ALBANY PORT
DISTRICT COMMISSION

AUDITED FINANCIAL STATEMENTS
AND
OTHER INFORMATION

Years ended December 31, 2014 and 2013

UHY LLP
Certified Public Accountants

ALBANY PORT DISTRICT COMMISSION

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The following discussion and analysis (MD&A) of the activities and financial performance of the Albany Port District Commission ("APDC") is offered as an introduction and overview of the financial statements of APDC for the fiscal year ended December 31, 2014, with comparative data for the fiscal year ended December 31, 2013. Following this MD&A are the basic financial statements of APDC 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, certain supplementary information is presented to assist with the understanding of the APDC's financial operations.

APDC is governed by a five member Board of Commissioners ("Board"). All Commissioners are appointed by the Governor of New York State based upon recommendations of the Mayors of Albany and Rensselaer. The Board has adopted several policies as required under the Public Authorities Accountability Act ("PAAA") of 2005 and the Public Authorities Reform Act ("PARA") of 2009, enhancing transparency and embracing best governance practices.

The APDC Finance Committee meets on a quarterly basis or more frequently if necessary to provide enhanced project and transactional analysis. As necessary, the Committee makes recommendations for consideration by the Board. On a monthly basis, the Board meets to discuss infrastructure needs, project activity and progress, maritime activity performance and meets quarterly to discuss the APDC's financial position. In addition, the APDC Audit Committee, without management present, independently meets with the external auditors to discuss relevant issues and concerns.

INTRODUCTION

In 1925 the Albany Port District Commission was established through an act of the New York State Legislature ("Enabling Legislation"). The Enabling Legislation granted broad authority to the APDC to develop, construct, and manage a maritime facility. During the succeeding decades, the APDC developed into a year-round, twenty-four hour operation encompassing nearly 300 acres within two municipalities, directly and indirectly employing hundreds of men and women and generating hundreds of millions of dollars in regional and state-wide economic output.

Stevedoring services are provided by Federal Marine Terminals, Inc. ("FMT"). Through a Terminal Operating Agreement ("TOA") between APDC and FMT, FMT is authorized to manage a portion of APDC property for general cargo and commodity handling and to conduct various activities related to vessel servicing. Under the TOA, FMT is obligated to make monthly payments to APDC ("Base Payments"). Upon meeting and surpassing certain gross revenue thresholds, under the TOA, FMT is obligated to pay a certain percentage of gross revenue to APDC ("Revenue Share Payments").

The APDC strives to responsibly and effectively manage the publicly-owned maritime Port of Albany-Rensselaer, contributing to the economy of Capital Region and beyond while emphasizing transparency and public stewardship. The APDC's mission consists of three main tenets:

- Effective Management of the Public's Asset.
- Economic Contribution to the Region.
- Integrity, Professionalism and Customer Service.

Through the execution of this mission, APDC has emerged as an award-winning, multi-faceted organization offering world-class facilities and services with an economic influence that is felt throughout New York State.

2014 HIGHLIGHTS

- In July 2014, the Board approved several changes to the APDC's Maritime Tariff ("Tariff"). These changes went into effect on September 1, 2014. The purpose of these Tariff adjustments were to create market parity for those charges contained within the Tariff and is expected to create additional revenue for APDC. The Tariff will be reviewed on a periodic basis with recommended adjustments proposed to the Board for their approval as necessary.

- During 2014, the Board of Commissioners approved the sale of an approximately 2 acre parcel of APDC-owned land within the City of Albany at fair market value after determining that the disposition of the site was supportive of the APDC's mission. The APDC recognized a gain of approximately $12,000 from the sale. Disposition of this asset is anticipated to facilitate near-term commercial development of the site which could complement the APDC's existing operations.

- Following a publicly issued Request for Proposals ("RFP"), the Board authorized the execution of a $3 million master lease agreement with a national commercial bank. The proceeds from this transaction were utilized to finance the purchase of new equipment and to satisfy the balloon-payment obligation of previously obtained financing relating to a warehouse. The term of the lease is 7 years and carries an interest rate of 2.10%. This transaction closed on June 30, 2014.

