PORT OF ALBANY

AUDITED FINANCIAL STATEMENTS
AND
OTHER INFORMATION

Years ended December 31, 2015 and 2014

UHY LLP
Certified Public Accountants

ALBANY PORT DISTRICT COMMISSION

TABLE OF CONTENTS

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, 2015, with comparative data for the fiscal year ended December 31, 2014. 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.

2015 HIGHLIGHTS

- APDC's net position has grown by nearly $540,000 as a result of operating income for 2015 and capital grant funding.

- Following a publicly issued Request for Proposals ("RFP"), the Board approved an approximately $2.4 million project to dredge a quantity of material sufficient to achieve a draft of 30 feet in the area adjacent to the Rensselaer Wharf that was reconstructed in 2014. APDC entered into an agreement with a commercial tenant to contribute up to $700,000 of the cost of the project. Approximately $950,000 of the project's cost is offset from grant sources.

- In May 2015, a piece of equipment that was determined to no longer be needed for terminal operations was sold and the APDC realized a $217,500 gain on the sale of this asset.

- During 2015, the APDC executed agreements with the cities of Albany and Rensselaer to provide fire and related emergency services ("Services") to the APDC. The term of the agreement is for one year (September 1, 2015 through August 31, 2016) and fees remitted to Albany and Rensselaer as consideration for the Services are $500,000 and $100,000, respectively.

- As of December 31, 2015, APDC has recognized approximately $250,000 of deferred outflows of resources related to the requirements under GASB 68. Further explanation of GASB 68 and the corresponding presentation in the financial statements is provided in the notes to the financials.

- During 2015, certain financial management practices of the APDC were audited by the New York State Office of the State Comptroller ("OSC"). Specifically, OSC focused on delinquent account receivable collection and reporting practices and capital planning activities for the period from January 1, 2013 through September 30, 2015. OSC found that the reviewed practices complied with APDC procedures and related laws and regulations.

MARITIME ACTIVITY HIGHLIGHTS

A condensed summary of APDC's vessel traffic, cargo and commodity volume and longshore labor through December 31, 2013, 2014, and 2015 is shown below:

	2013	2014	2015
Ships	55	79	52
Barges-Heavy Lift	5	15	17
Total	60	94	69
Tonnage:			
Inbound	65,349	77,463	58,120
Outbound	325,065	495,483	295,334
Total	390,414	572,946	353,454
Longshoremen Man Hours	44,389	81,988	60,803

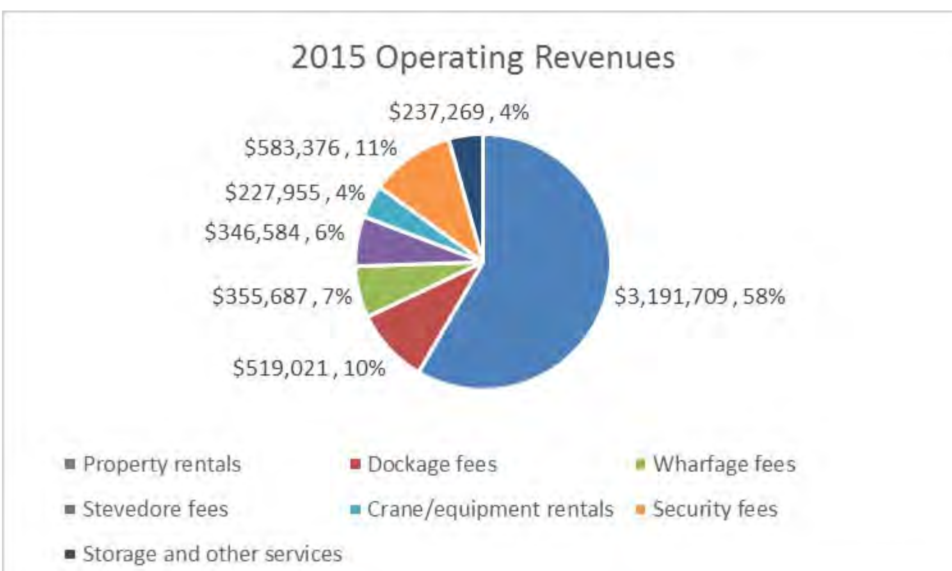
FINANCIAL OPERATIONS HIGHLIGHTS

A condensed summary of revenues and expenses for the years ended December 31, 2015 and 2014 is shown below.

