



AUDITED FINANCIAL STATEMENTS  
AND  
OTHER INFORMATION

Years ended December 31, 2016 and 2015

# ALBANY PORT DISTRICT COMMISSION

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# **ALBANY PORT DISTRICT COMMISSION**

## **Management's Discussion and Analysis**

The following discussion and analysis (MD&A) of the activities and financial performance of the Albany Port District Commission ("APDC" or the "Port") is offered as an introduction and overview of the financial statements of APDC for the fiscal year ended December 31, 2016, with comparative data for the fiscal year ended December 31, 2015. 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 review 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 the APDC's financial position and performance. Additionally, the APDC Audit Committee, without management present, independently meets with the independent 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 impact.

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"). Additionally, upon achieving certain gross revenue thresholds, FMT is also obligated to pay a 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, driving the economy of the 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 a wide-reaching economic influence.

The year 2016 saw the start of major initiatives that will provide a roadmap for growth, generate new investment in APDC facilities, pursue expansion through property acquisition and identify new business opportunities.

## PLANNING FOR THE FUTURE

Early in 2016, the Board and management identified the need to retain a firm possessing the requisite experience in port market sectors, engineering, finance and economics, data analysis and logistics to develop a strategic assessment and growth strategy ("Growth Strategy"). An internationally recognized consulting firm with extensive experience in the planning, design and construction of port and terminal projects was retained to lead a team comprised of leaders in the fields of investment banking, public-private partnerships ("P3") and port economics and market sectors (collectively the "Team") to work with APDC leadership in the development of the Growth Strategy.

When completed, the Team's deliverable will provide the APDC with a unique and highly specific actionable plan. Work undertaken during 2016 will result in defined market opportunities, increased business development activities, identifying potential growth sectors and providing guidance for future planning.

## EXPANSION

Being proactive and positioning itself to meet the needs of existing and future customers and tenants for decades, the Port identified approximately 80 acres of undeveloped waterfront property adjacent to the southern boundary of the existing facility ("Property") for a potential acquisition. During the fourth quarter of 2016, the APDC engaged an engineering firm to conduct site evaluation, feasibility and master planning services for the Property. The Port holds an option on the Property while due diligence is conducted.

The Capital District Regional Economic Development Council ("CDREDC") has recognized the evolutionary opportunity this expansion could present. In the most recent round of CDREDC funding the APDC was awarded \$5 million to partially offset the cost of building a new heavy capacity bridge to bring vehicle and rail access to the Property.

## INFRASTRUCTURE INVESTMENT

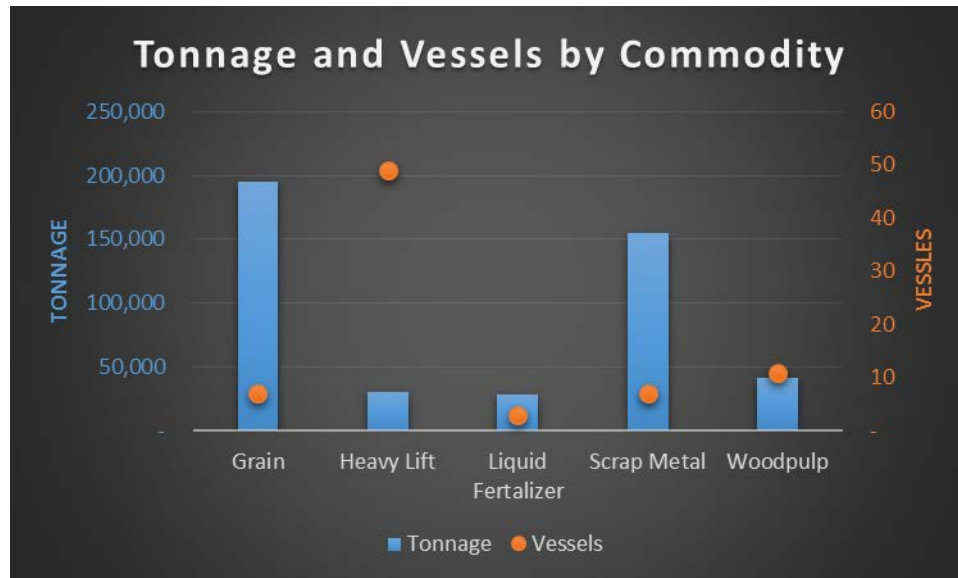
Successfully attracting federal and state sources to leverage into new infrastructure investments has resulted in approximately \$50 million of new construction and facility improvements over the next three years. This activity will result in the reconstruction of 840 linear feet of wharf – an area planned dating back to the Port's original construction. Almost 100,000 square feet of warehouse space will be added to meet customer demand. This level of activity represents a magnitude of infrastructure investment not seen since the circa 1930's original construction of the Port.

During 2016, the APDC executed an agreement with the New York State ("NYS") Department of Transportation ("NYSDOT") to fund \$15 million of capital investments to the southern dock on the western side of the facility. This investment by NYSDOT will provide for the expansion of shipping capacity and facility enhancements to expand heavy lift cargo operations. A feature of the new wharf will be a roll-on, roll-off ("RoRo") slip which will enable the loading and unloading items which for sundry reasons are unable to utilize rail or truck transportation. The RoRo will create economic opportunities for customers by creating a more efficient mode of cargo transportation to and from the Port without necessarily requiring separately sourcing a heavy-lift crane. Design work for this project was completed in 2016.

