

**ALBANY PORT  
DISTRICT COMMISSION**



**AUDITED FINANCIAL STATEMENTS  
AND  
OTHER INFORMATION**

Years ended December 31, 2013 and 2012

# ALBANY PORT DISTRICT COMMISSION

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

In 2013, the Albany Port District Commission's investment in major infrastructure projects continued and the return on these investments are already beginning to show. Through the support of Governor Andrew Cuomo, the NYS Department of Transportation and the Capital Regional Economic Development Council, the Port is undergoing a \$8.7 million rehabilitation of 600 feet of the Rensselaer wharf. The award of funds was announced in late 2011, pre-development occurred in 2012 and major construction has been completed in 2013. The project is on schedule and on budget and is slated for completion in 2014. This project will double the capacity of commercial waterfront activity on the Rensselaer side of the Port, since only a portion of the wharf had been usable due to age and deterioration. This is expected to allow twice as many ships to dock at the same time on the easterly side of the Hudson River and allow heavy cargo handling. This means greater opportunities for jobs as more vessels call at the Rensselaer side of the Port operations.

The remainder of the \$11.5 million grant proceeds are programmed for acquisition of a mobile harbor crane. An RFP was issued for the technical specs required for a new crane in 2013, with selection, manufacturing and delivery expected in 2014. This will be the second mobile harbor crane at the Port of Albany. This is expected to attract additional heavy cargo work and induce potential relationships that will add commercial activity at the Port.

In 2013, the APDC presented an update on the progress of the Rensselaer Wharf construction project to the Governor's Regional Council statewide assessment team. The Capital Region, one of ten regional councils across New York State, had their tour with Governor Cuomo and the assessment team in November to show progress of CFA funded projects as well as their strategic plan and to compete for additional funding. The Port was one of three projects that presented to the team in person, before touring a number of capital region projects. The Capital Region has close to 200 projects funded through Rounds I, II and III of the Regional Council program. The Port of Albany's CFA was the largest grant funding award made in the Capital Region.

The \$12 million restoration of the Albany wharf was completed in 2012, and the Port saw dividends of this investment already. In 2013, an economic indicator at the Port of Albany, long shore hours worked, saw a notable increase. Longshore hours worked were up 32% (or over 44,500 hours) as compared to the previous year. Federal Marine Terminal (FMT) is the stevedoring company that employs the longshoremen at the Port. FMT reported that the increase in hours was largely attributable to value added services available at the Port.

Companies are electing to utilize these value added services, including crate and product inspections and special cargo care. This could be part of the reason the Port was selected to handle cargo for the largest turbine contract in GE's history. In September, GE announced a \$2.7 Billion order to provide 38 power plant steam and gas turbines and generators to Algeria. Potentially half of the equipment will be shipped through the Port of Albany. This means a substantial increase in work for the longshore team at the Port. It also means more wharf activity as cargo begins to be shipped out to Northern Africa. The GE product is being built for the Sonelgaz Group, Algeria's state-owned utility. The Port has already taken steps to prepare operations for the increased cargo and shipping activity, including working with National Grid to bring additional power to the terminal for the temporary storage of the units. The Port and FMT expect a banner year in 2014 due to this Algerian mega-deal.

The Port's flexibility and value added services also contributed to a deal that served a major airline need. In November, the Port of Albany received shipment of a 737 former commercial carrier airplane that is leasing storage space in the Port's secure terminal. The plane traveled up by barge from LaGuardia Airport and was accompanied by a 1,000 ton floating crane to move the plane from ship to shore. The plane was recently decommissioned and the airline contacted the Port of Albany for temporary storage. The plane is expected to ultimately be retired in 2014 and dismantled for scrap.

In another significant infrastructure investment in 2013, construction of a state of the art Security and Emergency Operations Center was completed. This development was made possible through a \$750,000 grant in federal funds which covered almost 75% of the project costs. The new facility houses the APDC Security Operations, Federal Marine Terminals, shipping and receiving and the Maritime Ministries. The building replaces four obsolete trailers and is a major upgrade suitable for the caliber of operations at the Port of Albany.

In the continued perseverance of investing in infrastructure at the Port to support commerce, the Port was successful in securing a grant from NYS for rail improvements to assist a major tenant. Governor Cuomo announced statewide rail grant awards and the Port of Albany was successful in receiving over \$200,000. The funds will be a match toward the cost of improving 1,400 feet of rail access to Mohawk Paper's warehouse. The rail is deteriorated and impaired by weather hazards, including flooding which impacts the business's ability to bring rail cars directly to the building's siding. The Port will administer the rail improvement project.

In 2013, the Port continued to market services and opportunities to the Capital Region community and beyond. To that end, the Port hosted a number of college and university tours, including Syracuse University engineering department and the College of Saint Rose International business division. The Port also welcomed new University at Albany President Robert Jones with a reception and tour. These occurrences may not directly impact the Port's bottom line, but they contribute to a long term mission to encourage business and economic development opportunities.

The Port also accepted interns from the University of Albany's MBA Going Green Globally "G3" program, and a US EPA funded intern who studied ballast water regulations and their potential operational impact on the Port of Albany. All of these serve as opportunities to market the Port and increase business and economic development opportunities.

Also in 2013, the APDC Board voted in favor of partnering with the City of Albany and Capitalize Albany Corporation on completing a tactical plan for downtown Albany, including studying how to improve the riverfront preserve. As a stakeholder in the land, the Port recognizes its role in enhancing the waterfront recreational area that is in the district. This also supports one of the Port's long term investments.

The Port's investment in infrastructure upgrades and in running the best operation has been recognized in a number of different ways. Beyond attracting commerce activity, new tenants and new ventures it has also resulted in award recognition. The Port is proud to include these in this report as we believe it is one more testament to the integrity of operations.

In 2013, the Port of Albany was ranked among the top five ports in the nation for overall quality, quality of facilities, customer service and customer satisfaction by the Railway Industrial Clearance Association. The association, which supports what's called the heavy and dimensional transportation industry (oversized or oddly shaped cargo), ranked the Port of Houston first, followed by Charleston, Savannah, Albany and Corpus Christi. The five were selected from a pool of 25 ports nationwide.