	2015	2014
Operating Revenues		
Property and equipment rentals	$ 3,419,664	$ 3,180,112
Maritime-related	1,221,292	1,771,426
Security	583,376	639,007
Other operating revenues	237,269	362,176
Total operating revenues	5,461,601	5,952,721
Operating Expenses		
Payroll and related expenses	2,521,528	2,345,174
Maintenance and material handling	211,801	291,425
Professional services	518,088	478,134
Other operating expenses	445,102	530,610
Total operating expenses	3,696,519	3,645,343
Operating income	1,765,082	2,307,378
Depreciation and other items	(2,181,417)	(1,786,252)
Change in net position before capital funding	(416,335)	521,126
Capital grant funding	958,692	6,043,535
Increase in net position	542,357	6,564,661
Total net position, beginning of year	44,510,551	37,945,890
Total net position, end of year	$ 45,052,908	$ 44,510,551

Operating Revenue decreased approximately $500,000 or 8% from 2014.

The decrease in 2015 operating revenues as compared to 2014 is concentrated primarily within maritime activity. Revenue derived from property rentals was stable in 2015, comprising more than one-half of APDC's operating revenue. Revenue derived from use of APDC's mobile harbor cranes and other equipment significantly outperformed 2014; more than doubling in 2015.



- 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 decreased by approximately $200,000 or 28%. This decrease was concentrated primarily in vessel traffic related to grain shipments. Dockage revenue generated from this commodity declined nearly $148,000 or 74%. Vessels utilizing the dock while awaiting the availability of their port of call ("lay berths") decreased from 237 vessels in 2014 to 151 vessels in 2015. This resulted in approximately $83,000 less in lay berth revenue in 2015, a decrease of 40%. The decrease in dockage fee revenue was partially offset by increased revenue related to scrap metal vessels, which increased by $44,000 (44%) over 2014.

- Wharfage Fees experienced a decrease of $67,000 or 16%. Again, grain underperformed in 2015 as compared to 2014, generating $76,000 (76%) less wharfage revenue. This effect of this decline in activity was mitigated by increases in wharfage fees from scrap metal and woodpulp. Those commodities generated increases in wharfage revenue of $21,000 (22%) and $10,000 (37%), respectively.

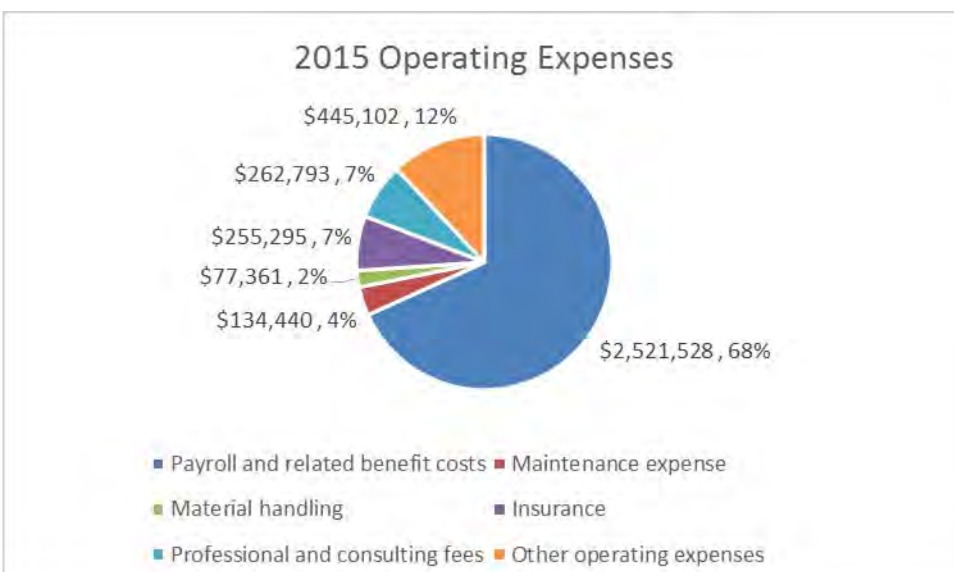
- Stevedore Fees declined $284,000 or 45% generating $347,000 of revenue in 2015 as compared to $630,000 in 2014. This decrease is primarily attributable to an approximately $217,000 decrease in the Revenue Share Payments received from FMT. Although not captured in the APDC's financial performance, a corollary to this decrease is evidenced by the number of longshore hours worked in 2015 as compared to 2014. Longshore hours worked decreased by about 20,000; from 82,400 hours in 2014 to 61,000 hours in 2015. It should be noted; however, that longshore hours worked in 2015 is the second highest amount in the previous five (5) years, exceeding the least active year in that five-year period by over 27,000 hours or 80%.

