

ALABAMA STATE PORT AUTHORITY

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

SEPTEMBER 30, 2020 AND 2019

**ALABAMA STATE PORT AUTHORITY
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SEPTEMBER 30, 2020 AND 2019**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Alabama State Port Authority

Report on the Financial Statements

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, 2020 and 2019, 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.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Alabama State Port Authority as of September 30, 2020 and 2019, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 3 – 16 and 68 – 75, 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 16, 2021, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Mobile, Alabama
March 16, 2021

**ALABAMA STATE PORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2020 AND 2019**

The discussion and analysis of the financial performance of the Alabama State Port Authority (Authority) provides an overview of the entity's financial activities for the fiscal years ended September 30, 2020 and 2019. Please read this summary in conjunction with the Authority's financial statements and the accompanying notes that follow this section, which are essential in identifying the changes to the financial condition that occurred during the most recent fiscal year.

Operating Highlights

- The Authority welcomed a new chief executive during the fiscal year, marking the first transition since the inception of the current board structure.
- The U.S. Army Corps of Engineers and the Authority initiated the next steps to deepen and widen the Port of Mobile.
- The Authority signed a concession agreement with AutoMOBILE International Terminal to create a new U.S. gateway for shipping finished automobiles.
- The coronavirus was disruptive to all but did not have a significant deleterious impact on the Authority's operations.
- Trade policies directly impacted operations at the Pinto Island Steel Terminal.

During fiscal 2020, the Authority's Board of Directors appointed John C. Driscoll as Director and Chief Executive Officer, and the former director, James K. Lyons, transitioned to the position of Director Emeritus until his retirement. Mr. Driscoll most recently served as the Maritime Director at the Port of Oakland, where he had operational and marketing responsibility for one of the nation's top 10 container seaports. He was credited with improving the port's operating efficiency, financial performance, and community relations. Prior to working in Oakland, Mr. Driscoll served as vice president of export sales for CMA CGM (America) LLC, a leading global container shipping group. Mr. Driscoll gained deep international maritime experience and contacts working with Sea-Land Service, Maersk Line and CMA CGM. He successfully developed business operations in the Caribbean, Central America and South America.

The Authority and the U.S. Army Corps of Engineers (USACE) Mobile District signed the Mobile Harbor Pre-Construction, Engineering and Design Agreement. The engineering and design phase establishes the construction parameters to deepen and widen Alabama's only deep-water seaport. The agreement is a critical step toward realizing the port's ability to accommodate the larger ships serving the world's major trade lanes, while improving vessel transit efficiencies and safety in the Port of Mobile. Under the USACE Record of Decision issued in early September 2020, the project will deepen the existing Bar, Bay and River Channels Bar, by 5 feet each to project depth of 50 feet, with additional depths for wave allowances, advanced maintenance and allowable over depth for dredging (total depths of 56, 54 and 54 feet, respectively). The project also includes widening the Bay Channel by 100 feet for three nautical miles to accommodate two-way vessel traffic and other safety improvements. The harbor improvement project is keeping pace with ongoing terminal investments in Alabama's seaport to ensure economies of scale and competitive rates for the seaport's shippers. Later in the year, Alabama's senior U.S. Senator, Richard Shelby, announced that the USACE has allocated \$273.4 million, the full federal share of the project cost, for the Port of Mobile project in its Fiscal Year 2020 Work Plan, officially providing the resources to improve Alabama's only deep-water seaport. The harbor improvements will primarily serve coal and containerized shippers using the larger, Post-Panamax sized vessels.

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On the heels of a good first quarter, and optimistic for the future coming out of the Mardi Gras season, COVID-19 came to call. There is no doubt that it was disruptive and caused a period of lower productivity and higher expenses. Fortunately, the negative impact of the coronavirus on the container terminal was short-lived, with cancelled port calls lasting about three months beyond the usual low shipping season from Asia corresponding with the Chinese New Year. The port remained open and fully operational. The Authority's highest priority was and remains the safety of its employees and those entering the port terminals, followed closely by local and statewide economies. In late March 2020, the Authority implemented mandatory temperature-screening protocols for all personnel entering the port's gates, as well as Centers for Disease Control (CDC) recommended sanitization measures. Anyone posting a temperature higher than the CDC recommended threshold is denied entry to the port and referred to their employer and medical provider. Shift change was modified to install a buffer of time to allow for no contact between shifts, in order to minimize contamination. The temperature screening is augmented by federal screening protocols for ships and crewmembers, personnel social distancing protocols, sanitizing of buildings and equipment, travel and visitor restrictions and other CDC recommended steps to ensure the port is "flattening the curve" to remain open for business. During the fiscal year, 154 employees were tested for the virus, with 30 positive results, and fortunately no employee fatalities resulted.

During the year, the *Journal of Commerce* recognized the Authority for productivity achievements during its annual Port Performance North America conference receiving Most Improved Port Performance Overall in North America for the 2017-2018 cycle, the most recent reviewed. The Authority's partner, APM Terminals Mobile, came in second overall for Most Improved Terminal in North America. Based on port productivity data, the *Journal of Commerce* annually recognizes productivity for the top three North American container ports, the top three North American container port terminals, the top three container ports overall, and the top three container berths during the past year. Since its opening in 2008, Alabama's container terminal at the Port of Mobile has previously been recognized for overall containerized cargo growth amongst North American ports, including fastest growth port in 2016, top five fastest growth port in 2017, and fastest growth import port in 2018.

The Authority and AutoMOBILE International Terminal (AIT) signed a concession agreement for the \$60 million finished automobile roll on/roll off terminal currently under construction. AIT will operate the facility when completed in early 2021. AIT is a joint venture between Terminal Zarate, S.A., a Grupo Murchison company, headquartered in Buenos Aires, Argentina and Neltume Ports, headquartered in Santiago, Chile, both world class service companies whose investments are welcomed by the Authority. AIT's investment will create a new U.S. gateway for shipping finished automobiles for both U.S. and global manufacturing and consumer markets. The new 57-acre terminal is located on the Authority's main port multimodal complex, and when completed, will have annual throughput capacity of 150,000 units.

**ALABAMA STATE PORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2020 AND 2019**

In March 2020, the largest bulk carrier to ever call at the Port of Mobile loaded over 133,000 short tons of export, metallurgical grade coal at its McDuffie Coal Terminal. The Newcastle Max class bulk carrier, MARAN COURAGE, measures 984.2 feet in length overall (LOA) and has a width of 164.3 feet (beam). All of her cargo loaded at the McDuffie Coal Terminal consisted of Alabama metallurgical grade coal bound for Asian markets. The Newcastle Max call, along with a steady increase in Post-Panamax vessels at the port, are due in part to past and ongoing infrastructure investments. When the channel is deepened, the Newcastle Max will be able to load far more tonnage, which in turn provides the Authority's customers more capacity and more competitive transportation rates to service international market opportunities. This tonnage record was broken in June 2020 with the loading of 135,484 short tons of metallurgical grade coal, also destined for Asian markets, on the Newcastle Max bulk carrier NSU VOYAGER.

MTC Logistics (MTC), a wholly owned subsidiary of Hoffberger Holdings, Inc. ("HHI") a diversified privately held investment company of the Hoffberger family of Baltimore, MD, is investing approximately \$61 million in the Port of Mobile's newest refrigerated cargo facility, erecting steel for their new International Distribution Center expected to open in early 2021. This needed facility is poised to serve the pent-up-demand of both import and export refrigerated cargo shippers. When completed, the new facility will provide shippers with seamless supply chain solutions focused on global commerce. MTC provides shippers a comprehensive suite of services, including blast freezing, port drayage and LTL consolidation. MTC will expand the seaport's blast freeze capability by accommodating 30 truckloads per day and providing 40,000 racked pallet positions of storage. The facility is located outside the gates of the seaport's container terminal operated by APM Terminal and will be one of the largest of its kind in the Southeast. Its proximity to the container terminal and max loading capabilities will not only add value but help customers reduce their carbon footprint by limiting the number of trucks on the road.

The federal trade policies impacted the Authority's operations and revenue. Tariffs and quotas on steel products directly impacted operations at the Pinto Steel Terminal, with quotas impacting steel slab shipments from Brazil, forcing additional handling of cargo and tariffs affecting other movements of steel products. The global economic downturn, caused in part by the coronavirus pandemic, impacted shipments of metallurgical coal from the McDuffie Coal Terminal as it is a basic material in the manufacture of steel, used in appliances, vehicles, and infrastructure.

Financial Highlights

- The Authority's operating revenues decreased to \$139,822,169 in fiscal 2020 as compared to \$158,449,481 in fiscal 2019, and increased from \$134,935,976 in fiscal 2018.
- The Authority's assets plus deferred outflows of resources exceeded its liabilities plus deferred inflows of resources (net position) at September 30, 2020, 2019 and 2018, by \$337,888,078, \$313,234,840, and \$304,784,747, respectively.
- The Authority's total net position increased \$24,653,238 in fiscal 2020 as compared to an increase of \$8,450,093 in fiscal 2019, and an increase of \$4,673,583 in fiscal 2018.
- Total bonded debt of the Authority decreased to \$325,186,000 at September 30, 2020, as compared to \$340,625,000 and \$352,450,000 at September 30, 2019 and 2018, respectively.

**ALABAMA STATE PORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2020 AND 2019**

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)
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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 2020 and fiscal 2019, as well as changes in revenues and expenses as reflected in the accompanying financial statements.

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Assets			
Current and other assets	\$ 137,304,900	\$ 152,113,520	\$ 166,152,806
Capital assets, net	621,425,390	601,230,360	588,107,808
Total assets	<u>758,730,290</u>	<u>753,343,880</u>	<u>754,260,614</u>
Deferred outflows of resources	<u>28,923,740</u>	<u>28,974,464</u>	<u>22,086,652</u>
Liabilities			
Long-term debt outstanding, net	324,616,527	341,804,640	355,343,753
Net pension liability	20,099,684	20,106,687	22,563,795
Net OPEB liability	29,406,243	47,368,513	40,958,024
Other liabilities	46,861,263	47,168,553	44,237,138
Total liabilities	<u>420,983,717</u>	<u>456,448,393</u>	<u>463,102,710</u>
Deferred inflows of resources	<u>28,782,235</u>	<u>12,635,111</u>	<u>8,459,809</u>
Net position			
Net investment in capital assets	295,756,279	281,598,996	286,652,137
Restricted expendable:			
Debt service	29,165,784	35,981,425	35,071,717
Capital projects	681,924	-	-
Unrestricted	<u>12,284,091</u>	<u>(4,345,581)</u>	<u>(16,939,107)</u>
Total net position	<u>\$ 337,888,078</u>	<u>\$ 313,234,840</u>	<u>\$ 304,784,747</u>

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
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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 2020 was \$24,653,238. This represents an improvement of \$16,203,145 from fiscal 2019 results. Operating revenues declined from fiscal 2019 due to decreased volume of metallurgical coal (22%), negatively affecting revenues at both the McDuffie Coal Terminal and the Terminal Railway. Total tonnages of iron and steel products decreased (14%), while forest products increased (1.3%). The Authority continued to receive funding, as it has since 2016, as a designated energy port under the Water Resources Reform and Development Act (Act). These funds are used for maintenance dredging, dredged materials management, and environmental remediation related to dredging berths and Federal navigation channels as designated approved activities under the Act. In fiscal 2020, \$5,937,065 of revenue from this funding source was recognized, which offset costs incurred associated with these approved dredging activities.

