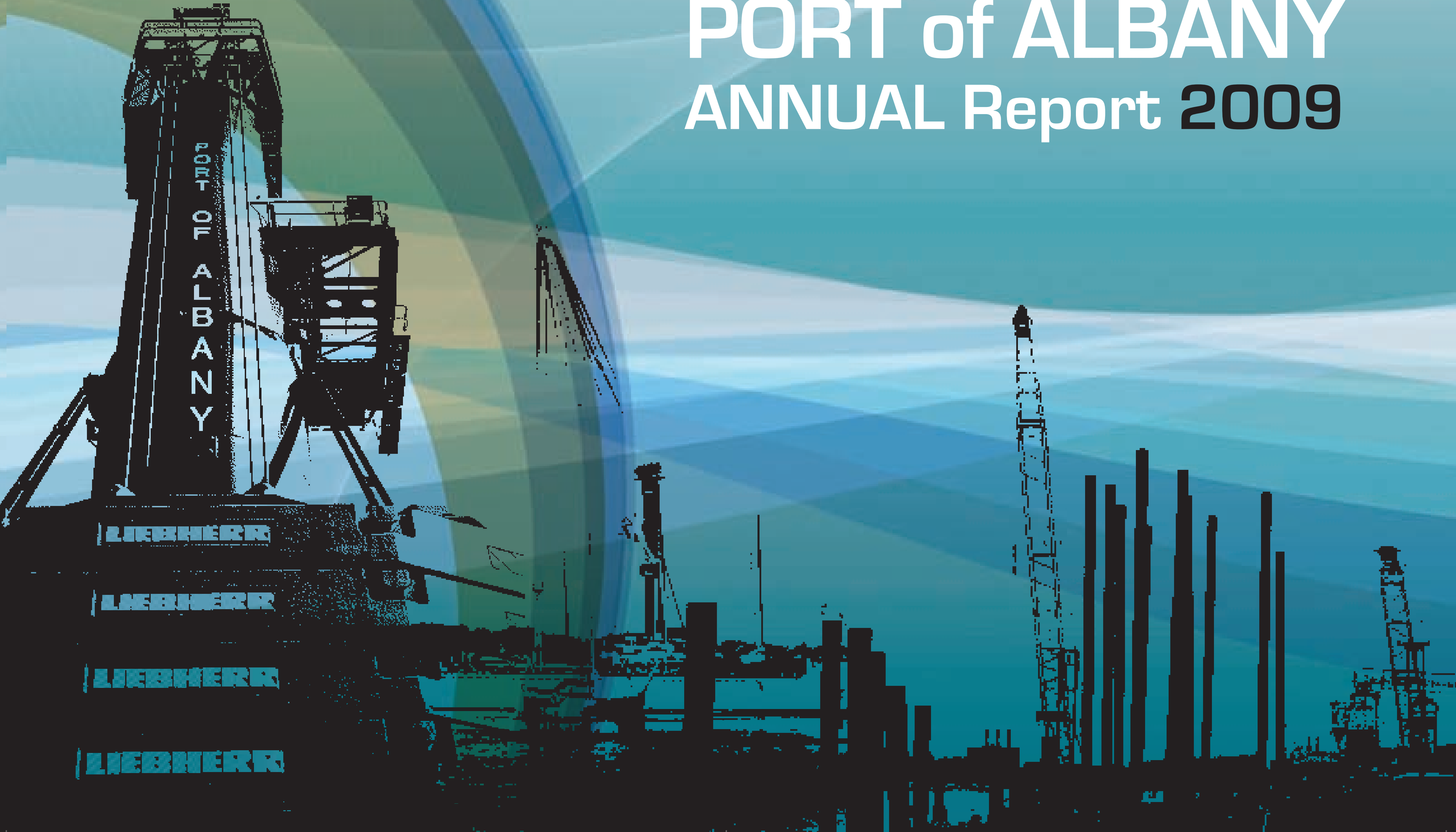
PORT of ALBANY
ANNUAL Report 2009



Port Commission Board Members

Robert F. Cross, *Chairman*
Anthony J. Ferrara, *Treasurer*
Leo P. Dean, *Secretary*
Megan E. Daly, *Commissioner*
Dominick Tagliento, *Commissioner*

Port Commission Staff

Richard Hendrick, *General Manager*
Terrence Hurley, *Chief Financial Officer*
Frank Commisso, *Business Manager*
Annie Fitzgerald, *Humane Resource Manager*
Linda Wilkinson, *Commission Secretary*
Thomas Owens, Esq., *Port Counsel*
David Williams, *Director of Security and Threat Assessment*
Thomas J. McGuinness, *Information Technology Specialist*
Halsey Betters, *Construction Manager*

Maintenance Staff

James Williams, *Foreman*
Nicholas Barber
Jason Carroll
William Mahan
Catherine Messina
Josh Ostrander
John Shell

Port Marketing Representative

A.J. Vasil Associates, Inc.
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The Port of Albany's Economic Impact on the Capital Region

- Supports over 4,500 people throughout the area
- The businesses working out of the Port generate over 1,300 full time jobs with total payroll and benefits of $82,732,397
- All of the Port's economic activities generate $813,274,033
- The Port's impact on household incomes is $179,375,316

These numbers are from the Capital District Regional Planning Commission's 2009 report "Estimated Economic Impact of the Port of Albany."

In accordance with the provisions of Chapter 192 of the laws of 1925, State of New York, as amended, the Albany Port District Commission submits herewith its Annual Report for the year 2009.

It is sincerely hoped that this presentation of the functions and activities of the Commission during the past year will enable all persons interested in the Port of Albany/Rensselaer to gain a greater understanding of the operations of this modern, year-round, deep water terminal.

MESSAGE FROM THE MAYOR

Dear Friends:

For the Port of Albany, 2009 turned out to be an extraordinary year. As we all know, the economy has taken its toll on residents and businesses all across America, with many of our nation's seaports particularly feeling the economic pain.

Although the Port of Albany has been somewhat immune from many of these stresses because of the type of cargo we handle, it also has seen some decrease in activity, both in ships coming and going, and in the number of hours worked by our longshore labor.

So, what better time than during a slowdown to get to work on rebuilding the very infrastructure that supports our current activities. With these improvements, we will be able to expand our business attracting a variety of new and different kinds of cargo, as the economy begins to rebound.

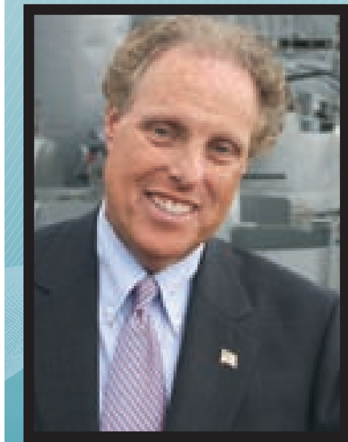
And that is precisely what we did in 2009. I lobbied very hard to secure funding for the Port to rebuild the aging wharf system, which no longer could sustain the strain and stress of a modern seaport with its larger ships and heavier cargo. Thanks to a New York State grant and money from President Obama's Federal Stimulus program, the Port has been able to move forward to replace the remaining parts of the antiquated wharf system.

The 80-year-old timber piles and supporting old wood structures are being replaced with modern steel piles, driven to bedrock, and a new fender system with a concrete and asphalt platform, along with new rails so ships can unload cargo directly onto waiting trains. This project was especially important in light of the heavy lift cargo, such as generators, which are routinely shipped out of the Port. In addition, this work also will enable the Port to accommodate three additional heavy lift ships, which previously could dock only on the newer, stronger portions of the wharf.

Over the last decade, we have seen remarkable progress positioning the Port as an important player on the international stage of commerce. Until the national slowdown, business had been booming along our docks, with cargo and hours for longshore labor setting historic new records. Now, as the economy begins to rebuild, we will be ready to take on exciting new business, boosting revenues for the Port and benefitting the entire region.

I want to again thank Port Chairman Robert Cross and the other members of his board along with the Port's excellent staff for working tirelessly to promote and grow our business. With these major new improvements in place, and a better economy, I look forward to seeing more ships coming and going, more longshore laborers working at the docks, and a new and rejuvenated Port of Albany, providing an economic stimulus for the entire Capital District and beyond.

