

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS, INCLUDING COMPLIANCE WITH INVESTMENT GUIDELINES, BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Commissioners
Albany Port District Commission

We have audited, 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; and Investment Guidelines for Public Authorities issued by the Office of the State Comptroller, State of New York, the financial statements of the Albany Port District Commission (the "Commission") as of and for the year ended December 31, 2012, and have issued our report thereon dated March 25, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters, including Investment Guidelines for Public Authorities and the Commission's Investment Guidelines, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

This report is intended solely for the information and use of the Commissioners and management of the Albany Port District Commission, others within the entity, federal awarding agencies, pass-through entities and New York State departments and agencies, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "DHY" followed by a flourish.

Albany, New York
March 25, 2013

Investment Report for Albany Port District Commission
 Fiscal Year Ending: 12/31/2012

Run Date: 03/28/2013
 Status: CERTIFIED

Investment Information:

| Question | Response | URL (if applicable) | Attachments |
|--|----------|---------------------|---------------------|
| 1. Has the Authority prepared an Annual Investment Report for the reporting period as required by Section 2925(6) of PAL? | Yes | www.portofalbany.us | Attachment Included |
| 2. Are the Authority's investment guidelines reviewed and approved annually? | Yes | | |
| 3. Did the Authority have an independent audit of investments as required by Section 2925(3)(F) of PAL? | Yes | www.portofalbany.us | Attachment Included |
| 4. Has the Authority's independent auditor issued a management letter to the Authority in connection with its annual audit of investments? | Yes | www.portofalbany.us | Attachment Included |
| 5. Attach any other communications required or allowed by professional audit standards that were issued by the Authority's independent auditor in connection with its annual audit of investments. | | | |
| 6. Did the independent audit of investments conform to the criteria in 2NYCRR Part 201.3(b)? | Yes | | |
| 7. Did investments include repurchase agreements? a. If Yes, did the repurchase agreements include a master repurchase agreement? | No | | |
| 8. Did investments include reverse repurchase agreements? | No | | |
| 9. Did the Authority engage in securities lending transactions? | No | | |
| 10. Were all deposits of money insured and/or collateralized? a. If No, were uninsured/uncollateralized deposits allowed by the Authority's investment guidelines and an adopted resolution by the Authority's governing board? | Yes | | |

Investment Report for Albany Port District Commission
Fiscal Year Ending: 12/31/2012

Run Date: 03/28/2013
Status: CERTIFIED

Additional Comments:

Short Term Investment Services
 Albany Port District Commission
 As of December 31, 2012
 Portfolio