- During the fourth quarter of 2014, replacement of 600 feet of APDC-owned dock within the City of Rensselaer ("Rensselaer Wharf") was completed. The primary funding source of this $8 million project was approximately $12 million in competitively awarded grants from New York State ("Grants"). The Rensselaer Wharf project performed favorably related to budget and that performance allowed the APDC to propose a reallocation of the remaining grant funds. The reallocation was approved which facilitated the purchase of a new $4.5 million mobile harbor crane.

  Investment in the Rensselaer Wharf has resulted in a long-term arrangement with a business that expects to transport several hundred thousand pounds of material to locations outside of the immediate Capital District Region. This activity will generate wharfage revenue of at least $500,000 over the seven-year term of the arrangement.

  Demand for heavy lift cargo services by vessels and companies has increased by 71%. The acquisition of the new mobile harbor crane will allow for greater lifting capacity within this high-growth segment of the APDC's maritime business.

- The APDC was awarded a grant of nearly $210,000 under the New York State Department of Transportation ("NYSDOT") Passenger and Freight Rail Improvement Program. The NYSDOT grant will be used to offset the cost of a nearly $400,000 project to repair and improve the rail infrastructure servicing a 198,000 square foot facility. Not only does this project address a potential safety issue related to the deteriorated rail infrastructure, it also provides the business that leases the facility direct access to the existing rail infrastructure within the APDC terminal.

MARITIME ACTIVITY HIGHLIGHTS

A condensed summary of APDC's vessel traffic, cargo and commodity volume and longshore labor through December 31, 2012, 2013, and 2014 is shown below:

	2012	2013	2014
Ships	58	55	79
Barges-Heavy Lift	6	5	15
Total	64	60	94
Tonnage:			
Inbound	54,892	65,349	77,463
Outbound	336,578	325,065	495,483
Total	391,470	390,414	572,946
Longshoremen Man Hours	33,720	44,389	81,988

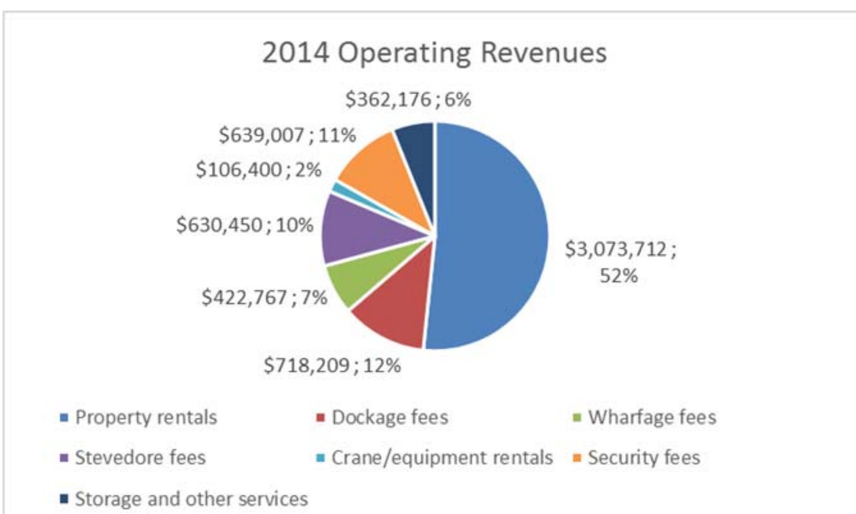
FINANCIAL OPERATIONS HIGHLIGHTS

A condensed summary of revenues and expenses for the years ended December 31, 2014 and 2013 is shown below.

	2014	2013
Operating Revenues		
Property and equipment rentals	$ 3,180,112	$ 3,204,012
Maritime-related	1,771,426	949,251
Security	639,007	358,625
Other operating revenues	362,176	303,667
Total operating revenues	5,952,721	4,815,555
Operating Expenses		
Payroll and related expenses	2,345,174	2,317,434
Maintenance and material handling	291,425	215,802
Professional services	478,134	473,105
Other operating expenses	530,610	524,029
Total operating expenses	3,645,343	3,530,370
Operating income	2,307,378	1,285,185
Depreciation and other items	(1,786,252)	(473,566)
Change in net position before capital funding	521,126	811,619
Capital grant funding	6,043,535	5,075,131
Increase in net position	6,564,661	5,886,750
Total net position, beginning of year	37,945,890	32,059,140
Total net position, end of year	$ 44,510,551	$ 37,945,890

Operating Revenue increased $1.1 million or 24%.