MESSAGE FROM THE CHAIRMAN



Dear Friends:

The Port of Albany has spent last year getting ready for the future. Beginning in the spring of 2009, a major project was undertaken to replace the remaining portion of the Port's original wharf system, first constructed when Franklin Roosevelt was in the Governor's Mansion.

Albany Mayor Jerry Jennings, Port General Manager Richard Hendrick and I joined a number of other officials, Port employees, and the local media on a beautiful sunny day in April along the shores of the Hudson River as workers from C.D. Perry & Sons started tearing apart the wooden underpinnings of the more than three-quarter of a century old wharf system.

Thanks to a $6.5 million grant from New York State we were able to get underway replacing some 1,000 feet of the original wharf. Some 72 steel piles were driven to bedrock, a new fender pile system was installed and about 475 feet of new rail was added. Once this work is completed, a majority—but not all—of the original wharf system will have been replaced.

But, fortunately for the Port of Albany, more help was on the way. With $5 million from President Obama's Federal stimulus program, the remaining portion of the aging wharf system—some 310 feet more–along with another 500 feet of new rail line would be constructed. When this project is fully complete, probably by the end of 2010, the Port's entire original wharf system will have been replaced with a strong, modern system capable of handling today's larger and heavier cargo.

I do want to take this opportunity to recognize and thank the extraordinary staff of the Albany Port District Commission for their diligence and hard work. With Rich Hendrick's steady and inspired leadership, this small group of individuals has made remarkable progress positioning the Port of Albany for the 21st Century and beyond.

My deep appreciation goes to General Counsel Tom Owens, Chief Financial Officer Terry Hurley, Business Manager Frank Commisso, and Dave Williams, our Director of Security and Threat Assessment. This front line team of professionals is ably assisted by Annie Fitzgerald, Linda Wilkinson, Jim Williams, and Tom McGuinness, the Port's first-ever information technology expert. In today's high-tech world, we are fortunate to have someone with Tom's skill and dedication to keep us technologically current.

Finally, I appreciate the fine work of my fellow board members, Tony Ferrara, Leo Dean, Megan Daley and, our newest member, Dominick Tagliento. As board members, we all recognize the critical importance of the Port in the region's economy, and will continue to work diligently to carry out Mayor Jennings' goal to make Albany the finest seaport in the Northeast.

2009: improvement and expansion

2009 at the Port of Albany has focused on improvement and expansion of our facilities in order to better serve present and future clients. We took advantage of the economic climate to upgrade existing infrastructure and explore new marketing opportunities.

The $11.5 million project, including $5 million in federal stimulus funding, scheduled to be completed in 2010, will replace a section of original wharf and connect the Port's two rail lines. The project was split into two phases to make it more affordable.

The first phase began in April, 2009 when C.D. Perry & Sons of Troy replaced 500 feet of aging wharf in anticipation of the thousands of tons of cargo and equipment to be handled at the Port in the coming months and years. The project involved replacing wooden pilings with hollow steel columns driven into bedrock, filled with concrete, and then covered with a concrete platform topped with asphalt. The new structure will support the heavy cranes, generators and turbines as well as locomotives that often are loaded onto ships at the Port.

The new wharf will enable the Port to handle more ships as well. Three additional project cargo/heavy lift ships among others will be able to dock at the new wharf. The first phase of the project created about 50 construction jobs.

The second phase—replacement of an additional 310 feet of wharf and installing an additional 500 feet of railroad track—will be completed by October 2010. The additional railroad track will connect to the main rail line, forming a loop so that trains can enter from either end of the Port.

"Linking the two rail lines will be a great advantage for shipments like wind turbines," said Rich Henricks, the Port's General Manager. Because the two rails were not linked, the turbines had to be loaded onto trucks, with escort vehicles to guide them and take detours around highway bridges that don't have the necessary height clearances to get back to the Port.

At the conclusion of the project, the resulting structure will enable the Port to handle not only the "heavy-lift" cargo produced by GE Power Systems in Schenectady, but also support the Port's 850,000 pound crane, as well as freight cars and locomotives.

"The Port's commitment to such major infrastructure upgrades is impressive," said Albany Mayor Gerald D. Jennings. "With its new capacity to handle heavy lift cargo, the Port of Albany continues

> "With its new capacity to handle heavy lift cargo, the Port of Albany continues to distinguish itself as a major player in maritime commerce."
> ~Albany Mayor Gerald D. Jennings

photo by Michael P. Farrell

to distinguish itself as a major player in maritime commerce."

Also in 2009, the Port Commission hired New York City-based maritime engineering firm Moffat & Nichol to address issues related to infrastructure, the port's configuration, and to look at potential marketing opportunities for the Port.

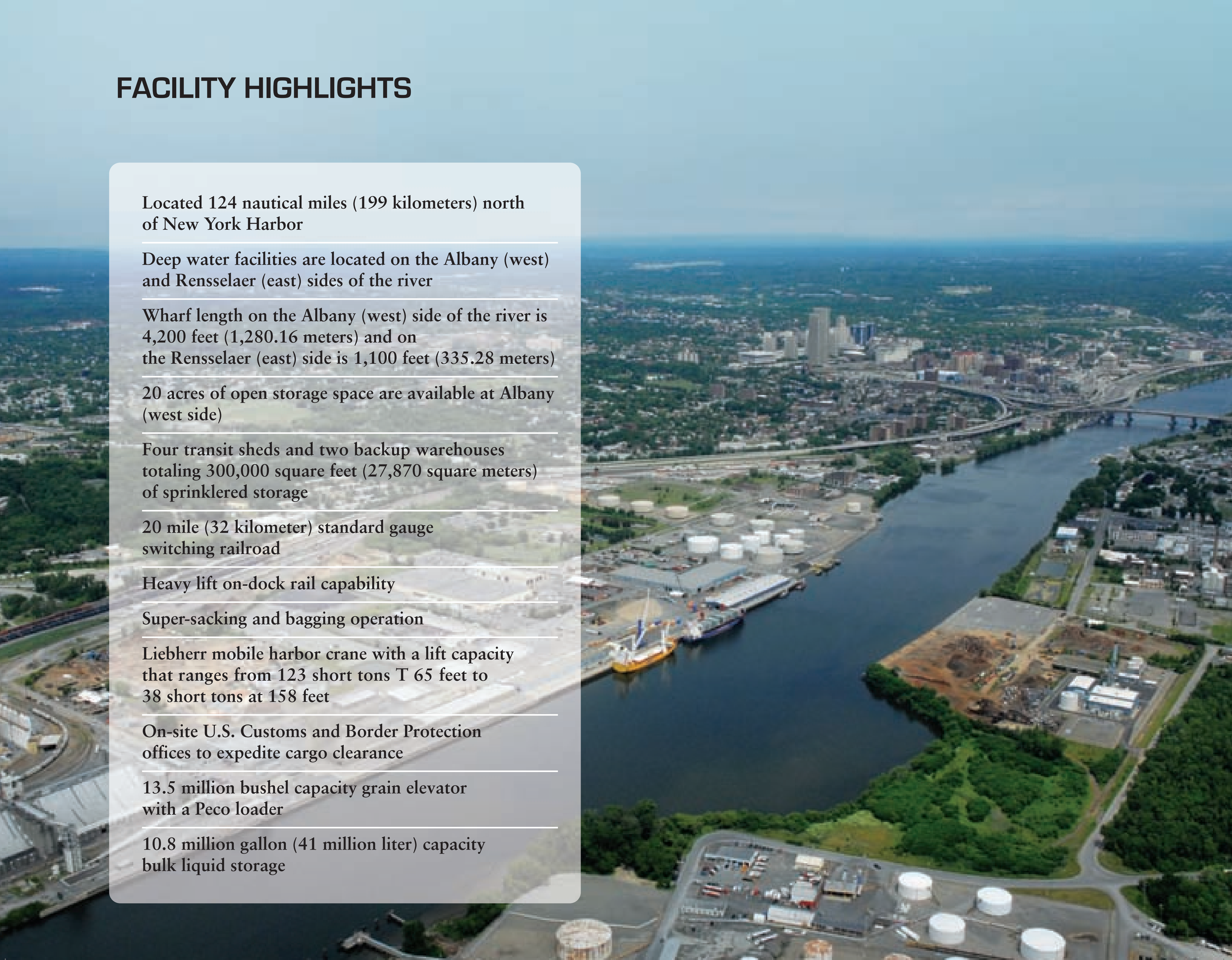
"Over the years, tenants have just located at the port when there was available space, whether or not they use the water," said Port District Commission Chairman Robert Cross. "Our goal is to situate our clients in the best possible spots within the Port proper in order to enhance local economic development opportunities."

photo by Michael P. Farrell

September 26 was a proud day for Albany and the Port.