The Authority's increase in net position for fiscal 2019 was \$8,450,093. This represents an improvement of \$3,776,510 from fiscal 2018 results. Operating results improved in fiscal 2019 from fiscal 2018 due to the continued increase in volumes of metallurgical coal (15%), positively affecting revenues at both the McDuffie Coal Terminal and the Terminal Railway. Total tonnages of iron and steel products increased (4%) while forest products decreased (10%). The Authority continued to receive funding as a designated energy port under the Water Resources Reform and Development Act for approved uses as defined by the Act.

Of the Authority's \$337,888,078 in net position at September 30, 2020, \$295,756,279 represents its investment in capital assets (including intangible assets), less any outstanding debt used to acquire or construct these assets. In addition, \$29,847,708 of the Authority's net position represents resources subject to external bond and interest rate swap restrictions related to the use of these funds for debt service, as well as cash restricted for use in capital projects. The balance of \$12,284,091 is the net remaining of items not considered to be investment in capital assets, net or restricted. The unrestricted amount is negative in fiscal 2019 due to the impact of the implementation of GASB Statement No. 68 (*Accounting and Financial Reporting for Pensions*) in fiscal 2015, which required a retrospective adjustment to unrestricted net position of (\$26,919,476), and the implementation of GASB Statement No. 75 (*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*) in fiscal 2018, which required a retrospective adjustment to unrestricted net position of (\$44,630,019).

**ALABAMA STATE PORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
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Statements of Revenues, Expenses, and Changes in Net Position

A condensed comparative summary of the Authority's revenues, expenses, and changes in net position for the fiscal years ended September 30, 2020, 2019, and 2018 is shown below:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Operating revenues	\$ 139,822,169	\$ 158,449,481	\$ 134,935,976
Operating expenses	<u>130,910,647</u>	<u>133,845,047</u>	<u>118,415,653</u>
Operating income	<u>8,911,522</u>	<u>24,604,434</u>	<u>16,520,323</u>
Net nonoperating expenses	<u>(8,160,720)</u>	<u>(16,154,341)</u>	<u>(11,846,740)</u>
Income before capital grants and contributions	750,802	8,450,093	4,673,583
Capital grants and contributions	<u>23,902,436</u>	<u>-</u>	<u>-</u>
Increase in net position	24,653,238	8,450,093	4,673,583
Net position, beginning of year	<u>313,234,840</u>	<u>304,784,747</u>	<u>300,111,164</u>
Net position, end of year	<u>\$ 337,888,078</u>	<u>\$ 313,234,840</u>	<u>\$ 304,784,747</u>

Fiscal 2020 operating revenues decreased 12% as compared to 2019, from \$158.4 million to \$139.8 million, resulting largely from the decreased demand for steel products and thus, for metallurgical coal. Revenue at the Authority's McDuffie Coal Terminal decreased by \$12.2 million (16%), due to decreased volumes of coal moving through the port in fiscal 2020. With decreased revenues from iron and steel products, and a decreased allocation of energy port funds, which totaled \$1.4 million in fiscal 2020 compared with \$2.9 million in fiscal 2019, General Cargo/Intermodal revenues decreased by \$5.5 million (14%). The Terminal Railway revenues were \$0.15 million (1%) less than fiscal 2019, a result of the decreased metallurgical coal volume and capital assessments, which were partially offset by increases in general switching, storage, rail ferry usage, and hazardous material surcharges. The Real Estate division decreased by \$0.3 million (3%) due to the poor grain season, lack of cement shipments, and lower land occupancy rates. The Marine Liquid Bulk Terminal decreased by \$0.2 million (6%) related to the reduced level of customer shipments through the facility. The Other operating revenue category decreased by \$0.2 million (4%) due to a decrease in steel-related revenue at the Axis Inland Dock, and a decrease in fees at the Harbormaster division, associated with the general downturn in shipping due to the global coronavirus pandemic.

The Authority received approximately \$23.9 million in grant revenue to partially fund the construction at the brownfield site of the automobile roll-on/roll-off facility.

**ALABAMA STATE PORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2020 AND 2019**

Fiscal 2019 operating revenues increased 17% as compared to 2018, from \$134.9 million to \$158.4 million, resulting largely from the increased demand for metallurgical coal. Revenue at the Authority's McDuffie Coal Terminal increased by \$13.8 million (23%), which included a \$3.1 million allocation of energy port funds collected through the federal harbor maintenance tax. With increased revenues from iron and steel products, General Cargo/Intermodal revenues increased by \$4.3 million (12%), due to the increased allocation of energy port funds, which were \$2.9 million in fiscal 2019 compared with \$1.2 million in fiscal 2018. The Terminal Railway revenues were \$3.6 million (19%) more than fiscal 2018, a result of the increased metallurgical coal volume, general switching activities, and capital assessment increases. The Real Estate division increased by \$1.5 million (16%), due to improved percentage of land occupied by lessees (\$0.8 million), additional activity in pig iron, increased volume at the container terminal, partially offset by a downturn in grain movements (\$0.3 million), and a \$0.3 million additional allocation of energy port funds. The Marine Liquid Bulk Terminal increased by \$0.1 million related to wharfage charges. The Other operating revenue category increased by \$0.2 million due to a \$0.1 million increase in dockage revenue at the Mobile Middle Bay Port facilities, and a similar increase in the Harbormaster division.

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

	2020	2019	2018
Operating revenues			
McDuffie Coal Terminal	\$ 62,937,763	\$ 75,109,290	\$ 61,262,253
General Cargo/Intermodal	35,245,780	40,785,389	36,459,347
Terminal Railway	22,269,758	22,424,632	18,855,553
Real Estate	10,655,648	10,988,312	9,488,314
Marine Liquid Bulk Terminal	3,368,812	3,585,615	3,482,034
Other	5,344,408	5,556,243	5,388,475
Total operating revenues	<u>\$ 139,822,169</u>	<u>\$ 158,449,481</u>	<u>\$ 134,935,976</u>

Fiscal 2020 operating expenses decreased as compared to fiscal 2019, from \$133.8 million to \$130.9 million. Expenses associated with the operation and maintenance of facilities decreased by approximately \$5.7 million, with the majority associated with the decreased volume of coal moving through the McDuffie Coal Terminal, allowing for reductions in variable costs (\$4.6 million). The remainder of the reduction in operating expense occurred at the General Cargo/Intermodal division (\$1.4 million), with an increase in the Inland Docks division (\$0.5 million). Expenses were lower at the General Cargo/Intermodal division largely due to decreases for personnel and dredging, as well as maintenance both at the slab-handling facility and on the main docks, offset by increased expense at the Real Estate division, while allusion damage repairs caused an increase in maintenance expense at the Axis Inland Dock.

General and administrative expenses increased by \$0.1 million, with increased technology expenses to provide employees with remote working environments in response to the coronavirus pandemic, an increase in software consulting and licensing expenses, and the overlap of the incoming and retiring chief executives, all of which were nearly offset by a large decrease in other postemployment benefit (OPEB) expense, constrained personnel expenses from normal attrition, and lower expenses due to travel prohibition after the onset of the coronavirus pandemic.

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Fiscal 2019 operating expenses increased as compared to fiscal 2018, from \$118.4 million to \$133.8 million. Expenses associated with the operation and maintenance of facilities increased by approximately \$15.5 million, with the majority (\$11.0 million) associated with the increase in the volume of coal moving through the McDuffie Coal Terminal. The remainder of the change in expense increases is at the General Cargo/Intermodal division (\$2.5 million), the Terminal Railway (\$1.4 million), and the Real Estate division (\$1.1 million), with a slight decrease in the Inland Docks division (\$0.5 million). The increase at the McDuffie Coal Terminal was the result of volume growth, causing significantly higher expenses at the terminal related to maintenance, personnel expense, and greater operating supplies usage, as well as increases in outside services, and activities related to coal stockpile maintenance. Expenses were higher at the General Cargo/Intermodal division largely due to increases for maintenance both at the slab-handling facility and on the main docks, along with increased expense for stevedoring services at the slab-handling facility. At the Terminal Railway, higher personnel-related and expense for car hire and rail management, along with increased maintenance requirements pushed expenditures higher. Increased dredging, as well as spending associated with grounds beautification work near marketable properties, accounted for the additional expense at the Real Estate division.

Fiscal 2019 general and administrative expenses increased by \$0.8 million, largely in personnel costs of \$0.6 million including a cost-of-living adjustment for salaried employees, along with modest increases in software license support and public affairs expenditures.

	2020	2019	2018
Operating expenses			
Operation and maintenance of facilities	\$ 79,276,076	\$ 84,985,433	\$ 69,465,399
Depreciation and amortization	32,931,355	31,674,429	32,612,978
General and administrative	17,284,309	17,185,185	16,337,276
Impairment loss on capital assets	1,418,907	-	-
Total operating expenses	<u>\$ 130,910,647</u>	<u>\$ 133,845,047</u>	<u>\$ 118,415,653</u>

	2020	2019	2018
Nonoperating income (expenses)			
Investment income	\$ 543,848	\$ 1,951,691	\$ 1,050,225
Change in fair value of interest rate swap	590,117	541,000	1,566,487
Interest expense	(14,504,951)	(15,001,065)	(14,710,494)
Interest rate swap expense	(738,460)	(864,081)	(1,246,845)
Gain (loss) on disposal of capital assets	6,530,936	(3,839,182)	1,179,441
Other, net	(582,210)	1,057,296	314,446
Net nonoperating expenses	<u>\$ (8,160,720)</u>	<u>\$ (16,154,341)</u>	<u>\$ (11,846,740)</u>

**ALABAMA STATE PORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2020 AND 2019**

Net nonoperating expense decreased to \$8.2 million in fiscal 2020 compared to \$16.2 million in fiscal 2019. Investment income decreased \$1.4 million in fiscal 2020 as compared to fiscal 2019 due to the diminution of the construction fund for the Short-Term Docks Facilities Revenue Bond Series 2018 (Series 2018 Bonds) in fiscal year 2020, along with the historically low interest rates affecting earnings on debt service funds and investments. Interest expense decreased by \$0.5 million due to lower LIBOR rates to which the Docks Facilities Revenue Refunding Bond Series 2008A are indexed, along with refunding the Short-Term Facilities Refunding Bond Series 2018 (Series 2018 Bonds), with an interest rate of 2.38%, with Docks Facilities Revenue Bond Series 2020, with an interest rate of 1.91% during the year. Gain on sale of assets of \$6.5 million includes a \$4.4 million gain on the sale of the Tuscaloosa Inland Dock, and a \$0.7 million gain on the sale of a 4-acre parcel at the logistics development at Choctaw Point. The Authority also received \$2.1 million of insurance reimbursements for stacker reclaimer #4, which was damaged in fiscal year 2019. These gains were partially offset by \$0.8 million loss related to asset dispositions during the year and expenses incurred of \$0.4 million to dismantle and remove obsolete Paceco Cranes No. 400 and No. 246. During fiscal year 2020, the Authority incurred expenses of \$1.3 million related to the BURP Facility Repayment agreement between Southern Company's operating subsidiaries in Alabama, Mississippi and Florida.