While revenue derived from Property Rentals essentially remained flat from 2013 to 2014, significant growth in revenue derived from maritime related activities occurred in 2014 as compared to 2013. Of the $1.1 million increase in Operating Revenue, 97% was attributable to fees charged for maritime-related activities. Specifically, this growth was concentrated in four categories: Dockage Fees; Wharfage Fees; Stevedore Fees; and Security Fees.



- Dockage Fees are charged for vessels that are utilizing berths and are based upon either the length or net registered tonnage of the vessel. Fees for dockage increased by approximately $270,000 or 61%. Vessels utilizing the dock while awaiting the availability of their port of call ("lay berths") more than doubled from 111 vessels in 2013 to 237 vessels in 2014.

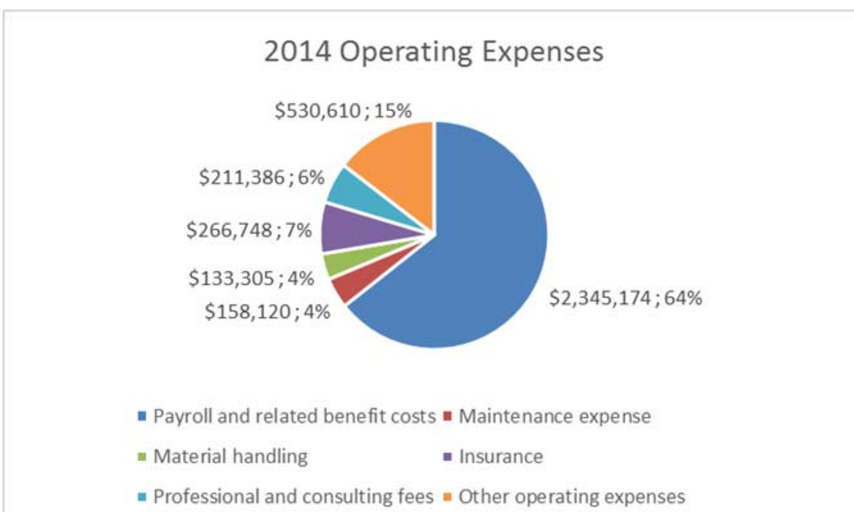
- Wharfage Fees increased by approximately $109,000 or nearly 35%. The majority of this increase was in the grain and heavy lift categories. Fees from grain shipments generated nearly $35,000 more in 2014 as compared to 2013. Heavy lift activity generated an increase in fees of approximately $60,000 in 2014 as compared to 2013.

- Stevedore Fees more than tripled to over $630,000 in 2014 as compared to $190,000 in 2013. This increase is attributable to an approximately $360,000 increase in the Revenue Share Payments received from FMT. Although not captured in the APDC's financial performance a corollary to this increase is evidenced by the number of longshore hours worked in 2014 as compared to 2013. Longshore hours worked increased by nearly 40,000; from 44,400 hours in 2013 to 82,000 hours in 2014.

- The Maritime Transportation Security Act of 2002 ("MTSA") established certain requirements related to terminal access and vessel security for U.S. ports. The majority of Security Fees received by the APDC are based upon practices and protocols required under the APDC's Facility Security Plan, which was designed and implemented under the MTSA. Revenue for Security Fees increased by $280,000 or 78% from 2013 to 2014. This is partially attributable to the increase in lay berth utilization from 2013 to 2014.

Total expenses increased $115,000 or 3.26%.

Operating expenses experienced a modest increase from 2013 to 2014. The aggregate increase in the Maintenance Expense and Material Handling categories was nearly $76,000 or 35%. These two categories along with Payroll and Related Expenses comprise nearly 90% of the total increases in operating expenses from 2013 to 2014.



- Payroll and Related Expenses increased overall by just over 1%. The increase was primarily due to the creation of two new positions; increases in the costs of employee benefits; and increases in payroll expenses for Security. These increases; however, were almost entirely offset by a one-time adjustment to the carrying value of certain employee benefits.

- Maintenance Expense increased by approximately $24,000 or 18%. The increase is primarily attributable to increases in costs for equipment rentals used to maintain and repair APDC facilities. Additionally, expenses incurred related to road maintenance increased by $8,500 in 2014 as compared to 2013.

- The Material Handling category increased by $51,000 or 63%. Expenses related to parts and supplies for the crane and certain claims resulting from damage of APDC-owned equipment increased by approximately $23,000 and $34,000, respectively.