That's when a flotilla of 17 Dutch wooden boats and a replica of Henry Hudson's ship, the Half Moon, sailed up the Hudson from New York City to dock at the Corning Preserve as part of the Hudson 400 Celebration. They were joined by Coast Guard cutters and other ships for the day-long celebration. It was part of the larger statewide Hudson Fulton Champlain Quadricenntennial Celebration that marks the 400th anniversary of the voyages of Hudson and French explorer Samuel de Champlain and the 200th anniversary of Robert Fulton's steamboat trip on the Hudson River.

photos by Thomas J. McGuinness



FACILITY HIGHLIGHTS

Located 124 nautical miles (199 kilometers) north of New York Harbor

Deep water facilities are located on the Albany (west) and Rensselaer (east) sides of the river

Wharf length on the Albany (west) side of the river is 4,200 feet (1,280.16 meters) and on the Rensselaer (east) side is 1,100 feet (335.28 meters)

20 acres of open storage space are available at Albany (west side)

Four transit sheds and two backup warehouses totaling 300,000 square feet (27,870 square meters) of sprinklered storage

20 mile (32 kilometer) standard gauge switching railroad

Heavy lift on-dock rail capability

Super-sacking and bagging operation

Liebherr mobile harbor crane with a lift capacity that ranges from 123 short tons T 65 feet to 38 short tons at 158 feet

On-site U.S. Customs and Border Protection offices to expedite cargo clearance

13.5 million bushel capacity grain elevator with a Peco loader

10.8 million gallon (41 million liter) capacity bulk liquid storage

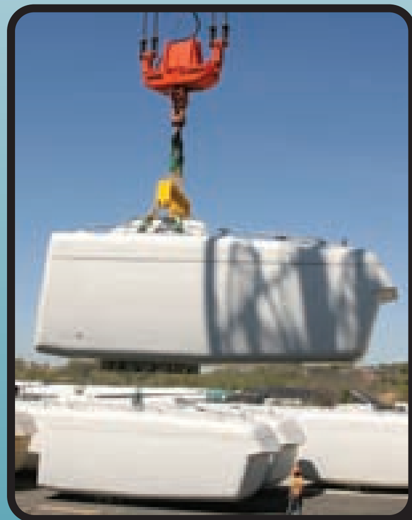
TONNAGE REPORT

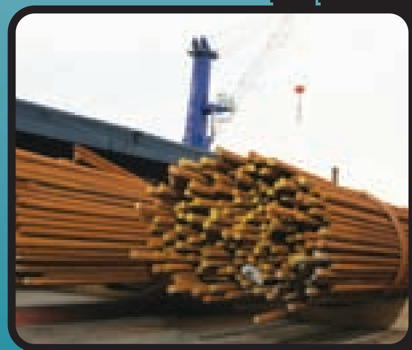
SHIPS	Year to Date
Grain	2
Heavy Lift/Project	36
Molasses	2
Scrap Iron	7
Woodpulp	7
Total	54

BARGES	
Heavy Lift/Project	4
Lay Berth	2

CARGO	Inbound Year to Date	Outbound Year to Date
Grain	0	32,299
Heavy Lift/Project	2,880	21,190
Molasses	12,778	0
Scrap Iron	0	163,899
Steel	0	0
Woodpul	18,699	0

	Year to Date	Previous Year to Date
Inbound	34,357	227,299
Outbound	217,388	362,050
	251,745	589,349





The Port of Albany

For Port of Albany, fair sailing

Essential nature of cargo could help weather recesssion

by Eric Anderson, Deputy Business Editor

TIMES UNION

January 23, 2009

ALBANY — The road salt, energy-generating equipment, molasses and liquid fertilizer that make up much of the Port of Albany's cargo could help it weather the recession, which has cut into freight shipments elsewhere.

At least that's the hope of local port officials."I'm the eternal optimist, but I do believe things look good for 2009," Albany Port D... man Robert... keep needin... steel."

The port's ... weight, was s... was shipped i... year the port... That's up sligh... 2007.

Grain was the ... the port, follow... pipe, electric ge... including wind ... molasses and liqu...

Longshore hours w... port were up 39 pe...

One type of carg... typically handle ... containers.

Containers filled wi... other consumer good... much, now that ... has fallen.

"For the ports up in th... along the Great Lakes, ... sulation because what ... isn't retail-oriented," sa... communications direc... Alexandria, Va.-based As... ation of Port Authorities... containers, or tele... refrigerators."

Ellis said such products as wind turbine blades and energy-generating equipment continue to be shipped.

"That kind of thing is going to be more in demand now and in the future," he said.

A winter wit...

Port chooses firm for master plan

$225,000 bid wins assignment to update blueprint from 2000

by Eric Anderson, Deputy Business Editor

TIMES UNION In Print. Online. All the Time.

February 27, 2009

ALBANY — The Albany Port District Commission has selected a New York City maritime engineering firm to prepare a new master plan for the 240-acre port.

New York City-based Moffatt & Nichol, which has worked on projects at the ports in Long Beach, Calif., and Mobile, Ala., will look at infrastructure requirements and the Albany port's configuration, and will seek to identify marketing opportunities.

The last plan dates from 2000, and suggested improvements then included ways to better handle intermodal traffic and container cargo.

But the port also has attracted a number of tenants that don't depend on access to the Hudson River.

"Over the years, tenants have just located at the port when there was available space, whether or not they use the water," said Port District Commission Chairman Robert Cross. "If they don't, maybe it would be better to move them inland."

Moffatt bid $225,000 for the contract, beating out competing offers from Wilbur Smith Associates and Shorey Communications.

Award of the contract came during a port commission meeting on Wednesday.

The port has seen year-over-year gains in cargo and in hours spent by longshore workers loading and unloading that cargo.

In January, tonnage dropped significantly, to 6,178 from 90,283 in January 2007, with the dropoff attributed to a decline in grain shipments.

Longshore hours were up slightly in the month, to 4,377 from 4,284 a year ago.

The port commission's Cross also said a $7.64 million project to replace 500 feet of wharf is set to begin March 2.

He said the commission will seek $8.8 million in federal stimulus money to replace the remaining 500 feet that date from the port's founding more than 75 years ago.

A Dutch accent for Hudson 400

Flotilla from Netherlands will call at Port of Albany as part of celebration

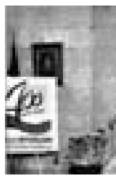
by Eric Anderson, Deputy Business Editor

TIMES...

April 30, 2009

...ANY -- The Port of Albany is making ... to welcome a flotilla of at least 17 ... wooden boats in September as part ... Hudson 400 Celebration.

... are still being worked out, but the ...ould sail up ...r from New ...y to Albany ...aylong cele-...ere on Sept. ... commis-...were told ...ir monthly ...Vednesday. ...bottomed ...mble rac-...vith large



...type of ship you'd see in fresh-...races," said Rich Hendrick, ...eral manager.

...nging in size from 10 to 55 ... metric ton is about 2,205 ...e tied up along the water-...rning Preserve so specta-...them, although it wasn't ...nyone actually would get

...would be placed in the ...ccess to the boats.

...a of English explorer ...ship, the Half Moon, ...play. Hudson sailed the ...from Amsterdam, the ...Dutch East India Co. ...e Atlantic to discover ...is name.

...and other ships also ...said Robert Cross, ...bany Port District

...pend the first three ...New York City as ...n 400 Celebration

The two events a... statewide Hudson... Quadricenntennial... marks the 400th a... ages of Hudson a... Samuel de Champla...

wharf is ahead of s... completed in Augus... 400 Celebration.

The port remains i... million in federal s... place the last 500 f... dating from the lat...

Meanwhile, cargo s... more than 60 perc... first quarter from th... according to port d...

The port handled ... this year, compared ... first three months o...

Shipments of grain ... The port handled $... and just 17,000 thi... Hurley, the commi... officer.

"We haven't had a... of yet," Hurley add...

