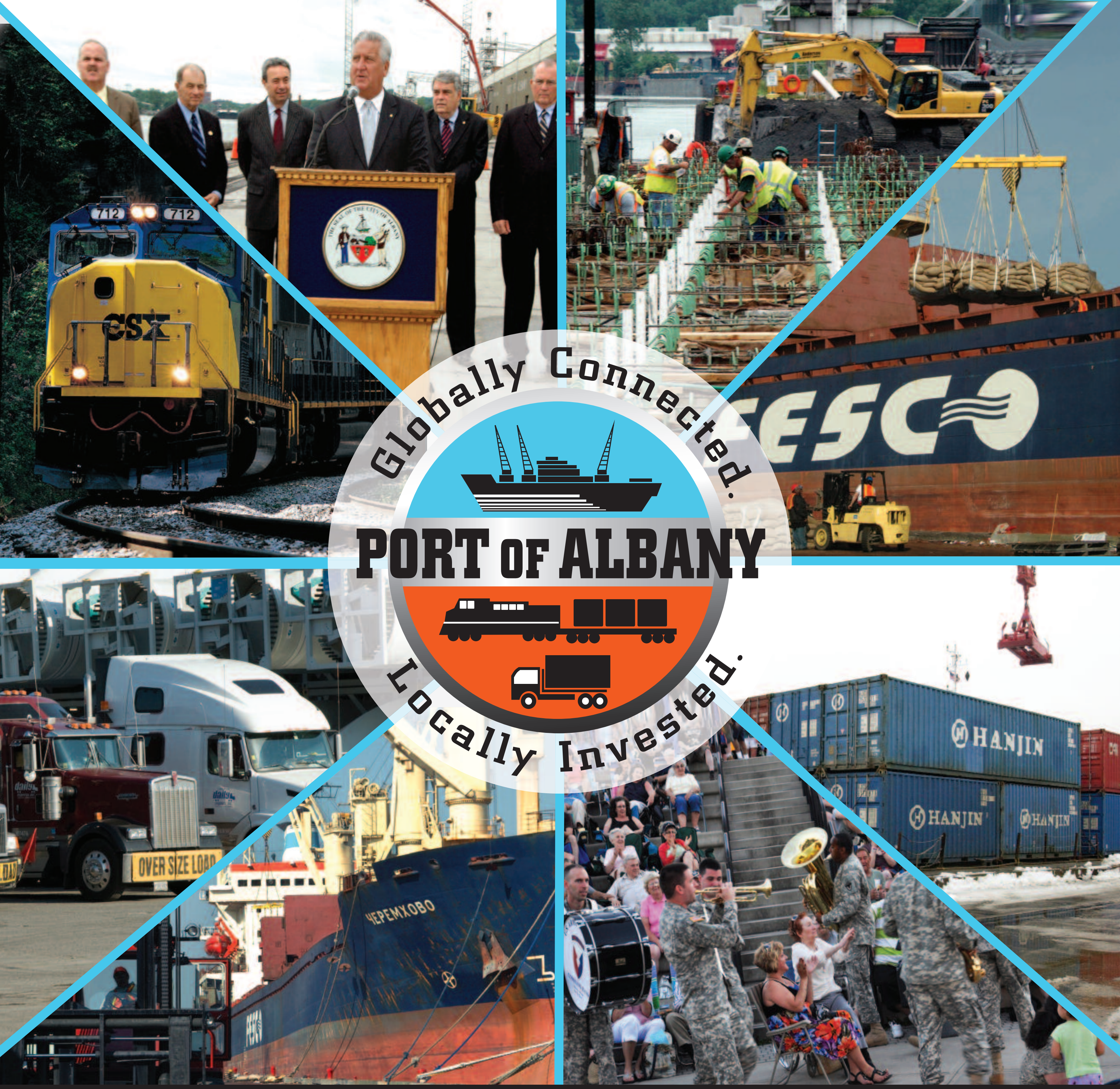


Albany Port District Commission

ANNUAL REPORT

2010

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, Human 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.
732/390-1711 • Fax: 732/390-2055
Tony Vasil: tonyvasl@optonline.net

U.S. Army Materiel Command Band performance at the Albany Father's Day Concert 2010. Cover photo by John B. Snyder

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 2010.

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, 2010 was a year of change, rebuilding and repositioning our facilities for the future. While seaports all across the nation experienced a slowdown during the country's economic downturn, the Port of Albany spent this time—and some $12 million in Federal and State money—to reconstruct its aging wharf and pier system, first built in the late 1920's.

Now, as the economy slowly begins to rebound, the Port of Albany is ready and open for business—and even better than before! With workers putting the final touches on the brand new modern wharf system, the Port will now be in a position to handle today's bigger ships and heavier cargo.

While the national economy slowly continues its recovery, the Port of Albany recorded a significant upswing in business. In 2010, the tonnage handled at the Port soared to 75 percent over 2009 levels, led by increasing shipments of scrap, grain, and heavy lift cargo. As we look ahead to the next year, we expect these shipments to increase even further, generating increased tonnage and longshore hours at the terminal.

As I noted in the past, we have witnessed remarkable progress over the past decade at our Port which proudly has taken its place as an important player on the world of international commerce. In 2010, shipments of heavy lift cargo, grain, scrap iron and steel, wood pulp and molasses kept our talented and hardworking longshore labor busy throughout the year—which is great news for our workers, their families, and all of the Capital District.