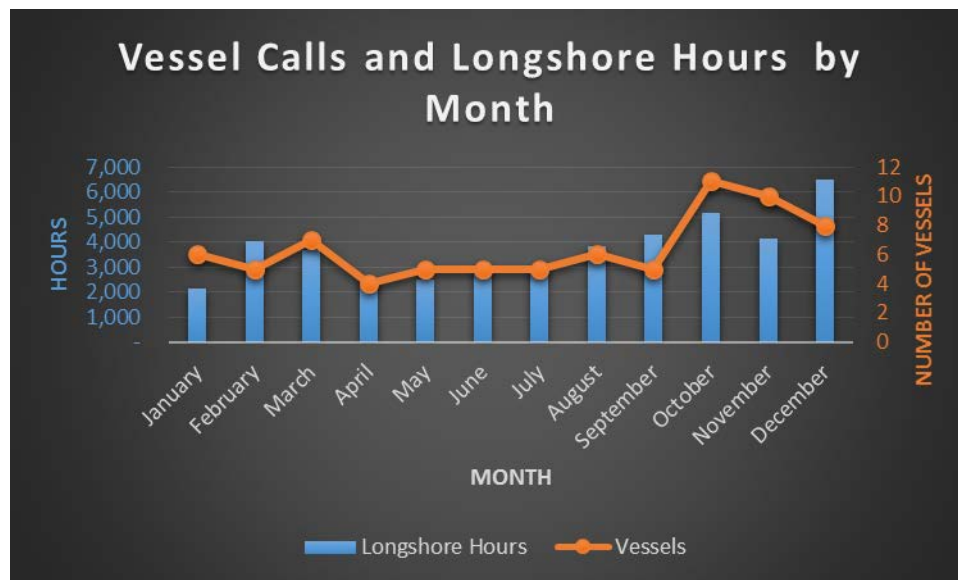
The Board of Commissioners has selected an engineering firm to design a climate-controlled, secure and modern facility comprised of 45,000 square feet. This facility will meet the current and anticipated logistics and storage needs of a Fortune 500 company. The design and construction cost of this approximately \$8 million project will be partially offset through a grant from the NYS Department of Economic Development ("EDC").

In August 2016, the APDC was awarded nearly \$18 million of funding through the Transportation Investment Generating Economic Recovery ("TIGER") program. This program, administered by the United States Department of Transportation ("USDOT"), will provide funding to support strategic maritime terminal improvements in the future.

**MARITIME-RELATED ACTIVITY**

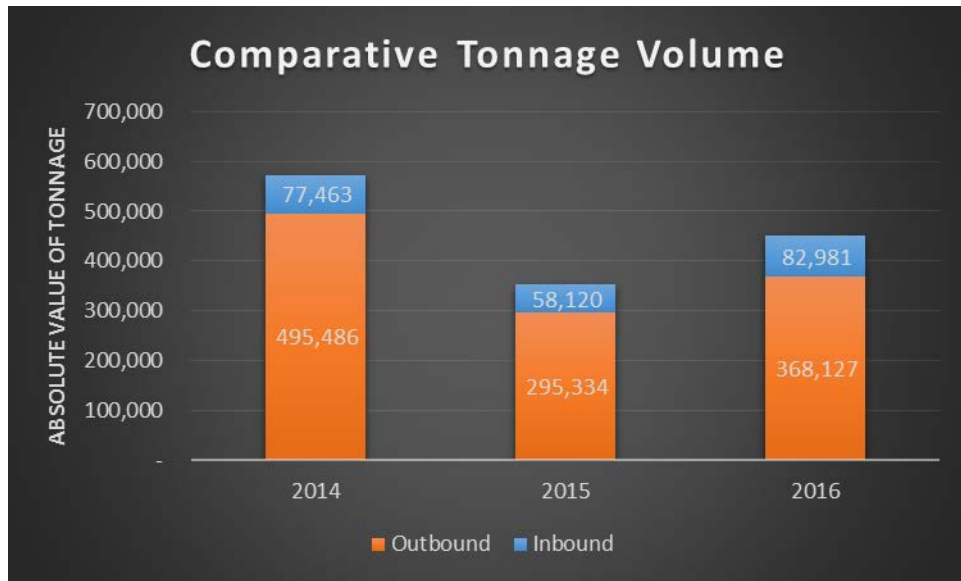


- As in past years, grain and scrap metal remain the two highest-volume commodities in terms of tonnage. Together, these commodities brought over 350,000 tons of bulk cargo activity to the Port during 2016. Grain and scrap metal represent 43% and 35%, respectively, of total tonnage for 2016.
- Heavy lift activity represents approximately 7% (31,000 tons) of 2016 tonnage. As a function of vessel traffic; however, 64% of all cargo-carrying ship calls in 2016 were heavy lift vessels.
- Of the 49 heavy lift vessels in 2016, 37% of this vessel traffic were related to domestic cargo moves.