But officials remain... will rebound. A gra... a scrap steel ship... Wednesday, and a ... generation equipm... leave the port in co...

Full steam ahead for port project

Construction company awarded contract for rest of wharf replacement

by Eric Anderson, Deputy Business Editor

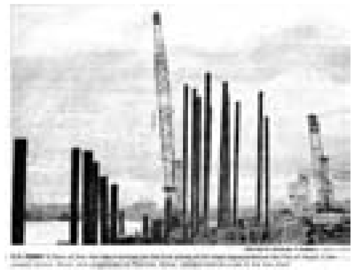
TIMES UNION In Print. Online. All the Time.

December 4, 2009

ALBANY -- C.D. Perry & Sons, a Troy-based construction company that is working on the first phase of wharf replacement at the Port of Albany, has been awarded the contract to tackle the rest of the job.

Perry's $4,645,041 low bid was selected from among the four bids that were submitted.

The port is in line to receive more than $6 million in federal stimulus funds to cover the wharf replacement work.



Robert Cross, who chairs the Albany Port District Commission, said the project will begin in January, and will involve replacing the remaining 310 feet of wharf and installing 500 feet of railroad track.

Perry already is working on a $7.6 million contract to replace 500 feet of wharf, with $6.5 million of that cost covered by an earlier grant.

The sections being replaced under the two contracts are the last of the original, 80-year-old docks that were supported with wooden pilings, constructed when Franklin Roosevelt was governor.

The pilings are being replaced with hollow steel columns being driven into the bedrock. Those columns will then be filled with cement.

A concrete platform topped with asphalt will sit on the pilings, and the new structure should be able to support the heavy cranes and the generators and turbines that often are loaded onto ships there, as well as freight locomotives.

That will open up space for more of the so-called "heavy lift" cargo ships to dock in Albany at the same time.

Much of that heavy lift cargo is produced by GE Power Systems in Schenectady.

The additional railroad track will connect to the main rail line, forming a loop so that trains can enter from either end of the port.

Perry is expected to complete the first phase of the project in March 2010, with the final phase finished in October 2010, Cross said.

in the News

Funds shipped for project at wharf

Port District Commission will receive $6 million in lus money

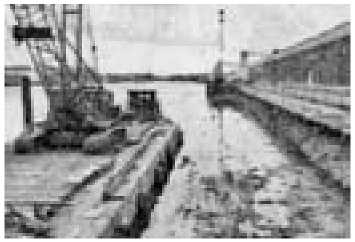
by Eric Anderson, Business Editor

TIMES UNION
In Print. Online. All the Time.

October 22, 2009

ALBANY -- The Albany Port District Commission will receive more than $6 million in federal stimulus funds to replace the last part of its 80-year-old wharf.

The news came at the commission's monthly meeting Wednesday afternoon.



The commission also saw just how much of an impact the recession is having on shipping. Total cargo through September was less than half that handled a year earlier, although materials the port had handled for a major pipeline project boosted the 2008 figures.

The money for the wharf replacement isn't quite as much as the port had sought, but officials are confident it will be enough to pay for the last 300 feet of wharf.

Another project to complete 500 feet of the wooden structure with one made of concrete and steel is already under way. That work will cost $7.6 million, of which $6.5 million was covered by an earlier grant.

The new wharves should be able to handle more weight, which has been a concern with the growing shipments of electric generating equipment and other heavy cargoes.

The wharf replacement, originally envisioned as one project, was split into two phases in October 2008 when bids came in too high.

Port General Manager Richard Hendri said the second phase will be put ou bid on Monday, with bids due Nov.

"The federal government told us want shovels in the ground and inv within 100 days of the approval," came last wee was not anno until Wednesd

The rail line wharf also extended a form a lo nected at to the mai past the p ing to He

That will allow so-called u 80 to 110 cars to be loade

When the wharf is replace vide docking space for three ships carrying heav

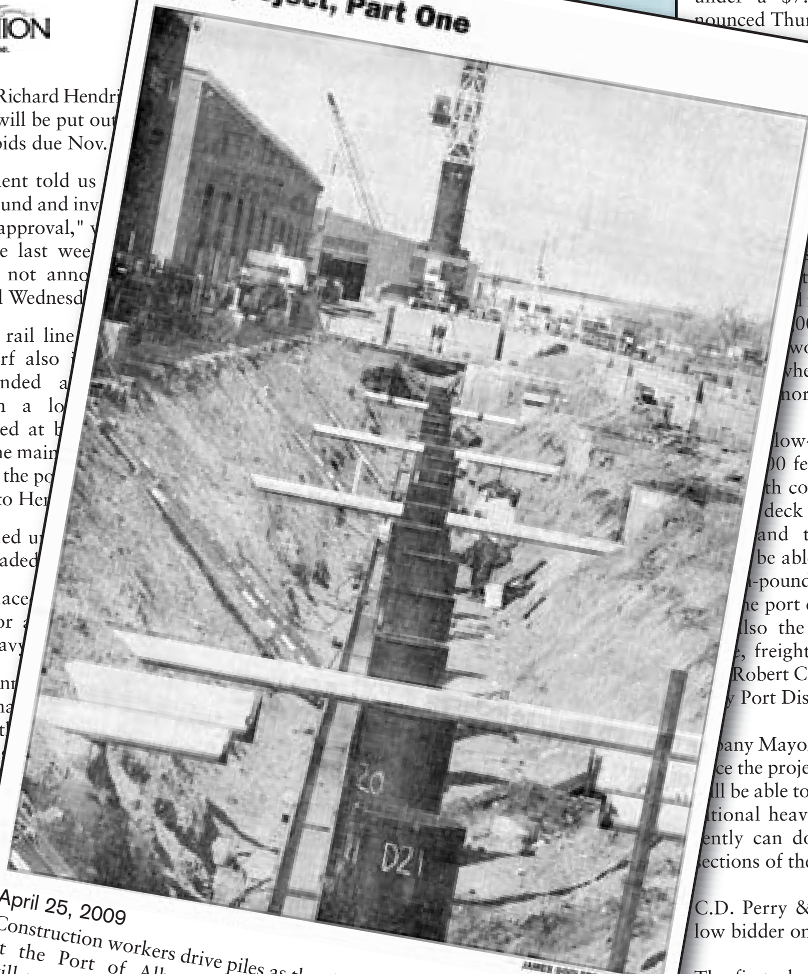
Cargo shipments are run year's levels, when m pipeline project across t ern Tier flowed throu boosted business. But the port's chief financ expects to see a slight shipping.

Total tonnage throug at 172,248, well bel reported during t year.

Longshore hours tember, meanwh less than half the earlier.

"We're doing the infrastru the right time," Hurley observed. "When we're slow."

Port project, Part One



April 25, 2009

Construction workers drive piles as they begin replacing 500 feet of aging wharf at the Port of Albany on Friday afternoon. The $7.6 million project will remove 80-year-old wooden piles and decking and add a new steel and concrete structure. C.D. Perry & Sons of Troy is performing the work, which is expected to take a year to complete. Port officials will seek federal stimulus money to replace the final 500 feet of original wharf, whcih dates from the late 1920s. That project could cost up to $8.8 million.

Port plan moves ahead

Wooden piles supporting part of wharf will be replaced by hollow-steel columns

by Eric Anderson, Deputy Business Editor

April 3, 2009

TIMES UNION
In Print. Online. All the Time.

ALBANY — Eighty-year-old wooden piles supporting part of the wharf at the Port of Albany will be replaced under a $7.6 million project announced Thursday afternoon.

eplace 500 harf with a d-steel struc- able to sup- nds of tons of uipment that to newer sec- f, officials said conference.

the wharf have in previous projects, leav- 000 feet of original wharf wooden piles and was con- hen Franklin Roosevelt nor.

low-steel columns will be 0 feet into the bedrock and h concrete. A concrete-and- deck will then be built over and the resulting structure be able to handle not only the -pound turbines and generators e port dubs "heavy-lift" cargo, lso the port's 850,000-pound , freight cars and locomotives, Robert Cross, chairman of the Al- Port District Commission.

pany Mayor Jerry Jennings said that e the project is completed, the port ll be able to accommodate three ad- tional heavy lift ships, which cur- ently can dock only on the newer ections of the wharf.

C.D. Perry & Sons of Troy was the low bidder on the project.

The first phase is creating about 50 construction jobs, Cross said.