- Revenue derived from crane and equipment rentals increased by $122,000 from $106,000 in 2014 to $228,000 in 2015. This is attributable to increased utilization of APDC's mobile harbor cranes by FMT for maritime terminal operations. APDC charges an hourly rate for crane usage by FMT.

- 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 was $584,000 in 2015 as compared to $639,000 in 2014; a decrease of $56,000 or 9%.

Operating expenses were essentially flat; modestly increasing by approximately $50,000 or 1%.

Overall, operating expenses remained flat from 2014 to 2015. While payroll and related benefits costs and professional and consulting fees increased, the majority of operating expense categories decreased from 2014.



- Payroll and Related Expenses increased overall by 8%. This increase; however, is partially the result of a one-time adjustment to the carrying value of certain employee benefits that was recorded in 2014 and had the effect of reducing total expenses within this category for that year. Excluding the effect of that adjustment and the required expenditure recognition under GASB 68, Payroll and Related Expenses decreased from 2014 to 2015 by approximately $82,000 or 3%.

- Maintenance Expense decreased by $24,000 (15%) to $134,000 from $158,000 in 2014. While the expense related to service contracts increased by approximately $16,000, this was offset by decreases in the expenses associated with buildings and roads. These categories decreased by $26,000 and $7,300, respectively in 2015.

- The Material Handling category decreased by $56,000 or 42%. Certain claims resulting from damage of APDC-owned equipment decreased by approximately $44,000 and non-capital expenses related to the mobile harbor cranes decreased by approximately $27,000. These decreases were offset by a modest increase of $7,000 for other non-capital equipment costs.

- Professional and consulting fees increased by $51,000 (24%). This reflects increased utilization of third-party engineering firms related to APDC's capital activities.

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

	2013	2014	2015
Assets and Deferred Outflows of Resources			
Current and other assets	$ 5,748,603	$ 7,101,030	$ 5,535,455
Capital assets	35,647,925	42,901,668	44,766,415
Deferred outflows of resources	-	-	251,527
Total assets and deferred outflows of resources	$ 41,396,528	$ 50,002,698	$ 50,553,397
Liabilities			
Current liabilities	$ 1,892,985	$ 1,081,319	$ 1,124,733
Long-term liabilities	1,557,653	4,410,828	4,375,756
	$ 3,450,638	$ 5,492,147	$ 5,500,489
Net Position			
Invested in capital assets, net of related debt	$ 34,646,889	$ 39,911,082	$ 42,209,673
Unrestricted	3,299,001	4,599,469	2,843,235
Total net position	$ 37,945,890	$ 44,510,551	$ 45,052,908

Total net position has increased by approximately $540,000 from December 31, 2014 to December 31, 2015.

CURRENT KNOWN FACTS, DECISIONS OR CONDITIONS

- The enacted 2015-2016 New York State budget allocates $15 million to the APDC to support improvements to the southern dock on the western side of the facility. This investment to the Port's southern dock will allow for the expansion of shipping capacity and serve grain operations. It will also fund facility enhancements to expand heavy lift cargo operations and will prepare for the projected increase in the volume of containerized cargo resulting from the Panama Canal expansion of 2016. In 2015 the Board approved an engineering firm to provide design services for the reconstruction of the dock.

- In December 2015, the APDC was awarded a $4 million grant that will be used to offset the cost of constructing an $8 million facility to service an international manufacturing concern.

- APDC will continue remediation work with a previous commercial tenant and state and federal agencies on an approximately 12 acre site in anticipation of pursuing disposition of the site via a long-term lease during the second half of 2016.

- 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.

- Expansion opportunities will be considered to allow the APDC to attract new tenants and also grow transportation-based development opportunities by leveraging the multi-modal transportation infrastructure that exists at the Port.