A condensed summary of APDC's net position at December 31, 2012, 2013, and 2014 is shown below:

	2012	2013	2014
Assets			
Current and other assets	$ 4,779,564	$ 5,748,603	$ 7,101,030
Capital assets	30,305,131	35,647,925	42,901,668
Total assets	$ 35,084,695	$ 41,396,528	$ 50,002,698
Liabilities			
Current and other liabilities	$ 894,326	$ 2,020,065	$ 1,208,407
Long-term liabilities	2,131,229	1,430,573	4,283,740
	$ 3,025,555	$ 3,450,638	$ 5,492,147
Net Position			
Invested in capital assets, net of related debt	$ 29,158,412	$ 34,646,889	$ 39,911,082
Unrestricted	2,900,728	3,299,001	4,599,469
Total net position	$ 32,059,140	$ 37,945,890	$ 44,510,551

CURRENT KNOWN FACTS, DECISIONS OR CONDITIONS

- Management will continue to pursue federal and state funding opportunities to invest not only in existing infrastructure but also to create new infrastructure in response to emerging trends within the maritime and transportation logistics industries.

- During the first half of 2015, the APDC will utilize available grant funds to undertake a maintenance dredging project along the eastern shore of the APDC's terminal. This project will complement the investment in the Rensselaer Wharf and return the dredged area to its advertised draft.

- A newly customized application to automate the APDC's billing and related accounting processes will come online during the first quarter of 2015. This application will enhance efficiency and accuracy within the billing function and eliminate redundant processing.

FINANCIAL STATEMENTS

APDC'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). Revenue is recognized when earned, not when received and 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 APDC'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:

Chief Financial Officer
Albany Port District Commission
106 Smith Boulevard
Albany, NY 12202

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, 2014 and 2013, 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, 2014 and 2013, 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.

UHY LLP Certified Public Accountants

Other Matters

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 5 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 February 18, 2015 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.

UHY LLP

Albany, New York
February 18, 2015

ALBANY PORT DISTRICT COMMISSION
STATEMENTS OF NET POSITION
December 31, 2014 and 2013

	2014	2013
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	**$ 2,620,805**	$ 551,965
Investments	**3,235,279**	3,216,668
Accounts receivable	**1,000,875**	1,743,057
Other current assets	**244,071**	236,913
Total current assets	**7,101,030**	5,748,603
NET PROPERTY AND EQUIPMENT	**42,901,668**	35,647,925
	$ 50,002,698	$ 41,396,528
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Current maturities of long-term debt	**$ 433,844**	$ 1,001,036
Deferred revenue	**41,791**	26,150
Accounts payable	**400,004**	375,566
Accrued expenses	**170,680**	455,233
OPEB obligation, current portion	**35,000**	35,000
Total current liabilities	**1,081,319**	1,892,985
SECURITY DEPOSITS	**127,088**	127,080
LONG-TERM LIABILITIES		
OPEB obligation net of current portion	**1,726,998**	1,430,573
Long-term debt, net of current maturities	**2,556,742**	-
Total long-term liabilities	**4,283,740**	1,430,573
Total liabilities	**5,492,147**	3,450,638
NET POSITION		
Net investment in capital assets	**39,911,082**	34,646,889
Unrestricted	**4,599,469**	3,299,001
Total net position	**44,510,551**	37,945,890
	$ 50,002,698	$ 41,396,528

See notes to financial statements.

ALBANY PORT DISTRICT COMMISSION
STATEMENTS OF REVENUES AND EXPENSES AND CHANGES IN NET POSITION
Years ended December 31, 2014 and 2013