Richard Hendrick, the port's general manager, said the commission also has applied for up to $8.8 million in federal stimulus spending to complete the wharf replacement. The project had been split into two phases to make it more affordable.

Hendrick pointed out that the second phase is about as shovel-ready as it can be — a central criterion for stimulus funding.

"Everything is on site," he said, from the equipment to the workers. Engineering and design work was completed in 2006. "We'd probably have to rebid," Hendrick added, but said the whole project could be completed within a year.

A waterfront rail line that now ends abruptly where the oldest section of wharf begins will be extended and connect at the south end of the port with a main rail line, allowing so-called unit trains, which are dedicated to one type of cargo and can be 80 to 110 cars long, to loop through and be loaded dockside.

Hendrick sees this as a big advantage for such shipments as wind turbines, which now have to be loaded onto trucks, with escort vehicles to guide them and frequent detours around highway bridges that don't have the necessary height clearances.

GE Wind Energy uses the port to unload equipment and blades that are manufactured at plants in Brazil and Florida.

ALBANY PORT DISTRICT COMMISSION

PORT OF ALBANY

OUR SHIPS JUST KEEP COMING IN!

AUDITED FINANCIAL STATEMENTS
AND
OTHER INFORMATION

Years ended December 31, 2009 and 2008

UHY LLP
Certified Public Accountants

ALBANY PORT DISTRICT COMMISSION

TABLE OF CONTENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

As New York State and the Albany Port District Commission celebrated the 400th anniversary of the Hudson River, the Port of Albany and Rensselaer continues to be one of the region's strongest economic engines.

With the invaluable guidance of Albany Mayor Gerald Jennings, the Albany Port District Commission received two grants totaling $11.5 million ($6.5 million from New York State and $5.0 million from Federal Stimulus Funding) for approximately 800 feet of dock and wharf reconstruction. This critical work will enable the Port to grow and prosper for decades to come.

During fiscal year 2009, the Port implemented the above-mentioned dock and wharf reconstruction project – an infrastructure investment that was much needed. The Commission believes that the timing of this project could not have been better, as the worldwide economy significantly slowed down, the Commission actively pursued this major infrastructure project. With the assistance from State and Federal stimulus money the project will be completed and actively marketed to meet the needs of many new and different cargoes.

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

A COMPARATIVE SUMMARY OF MARITIME ACTIVITY

	2007	2008	2009
Ships	76	76	54
Barges-Heavy Lift	5	3	4
TOTAL	81	79	58
Tonnage:			
Inbound	120,800	227,299	34,357
Outbound	648,034	362,050	217,388
TOTAL	768,834	589,349	251,745
Longshoremen Man Hours	51,695	70,421	35,604

Financial Operation Highlights

Total fund equity increased $3,348,084 for 2009 compared with a $882,754 increase from the prior year. The $3,348,084 increase for 2009 can primarily be attributed to the following:

- **Increase in Capital Contributions $3,229,341**
- **Decrease in Operating Revenues $934,714**
- **Decrease in Operating Expenses $622,483**

Financial Position Summary

Net assets may serve over time as a useful indicator of the Commission's financial position. The Commission's net assets exceeded liabilities by $24,015,069 at December 31, 2009, an increase of $3,348,084 from December 31, 2008. A three-year comparison is shown below:

	2007	2008	2009
ASSETS			
Current and other assets	$ 2,986,552	$ 3,845,902	$ 4,264,868
Capital assets	20,224,481	19,784,207	22,916,849
TOTAL ASSETS	$ 23,211,033	$ 23,630,109	$ 27,181,717
LIABILITIES			
Current and other liabilities	$ 992,431	$ 708,358	$ 1,107,672
Long-term liabilities	2,434,371	2,254,766	2,058,976
	$ 3,426,802	$ 2,963,124	$ 3,166,648
NET ASSETS			
Invested in capital assets, net of related debt	$ 17,497,068	$ 17,489,438	$ 20,977,648
Unrestricted	2,287,163	3,177,547	3,037,421
TOTAL NET ASSETS	$ 19,784,231	$ 20,666,985	$ 24,015,069

Future Operations

- The Commission's 2001 purchase of a new $2.4 million mobile harbor crane, the largest of its type in New York State, continues to enhance revenues.
- The Commission's wharf and dock reconstruction project commenced in 2009. The total cost of these Capital Improvements is estimated to be $12.7 million. The project is currently under construction with an anticipated completion date of December 2010.
- The Albany Port District Commission issued a request for proposal for developing 18 acres of real property located in the Albany Port. The Port received proposals from seven different entities. After lengthy staff and board deliberation the successful bidder was Albany Renewable Energy, LLC. This organization plans to develop a renewable energy center with the construction and operation of two world class, state-of-the-art dry mill ethanol plants. The energy center will bring jobs and waterborne transportation benefits to the Port of Albany and to the Capital District region.
- The Commission issued a Request for Proposal for a Port Master Plan study. The Board has awarded the contract to Moffat Nichol. This study is in draft form and it's anticipated to be approved in the upcoming fiscal year.
- The Commission is planning to design and build a geographic information system (GIS) for their real property during 2010 to assist in the management of their real property assets.

Financial Statements

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

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

INDEPENDENT AUDITOR'S REPORT

To the Commissioners
Albany Port District Commission

We have audited the accompanying balance sheets of Albany Port District Commission (a component reporting unit of the City of Albany) as of December 31, 2009 and 2008, and the related statements of revenues and expenses and changes in fund equity, and cash flows for the years then ended. These financial statements are the responsibility of the Commission's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

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, 2009 and 2008, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 22, 2010 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis on pages 2 and 3 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

UHY LLP

Albany, New York
March 22, 2010

ALBANY PORT DISTRICT COMMISSION BALANCE SHEETS

December 31, 2009 and 2008

	2009	2008
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 1,448,235	$ 493,509
Investments	2,106,439	2,798,823
Accounts receivable	484,730	348,947
Other	184,502	157,434
Total current assets	4,223,906	3,798,713
NET PROPERTY AND EQUIPMENT	22,916,849	19,784,207
CASH, SECURITY DEPOSITS	27,831	31,342
OTHER	13,131	15,847
	$ 27,181,717	$ 23,630,109
LIABILITIES AND FUND EQUITY		
CURRENT LIABILITIES		
Current maturities of long-term debt	$ 368,274	$ 354,722
Deferred revenue	-	2,869
Accounts payable	388,167	30,348
Accrued expenses	279,400	247,077
OPEB obligation, current portion	44,000	42,000
Total current liabilities	1,079,841	677,016
SECURITY DEPOSITS	27,831	31,342
LONG-TERM LIABILITIES		
OPEB obligation net of current portion	488,049	314,719
Long-term debt, net of current maturities	1,570,927	1,940,047
Total long-term liabilities	2,058,976	2,254,766
Total liabilities	3,166,648	2,963,124
FUND EQUITY		
Invested in capital assets, net of related debt	20,977,648	17,489,438
Unrestricted	3,037,421	3,177,547
Total fund equity	24,015,069	20,666,985
	$ 27,181,717	$ 23,630,109

See notes to financial statements.

ALBANY PORT DISTRICT COMMISSION

STATEMENTS OF REVENUES AND EXPENSES AND CHANGES IN FUND EQUITY

Years ended December 31, 2009 and 2008

	2009	2008
OPERATING REVENUES		
Property rentals	$ 2,961,690	$ 2,873,791
Dockage fees	195,902	470,160
Wharfage fees	326,754	538,319
Stevedore fees	134,359	431,331
Crane/equipment rentals	66,525	189,350
Security fees	252,513	324,967
Cargo storage and other services charges	129,569	174,108
Total operating revenues	4,067,312	5,002,026
OPERATING EXPENSES		
Payroll and related costs	1,489,991	1,357,449
Maintenance expense	118,517	130,665
Material handling	77,873	113,318
Dredging	-	626,359
Insurance	203,712	224,268
Professional and consulting fees	344,340	366,764
Other operating expenses	518,210	556,303
Total operating expenses	2,752,643	3,375,126
OPERATING INCOME, BEFORE DEPRECIATION AND OTHER ITEMS	1,314,669	1,626,900
DEPRECIATION AND OTHER ITEMS		
Depreciation and amortization	(1,248,113)	(1,307,554)
Grant revenue	-	446,674
Waterfront development expenses	(216,040)	(234,422)
Other revenue	-	24,900
Decrease in fair value of investments	(26,604)	(5,995)
Interest income	19,821	69,172
Interest expense	(72,790)	(84,721)
Net depreciation and other items	(1,543,726)	(1,091,946)
(DECREASE) INCREASE IN FUND EQUITY BEFORE CAPITAL FUNDING	(229,057)	534,954
Capital contributions	3,577,141	347,800
INCREASE IN FUND EQUITY	3,348,084	882,754
Total fund equity, beginning of the year	20,666,985	19,784,231
Total fund equity, end of year	$ 24,015,069	$ 20,666,985

See notes to financial statements.