Net nonoperating expense decreased to \$16.2 million in fiscal 2019 compared to \$11.9 million in fiscal 2018. Investment income increased \$0.9 million in fiscal 2019 as compared to fiscal 2018 primarily due to interest earned on the construction fund for the Short-Term Docks Facilities Revenue Bond Series 2018 (Series 2018 Bonds). The change in fair value of the interest rate swap decreased by \$1.0 million in fiscal 2019 as compared to fiscal 2018, and the interest rate swap expense decreased by \$0.4 million over the same period. The improvement in the fair value of the interest rate swap liability, along with the decreased interest rate swap expense, is attributable to the continued reduction in the unamortized notional amount, and changes in market expectation of future LIBOR rates. The Authority pays interest on the swap at a fixed rate, while receiving an amount based on a variable rate indexed to LIBOR. Interest expense increased from \$14.7 million to \$15.0 million resulting from incurring a full year of interest expense on the Series 2018 Bonds. Losses on disposals of assets of \$3.8 million includes a \$4.6 million casualty loss of a stacker reclaimer at the McDuffie Coal Terminal partially offset by insurance recoveries of \$3.0 million, retirement of a container crane with no ongoing productive value to the Authority with a net book value of \$2.6 million, and the sale of the Phenix City Inland Dock at a gain of \$0.4 million. Other, net reflects collection of a \$0.6 million settlement from a construction performance dispute and \$0.5 million in gains from sales of scrap metal.

**ALABAMA STATE PORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2020 AND 2019**

Statements of Cash Flows

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Cash flows provided by operating activities	\$ 31,248,109	\$ 48,995,303	\$ 45,293,037
Cash flows (used in) provided by capital and related financing activities	(59,021,970)	(70,851,441)	12,606,003
Cash flows provided by (used in) investing activities	16,491,422	30,344,732	(49,338,623)
	<u> </u>	<u> </u>	<u> </u>
Net (decrease) increase in cash and cash equivalents	(11,282,439)	8,488,594	8,560,417
Cash and cash equivalents			
Beginning of year	<u>69,066,657</u>	<u>60,578,063</u>	<u>52,017,646</u>
End of year	<u>\$ 57,784,218</u>	<u>\$ 69,066,657</u>	<u>\$ 60,578,063</u>

During fiscal 2020, the Authority expended approximately \$51.7 million on capital projects and assets. The Authority completed a number of capital projects during fiscal 2020, including the dock extension and yard expansion at the container handling facility, warehouse upgrade for a new central maintenance facility, several redesign and rehabilitation projects for material conveying equipment at the McDuffie Coal Terminal, and additional expansion of the dredge-material containment sites. Additionally, equipment required by Terminal Railway maintenance-of-way personnel to continue to keep the roads in good operating order was purchased, conveyor belting was replaced at the coal terminal, major components on mobile equipment rebuilt, and a locomotive was repowered with diesel emission-reducing technology. Assets purchased included computer equipment, vehicles, maintenance equipment, and shop tools.

Progress made on projects during the year included permitting for improvements to the Mobile Harbor shipping channel, along with contracting for the initial phase of work, as well as another locomotive repowering project utilizing eco-friendly technology. The Authority made substantial progress toward the completion of the automobile roll-on/roll-off facility and has begun work on refitting a barge unloader.

**ALABAMA STATE PORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2020 AND 2019**

During fiscal 2019, the Authority expended approximately \$45.3 million on capital projects and assets. The Authority completed a number of capital projects during fiscal 2019, including the rebuilding of a railcar dumping facility, the civil work associated with the second phase of expansion of the container terminal, drainage projects, a water recycling facility, major restoration of several fender systems and pilings, and additional expansion of the dredge material containment sites. Another phase of improvements to roadways at the McDuffie Coal Terminal was completed, mobile equipment was purchased, or major components rebuilt, rail infrastructure was upgraded, licenses were purchased for a new terminal operating system, conveyor belting was replaced, and metal detection with tramp metal isolation and other improvements to material conveying systems were installed. Progress was made during the year toward completion of ongoing marine studies used in the assessment of potential improvements to the Mobile Harbor shipping channel. Substantial progress was made toward completion of projects to increase the capacity at the container handling facility, as well as upgrades to cargo movement equipment, and dismantling of the abandoned assets at the Bulk Handling and Warehouse facilities.

The Authority has constructed significant projects in the past three years with completed projects totaling approximately \$80.0 million. The Authority currently has several active projects with estimated costs to complete of approximately \$33.8 million.

For detailed information on capital asset activity, see Note 4 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 Short-Term Docks Facilities Revenue Bond Series 2018 (Series 2018) and used \$3,014,000 of investment funds remaining from Series 2018 proceeds to refund the remaining amount due on the Series 2018.

During fiscal 2018, the Authority issued the \$50,000,000 Series 2018, at the fixed rate of 2.38% per annum, with interest payable on the first day of each month, commencing May 1, 2018. The principal would have matured on April 1, 2021 had the Authority not refunded Series 2018 with Series 2020. The Authority used these funds 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.

**ALABAMA STATE PORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2020 AND 2019**

Docks Facilities Revenue Refunding Bonds, Series 2017A (AMT) were issued to provide for the payment of the outstanding Docks Facilities Revenue Bonds Series 2006A and Series 2006D, to fund the pro rata portion of the cost of the surety bond, to pay a pro rata portion of the premium for the municipal bond insurance policy, and to pay the issuance costs for the 2017 Series A Bonds. The Series 2006A bonds were issued in November of 2006 to advance refund the outstanding principal amount of the Authority's Docks Facilities Revenue Bonds, Series 1998 and Docks Facilities Revenue Bonds, Series 2001. The Series 1998 bonds were issued to refund the Authority's Docks Facilities Revenue Bonds, Series 1997 that had been issued in order to fund improvements to the wharves and warehouses on the main docks, to make improvements at Garrows Bend, and to install a dust suppression system at McDuffie Coal Terminal. The Series 2001 bonds were issued primarily to fund replacement of the North A Warehouse on the main docks, including installation of new rail tracks and facilities to allow for all-weather cargo operations. Additionally, a portion of the proceeds were used to finance improvements at the McDuffie Coal Terminal, to finance a rail/ferry intermodal terminal, along with other improvements at the Authority's main terminal. The Series 2006D bonds were issued in December of 2006 to advance refund a capital lease/purchase agreement that financed a significant portion of the berth expansion at the McDuffie Coal Terminal.

Docks Facilities Revenue Refunding Bonds, Series 2017B (Non-AMT) were issued to provide for the payment of a portion of the outstanding Docks Facilities Revenue Bonds Series 2006B, described above, to fund the pro rata portion of the cost of the surety bond, and to pay the issuance costs for the Series 2017B Bonds. The Series 2006B bonds were issued in November of 2006 to refund the outstanding principal amount of the Authority's Docks Facilities Revenue Refunding Bonds, Series 1998, described above, and to finance a portion of the costs of an access bridge to the container terminal.

Docks Facilities Revenue Refunding Bonds, Series 2017C (Non-AMT) were issued to provide for the payment of a portion of the outstanding Docks Facilities Revenue Bonds Series 2006B, described above, to fund the pro rata portion of the cost of the surety bond, to pay a pro rata portion of the premium for the municipal bond insurance policy, and to pay the issuance costs for the Series 2017C Bonds.

Docks Facilities Revenue Refunding Bonds, Series 2017D (Taxable) were issued to provide for the payment of the outstanding Docks Facilities Revenue Bonds Series 2010 and a portion of the outstanding Docks Facilities Revenue Bonds Series 2006B, to fund the pro rata portion of the cost of the surety bond, to pay a pro rata portion of the premium for the municipal bond insurance policy, and to pay the issuance costs for the Series 2017D Bonds. The Authority issued the Series 2010 Bonds during December 2010 to refinance short-term debt incurred to ensure the timely completion of the Pinto Island Steel Terminal.

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.

**ALABAMA STATE PORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2020 AND 2019**

During fiscal 2008, the Authority issued Docks Facilities Revenue Refunding Bond Series 2008A to refund the Docks Facilities Revenue Bonds Series 2006C. The Series 2006C bonds were issued in November of 2006 to currently refund the outstanding principal amount of the Authority's Docks Facilities Revenue Refunding Bonds Series 1996. The Series 1996 bonds were issued to construct Berth E for the General Cargo/Intermodal division, as well as for modifications at the McDuffie Coal Terminal.

With respect to the Docks Facilities Revenue Refunding Bond Series 2008A, approximately \$7.7 million of principal is due in fiscal 2021 with \$8.0 million due in fiscal 2022. For the Docks Facilities Revenue Refunding Bonds Series 2017, approximately \$5.4 million and \$5.1 million of principal related to this series is scheduled to be due in fiscal 2021 and 2022, respectively. A principal payment of approximately \$2 million is scheduled to be due in fiscal 2022 for Docks Facilities Revenue Bond Series 2020. Of these scheduled payments, the Authority expects to pay these amounts from 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 6 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, 2020 AND 2019**

	ASSETS	
	2020	2019
CURRENT ASSETS		
Cash and cash equivalents	\$ 57,784,218	\$ 68,079,592
Cash and cash equivalents, restricted	-	987,065
Short-term investments, restricted	19,651,187	19,357,722
Trade accounts receivable, net of allowance for doubtful accounts of \$603,909 and \$605,820 at September 30, 2020 and 2019, respectively	15,735,356	14,251,436
Capital grants receivable	9,090,916	-
Inventories	3,777,469	3,776,353
Prepaid expenses and other assets	17,027,970	12,794,674
Total current assets	123,067,116	119,246,842
NONCURRENT ASSETS		
Investments, restricted	10,196,521	27,749,545
Capital assets, net	621,425,390	601,230,360
Net pension asset	190,882	-
Other assets, net	3,850,381	5,117,133
Total noncurrent assets	635,663,174	634,097,038
TOTAL ASSETS	\$ 758,730,290	\$ 753,343,880
DEFERRED OUTFLOWS OF RESOURCES		
Pension	\$ 2,332,022	\$ 2,054,054
Other postemployment benefits	12,519,164	11,037,976
Unamortized debt refunding	14,072,554	15,882,434
Total deferred outflows of resources	\$ 28,923,740	\$ 28,974,464

See notes to the financial statements.

**ALABAMA STATE PORT AUTHORITY
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2020 AND 2019**

LIABILITIES AND NET POSITION		
	2020	2019
CURRENT LIABILITIES		
Accounts and contracts payable	\$ 9,654,905	\$ 9,435,024
Accrued liabilities:		
Salaries and wages	2,492,510	2,995,002
Vacation and sick leave	3,273,634	2,859,047
Environmental liability	164,160	156,889
Current maturities of long-term debt	13,060,000	12,425,000
Accrued interest payable	6,591,187	6,932,722
Other	1,926,776	1,903,778
Total current liabilities	<u>37,163,172</u>	<u>36,707,462</u>
NONCURRENT LIABILITIES		
Vacation and sick leave	2,182,423	1,906,032
Unearned revenues	592,927	1,486,078
Environmental liability	4,649,465	3,882,802
Derivative liability	423,385	1,013,502
Unpaid claims	1,849,891	2,172,677
Net pension liability	20,099,684	20,106,687
Net other postemployment benefits liability	29,406,243	47,368,513
Long-term debt, net of premiums (net) and current maturities	324,616,527	341,804,640
Total noncurrent liabilities	<u>383,820,545</u>	<u>419,740,931</u>
TOTAL LIABILITIES	<u>\$ 420,983,717</u>	<u>\$ 456,448,393</u>
DEFERRED INFLOWS OF RESOURCES		
Pension	\$ 1,281,803	\$ 2,578,440
Other postemployment benefits	27,500,432	10,056,671
Total deferred inflows of resources	<u>\$ 28,782,235</u>	<u>\$ 12,635,111</u>
NET POSITION		
Net investment in capital assets	\$ 295,756,279	\$ 281,598,996
Restricted expendable:		
Debt service	29,165,784	35,981,425
Capital projects	681,924	-
Unrestricted	12,284,091	(4,345,581)
Total net position	<u>\$ 337,888,078</u>	<u>\$ 313,234,840</u>

See notes to the financial statements.