The Albany Port Security team, together with the Port of NY/NJ was awarded the Coast Guard's Area Maritime Security Committee of the Year! The recognition was the most distinguished for outstanding achievements and contributions in safeguarding the Marine Transportation System. This is just one more testament to the Port of Albany's premier security team.

Federal Marine Terminals Inc., the stevedoring company that employs the longshoremen who load and unload shipments at the Port, was named as the 2013 Trade Partner of the Year by the Tech Valley Global Business Network. The award is one of five categories of recognition for Excellence in International Trade. The Tech Valley Global Business Network is a partnership among the Albany-Colonie Regional Chamber, Chamber of Schenectady County, Rensselaer County Regional Chamber, Chamber of Southern Saratoga County, Saratoga County Chamber and the Center for Economic Growth. The recognition is for accomplishments in international trade, conducting business overseas or support for international trade in Tech Valley.

A special thanks to all the leadership support that the Albany Port District Commission receives. This includes support from our state legislative delegation, NYS Governor Cuomo and our City of Albany and Rensselaer leaders. Thank you to Rensselaer Mayor Dwyer. Special thanks to former Albany Mayor Gerald Jennings. The Port is pleased to welcome new Mayor Kathy Sheehan in 2014 and looks forward to working together to make the Port of Albany the Northeast's fastest growing maritime economic engine.

Following this MD&A are the basic financial statements together with the notes thereto, which are essential to a full understanding of the data contained in the financial statements. In addition to the notes, this section also presents certain supplemental information that will assist in understanding the Commission's financial statements.

A comparative summary of maritime activity follows:

	<u>2011</u>	<u>2012</u>	<u>2013</u>
Ships	42	58	55
Barges-Heavy Lift	11	6	5
Total	<u>53</u>	<u>64</u>	<u>60</u>
Tonnage:			
Inbound	37,430	54,892	65,349
Outbound	<u>267,591</u>	<u>336,578</u>	<u>325,065</u>
Total	<u>305,021</u>	<u>391,470</u>	<u>390,414</u>
Longshoremen Man Hours	<u>41,020</u>	<u>33,720</u>	<u>44,389</u>

### **Financial Operation Highlights**

Total net position increased \$5,886,750 compared with a \$66,936 increase from the prior year. The \$5,886,750 increase for 2013 can primarily be attributed to the following:

- Capital Contributions 5,075,131
- Increase in Operating Revenues 617,677
- Increase in Operating Expenses 596,510
- Insurance Recovery 1,300,000

### **Financial Position Summary**

Net position may serve over time as a useful indicator of the Commission's financial position. Commission's assets exceeded liabilities by \$37,945,890 at December 31, 2013, an increase of \$5,886,750 from December 31, 2012. A three-year comparison is shown below:

	<u>2011</u>	<u>2012</u>	<u>2013</u>
<b>Assets</b>			
Current and other assets	\$ 4,246,253	\$ 4,779,564	\$ 5,748,603
Capital assets	<u>30,757,219</u>	<u>30,305,131</u>	<u>35,647,925</u>
Total assets	<u>\$ 35,003,472</u>	<u>\$ 35,084,695</u>	<u>\$ 41,396,528</u>
<b>Liabilities</b>			
Current and other liabilities	\$ 946,874	\$ 894,326	\$ 2,020,065
Long-term liabilities	<u>2,064,394</u>	<u>2,131,229</u>	<u>1,430,573</u>
	<u>\$ 3,011,268</u>	<u>\$ 3,025,555</u>	<u>\$ 3,450,638</u>
<b>Net Position</b>			
Invested in capital assets, net of related debt	\$ 29,453,694	\$ 29,158,412	\$ 34,646,889
Unrestricted	<u>2,538,510</u>	<u>2,900,728</u>	<u>3,299,001</u>
Total net position	<u>\$ 31,992,204</u>	<u>\$ 32,059,140</u>	<u>\$ 37,945,890</u>

## **Future Operations**

- The Port plans to make significant information system upgrades including automated account receivables and lease management module.
- In the 4<sup>th</sup> quarter of 2012 the Albany Port District Commission signed an off-loading agreement with Buckeye Terminal, LLC which will provide an estimated \$150,000 annually.
- The Commission has issued a Request for Proposals (RFP) for 12 acres within the Port to establish a maritime related business.
- The Commission's 2001 purchase of a 2.4 million mobile harbor crane, the largest of its type in New York State, continues to enhance revenues. The debt associated with this vital port asset was paid off and it is now owned solely by the Port.
- New York State First Instance advances are non-interest bearing advances, authorized by the State pursuant to the provisions of Section 19, Chapter 170 of the Laws of 1967. For construction, reconstruction, and rehabilitation of facilities. The final payment of \$77,709 will be made in May 2014.
- The management staff will perform charge analysis as it relates to the Port's competition. This will provide the needed information to adjust current and future charge structure.
- The Port will issue a Request for Proposal (RFP) for a mobile harbor crane. This crane will complement our current and future maritime activities.
- The Port is planning a \$250,000 project to rehabilitate a rail siding at The Mohawk Paper Company, the Port will receive \$207,306 from the state's Passenger & Freight Rail assistance program.
- The Port plans on replacing damaged timber piles on the Albany side of the river, the damage was caused by river traffic. Insurance claims have provided some funding for this important asset repair.
- The Port intends to upgrade operational equipment including fork trucks.
- The Port intends to host its first ever Port Industry Day to market operations and to explore partnerships for a potential container on barge service between the Port of NY/NJ and APDC.

## **Financial Statements**

The Commission's financial statements are prepared on an accrual basis in accordance with U.S. generally accepted accounting principles promulgated by the Government Accounting Standards Board (GASB). The Commission recognizes revenue when earned, not when received. Expenses are recognized when incurred, not when they are paid. Capital assets are capitalized and (except land) are depreciated over their useful lives.

## **Request for Information**

This financial report is designed to provide a general overview of the Commission's finances for all those interested. Questions concerning any of the information provided in this report or request for additional information should be addressed in writing to the Chief Financial Officer, [thurley@portofalbany.us](mailto:thurley@portofalbany.us).

