurement date, the Authority's proportion was 0.641% which was a decrease from 0.677%, its proportion measured as of the September 30, 2020 measurement date.

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

Due to the one year difference in measurement date and fiscal year end, the Authority recognized ERS expense of $1,420,151 and $1,550,045, for the years ended September 30, 2022 and 2021, respectively. As of September 30, 2022, 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	$ 729,319	$ -
Changes in assumptions	1,312,679	-
Net difference between projected and actual earnings on pension plan investments	-	2,672,188
Changes in proportion and differences between Authority contributions and proportionate share of contributions	-	841,760
Authority contributions subsequent to the measurement date	1,465,596	-
	$ 3,507,594	$ 3,513,948

Deferred outflows of resources of $1,465,596, which will be recognized as a reduction of the net pension liability during the year ending September 30, 2023, result from Authority contributions made subsequent to the measurement date of September 30, 2021. 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:	
2023	$ (19,484)
2024	12,938
2025	(564,152)
2026	(901,252)
	$ (1,471,950)

9. RETIREMENT PLANS – CONTINUED

Employees' Retirement System of Alabama (ERS) – Continued

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, 2021, measurement date:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Authority's proportionate share of the net pension liability	$ 23,678,444	$ 17,928,689	$ 13,044,307

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.

9. RETIREMENT PLANS – CONTINUED

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

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 $306 to $1,558 a month, up to 35 years of service, as well as those of any age with thirty consecutive years of service. Participants receive an additional $42 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.

Employees Covered by Benefit Terms
The following employees were covered by the benefit terms as of September 30, 2022 and 2021:

	2022	2021
Inactive employees or beneficiaries currently receiving benefits	165	164
Inactive employees entitled to but not receiving benefits	31	29
Active employees	49	59
	245	252

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.

9. RETIREMENT PLANS – CONTINUED

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

Contributions – Continued
The annual required contribution for the current year was determined as part of the January 1, 2022, 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 $1,545,711 and $1,502,523, equaling 10.40% and 10.95% of payroll of covered participants for the years ended September 30, 2022 and 2021, respectively.

Net Pension Liability (Asset)
The Authority's net pension liability (asset) was measured as of September 30, 2022 and 2021, and the total pension liability (asset) used to calculate the net pension asset was determined by an actuarial valuation as of January 1, 2022 and 2021, rolled forward to September 30 using generally accepted actuarial principles.

The total pension liability in the September 30, 2022 and 2021, actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	Rates	
	2022	**2021**
Inflation	2.50%	2.75%
Discount rate	4.75%	5.25%
Investment rate of return	4.75%	5.25%

Healthy mortality rates for the year ended September 30, 2022, for the Hourly Plan were based on the PUB-2010 General Healthy Retiree – Below Median Income Mortality Table (sex distinct) with a 2-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 7-year set forward adjustment for males and a 3-year set forward adjustment for females.

9. RETIREMENT PLANS – CONTINUED

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

Net Pension Liability (Asset) – 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, 2022:

	Target Allocation	Long-Term Expected Real Rate of Return
Investment Type:		
Short-Term Securities (cash equivalents)	7.50%	-0.45%
U.S. Government / Agency (cash equivalents)	27.50%	-0.45%
Corporate Bonds	34.00%	1.01%
Large-, Mid-, and Small-Cap Equities	17.00%	4.33%
Mortgage-Backed Securities	14.00%	3.54%
	100.00%	

As of September 30, 2022 and 2021, the only investments in the Hourly DB Plan's fiduciary net position that represented a concentration of 5.00% or more in any organization, were those in U.S. Government and Agency securities.

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.

The discount rate used to measure the total pension liability was the long-term rate of return of 4.75% and 5.25% and a municipal bond rate (based on the 20-year Bond Buyer GO Index) of 4.02% and 2.26% as of September 30, 2022 and 2021, 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.