| Issue Description | Coupon | Maturity | Par Amount | Market Price | Market Value | Purchase Yield | Market Yield | % of Portfolio |
|--------------------------------|---------------|-----------------|-------------------|---------------|-------------------|----------------|--------------|----------------|
| Money Market | | | | | | | | |
| Bank of America MM | <u>0.010%</u> | <u>01/01/13</u> | 9,966.84 | 100.00 | 9,966.84 | 0.01% | <u>0.01%</u> | <u>0.31%</u> |
| | 0.010% | 01/01/13 | 9,966.84 | 100.00 | 9,966.84 | 0.01% | 0.01% | 0.31% |
| Certificate of Deposits | | | | | | | | |
| First Niagara Bank | 0.300% | 02/25/13 | 249,000.00 | 99.99 | 248,965.14 | 0.30% | 0.15% | 7.77% |
| Goldman Sachs Bank | 0.450% | 08/22/13 | 249,000.00 | 99.99 | 248,977.59 | 0.45% | 0.25% | 7.77% |
| Apple Bank for Savings | 0.350% | 08/29/13 | 99,000.00 | 99.99 | 98,987.92 | 0.35% | 0.25% | 3.09% |
| Apple Bank for Savings | 0.300% | 10/24/13 | 148,000.00 | 99.82 | 147,736.12 | 0.30% | 0.30% | 4.61% |
| Safra National Bank | <u>0.300%</u> | <u>10/25/13</u> | <u>249,000.00</u> | <u>99.82</u> | <u>248,551.80</u> | <u>0.30%</u> | <u>0.30%</u> | <u>7.75%</u> |
| | 0.343% | 08/03/13 | 994,000.00 | 99.92 | 993,218.57 | 0.34% | 0.24% | 30.98% |
| Agency Notes | | | | | | | | |
| FNMA Agency Note | 3.625% | 02/12/13 | 295,000.00 | 100.39 | 296,141.65 | 0.21% | 0.10% | 9.24% |
| FHLMC Agency Note | 1.720% | 04/11/13 | 260,000.00 | 100.44 | 261,144.00 | 0.25% | 0.13% | 8.15% |
| FHLMC Agency Note | 1.625% | 04/15/13 | 250,000.00 | 100.43 | 251,075.00 | 0.16% | 0.14% | 7.83% |
| FHLB Agency Note | 0.510% | 05/29/13 | 325,000.00 | 100.16 | 325,516.75 | 0.25% | 0.12% | 10.15% |
| FHLB Agency Note | 0.350% | 06/07/13 | 340,000.00 | 100.10 | 340,326.40 | 0.24% | 0.13% | 10.62% |
| FNMA Agency Note | 2.875% | 12/11/13 | 165,000.00 | 102.56 | 169,228.95 | 0.21% | 0.16% | 5.28% |
| FHLB Agency Note | 3.125% | 12/13/13 | 225,000.00 | 102.79 | 231,268.50 | 0.21% | 0.19% | 7.21% |
| FHCB Agency Note | 0.220% | 02/10/14 | 125,000.00 | 100.03 | 125,033.75 | 0.22% | 0.20% | 3.90% |
| FHCB Agency Note | <u>1.150%</u> | <u>10/06/14</u> | <u>200,000.00</u> | <u>101.53</u> | <u>203,068.00</u> | <u>0.28%</u> | <u>0.28%</u> | <u>6.33%</u> |
| | 1.673% | 08/09/13 | 2,185,000.00 | 100.82 | 2,202,803.00 | 0.23% | 0.15% | 68.71% |
| Total | 1.256% | 08/06/13 | 3,188,966.84 | 100.54 | 3,205,988.41 | 0.26% | 0.18% | 100.00% |

Short Term Investment Services
 Albany Port District Commission
 Transactions Detail

| Type | Broker | Trade Date | Settlement Date | Detail | Coupon | Maturity Date | Price | Par Amount | Principal | Interest | Net Proceeds | Interest |
|----------|----------|------------|-----------------|------------------------------|--------|---------------|---------|------------|------------|----------|--------------|----------|
| Dividend | | 12/03/12 | | Bank of America Money Market | | | | | | | | 3.10 |
| Maturity | | 12/07/12 | | FICB Agency Note | 1.875% | 12/07/12 | 100.000 | 230,000.00 | 230,000.00 | - | 230,000.00 | 2,156.25 |
| Interest | | 12/07/12 | | FHLB Agency Note | 0.350% | 06/07/13 | | 340,000.00 | | | | 595.00 |
| Interest | | 12/11/12 | | FNMA Agency Note | 2.875% | 12/11/13 | | 165,000.00 | | | | 2,371.87 |
| Buy | GXClarke | 12/11/12 | 12/12/12 | FHLB Agency Note | 3.125% | 12/13/13 | 102.916 | 225,000.00 | 231,561.00 | 3,496.09 | 235,057.09 | |
| Interest | | 12/13/12 | | FHLB Agency Note | 3.125% | 12/13/13 | | 225,000.00 | | | | 3,515.62 |