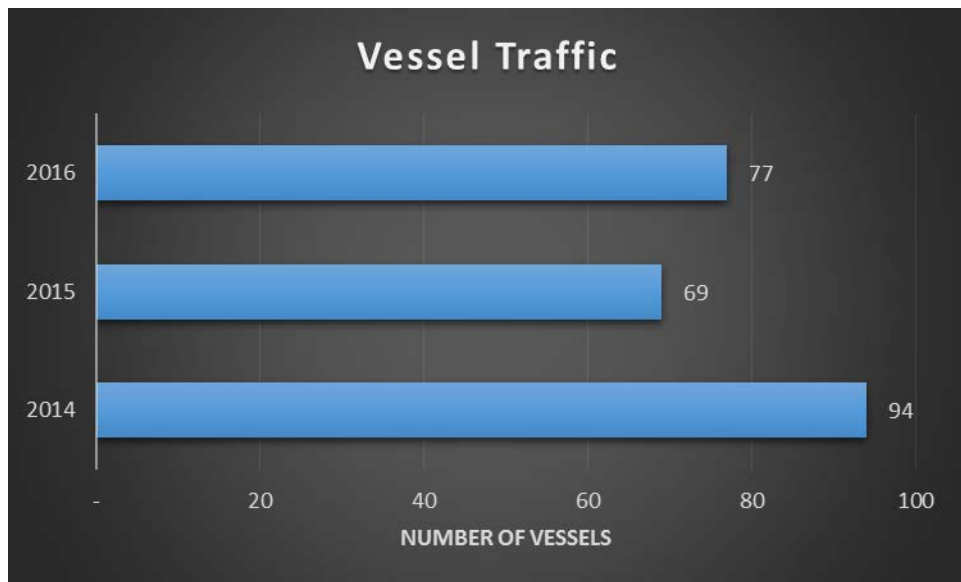


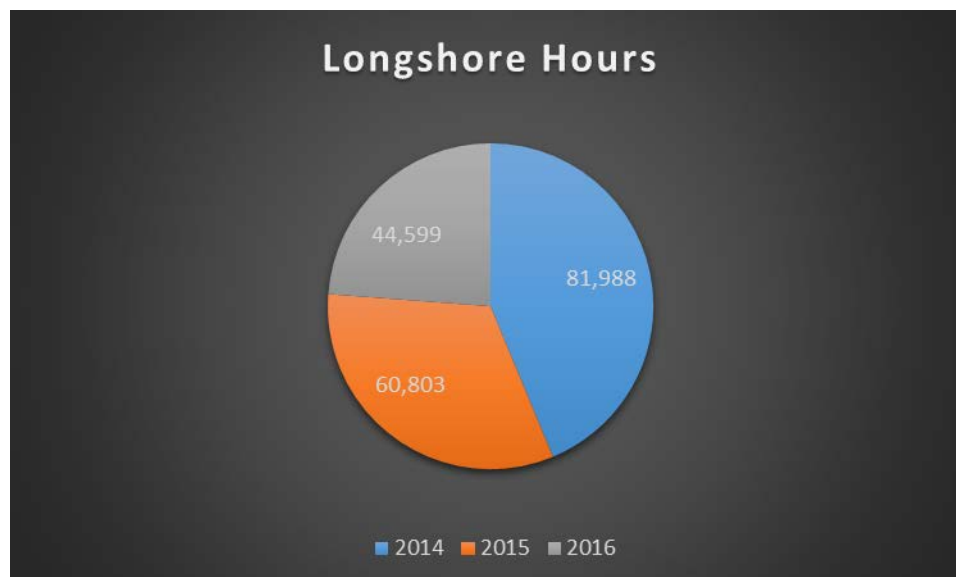
- Just under 6,500 longshore hour were worked in December; this represents 15% of total longshore hours (44,599) worked in 2016 and the highest one-month total for the year.
- Although December saw fewer vessels than October and November, December longshore hours were higher than in those months due to a significant volume of non-vessel terminal activity.

Graphical representations of the APDC's vessel traffic, tonnage and longshore hours through December 31, 2014, 2015, and 2016 is shown below:



- In bound cargo tonnage in 2016 represents a 3-year high and is a 7% increase over the previous high in 2014.



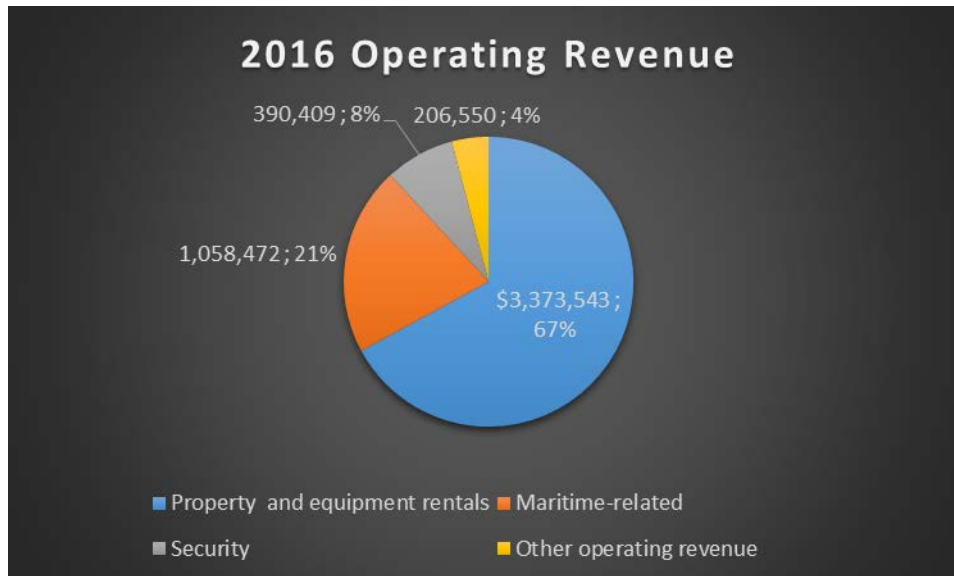


- From 2012 through 2015, longshore hour worked has averaged just over 55,000 hours. The total worked in 2016 represents a 19% decline from this average.

#### **FINANCIAL OPERATIONS HIGHLIGHTS**

A condensed summary of revenues and expenses for the years ended December 31, 2016 and 2015 is shown below.

	<u>2016</u>	<u>2015</u>
<b>OPERATING REVENUES</b>		
Property and equipment rentals	\$ 3,373,543	\$ 3,419,664
Maritime-related	1,058,472	1,221,292
Security	390,409	583,376
Other operating revenues	<u>206,550</u>	<u>237,269</u>
Total operating revenues	<u>5,028,974</u>	<u>5,461,601</u>
<b>OPERATING EXPENSES</b>		
Payroll and related expenses	2,614,316	2,521,528
Maintenance and material handling	267,119	211,801
Professional services	668,512	518,088
Other operating expenses	<u>429,129</u>	<u>445,102</u>
Total operating expenses	<u>3,979,076</u>	<u>3,696,519</u>
<b>OPERATING INCOME</b>	1,049,898	1,765,082
Depreciation and other items	<u>(2,681,901)</u>	<u>(2,181,417)</u>
<b>CHANGE IN NET POSITION BEFORE CAPITAL FUNDING</b>	(1,632,003)	(416,335)
Capital grant funding	<u>610,591</u>	<u>958,692</u>
<b>INCREASE (DECREASE) IN NET POSITION</b>	(1,021,412)	542,357
Total net position, beginning of year	<u>45,052,908</u>	<u>44,510,551</u>
Total net position, end of year	<u><u>\$ 44,031,496</u></u>	<u><u>\$ 45,052,908</u></u>