	2014	2013
OPERATING REVENUES		
Property rentals	**$ 3,073,712**	$ 3,160,262
Dockage fees	**718,209**	445,794
Wharfage fees	**422,767**	313,383
Stevedore fees	**630,450**	190,074
Crane/equipment rentals	**106,400**	43,750
Security fees	**639,007**	358,625
Storage and other services	**362,176**	303,667
Total operating revenues	**5,952,721**	4,815,555
OPERATING EXPENSES		
Payroll and related benefit costs	**2,345,174**	2,317,434
Maintenance expense	**158,120**	133,863
Material handling	**133,305**	81,939
Insurance	**266,748**	263,649
Professional and consulting fees	**211,386**	209,456
Other operating expenses	**530,610**	524,029
Total operating expenses	**3,645,343**	3,530,370
OPERATING INCOME, BEFORE DEPRECIATION AND OTHER ITEMS	**2,307,378**	1,285,185
DEPRECIATION AND OTHER ITEMS		
Depreciation and amortization	**(1,489,634)**	(1,407,378)
Gain on sale of property and equipment	**12,091**	-
Insurance recovery	**-**	1,300,000
Waterfront development expenses	**(271,346)**	(340,620)
Interest income	**33,461**	13,369
Interest expense	**(70,824)**	(38,937)
Net depreciation and other items	**(1,786,252)**	(473,566)
CHANGE IN NET POSITION BEFORE CAPITAL FUNDING	**521,126**	811,619
Capital grant funding	**6,043,535**	5,075,131
INCREASE IN NET POSITION	**6,564,661**	5,886,750
Total net position, beginning of the year	**37,945,890**	32,059,140
Total net position, end of year	**$ 44,510,551**	$ 37,945,890

See notes to financial statements.

ALBANY PORT DISTRICT COMMISSION
STATEMENTS OF CASH FLOWS
Years ended December 31, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from rentals	**$ 3,195,753**	$ 3,214,117
Cash received for facility usage	**1,414,569**	933,079
Cash received from other services	**1,001,183**	706,042
Cash payments to employees and professionals	**(2,544,687)**	(2,134,885)
Cash payments for materials and maintenance	**(282,938)**	(213,070)
Cash payments for insurance	**(266,654)**	(247,229)
Cash payments for other expenses	**(530,602)**	(523,992)
Net cash provided by operating activities	**1,986,624**	1,734,062
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash payments for waterfront development	**(271,346)**	(340,620)
Net cash used in noncapital financing activities	**(271,346)**	(340,620)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Cash payments for capital assets	**(8,881,647)**	(6,495,819)
Cash received from sale of property and equipment	**170,000**	-
Cash received from capital grant funding	**7,142,574**	3,718,945
Cash received from insurance recovery	**-**	1,300,000
Interest expense	**(70,824)**	(38,937)
Cash proceeds from long-term debt	**3,000,000**	-
Cash payments on long-term debt and other obligations	**(1,010,450)**	(145,683)
Net cash provided by (used in) capital and related financing activities	**349,653**	(1,661,494)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash received from interest	**23,591**	13,369
Cash paid for purchase of investments	**(2,323,213)**	(3,687,565)
Cash received from sale of investments	**2,303,531**	3,664,618
Net cash provided by (used in) investing activities	**3,909**	(9,578)
Net change in cash	**2,068,840**	(277,630)
Cash, beginning of year	**551,965**	829,595
Cash, end of year	**$ 2,620,805**	$ 551,965
RECONCILIATION OF OPERATING INCOME, BEFORE DEPRECIATION AND OTHER ITEMS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income, before depreciation and other items	**$ 2,307,378**	$ 1,285,185
Adjustments to reconcile operating income to net cash provided by operating activities:		
Changes in:		
Accounts receivable	**(356,857)**	116,199
Other assets	**445**	10,889
Accounts payable	**8,137**	(21,011)
Accrued expenses	**(284,545)**	93,362
Deferred revenue	**15,641**	(49,242)
OPEB obligation	**296,425**	298,680
Total adjustments	**(320,754)**	448,877
Net cash provided by operating activities	**$ 1,986,624**	$ 1,734,062

See notes to financial statements.

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 for this purpose 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, 2014 and 2013.

- *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.

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. This limitation effectively minimizes the Commission's investment related risk. 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 earned, retirement benefits and post-retirement benefits, as a liability. Commission employees are granted vacation leave in varying amounts and may carry-over unused leave, subject to stated policy amounts. In the event of termination, an employee is reimbursed for such time.

Deferred Revenue: Deferred revenue consists principally of rents received in advance.

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.

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.

NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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: The Commission is a party to a 2002 operating lease agreement with Capitalize Albany Corporation (CAC) 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 February 18, 2015, the date the financial statements were available to be issued.

Reclassifications: Certain 2013 financial statement line items have been reclassified to conform with the current year's presentation.