Short Term Investment Services
 Albany Port District Commission
 As of December 31, 2012
 Interest Accruals

| Issue Description | Par Amount | Purchase Cost | Nov Book Value | Dec Book Value | Amort Change | Realized Gain/(Loss) | Beginning Accrual | New Accrual | Interest Received | Ending Accrual |
|--------------------------------|---------------------|---------------------|---------------------|---------------------|-------------------|----------------------|-------------------|-----------------|-------------------|-----------------|
| Money Market | | | | | | | | | | |
| Bank of America MM | 9,966.84 | 9,966.84 | 6,382.09 | 9,966.84 | 0.00 | 0.00 | 0.00 | 3.10 | 3.10 | 0.00 |
| Certificate of Deposits | | | | | | | | | | |
| First Niagara Bank | 249,000.00 | 249,000.00 | 249,000.00 | 249,000.00 | 0.00 | 0.00 | 200.56 | 63.45 | 0.00 | 264.01 |
| Goldman Sachs Bank | 249,000.00 | 249,000.00 | 249,000.00 | 249,000.00 | 0.00 | 0.00 | 306.99 | 95.16 | 0.00 | 402.15 |
| Apple Bank for Savings | 99,000.00 | 99,000.00 | 99,000.00 | 99,000.00 | 0.00 | 0.00 | 88.29 | 29.43 | 0.00 | 117.72 |
| Apple Bank for Savings | 148,000.00 | 148,000.00 | 148,000.00 | 148,000.00 | 0.00 | 0.00 | 45.01 | 37.71 | 0.00 | 82.72 |
| Safra National Bank | 249,000.00 | 249,000.00 | 249,000.00 | 249,000.00 | 0.00 | 0.00 | 71.63 | 63.44 | 0.00 | 135.07 |
| | | | | | | | 712.48 | 289.19 | 0.00 | 1,001.67 |
| Agency Notes | | | | | | | | | | |
| FNMA Agency Note | 295,000.00 | 303,147.90 | 297,023.30 | 296,175.70 | (847.60) | 0.00 | 3,208.13 | 920.85 | 0.00 | 4,128.98 |
| FHLMC Agency Note | 260,000.00 | 263,993.60 | 261,372.80 | 261,050.40 | (322.40) | 0.00 | 608.69 | 385.09 | 0.00 | 993.78 |
| FHLMC Agency Note | 250,000.00 | 252,000.00 | 251,366.83 | 251,055.28 | (311.55) | 0.00 | 507.81 | 349.83 | 0.00 | 857.64 |
| FHLB Agency Note | 325,000.00 | 325,929.50 | 325,411.08 | 325,340.28 | (70.80) | 0.00 | 4.60 | 142.73 | 0.00 | 147.33 |
| FHLB Agency Note | 340,000.00 | 340,346.80 | 340,186.74 | 340,156.11 | (30.63) | 0.00 | 571.86 | 102.47 | 595.00 | 79.33 |
| FNMA Agency Note | 165,000.00 | 169,519.35 | 169,519.35 | 169,146.74 | (372.61) | 0.00 | 2,226.93 | 408.48 | 2,371.87 | 263.54 |
| FHLB Agency Note | 225,000.00 | 231,561.00 | 0.00 | 231,220.40 | (340.60) | 0.00 | 0.00 | 3,867.18 | 3,515.62 | 351.56 |
| FHCB Agency Note | 125,000.00 | 124,993.75 | 124,993.75 | 124,994.19 | 0.44 | 0.00 | 84.03 | 23.68 | 0.00 | 107.71 |
| FHCB Agency Note | 200,000.00 | 203,194.00 | 203,194.00 | 203,047.31 | (146.69) | 0.00 | 345.00 | 198.06 | 0.00 | 543.06 |
| | | | | | | | 7,557.05 | 6,398.37 | 6,482.49 | 7,472.93 |
| Total | 3,188,966.84 | 3,218,652.74 | 2,973,449.94 | 3,206,153.26 | (2,442.43) | 0.00 | 8,269.53 | 6,690.66 | 6,485.59 | 8,474.60 |
| Sales & Maturities | | | | | | | | | | |
| FHCB Agency Note | 230,000.00 | 233,268.30 | 230,075.51 | 230,000.00 | (75.51) | 0.00 | 2,072.40 | 83.85 | 2,156.25 | 0.00 |
| Total | | | 3,203,525.45 | | (2,517.94) | 0.00 | 10,341.93 | 6,774.51 | 8,641.84 | 8,474.60 |