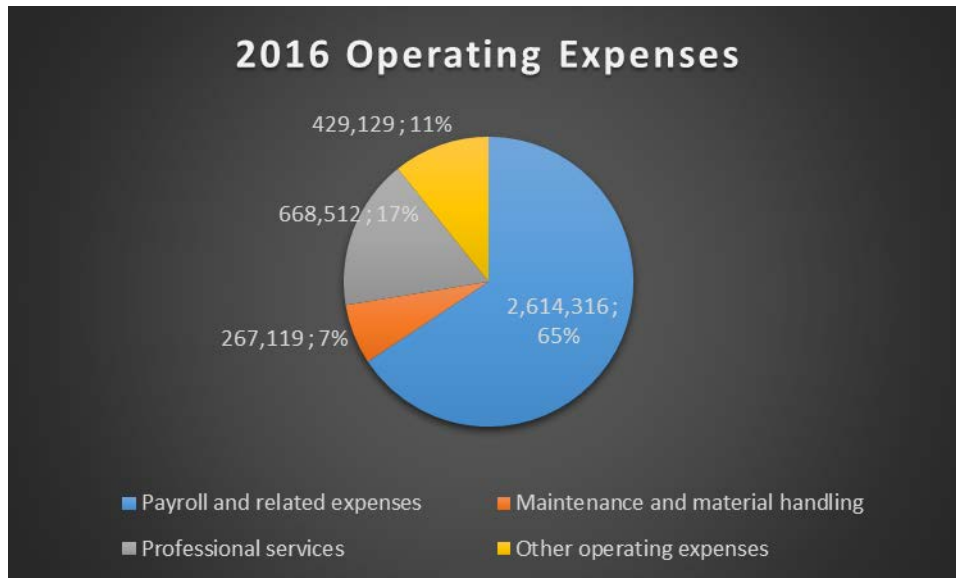


**Operating Revenue decreased approximately \$430,000 or 8% from 2015.**

The decrease in 2016 operating revenues as compared to 2015 is primarily the result of less revenue generated from security fees; partially due to decreased lay berth utilization. Property rental revenue was virtually flat from 2015 as certain available parcels remained vacant in 2016. As a category, property rentals comprise almost 60% of APDC’s operating revenue and acts as a stabilizing revenue source to offset the volatility within the other sectors.

- 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 \$104,000 or 20%. Although as an aggregate, the number of vessels increased by increased by about 12% (from 69 vessels in 2015 to 77 vessels in 2016) dockage revenue has declined. That decrease is attributable to fewer wood pulp ships in 2016 and also is the result of a nearly 80% decline in lay berths; from 151 in 2015 to 34 in 2016.
- Wharfage Fees increased by \$76,000 or 22% over 2015. Grain outperformed in 2016 as compared to 2015, generating approximately \$63,000 more wharfage revenue. Additionally, wharfage fees generated by heavy lift/project cargo and wood pulp exceeded 2015 by 25% and 27%, respectively.
- Stevedore Fees declined by 39% from \$347,000 in 2015 to \$212,000 in 2016. Revenue Share Payments received from FMT decreased by \$98,000. Although not captured in the APDC’s financial performance, a corollary to this decrease is evidenced by the number of longshore hours worked in 2016 as compared to 2015. Longshore hours worked decreased by about 16,000; from 61,000 hours in 2015 to 45,000 hours in 2016.
- Revenue derived from crane and equipment rentals decreased by \$53,000 from \$228,000 in 2015 to \$175,000 in 2016. This is attributable to a decline of approximately 151 hours of crane utilization by FMT in 2016 for maritime terminal operations. APDC charges an hourly rate to FMT for crane usage.
- 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 \$390,000 in 2016 as compared to \$583,000 in 2015; a decrease of \$193,000 or 33%.





**Operating expenses increased by approximately \$283,000 or 7.6%**

Professional and consulting fees include approximately \$208,000 for the retention of a consulting firm. Excluding this increase in cost, operating expenses increased by \$74,000 or 2%.

- Payroll and Related Expenses increased overall by 4%. Total expenses in the category; however, reflect the expense recognition required under GASB 68. In 2015, GASB 68-related expense was \$60,800; 2016’s expense is \$241,000. As explained in the notes to the financial statements, the amount of this non-cash expense is determined by an actuarial analysis and utilizes a lower assumed discount rate from 2015.
- Maintenance Expense increased by \$34,000 (25%) to \$169,000 from \$134,000 in 2015. This increase is driven primarily by an escalation of the service contract used to support the Port’s security technology.
- Material Handling increased by just over \$21,000 or 27%. Expenses for parts and supplies of the Port’s fork truck fleet increased by approximately \$14,000 and repairs related to the two mobile harbor cranes increased by \$5,500.

A condensed summary of APDC's net position at December 31, 2016 and 2015 is shown below:

Total net position decreased by approximately \$1.02 million from December 31, 2015 to December 31, 2016.

	<u>2016</u>	<u>2015</u>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,371,583	\$ 1,257,396
Investments	3,296,761	3,268,087
Accounts receivable	321,459	363,565
Grants receivable	113,622	10,000
Other current assets	<u>34,004</u>	<u>636,407</u>
Total current assets	6,137,429	5,535,455
<b>NET PROPERTY AND EQUIPMENT</b>	<u>42,937,259</u>	<u>44,766,415</u>
Total assets	49,074,688	50,301,870
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>594,722</u>	<u>251,527</u>
	<u><u>\$ 49,669,410</u></u>	<u><u>\$ 50,553,397</u></u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Current maturities of long-term debt	\$ 452,527	\$ 443,087
Deferred revenue	24,749	19,966
Accounts payable	91,594	428,455
Accrued expenses	255,287	190,225
OPEB obligation, current portion	<u>77,000</u>	<u>43,000</u>
Total current liabilities	901,157	1,124,733
<b>LONG-TERM LIABILITIES</b>		
Security deposits	127,098	127,097
OPEB obligation, net of current portion	2,238,790	2,009,051
Net pension liability	634,538	125,953
Long-term debt, net of current maturities	<u>1,661,117</u>	<u>2,113,655</u>
Total long-term liabilities	<u>4,661,543</u>	<u>4,375,756</u>
Total liabilities	5,562,700	5,500,489
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>75,214</u>	<u>-</u>
<b>NET POSITION</b>		
Net investment in capital assets	40,823,615	42,209,673
Unrestricted	<u>3,207,881</u>	<u>2,843,235</u>
Total net position	<u>44,031,496</u>	<u>45,052,908</u>
	<u><u>\$ 49,669,410</u></u>	<u><u>\$ 50,553,397</u></u>

### **CURRENT KNOWN FACTS, DECISIONS OR CONDITIONS**

- During the first quarter of 2017, a request-for-proposals (“RFP”) was issued for reconstruction of the southern wharf. Additionally, an engineering firm was selected to provide construction support services. Construction is anticipated to begin in the early part of the second quarter of 2017.
- Design will be completed and an RFP issued for construction of a 45,000 square foot warehouse during Q2 of 2017. Construction will commence during 2017 and the building is anticipated to be placed into service during the fourth quarter.
- A remediation plan for an approximately 12 acre site was submitted to the Environmental Protection Agency (“EPA”). Once the EPA approves the plan, remediation work will begin to prepare the site for disposition via a long-term lease.
- The first phase of the strategic assessment and growth strategy will be completed and delivered to the Board in February 2017. It is expected that the actions identified will be further developed in a subsequent phase of the plan.
- The initial due diligence on an 80-acre parcel for possible expansion will be completed during the first quarter of 2017. Subsequent actions will be considered by the Board at that time. This activity could include property acquisition or termination of the purchase option.
- 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.