Once again, I want to thank Port Chairman Robert Cross and the other members of his board along with General Manager Rich Hendrick and the rest of his skilled staff for working tirelessly to promote and grow our business. Now, with these major infrastructure improvements in place, I am confident that 2011 will see more ships docking at our new wharf, and many more hours of work for our longshore laborers.

It has been said, a rising tide lifts all boats—and we know that as business continues on the rise at our Port, we will see a significant economic ripple effect throughout the Capital District and beyond. More ships mean more work for our laborers, truck drivers, as well as thousands of others in the area. Clearly, the tide is coming in for the Port of Albany—and we stand ready and able to expand and grow our business like never before!

Gerald D. Jennings, Mayor

MESSAGE FROM THE CHAIRMAN

– Dear Friends –

What's old is new again. The Port of Albany is completing a major reconstruction of its entire wharf system, a system first dedicated when Franklin D. Roosevelt was in the Governor's Mansion. With more than $4.5 million of Federal stimulus money in hand, the Albany Port District Commission set out to move ahead in 2010 to rebuild the rest of its antiquated riverside pier and on-dock rail.

This work complemented the 2009 project which started to rebuild the wharf. Some $6.1 million in State money in 2009 allowed us to rebuild about one-half of the wharf system. Both projects generated dozens of union construction jobs, especially important during difficult economic times.

Once both projects are completed, the old wharf system—with its wooden piles and crumbling piers—will be new again. A new concrete and steel pier system able to withstand the rigors of today's heavier and bigger ships will be in place, with a modern on-dock rail system allowing trains to pull right up to the ship for cargo.

The Port Commission was able to secure this more than $12 million in Federal and State funding thanks to the support and steadfast determination of Mayor Jennings. Having once worked as a stevedore unloading bananas at the Port, Mayor Jennings believes strongly in the potential of our facility, which provides jobs and economic stimulus for the entire Capital District.

For 2010, our tonnage was up more than 75 percent over 2009 levels, with some 451,000 plus tons of cargo handled during the year. Longshore labor logged almost 30,000 hours and worked without a single hour lost due to injury or accident—a record in which we take great pride. Once again, I must say how proud we all are of our hardworking and resourceful longshore labor, ably managed by our stevedore, Federal Marine.

But accomplishments such as these do not come about by accident. It takes a dedicated and energetic staff to get the job done—and our staff is second to none. Under the leadership of Richard Hendrick, the Port of Albany has risen to new heights—heights only imagined just a few short years ago. With Rich at the helm, we can only dream of all that is to come.

Rich is fortunate to have his small team of professionals who help him manage the Port's day-to-day activities, including General Counsel Tom Owens, Chief Financial Officer Terry Hurley, Business Manager Frank Commisso, Security Chief Dave Williams, and Information Technology Director Tom McGuinness. They are assisted by Annie Fitzgerald, Linda Wilkinson, and Jim Williams.

Having a talented and enthusiastic board is an essential element in guiding the Port. Thanks to my fellow board members, Tony Ferrara, Leo Dean, Megan Daley, and Dominick Tagliento for helping me carry out our responsibilities as we chart a course—an exciting course—for the Port and the future.

Robert F. Cross, Chairman

And now, a word from our tenants

2010 was a year of rebuilding infrastructure to reposition the Port of Albany as a key player on the international stage of commerce. But closer to home, the Port's tenants are a good barometer for how local businesses fared in 2010.

Businesses locate at the Port of Albany for a number of reasons. For some, access to the water is paramount. For others, it's the chance to do business with neighboring Port tenants. For all, a responsive Port of Albany staff is an important component in their ability to conduct their business effectively. In all cases, they benefit from the Port's steadfast commitment to enhancing local economic development opportunities for the entire Capital Region and beyond.

For Federal Marine Terminals, the folks who make sure the cargo that comes in and out of the port is loaded efficiently and with expertise, the 2010 economy was a bit of "a roller coaster ride," said Bill Ring, Federal's General Manager. "We are looking for an upswing in 2011, anticipating that our largest customer—General Electric—will increase its exports. We work hand in hand with the Port of Albany to bring in business. It continues to be a mutually beneficial relationship."

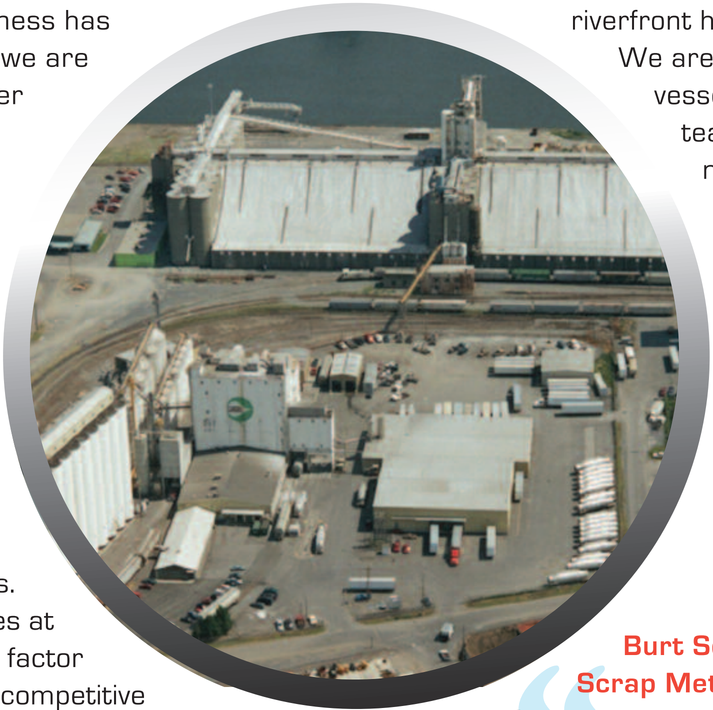
Here's what some of our other tenants had to say about doing business in 2010 and the Port's role in their success.