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, 2015 and 2014, 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, 2015 and 2014, 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 6 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 24, 2016 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 24, 2016

ALBANY PORT DISTRICT COMMISSION
STATEMENTS OF NET POSITION
December 31, 2015 and 2014

	2015	2014
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and cash equivalents	**$ 1,257,396**	$ 2,620,805
Investments	**3,268,087**	3,235,279
Accounts receivable	**363,565**	589,468
Grants receivable	**10,000**	411,407
Other current assets	**636,407**	244,071
Total current assets	**5,535,455**	7,101,030
NET PROPERTY AND EQUIPMENT	**44,766,415**	42,901,668
Total assets	**50,301,870**	50,002,698
DEFERRED OUTFLOWS OF RESOURCES	**251,527**	-
	$ 50,553,397	$ 50,002,698
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Current maturities of long-term debt	**$ 443,087**	$ 433,844
Deferred revenue	**19,966**	41,791
Accounts payable	**428,455**	400,004
Accrued expenses	**190,225**	170,680
OPEB obligation, current portion	**43,000**	35,000
Total current liabilities	**1,124,733**	1,081,319
LONG-TERM LIABILITIES		
Security deposits	**127,097**	127,088
OPEB obligation net of current portion	**2,009,051**	1,726,998
Net pension liability	**125,953**	-
Long-term debt, net of current maturities	**2,113,655**	2,556,742
Total long-term liabilities	**4,375,756**	4,410,828
Total liabilities	**5,500,489**	5,492,147
DEFERRED INFLOWS OF RESOURCES	**-**	-
NET POSITION		
Net investment in capital assets	**42,209,673**	39,911,082
Unrestricted	**2,843,235**	4,599,469
Total net position	**45,052,908**	44,510,551
	$ 50,553,397	$ 50,002,698

See notes to financial statements.

ALBANY PORT DISTRICT COMMISSION
STATEMENTS OF REVENUES AND EXPENSES AND CHANGES IN NET POSITION
Years ended December 31, 2015 and 2014

	2015	2014
OPERATING REVENUES		
Property rentals	**$ 3,191,709**	$ 3,073,712
Dockage fees	**519,021**	718,209
Wharfage fees	**355,687**	422,767
Stevedore fees	**346,584**	630,450
Crane/equipment rentals	**227,955**	106,400
Security fees	**583,376**	639,007
Storage and other services	**237,269**	362,176
Total operating revenues	**5,461,601**	5,952,721
OPERATING EXPENSES		
Payroll and related benefit costs	**2,521,528**	2,345,174
Maintenance expense	**134,440**	158,120
Material handling	**77,361**	133,305
Insurance	**255,295**	266,748
Professional and consulting fees	**262,793**	211,386
Other operating expenses	**445,102**	530,610
Total operating expenses	**3,696,519**	3,645,343
OPERATING INCOME, BEFORE DEPRECIATION AND OTHER ITEMS	**1,765,082**	2,307,378
DEPRECIATION AND OTHER ITEMS		
Depreciation	**(1,948,358)**	(1,489,634)
Gain on sale of property and equipment	**217,500**	12,091
Waterfront development costs	**(223,892)**	(271,346)
Municipal support agreement costs	**(200,000)**	-
Interest income	**30,862**	33,461
Interest expense	**(57,529)**	(70,824)
Net depreciation and other items	**(2,181,417)**	(1,786,252)
CHANGE IN NET POSITION BEFORE CAPITAL FUNDING	**(416,335)**	521,126
Capital grant funding	**958,692**	6,043,535
INCREASE IN NET POSITION	**542,357**	6,564,661
Total net position, beginning of the year	**44,510,551**	37,945,890
Total net position, end of year	**$ 45,052,908**	$ 44,510,551

See notes to financial statements.

ALBANY PORT DISTRICT COMMISSION
STATEMENTS OF CASH FLOWS
Years ended December 31, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from rentals	**$ 3,393,922**	$ 3,195,753
Cash received for facility usage	**1,451,112**	1,414,569
Cash received from other services	**820,645**	1,001,183
Cash payments to employees and professionals	**(2,600,297)**	(2,544,687)
Cash payments for materials and maintenance	**(225,648)**	(282,938)
Cash payments for insurance	**(245,172)**	(266,654)
Cash payments for other expenses	**(445,092)**	(530,602)
Net cash provided by operating activities	**2,149,470**	1,986,624
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash payments for municipal support agreement costs and waterfront development costs	**(823,892)**	(271,346)
Net cash used in noncapital financing activities	**(823,892)**	(271,346)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Cash payments for capital assets	**(3,772,890)**	(8,881,647)
Cash received from sale of property and equipment	**217,500**	170,000
Cash received from capital grant funding	**1,360,099**	7,142,574
Interest expense	**(57,529)**	(70,824)
Cash proceeds from long-term debt	**-**	3,000,000
Cash payments on long-term debt and other obligations	**(433,844)**	(1,010,450)
Net cash (used in) provided by capital and related financing activities	**(2,686,664)**	349,653
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash received from interest	**30,486**	23,591
Cash paid for purchase of investments	**(1,171,810)**	(2,323,213)
Cash received from sale of investments	**1,139,001**	2,303,531
Net cash (used in) provided by investing activities	**(2,323)**	3,909
Net change in cash	**(1,363,409)**	2,068,840
Cash, beginning of year	**2,620,805**	551,965
Cash, end of year	**$ 1,257,396**	$ 2,620,805
RECONCILIATION OF OPERATING INCOME, BEFORE DEPRECIATION AND OTHER ITEMS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income, before depreciation and other items	**$ 1,765,082**	$ 2,307,378
Adjustments to reconcile operating income to net cash provided by operating activities:		
Changes in:		
Accounts receivable	**225,903**	(356,857)
Other assets	**8,040**	445
Accounts payable	**(11,763)**	8,137
Accrued expenses	**19,554**	(284,545)
Deferred revenue	**(21,825)**	15,641
OPEB obligation	**290,053**	296,425
Net pension related accounts	**(125,574)**	-
Total adjustments	**384,388**	(320,754)
Net cash provided by operating activities	**$ 2,149,470**	$ 1,986,624