### **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 financial condition. Questions concerning the information provided in this report may be addressed in writing to:

Albany Port District Commission  
106 Smith Boulevard  
Albany, NY 12202

## **INDEPENDENT AUDITOR'S REPORT**

To the Commissioners  
Albany Port District Commission

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, 2016 and 2015, 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, 2016 and 2015, 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.

**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 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2017 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  
March 29, 2017

**ALBANY PORT DISTRICT COMMISSION**  
**STATEMENTS OF NET POSITION**  
December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,371,583	\$ 1,257,396
Investments	3,296,761	3,268,087
Accounts receivable	321,459	363,565
Grants receivable	113,622	10,000
Other current assets	34,004	636,407
	<u>6,137,429</u>	<u>5,535,455</u>
<b>NET PROPERTY AND EQUIPMENT</b>	<u>42,937,259</u>	<u>44,766,415</u>
Total assets	<u>49,074,688</u>	<u>50,301,870</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>594,722</u>	<u>251,527</u>
	<u><u>\$ 49,669,410</u></u>	<u><u>\$ 50,553,397</u></u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Current maturities of long-term debt	\$ 452,527	\$ 443,087
Deferred revenue	24,749	19,966
Accounts payable	91,594	428,455
Accrued expenses	255,287	190,225
OPEB obligation, current portion	77,000	43,000
	<u>901,157</u>	<u>1,124,733</u>
<b>LONG-TERM LIABILITIES</b>		
Security deposits	127,098	127,097
OPEB obligation, net of current portion	2,238,790	2,009,051
Net pension liability	634,538	125,953
Long-term debt, net of current maturities	1,661,117	2,113,655
	<u>4,661,543</u>	<u>4,375,756</u>
Total long-term liabilities	<u>4,661,543</u>	<u>4,375,756</u>
Total liabilities	<u>5,562,700</u>	<u>5,500,489</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>75,214</u>	<u>-</u>
<b>NET POSITION</b>		
Net investment in capital assets	40,823,615	42,209,673
Unrestricted	3,207,881	2,843,235
	<u>44,031,496</u>	<u>45,052,908</u>
Total net position	<u>44,031,496</u>	<u>45,052,908</u>
	<u><u>\$ 49,669,410</u></u>	<u><u>\$ 50,553,397</u></u>

See notes to financial statements.

**ALBANY PORT DISTRICT COMMISSION**  
**STATEMENTS OF REVENUES AND EXPENSES AND CHANGES IN NET POSITION**  
Years ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>OPERATING REVENUES</b>		
Property rentals	\$ 3,198,858	\$ 3,191,709
Dockage fees	414,772	519,021
Wharfage fees	432,107	355,687
Stevedore fees	211,593	346,584
Crane/equipment rentals	174,685	227,955
Security fees	390,409	583,376
Storage and other services	<u>206,550</u>	<u>237,269</u>
Total operating revenues	<u>5,028,974</u>	<u>5,461,601</u>
<b>OPERATING EXPENSES</b>		
Payroll and related benefit costs	2,614,316	2,521,528
Maintenance expense	168,559	134,440
Material handling	98,560	77,361
Insurance	245,166	255,295
Professional and consulting fees	423,346	262,793
Other operating expenses	<u>429,129</u>	<u>445,102</u>
Total operating expenses	<u>3,979,076</u>	<u>3,696,519</u>
<b>OPERATING INCOME, BEFORE DEPRECIATION AND OTHER ITEMS</b>	<u>1,049,898</u>	<u>1,765,082</u>
<b>DEPRECIATION AND OTHER ITEMS</b>		
Depreciation	(2,018,463)	(1,948,358)
Gain on sale of property and equipment	-	217,500
Waterfront development costs	(243,168)	(223,892)
Municipal support agreement costs	(400,000)	(200,000)
Interest income	29,398	30,862
Interest expense	<u>(49,668)</u>	<u>(57,529)</u>
Net depreciation and other items	<u>(2,681,901)</u>	<u>(2,181,417)</u>
<b>CHANGE IN NET POSITION BEFORE CAPITAL FUNDING</b>	<u>(1,632,003)</u>	<u>(416,335)</u>
Capital grant funding	<u>610,591</u>	<u>958,692</u>
<b>(DECREASE) INCREASE IN NET POSITION</b>	<u>(1,021,412)</u>	<u>542,357</u>
Total net position, beginning of the year	<u>45,052,908</u>	<u>44,510,551</u>
Total net position, end of year	<u>\$ 44,031,496</u>	<u>\$ 45,052,908</u>

See notes to financial statements.