ALABAMA STATE PORT AUTHORITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
OPERATING REVENUES		
McDuffie Coal Terminal	\$ 62,937,763	\$ 75,109,290
General Cargo/Intermodal	35,245,780	40,785,389
Terminal Railway	22,269,758	22,424,632
Real Estate	10,655,648	10,988,312
Marine Liquid Bulk Terminal	3,368,812	3,585,615
Other	5,344,408	5,556,243
Total operating revenues	<u>139,822,169</u>	<u>158,449,481</u>
OPERATING EXPENSES AND LOSSES		
Operation and maintenance of facilities	79,276,076	84,985,433
Depreciation and amortization	32,931,355	31,674,429
General and administrative	17,284,309	17,185,185
Impairment loss on capital assets	1,418,907	-
Total operating expenses and losses	<u>130,910,647</u>	<u>133,845,047</u>
OPERATING INCOME	<u>8,911,522</u>	<u>24,604,434</u>
NONOPERATING INCOME (EXPENSES)		
Investment income	543,848	1,951,691
Change in fair value of interest rate swap	590,117	541,000
Interest expense	(14,504,951)	(15,001,065)
Interest rate swap expense	(738,460)	(864,081)
Gain (loss) on disposal of capital assets	6,530,936	(3,839,182)
Other, net	(582,210)	1,057,296
Total nonoperating expenses	<u>(8,160,720)</u>	<u>(16,154,341)</u>
Income before capital grants and contributions	<u>750,802</u>	<u>8,450,093</u>
Capital grants and contributions	<u>23,902,436</u>	<u>-</u>
Increase in net position	<u>24,653,238</u>	<u>8,450,093</u>
NET POSITION		
Beginning of year	<u>313,234,840</u>	<u>304,784,747</u>
End of year	<u>\$ 337,888,078</u>	<u>\$ 313,234,840</u>

See notes to the financial statements.

**ALABAMA STATE PORT AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 137,445,099	\$ 154,778,617
Cash payments to suppliers for goods and services	(65,262,164)	(67,231,932)
Cash payments to employees for services	<u>(40,934,826)</u>	<u>(38,551,382)</u>
Net cash provided by operating activities	<u>31,248,109</u>	<u>48,995,303</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(51,727,175)	(45,255,396)
Proceeds from the sale of capital assets	5,122,160	515,195
Principal paid on bonds	(15,522,000)	(11,825,000)
Interest paid on bonds and swap	(14,676,767)	(15,343,536)
Proceeds from capital grants	14,811,520	-
Other proceeds	429,191	1,057,296
Insurance proceeds	<u>2,541,101</u>	<u>-</u>
Net cash used in capital and related financing activities	<u>(59,021,970)</u>	<u>(70,851,441)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(840,148)	(913,683)
Sale of investments	18,033,918	29,302,751
Interest received on investments	609,635	1,955,664
Other payments, net	<u>(1,311,983)</u>	<u>-</u>
Net cash provided by investing activities	<u>16,491,422</u>	<u>30,344,732</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	<u>(11,282,439)</u>	<u>8,488,594</u>
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>69,066,657</u>	<u>60,578,063</u>
End of year	<u><u>\$ 57,784,218</u></u>	<u><u>\$ 69,066,657</u></u>

See notes to the financial statements.

**ALABAMA STATE PORT AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 8,911,522	\$ 24,604,434
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	32,931,355	31,674,429
Impairment loss on capital assets	1,418,907	-
Changes in assets and liabilities:		
Trade accounts receivable	(1,483,920)	(2,175,401)
Inventories	(1,116)	(582,606)
Prepaid expenses and other assets	(4,233,296)	(3,197,123)
Other assets, net	(2,512,519)	(3,935,405)
Net pension asset and deferred outflows	(468,850)	-
Net pension liability and deferred inflows	(1,303,640)	(2,143,130)
Other postemployment benefits liability and deferred inflows and outflows	(1,999,697)	1,571,946
Accounts and contracts payable	219,881	4,566,789
Accrued liabilities, unearned revenues, and other liabilities	(230,518)	(1,388,630)
	<u> </u>	<u> </u>
Net cash provided by operating activities	<u>\$ 31,248,109</u>	<u>\$ 48,995,303</u>

Noncash Items

In fiscal 2020, \$50,000,000 of Bond Series 2018 was refunded through the issuance of Bond Series 2020 for \$46,986,000 and the use of investments of \$3,014,000.

The derivative liability decreased in fiscal 2020 and fiscal 2019 by \$590,117 and \$541,000, respectively, due to the change in fair value.

See notes to the financial statements.

**ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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 of Alabama appoints eight members of the Board of Directors of the Authority, subject to confirmation by the Alabama Senate. The Governor designates one of the confirmed members of the Board of Directors 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 of Directors 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.

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 as applied to government units. The Governmental Accounting Standards Board (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 accounting principles generally accepted in the United States of America 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.

**ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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, net of accumulated depreciation 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 at September 30, 2020 or 2019.
 - **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 of Directors.

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 generally accepted accounting principles (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.

**ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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. Accounts receivable are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. Bad debt (recoveries) expenses were \$(676) and \$126,205 for the years ended September 30, 2020 and 2019, respectively, and are 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

The Authority's policy for defining operating activities, as reported on the statements of revenues, expenses, and changes in net position, are those 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.

**ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Revenues and Expenses – Continued

In fiscal 2020 and 2019, the Authority, designated as an Energy Port under the Water Resources Reform and Development Act of 2014, received funds totaling \$4,950,000 and \$4,950,000, respectively, from the U.S. Army Corps of Engineers 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.

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. Such losses were \$1,418,907 and \$0 for the years ended September 30, 2020 and 2019, respectively.

**ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

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, and 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.

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 5 to 31 days per year and may accumulate up to a maximum of 60 days, depending on their length of employment and employment 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 accumulated sick leave depending upon the employment classification. One-half of any 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 in the accompanying financial statements. The liability for compensated absences increased in fiscal 2020 by approximately \$691,000 and decreased in fiscal 2019 by approximately \$15,500.

**ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Vacation and Sick Leave – Continued

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Accrued sick leave	\$ 763,939	\$ 129,954	\$ 1,760	\$ 892,133	\$ 535,280
Accrued vacation leave	4,001,140	581,930	19,146	4,563,924	2,738,354
	<u>\$4,765,079</u>	<u>\$ 711,884</u>	<u>\$ 20,906</u>	<u>\$5,456,057</u>	<u>\$3,273,634</u>

Unearned Revenues

Unearned revenues represent payments received in advance for leasing and other services, including funds received from the U.S. Army Corps of Engineers under the Water Resources Reform and Development Act of 2014, 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 \$100,000 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 \$0 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 2020, fiscal 2019, and fiscal 2018, 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.

**ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

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, 2020 and 2019, were approximately 64% and 63% 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 several 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 \$995,000 and \$1,183,000 are included in cash and cash equivalents at September 30, 2020 and 2019, respectively.

Restricted cash consists of funds received from the U.S. Army Corps of Engineers for the purpose of performing certain dredging projects and other approved activities. Energy Port Funds of \$4,950,000 were received during both fiscal 2020 and fiscal 2019. As of September 30, 2020, all funds had been expended. As of September 30, 2019, \$987,065 remained on hand.

	2020	2019
Cash and cash equivalents	\$ 57,784,218	\$ 68,079,592
Cash and cash equivalents, restricted	-	987,065
	<u>\$ 57,784,218</u>	<u>\$ 69,066,657</u>

**ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS – CONTINUED

The Board of Directors 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 of Directors 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 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 of Alabama requirement, deposits held in QPD institutions are not subject to categorization by use.

At September 30, 2020 and 2019, \$56,788,409 and \$67,883,448, 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, and repurchase agreements. There are many factors that can affect the value of investments. The Authority's investments could be exposed to credit risk, interest rate risk, and foreign currency risk. The Authority is not exposed to custodial credit risk since the investments are insured and held by the Authority or the Authority's agent in the Authority's name. As the Authority's investments are in money market funds as of September 30, 2020 and 2019, the Authority's concentration risk is mitigated. As the Authority has no fixed income securities, other than repurchase agreements which are collateralized in the Authority's name, as of September 30, 2020 and 2019, exposure to interest rate risk is mitigated. The Authority has no exposure to foreign currency risk as there are no investments impacted by foreign currencies.

**ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS – CONTINUED

As of September 30, 2020 and 2019, investments of \$29,847,708 and \$47,107,267, 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 \$29,165,784 and \$28,391,425 as of September 30, 2020 and 2019, respectively. Investments restricted for capital projects were \$681,924 and \$18,715,842 as of September 30, 2020 and 2019, 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.

**ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

3. FAIR VALUE MEASUREMENTS – CONTINUED

Items Measured at Fair Value on a Recurring Basis

As of September 30, 2020 and 2019, the Authority had the following assets and liabilities measured at fair value on a recurring basis:

		As of September 30, 2020		
		Fair Value	Level 1	Level 2
Assets:				
	Investments	\$ 29,847,708	\$ 29,847,708	\$ -
Liabilities:				
	Derivative liability	\$ 423,385	\$ -	\$ 423,385

		As of September 30, 2019		
		Fair Value	Level 1	Level 2
Assets:				
	Investments	\$ 47,107,267	\$ 47,107,267	\$ -
Liabilities:				
	Derivative liability	\$ 1,013,502	\$ -	\$ 1,013,502

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, 2019. The Authority had the following item measured at fair value on a nonrecurring basis as of September 30, 2020:

		As of September 30, 2020			
		Fair Value	Level 1	Level 2	Level 3
Assets:					
	Capital assets, net	\$621,425,390	\$ -	\$ -	\$621,425,390

ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

4. CAPITAL ASSETS

The activity of various components of capital assets for the year ended September 30, 2020, is summarized as follows:

	Beginning Balance	Additions	Retirements/ Transfers	Ending Balance
Capital assets not being depreciated:				
Land in use	\$ 35,123,264	\$ -	\$ (25,232)	\$ 35,098,032
Land for future development	41,675,314	-	-	41,675,314
Intangible asset, easement	10,000	-	-	10,000
Construction work in progress *	48,722,044	53,779,093	(62,693,145)	39,807,992
Total capital assets not being depreciated	125,530,622	53,779,093	(62,718,377)	116,591,338
Capital assets being depreciated:				
Wharves, piers, and containerized yards	264,733,952	21,866,474	(2,185,765)	284,414,661
Railroad tracks and crossings	61,022,953	655,004	-	61,677,957
Railroad track usage rights	3,266,015	-	-	3,266,015
Buildings and structures	116,863,701	1,325,075	(2,170,392)	116,018,384
Improvements other than buildings	225,923,528	28,088,688	(1,647,666)	252,364,550
Machinery and equipment	359,387,964	6,761,801	(284,957)	365,864,808
Furniture and fixtures	27,950,458	1,378,946	(416,650)	28,912,754
Total capital assets being depreciated	1,059,148,571	60,075,988	(6,705,430)	1,112,519,129
Less accumulated depreciation:				
Wharves, piers, and containerized yards	123,058,821	6,912,533	(848,197)	129,123,157
Railroad tracks and crossings	32,036,489	1,787,205	-	33,823,694
Railroad track usage rights	3,206,162	54,033	-	3,260,195
Buildings and structures	81,445,461	2,115,861	(2,315,971)	81,245,351
Improvements other than buildings	112,164,530	7,164,138	(866,152)	118,462,516
Machinery and equipment	211,924,114	9,724,895	(680,599)	220,968,410
Furniture and fixtures	19,613,256	1,522,831	(334,333)	20,801,754
Total accumulated depreciation	583,448,833	29,281,496	(5,045,252)	607,685,077
Total capital assets being depreciated, net	475,699,738	30,794,492	(1,660,178)	504,834,052
Capital assets, net	\$ 601,230,360	\$ 84,573,585	\$ (64,378,555)	\$ 621,425,390

*For fiscal 2020, retirements/transfers of \$62,693,145 from construction work in progress, includes \$60,075,988 of assets that were capitalized and placed in service. The remaining amounts were transferred to unamortized dredging costs or expensed.

ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

4. CAPITAL ASSETS – CONTINUED

The activity of various components of capital assets for the year ended September 30, 2019, is summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Transfers</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land in use	\$ 35,123,264	\$ -	\$ -	\$ 35,123,264
Land for future development	41,675,314	-	-	41,675,314
Intangible asset, easement	10,000	-	-	10,000
Construction work in progress *	9,134,445	49,110,787	(9,523,188)	48,722,044
Total capital assets not being depreciated	85,943,023	49,110,787	(9,523,188)	125,530,622
Capital assets being depreciated:				
Wharves, piers, and containerized yards	262,532,349	2,201,603	-	264,733,952
Railroad tracks and crossings	59,463,228	1,559,725	-	61,022,953
Railroad track usage rights	3,266,015	-	-	3,266,015
Buildings and structures	117,035,184	62,699	(234,182)	116,863,701
Improvements other than buildings	225,689,782	233,746	-	225,923,528
Machinery and equipment	370,287,038	3,240,162	(14,139,236)	359,387,964
Furniture and fixtures	27,384,796	613,751	(48,089)	27,950,458
Total capital assets being depreciated	1,065,658,392	7,911,686	(14,421,507)	1,059,148,571
Less accumulated depreciation:				
Wharves, piers, and containerized yards	116,738,430	6,548,761	(228,370)	123,058,821
Railroad tracks and crossings	30,523,981	1,756,495	(243,987)	32,036,489
Railroad track usage rights	3,124,592	81,570	-	3,206,162
Buildings and structures	81,083,523	2,091,980	(1,730,042)	81,445,461
Improvements other than buildings	106,071,477	6,414,665	(321,612)	112,164,530
Machinery and equipment	207,689,023	9,487,516	(5,252,425)	211,924,114
Furniture and fixtures	18,262,581	1,397,484	(46,809)	19,613,256
Total accumulated depreciation	563,493,607	27,778,471	(7,823,245)	583,448,833
Total capital assets being depreciated, net	502,164,785	(19,866,785)	(6,598,262)	475,699,738
Capital assets, net	\$ 588,107,808	\$ 29,244,002	\$ (16,121,450)	\$ 601,230,360

*For fiscal 2019, retirements/transfers of \$9,523,188 from construction work in progress, includes \$7,911,686 of assets that were capitalized and placed in service. The remaining amounts were transferred to unamortized dredging costs or expensed.

ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

4. 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, 2020, construction work in progress consists of \$30.6 million for work to construct the automobile roll-on/roll-off terminal; \$0.8 million for projects jointly undertaken with the U.S. Army Corps of Engineers at Gaillard Island and within Mobile Harbor; \$2.1 million related to upgrading existing equipment; \$1.6 million associated with Pier B South and related upgrades; \$1.4 million related to dredging projects funded by Port Energy Funds; \$2.8 million for projects jointly undertaken by the U.S. Army Corps of Engineers for the deepening and widening of the Mobile Harbor Channel; \$0.2 million related to information technology upgrades; and various smaller projects.

Estimated future commitments for capital expenditures related to construction work in progress as of September 30, 2020, is approximately \$33.8 million for active projects. Funds needed to fulfill these commitments are anticipated from cash, operating revenues, grants, and partnerships.

Depreciation expense for the years ended September 30, 2020 and 2019, was approximately \$29,281,000 and \$27,778,000, respectively. An intangible asset, railroad track usage rights, net is also included in capital assets. Amortization expense for the railroad track usage rights that are presented in the previous tables were approximately \$54,000 and \$81,600 for the years ended September 30, 2020 and 2019, respectively.

5. OTHER ASSETS, NET

The following is a summary of other assets, net as of September 30, 2020 and 2019:

	2020	2019
Unamortized dredging costs	\$ 1,737,785	\$ 2,875,124
Prepaid bond insurance	<u>2,112,596</u>	<u>2,242,009</u>
Other assets, net	<u>\$ 3,850,381</u>	<u>\$ 5,117,133</u>

Amortization expense related to dredging costs for the years ended September 30, 2020 and 2019, was approximately \$3,650,000 and \$3,896,000, respectively. Amortization expense related to bond insurance premiums was approximately \$129,000 for both years ended September 30, 2020 and 2019, and is included in interest expense on the statements of revenues, expenses, and changes in net position.

ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

6. LONG-TERM DEBT

Long-term debt for the year ended September 30, 2020, is summarized as follows:

	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	\$ 23,005,000	\$ -	\$ 7,305,000	\$ 15,700,000	\$ 7,660,000
Short-Term Docks Facilities Revenue Bond Series 2018, originally issued for \$50,000,000, 2.38% due April 1, 2021	50,000,000	-	50,000,000	-	-
Docks Facilities Revenue Bond Series 2020, originally issued for \$46,986,000, 1.91% due annually beginning October 1, 2021 through fiscal 2041	-	46,986,000	-	46,986,000	-
Bonds payable:					
Docks Facilities Revenue Refunding Bonds Series 2017A, originally issued for \$123,770,000, 5.0% due periodically through fiscal 2036	121,995,000	-	-	121,995,000	-
Docks Facilities Revenue Refunding Bonds Series 2017B, originally issued for \$12,100,000, 5.0% due annually October 1, 2018 through fiscal 2021	8,305,000	-	4,025,000	4,280,000	4,280,000
Docks Facilities Revenue Refunding Bonds Series 2017C, originally issued for \$6,130,000, 5.0% 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	131,190,000	-	1,095,000	130,095,000	1,120,000
	<u>340,625,000</u>	<u>\$ 46,986,000</u>	<u>\$ 62,425,000</u>	<u>325,186,000</u>	<u>\$ 13,060,000</u>
Plus: Unamortized premium, net	13,604,640			12,490,527	
Less: Current maturities	<u>(12,425,000)</u>			<u>(13,060,000)</u>	
Long-term debt, net	<u>\$ 341,804,640</u>			<u>\$ 324,616,527</u>	

**ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

6. LONG-TERM DEBT – CONTINUED

Long-term debt for the year ended September 30, 2019, is summarized as follows:

	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	\$ 29,955,000	\$ -	\$ 6,950,000	\$ 23,005,000	\$ 7,305,000
Short-Term Docks Facilities Revenue Bond Series 2018, originally issued for \$50,000,000, 2.38% due April 1, 2021	50,000,000	-	-	50,000,000	-
Bonds payable:					
Docks Facilities Revenue Refunding Bonds Series 2017A, originally issued for \$123,770,000, 5.0% due periodically through fiscal 2036	121,995,000	-	-	121,995,000	-
Docks Facilities Revenue Refunding Bonds Series 2017B, originally issued for \$12,100,000, 5.0% due annually October 1, 2018 through fiscal 2021	12,100,000	-	3,795,000	8,305,000	4,025,000
Docks Facilities Revenue Refunding Bonds Series 2017C, originally issued for \$6,130,000, 5.0% 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	132,270,000	-	1,080,000	131,190,000	1,095,000
	<u>352,450,000</u>	<u>\$ -</u>	<u>\$ 11,825,000</u>	<u>340,625,000</u>	<u>\$ 12,425,000</u>
Plus: Unamortized premium, net	14,718,753			13,604,640	
Less: Current maturities	<u>(11,825,000)</u>			<u>(12,425,000)</u>	
Long-term debt, net	<u>\$ 355,343,753</u>			<u>\$ 341,804,640</u>	

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.

**ALABAMA STATE PORT AUTHORITY
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SEPTEMBER 30, 2020 AND 2019**

6. LONG-TERM DEBT – CONTINUED

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, commencing October 1, 2020. Annual principal payments are due beginning October 1, 2021 through maturity on October 1, 2040. Proceeds from Series 2020 were used to refund Short-Term Docks Facilities Revenue Bond Series 2018 (Series 2018), which was subject to redemption at the option of the Authority on any interest payment date prior to maturation on April 1, 2021, in whole or in part in amounts not less than \$100,000, at 100% of the principal amount once the bond had been held by the purchaser for at least one year. The Authority used \$3,014,000 of investment funds remaining from Series 2018 proceeds to refund the remaining amount due on the Series 2018 bond. Annual interest expense for the 2018 bond was \$1,190,000, with principal due at maturity. Series 2020 was issued as a fully amortized, 20-year tenor bond with level annual debt service of \$2,848,585. The economic gain resulting from this debt refunding is approximately \$1.2 million on a present value basis over the 20-year life of the Series 2020 bond versus the original maturation date of the Series 2018 bond. All other proceeds of Series 2018 were used 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.

The Docks Facilities Revenue Refunding Bonds Series 2008A (Series 2008A), Series 2017, and the Short-Term Docks Facilities Revenue Bond Series 2020 (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, 2020.

Amortization of deferred outflows of resources resulting from debt refunding and unamortized premiums on long-term debt was \$695,766 and \$697,942 for the years ending September 30, 2020 and 2019, respectively, and is included in interest expense in the statements of revenue, expense, and changes in net position.

**ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

6. LONG-TERM DEBT – CONTINUED

Series 2008A and Series 2020 are bonds resulting from direct borrowings. Series 2008A bears interest at a variable rate indexed to LIBOR. As of September 30, 2020, the interest rate was 1.10%. Future minimum maturities on bonds payable from direct borrowings as of September 30, 2020, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 7,660,000	\$ 997,142	\$ 8,657,142
2022	9,991,771	863,218	10,854,989
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
2026-2030	10,932,976	3,118,805	14,051,781
2031-2035	12,017,176	2,015,087	14,032,263
2036-2040	13,209,500	801,910	14,011,410
2041	2,795,161	4,376	2,799,537
	<u>\$ 62,686,000</u>	<u>\$ 10,159,791</u>	<u>\$ 72,845,791</u>

Future minimum maturities on bonds payable as of September 30, 2020, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 5,400,000	\$ 12,038,838	\$ 17,438,838
2022	4,945,000	11,855,562	16,800,562
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
2026-2030	53,250,000	46,921,649	100,171,649
2031-2035	67,675,000	32,723,413	100,398,413
2036-2040	85,020,000	14,704,240	99,724,240
2041	15,680,000	370,205	16,050,205
	<u>\$ 262,500,000</u>	<u>\$ 152,303,005</u>	<u>\$ 414,803,005</u>

**ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

7. 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 at September 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Debt service:		
Docks Facilities Renewal and Replacement Fund	\$ 6,191,333	\$ 5,647,611
Docks Facilities Revenue Bonds, Series 2017A Debt Service Fund	3,049,919	3,054,208
Docks Facilities Revenue Bonds, Series 2017B Debt Service Fund	4,387,000	4,239,088
Docks Facilities Revenue Bonds, Series 2017C Debt Service Fund	153,253	153,468
Docks Facilities Revenue Bonds, Series 2017D Debt Service Fund	3,889,255	3,879,954
Interest Rate Swap, Collateral Fund	-	7,590,000
Interest Rate Swap, Debt Service Fund	419,726	637,830
Docks Facilities Revenue Refunding Bond, Series 2008A Debt Service Fund	7,674,629	7,367,810
Docks Facilities Revenue Refunding Bond, Series 2008A Reserve Fund	3,313,607	3,313,607
Short-Term Docks Facilities Revenue Bond, Series 2018 Debt Service Fund	-	97,849
Docks Facilities Revenue Bond, Series 2020 Debt Service Fund	87,062	-
Capital Projects:		
Short-Term Docks Facilities Revenue Bond, Series 2018 Construction Fund	<u>681,924</u>	<u>18,715,842</u>
	29,847,708	54,697,267
Less: unexpended portion of construction fund with related debt	<u>-</u>	<u>(18,715,842)</u>
Total restricted expendable	<u><u>\$ 29,847,708</u></u>	<u><u>\$ 35,981,425</u></u>

ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

8. RETIREMENT PLANS

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

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

2020	ERS	Hourly DB Plan	Railway Plan	Total
Pension assets	\$ 33,908,785	\$ 20,806,649	\$ 1,315,049	\$ 56,030,483
Pension liabilities	53,500,106	20,615,767	1,823,412	75,939,285
Net pension liability	\$ 19,591,321	\$ -	\$ 508,363	\$ 20,099,684
Net pension asset	\$ -	\$ (190,882)	\$ -	\$ (190,882)
Deferred outflows	\$ 1,997,088	\$ 231,330	\$ 103,604	\$ 2,332,022
Deferred inflows	\$ 624,320	\$ 525,492	\$ 131,991	\$ 1,281,803
Pension expense	\$ 1,279,216	\$ 5,057	\$ 68,497	\$ 1,352,770
2019	ERS	Hourly DB Plan	Railway Plan	Total
Pension assets	\$ 35,487,786	\$ 19,231,225	\$ 1,214,391	\$ 55,933,402
Pension liabilities	53,610,944	20,644,592	1,784,553	76,040,089
Net pension liability	\$ 18,123,158	\$ 1,413,367	\$ 570,162	\$ 20,106,687
Deferred outflows	\$ 1,838,587	\$ 133,141	\$ 82,326	\$ 2,054,054
Deferred inflows	\$ 2,204,813	\$ 237,361	\$ 136,266	\$ 2,578,440
Pension expense (benefit)	\$ 758,160	\$ (35,727)	\$ 95,507	\$ 817,940

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, 2020 and 2019, were approximately \$1,186,000 and \$1,210,000, respectively.

**ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

8. 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.

**ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

8. 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.

**ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

8. 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 15.24% for fiscal 2020 and 14.51% for fiscal 2019. 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 14.87% in 2020 and 14.14% in 2019. The Authority's total contribution requirement and contributions made for fiscal 2020 and 2019 were approximately \$2,297,000 and \$2,141,000, respectively, which consisted of approximately \$1,550,000 and \$1,417,000 from the Authority and \$747,000 and \$724,000 from employees, respectively.

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

At September 30, 2020, the Authority reported a liability of \$19,591,321 for its proportionate share of the net ERS liability. The net ERS liability was measured as of September 30, 2019, and the total ERS liability used to calculate the net ERS liability was determined by an actuarial valuation as of September 30, 2018. 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, 2019 measurement date, the Authority's proportion was 0.68% which was a decrease from 0.69%, its proportion measured as of the September 30, 2018 measurement date.

**ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

8. 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 \$1,416,656 and \$1,293,396, for the years ended September 30, 2020 and 2019, respectively. At September 30, 2020, 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	\$ 1,508	\$ 111,629
Changes in assumptions	103,951	-
Net difference between projected and actual earnings on pension plan investments	341,584	-
Changes in proportion and differences between Authority contributions and proportionate share of contributions	-	512,691
Authority contributions subsequent to the measurement date	1,550,045	-
	<u>\$ 1,997,088</u>	<u>\$ 624,320</u>

Deferred outflows of resources of \$1,550,045 result from Authority contributions subsequent to the measurement date of September 30, 2019, and are recognized as a reduction of the net pension liability in the year ended September 30, 2020. 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:

2021	\$ (543,526)
2022	(186,116)
2023	203,767
2024	348,598
	<u>\$ (177,277)</u>

**ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

8. 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

The following information presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.70%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate as of the September 30, 2019 measurement date:

	1% Decrease (6.70%)	Current Discount Rate (7.70%)	1% Increase (8.70%)
Authority's proportionate share of the net pension liability	\$ 24,989,078	\$ 19,591,321	\$ 14,998,167

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.

**ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

8. 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 \$294 to \$1,492 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 \$40 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

At September 30, 2020 and 2019, the following employees were covered by the benefit terms:

	<u>2020</u>	<u>2019</u>
Inactive employees or beneficiaries currently receiving benefits	156	159
Inactive employees entitled to but not receiving benefits	31	29
Active employees	<u>71</u>	<u>78</u>
	<u>258</u>	<u>266</u>

Contributions

The Authority's funding policy is to contribute an actuarially determined amount equivalent to the "Normal Cost," utilizing the level percent of inflation (2.75%) 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.

**ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

8. 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, 2020, actuarial valuation using the entry age normal percent of pay method. The actuarial assumptions include a 5.25% investment rate of return, with a 2.75% 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 4 years. The actuarial value of assets was determined using techniques that normalize the effects of short-term volatility in the market 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 \$1,419,364 and \$1,387,398, equaling 8.99% and 8.52% of payroll of covered participants for the years ended September 30, 2020 and 2019, respectively.

Net Pension (Asset) Liability

The Authority's net pension (asset) liability was measured as of September 30, 2020 and 2019, and the total pension liability used to calculate the net pension (asset) liability was determined by an actuarial valuation as of January 1, 2020 and 2019, rolled forward to September 30 using generally accepted actuarial principles.

The total pension liability in the September 30, 2020 and 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	Rates	
	2020	2019
Inflation	2.75%	2.75%
Discount rate	5.25%	5.50%
Investment rate of return	5.25%	5.50%

Healthy mortality rates for the year ended September 30, 2020, for the Hourly DB Plan 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
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

8. RETIREMENT PLANS – CONTINUED

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

Net Pension (Asset) 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, 2020:

	Target Allocation	Long-Term Expected Real Rate of Return
Investment Type:		
Short-Term Securities (cash equivalents)	7.50%	0.11%
U.S. Government / Agency (cash equivalents)	27.50%	0.11%
Corporate Bonds	34.00%	1.94%
Large-, Mid-, and Small-Cap Equities	17.00%	6.78%
Mortgage-backed securities	14.00%	5.74%
	100.00%	

As of September 30, 2020 and 2019, 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 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 5.25% and 5.50% and a municipal bond rate (based on the 20-year Bond Buyer GO Index) of 2.21% and 2.66% at September 30, 2020 and 2019, respectively. The projection of cash flows used to determine the discount rate assumed that contributions will be made at the current contribution rate and the contributions will be made based on the current funding policy for future years. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

8. RETIREMENT PLANS – CONTINUED

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

Changes in the Net Pension (Asset) Liability

	Total Pension Liability (A)	Pension Fiduciary Net Position (B)	Net Pension Asset (A) - (B)
Balances at October 1, 2019	\$ 20,644,592	\$ 19,231,225	\$ 1,413,367
Service cost	133,730	-	133,730
Interest cost	1,104,298	-	1,104,298
Changes for experience	(297,055)	-	(297,055)
Changes in assumptions	449,566	-	449,566
Contributions – employer	-	1,419,364	(1,419,364)
Benefit payments	(1,419,364)	(1,419,364)	-
Net investment income	-	1,575,424	(1,575,424)
Net changes	(28,825)	1,575,424	(1,604,249)
Balances at September 30, 2020	\$ 20,615,767	\$ 20,806,649	\$ (190,882)

	Total Pension Liability (A)	Pension Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Balances at October 1, 2018	\$ 21,063,086	\$ 17,779,894	\$ 3,283,192
Service cost	138,460	-	138,460
Interest cost	1,128,442	-	1,128,442
Changes for experience	(261,081)	-	(261,081)
Changes in assumptions	(36,917)	-	(36,917)
Contributions – employer	-	1,387,398	(1,387,398)
Benefit payments	(1,387,398)	(1,387,398)	-
Net investment income	-	1,451,331	(1,451,331)
Net changes	(418,494)	1,451,331	(1,869,825)
Balances at September 30, 2019	\$ 20,644,592	\$ 19,231,225	\$ 1,413,367

The change in assumptions reflected in the change in net pension asset for the year ended September 30, 2020, was due to a change to the discount rate effective January 1, 2020.

**ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

8. RETIREMENT PLANS – CONTINUED

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

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

The following information presents the net pension asset calculated using the discount rate of 5.25% as well as net pension asset using a discount rate that is one percentage point lower or one percentage point higher than the current rate as of September 30, 2020:

	1% Decrease (4.25%)	Current Discount Rate (5.25%)	1% Increase (6.25%)
Net pension liability (asset)	\$ 1,787,377	\$ (190,882)	\$ (1,889,539)

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

For the years ended September 30, 2020 and 2019, the plan recognized pension expense (benefit) of \$5,057 and \$(35,727), respectively. At September 30, 2020, 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	\$ -	\$ 363,958
Changes in assumptions	231,330	1,075
Differences between expected and actual experience	-	160,459
	<u>\$ 231,330</u>	<u>\$ 525,492</u>

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:

2021	\$ 74,977
2022	(67,368)
2023	(198,230)
2024	(103,541)
	<u>\$ (294,162)</u>

**ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

8. 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

At September 30, 2020 and 2019, the following employees were covered by the benefit terms:

	2020	2019
Inactive employees or beneficiaries currently receiving benefits	80	80
Active employees	101	94
	<u>181</u>	<u>174</u>

**ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

8. 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 (2.75%) 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, 2020, actuarial valuation using the entry age normal percent of pay method. The actuarial assumptions include a 5.25% investment rate of return, with a 2.75% 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 4 years. The actuarial value of assets was determined using techniques that normalize the effects of short-term volatility in the market 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 \$155,849 and \$157,017, equaling 2.03% and 2.02% of payroll of covered participants for the years ended September 30, 2020 and 2019, respectively.

Net Pension Liability

The Authority's net pension liability was measured as of September 30, 2020 and 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020 and 2019, rolled forward to September 30 using generally accepted actuarial principles.

The total pension liability in the September 30, 2020 and 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	Rates	
	2020	2019
Inflation	2.75%	2.75%
Discount rate	5.25%	5.50%
Investment rate of return	5.25%	5.50%

Healthy mortality rates for the year ended September 30, 2020, for the Railway Plan 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
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

8. 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, 2020:

	Target Allocation	Long-Term Expected Real Rate of Return
Investment Type:		
Short-Term Securities (cash equivalents)	7.50%	0.11%
U.S. Government / Agency (cash equivalents)	27.50%	0.11%
Corporate Bonds	34.00%	1.94%
Large-, Mid-, and Small-Cap Equities	17.00%	6.78%
Mortgage-backed securities	14.00%	5.74%
	<u>100.00%</u>	

As of September 30, 2020 and 2019, the only investments in the Railway Plan's fiduciary net position that represented a concentration of 5% or more in any organization, were those in U.S. Government and Agency securities.