Betty Grimmel, Rensselaer Scrap and Iron

"Port of Albany personnel play an integral role in getting our product to Turkey, our largest customer. The Port's longshoremen are vital to the process of loading our scrap metal for export. Although business has not been stellar in 2010, we are projecting a much stronger 2011."

Rich Stack, General Manager for the Albany Port Railroad

"Our rates are one of the lowest in the nation at $100 per carload for general freight—300% less than the national average for terminal switching railroad carloads. The reasonable rental rates at the Port of Albany are one factor in helping us maintain our competitive pricing."



Bob Wolfgang, President of Albany Aqua Ducks and Trolleys

"Since we first set up shop in 2004, we've cultivated a symbiotic relationship with our landlord, the Port of Albany. Having a constant presence right on the riverfront has been a win-win proposition. We are able to keep track of our vessels at all times and the Port team is always responsive to our needs. In return, our location gives us the opportunity to serve as a quasi-visitor's center for those needing information or emergency assistance while visiting the riverfront. We have a wonderful partnership with the Port of Albany team."

Burt Segal, President of Capital Scrap Metal Company

"Our business is doing fine. We are shipping six containers per week . . . the Port is well maintained and we are very satisfied with the service provided to us."

Globally Connected

Alyse Detraglia, Partner with Capital Fume and Pest LLC

"We started renting at the Port of Albany about four years ago. Approximately 50% of our business comes through the Port, primarily in the work we do for neighbor tenants like Horizon and Cargill Grain. The majority of our business is prevention and treatment of infestations related to commodities—we do a great deal of commercial fumigation work aboard ships coming into port and tanker trucks. We also do some residential work. Our location at the Port puts us in an excellent position to do business with other Port tenants as well as incoming ships. And, we have a good relationship with Port personnel, maintaining open lines of communication that makes doing business that much easier."

Jim Allen, Lead Terminal Operator for Buckeye Partners

"We employ 17 in the handling of oil, ethanol, gasoline and diesel. The fuel comes in by rail, is offloaded, stored and then shipped by truck, barge or ship to its ultimate destination, whether it's local, regional, national or international. While gasoline prices have had a significant negative impact on the ethanol business, all signs indicate that business will soon be on the upswing. We have a good relationship with the Port of Albany, one that began back in 1985 when the business was owned by Cipro Petroleum and continues today."

Ken Bevis, District Manager for Waste Management

"We've been tenants at the Port of Albany for the past sixteen years. During that time, we have found the Port personnel to be responsive, willing to work with us when we need their help, and eager to help us grow our business. Our location at the Port provides easy access to the Thruway and I-787 without having to navigate residential neighborhoods. In 2010, our business has held steady, with some expected volume decrease because of the economy. Our emphasis going forward will be on helping our customers achieve the correct waste levels for their businesses. In 2010, we handled 8,000 tons of recycling and we're working to increase that volume and reduce costs in 2011 through improved sorting methods."

Tom Bunting, Production Supervisor at Cargil, Inc. (GOSCNA)

"Cargil, Inc. is a 10,500,000 bushel storage facility and distribution center, originally designed and built by the Cargil family in 1935 before being acquired by the Port of Albany. Cargil, Inc. supplies local farmers with corn for livestock and our Port neighbors Horizon Milling and Cargill Animal Nutrition with grain from the Midwest, all of which comes by rail from farms in the Midwest. While we export grain to other countries, we are proud to say that we only buy commodities from domestic farmers."