**ALBANY PORT DISTRICT COMMISSION**  
**STATEMENTS OF CASH FLOWS**  
Years ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from rentals	\$ 3,382,243	\$ 3,393,922
Cash received for facility usage	1,096,661	1,451,112
Cash received from other services	596,959	820,645
Cash payments to employees and professionals	(2,505,438)	(2,600,297)
Cash payments for materials and maintenance	(198,846)	(225,648)
Cash payments for insurance	(41,829)	(245,172)
Cash payments for other expenses	(425,137)	(445,092)
Net cash provided by operating activities	<u>1,904,613</u>	<u>2,149,470</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Cash payments for municipal support agreement costs and waterfront development costs	(243,168)	(823,892)
Net cash used in noncapital financing activities	<u>(243,168)</u>	<u>(823,892)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Cash payments for capital assets	(564,115)	(3,772,890)
Cash received from sale of property and equipment	-	217,500
Cash received from capital grant funding	506,969	1,360,099
Interest expense	(48,550)	(57,529)
Cash payments on long-term debt and other obligations	(443,098)	(433,844)
Net cash used in capital and related financing activities	<u>(548,794)</u>	<u>(2,686,664)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash received from interest	30,210	30,486
Cash paid for purchase of investments	(1,836,878)	(1,171,810)
Cash received from sale of investments	1,808,204	1,139,001
Net cash provided by (used in) investing activities	<u>1,536</u>	<u>(2,323)</u>
Net change in cash	1,114,187	(1,363,409)
Cash, beginning of year	<u>1,257,396</u>	<u>2,620,805</u>
Cash, end of year	<u>\$ 2,371,583</u>	<u>\$ 1,257,396</u>
<b>RECONCILIATION OF OPERATING INCOME, BEFORE DEPRECIATION AND OTHER ITEMS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating income, before depreciation and other items	\$ 1,049,898	\$ 1,765,082
Adjustments to reconcile operating income to net cash provided by operating activities:		
Changes in:		
Accounts receivable	42,106	225,903
Other assets	201,592	8,040
Accounts payable	37,947	(11,763)
Accrued expenses	63,944	19,554
Deferred revenue	4,783	(21,825)
OPEB obligation	263,739	290,053
Net pension related accounts	240,604	(125,574)
Total adjustments	<u>854,715</u>	<u>384,388</u>
Net cash provided by operating activities	<u>\$ 1,904,613</u>	<u>\$ 2,149,470</u>

See notes to financial statements.



**ALBANY PORT DISTRICT COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**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, 2016 and 2015.
- *Unrestricted* – This component of net position consists of fund equity that does not meet the definition of "restricted" or "invested in capital assets, net of related debt."

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

# ALBANY PORT DISTRICT COMMISSION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2016

### **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 paid 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.

**ALBANY PORT DISTRICT COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2016

**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 was 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.

**Subsequent Events:** For purposes of preparing the financial statements, the Commission has considered events through March 29, 2017, the date the financial statements were available to be issued.

**Reclassifications:** Certain 2015 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:

	<u>2016</u>		<u>2015</u>	
	<u>Carrying Value</u>	<u>Bank Balance</u>	<u>Carrying Value</u>	<u>Bank Balance</u>
Deposit accounts	<u>\$ 2,371,583</u>	<u>\$ 2,401,641</u>	<u>\$ 1,257,396</u>	<u>\$ 1,284,173</u>

At December 31, 2016 and 2015, the Commission’s cash and deposits were covered by FDIC insurance or otherwise collaterally secured.

**ALBANY PORT DISTRICT COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 4 — INVESTMENTS**

At December 31, 2016, 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
Federal Home Loan Mortgage Corp Note (1%)	\$ 150,000	6/29/2018	\$ 149,763	\$ 150,007
United States Treasury Note (.625%)	80,000	2/15/2017	80,019	80,002
United States Treasury Note (.75%)	150,000	3/15/2017	150,086	149,295
United States Treasury Note (.875%)	290,000	5/15/2017	290,296	289,987
United States Treasury Note (2.625%)	350,000	1/31/2018	356,220	355,217
United States Treasury Note (1.5%)	100,000	12/31/2018	100,582	99,244
United States Treasury Note (1.125%)	100,000	6/30/2021	96,785	99,424
Ally Bank (CD; 1%)	115,000	7/14/2017	115,258	115,074
Ally Bank (CD; .95%)	62,000	2/27/2017	62,037	61,926
American Express Federal Savings Bank (CD; 1.2%)	90,000	7/24/2017	90,104	90,159
Beal Bank USA (CD; .85%)	42,000	8/23/2017	42,005	41,959
Capital One Bank (CD; 1.2%)	152,000	8/7/2017	152,257	152,339
Comenity Capital Bank (CD; 1.1%)	63,000	7/2/2018	62,846	62,953
Comenity Capital Bank (CD; .95%)	150,000	3/6/2018	149,547	149,550
Compass Bank (CD; 1.15%)	200,000	11/30/2017	200,298	199,241
Discover Bank (CD; 1.75%)	170,000	5/2/2017	170,547	170,185
Discover Bank (CD; 1.75%)	80,000	5/9/2017	80,326	80,265
First General Bank (CD; .90%)	125,000	7/31/2017	125,228	125,072
Goldman Sachs Bank USA (CD; 1.6%)	50,000	9/26/2017	50,258	50,053
Goldman Sachs Bank USA (CD; 1.75%)	200,000	5/4/2017	200,720	200,228
Goldman Sachs Bank USA (CD; 1%)	75,000	2/27/2017	75,050	75,000
Kaw Valley Bank (CD; 2.7%)	54,000	7/24/2017	54,704	54,512
Peoples United Bank (CD; .55%)	235,000	1/20/2017	235,002	234,866
Sallie Mae Bank (CD; 1.7%)	145,000	8/22/2017	145,903	145,144
ZB Bank NA (CD; .75%)	61,000	8/25/2017	60,920	60,970
	\$ 3,289,000		\$ 3,296,761	\$ 3,292,672

**ALBANY PORT DISTRICT COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 4 — INVESTMENTS (Continued)**

At December 31, 2015, 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 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

**Investments and Fair Value Measurements**

Investments are carried at fair value on a recurring basis, based on current market prices. GASB No. 72, *Fair Value Measurement and Application*, establishes and defines the requirements on how fair value should be measured, which assets and liabilities should be measured at fair value, and what information about fair value should be disclosed in the notes to the financial statements. Recurring fair value measurements are those that GASB Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As of December 31, 2016 and 2015, all investments measured at fair value were considered Level 1 investments under the fair value hierarchy.