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9. RETIREMENT PLANS – CONTINUED

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

	Total Pension Liability (A)	Pension Fiduciary Net Position (B)	Net Pension (Asset) Liability (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	1,500,997	(2,599,729)	4,100,726
Balances as of September 30, 2022	$ 21,944,917	$ 19,124,065	$ 2,820,852

	Total Pension Liability (A)	Pension Fiduciary Net Position (B)	Net Pension Asset (A) - (B)
Balances as of October 1, 2020	$ 20,615,767	$ 20,806,649	$ (190,882)
Service cost	132,274	-	132,274
Interest cost	1,050,335	-	1,050,335
Changes for experience	148,067	-	148,067
Changes in assumptions	-	-	-
Contributions – employer	-	1,502,523	(1,502,523)
Benefit payments	(1,502,523)	(1,502,523)	-
Net investment income	-	917,145	(917,145)
Net changes	(171,847)	917,145	(1,088,992)
Balances as of September 30, 2021	$ 20,443,920	$ 21,723,794	$ (1,279,874)

The change in assumptions reflected in the change in net pension liability (asset) 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.

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9. RETIREMENT PLANS – CONTINUED

Hourly Paid Alabama State Port Authority Workers Retirement Plan (Hourly DB 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, 2022:

	1% Decrease (3.75%)	Current Discount Rate (4.75%)	1% Increase (5.75%)
Net pension liability	$ 5,033,595	$ 2,820,852	$ 929,340

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Hourly DB Plan
For the years ended September 30, 2022 and 2021, the plan recognized pension expense of $1,909,549 and $278,208, respectively. As of September 30, 2022, 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	$ 2,795,531	$ -
Changes in assumptions	779,559	-
Differences between expected and actual experience	2,959	-
	$ 3,578,049	$ -

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:	
2023	$ 1,367,375
2024	679,544
2025	783,086
2026	748,044
	$ 3,578,049

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, 2022 and 2021, the following employees were covered by the benefit terms:

	2022	2021
Inactive employees or beneficiaries currently receiving benefits	67	76
Active employees	98	98
	165	174

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, 2022 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 $133,600 and $144,209, equaling 1.58% and 1.79% of payroll of covered participants for the years ended September 30, 2022 and 2021, respectively.

Net Pension Liability
The Authority's net pension liability was measured as of September 30, 2022 and 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2022 and 2021, rolled forward to September 30 using generally accepted actuarial principles.

The total pension liability in the September 30, 2022 and 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	Rates	
	2022	**2021**
Inflation	2.50%	2.75%
Discount rate	4.75%	5.25%
Investment rate of return	4.75%	5.25%

Healthy mortality rates for the year ended September 30, 2022, for the Railway Plan were based on the PUB-2010 General Healthy Retiree – Below Median Income Mortality Table (sex distinct) with a 2-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 7-year set forward adjustment for males and a 3-year set forward adjustment for females.

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, 2022:

	Target Allocation	Long-Term Expected Real Rate of Return
Investment Type:		
Short-Term Securities (cash equivalents)	7.50%	-0.45%
U.S. Government / Agency (cash equivalents)	27.50%	-0.45%
Corporate Bonds	34.00%	1.01%
Large-, Mid-, and Small-Cap Equities	17.00%	4.33%
Mortgage-Backed Securities	14.00%	3.54%
	100.00%	

As of September 30, 2022 and 2021, the only investments in the Railway Plan's fiduciary net position that represented a concentration of 5.00% or more in any organization, were those in U.S. Government and Agency securities.

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% and 5.25% and a municipal bond rate (based on the 20-year Bond Buyer GO Index) of 4.02% and 2.26% as of September 30, 2022 and 2021, 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.