The long-term expected rate of return on 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 5.25% and 5.50%, and a municipal bond rate (based on the 20-year Bond Buyer GO Index) of 2.21% and 2.66% at September 30, 2020 and 2019, respectively. The projection of cash flows used to determine the discount rate assumed that contributions will be made at the current contribution rate and the contributions will be made based on the current funding policy for future years. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

8. RETIREMENT PLANS – CONTINUED

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

Changes in the Net Pension Liability

	Total Pension Liability (A)	Pension Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Balances at October 1, 2019	\$ 1,784,553	\$ 1,214,391	\$ 570,162
Service cost	21,291	-	21,291
Interest cost	95,121	-	95,121
Changes for experience	36,879	-	36,879
Changes in assumptions	40,371	-	40,371
Contributions – employer	-	155,849	(155,849)
Benefit payments	(154,803)	(154,803)	-
Net investment income	-	99,612	(99,612)
Net changes	38,859	100,658	(61,799)
Balances at September 30, 2020	\$ 1,823,412	\$ 1,315,049	\$ 508,363
	Total Pension Liability (A)	Pension Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Balances at October 1, 2018	\$ 1,843,530	\$ 1,122,744	\$ 720,786
Service cost	35,014	-	35,014
Interest cost	99,060	-	99,060
Changes for experience	18,606	-	18,606
Changes in assumptions	(54,640)	-	(54,640)
Contributions – employer	-	157,017	(157,017)
Benefit payments	(157,017)	(157,017)	-
Net investment income	-	91,647	(91,647)
Net changes	(58,977)	91,647	(150,624)
Balances at September 30, 2019	\$ 1,784,553	\$ 1,214,391	\$ 570,162

The change in assumptions reflected in the change in net pension liability for the year ended September 30, 2020, was due to a change to the discount rate effective January 1, 2020.

**ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

8. 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 5.25% 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, 2020:

	1% Decrease (4.25%)	Current Discount Rate (5.25%)	1% Increase (6.25%)
Net pension liability	\$ 686,463	\$ 508,363	\$ 355,601

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

For the years ended September 30, 2020 and 2019, the plan recognized pension expense of \$68,497 and \$95,507, respectively. At September 30, 2020, 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	\$ -	\$ 24,188
Changes in assumptions	58,559	74,802
Differences between expected and actual experience	45,045	33,001
	<u>\$ 103,604</u>	<u>\$ 131,991</u>

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:

2021	\$ (1,838)
2022	(6,607)
2023	(14,216)
2024	(3,483)
2025	(2,243)
	<u>\$ (28,387)</u>

**ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

9. OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The State Employees' Insurance Board (Board) 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 Board 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 Board'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 Board provide reporting for SEIF and SEIF – Retired Trust, and the Board's audited financial statements are publicly available on the Board'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 Board. 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.

**ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

9. OTHER POSTEMPLOYMENT BENEFITS – CONTINUED

Benefits Provided

The Board serves as the Plan Administrator for the SEHIP and is primarily responsible for the control and supervision of the SEHIP. The Board 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.

Contributions

Code of Alabama 1975, Section 36-29-19.7 provides that the Board 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 Board 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 Board. 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 Board. For both plan years ended September 30, 2019 and 2018, 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. For the years ended September 30, 2020 and 2019, the Authority contributed \$747,379 and \$1,265,923, respectively, to the SEIF.

**ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

9. OTHER POSTEMPLOYMENT BENEFITS – CONTINUED

Net OPEB Liability

The Authority's net OPEB liability was measured as of September 30, 2019, and the total OPEB liability was determined by an actuarial valuation as of September 30, 2018. 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, 2019, relative to total contributions made by all participating entities. At the September 30, 2019 measurement date, the Authority's proportion was 1.70% which was an increase from 1.63%, its proportion measured as of the September 30, 2018 measurement date. The components of the net OPEB liability as of and for the years ended September 30, 2020 and 2019, were as follows:

	2020	2019
Total OPEB liability	\$ 32,650,830	\$ 50,371,035
OPEB Fiduciary Net Position	3,244,587	3,002,522
Net OPEB liability	\$ 29,406,243	\$ 47,368,513
OPEB (benefit) expense	\$ (1,246,940)	\$ 2,837,868

Actuarial Assumptions and Other Inputs

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

Inflation	2.75%
Salary increases	5.00%-3.25% for State and Local Employees and 4.50% for Police, including 3.00% wage inflation
Long-term investment rate of return	7.50% compounded annually, net of investment expense, including inflation
Municipal Bond Index Rate at Measurement date	3.00%
Municipal Bond Index Rate at Prior Measurement Date	4.18%
Year Fiduciary Net Position is projected to be depleted	2035
Single Equivalent Interest Rate at Measurement Date	3.63%
Single Equivalent Interest Rate at Prior Measurement Date	4.25%
Healthcare cost trend rate	
Pre-Medicare Eligible	6.75%
Medicare Eligible	**
Ultimate trend rate	
Pre-Medicare Eligible	4.75% in 2026
Medicare Eligible	4.75% in 2024
Dental Trend Rate	4.50%

***Initial Medicare claims are set based on scheduled increases through plan year 2022*

**ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

9. OTHER POSTEMPLOYMENT BENEFITS – CONTINUED

Actuarial Assumptions and Other Inputs – Continued

The rates of mortality for the period after service retirement are according to the sex distinct RP-2000 Blue Collar Mortality Table 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 age 78. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disabled Retiree Mortality Table Projected with Scale BB to 2020 with an adjustment of 130% at all ages for females.

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 returns, net of investment expenses and inflation), as 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 ended September 30, 2019:

	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%
	<u>100.00%</u>	

The Single Equivalent Interest Rate (SEIR), or discount rate, used to measure the total OPEB liability was 3.63% and 4.25% at the measurement dates of September 30, 2019 and 2018, respectively. 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 (2035) by the long-term expected rate of return (7.50% at the September 30, 2019 measurement date), and the present value determined by discounting those benefits after the date of depletion by the Municipal Bond Index Rate (3.00% at the September 30, 2019 measurement date). The Municipal Bond Index Rate 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.

**ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

9. OTHER POSTEMPLOYMENT BENEFITS – CONTINUED

Actuarial Assumptions and Other Inputs – Continued

In 2016, rates of withdrawal, retirement, disability, and mortality were adjusted to more closely reflect actual experience. In 2016, 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. 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, 2015, submitted to and adopted by the Board on September 29, 2016.

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, 2018 valuation were based on a review of recent plan experience done concurrently with the September 30, 2018 valuation.

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 3.63% 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, 2019 measurement date:

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
Net OPEB liability	\$ 34,489,094	\$ 29,406,243	\$ 25,270,816

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, 2019 measurement date:

	1% Decrease (5.75% decreasing to 3.75% for pre-Medicare, Known decreasing to 3.75% for Medicare eligible)	Current Healthcare Cost Trend Rates (6.75% decreasing to 4.75% for pre-Medicare, Known decreasing to 4.75% for Medicare eligible)	1% Increase (7.75% decreasing to 5.75% for pre-Medicare, Known decreasing to 5.75% for Medicare eligible)
Net OPEB liability	\$ 24,508,117	\$ 29,406,243	\$ 35,623,783

**ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

9. OTHER POSTEMPLOYMENT BENEFITS – CONTINUED

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

At September 30, 2020, 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	\$ -	\$ 20,362,253
Changes in assumptions	2,166,355	6,220,998
Net difference between projected and actual earnings on OPEB plan investments	18,647	-
Changes in proportion and differences between Authority contributions and proportionate share of contributions	9,586,783	917,181
Authority contributions subsequent to the measurement date	747,379	-
	<u>\$ 12,519,164</u>	<u>\$ 27,500,432</u>

Deferred outflows of resources of \$747,379 result from Authority contributions subsequent to the measurement date of September 30, 2019, and will be recognized as a reduction of the net OPEB liability in the year ended September 30, 2021. 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:

2021	\$ (4,052,299)
2022	(4,052,299)
2023	(3,116,572)
2024	(3,148,697)
2025	(1,358,780)
	<u>\$ (15,728,647)</u>

**ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

10. 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, 2020 and 2019:

	2020	2019
Reported claims payable and estimated claims incurred but not reported at beginning of year	\$ 2,333,062	\$ 2,798,844
Provisions for claims	(192,055)	(312,094)
Total payments	<u>(142,848)</u>	<u>(153,688)</u>
Reported claims payable and estimated claims incurred but not reported at end of year	1,998,159	2,333,062
Less: current liabilities	<u>148,268</u>	<u>160,385</u>
Reported long-term claims payable at end of year	<u><u>\$ 1,849,891</u></u>	<u><u>\$ 2,172,677</u></u>

11. LEASING ARRANGEMENTS

The Authority derives certain operating revenue from tenants through rental payments earned from operating leases. Tenant leases typically guarantee minimum rent and other miscellaneous charges to cover certain expenses.

The following is a schedule of minimum future lease payments anticipated to be received by the Authority under operating leases:

Year ended September 30,

2021	\$ 6,952,566
2022	6,215,506
2023	5,577,168
2024	5,258,535
2025	5,038,072
Thereafter	<u>81,023,478</u>
	<u><u>\$ 110,065,325</u></u>

**ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

12. COMMITMENTS AND CONTINGENCIES

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

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

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

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

13. 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, 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 Authority may be exposed to various risks such as credit risk and interest rate risk through the interest rate swap. As the interest rate swap is a liability at September 30, 2020 and 2019, the impact of credit risk is minimized. The swap agreement, which expires on October 1, 2021, is based on an amortizing notional amount, which was \$15,555,000 at September 30, 2020.

**ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

13. INTEREST RATE SWAP – CONTINUED

As of September 30, 2020 and 2019, the interest rate swap had a negative fair value of \$423,385 and \$1,013,502, respectively, and is 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 at both September 30, 2020 and 2019. 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.

14. RELATED PARTY TRANSACTIONS

During the years ended September 30, 2020 and 2019, the Authority received approximately \$416,000 and \$861,000, respectively, of revenues from customers having principals who are members of the Authority's Board of Directors.

In fiscal 2020, the Authority sold property for \$4.5 million to a customer owned by a citizen who, at the time of sale, was a member of the Authority's Board of Directors. Due to this relationship, the sale was conducted by silent bid through the Authority's attorneys, with minimum bid established by market-value appraisal.

15. ISSUANCE OF NEW ACCOUNTING STANDARDS

The GASB issued Statement No. 84, *Fiduciary Activities*, in January 2017. This Statement is effective for reporting periods beginning after December 15, 2018 (See GASB 95 for updated effective date). This Statement establishes criteria for identifying fiduciary activities of all state and local governments. This Statement is not expected to impact the Authority, as the Authority does not report fund statements and does not have activities to which this statement applies.

The GASB issued Statement No. 87, *Leases*, in June 2017. This Statement is effective for reporting periods beginning after December 15, 2019 (See GASB 95 for updated effective date). This Statement 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 the 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 this Statement, 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. This Statement also will require notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements. This Statement does not apply to contracts that meet the definition of a service concession arrangement as outlined in GASB Statement No. 60. The Authority is currently evaluating the financial statement impact of the adoption of this Statement.

**ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

15. ISSUANCE OF NEW ACCOUNTING STANDARDS – CONTINUED

The GASB issued Statement No. 90, *Majority Equity Interests*, in August 2018. This Statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization. This Statement is not expected to impact the Authority, as it has no equity interests in other entities.

The GASB issued Statement No. 91, *Conduit Debt Obligations*, in May 2019. This Statement is effective for reporting periods beginning after December 15, 2020 (See GASB 95 for updated effective date). The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. The Authority is currently evaluating the financial statement impact of the adoption of this Statement.

The GASB issued Statement No. 92, *Omnibus 2020*, in January 2020. This Statement is effective for reporting periods beginning after June 15, 2020 (See GASB 95 for updated effective date). The primary objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The Authority is currently evaluating the financial statement impact of the adoption of this Statement.

The GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*, in March 2020. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020 (See GASB Statement 95 for updated effective dates). Due to global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The Authority is currently evaluating the financial statement impact of the adoption of this Statement.

**ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

15. ISSUANCE OF NEW ACCOUNTING STANDARDS – CONTINUED

The GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, in March 2020. This Statement is effective for periods beginning after June 15, 2022. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This statement requires, PPPs that meet the definition of a lease to apply the guidance in Statement No. 87 if existing assets of the transferor that are not required to be improved by the operator as part of the PPP arrangement are the only underlying PPP assets, and the PPP does not meet the definition of an SCA. Additionally, this Statement provides guidance for accounting and financial reporting for availability payment arrangements (APA). This Statement requires a government that is engaged in an APA that contains multiple components to recognize each component as a separate arrangement. The Authority is currently evaluating the financial statement impact of the adoption of this Statement.

The GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, in May 2020. The primary objective of this Statement is to provide relief to governments and other stakeholders in light of the COVID-19 pandemic. The effective dates of the following pronouncements are postponed by one year: Statements No. 83, 84, 88, 90, 91, 92, and 93 and Implementation Guides No. 2018-1, 2019-1, and 2019-2. The effective dates of the following pronouncements are postponed by 18 months: Statement No. 87 and Implementation Guide No. 2019-3. Earlier application of the provisions addressed in this Statement is permitted to the extent specified in each pronouncement as originally issued.

The GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, in May 2020. This Statement is effective for periods beginning after June 15, 2022. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This Statement establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability, and provides capitalization criteria for outlays, other than subscription payments. The Authority is currently evaluating the financial statement impact of the adoption of this Statement.

**ALABAMA STATE PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

15. ISSUANCE OF NEW ACCOUNTING STANDARDS – CONTINUED

The GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, in June 2020. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for periods beginning after June 15, 2021. All other requirements and criteria of this Statement are effective immediately. This Statement increases consistency and comparability related to the reporting of fiduciary component units and mitigates costs associated with the reporting of certain defined contribution pension plans, defined contribution OPEB plans, and employee benefit plans other than pension plans or OPEB plans as fiduciary component units in fiduciary fund financial statements. The Authority is currently evaluating the financial statement impact of the adoption of this Statement.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
TOTAL PENSION LIABILITY							
Service cost	\$ 133,730	\$ 138,460	\$ 143,789	\$ 157,083	\$ 174,718	\$ 174,718	\$ 183,862
Interest cost	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	(297,055)	(261,081)	(332,921)	34,124	(189,550)	(488,741)	-
Changes in assumptions	449,566	(36,917)	(684,685)	446,893	(309,826)	479,904	-
Benefit payments	(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	(28,825)	(418,494)	(970,720)	542,475	(314,764)	232,212	265,404
Total pension liability – beginning	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)	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	1,419,364	1,387,398	1,334,290	1,354,487	1,271,369	1,192,838	1,174,083
Net investment income	1,575,424	1,451,331	369,013	601,428	1,094,074	396,515	420,789
Benefit payments	(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	1,575,424	1,451,331	369,013	601,428	1,094,074	396,515	432,275
Pension fiduciary net position – beginning	19,231,225	17,779,894	17,410,881	16,809,453	15,715,379	15,318,864	14,886,589
Pension fiduciary net position – ending (B)	20,806,649	19,231,225	17,779,894	17,410,881	16,809,453	15,715,379	15,318,864
NET PENSION (ASSET) LIABILITY (A) - (B)	<u>\$ (190,882)</u>	<u>\$ 1,413,367</u>	<u>\$ 3,283,192</u>	<u>\$ 4,622,925</u>	<u>\$ 4,681,878</u>	<u>\$ 6,090,716</u>	<u>\$ 6,255,019</u>
FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	100.93%	93.15%	84.41%	79.02%	78.22%	72.07%	71.01%
COVERED PAYROLL	\$ 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	-1.21%	8.68%	22.38%	36.39%	38.58%	39.96%	40.13%

This schedule is presented to show information for 10 years. Until a full 10-year trend is available, the Authority will present information for those years for which information is available.

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

Fiscal Year	Actuarially Determined Contribution	Contributions From Authority	Contribution (Deficiency)/ Excess	Covered Payroll	Contribution as a % of Payroll
2014	\$ 1,030,143	\$ 1,174,083	\$ 143,940	\$ 15,588,432	7.53%
2015	\$ 1,056,588	\$ 1,192,838	\$ 136,250	\$ 15,241,310	7.83%
2016	\$ 1,060,352	\$ 1,271,369	\$ 211,017	\$ 12,136,336	10.48%
2017	\$ 699,784	\$ 1,354,487	\$ 654,703	\$ 12,704,324	10.66%
2018	\$ 666,584	\$ 1,334,290	\$ 667,706	\$ 14,669,586	9.10%
2019	\$ 411,664	\$ 1,387,398	\$ 975,734	\$ 16,283,596	8.52%
2020	\$ 442,597	\$ 1,419,364	\$ 976,767	\$ 15,790,208	8.99%

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	5.25%
Investment rate of return	5.25%
Inflation	2.75%
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	RP-2000 Blue Collar Mortality Table (sex distinct) projected and RP-2000 Disabled Retiree Mortality Table (sex distinct) projected

For fiscal years 2020 and 2019, 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.

This schedule is presented to show information for 10 years. Until a full 10-year trend is available, the Authority will present information for those years for which information is available.

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
TOTAL PENSION LIABILITY							
Service cost	\$ 21,291	\$ 35,014	\$ 37,519	\$ 35,183	\$ 38,997	\$ 38,997	\$ 37,071
Interest cost	95,121	99,060	108,831	111,948	114,083	103,933	105,435
Differences between expected and actual experience	36,879	18,606	(38,525)	(18,152)	7,580	(13,058)	-
Changes in assumptions	40,371	(54,640)	(41,565)	50,585	(34,384)	163,409	-
Benefit payments	<u>(154,803)</u>	<u>(157,017)</u>	<u>(153,693)</u>	<u>(156,147)</u>	<u>(159,907)</u>	<u>(166,205)</u>	<u>(168,843)</u>
Net change in total pension liability	38,859	(58,977)	(87,433)	23,417	(33,631)	127,076	(26,337)
Total pension liability – beginning	<u>1,784,553</u>	<u>1,843,530</u>	<u>1,930,963</u>	<u>1,907,546</u>	<u>1,941,177</u>	<u>1,814,101</u>	<u>1,840,438</u>
Total pension liability – ending (A)	<u>1,823,412</u>	<u>1,784,553</u>	<u>1,843,530</u>	<u>1,930,963</u>	<u>1,907,546</u>	<u>1,941,177</u>	<u>1,814,101</u>
PENSION FIDUCIARY NET POSITION							
Contributions – employer	155,849	157,017	177,135	172,181	191,724	182,218	168,843
Net investment income	99,612	91,647	24,429	37,892	67,224	7,248	36,347
Benefit payments	<u>(154,803)</u>	<u>(157,017)</u>	<u>(153,693)</u>	<u>(156,147)</u>	<u>(159,907)</u>	<u>(166,205)</u>	<u>(168,843)</u>
Net change in pension fiduciary net position	100,658	91,647	47,871	53,926	99,041	23,261	36,347
Pension fiduciary net position – beginning	<u>1,214,391</u>	<u>1,122,744</u>	<u>1,074,873</u>	<u>1,020,947</u>	<u>921,906</u>	<u>898,645</u>	<u>862,298</u>
Pension fiduciary net position – ending (B)	<u>1,315,049</u>	<u>1,214,391</u>	<u>1,122,744</u>	<u>1,074,873</u>	<u>1,020,947</u>	<u>921,906</u>	<u>898,645</u>
NET PENSION LIABILITY (A) - (B)	<u>\$ 508,363</u>	<u>\$ 570,162</u>	<u>\$ 720,786</u>	<u>\$ 856,090</u>	<u>\$ 886,599</u>	<u>\$ 1,019,271</u>	<u>\$ 915,456</u>
FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	72.12%	68.05%	60.90%	55.67%	53.52%	47.49%	49.54%
COVERED PAYROLL	\$ 7,659,706	\$ 7,787,550	\$ 7,363,599	\$ 7,331,607	\$ 7,293,665	\$ 8,324,817	\$ 8,010,453
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	6.64%	7.32%	9.79%	11.68%	12.16%	12.24%	11.43%

This schedule is presented to show information for 10 years. Until a full 10-year trend is available, the Authority will present information for those years for which information is available.

**ALABAMA STATE PORT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF AUTHORITY CONTRIBUTIONS (RAILWAY PLAN)
LAST SIX 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%

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	5.25%
Investment rate of return	5.25%
Inflation	2.75%
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	RP-2000 Blue Collar Mortality Table (sex distinct) projected and RP-2000 Disabled Retiree Mortality Table (sex distinct) projected

For fiscal years 2020 and 2019, 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.

This schedule is presented to show information for 10 years. Until a full 10-year trend is available, the Authority will present information for those years for which information is available.

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Authority's proportion of the net pension liability	0.68%	0.69%	0.71%	0.73%	0.77%	0.80%
Authority's proportionate share of the net pension liability	\$ 19,591,321	\$ 18,123,158	\$ 18,559,817	\$ 21,030,957	\$ 20,951,325	\$ 19,617,214
Authority's covered payroll	\$ 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	199.62%	194.04%	199.81%	216.09%	206.64%	197.50%
Plan fiduciary net position as a percentage of the total pension liability	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.

This schedule is presented to show information for 10 years. Until a full 10-year trend is available, the Authority will present information for those years for which information is available.

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required Authority contribution	\$ 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	<u>1,550,045</u>	<u>1,416,656</u>	<u>1,293,396</u>	<u>1,300,676</u>	<u>1,413,503</u>	<u>1,362,605</u>
Authority contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered payroll	\$ 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	15.15%	14.43%	13.85%	14.00%	14.52%	13.44%

This schedule is presented to show information for 10 years. Until a full 10-year trend is available, the Authority will present information for those years for which information is available.

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Authority's proportion of the net OPEB liability	1.70%	1.63%	1.29%	1.34%
Authority's proportionate share of the net OPEB liability	\$ 29,406,243	\$ 47,368,513	\$ 40,958,024	\$ 45,831,470
Authority's covered employee payroll	\$ 28,234,775	\$ 25,876,155	\$ 23,679,611	\$ 23,396,794
Authority's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	104.15%	183.06%	172.97%	195.89%
Plan fiduciary net position as a percentage of the total OPEB liability	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 2016, rates of withdrawal, retirement, disability, and mortality were adjusted to more closely reflect actual experience. In 2016, economic assumptions and the assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

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, 2017, Medicare eligible medical and prescription drug benefits are provided through an MAPD plan. There were no other changes in actuarial assumptions made since the prior measurement period.

This schedule is presented to show information for 10 years. Until a full 10-year trend is available, the Authority will present information for those years for which information is available.

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required Authority contribution	\$ 747,379	\$ 1,265,923	\$ 1,314,110	\$ 1,201,451
Authority contributions in relation to the contractually required contribution	747,379	1,265,923	1,314,110	1,201,451
Authority contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered employee payroll	\$ 28,139,898	\$ 28,234,775	\$ 25,876,155	\$ 23,679,611
Authority contributions as a percentage of covered employee payroll	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	Projected Unit Credit
Amortization method	Level percent of pay, open
Remaining amortization period	30 years
Asset valuation method	Market value of assets
Inflation	2.75%
Healthcare cost trend rate	
Pre-Medicare Eligible	7.00%
Medicare Eligible	5.50%
Ultimate trend rate	
Pre-Medicare Eligible	4.75% in 2026
Medicare Eligible	4.75% in 2024
Dental Trend Rate	4.50%
Investment rate of return	5.00%, including inflation

This schedule is presented to show information for 10 years. Until a full 10-year trend is available, the Authority will present information for those years for which information is available.