## INDEPENDENT AUDITOR'S REPORT

To the Commissioners  
Albany Port District Commission

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of Albany Port District Commission (a component reporting unit of the City of Albany) as of December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Albany Port District Commission, as of December 31, 2013 and 2012, and the 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.

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 4 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 Information**

Our audits were conducted for the purpose of forming opinions on the financial statements of the Albany Port District Commission's basic financial statements. The Schedules of Payroll and Related Costs and Other Operating Expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedules of Payroll and Related Costs and Other Operating Expenses are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2014 on our consideration of the Albany Port District Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Albany Port District Commission's internal control over financial reporting and compliance.

UHYLLP

Albany, New York  
March 19, 2014



**ALBANY PORT DISTRICT COMMISSION**  
**STATEMENTS OF NET POSITION**  
**December 31, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 551,965	\$ 829,595
Investments	3,216,668	3,196,021
Accounts receivable	1,743,057	503,430
Other current assets	<u>234,646</u>	<u>245,535</u>
Total current assets	5,746,336	4,774,581
<b>NET PROPERTY AND EQUIPMENT</b>	35,647,925	30,305,131
<b>OTHER ASSETS</b>	<u>2,267</u>	<u>4,983</u>
	<u><u>\$ 41,396,528</u></u>	<u><u>\$ 35,084,695</u></u>
<b>LIABILITIES AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Current maturities of long-term debt	\$ 1,001,036	\$ 145,683
Deferred revenue	26,150	75,392
Accounts payable	375,566	147,600
Accrued expenses	455,233	361,908
OPEB obligation, current portion	<u>35,000</u>	<u>36,700</u>
Total current liabilities	1,892,985	767,283
<b>SECURITY DEPOSITS</b>	127,080	127,043
<b>LONG-TERM LIABILITIES</b>		
OPEB obligation net of current portion	1,430,573	1,130,193
Long-term debt, net of current maturities	<u>-</u>	<u>1,001,036</u>
Total long-term liabilities	1,430,573	2,131,229
Total liabilities	<u>3,450,638</u>	<u>3,025,555</u>
<b>NET POSITION</b>		
Net investment in capital assets	34,646,889	29,158,412
Unrestricted	<u>3,299,001</u>	<u>2,900,728</u>
Total net position	<u>37,945,890</u>	<u>32,059,140</u>
	<u><u>\$ 41,396,528</u></u>	<u><u>\$ 35,084,695</u></u>

See notes to financial statements.

**ALBANY PORT DISTRICT COMMISSION**  
**STATEMENTS OF REVENUES AND EXPENSES AND CHANGES IN NET POSITION**  
**Years ended December 31, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b>OPERATING REVENUES</b>		
Property rentals	\$ 3,160,262	\$ 2,908,097
Dockage fees	445,794	310,336
Wharfage fees	313,383	330,730
Stevedore fees	190,074	170,106
Crane/equipment rentals	43,750	115,500
Security fees	358,625	213,503
Storage and other services	303,667	149,606
	<u>4,815,555</u>	<u>4,197,878</u>
<b>OPERATING EXPENSES</b>		
Payroll and related benefit costs	2,317,434	1,786,030
Maintenance expense	133,863	72,666
Material handling	81,939	125,345
Insurance	263,649	286,829
Professional and consulting fees	209,456	239,909
Other operating expenses	524,029	423,081
	<u>3,530,370</u>	<u>2,933,860</u>
<b>OPERATING INCOME, BEFORE DEPRECIATION AND OTHER ITEMS</b>	<u>1,285,185</u>	<u>1,264,018</u>
<b>DEPRECIATION AND OTHER ITEMS</b>		
Depreciation and amortization	(1,407,378)	(1,463,925)
Insurance recovery	1,300,000	-
Waterfront development expenses	(340,620)	(323,667)
Unrealized loss on investments	(25,738)	(27,970)
Interest income	39,107	29,799
Interest expense	(38,937)	(38,737)
	<u>(473,566)</u>	<u>(1,824,500)</u>
<b>CHANGE IN NET POSITION BEFORE CAPITAL FUNDING</b>	811,619	(560,482)
Capital contributions	5,075,131	627,418
<b>INCREASE IN NET POSITION</b>	5,886,750	66,936
Total net position, beginning of the year	<u>32,059,140</u>	<u>31,992,204</u>
Total net position, end of year	<u>\$ 37,945,890</u>	<u>\$ 32,059,140</u>

See notes to financial statements.

**ALBANY PORT DISTRICT COMMISSION**  
**STATEMENTS OF CASH FLOWS**  
**Years ended December 31, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from rentals	\$ 3,214,117	\$ 3,036,576
Cash received for facility usage	933,079	794,460
Cash received from other services	706,042	319,361
Cash payments to employees and professionals	(2,134,885)	(1,816,801)
Cash payments for materials and maintenance	(213,070)	(344,325)
Cash payments for insurance	(247,229)	(266,974)
Cash payments for other expenses	(523,992)	(323,976)
Net cash provided by operating activities	<u>1,734,062</u>	<u>1,398,321</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Cash payments for waterfront development	<u>(340,620)</u>	<u>(323,667)</u>
Net cash used in noncapital financing activities	<u>(340,620)</u>	<u>(323,667)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Cash payments for capital assets	(6,495,819)	(1,098,991)
Cash received from capital grant funding	3,718,945	1,762,216
Cash received from insurance recovery	1,300,000	-
Interest expense	(38,937)	(38,737)
Cash payments on long-term debt and other obligations	(145,683)	(156,806)
Net cash (used in) provided by capital and related financing activities	<u>(1,661,494)</u>	<u>467,682</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash received from interest	13,369	1,829
Cash paid for purchase of investments	(3,687,565)	(3,669,094)
Cash received from sale of investments	3,664,618	2,571,833
Net cash used in investing activities	<u>(9,578)</u>	<u>(1,095,432)</u>
Net change in cash	<u>(277,630)</u>	446,904
Cash, beginning of year	<u>829,595</u>	<u>382,691</u>
Cash, end of year	<u>\$ 551,965</u>	<u>\$ 829,595</u>
<b>RECONCILIATION OF OPERATING INCOME, BEFORE DEPRECIATION AND OTHER ITEMS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating income, before depreciation and other items	\$ 1,285,185	\$ 1,264,018
Adjustments to reconcile operating income to net cash provided by operating activities:		
Changes in:		
Accounts receivable	116,199	(148,344)
Other assets	10,889	19,855
Accounts payable	(21,011)	45,580
Accrued expenses	93,362	95,726
Deferred revenue	(49,242)	(91,031)
OPEB obligation	298,680	212,517
Total adjustments	<u>448,877</u>	<u>134,303</u>
Net cash provided by operating activities	<u>\$ 1,734,062</u>	<u>\$ 1,398,321</u>

See notes to financial statements.