ALBANY PORT DISTRICT COMMISSION STATEMENTS OF CASH FLOWS

Years ended December 31, 2009 and 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from rentals	$ 3,021,171	$ 3,031,538
Cash received for facility usage	730,431	1,271,865
Cash received from other services	382,082	499,078
Cash payments to employees and professionals	(1,614,914)	(1,736,214)
Cash payments for materials and maintenance	(178,919)	(237,861)
Cash payments for insurance	(248,856)	(229,864)
Cash payments for other expenses	(529,975)	(1,165,901)
Net cash provided by operating activities	1,561,020	1,432,641
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash received for easement rights	-	24,900
Cash payments for waterfront development	(216,040)	(234,422)
Net cash used in noncapital financing activities	(216,040)	(209,522)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Cash received from operational grant funding	-	446,674
Cash payments for capital assets	(4,037,691)	(864,565)
Cash received from capital grant funding	3,369,518	347,800
Interest expense	(72,790)	(84,721)
Cash payments on long-term debt and other obligations	(355,568)	(432,644)
Net cash used in capital and related financing activities	(1,096,531)	(587,456)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash received from interest	22,651	75,853
Cash paid for purchase of investments	(7,161,315)	(6,034,659)
Cash received from sale of investments	7,844,941	5,289,661
Net cash provided by (used in) investing activities	706,277	(669,145)
Net increase (decrease) in cash	954,726	(33,482)
Cash, beginning of year	493,509	526,991
Cash, end of year	$ 1,448,235	$ 493,509

	2009	2008
RECONCILIATION OF OPERATING INCOME, BEFORE DEPRECIATION AND OTHER ITEMS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income, before depreciation and other items	$ 1,314,669	$ 1,626,900
Adjustments to reconcile operating income to net cash provided by operating activities:		
Changes in:		
Accounts receivable	69,240	(157,321)
Other assets	(45,144)	(5,596)
Accounts payable	17,471	6,122
Accrued expenses	32,323	(171,197)
Deferred revenue	(2,869)	(42,227)
OPEB obligation	175,330	175,960
Total adjustments	246,351	(194,259)
Net cash provided by operating activities	$ 1,561,020	$ 1,432,641

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 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, establishes standards for external reporting for all state and local government entities. It also requires the classification of fund equity into three components – invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- ***Invested in capital assets, net of related debt*** – This component of fund equity consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, when applicable, that portion of the debt is included in the same fund equity component as the unspent proceeds.

- ***Restricted*** – This component of fund equity, 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 fund equity was restricted at December 31, 2009 and 2008.

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

NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 and 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. Investments principally include U.S. Government Agency discount obligations with maturities of less than one year. The Commission's investments are managed by an independent investment advisor and are stated in the balance sheets at market value.

Property and Equipment

The Commission's property, equipment, and other facilities are carried at cost and include capital funding (or 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 30 Years
Furniture and equipment	5 to 10 Years
Transportation equipment	5 to 10 Years

Accrued Employee Benefits

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

NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating Revenues

The Commission's operating revenues are principally derived from three sources: property rentals, dockage fees, and wharfage 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; and wharfage fees, including stevedore fees, are earned from unloading ships. Operating revenues also include equipment rentals, service charges and other fees.

Operating Expenses

Operating expenses consist principally of payroll and related benefit costs, insurance costs, professional and consulting fees, maintenance costs, advertising and promotion expenses and utilities.

Waterfront Development Expenses

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

Capital Funding

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

Income Taxes

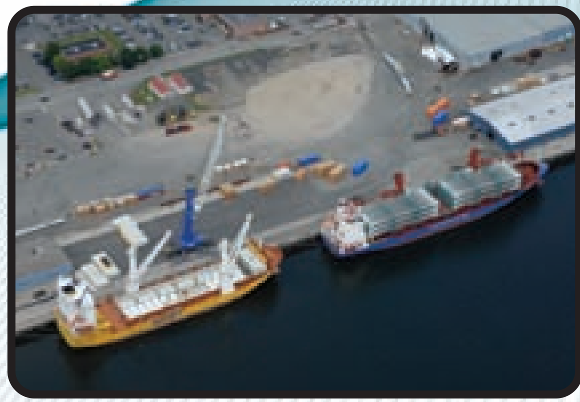
The properties and income of the Commission are exempt from all Federal and State income and franchise taxes under the provisions of the enabling Legislation.

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.

Reclassifications

Certain 2008 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, 2009:

	Carrying Value	Bank Balance
Cash on hand	$ 335	$ 335
Deposit accounts	1,447,900	1,507,608
	$ 1,448,235	$ 1,507,943

At December 31, 2009, the Commission's deposits were covered by FDIC insurance.

NOTE 4 — INVESTMENTS

At December 31, 2009, investments, which are stated on the balance sheets at market value, are comprised of U.S. Government agency obligations, as follows:

Investment	Par Amount	Maturity	Market (Carrying) Value	Cost
Federal Home Loan Mortgage Corporation	$ 420,000	1/6/2010	$ 420,000	$ 420,000
Federal National Mortgage Association	500,000	2/17/2010	500,000	500,000
Federal Home Loan Bank	385,000	3/12/2010	384,961	385,000
Federal Home Loan Mortgage Corporation	451,000	5/11/2010	450,820	451,000
Federal Home Loan Bank	350,000	3/30/2010	350,658	350,000
	$ 2,106,000		$ 2,106,439	$ 2,106,000

At December 31, 2008, investments, which are stated on the balance sheets at market value, were comprised of U.S. Government agency obligations, as follows:

Investment	Par Amount	Maturity	Market (Carrying) Value	Cost
Federal Home Loan Bank	$ 350,000	1/2/2009	$ 350,000	$ 345,698
Federal Home Loan Mortgage Corporation	396,000	1/26/2009	396,000	390,811
Federal Home Loan Bank	540,000	2/19/2009	540,000	534,312
Federal National Mortgage Association	523,000	3/13/2009	522,948	515,971
Federal National Mortgage Association	250,000	3/23/2009	249,950	249,256
Federal National Mortgage Association	295,000	4/15/2009	294,882	290,390
Federal National Mortgage Association	448,000	12/10/2009	445,043	445,342
	$ 2,802,000		$ 2,798,823	$ 2,771,780

NOTE 4 — INVESTMENTS (Continued)

The Commission's investments are categorized in accordance with criteria established by GASB to give an indication of the level of risk assumed by the entity at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the Commission or its agent in the Commission's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counter parties trust department or agent in the Commission's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter parties, or by its trust department or agent, but not in the Commission's name. All of the Commission's investments at December 31, 2009 and 2008 are categorized as Category 1.

NOTE 5 — PROPERTY AND EQUIPMENT

Property and equipment is comprised of the following:

	December 31 2008	Additions	Deletions	December 31 2009
Port marine facilities	$ 63,428,294	$ 160,915	$ -	$ 63,589,209
Transportation, equipment and furniture	735,051	34,185	-	769,236
Construction in process	-	4,182,939	-	4,182,939
Total	64,163,345	4,378,039	-	68,541,384
Less accumulated depreciation	44,379,138	1,245,397	-	45,624,535
Net property and equipment	$ 19,784,207	$ 3,132,642	$ -	$ 22,916,849

Depreciation expense was $1,245,397 and $1,304,838 for the years ended December 31, 2009 and 2008, respectively.