NOTE 3 — CASH AND CASH EQUIVALENTS

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

	2014		2013	
	Carrying Value	Bank Balance	Carrying Value	Bank Balance
Deposit accounts	$ 2,620,805	$ 2,982,270	$ 551,965	$ 727,116

At December 31, 2014 and 2013, the Commission's cash and deposits were covered by FDIC insurance or otherwise collaterally secured.

NOTE 4 — INVESTMENTS

At December 31, 2014, 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 Rate	Par Amount	Maturity	Market (Carrying) Value	Cost
United States Treasury Bond (.75%)	$ 150,000	3/15/2017	$ 149,942	$ 149,295
United States Treasury Bond (.875%)	290,000	5/15/2017	290,159	289,987
United States Treasury Bond (2.625%)	350,000	1/31/2018	365,505	364,648
United States Treasury Bond (1.5%)	100,000	12/31/2018	100,133	99,244
Ally Bank (CD; 2.1%)	80,000	9/3/2015	80,822	80,837
Ally Bank (CD; .7%)	148,000	6/13/2016	147,631	147,951
American Express Centurion (CD; 2.2%)	50,000	11/10/2016	50,983	50,647
American Express Centurion (CD; 1.35%)	163,000	10/4/2016	164,133	163,389
BMW Bank of North America (CD; 2%)	55,000	12/29/2015	55,912	55,317
BMW Bank of North America (CD; 2.9%)	50,000	1/22/2015	50,056	50,070
Barclays Bank Delaware (CD; 2%)	95,000	12/21/2016	96,492	96,083
Cit Bank Utah (CD; 1.95%)	50,000	12/15/2015	50,615	50,279
Cit Bank Utah (CD; 1.25%)	128,000	2/24/2015	128,137	128,147
Compass Bank (CD; 1.15%)	225,000	6/29/2015	225,698	225,403
Discover Bank (CD; 1.75%)	170,000	5/2/2017	171,219	171,269
Discover Bank (CD; .75%)	75,000	5/9/2016	75,062	74,890
GE Capital Retail Bank (CD; 2.15%)	147,000	8/27/2015	148,538	148,501
GE Capital Retail Bank (CD; 1.1%)	100,000	5/26/2015	100,243	100,266
GE Capital Bank (CD; 1.75%)	200,000	5/4/2017	201,886	201,541
GE Capital Bank Retail (CD; .7%)	45,000	5/31/2016	44,901	44,730
Goldman Sachs Bank USA (CD; .5%)	100,000	3/7/2016	99,917	99,831
Mizuho Bank USA (CD; .25%)	170,000	1/30/2015	170,010	170,010
Safra National Bank of New York (CD; .5%)	121,000	3/16/2015	121,021	121,003
Sallie Mae Bank (CD; 1.7%)	145,000	8/22/2017	146,264	145,583
	$ 3,207,000		$ 3,235,279	$ 3,228,921

***NOTE 4 — INVESTMENTS** (Continued)*

At December 31, 2013, 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 Rate	Par Amount	Maturity	Market (Carrying) Value	Cost
Federal Farm Credit Bank (.22%)	$ 125,000	2/10/2014	$ 125,011	$ 124,994
Federal Home Loan Bank (0%)	74,000	4/14/2014	73,989	73,989
Federal Farm Credit Bank (1.15%)	200,000	10/6/2014	201,488	201,325
United States Treasury Bond (1.5%)	100,000	12/31/2018	98,875	99,244
Ally Bank (CD; 1.9%)	99,000	10/22/2014	99,997	99,399
Ally Bank (CD; .85%)	150,000	6/27/2014	150,293	150,080
American Express (CD; 1.4%)	138,000	10/6/2014	138,940	138,262
American Express Centurion (CD; 2.2%)	50,000	11/10/2016	51,239	50,871
BMW Bank of North America (CD; 2%)	55,000	12/29/2015	56,459	55,632
BMW Bank of North America (CD; 2.9%)	50,000	1/22/2015	51,183	51,267
BMW Bank of North America (CD; 1.75%)	67,000	8/27/2014	67,616	67,178
BMW Bank of North America (CD; 1.55%)	45,000	10/22/2014	45,490	45,122
Barclays Bank (CD; 2%)	95,000	12/21/2016	96,805	96,402
Beal Bank USA (CD; .3%)	100,000	4/2/2014	99,953	99,985
Cit Bank Utah (CD; 1.95%)	50,000	12/15/2015	51,180	50,534
Cit Bank Utah (CD; 1.25%)	128,000	2/24/2015	129,449	129,146
Compass Bank (CD; 1.15%)	225,000	6/29/2015	225,630	226,213
Discover Bank (CD; 1.25%)	245,000	6/30/2014	246,080	245,295
GE Capital Retail Bank (CD; 1.3%)	150,000	6/9/2014	150,488	150,566
GE Capital Bank Retail (CD; .7%)	45,000	5/31/2016	44,812	44,730
GE Capital Bank Retail (CD; 1%)	200,000	7/7/2014	200,452	200,310
Goldman Sachs Bank USA (CD; 1.5%)	245,000	12/1/2014	246,815	246,987
Safra National Bank of New York (CD; .5%)	121,000	3/16/2015	120,712	121,020
Sallie Mae Bank (CD; .85%)	190,000	10/3/2014	190,500	190,274
Sovereign Bank FSB (CD; .75%)	140,000	6/6/2014	140,250	140,324
Wex Bank (CD; .35%)	113,000	3/28/2014	112,962	113,007
	$ 3,200,000		$ 3,216,668	$ 3,212,156