**ALBANY PORT DISTRICT COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 5 — PROPERTY AND EQUIPMENT**

At December 31, 2016 property and equipment is comprised of the following:

	<u>December 31 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31 2016</u>
Port marine facilities	\$ 96,984,043	\$ 443,188	\$ 700,000	\$ 96,727,231
Transportation, equipment and furniture	1,301,641	72,681	18,186	1,356,136
Construction in process	374,808	749,032	375,594	748,246
Total	98,660,492	1,264,901	1,093,780	98,831,613
Less accumulated depreciation	53,894,077	2,018,463	18,186	55,894,354
Net property and equipment	<u>\$ 44,766,415</u>	<u>\$ (753,562)</u>	<u>\$ 1,075,594</u>	<u>\$ 42,937,259</u>

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

	<u>December 31 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31 2015</u>
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	<u>\$ 42,901,668</u>	<u>\$ 2,306,439</u>	<u>\$ 441,692</u>	<u>\$ 44,766,415</u>

Depreciation expense was \$2,018,463 and \$1,948,358 for the years ended December 31, 2016 and 2015, respectively.

**NOTE 6 — LONG-TERM DEBT**

Long-term debt is comprised of the following:

	<u>December 31 2015</u>	<u>Debt Issued</u>	<u>Debt Payments</u>	<u>December 31 2016</u>
Bank of America lease obligation	\$ 2,556,742	\$ -	\$ 443,098	\$ 2,113,644
Less current maturities	443,087			452,527
	<u>\$ 2,113,655</u>			<u>\$ 1,661,117</u>

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 of approximately \$41,000, including interest at approximately 2.1%, with final maturity in June 2021. The obligation is collateralized by certain Commission assets.

**ALBANY PORT DISTRICT COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

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

At December 31, 2016, long-term debt maturities were comprised of the following:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
2021	244,863	1,507	246,370
	<u>\$ 2,113,644</u>	<u>\$ 103,790</u>	<u>\$ 2,217,434</u>

Interest expense was \$49,668 and \$57,529 for 2016 and 2015, 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](http://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 2016, these rates ranged from 10.5% - 23.1% 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, 2016, the Commission reported a liability of \$634,538 for its proportionate share of the ERS net pension liability. The ERS net pension liability was measured as of March 31, 2016, and the total pension liability was determined by an actuarial valuation as of April 1, 2015, with updated procedures used to roll forward the total pension liability to March 31, 2016. 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, 2016 measurement date, the Commission's proportion was 0.0039534%.

**ALBANY PORT DISTRICT COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 7 — RETIREMENT PLAN AND RELATED BENEFITS** (Continued)

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

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%.

For the year ended December 31, 2016, the Commission recognized net pension expense of \$240,605 from ERS and reported deferred outflows and deferred inflows of resources at December 31, 2016 as follows:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 3,206	\$ 75,214
Changes in assumptions	169,212	-
Net difference between projected and actual earnings on pension plan investments	376,443	-
Changes in proportion and differences between Commission contributions and proportionate share of contributions	45,861	-
Commission contributions subsequent to measurement date	-	-
	<u>\$ 594,722</u>	<u>\$ 75,214</u>

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:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
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	-
	<u>\$ 251,527</u>	<u>\$ -</u>



**ALBANY PORT DISTRICT COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 7 — RETIREMENT PLAN AND RELATED BENEFITS** (Continued)

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

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

<u>Years Ending June 30,</u>	<u>Net Deferred Outflows and Inflows of Resources</u>
2017	\$ 134,047
2018	134,047
2019	134,047
2020	<u>117,367</u>
	<u>\$ 519,508</u>

Actuarial Assumptions

For ERS, the actuarial assumptions used in the April 1, 2015 valuation, with update procedures used to roll forward the total pension liability to March 31, 2016, were based on the results of an actuarial experience study for the period April 1, 2010 to March 31, 2015. These assumptions are:

***Inflation*** – 2.5%

***Salary increases*** – 3.8%

***Investment rate of return*** – 7.0% compounded annually, net of investment expense, including inflation

***Mortality*** – Based on ERS experience from April 1, 2010 – March 31, 2015 with adjustments for mortality improvements based on the Society of Actuaries’ Scale MP-2014

***Discount rate*** – 7.0%

The actuarial assumptions used in the April 1, 2014 valuation, with update procedures 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*** – 3.9%

***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%

**ALBANY PORT DISTRICT COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**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:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
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%
Cash	2%	2.25%
Inflation-Indexed bonds	2%	4.00%
	<b>100%</b>	

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 7.0% and the impact of using a discount rate that is 1% higher or lower than the current rate.

	<b>1.0% Decrease</b>	<b>7.0%</b>	<b>1.0% Increase</b>
Commission's proportionate share of the ERS net pension liability (asset)	\$ 1,430,836	\$ 634,538	\$ (38,301)

**ALBANY PORT DISTRICT COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 7 — RETIREMENT PLAN AND RELATED BENEFITS (Continued)**

Other Information

Other information on the Commission's net pension liability, as of March 31, 2016 and 2015<sup>(A)</sup>, is as follows:

	<u>2016</u>	<u>2015</u>
Commission's proportion of the System's net pension liability	0.39534%	0.003728%
Commission's proportionate share of the System's net pension liability	\$ 634,538	\$ 125,953
Commission's covered-employee payroll	\$ 1,000,106	\$ 1,018,746
Commission's proportionate share of the System's net pension liability as a percentage of its covered-employee payroll	63.45%	12.36%
Plan fiduciary net position as a percentage of the total pension liability	90.70%	97.90%

<sup>(A)</sup> Actuarial data prior to 2015 is unavailable.

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

<u>March 31</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Contractually required contribution	\$ 186,364	\$ 234,306	\$ 180,550	\$ 151,392	\$ 119,125	\$ 111,408	\$ 20,025
Contribution in relation to the contractually required contribution	<u>(186,364)</u>	<u>(234,306)</u>	<u>(180,550)</u>	<u>(151,392)</u>	<u>(119,125)</u>	<u>(111,408)</u>	<u>(20,025)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Commission's covered-employee payroll	<u>\$ 1,000,106</u>	<u>\$ 1,018,746</u>	<u>\$ 861,386</u>	<u>\$ 726,234</u>	<u>\$ 711,985</u>	<u>\$ 739,670</u>	<u>\$ 544,045</u>
Contributions as a percentage of covered-employee payroll	<u>18.63%</u>	<u>23.00%</u>	<u>20.96%</u>	<u>20.85%</u>	<u>16.73%</u>	<u>15.06%</u>	<u>3.68%</u>

**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 established standards for the recognition, measurement, and display of other postemployment benefits (retiree health insurance) expenses and related liabilities and note disclosures.