**ALBANY PORT DISTRICT COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013 and 2012**

**NOTE 1 — ORGANIZATION AND STATUTORY COMMISSION**

The Albany Port District Commission (the Commission) was established in 1925 under Chapter 192 of the Laws of the State of New York. The law, as amended, grants the Commission regulatory powers over the development and operations of the facilities of the Albany Port District. The Commission, a Public Corporation with perpetual existence, has the power to construct, develop and operate Port facilities, including a terminal railroad; to fix fees, rates, rentals and other charges for its facilities; to regulate and supervise the construction and operations of the Port facilities by private enterprise; to issue bonds and notes; and to do all other things necessary to make the Port useful and productive. The Commission also has the right of eminent domain.

The Laws of 1925 provide that the municipalities of Albany and Rensselaer be assessed for the Commission's deficit, if any, which might result from operations and financing. A 1932 reapportionment determination established rates which approximate 88 percent for Albany and 12 percent for Rensselaer. Although rates are subject to change under the provisions of the law, in recent years, there have been no such assessments.

The Commission is a component reporting unit of the City of Albany and, as such, is included in the City's general purpose financial statements.

**NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation:** The Commission follows the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" and GASB Statement No. 37 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus." Statement 34, as amended by Statement 37 and Statement 63, establishes standards for external reporting for all state and local government entities. It also requires the classification of net position into three components – invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- Net Investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, when applicable, that portion of the debt is included in the same net position component as the unspent proceeds.
- Restricted – This component of net position, when applicable, consists of restrictions placed on fund equity use through external constraints imposed by creditors (such as through debt covenants), by law or regulation, or through enabling legislation. No component of net position was classified as restricted at December 31, 2013 and 2012.
- Unrestricted – This component of net position consists of fund equity that does not meet the definition of "restricted" or "invested in capital assets, net of related debt."

**Basis of Accounting:** The accompanying financial statements have been prepared in conformity with generally accepted accounting principles for governmental entities, as prescribed by GASB. In accordance with the provisions promulgated by GASB, the Commission has elected not to apply Financial Accounting Standards Board (FASB) pronouncements and interpretations issued after November 1989.

# ALBANY PORT DISTRICT COMMISSION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

### NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Basis of Accounting** (Continued): The operations of the Commission are reported as a proprietary fund and, as such, are accounted for on a flow of economic resources measurement focus under the accrual basis of accounting. Within this measurement focus, all assets and liabilities associated with operations are included on the balance sheet with revenues recorded when earned and expenses recorded at the time liabilities are incurred.

**Cash and Cash Equivalents:** The Commission considers all liquid investments with an original maturity of three months or less to be cash equivalents. The Commission's financial instruments that are exposed to concentrations of credit risk consist primarily of cash, cash equivalents and investments. The Commission places cash and temporary cash investments with high quality credit institutions.

**Investments:** New York State statutes and guidelines, and the Commission's own investment policies, limit the investment of funds to obligations of the U.S. Government and its agencies, certificates of deposit, and obligations of the State of New York. The Commission's investments are managed by an independent investment advisor and are stated in the statements of net position at market value.

**Property and Equipment:** The Commission's property, equipment, and other facilities are carried at cost and include capital grant funding from federal, state and local Governmental entities utilized to acquire, construct, and improve facilities of the Commission. Such capital funding is recorded for amounts derived from capital project grants and other resources which are restricted to facility acquisition or construction. The Commission recognizes capital funding arising from capital project grants when earned (generally when the related capital expenditure is made). Depreciation is computed on the straight-line method based on estimated useful lives of the related assets, including those financed by capital funding grants. A substantial portion of depreciation is attributable to assets purchased with capital funding under various Governmental grants.

The estimated useful lives used in the calculation of depreciation are generally as follows:

Port marine facilities	10 to 40 Years
Furniture and equipment	5 to 10 Years
Transportation equipment	5 to 10 Years

**Accrued Employee Benefits:** It is the Commission's policy to record employee benefits, including accumulated vacation and sick leave earned, retirement benefits and post-retirement benefits, as a liability. Commission employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is reimbursed for such time up to a stated maximum.

**Deferred Revenue:** Deferred revenue consists principally of rents received in advance. At December 31, 2012, deferred revenue also included approximately \$59,100 received from insurance proceeds as a result of certain damage incurred to the Commission's property. These proceeds were used to offset the expense when the related repairs were undertaken in 2013.

**Operating Revenues:** The Commission's operating revenues are principally derived from four sources: property rentals, dockage fees, wharfage fees and security fees. Rental income is earned from tenants leasing buildings and other property owned by the Commission; dockage fees are earned from ships docked at Commission owned facilities; wharfage fees, including stevedore fees, are earned from unloading ships; and security fees are earned by providing certain security related services to tenants and others. Operating revenues also include equipment rentals, service charges and other fees.

**ALBANY PORT DISTRICT COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013 and 2012**

**NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Operating Expenses:** Operating expenses consist principally of payroll and related benefit costs, maintenance costs, material handling costs, insurance costs, professional and consulting fees, promotional expenses and utilities.