9. RETIREMENT PLANS – CONTINUED

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

	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

	Total Pension Liability (A)	Pension Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Balances as of October 1, 2020	$ 1,823,412	$ 1,315,049	$ 508,363
Service cost	22,939	-	22,939
Interest cost	93,196	-	93,196
Changes for experience	(15,939)	-	(15,939)
Changes in assumptions	-	-	-
Contributions – employer	(144,209)	144,209	(288,418)
Benefit payments	-	(144,209)	144,209
Net investment income	-	57,966	(57,966)
Net changes	(44,013)	57,966	(101,979)
Balances as of September 30, 2021	$ 1,779,399	$ 1,373,015	$ 406,384

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, 2022 AND 2021

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, 2022:

	1% Decrease (3.75%)	Current Discount Rate (4.75%)	1% Increase (5.75%)
Net pension liability	$ 790,046	$ 596,260	$ 432,011

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Railway Plan
For the years ended September 30, 2022 and 2021, the plan recognized pension expense of $90,267 and $44,635, respectively. As of September 30, 2022, 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	$ 176,661	$ -
Changes in assumptions	144,546	36,154
Differences between expected and actual experience	22,831	105,467
	$ 344,038	$ 141,621

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:	
2023	$ 40,636
2024	51,366
2025	52,607
2026	53,712
2027	4,096
	$ 202,417

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 ten years of creditable service with SEHIP.

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% 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, 2021 and 2020, 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, 2022 and 2021, the Authority contributed $885,705 and $917,111, respectively, to the SEIF.

Net OPEB Liability

The Authority's net OPEB liability was measured as of September 30, 2021, and the total OPEB liability was determined by an actuarial valuation as of September 30, 2020. 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, 2021, relative to total contributions made by all participating entities. At the September 30, 2021, measurement date, the Authority's proportion was 1.55% which was an increase from 1.37%, its proportion measured as of the September 30, 2020, measurement date.

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, 2022 and 2021, were as follows:

	2022	2021
Total OPEB liability	$ 17,101,304	$ 16,445,627
OPEB Fiduciary net position	3,857,667	2,822,292
Net OPEB liability	$ 13,243,637	$ 13,623,335
OPEB benefit	$ (5,945,229)	$ (5,285,258)

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	2.29%
Municipal Bond Index Rate at Prior Measurement Date	2.25%
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	7.50%
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%

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

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, 2021:

	Target Allocation	Long-Term Expected Real Rate of Return
Investment Type:		
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% and 7.50% at the September 30, 2021 and 2020, measurement dates, respectively), and the present value determined by discounting those benefits after the date of depletion by the Municipal Bond Index Rate (2.29% and 2.25% 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, 2021 and 2020, 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% and 7.50%, respectively, was used as the SEIR.

10. OTHER POSTEMPLOYMENT BENEFITS – CONTINUED

Actuarial Assumptions and Other Inputs – Continued

In 2020, rates of withdrawal, retirement, disability, and mortality were adjusted to more closely reflect actual experience. In 2020, economic assumptions and the assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. Effective January 1, 2017, Medicare eligible medical and prescription drug benefits are provided through a Medicare Advantage Plan (MAPD) that offers prescription drug coverage. 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. 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. 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, 2021, measurement date:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net OPEB liability	$ 15,401,255	$ 13,243,637	$ 11,440,183

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, 2021 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	$ 10,551,518	$ 13,243,637	$ 16,516,369

10. OTHER POSTEMPLOYMENT BENEFITS – CONTINUED

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

As of September 30, 2022, 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	$ -	$ 12,640,397
Changes in assumptions	1,076,463	8,712,754
Net difference between projected and actual earnings on OPEB plan investments	-	291,161
Changes in proportion and differences between Authority contributions and proportionate share of contributions	8,268,060	6,696,487
Authority contributions subsequent to the measurement date	885,705	-
	$ 10,230,228	$ 28,340,799

Deferred outflows of resources of $885,705 result from Authority contributions subsequent to the measurement date of September 30, 2021, and will be recognized as a reduction of the net OPEB liability in the year ended September 30, 2023. 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:	
2023	$ (6,517,912)
2024	(6,647,495)
2025	(5,109,926)
2026	(1,025,202)
2027	304,259
	$ (18,996,276)

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, 2022 and 2021:

	2022	2021
Reported claims payable and estimated claims incurred but not reported at beginning of year	$ 1,785,776	$ 1,998,159
Provisions for claims	(658,372)	10,575
Payments	(97,448)	(222,958)
Reported claims payable and estimated claims incurred but not reported at end of year	1,029,956	1,785,776
Less: current liabilities	160,203	182,903
Reported long-term claims payable at end of year	$ 869,753	$ 1,602,873

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.