Locally Invested

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

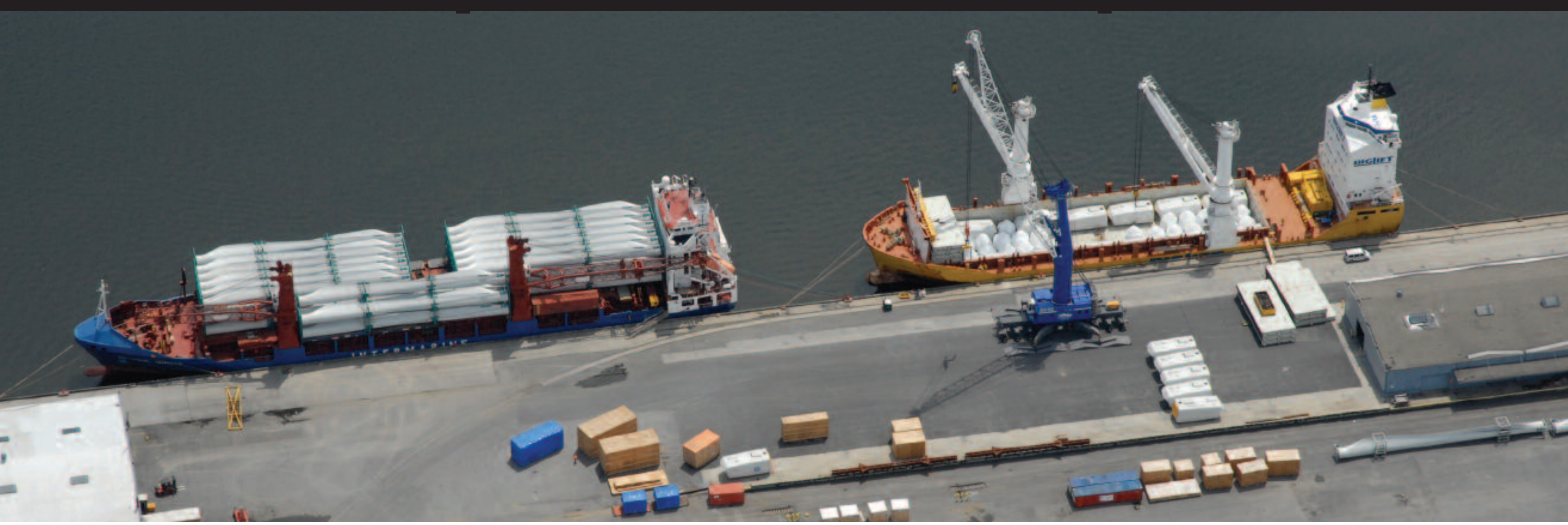
Super-sacking and bagging operation

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

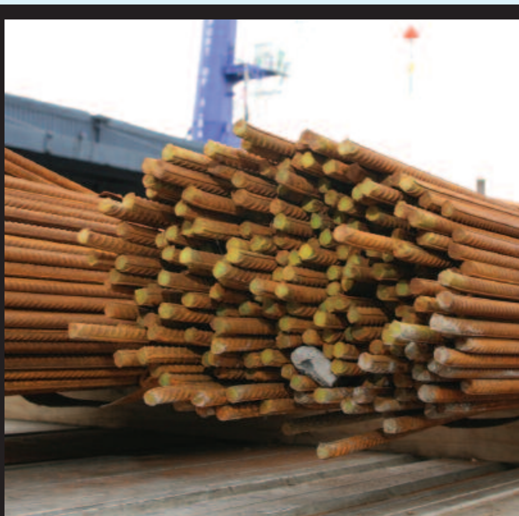
13.5 million bushel capacity grain elevator with a Peco loader

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



2010 SHIPS & TONNAGE

Cargo	Number of Ships & Barges	Total Tonnage
Grain	17	206,351
Heavy Lift/ Project Cargo	23	17,905
Molasses	1	10,858
Scrap Iron	7	189,460
Woodpulp	10	27,344



PORT OF ALBANY

Port traffic rides a scrap iron wave

Traffic increases; new warehouse planned, which would add jobs

ERIC ANDERSON
BUSINESS EDITOR
Wednesday, April 28, 2010

ALBANY -- Rising scrap iron prices are boosting traffic at the Port of Albany, which has had a dropoff in cargo during the recession.

Meanwhile, the owner of the massive grain elevators at the port is planning a new warehouse that would hold animal feed and employ 10 people.

On Tuesday, a cargo ship departed the Rensselaer side of the Port of Albany with a load of scrap iron bound for China. The ship is the second one this year to stop at the port.


John Carl D'Annibale/TIMES UNION

"With this ship, we're right where we were last April," said Robert Cross, chairman of the Albany Port District Commission. He said a ship carrying wood pulp was due later Tuesday evening, and that a ship picking up power generating equipment was expected to dock today.

While one indicator of business, the number of longshore hours worked loading and unloading cargo, was down from year-earlier levels, port officials hope the trend is upward.

The slowdown came as the port was rebuilding the oldest parts of its dock, a project that's expected to be complete by the end of this year.

"I think we're going to be well-positioned once our docks are online," said Terrence Hurley, the port's chief financial officer, during a board meeting on Monday.

At that meeting, the board authorized its attorney to negotiate a contract with Cargill Inc., the Minneapolis-based company that operates the massive grain elevators at the port.

Cargill wants to construct a 50,000-square-foot warehouse to store livestock feed. It would lease a 1.8-acre parcel from the port for $48,000 a year. The property would be leased to Cargill for 10 years, with options to renew it. The project would create 10 full-time jobs.

The warehouse would replace a smaller, 1,500-square-foot structure at the port. Cross said he expected a groundbreaking this summer.

RUSSIA GRAIN DRAIN BOOSTS PORT

Port's grain tonnage will likely quadruple this year over last because of increased demand

ERIC ANDERSON BUSINESS EDITOR
Wednesday, December 15, 2010

ALBANY -- A drought that damaged the Russian grain crop last summer has boosted demand for American grain and with it, traffic at the Port of Albany.

Cargill Inc. maintains a large elevator here that stores grain until it is shipped overseas.

In all of last year, just 56,000 tons of grain were exported from Albany. This year, 181,000 tons have been shipped, including 25,000 tons being loaded Tuesday on a ship bound for Portugal, said Terrence Hurley, the port's chief financial officer.

And with two more ships expected, that figure likely will top 200,000 tons, he said.

Overall, U.S. exports are expected to increase by 369 million bushels -- a little more than 10 million tons -- over year-earlier levels, in part because of lower production in Russia and other exporting countries, the Economic Research Service of the U.S. Department of Agriculture reported Tuesday.


Philip Kamras/TIMES UNION

Russia put limits on its grain exports following the drought, forcing its customers to look elsewhere.


Philip Kamras/TIMES UNION

Grain and scrap iron have been the two biggest exports from the Port of Albany during what had been a relatively slow year because of the recession.

But business has picked up as the economy recovers, and overall tonnage handled by the port is expected to be roughly double last year's total.

"Things are ending this year on a positive" note, Hurley observed.

in the News

Port of Albany forges railway alliance

ERIC ANDERSON
BUSINESS EDITOR
Tursday, September 9, 2010

TIMES UNION
In Print. Online. All the Time.