**Insurance Recovery:** During June 2011, certain dock facilities owned by the Commission experienced damage as a result of a collapse. The resulting debris was cleared and shoreline instability was remediated by the Commission and, concurrent with this rehabilitation project, the Commission submitted a claim to its insurance carrier for damages incurred and other costs related to this loss. The claim resulted in the Commission's recovery of substantially all costs it incurred relating to the incident. It was the position of the Commission, however, that these steps were insufficient to return the dock facility to its preexisting condition. As a result, the Commission entered into a subrogation process under which, in 2013, the Commission received an additional and final settlement from its insurance carrier in the amount of \$1,300,000. This settlement has been recorded as a component of 'other items' in the 2013 Statement of Revenues and Expenses.

**Waterfront Development Expenses:** In 2002, the Commission entered into an operating lease agreement with Capitalize Albany Corporation (CAC), formerly Albany Local Development Corporation, for the use of the Corning Preserve and Hudson River waterfront (see Note 10). All lease payments made to CAC for the use of this property, in addition to other waterfront related contractual costs incurred by the Commission, are expensed when incurred.

**Capital Funding:** Capital funding represents grants, generally from federal and state funding sources, which are designated for capital asset acquisition and/or construction.

**Income Taxes:** The properties and income of the Commission are exempt from all Federal and State income and franchise taxes.

**Estimates and Judgments:** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from these estimates.

**Subsequent Events:** For purposes of preparing the financial statements, the Commission has considered events through March 19, 2014, the date the financial statements were available to be issued.

**Reclassifications:** Certain 2012 financial statement line items have been reclassified to conform with the current year's presentation.

**ALBANY PORT DISTRICT COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 3 — CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of the following at December 31:

	2013		2012	
	Carrying Value	Bank Balance	Carrying Value	Bank Balance
Deposit accounts	\$ 551,965	\$ 727,116	\$ 829,595	\$ 862,252

At December 31, 2013 and 2012, the Commission's cash and deposits were covered by FDIC insurance or otherwise collaterally secured.

**NOTE 4 — INVESTMENTS**

At December 31, 2013, investments, which are stated on the statements of net position at market value, are comprised of certificates of deposit and U.S. Government agency obligations, as follows:

Investment	Par Amount	Maturity	Market (Carrying) Value	Cost
Federal Farm Credit Bank	\$ 125,000	2/10/2014	\$ 125,011	\$ 124,994
Federal Home Loan Bank	74,000	4/14/2014	73,989	73,989
Federal Farm Credit Bank	200,000	10/6/2014	201,488	201,325
United States Treasury	100,000	12/31/2018	98,875	99,244
Ally Bank Midvale Utah (CD)	99,000	10/22/2014	99,997	99,399
Ally Bank Midvale Utah (CD)	150,000	6/27/2014	150,293	150,080
American Expres (CD)	138,000	10/6/2014	138,940	138,262
American Expres Centr	50,000	11/10/2016	51,239	50,871
BMW Bank North Amer Utah	55,000	12/29/2015	56,459	55,632
BMW Bank North Amer Utah	50,000	1/22/2015	51,183	51,267
BMW Bank North Amer Utah	67,000	8/27/2014	67,616	67,178
BMW Bank North Amer Utah	45,000	10/22/2014	45,490	45,122
Barclays Bank DEL (CD)	95,000	12/21/2016	96,805	96,402
Beal Bank USA Las Vegas NEV (CD)	100,000	4/2/2014	99,953	99,985
Cit Bank Salt Lake City UT (CD)	50,000	12/15/2015	51,180	50,534
Cit Bank Salt Lake City UT (CD)	128,000	2/24/2015	129,449	129,146
Compass Bank Birmingham ALA (CD)	225,000	6/29/2015	225,630	226,213
Discover Bank Greenwood Del (CD)	245,000	6/30/2014	246,080	245,295
GE Cap Retail Bank Draper Utah (CD)	150,000	6/9/2014	150,488	150,566
GE Cap Bank INC Retail (CD)	45,000	5/31/2016	44,812	44,730
GE Cap Bank INC Retail (CD)	200,000	7/7/2014	200,452	200,310
Goldman Sachs Bank USA NY (CD)	245,000	12/1/2014	246,815	246,987
Safra Natl Bank New York NY (CD)	121,000	3/16/2015	120,712	121,020
Sallie Mae Bank Slit Lake City UT (CD)	190,000	10/3/2014	190,500	190,274
Sovereign Bank FSB Wilmington DE (CD)	140,000	6/6/2014	140,250	140,324
Wex Bank Midvale Utah (CD)	113,000	3/28/2014	112,962	113,007
	<u>\$ 3,200,000</u>		<u>\$ 3,216,668</u>	<u>\$ 3,212,156</u>

**ALBANY PORT DISTRICT COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013 and 2012**

**NOTE 4 — INVESTMENTS (Continued)**

At December 31, 2012, investments, which are stated on the statements of net position at market value, were comprised of certificates of deposit and U.S. Government agency obligations, as follows:

Investment	Par Amount	Maturity	Market (Carrying) Value	Cost
Federal National Mortgage Association	\$ 295,000	2/12/2013	\$ 296,141	\$ 303,148
First Niagara Bank NA (CD)	249,000	2/25/2013	248,965	249,000
Federal Home Loan Mortgage Corporation	260,000	4/11/2013	261,144	263,994
Federal Home Loan Mortgage Corporation	250,000	4/15/2013	251,075	252,000
Federal Home Loan Bank	325,000	5/29/2013	325,517	325,929
Federal Home Loan Bank	340,000	6/7/2013	340,326	340,347
Goldman Sachs Bank (CD)	249,000	8/22/2013	248,978	249,000
Apple Bank for Savings New York (CD)	99,000	8/29/2013	98,988	99,000
Apple Bank for Savings New York (CD)	148,000	10/24/2013	147,736	148,000
Safra National Bank (CD)	249,000	10/25/2013	248,552	249,000
Federal National Mortgage Association	165,000	12/11/2013	169,229	169,519
Federal Home Loan Bank (CD)	225,000	12/13/2013	231,268	231,561
Federal Farm Credit Bank (CD)	125,000	2/10/2014	125,034	124,994
Federal Farm Credit Bank (CD)	200,000	10/6/2014	203,068	203,194
	<u>\$ 3,179,000</u>		<u>\$ 3,196,021</u>	<u>\$ 3,208,686</u>

The Commission's investments are categorized in accordance with criteria established by GASB to give an indication of the level of risk assumed by the entity at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the Commission or its agent in the Commission's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counter parties trust department or agent in the Commission's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter parties, or by its trust department or agent, but not in the Commission's name. All of the Commission's investments at December 31, 2013 and 2012 are categorized as Category 1.