NOTE 6 — LONG-TERM DEBT

Long-term debt is comprised of the following:

	December 31 2008	Debt Issued	Debt Payments	December 31 2009
NYS First Instance advances (A)	$ 477,709	$ -	$ 80,000	$ 397,709
M&T warehouse obligation (B)	1,226,610	-	55,830	1,170,780
KeyBank crane obligation (C)	525,515	-	203,745	321,770
Real Lease capital lease (D)	64,935	-	15,993	48,942
	2,294,769	$ -	$ 355,568	1,939,201
Less current maturities	354,722			368,274
	$ 1,940,047			$ 1,570,927

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

NOTE 6 — LONG-TERM DEBT (Continued)

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

In 2004, the Commission refinanced this obligation through a mortgage with M&T Bank and, concurrently, defeased the revenue bonds. The terms of the mortgage provide for monthly payments of $8,718, including interest at 4.07% per annum, with 20 year amortization and a 10 year balloon payment. Final maturity is November 2014. The mortgage is secured by the warehouse facility.

(**C**) During 2001, the Commission acquired a heavy lift crane to improve the loading and unloading of cargo at the Port’s facilities. The crane was partially funded by the U.S. Department of Commerce under a grant in the approximate amount of $806,000. The net cost of the crane (the acquisition cost of approximately $2,366,000, net of governmental grant funding) was funded under a capitalized lease arrangement with Key Bank. The imputed rate under the ten year lease approximates 4.76%. Monthly payments approximating $18,700 are required through June 2011. The Commission recorded this transaction as a capitalized lease obligation with the crane and the lease obligation both recorded on the Commission’s balance sheet.

(**D**) During 2007, the Commission acquired two forklifts to improve the loading and unloading of cargo at the Port’s facilities. The cost of the forklifts was funded under two separate capitalized lease arrangements with Real Lease, Inc (acquisition cost of both forklifts approximated $84,000). The imputed interest rate under the capital lease agreements approximates 3.3% per annum for each lease. Combined monthly payments approximating $1,600 are required through September 2012. The Commission recorded this transaction as a capitalized lease obligation with the forklifts and the lease obligations both recorded on the Commission’s balance sheet.

NOTE 6 — LONG-TERM DEBT (Continued)

At December 31, 2009, long-term debt maturities were comprised of the following:

Year Ending	Principal	Interest	Total
2010	$ 368,274	$ 59,213	$ 427,487
2011	268,432	46,567	314,999
2012	156,622	41,849	198,471
2013	145,683	38,937	184,620
2014	1,000,190	33,303	1,033,493
	$ 1,939,201	$ 219,869	$ 2,159,070

Interest expense, inclusive of interest imputed on capital leases and certain other related costs, was $72,790 and $84,721 for 2009 and 2008, respectively.

NOTE 7 — RETIREMENT PLAN AND RELATED BENEFITS

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

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

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

Pension expense for the years ended December 31, 2009, 2008 and 2007, net of certain credits, was approximately $20,000, $68,000 and $71,000 respectively.

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 $44,000 for current premiums in both 2009 and 2008). The costs of administering this plan are paid by the Commission.

Funded Status and Funding Progress

The schedule of funding progress presents multiyear trend information that is useful in determining whether the actuarial value of plan assets, if any, is increasing or decreasing over time relative to the actuarial accrued liability. The following table sets forth the actuarial accrued liability and funded status of the plan as of December 31, 2007, the latest valuation date. Valuations are currently prepared every three years, as required by GASB 45.

	2009	2008
Actuarial Accrued Liability (AAL)		
Currently retired	$ 436,000	$ 436,000
Active employees	1,728,000	1,728,000
Actuarial accrued liability	2,164,000	2,164,000
Actuarial value of plan assets	-	-
Unfunded actuarial accrued liability (UAAL)	$ 2,164,000	$ 2,164,000
Funded ratio	0%	0%
Normal cost	$ 96,000	$ 96,000

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

	2009	2008
UAAL	$ 2,164,000	$ 2,164,000
Amortization period (years)	30	30
Amortization discount rate	3.75%	3.75%
Present value factor	17.5	17.5
UAAL amortization amount	$ 124,000	$ 124,000

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:

	2009	2008
Normal cost	$ 96,000	$ 96,000
Amortization of UAAL	124,000	124,000
ARC	220,000	220,000
Interest on OPEB obligation	-	-
Adjustment to ARC	-	-
OPEB expense	$ 220,000	$ 220,000

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

	2009	2008
Net OPEB obligation at beginning of year	$ 356,719	$ 180,759
Annual OPEB expense	220,000	220,000
Annual OPEB contributions	(44,670)	(44,040)
Net OPEB obligation at end of year	532,049	356,719
Less: estimated current portion of OPEB obligation	44,000	42,000
Estimated long-term portion of OPEB obligation	$ 488,049	$ 314,719
Percentage of expense contributed	20.0%	20.0%

Trend Information

Year Ended	Beginning OPEB Obligation	Annual OPEB Cost	Actual Employer Contribution	Percentage Contributed	Net OPEB Obligation
12/31/2007	$ -	$ 220,000	$ 39,241	17.9%	$ 180,759
12/31/2008	180,759	220,000	44,040	20.0%	356,719
12/31/2009	356,719	220,000	44,670	20.0%	532,049

NOTE 8 — OTHER POST-EMPLOYMENT BENEFITS (Continued)

Actuarial Methods and Assumptions

The projected unit credit actuarial cost method was used to estimate the Commission's OPEB obligation. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs (if any) between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculation

The measurement date for the calculation was December 31, 2007 and the discount rate utilized was 3.75%. No salary increases were assumed since benefits are not based on compensation. Health care costs were assumed to increase as follows:

Year	Trend Increase
2007	9%
2008	8%
2009	7%
2010	6%
2011	5%
Thereafter	5%

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, 2009 were as follows:

2010	$ 2,719,800
2011	2,589,100
2012	2,320,700
2013	1,429,800
2014	1,106,300
Thereafter	9,751,000
	$ 19,916,700

NOTE 10 — COMMITMENTS AND CONTINGENCIES

Ongoing Investigation: In 2008, during the course of a Commission security management investigation, the Commission determined that three employees were suspected of the improper use of Commission resources and/or the theft of Commission property. Management referred the results of the Commission investigation to law enforcement officials. The resulting law enforcement investigation led to the arrest/employment termination of the three Commission employees.

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

Lease Obligation Relating to Waterfront Development: The Commission is committed to supporting the City of Albany's efforts in developing the Corning Preserve and Hudson River waterfront. In this regard, during 2002, the Albany Industrial Development Agency (AIDA) issued $4,390,000 in Civic Facility Revenue Bonds for the benefit of the Albany Local Development Corporation (ALDC), 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, ALDC and the Commission entered into a shared use and lease agreement, under which ALDC 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 ALDC. Accordingly, all improvements made to the project by the Commission, in excess of available bond proceeds, are expensed when incurred by the Commission as waterfront development expenses.

Under the shared use and lease agreement, which is accounted for as an operating lease by the Commission, the Commission is obligated to fully fund ALDC'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/ALDC bonds are 25 year variable rate demand obligations, initially bearing interest at 1.9%, with rates established weekly by a remarketing agent. As such, the Commission's annual lease obligation will likely change on a year-to-year basis and, in an increasing interest rate environment, these changes may be material.

The bonds are secured by a letter of credit issued by Key Bank. Under the letter of credit, any grant proceeds received for the project are required to reduce the outstanding bonds. The letter of credit requires principal debt reduction payments, ranging from $105,000 in 2004 to $285,000 in 2027, thus providing for the full amortization of the bonds by the 2027 maturity date.

Future debt reduction payments are expected as follows:

Year Ending	
2010	$ 135,000
2011	140,000
2012	145,000
2013	155,000
2014	160,000
Thereafter	2,870,000
	$ 3,605,000

NOTE 10 — COMMITMENTS AND CONTINGENCIES (Continued)

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

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

During 2009 and 2008, the Commission's total lease cost, project improvement cost, and other operating expenses related to the waterfront development project approximated $216,000 and $234,000, respectively. The 2005 bond principal payment was paid by the federal grant funds described above. The 2009, 2008, 2007 and 2006 bond principal payments were not paid directly by the Commission, but, rather, were funded from the balance of unexpended bond proceeds. These unexpended bond proceeds are not an asset of the Commission and, as such, are not included as an asset in these financial statements. Accordingly, the use of these funds to satisfy a portion of the Commission's 2009 and 2008 lease obligations is excluded from these financial statements. Approximately $4,000 in bond proceeds remain unexpended at December 31, 2009 and the Commission anticipates that these funds will be utilized to pay the Commission's lease obligations related to this project until such funds are depleted.