ALBANY, N.Y. — Longshore workers are taking on new tasks at the Port of Albany in an innovative arrangement with Norfolk Southern Railway.

Since midsummer, they've been processing truckloads of cargo destined for intermodal trains. The truck traffic comes off area expressways and the trailers are stored at the port until they're shipped out by rail to the Midwest, said Robert Cross, chairman of the Albany Port District Commission.

Norfolk Southern in the past stored its truck trailers at the Kenwood railyard operated by CP Rail. But CP needed the space, and Norfolk Southern sought a new arrangement.

Lori Van Buren/TIMES UNION

At the same time, the recession had reduced traffic at the port, cutting the number of hours for longshore workers.

"There's not a lot of work, but we've been picking up at least 100 hours a week of man-hours," said Richard Hendrick, the port general manager.

The longshore workers take care of the paperwork and check the shipments in and out.

The trucks arrive at the port at all hours, seven days a week.

Hendrick, who arranged the deal, estimates the port has handled more than 1,000 trucks so far.

"We're doing 250 trucks a week," he said. "They're storing them here on an overnight basis."

The next day, they're taken to the Kenwood yard adjacent to the port and loaded onto trains.

Norfolk Southern covers the cost of the labor. The longshore workers are employed by Federal Marine Terminals Inc., which handles terminal operations at the port.

It's not clear what the long-term outlook is for the arrangement. Norfolk Southern is partnering with Pan Am Railways on a new intermodal yard in Saratoga County.

"We may end up losing this" to the new yard, Hendrick said. "But they might find it works at both locations. (The Port of Albany) is a little better situated," he added.

Norfolk Southern officials couldn't be reached for comment.

Disaster in Russia a local boon

For Port of Albany, gain in volume likely

ERIC ANDERSON
BUSINESS EDITOR
Friday, August 6, 2010

TIMES UNION
In Print. Online. All the Time.

ALBANY -- Russia's drought could turn into a boon for America's farmers and the Port of Albany.

The port is home to the largest grain export elevator east of the Mississippi River, and right now it's filled to capacity with more than 13 million bushels of wheat.

But Russia's move Thursday to suspend exports of wheat as it faces shortages caused by a drought and wildfires means that its customers will likely look to the United States, where farmers are having a strong harvest this year.

CINDY SCHULTZ/TIMES UNION

"The normal Russian wheat crop is 60 million metric tons," said Victor Oberting, chairman of Interstate Commodities in Troy. "The latest estimate is 45 million to 49 million metric tons" for this year's harvest, he said.

"That's a substantial reduction," he said. "This is a boon for American agriculture, and for export facilities such as the Port of Albany."

So far, the port hasn't seen much activity. But Robert Cross, who chairs the Albany Port District Commission, hopes that will change.

"We haven't had a lot of ships going out this year," he said.

In 1978, when the Soviet Union was facing a critical wheat shortage, the port shipped nearly one million tons there.

The port saw another surge in business when a drought in some parts of Europe and floods in others decimated its wheat crop in 2007. Then, the port exported about 500,000 tons.

Cargill Inc., which owns and operates the port elevator, declined to comment on what the Russian wheat situation might mean for its local facility.

But in a prepared statement, the global grain handler said that "from a global perspective, ... the U.S. wheat crop has been strong and world wheat stocks are higher than they were during the wheat price spikes in 2008."

Oberting, whose company has been in the wholesale commodities business for 60 years, agreed.

"Soft red wheat production is very, very good," he said, adding that corn and soybean production also was strong.

Still, the Russian shortage already is pushing up domestic wholesale prices, and that eventually could lead to higher prices for baked goods and other foods.

In 2007, consumer prices for bakery products spiked by 4 to 5 percent, according to figures from the U.S. Department of Agriculture.

ALBANY PORT DISTRICT COMMISSION

Globally Connected.

PORT OF ALBANY

Locally Invested.

AUDITED FINANCIAL STATEMENTS AND OTHER INFORMATION

Years ended December 31, 2010 and 2009

UHY LLP
Certified Public Accountants

ALBANY PORT DISTRICT COMMISSION

TABLE OF CONTENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

As the economy struggled with a slower than anticipated comeback in 2010, the Port of Albany continued its growth as one of the Northeast's growing maritime economic engines.

As 2010 continued to build on the Port's plan to better serve its clients by enhancing its infrastructure by working hand in hand with 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) to replace the last stretch of dock, approximately 800 feet, untouched since Governor Franklin D. Roosevelt's administration and the construction of 1,000 feet of new railroad track to create a rail loop to the main line.

This major infrastructure enhancement is expected to be fully completed during the third quarter of 2011 with the support of the State of New York and federal stimulus monies. As we near completion, this Dock and Wharf Reconstruction Project will be actively marketed as meeting the needs of the Port's current clients, as well as opening shipping opportunities for the Port to pursue.

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

A comparative summary of maritime activity follows:

	2008	2009	2010
Ships	76	54	49
Barges-Heavy Lift	3	4	9
Total	79	58	58
Tonnage:			
Inbound	227,299	34,357	28,579
Outbound	362,050	217,388	423,339
Total	589,349	251,745	451,918
Longshoremen Man Hours	70,421	35,604	29,565

FINANCIAL OPERATION HIGHLIGHTS

Total fund equity increased $6,200,039 for 2010 compared with a $3,348,084 increase from the prior year.