**NOTE 5 — PROPERTY AND EQUIPMENT**

At December 31, 2013 property and equipment is comprised of the following:

	December 31 2012	Additions	Deletions	December 31 2013
Port marine facilities	\$ 78,489,783	\$ 385,149	\$ -	\$ 78,874,932
Transportation, equipment and furniture	810,749	156,902	-	967,651
Construction in process	655,676	6,205,405	-	6,861,081
Total	79,956,208	6,747,456	-	86,703,664
Less accumulated depreciation	49,651,077	1,404,662	-	51,055,739
Net property and equipment	<u>\$ 30,305,131</u>	<u>\$ 5,342,794</u>	<u>\$ -</u>	<u>\$ 35,647,925</u>



**ALBANY PORT DISTRICT COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013 and 2012**

**NOTE 5 — PROPERTY AND EQUIPMENT (Continued)**

At December 31, 2012 property and equipment is comprised of the following:

	December 31 2011	Additions	Deletions	December 31 2012
Port marine facilities	\$ 78,116,938	\$ 372,845	\$ -	\$ 78,489,783
Transportation, equipment and furniture	810,749	-	-	810,749
Construction in process	19,400	636,276	-	655,676
Total	78,947,087	1,009,121	-	79,956,208
Less accumulated depreciation	48,189,868	1,461,209	-	49,651,077
Net property and equipment	<u>\$ 30,757,219</u>	<u>\$ (452,088)</u>	<u>\$ -</u>	<u>\$ 30,305,131</u>

Depreciation expense was \$1,404,662 and \$1,461,209 for the years ended December 31, 2013 and 2012, respectively.

**NOTE 6 — LONG-TERM DEBT**

Long-term debt is comprised of the following:

	December 31 2012	Debt Issued	Debt Payments	December 31 2013
NYS First Instance advances (A)	\$ 157,709	\$ -	\$ 80,000	\$ 77,709
M&T warehouse obligation (B)	989,010	-	65,683	923,327
	1,146,719	<u>\$ -</u>	<u>\$ 145,683</u>	1,001,036
Less current maturities	145,683			1,001,036
	<u>\$ 1,001,036</u>			<u>\$ -</u>

(A) New York State First Instance advances are non-interest bearing advances, authorized by the State pursuant to the provisions of Section 19, Chapter 170 of the Laws of 1967, for construction, reconstruction and rehabilitation of facilities. The terms of the agreement, as approved by the State Division of Budget and the State Legislature, provides for equal annual payments, each in the amount of \$80,000, through the year 2013, with a final payment of \$77,709 in 2014.

(B) During 1994, the Commission entered into an agreement with Albany Industrial Development Agency (AIDA) providing for a ground lease of certain real property owned by the Commission. Concurrent with this transaction, AIDA conveyed their rights under the ground lease to Capitalize Albany Corporation (CAC) and issued, for the benefit of CAC, Civic Facility Revenue Bonds in the amount of \$1,675,000. The net proceeds of the Revenue Bonds were utilized to construct a 70,000 square foot warehouse facility which was subsequently leased to the Commission. The ground lease between the Commission and AIDA, which provided for no rental payments, was to extend over the 30 year term of the revenue bonds. The Commission was obligated under the facility lease to provide for payments, approximating \$11,500 monthly (through February 2024), which were to be utilized by CAC to fund their debt service obligations over the 30 year term of the Revenue Bonds. Upon termination of the ground lease and the project facility lease, and the repayment of the Revenue Bonds, the warehouse facility and related improvements are to be conveyed to the Commission. The Commission recorded this transaction as a capitalized lease obligation with the project facility and the lease obligation both recorded on the Commission's balance sheet.

**ALBANY PORT DISTRICT COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013 and 2012**

**NOTE 6 — LONG-TERM DEBT (Continued)**

In 2004, the Commission refinanced this obligation through a mortgage with M&T Bank and, concurrently, defeased the revenue bonds. The terms of the mortgage provide for monthly payments of \$8,718, including interest at 4.07% per annum, with 20 year amortization and a balloon payment approximating \$864,000 in November 2014. The mortgage is secured by the warehouse facility.

It is the intent of the Commission that the balloon obligation will be refinanced in advance of the November 2014 maturity date.

At December 31, 2013, long-term debt maturities were comprised of the following:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 1,001,036	\$ 33,033	\$ 1,034,068
	<u>\$ 1,001,036</u>	<u>\$ 33,033</u>	<u>\$ 1,034,068</u>

Interest expense was \$38,937 and \$38,737 for 2013 and 2012, respectively.

**NOTE 7 — RETIREMENT PLAN AND RELATED BENEFITS**

Substantially all Albany Port District Commission full-time employees participate in the New York State and Local Employees' Retirement System ("System").

The System is a cost-sharing multiple-employer defined benefit plan administered by the State Comptroller. Plan benefits, including retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries are provided under the provisions of the New York State Retirement and Social Security Law and are guaranteed under the State Constitution. The System issues a financial report that includes financial statements and other information for the System which is available to the public. The financial report may be obtained by writing to the New York State and Local Employees' Retirement System, 110 State Street, Albany, New York 12244.

Employer contributions are actuarially determined by the System. The Commission is required to contribute annually to the System based on a percentage rate of payrolls. The rates, which vary according to the employees' date of hire, include normal, administrative, and supplemental pension contributions and prior service costs. Substantially all Commission payroll is covered by the System. Employees who joined the system after July 27, 1976, and have less than ten years of service or membership are required to contribute 3 percent of their salary. Employee contributions are deducted from their salaries and remitted on a current basis to the System.