**ALBANY PORT DISTRICT COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**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 \$48,400 and \$43,300 for current premiums in 2016 and 2015, 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, 2016, the most recent valuation date, with estimated liability and other information provided as of December 31, 2016 and December 31, 2015, as applicable. Valuations are currently prepared every three years, as required by GASB 45.

	<u>2016</u>	<u>2015</u>
<u>Actuarial Accrued Liability (AAL)</u>		
Currently retired	\$ 3,003,101	\$ 1,172,336
Active employees	<u>1,536,343</u>	<u>3,139,170</u>
Actuarial accrued liability	4,539,444	4,311,506
Actuarial value of plan assets	<u>-</u>	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 4,539,444</u>	<u>\$ 4,311,506</u>
Funded ratio	<u>0%</u>	<u>0%</u>
Normal cost	<u>\$ 120,906</u>	<u>\$ 154,030</u>

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

	<u>2016</u>	<u>2015</u>
UAAL	\$ 4,539,444	\$ 4,311,506
Amortization period (years)	30	30
Amortization discount rate	2.50%	2.50%
Present value factor	17.77	17.86
UAAL amortization amount	\$ 255,521	\$ 241,424

**ALBANY PORT DISTRICT COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

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

Annual OPEB Cost and Net OPEB Obligation

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

	<u>2016</u>	<u>2015</u>
Normal cost	\$ 120,906	\$ 154,030
Amortization of UAAL	255,521	241,424
ARC	376,427	395,454
Interest on OPEB obligation	51,358	51,518
Adjustment to ARC	(115,635)	(113,650)
OPEB expense	<u>\$ 312,150</u>	<u>\$ 333,322</u>

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

	<u>2016</u>	<u>2015</u>
Net OPEB obligation at beginning of year	\$ 2,052,051	\$ 1,761,997
Annual OPEB expense	312,150	333,322
Annual OPEB contributions	(48,411)	(43,268)
Net OPEB obligation at end of year	2,315,790	2,052,051
Less: estimated current portion of OPEB obligation	77,000	43,000
Estimated long-term portion of OPEB obligation	<u>\$ 2,238,790</u>	<u>\$ 2,009,051</u>
Percentage of expense contributed	<u>15.5%</u>	<u>13.0%</u>

Trend Information

<u>Year Ended</u>	<u>Beginning OPEB Obligation</u>	<u>Annual OPEB Cost</u>	<u>Actual Employer Contribution</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
12/31/2014	\$ 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
12/31/2016	2,052,051	312,150	48,411	15.5%	2,315,790

Actuarial Methods and Assumptions

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

**ALBANY PORT DISTRICT COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**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, 2016 and the discount rate utilized was 2.50%. No salary increases were assumed since benefits are not based on compensation. Health care costs were assumed to increase as follows:

<u>Year</u>	<u>Trend Increase</u>
2016	11.93%
2017	6.20%
2018	5.90%
2019	5.60%
2020	5.30%
2021	5.30%
2022	5.29%
2023	5.29%
2024	5.29%
2025	5.29%
2030	5.29%
2040	5.29%
2050	4.91%
2060	4.73%
2070	4.21%
2080+	3.94%

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, 2016 were as follows:

2017	\$ 2,958,000
2018	2,563,000
2019	2,347,000
2020	2,321,000
2021	2,321,000
Thereafter	9,769,000
	<u>\$ 22,279,000</u>

**ALBANY PORT DISTRICT COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**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 6/10<sup>ths</sup> of 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 \$180,000 in 2017 to \$255,000 in 2024, thus providing for the full amortization of the bonds by the 2027 maturity date.

Future debt reduction payments are expected as follows:

<u>Year Ending</u>	<u>Amount</u>
2017	\$ 180,000
2018	190,000
2019	200,000
2020	210,000
2021	220,000
Thereafter	720,000
	<u>\$ 1,720,000</u>

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

During 2016 and 2015, the Commission’s total lease cost, project improvement cost, and other operating expenses related to the waterfront development project approximated \$243,000 and \$224,000, respectively. These costs are included in the statements of revenues and expenses.

**ALBANY PORT DISTRICT COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**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 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 through August 31, 2016. The expense associated with the MoU's in the amounts of \$400,000 (2016) and \$200,000 (2015) are included in the statements of revenues and expenses. The Commission incurred no support agreement costs subsequent to August 31, 2016.

Federal and State Grants

In both 2016 and 2015, the Commission's grant funding primarily related to various wharf reconstruction projects, funded by the New York State Department of Transportation. Revenues under these grants are included in capital grant funding in the accompanying statements of revenues and expenses.

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, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b><i>PAYROLL AND RELATED COSTS</i></b>		
Administrative	\$ 936,721	\$ 941,596
Maintenance crews and supervisor	344,028	347,951
Security	331,911	397,306
Pension and other benefit costs	566,078	374,247
OPEB expense	312,150	333,321
Payroll taxes	<u>123,428</u>	<u>127,107</u>
Total payroll and related costs	<u><u>\$ 2,614,316</u></u>	<u><u>\$ 2,521,528</u></u>
<b><i>OTHER OPERATING EXPENSES</i></b>		
Security	\$ 43,880	\$ 35,487
Utilities	54,710	61,518
City water	7,135	9,375
Advertising and promotion	75,603	66,105
Office supplies and expenses	74,345	63,100
Telephone	24,057	28,372
Snow removal	2,164	10,327
Equipment operating expense	64,127	96,533
Other expenses	<u>83,108</u>	<u>74,285</u>
Total other operating expenses	<u><u>\$ 429,129</u></u>	<u><u>\$ 445,102</u></u>

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

To the Commissioners  
Albany Port District Commission

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Investment Guidelines for Public Authorities issued by the Office of the State Comptroller, State of New York, the financial statements of the Albany Port District Commission (the "Commission") as of and for the year ended December 31, 2016, and have issued our report thereon dated March 29, 2017.

**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**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

UHY LLP

Albany, New York  
March 29, 2017