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.

- *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 either December 31, 2015 and 2014.

- *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 limitations. In the event of termination, an employee is reimbursed for such time.

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

Retirement Benefits: The Commission provides retirement benefits for its employees through contributions to the New York State Employees' Retirement System ("ERS" or "System"). The System's retirement programs provide various plans and options, some of which require employee contributions. The Commission uses GASB Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68) to recognize the net pension liability, deferred outflows and deferred inflows of resources, pension expense, and information about and changes in the fiduciary net position on the same basis as reported by the respective defined benefit pension plans.

NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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, storage fees, 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.

Municipal Support Agreement Costs: The Commission is a party to certain agreements which provide payments for municipal support to the cities of Albany and Rensselaer for certain fire protection costs and other services provided by the two municipalities (see Note 11).

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.

Change in Accounting Principle: Effective January 1, 2015, the Commission adopted Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68). This statement addresses accounting and financial reporting for pensions provided to the Commission's employees which are administered by the New York State and Local Employees' Retirement System. The statement also requires various note disclosures and required supplementary information. The effect of this change in accounting principle on the prior period was an increase of deferred outflows of resources of $231,492 and decrease of net pension liability of $168,479. The net decrease, in the amount of $63,013, has been recorded as a current year change to the 2015 payroll and related benefit costs in the accompanying statements of revenues and expenses and changes in net position (see Note 7).

Subsequent Events: For purposes of preparing the financial statements, the Commission has considered events through February 24, 2016, the date the financial statements were available to be issued.

Reclassifications: Certain 2014 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:

	2015		2014	
	Carrying Value	Bank Balance	Carrying Value	Bank Balance
Deposit accounts	$ 1,257,396	$ 1,284,173	$ 2,620,805	$ 2,982,270

At December 31, 2015 and 2014, the Commission's cash and deposits were covered by FDIC insurance or otherwise collaterally secured.

NOTE 4 — INVESTMENTS

At December 31, 2015, 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 Bill (.46%)	$ 75,000	6/23/2016	$ 74,834	$ 74,836
United States Treasury Note (.75%)	150,000	3/15/2017	149,783	149,295
United States Treasury Note (.875%)	290,000	5/15/2017	289,820	289,987
United States Treasury Note (2.625%)	350,000	1/31/2018	360,829	359,955
United States Treasury Note (1.5%)	100,000	12/31/2018	100,453	99,244
Ally Bank (CD; .7%)	148,000	6/13/2016	148,047	147,951
Ally Bank (CD; .95%)	62,000	2/27/2017	61,974	61,926
American Express Centurion (CD; 2.2%)	50,000	11/10/2016	50,566	50,301
American Express Centurion (CD; 1.35%)	163,000	10/4/2016	163,789	163,255
BMW Bank of North America (CD; 1.15%)	100,000	9/20/2016	100,283	100,249
Barclays Bank (CD; 2%)	95,000	12/21/2016	95,999	95,538
Barclays Bank (CD; .55%)	150,000	4/15/2016	149,994	150,000
Capital One Bank (CD; 1%)	150,000	10/31/2016	150,206	150,182
Compass Bank (CD; 1.15%)	200,000	11/30/2017	199,068	199,241
Discover Bank (CD; 1.75%)	170,000	5/2/2017	171,214	170,731
Discover Bank (CD; .75%)	75,000	5/9/2016	75,041	74,890
Synchrony Bank (CD; 2.25%)	100,000	10/11/2016	101,088	101,034
GE Capital Retail Bank (CD; 1.75%)	200,000	5/4/2017	201,690	200,889
GE Capital Retail Bank (CD; .7%)	45,000	5/31/2016	45,016	44,730
Goldman Sachs Bank USA (CD; 1.6%)	50,000	9/26/2017	50,217	50,124
Goldman Sachs Bank USA (CD; .5%)	100,000	3/7/2016	99,996	99,831
Goldman Sachs Bank USA (CD; 1%)	75,000	2/27/2017	74,969	75,000
Safra National Bank of New York (CD; .45%)	127,000	2/26/2016	126,987	126,896
Sallie Mae Bank (CD; 1.7%)	145,000	8/22/2017	146,221	145,365
Synovus Bank (CD; .65%)	80,000	6/24/2016	80,003	80,045
	$ 3,250,000		$ 3,268,087	$ 3,261,495