The $6,200,039 increase for 2010 can primarily be attributed to the following:

- **Capital Contributions** **$6,182,084**
- **Increase in Operating Revenues** **$194,457**
- **Increase in Operating Expenses** **$29,434**
- **Increase in Other Revenue** **$180,000**

FINANCIAL POSITION SUMMARY

Net assets may serve over time as a useful indicator of the Commission's financial position. The Commission's assets exceeded liabilities by $30,215,108 at December 31, 2010, an increase of $6,202,466 from December 31, 2009. A three-year comparison is shown below:

	2008	2009	2010
Assets			
Current and other assets	$ 3,845,902	$ 4,264,868	$ 4,433,493
Capital assets	19,784,207	22,916,849	28,851,163
Total assets	$23,630,109	$27,181,717	$33,284,656
Liabilities			
Current and other liabilities	$ 708,358	$ 1,107,672	$ 1,072,507
Long-term liabilities	2,254,766	2,058,976	1,997,041
	$ 2,963,124	$ 3,166,648	$ 3,069,548
Net Assets			
Invested in capital assets, net of related debt	$17,489,438	$20,977,648	$27,278,420
Unrestricted	3,177,547	3,037,421	2,936,688
Total net assets	$20,666,985	$24,015,069	$30,215,108

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. This vital asset to the Port will be paid off in 2011.
- 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 expected to be completed in the third quarter of 2011.
- Albany Renewable Energy is moving forward with the development of a renewable energy center. This will entail construction and operation of two world class Ethanol plants. The energy center will bring jobs and maritime transportation benefits 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 complete and is anticipated to be approved in the upcoming fiscal year.
- The Commission is building a geographic information system (GIS) for their real property during 2011 to assist in the management of their real property assets.
- The Commission has also secured funding from the Department of Homeland Security for a security upgrade project. The grant provides for up to $735,000 in federal funds, over and above which the Commission must provide at least 25% of the total project cost, estimated to be approximately $980,000.

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.

UHY LLP
Certified Public Accountants

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, 2010 and 2009, 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, 2010 and 2009, 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 25, 2011 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 3 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.

Our audits were conducted for the purpose of forming opinions on the financial statements of the Albany Port District Commission. The Schedules of Payroll and Related Costs and Other Operating Expenses on page 20 are presented for purposes of additional analysis and are not a required part of the financial statements. The 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

UHY LLP

Albany, New York
March 25, 2011

ALBANY PORT DISTRICT COMMISSION
BALANCE SHEETS
DECEMBER 31, 2010 AND 2009

	2010	2009
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 1,375,276	$ 1,448,235
Investments	2,109,260	2,106,439
Accounts receivable	730,448	484,730
Other	180,208	184,502
Total current assets	4,395,192	4,223,906
NET PROPERTY AND EQUIPMENT	28,851,163	22,916,849
CASH, SECURITY DEPOSITS	27,886	27,831
OTHER	10,415	13,131
	$ 33,284,656	$ 27,181,717
LIABILITIES AND FUND EQUITY		
CURRENT LIABILITIES		
Current maturities of long-term debt	$ 269,226	$ 368,274
Deferred revenue	2,883	-
Accounts payable	408,025	388,167
Accrued expenses	319,128	279,400
OPEB obligation, current portion	45,359	44,000
Total current liabilities	1,044,621	1,079,841
SECURITY DEPOSITS	27,886	27,831
LONG-TERM LIABILITIES		
OPEB obligation net of current portion	693,524	488,049
Long-term debt, net of current maturities	1,303,517	1,570,927
Total long-term liabilities	1,997,041	2,058,976
Total liabilities	3,069,548	3,166,648
FUND EQUITY		
Invested in capital assets, net of related debt	27,278,420	20,977,648
Unrestricted	2,936,688	3,037,421
Total fund equity	30,215,108	24,015,069
	$ 33,284,656	$ 27,181,717

See notes to financial statements.

ALBANY PORT DISTRICT COMMISSION

STATEMENTS OF REVENUES AND EXPENSES AND CHANGES IN FUND EQUITY

YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
OPERATING REVENUES		
Property rentals	$ 2,947,330	$ 2,961,690
Dockage fees	307,799	195,902
Wharfage fees	347,320	326,754
Stevedore fees	108,717	134,359
Crane/equipment rentals	67,200	66,525
Security fees	357,236	252,513
Cargo storage and other services charges	126,167	129,569
Total operating revenues	4,261,769	4,067,312
OPERATING EXPENSES		
Payroll and related costs	1,727,373	1,489,991
Maintenance expense	75,866	118,517
Material handling	71,223	77,873
Insurance	205,846	203,712
Professional and consulting fees	236,845	344,340
Other operating expenses	464,924	518,210
Total operating expenses	2,782,077	2,752,643
OPERATING INCOME, BEFORE DEPRECIATION AND OTHER ITEMS	1,479,692	1,314,669
DEPRECIATION AND OTHER ITEMS		
Depreciation and amortization	(1,264,879)	(1,248,113)
Waterfront development expenses	(314,774)	(216,040)
Other revenue	180,300	-
Decrease in fair value of investments	-	(26,604)
Interest income	4,488	19,821
Interest expense	(66,872)	(72,790)
Net depreciation and other items	(1,461,737)	(1,543,726)
INCREASE (DECREASE) IN FUND EQUITY BEFORE CAPITAL FUNDING	17,955	(229,057)
Capital contributions	6,182,084	3,577,141
INCREASE IN FUND EQUITY	6,200,039	3,348,084
Total fund equity, beginning of the year	24,015,069	20,666,985
Total fund equity, end of year	$ 30,215,108	$ 24,015,069

See notes to financial statements.