Pension related payroll and contribution amounts for the years ended December 31, 2013, 2012 and 2011 are as follows:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Retirement related payroll	\$ 861,386	\$ 726,234	\$ 711,985
Employer contributions	\$ 180,550	\$ 151,392	\$ 119,125
Employee contributions	\$ 19,224	\$ 21,864	\$ 26,789

**ALBANY PORT DISTRICT COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013 and 2012**

**NOTE 8 — OTHER POST-EMPLOYMENT BENEFITS**

The Commission provides certain health care benefits for retired employees and their covered dependents. Employees of the Commission become eligible for those benefits if they reach normal retirement age while working for the Commission. The Commission recognizes the cost of providing post-retirement health insurance benefits according to GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, prospectively. This Statement establishes standards for the recognition, measurement, and display of other postemployment benefits (retiree health insurance) expenses and related liabilities and note disclosures.

Plan Description

The Commission administers its retiree health insurance plan (the Plan) as a single-employer defined benefit other postemployment benefit (OPEB) plan. The Plan provides for continuation of medical insurance benefits for qualifying retirees and their covered dependents and can be amended by action of the Commission. The Plan does not currently issue a stand-alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

Funding Policy

The Commission pays the full cost of eligible retiree health insurance. The Commission currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis, with the possibility of pre-funding additional benefits if so determined by the Commission. The Commission contributed approximately \$35,100 and \$39,700 for current premiums in 2013 and 2012, respectively. The costs of administering this Plan are paid by the Commission.

Funded Status and Funding Progress

The schedule of funding progress presents multiyear trend information that is useful in determining whether the actuarial value of plan assets, if any, is increasing or decreasing over time relative to the actuarial accrued liability. The following table sets forth the actuarial accrued liability and funded status of the Plan as of December 31, 2013, the most recent valuation date. Valuations are currently prepared every three years, as required by GASB 45.

	<u>2013</u>	<u>2012</u>
<u>Actuarial Accrued Liability (AAL)</u>		
Currently retired	\$ 1,153,042	\$ 647,532
Active employees	<u>3,087,507</u>	<u>1,747,331</u>
Actuarial accrued liability	4,240,549	2,394,863
Actuarial value of plan assets	<u>-</u>	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 4,240,549</u>	<u>\$ 2,394,863</u>
Funded ratio	<u>0%</u>	<u>0%</u>
Normal cost	<u>\$ 146,327</u>	<u>\$ 99,280</u>

The following table summarizes the amortization calculation of the UAAL as of the latest valuation date:

	<u>2013</u>	<u>2012</u>
UAAL	\$ 4,240,549	\$ 2,394,863
Amortization period (years)	30	30
Amortization discount rate	2.50%	2.50%
Present value factor	19.42	21.0
UAAL amortization amount	\$ 218,311	\$ 114,233

**ALBANY PORT DISTRICT COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013 and 2012**

**NOTE 8 — OTHER POST-EMPLOYMENT BENEFITS (Continued)**

Annual OPEB Cost and Net OPEB Obligation

The Commission's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the Commission's annual OPEB cost:

	<u>2013</u>	<u>2012</u>
Normal cost	\$ 146,327	\$ 99,280
Amortization of UAAL	218,311	114,233
ARC	<u>364,638</u>	<u>213,513</u>
Interest on OPEB obligation	29,172	13,302
Adjustment to ARC	<u>(60,074)</u>	<u>25,378</u>
OPEB expense	<u>\$ 333,736</u>	<u>\$ 252,193</u>

The following table reconciles the Commission's OPEB obligation at December 31:

	<u>2013</u>	<u>2012</u>
Net OPEB obligation at beginning of year	\$ 1,166,893	\$ 954,376
Annual OPEB expense	333,736	252,193
Annual OPEB contributions	<u>(35,057)</u>	<u>(39,676)</u>
Net OPEB obligation at end of year	1,465,572	1,166,893
Less: estimated current portion of OPEB obligation	<u>35,000</u>	<u>36,700</u>
Estimated long-term portion of OPEB obligation	<u>\$ 1,430,572</u>	<u>\$ 1,130,193</u>
Percentage of expense contributed	<u>10.5%</u>	<u>15.0%</u>

Trend Information

<u>Year Ended</u>	<u>Beginning OPEB Obligation</u>	<u>Annual OPEB Cost</u>	<u>Actual Employer Contribution</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
12/31/2011	738,883	252,193	36,700	14.6%	954,376
12/31/2012	954,376	252,193	39,676	14.6%	1,166,893
12/31/2013	1,166,893	333,737	35,057	10.5%	1,465,573

Actuarial Methods and Assumptions

The projected unit credit actuarial cost method was used to estimate the Commission's OPEB obligation. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made

**ALBANY PORT DISTRICT COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013 and 2012**

**NOTE 8 — OTHER POST-EMPLOYMENT BENEFITS (Continued)**

Actuarial Methods and Assumptions (Continued)

about the future. Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs (if any) between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The measurement date for the calculation was December 31, 2013 and the discount rate utilized was 2.50%. No salary increases were assumed since benefits are not based on compensation. Health care costs were assumed to increase as follows:

<u>Year</u>	<u>Trend Increase</u>
2013	7.83%
2014	7.37%
2015	6.90%
2016	6.43%
2017	5.96%
2018	5.93%
2019	5.91%
2020	5.89%
2025	5.78%
2030	5.81%
2040	5.19%
2050	5.00%
2060	4.83%
2070	4.35%
Thereafter	4.35%

**NOTE 9 — PROPERTY HELD FOR LEASE**

The Commission has entered into various operating leases with tenants for the use of space at Port owned buildings, terminals, offices, and other facilities. The approximate minimum future rentals scheduled to be received on operating leases in effect on December 31, 2013 were as follows:

2014	\$ 3,066,000
2015	2,869,000
2016	2,647,000
2017	2,199,000
2018	1,928,000
Thereafter	<u>22,440,000</u>
	<u>\$ 35,149,000</u>

**ALBANY PORT DISTRICT COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013 and 2012**

**NOTE 10 — COMMITMENTS AND CONTINGENCIES**

**Claims and Litigation:** The Commission is a defendant in various claims, lawsuits and actions arising in the normal course of operations. In the opinion of the Commission's management, the ultimate amount of any liabilities which may be incurred in connection with the settlement of claims and litigation will not materially affect the Commission's financial condition.