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

At December 31, 2014, 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
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

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 Commission 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, 2015 and 2014 are categorized as Category 1.

NOTE 5 — PROPERTY AND EQUIPMENT

At December 31, 2015 property and equipment is comprised of the following:

	December 31 2014	Additions	Deletions	December 31 2015
Port marine facilities	$ 94,102,530	$ 3,460,029	$ 578,516	$ 96,984,043
Transportation, equipment and furniture	994,552	325,960	18,871	1,301,641
Construction in process	347,692	468,808	441,692	374,808
Total	95,444,774	4,254,797	1,039,079	98,660,492
Less accumulated depreciation	52,543,106	1,948,358	597,387	53,894,077
Net property and equipment	$ 42,901,668	$ 2,306,439	$ 441,692	$ 44,766,415

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

Depreciation expense was $1,948,358 and $1,487,367 for the years ended December 31, 2015 and 2014, respectively.

NOTE 6 — LONG-TERM DEBT

Long-term debt is comprised of the following:

	December 31 2014	Debt Issued	Debt Payments	December 31 2015
Bank of America lease obligation	$ 2,990,586	$ -	$ 433,844	$ 2,556,742
Less current maturities	433,844			443,087
	$ 2,556,742			$ 2,113,655

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 another Commission obligation 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)*

At December 31, 2015, long-term debt maturities were comprised of the following:

Year Ending	Principal	Interest	Total
2016	$ 443,087	$ 49,679	$ 492,766
2017	452,527	40,239	492,766
2018	462,168	30,598	492,766
2019	472,015	20,751	492,766
2020	482,071	10,695	492,766
Thereafter	244,874	1,507	246,381
	$ 2,556,742	$ 153,469	$ 2,710,211

Interest expense was $57,529 and $70,824 for 2015 and 2014, respectively.

NOTE 7 — RETIREMENT PLAN AND RELATED BENEFITS

Introduction

Substantially all Albany Port District Commission full-time employees participate in the New York State and Local Employees' Retirement System ("System" or “ERS”). 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. In general, retirement benefits are determined based on an employee’s individual circumstances using a pension factor, an age factor, and final average salary. The benefits vary depending on the individual’s employment tier. Pension factors are determined based on tier and an employee’s years of service, among other factors. 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 from the New York State and Local Employees’ Retirement System at www.osc.state.ny.us/retire.

No employee contribution is required for those hired prior to July 1976. The System requires employee contributions of 3% of salary for the first 10 years of service for those employees who joined the System from July 1976 through December 2009. Participants hired on or after January 1, 2010 through March 31, 2012 are required to contribute 3% of compensation throughout their active membership in the System. Participants hired on or after April 1, 2012 are required to contribute a percentage ranging from 3% to 6% each year, based on their level of compensation. The Comptroller annually certifies the rates used, expressed as a percentage of the wages of participants, to compute the contributions required to be made by the Commission to the pension accumulation fund. For 2015, these rates ranged from 10.9% - 25.3% for the Commission’s active employees. Employee contributions are deducted from their salaries and remitted on a current basis to the System.

Net Pension Liability, Pension Expense, and Deferred Outflows/Inflows of Resources

At December 31, 2015, the Commission reported a liability of $125,953 for its proportionate share of the ERS net pension liability. The ERS net pension liability was measured as of March 31, 2015, and the total pension liability was determined by an actuarial valuation as of April 1, 2014, with updated procedures used to roll forward the total pension liability to March 31, 2015. The Commission’s proportion of the net pension liability was based on the ratio of its actuarially determined employer contribution to ERS’s total actuarially determined employer contribution for the fiscal year ended on the measurement date. At the March 31, 2015 measurement date, the Commission’s proportion was 0.0037284%.