ALBANY PORT DISTRICT COMMISSION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from rentals	$ 2,994,448	$ 3,021,171
Cash received for facility usage	744,749	730,431
Cash received from other services	483,403	382,082
Cash payments to employees and professionals	(1,712,656)	(1,614,914)
Cash payments for materials and maintenance	(166,947)	(178,919)
Cash payments for insurance	(201,552)	(248,856)
Cash payments for other expenses	(469,924)	(529,975)
Net cash provided by operating activities	1,671,521	1,561,020
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash payments for waterfront development	(314,774)	(216,040)
Net cash used in noncapital financing activities	(314,774)	(216,040)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Cash payments for capital assets	(6,974,470)	(4,037,691)
Cash received from capital grant funding	5,970,785	3,369,518
Interest expense	(66,872)	(72,790)
Cash payments on long-term debt and other obligations	(366,458)	(355,568)
Net cash used in capital and related financing activities	(1,437,015)	(1,096,531)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash received from interest	4,488	22,651
Cash paid for purchase of investments	(6,333,172)	(7,161,315)
Cash received from sale of investments	6,335,993	7,844,941
Net cash provided by investing activities	7,309	706,277
Net (decrease) increase in cash	(72,959)	954,726
Cash, beginning of year	1,448,235	493,509
Cash, end of year	$ 1,375,276	$ 1,448,235
RECONCILIATION OF OPERATING INCOME, BEFORE DEPRECIATION AND OTHER ITEMS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income, before depreciation and other items	$ 1,479,692	$ 1,314,669
Adjustments to reconcile operating income to net cash provided by operating activities:		
Changes in:		
Accounts receivable	(42,052)	69,240
Other assets	4,294	(45,144)
Accounts payable	(19,858)	17,471
Accrued expenses	39,728	32,323
Deferred revenue	2,883	(2,869)
OPEB obligation	206,834	175,330
Total adjustments	191,829	246,351
Net cash provided by operating activities	$ 1,671,521	$ 1,561,020

See notes to financial statements.

ALBANY PORT DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

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, 2010 and 2009.

- ***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 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 security services to tenants. 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, 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 2009 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:

	2010		2009	
	Carrying Value	Bank Balance	Carrying Value	Bank Balance
CASH ON HAND	$ 300	$ 300	$ 335	$ 335
DEPOSIT ACCOUNTS	1,374,976	1,418,531	1,447,900	1,507,608
	$ 1,375,276	$ 1,418,831	$ 1,448,235	$ 1,507,943

At December 31, 2010 and 2009, the Commission's deposits were covered by FDIC insurance or otherwise collaterally secured.

NOTE 4: INVESTMENTS

At December 31, 2010, 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 Bank	$ 500,000	1/5/2011	$ 500,000	$ 499,655
Federal National Mortgage Association	460,000	3/23/2011	459,899	459,607
Federal National Mortgage Association	250,000	5/6/2011	249,890	248,732
Federal Home Loan Bank	400,000	5/11/2011	399,816	399,645
Federal National Mortgage Association	500,000	6/7/2011	499,655	499,667
	$ 2,110,000		$ 2,109,260	$ 2,107,306

At December 31, 2009, 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 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

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, 2010 and 2009 are categorized as Category 1.

NOTE 5: PROPERTY AND EQUIPMENT

Property and equipment is comprised of the following:

	DECEMBER 31 2009	ADDITIONS	DELETIONS	DECEMBER 31 2010
Port marine facilities	$ 63,589,209	$ 674,676	$ -	$ 64,263,885
Transportation, equipment and furniture	769,236	40,013	-	809,249
Construction in process	4,182,939	6,483,330	-	10,666,269
Total	68,541,384	7,198,019	-	75,739,403
Less accumulated depreciation	45,624,535	1,263,705	-	46,888,240
Net property and equipment	$ 22,916,849	$ 5,934,314	$ -	$ 28,851,163

Depreciation expense was $1,263,705 and $1,245,397 for the years ended December 31, 2010 and 2009, respectively.

NOTE 6: LONG-TERM DEBT

Long-term debt is comprised of the following:

	DECEMBER 31 2009	DEBT ISSUED	DEBT PAYMENTS	DECEMBER 31 2010
NYS First Instance advances *(A)*	$ 397,709	$ -	$ 80,000	$ 317,709
M&T warehouse obligation *(B)*	1,170,780	-	58,146	1,112,634
KeyBank crane obligation *(C)*	321,770	-	211,254	110,516
Real Lease capital lease *(D)*	48,942	-	17,058	31,884
	1,939,201	$ -	$ 366,458	1,572,743
Less current maturities	368,274			269,226
	$ 1,570,927			$ 1,303,517

(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, 2010, long-term debt maturities were comprised of the following:

YEAR ENDING	PRINCIPAL	INTEREST	TOTAL
2011	$ 269,226	$ 46,567	$ 315,793
2012	156,798	41,849	198,647
2013	145,683	38,937	184,620
2014	1,001,035	33,033	1,034,068
	$ 1,572,741	$ 160,386	$ 1,733,128

Interest expense, inclusive of interest imputed on capital leases and certain other related costs, was $66,872 and $72,790 for 2010 and 2009, 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, 2010, 2009 and 2008, net of certain credits, was approximately $111,400, $20,000 and $68,000 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 $45,000 and $44,000 for current premiums in 2010 and 2009, respectively. The costs of administering this plan are paid by the Commission.