12. COMMITMENTS AND CONTINGENCIES – CONTINUED

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. INTEREST RATE SWAP

In December 2002, the Authority entered into a swaption contract in order to monetize potential debt service savings on the Authority's callable Docks Facilities Revenue Bonds Series 1996. The swaption gave the counterparty the option to enter into a variable-to-fixed interest rate swap at a specified future date.

The counterparty exercised its option under the swaption agreement, and the interest rate swap commenced on October 1, 2006, and expired on October 1, 2021, with the Authority paying a fixed interest rate (5.38%) and the Authority receiving a variable interest rate (67% of the one-month LIBOR). Upon exercising of the option by the counterparty, the Authority issued variable-rate refunding bonds in an amount sufficient to refund the fixed rate Docks Facilities Revenue Bonds Series 1996. The swap agreement is based on an amortizing notional amount, which was $7,970,000 as of September 2021. As of September 30, 2021, the interest rate swap had a negative fair value of $251,940 and was recorded in the accompanying financial statements in accordance with GASB Statement No. 53 as an investment derivative instrument.

The Authority was required to post collateral deposits in fiscal 2009 and 2010 due to the negative position of the interest rate swap. The balance of the collateral was approximately $7.6 million as of September 30, 2021. The interest rate swap is valued using Level 2 inputs calculated using an industry accepted option-pricing model that uses market interest rates and a volatility assumption on the valuation date. The interest rate and volatility data are used to calculate the present value of the potential future cash flows of the interest rate swap. The swap agreement expired in October 2021, and the collateral balance of approximately $7.6 million was returned to the Authority.

14. RELATED PARTY TRANSACTIONS

During the years ended September 30, 2022 and 2021, the Authority had no revenues from customers having principals who are members of the Authority's Board of Directors.

15. RECLASSIFICATIONS

Certain reclassifications have been made to the previously reported financial statements and accompanying notes to make the prior year comparable to those of the current year. Such reclassifications had no effect on previously reported operations or net position.

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 NINE FISCAL YEARS ENDED SEPTEMBER 30

	2022	2021	2020	2019	2018	2017	2016	2015	2014
TOTAL PENSION LIABILITY									
Service cost	$ 107,417	$ 132,274	$ 133,730	$ 138,460	$ 143,789	$ 157,083	$ 174,718	$ 174,718	$ 183,862
Interest cost	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	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	(1,545,711)	(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	1,500,997	(171,847)	(28,825)	(418,494)	(970,720)	542,475	(314,764)	232,212	265,404
Total pension liability – beginning	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)	21,944,917	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	1,545,711	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 (loss) income	(2,599,729)	917,145	1,575,424	1,451,331	369,013	601,428	1,094,074	396,515	420,789
Benefit payments	(1,545,711)	(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	(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	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)	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 (ASSET) LIABILITY (A) - (B)	$ 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	87.15%	106.26%	100.93%	93.15%	84.41%	79.02%	78.22%	72.07%	71.01%
COVERED PAYROLL	$ 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 (ASSET) LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	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 NINE FISCAL YEARS ENDED SEPTEMBER 30

Notes to Schedule – Continued

For fiscal year 2022, healthy mortality rates were based on the PUB-2010 General Healthy Retiree – Below Median Income Mortality Table (sex distinct), set forward 2 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 2-year set forward adjustment. Disabled mortality rates are based on the PUB-2010 General Disabled Retiree Mortality Table (sex distinct), with a 7-year forward adjustment for males and a 3-year forward adjustment for females.