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, 2014 and 2013 are categorized as Category 1.

NOTE 5 — PROPERTY AND EQUIPMENT

At December 31, 2014 property and equipment is comprised of the following:

	December 31 2013	Additions	Deletions	December 31 2014
Port marine facilities	$ 78,874,932	$ 15,385,507	$ 157,909	$ 94,102,530
Transportation, equipment and furniture	967,651	26,901	-	994,552
Construction in process	6,861,081	347,692	6,861,081	347,692
Total	86,703,664	15,760,100	7,018,990	95,444,774
Less accumulated depreciation	51,055,739	1,487,367	-	52,543,106
Net property and equipment	$ 35,647,925	$ 14,272,733	$ 7,018,990	$ 42,901,668

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	$ 30,305,131	$ 5,342,794	$ -	$ 35,647,925

Depreciation expense was $1,487,367 and $1,404,662 for the years ended December 31, 2014 and 2013, respectively.

NOTE 6 — LONG-TERM DEBT

Long-term debt is comprised of the following:

	December 31 2013	Debt Issued	Debt Payments	December 31 2014
Bank of America lease obligation *(A)*	$ -	$ 3,000,000	$ 9,414	$ 2,990,586
NYS First Instance advances *(B)*	77,709	-	77,709	-
M&T Bank warehouse obligation *(C)*	923,327	-	923,327	-
	1,001,036	$ 3,000,000	$ 1,010,450	2,990,586
Less current maturities	1,001,036			433,844
	$ -			$ 2,556,742

(A) The Commission is obligated under a June 2014 master lease financing agreement with Bank of America in the original amount of $3,000,000. Funds under the financing agreement were primarily utilized to retire the M&T Bank warehouse obligation (see item C above) and to acquire certain Port related facility equipment. The agreement requires monthly payments beginning in December 2014 of approximately $41,000, including interest at approximately 2.1%, with final maturity in June 2021. The obligation is collateralized by certain Commission assets.

NOTE 6 — LONG-TERM DEBT (Continued)

(B) New York State First Instance advances were 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, provided for equal annual payments, each in the amount of $80,000, through 2013, with a final payment of $77,709 in 2014.

(C) The Commission was obligated under a 2004 mortgage with M&T Bank. The obligation provided 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. During 2014, the mortgage was paid in full utilizing proceeds from the Bank of America master lease agreement.

At December 31, 2014, long-term debt maturities were comprised of the following:

Year Ending	Principal	Interest	Total
2015	$ 433,844	$ 58,922	$ 492,766
2016	443,087	49,679	492,766
2017	452,527	40,238	492,765
2018	462,168	30,597	492,765
2019	472,015	20,751	492,766
Thereafter	726,945	12,203	739,148
	$ 2,990,586	$ 212,390	$ 3,202,976

Interest expense was $70,824 and $38,937 for 2014 and 2013, 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.

NOTE 7 — RETIREMENT PLAN AND RELATED BENEFITS (Continued)

Pension related payroll and contribution amounts for the years ended December 31, 2014, 2013 and 2012 are as follows:

	2014	2013	2012
Retirement related payroll	$ 1,018,746	$ 861,386	$ 726,234
Employer contributions	$ 234,306	$ 180,550	$ 151,392
Employee contributions	$ 24,420	$ 19,224	$ 21,864

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 $37,300 and $35,100 for current premiums in 2014 and 2013, 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 tables set forth the actuarial accrued liability and funded status of the Plan as of December 31, 2013, the most recent valuation date, with estimated liability and other information provided as of December 31, 2014, as applicable. Valuations are currently prepared every three years, as required by GASB 45.