The Commission's future lease obligations under the shared use and lease agreement and supplemental lease agreement, assuming no changes in the variable bond rate, no bond prepayments, and no receipt of grant funding (events which will likely change over the 30 year term of the lease) will approximate a minimum of $300,000 annually.

Real Estate Easement Revenue: In 2007, the Commission entered into an agreement with a third-party to convey specific easement rights to the third-party. The third-party is seeking to construct a power-generating facility on land adjacent to land owned by the Commission. Construction and operation of the facility required the Commission to convey easements related to certain water, gas and electric transmission lines to the third-party. In exchange for conveying these easement rights, as outlined in the agreement, the Commission received a payment of $350,000 in 2007. Further, per the agreement, the Commission may receive an additional $350,000 payment from the third-party if the aforementioned easements are assigned by the third-party to another entity or there is a sale of a controlling interest in the third-party at any time from and after the end of the thirty-sixth month following the date that the facility commences operational use of the easements.

Federal and State Grants: The Commission has secured funding in the form of two separate grants from the New York State Department of Transportation for a wharf reconstruction project, to be performed in two phases, and has entered into contracts for construction in the full amount of the project's total estimated cost. The first grant provides for up to $6,500,000 in New York State funding for the first phase of the project, over and above which the Commission must provide at least 10% of the total phase one project cost, estimated to be approximately $7,700,000. At year end, the Commission had expended approximately $4,175,000 under this grant. The second grant provides for approximately $5,000,000 in federal funding for the second phase of the project, the full amount of the estimated cost to complete the project. At year end, the Commission had expended approximately $8,000 under this grant. Both phases of the project are expected to be completed during 2010.

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INDEPENDENT AUDITOR'S REPORT ON THE OTHER INFORMATION

To the Commissioners
The Albany Port District Commission
Our report on our audit of the basic financial statements of the Albany Port District Commission for the years ended December 31, 2009 and 2008 appears on page 4. Those audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. 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. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

UHY LLP

Albany, New York
March 22, 2010

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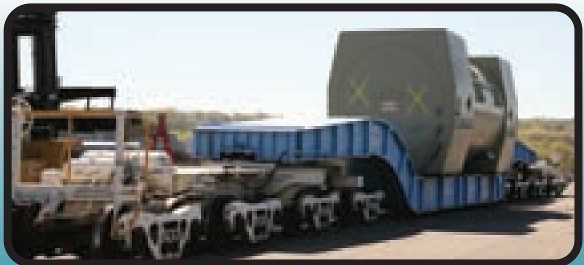
ALBANY PORT DISTRICT COMMISSION

SCHEDULES OF PAYROLL AND RELATED COSTS AND OTHER OPERATING EXPENSES

Years ended December 31, 2009 and 2008

	2009	2008
PAYROLL AND RELATED COSTS		
Administrative	$ 523,237	$ 381,596
Maintenance crews and supervisor	247,818	158,046
Security	240,760	271,721
Benefit costs	185,023	250,226
OPEB expense	220,000	220,000
Payroll taxes	73,153	75,860
Total payroll and related costs	$ 1,489,991	$ 1,357,449
OTHER OPERATING EXPENSES		
Security	$ 51,878	$ 25,521
Utilities	125,380	152,561
City water	3,446	5,817
Advertising and promotion	132,315	126,365
Office supplies and expenses	62,741	43,153
Telephone	23,539	19,728
Snow removal	32,445	50,410
Equipment operating expense	46,528	99,414
Other expenses	39,938	33,334
Total other operating expenses	$ 518,210	$ 556,303



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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
The Albany Port District Commission

We have audited the financial statements of the Albany Port District Commission (the "Commission") as of and for the year ended December 31, 2009, and have issued our report thereon dated March 22, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Investment Guidelines for Public Authorities issued by the Office of the State Comptroller, State of New York.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

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.

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 over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 grants 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*.

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
March 22, 2010

ABOUT THE COMMISSION BOARD

Robert F. Cross, Chairman

Robert F. Cross was first appointed by the Governor to the Albany Port District Commission ("APDC") in December 1998. In June 2000, Commissioner Cross was elected Chairman of the Commission. Commissioner Cross also serves as Commissioner of Water for the City of Albany, having been appointed by Mayor Gerald D. Jennings in February 1996. He is responsible for management and supervision of the City of Albany Department of Water and Water Supply, which operates the system supplying drinking water to the City as well as the neighboring communities which purchase Albany water. From 1987 to 1995, Commissioner Cross served as Assistant Commissioner for the New York State Department of Environmental Conservation (DEC). A career DEC employee, Commissioner Cross joined the DEC in 1978 and served in a variety of positions until his appointment as Assistant Commissioner in 1987. He holds B.S. and M.A. degrees in biology, and previously served on the Albany City Planning Board, the Governor's Task Force on the Delaware Water Gap National Recreation Area, and the State Drought Management Task Force. Commissioner Cross is also author of the 2003 presidential biography, *Sailor in the White House: The Seafaring Life of FDR*, and *Shepherds of the Sea: Destroyer Escorts in WW II*, to be released in 2010. Both books are published by the Naval Institute Press in Annapolis, Maryland.

Anthony J. Ferrara, Treasurer

Anthony Ferrara was first appointed to the Albany Port District Commission ("APDC") in 1998 and serves as APDC Treasurer. Commissioner Ferrara has over 45 years of banking/ financial services industry experience. During his banking career, he served at all levels with State Bank of Albany/Norstar Bank/Fleet Norstar where he retired as a Senior Vice President. Commissioner Ferrara also serves as Chairman of the City of Albany Industrial Development Agency, Chairman of the Albany Water Board, and as a board member for several community organizations such as the Teresian House and Center of Disable Foundation. He has received a number of achievement awards including Edward J. Riley Memorial Award (United Way), the Jacob Herzog Leadership Award (Albany Local Development Corporation), and the Cerebral Palsy Board of Directors Service Award. Commissioner Ferrara is a life-long resident of the City of Albany.

Megan E. Daly, Commissioner

Megan E. Daly was appointed to the Albany Port District Commission in 2006. Ms. Daly is the Deputy Commissioner for the City of Albany's Department of Development and Planning and has been a part of the City's economic development team since 2002. Prior to that she served as Senior Economic Development Planner for Albany County and previously worked for economic development agencies in both New York and Maryland. In 1997, Commissioner Daly did graduate work at the University of Maryland and worked in southeast Baltimore on a study of industrial lands at the Port of Baltimore. She received her master's degree from the University at Albany, in Urban and Regional Planning. She currently serves on the Statewide Zone Capital Corporation Board for NYBDC and as a Secretary to the ACES Business Incubator Board of Directors.

Leo P. Dean, Secretary

Leo Dean was first appointed to the Albany Port District Commission ("APDC") by the Governor in 2004. He serves as Secretary to the APDC. Commissioner Dean is a Senior Vice President and Chief Financial Officer of Norvest Financial Services, Inc. He possesses over fifty years of experience at all levels, and with all types, of insurance products and services. Commissioner Dean is a licensed Agent and Broker for Property and Casualty, Life, and Health Insurance. He serves as the Secretary to the Albany Water Board and has previously served as a Water Commissioner for the Town of Waterford for 17 years. Commissioner Dean is a graduate of Albany's Christian Brothers Academy and Siena College. During World War II, he served our country in the Army with the 517th Parachute Infantry Regimental Combat Team, receiving the Bronze Star Medal, Combat Infantry Badge, Parachute Badge (with star for one combat jump), and the Eastern Theatre of Operations with five battle stars. Commissioner Dean is also the recipient of the very prestigious French Legion of Honor Medal, France's highest decoration, for his service to that nation during WWII as an American Paratrooper. Commissioner Dean continues to jump out of perfectly good airplanes as a hobby.

Dominick Tagliento, Commissioner

Dominick Tagliento was appointed to the Albany Port District Commission ("APDC") in 2009. Commissioner Tagliento, a successful small-business owner, operated and owned Tagliento's Deli in Rensselaer for over forty-five years. He was elected to the City of Rensselaer Common Council in 2000 and continues to represent the City's 5th Ward on the Council. Commissioner Tagliento serves as Chairman of the APDC Audit Committee.

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