NOTE 7 — RETIREMENT PLAN AND RELATED BENEFITS (Continued)

Net Pension Liability, Pension Expense, and Deferred Outflows/Inflows of Resources (Continued)

For the year ended December 31, 2015, the Commission recognized net pension expense of $123,803 from ERS and reported deferred outflows and deferred inflows of resources as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 4,032	$ -
Net difference between projected and actual earnings on pension plan investments	21,876	-
Changes in proportion and differences between Commission contributions and proportionate share of contributions	39,255	-
Commission contributions subsequent to measurement date	186,364	-
	$ 251,527	$ -

Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30,	Net Deferred Outflows of Resources
2016	$ 202,654
2017	16,291
2018	16,291
2019	16,291
2020	-
Thereafter	-
	$ 251,527

Actuarial Assumptions

For ERS, the actuarial assumptions used in the April 1, 2014 valuation, with update procedures used to roll forward the total pension liability to March 31, 2015, were based on the results of an actuarial experience study for the period April 1, 2005 to March 31, 2010. These assumptions are:

Inflation – 2.7%
Salary increases – 4.9%
Investment rate of return – 7.5% compounded annually, net of investment expense, including inflation
Mortality – Based on ERS experience from April 1, 2005 – March 31, 2010 with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014
Discount rate – 7.5%

NOTE 7 — RETIREMENT PLAN AND RELATED BENEFITS (Continued)

Actuarial Assumptions (Continued)

The long-term expected rate of return on the System's pension plan investments was determined in accordance with Actuarial Standard of Practice No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class as well as historical investment data and plan performance.

Investment Asset Allocation

The System's best estimate of arithmetic real rates of return for each major asset class and the System's target asset allocations as of the applicable valuation dates are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equities	38%	7.30%
International equities	13%	8.55%
Private equities	10%	11.00%
Real estate	8%	8.25%
Absolute return strategies	3%	6.75%
Opportunistic portfolio	3%	8.60%
Real assets	3%	8.65%
Bonds and mortgages	18%	4.00%
Short-term	2%	2.25%
Inflation-Indexed bonds	2%	4.00%
	100%	

Discount Rate

The discount rate projection of cash flows assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table presents the Commission's proportionate share of its net pension liability calculated using the discount rate of 7.5% and the impact of using a discount rate that is 1% higher or lower than the current rate.

	1.0% Decrease	7.5%	1.0% Increase
Commission's proportionate share of the ERS net pension liability (asset)	$ 839,541	$ 125,953	$ (476,490)

NOTE 7 — RETIREMENT PLAN AND RELATED BENEFITS (Continued)

Other Information

Other information on the Commission's net pension liability, as of March 31, 2015[(A)], is as follows:

Commission's proportion of the System's net pension liability	0.003728%
Commission's proportionate share of the System's net pension liability	$ 125,953
Commission's covered-employee payroll	$ 1,018,746
Commission's proportionate share of the System's net pension liability as a percentage of its covered-employee payroll	12.36%
Plan fiduciary net position as a percentage of the total pension liability	97.90%

[(A)] *Actuarial data prior to 2015 is unavailable.*

A schedule of Commission's contributions to the System is as follows:

March 31	2015	2014	2013	2012	2011	2010[(B)]
Contractually required contribution	$ 234,306	$ 180,550	$ 151,392	$ 119,125	$ 111,408	$ 20,025
Contribution in relation to the contractually required contribution	(234,306)	(180,550)	(151,392)	(119,125)	(111,408)	(20,025)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Commission's covered-employee payroll	$ 1,018,746	$ 861,386	$ 726,234	$ 711,985	$ 739,670	$ 544,045
Contributions as a percentage of covered-employee payroll	23.00%	20.96%	20.85%	16.73%	15.06%	3.68%

[(B)] *Actuarial data prior to 2010 is unavailable.*

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.

NOTE 8 — OTHER POST-EMPLOYMENT BENEFITS (Continued)

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 $43,300 and $37,300 for current premiums in 2015 and 2014, 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, 2015 and December 31, 2014, as applicable. Valuations are currently prepared every three years, as required by GASB 45.