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

Actuarial Accrued Liability (AAL)	
Currently retired	$ 1,153,042
Active employees	3,087,507
Actuarial accrued liability	4,240,549
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	$ 4,240,549
Funded ratio	0%
Normal cost	$ 146,327

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

UAAL	$ 4,240,549
Amortization period (years)	30
Amortization discount rate	2.50%
Present value factor	19.42
UAAL amortization amount	$ 218,311

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:

Normal cost	$ 146,327
Amortization of UAAL	218,311
ARC	364,638
Interest on OPEB obligation	29,172
Adjustment to ARC	(60,074)
OPEB expense	$ 333,736

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

	2014	2013
Net OPEB obligation at beginning of year	$ 1,465,572	$ 1,166,893
Annual OPEB expense	333,736	333,736
Annual OPEB contributions	(37,311)	(35,057)
Net OPEB obligation at end of year	1,761,997	1,465,572
Less: estimated current portion of OPEB obligation	35,000	35,000
Estimated long-term portion of OPEB obligation	$ 1,726,997	$ 1,430,572
Percentage of expense contributed	11.2%	10.5%

NOTE 8 — OTHER POST-EMPLOYMENT BENEFITS (Continued)

Trend Information

Year Ended	Beginning OPEB Obligation	Annual OPEB Cost	Actual Employer Contribution	Percentage Contributed	Net OPEB Obligation
12/31/2012	$ 954,376	$ 252,193	$ 39,676	14.6%	$ 1,166,893
12/31/2013	1,166,893	333,736	35,057	10.5%	1,465,572
12/31/2014	1,465,572	333,736	37,311	11.2%	1,761,997

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 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:

Year	Trend Increase
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%

An additional 1% increase in the health care trend rate would have a material adverse effect on the OPEB obligation.

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, 2014 were as follows:

2015	$ 3,089,000
2016	2,963,000
2017	2,728,000
2018	2,052,000
2019	1,883,000
Thereafter	12,721,000
	$ 25,436,000

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, currently bearing interest at approximately .1%, 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 future principal debt reduction payments, ranging from $165,000 in 2015 to $255,000 in 2024, thus providing for the full amortization of the bonds by the 2027 maturity date.

NOTE 10 — COMMITMENTS AND CONTINGENCIES *(Continued)*

Future debt reduction payments are expected as follows:

Year Ending	
2015	$ 165,000
2016	175,000
2017	180,000
2018	190,000
2019	200,000
Thereafter	1,150,000
	$ 2,060,000

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.

During 2014 and 2013, the Commission's total lease cost, project improvement cost, and other operating expenses related to the waterfront development project approximated $271,000 and $341,000, 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.

The Commission has 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 up to $1,000,000. The total project exceeded $1,000,000 and was completed in January 2014.

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 provided approximately $8,925,000 in New York State funding for the second phase of the project, representing approximately 78% of the total phase two project costs. This phase of the project was completed during 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, 2014 and 2013

	2014	2013
PAYROLL AND RELATED COSTS		
Administrative	**$ 654,939**	$ 849,438
Maintenance crews and supervisor	**310,884**	289,720
Security	**392,292**	315,446
Benefit costs	**530,728**	428,314
OPEB expense	**333,737**	333,737
Payroll taxes	**122,594**	100,779
Total payroll and related costs	**$ 2,345,174**	$ 2,317,434
OTHER OPERATING EXPENSES		
Security	**$ 70,673**	$ 101,873
Utilities	**105,695**	119,127
City water	**12,256**	15,667
Advertising and promotion	**51,878**	59,546
Office supplies and expenses	**82,293**	65,040
Telephone	**28,667**	19,677
Snow removal	**8,062**	3,988
Equipment operating expense	**112,468**	86,160
Other expenses	**58,618**	52,951
Total other operating expenses	**$ 530,610**	$ 524,029

UHY LLP Certified Public Accountants

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, 2014, and have issued our report thereon dated February 18, 2015.

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.

UHY LLP

Albany, New York
February 18, 2015