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

For fiscal year 2021, healthy mortality rates were based on the RP-2000 Blue Collar Mortality Table (sex distinct) projected with Scale BB to 2020 with an adjustment of 125% at all ages for males and 120% for females at ages on and after 78. Disabled mortality rates were based on the RP-2000 Disabled Retiree Mortality Table (sex distinct) projected with Scale BB to 2020 with an adjustment for 130% at all ages for females.

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

Fiscal Year	Actuarially Determined Contribution	Contributions from Authority	Contribution (Deficiency)/ Excess	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%

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 NINE FISCAL YEARS ENDED SEPTEMBER 30

Notes to Schedule – Continued

For fiscal year 2022, healthy mortality rates were based on the PUB-2010 General Healthy Retiree – Below Median Income Mortality Table (sex distinct), set forward 2 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 2-year set forward adjustment. Disabled mortality rates are based on the PUB-2010 General Disabled Retiree Mortality Table (sex distinct), with a 7-year forward adjustment for males and a 3-year forward adjustment for females.

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

For fiscal year 2021, healthy mortality rates were based on the RP-2000 Blue Collar Mortality Table (sex distinct) projected with Scale BB to 2020 with an adjustment of 125% at all ages for males and 120% for females at ages on and after 78. Disabled mortality rates were based on the RP-2000 Disabled Retiree Mortality Table (sex distinct) projected with Scale BB to 2020 with an adjustment for 130% at all ages for females.

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

	2022	2021	2020	2019	2018	2017	2016	2015
Authority's proportion of the net pension liability	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	$ 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	$ 9,775,621	$ 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	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	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.

ALABAMA STATE PORT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF AUTHORITY CONTRIBUTIONS (ERS)
LAST EIGHT FISCAL YEARS ENDED SEPTEMBER 30

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required Authority contribution	$ 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	1,465,596	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)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
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
Authority contributions as a percentage of covered payroll	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 SIX FISCAL YEARS ENDED SEPTEMBER 30

	2022	2021	2020	2019	2018	2017
Authority's proportion of the net OPEB liability	1.55%	1.37%	1.70%	1.63%	1.29%	1.34%
Authority's proportionate share of the net OPEB liability	$ 13,243,637	$ 13,623,335	$ 29,406,243	$ 47,368,513	$ 40,958,024	$ 45,831,470
Authority's covered employee payroll	$ 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	51.81%	48.41%	104.15%	183.06%	175.06%	195.89%
Plan fiduciary net position as a percentage of the total OPEB liability	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.

Changes in Actuarial Assumptions and Other Inputs

In fiscal 2022, rates of withdrawal, retirement and disability were adjusted to more closely reflect actual experience. Mortality rates were updated to Pub-2010 Public Mortality Plans Mortality Tables, and future mortality improvement was updated to mortality improvement scale MP-2020, with an adjustment of 66-2/3% to the table beginning in year 2019. In addition, economic assumptions and the assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. Effective January 1, 2017, Medicare eligible medical and prescription drug benefits are provided through a Medicare Advantage Plan (MAPD) that offers prescription drug coverage. 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.

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.

Recent Plan Changes

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.

There were no other changes in actuarial assumptions made since the prior measurement period.

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

	2022	2021	2020	2019	2018	2017
Contractually required Authority contribution	$ 885,705	$ 917,111	$ 747,379	$ 1,265,923	$ 1,314,110	$ 1,201,451
Authority contributions in relation to the contractually required contribution	885,705	917,111	747,379	1,265,923	1,314,110	1,201,451
Authority contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Authority's covered employee payroll	$ 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	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:

Actuarial cost method	Entry Age Normal
Amortization method	Level percent of pay, open
Remaining amortization period	30 years
Asset valuation method	Market 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	5.00%, including inflation

* *Initial Medicare claims are based on scheduled increase through plan year 2022.*