	2015	2014
Actuarial Accrued Liability (AAL)		
Currently retired	$ 1,172,336	$ 1,153,042
Active employees	3,139,170	3,087,507
Actuarial accrued liability	4,311,506	4,240,549
Actuarial value of plan assets	-	-
Unfunded actuarial accrued liability (UAAL)	$ 4,311,506	$ 4,240,549
Funded ratio	0%	0%
Normal cost	$ 154,030	$ 146,327

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

	2015	2014
UAAL	$ 4,311,506	$ 4,240,549
Amortization period (years)	30	30
Amortization discount rate	2.50%	2.50%
Present value factor	17.86	19.42
UAAL amortization amount	$ 241,424	$ 218,311

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:

	2015	2014
Normal cost	$ 154,030	$ 146,327
Amortization of UAAL	241,424	218,311
ARC	395,454	364,638
Interest on OPEB obligation	51,518	29,172
Adjustment to ARC	(113,650)	(60,074)
OPEB expense	$ 333,322	$ 333,736

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

	2015	2014
Net OPEB obligation at beginning of year	$1,761,997	$1,465,572
Annual OPEB expense	333,322	333,736
Annual OPEB contributions	(43,268)	(37,311)
Net OPEB obligation at end of year	2,052,051	1,761,997
Less: estimated current portion of OPEB obligation	43,000	35,000
Estimated long-term portion of OPEB obligation	$2,009,051	$1,726,997
Percentage of expense contributed	13.0%	11.2%

Trend Information

Year Ended	Beginning OPEB Obligation	Annual OPEB Cost	Actual Employer Contribution	Percentage Contributed	Net OPEB Obligation
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
12/31/2015	1,761,997	333,322	43,268	13.0%	2,052,051

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

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:

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, 2015 were as follows:

2016	$ 2,978,000
2017	2,829,000
2018	2,099,000
2019	1,884,000
2020	1,871,000
Thereafter	10,867,000
	$ 22,528,000

NOTE 10 — WATERFRONT DEVELOPMENT COSTS

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 current improvements made to the project by the Commission are expensed when incurred by the Commission.

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 and guaranteed by the Commission. 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 $175,000 in 2016 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:

Year Ending	Amount
2016	$ 175,000
2017	180,000
2018	190,000
2019	200,000
2020	210,000
Thereafter	940,000
	$ 1,895,000

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 impact the Commission's annual lease obligation.

During 2015 and 2014, the Commission's total lease cost, project improvement cost, and other operating expenses related to the waterfront development project approximated $224,000 and $271,000, respectively. These costs are included in the statements of revenues and expenses.

NOTE 11 — 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.

Municipal Support Agreement Costs

The Commission has entered into Memorandums of Understanding (MoU) with the City of Albany and the City of Rensselaer under which the Commission has agreed to fund certain firefighting, emergency response, and other municipal support services provided by the two cities. The total annualized costs of these support MoU's currently approximates $600,000. The current year expense, in the amount of $200,000, is included in the 2015 statement of revenues and expenses. In addition, approximately $400,000 of prepaid municipal service agreements costs are included in other assets in the statements of net position at December 31, 2015 (none at December 31, 2014).

Federal and State Grants

In both 2015 and 2014, the Commission's grant funding primarily related to a wharf reconstruction project funded by the New York State Department of Transportation, which provided approximately $9,885,000 in New York State funding, representing approximately 78% of the total project costs. During the current year, the Commission completed the grant funded portion of the multi-year wharf reconstruction project. Revenue under this grant of approximately $959,000 and $5,836,000 was recognized in 2015 and 2014, respectively, and is included in capital grant funding in the accompanying statements of revenues and expenses and changes in net position.

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, 2015 and 2014

	2015	2014
PAYROLL AND RELATED COSTS		
Administrative	**$ 941,596**	$ 654,939
Maintenance crews and supervisor	**347,951**	310,884
Security	**397,306**	392,292
Pension and other benefit costs	**374,247**	530,728
OPEB expense	**333,321**	333,737
Payroll taxes	**127,107**	122,594
Total payroll and related costs	**$ 2,521,528**	$ 2,345,174
OTHER OPERATING EXPENSES		
Security	**$ 35,487**	$ 70,673
Utilities	**61,518**	105,695
City water	**9,375**	12,256
Advertising and promotion	**66,105**	51,878
Office supplies and expenses	**63,100**	82,293
Telephone	**28,372**	28,667
Snow removal	**10,327**	8,062
Equipment operating expense	**96,533**	112,468
Other expenses	**74,284**	58,615
Total other operating expenses	**$ 445,101**	$ 530,607

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, 2015, and have issued our report thereon dated February 24, 2016.

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 24, 2016