Funded Status and Funding Progress

The schedule of funding progress presents multiyear trend information that is useful in determining whether the actuarial value of plan assets, if any, is increasing or decreasing over time relative to the actuarial accrued liability. The following table sets forth the actuarial accrued liability and funded status of the plan as of December 31, 2010, the latest valuation date. Valuations are currently prepared every three years, as required by GASB 45.

	2010	2009
Actuarial Accrued Liability (AAL)		
Currently retired	$ 647,532	$ 436,000
Active employees	1,747,331	1,728,000
Actuarial accrued liability	2,394,863	2,164,000
Actuarial value of plan assets	-	-
Unfunded actuarial accrued liability (UAAL)	$ 2,394,863	$ 2,164,000
Funded ratio	0%	0%
Normal cost	$ 99,280	$ 96,000

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

	2010	2009
UAAL	$ 2,394,863	$ 2,164,000
Amortization period (years)	28	30
Amortization discount rate	2.50%	3.75%
Present value factor	21.0	17.5
UAAL amortization amount	$ 114,233	$ 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:

	2010	2009
Normal cost	$ 99,280	$ 96,000
Amortization of UAAL	114,233	124,000
ARC	213,513	220,000
Interest on OPEB obligation	13,301	-
Adjustment to ARC	25,378	-
OPEB expense	$ 252,192	$ 220,000

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

	2010	2009
Net OPEB obligation at beginning of year	$ 532,049	$ 356,719
Annual OPEB expense	252,193	220,000
Annual OPEB contributions	(45,359)	(44,670)
Net OPEB obligation at end of year	738,883	532,049
Less: estimated current portion of OPEB obligation	45,359	44,000
Estimated long-term portion of OPEB obligation	$ 693,524	$ 488,049
Percentage of expense contributed	18.0%	20.0%

Trend Information

Year Ended	Beginning OPEB Obligation	Annual OPEB Cost	Actual Employer Contribution	Percentage Contributed	Net OPEB Obligation
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
12/31/2010	532,049	252,193	45,359	18.0%	738,883

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 calculations.

The measurement date for the calculation was December 31, 2010 and the discount rate utilized was 2.50%. No salary increases were assumed since benefits are not based on compensation. Health care costs were assumed to increase as follows:

Year	Trend Increase
2010	9%
2011	8%
2012	7%
2013	6%
2014	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, 2010 were as follows:

2011	$ 2,436,200
2012	2,112,500
2013	1,414,500
2014	1,202,400
2015	1,094,200
Thereafter	9,489,325
	$ 17,749,125

NOTE 10: COMMITMENTS AND CONTINGENCIES

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

Lease Obligation Relating to Waterfront Development: The Commission is committed to supporting the City of Albany's efforts in developing the Corning Preserve and Hudson River waterfront. In this regard, during 2002, the Albany Industrial Development Agency (AIDA) issued $4,390,000 in Civic Facility Revenue Bonds for the benefit of 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	
2011	$ 140,000
2012	145,000
2013	155,000
2014	160,000
2015	165,000
Thereafter	2,705,000
	$ 3,470,000

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

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.

NOTE 10: COMMITMENTS AND CONTINGENCIES *(Continued)*

During 2010 and 2009, the Commission's total lease cost, project improvement cost, and other operating expenses related to the waterfront development project approximated $315,000 and $216,000, 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. In 2010, the final balance of these unexpended bond proceeds, approximating $2,700, was used to offset the Commission's principal payment of $135,000. 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 2010 and 2009 lease obligations is excluded from these financial statements. Because the balance of the unexpended bond proceeds has been reduced to zero, all future principal payments will be funded directly by the Commission.

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 $6,245,000 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 $3,425,000 under this grant. Both phases of the project are expected to be completed during 2011.

The Commission has also secured funding from the Department of Homeland Security for a security upgrade project. The grant provides for up to $735,000 in federal funds, over and above which the Commission must provide at least 25% of the total project cost, estimated to be approximately $980,000. At year end, the Commission had expended approximately $70,800 under this grant. The project is expected to be completed during 2011.

SUPPLEMENTARY INFORMATION

ALBANY PORT DISTRICT COMMISSION

SCHEDULES OF PAYROLL AND RELATED COSTS AND OTHER OPERATING EXPENSES

YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
PAYROLL AND RELATED COSTS		
Administrative	$ 549,909	$ 523,237
Maintenance crews and supervisor	238,068	247,818
Security	303,743	240,760
Benefit costs	302,020	185,023
OPEB expense	252,193	220,000
Payroll taxes	81,440	73,153
Total payroll and related costs	$ 1,727,373	$ 1,489,991
OTHER OPERATING EXPENSES		
Security	$ 51,169	$ 51,878
Utilities	102,313	125,380
City water	4,109	3,446
Advertising and promotion	136,417	132,315
Office supplies and expenses	44,927	62,741
Telephone	23,807	23,539
Snow removal	5,500	32,445
Equipment operating expense	55,107	46,528
Other expenses	41,575	39,938
Total other operating expenses	$ 464,924	$ 518,210

UHY LLP Certified Public Accountants

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 the financial statements of the Albany Port District Commission (the "Commission") as of and for the year ended December 31, 2010, and have issued our report thereon dated March 25, 2011. 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 25, 2011

ABOUT THE COMMISSION BOARD

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,* released in 2010. Both books are published by the Naval Institute Press in Annapolis, Maryland.

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 for the Disabled 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 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 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 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.

Albany Port District Commission
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