**Lease Obligation Relating to Waterfront Development:** The Commission is committed to supporting the City of Albany's efforts in developing the Corning Preserve and Hudson River waterfront. In this regard, during 2002, the Albany Industrial Development Agency (AIDA) issued \$4,390,000 in Civic Facility Revenue Bonds for the benefit of Capitalize Albany Corporation (CAC), for construction relating to the Corning Preserve/Hudson Riverfront Development Project. The majority of the net proceeds of the Revenue Bonds were utilized to fund various improvements to the project site for recreational and entertainment uses. Concurrent with the issuance of the bonds, CAC and the Commission entered into a shared use and lease agreement, under which CAC leases the project to the Commission for a 30 year lease term. At the end of the lease term, in 2033, the agreement provides that the project improvements are owned by CAC. Accordingly, all improvements made to the project by the Commission, in excess of those funded from bond proceeds, are expensed when incurred by the Commission as waterfront development expenses.

Under the shared use and lease agreement, which is accounted for as an operating lease by the Commission, the Commission is obligated to fully fund CAC's obligations relating to the project, including the funding of installment payments sufficient to cover all related bond debt service and certain other contractual improvement and operating expenses. The AIDA/CAC bonds are 25 year variable rate demand obligations, initially bearing interest at 1.9%, with rates established weekly by a remarketing agent. As such, the Commission's annual lease obligation will likely change on a year-to-year basis and, in an increasing interest rate environment, these changes may be material.

The bonds are secured by a letter of credit issued by Key Bank. Under the letter of credit, any grant proceeds received for the project are required to reduce the outstanding bonds. The letter of credit requires principal debt reduction payments, ranging from \$105,000 in 2004 to \$255,000 in 2024, thus providing for the full amortization of the bonds by the 2027 maturity date.

Future debt reduction payments are expected as follows:

<u>Year Ending</u>	
2014	\$ 160,000
2015	165,000
2016	175,000
2017	180,000
2018	190,000
Thereafter	1,350,000
	<u>\$2,220,000</u>

The bonds have no prepayment constraints and, as such, holders have the option to redeem bonds at any time. The letter of credit terms, as disclosed above, may also materially impact the Commission's annual lease obligation.

**ALBANY PORT DISTRICT COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013 and 2012**

**NOTE 10 — COMMITMENTS AND CONTINGENCIES (Continued)**

In connection with the issuance of the bonds, CAC paid \$200,000 in costs relating to the transaction. For reimbursement of these costs, the Commission entered into a supplemental lease agreement under which the Commission was required to pay CAC monthly payments of \$2,425, for 120 months, beginning May 2002 and ended April 2012.

During 2013 and 2012, the Commission's total lease cost, project improvement cost, and other operating expenses related to the waterfront development project approximated \$273,000 and \$315,000, respectively.

The Commission's future lease obligations under the shared use and lease agreement, assuming no changes in the variable bond rate, no bond prepayments, and no receipt of grant funding (events which will likely change over the term of the lease) will approximate a minimum of \$270,000 annually.

***Federal and State Grants:*** During 2011, the Commission secured grant funding from the Department of Homeland Security and undertook a security upgrade project. The grant provides for up to \$735,000 in federal funds, representing 75% of the total project cost (which approximated \$980,000). This project was completed during 2013.

During 2012, the Commission undertook a second security upgrade project, also funded with a grant from the Department of Homeland Security. The grant provided for approximately \$184,000 in federal funds, representing 75% of the total project cost (which approximated \$246,000). This project was completed in June 2012.

The Commission has also secured funding from the Department of Homeland Security for a Security and Emergency Operations Center building project. The grant provides for up to \$750,000 in federal funds, representing 75% of the total project cost (estimated to be approximately \$1,000,000). At December 31, 2013, the Commission had expended approximately \$1,000,000 on this project and, in January 2014, this project was completed.

The Commission has secured funding in the form of two separate grants from the New York State Department of Transportation for a wharf reconstruction project. The first grant provided approximately \$1,570,000 in New York State funding for the initial phase of the project. This phase of the project was completed during 2013. The second grant provides for approximately \$9,885,000 in federal funding for the second phase of the project, representing 88.6% of the total phase two project costs to reach the full amount of the estimated cost to complete the project (\$12,730,000). At December 31, 2013, the Commission had expended approximately \$3,800,000 on this phase of the project, which is expected to be completed in 2014.

The Commission's grants are subject to audit by agencies of the Federal and State governments. Such audits may result in disallowances and a request for a return of funds to the Federal and State governments.

## **SUPPLEMENTARY INFORMATION**



**ALBANY PORT DISTRICT COMMISSION**  
**SCHEDULES OF PAYROLL AND RELATED COSTS AND**  
**OTHER OPERATING EXPENSES**  
**Years ended December 31, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b><i>PAYROLL AND RELATED COSTS</i></b>		
Administrative	\$ 849,438	\$ 626,071
Maintenance crews and supervisor	289,720	219,774
Security	315,446	247,439
Benefit costs	428,314	353,989
OPEB expense	333,737	252,193
Payroll taxes	<u>100,779</u>	<u>86,564</u>
Total payroll and related costs	<u><u>\$ 2,317,434</u></u>	<u><u>\$ 1,786,030</u></u>
<b><i>OTHER OPERATING EXPENSES</i></b>		
Security	\$ 101,873	\$ 52,568
Utilities	119,127	77,709
City water	15,667	11,468
Advertising and promotion	59,546	102,943
Office supplies and expenses	65,040	51,960
Telephone	19,677	21,883
Snow removal	3,988	600
Equipment operating expense	86,160	67,335
Other expenses	<u>52,951</u>	<u>36,615</u>
Total other operating expenses	<u><u>\$ 524,029</u></u>	<u><u>\$ 423,081</u></u>

**INDEPENDENT AUDITOR'S 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 the 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, 2013, and have issued our report thereon dated March 19, 2014.

**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.

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Albany, New York  
March 19, 2014