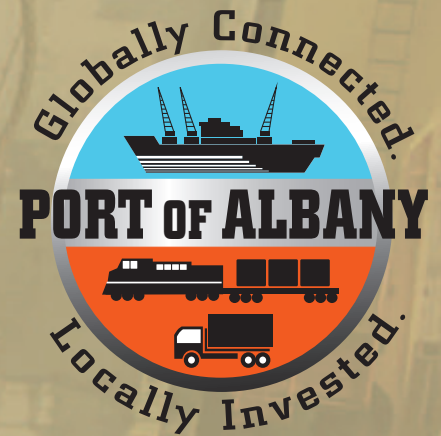


Albany Port District Commission

# ANNUAL REPORT 2011

*Infrastructure  
for the Future*



## PORT COMMISSION BOARD MEMBERS

Robert F. Cross, *Chairman*  
Anthony J. Ferrara, *Treasurer*  
Leo P. Dean, *Secretary*  
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*  
Jason Carroll  
RJ Hendrick  
William Mahan  
Josh Ostrander  
John Shell  
James Williams

## Port Marketing Representative

A.J. Vasil Associates, Inc.  
732/390-1711 • Fax: 732/390-2055  
Tony Vasil: [tonyvasl@optonline.net](mailto:tonyvasl@optonline.net)





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 2011.

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**



**The past year marked a milestone for the Port of Albany.** With seaports across the nation experiencing a slowdown during the country's economic downturn, the Port of Albany was alive with activity as union workers undertook one of the largest construction projects in our Port's history.

With some \$12 million in Federal and State funds, the Port of Albany's original wooden wharf system was demolished and replaced with a modern new steel and concrete system, capable of withstanding today's heavier ships and cargo. In addition, the new system will allow more ships to be docked simultaneously. More cargo handled means more work for our longshore labor.

Despite all of the construction activity in 2011, the Port still saw an upswing in longshore hours—some 30 percent higher than 2010. This is very good news for our hardworking longshore laborers as well as their families, who count on steady and reliable hours in order to make ends meet. I always have said the most important measure of the Port's success is longshore hours worked, and we are pleased to see those increase for 2011.

Having worked at the Port as a stevedore unloading bananas many years ago, I understand the value and importance of steady work, and I am committed to working with the Albany Port District Commission as we expand business at the Port, generating both revenue for the Port and ancillary economic benefits throughout the Capital District.

Once again, I wish to thank Port Chairman Robert Cross and the other members of his board along with General Manager Rich Hendrick and his tireless staff for all they have done to promote and grow our great Port. When business is booming at the Port, it's good news for Albany and the rest of the region as well.

As we look ahead, 2012 promises to be another exciting year for the Port, thanks to Governor Andrew Cuomo. Governor Cuomo has awarded the Port of Albany an \$11.5 million grant to replace 600 feet of the original wharf on the east side of the river. All of this investment will help to position our Port for continued growth today and well into the future—benefiting not only the Capital District but also the entire State of New York and beyond.



**Gerald D. Jennings, Mayor**



## *Message From* **THE CHAIRMAN**

As we look back over 2011, we are reminded of what an extraordinary year it has been for the Port of Albany, both for today's business as well as for expanded commerce into the future. Work was completed on a modern new wharf system, effectively doubling the ship docking and cargo handling capability at the Port.

The new \$12 million concrete and steel wharf system on the Albany side of the Port was designed to withstand 1,200 pounds per foot, replacing the original wooden timber piles first installed when Franklin Roosevelt was Governor. Modern steel piles driven to bedrock will be able to withstand today's heavier cargo and larger ships. An additional 300 feet of new on-dock rail lines will expedite the handling of large cargo on the dock. This will save time and money in loading and unloading ships.

The construction activity resulted in some 60 local union jobs and a significant boost to the Capital District economy, especially important during a time when the economy—both on the national and local levels—was slower than normal. With this work now complete, we stand ready to handle more ships, streamline service for our existing clients, and attract new business to the Port.

With new and expanded business at the Port comes increased tonnage and more hours for our dedicated longshore labor, ably managed by Bill Ring and his staff of Federal Marine. In fact, in 2011 alone, hours worked by our longshore labor increased some 30 percent over 2010 levels, with the marine force in the terminal working more than 41,000 hours.

These accomplishments never could have been achieved without the support and guidance of the Port of Albany's best friend—Mayor Jerry Jennings. The Mayor has worked countless hours behind the scenes to secure Federal and State funding allowing us to modernize our great Port, making it one of the finest inland ports in the Northeast.

In addition to the strong support of Mayor Jennings, the Port is fortunate to have an extraordinary staff headed by General Manager Richard Hendrick, who has provided steady leadership and a vision to move our Port forward. He is assisted by General Counsel Tom Owens, Chief Financial Officer Terry Hurley, Director of Security and Threat Assessment Dave Williams, and Tom McGuinness, the Port's information technology expert. This hardworking team is supported by Annie Fitzgerald, Linda Wilkinson, and Jim Williams.

I also want to thank my fellow board members, Tony Ferrara, Leon Dean, and Dominick Tagliento, who help to provide oversight and direction so that the Port of Albany can continue to move forward, attracting new and expanded business in the years ahead.



**Robert F. Cross, Chairman**

# *Infrastructure for the Future*



**Infrastructure for the Future**—that’s what 2011 was all about. It was the culmination of an ambitious \$12 million project to reconstruct the wharf and pier system at the Port of Albany in place since the late 1920s. The successful completion of this *Infrastructure for the Future* signals the beginning of a new era for this busy Northeast seaport. The Port of Albany is open for business and ready to handle today’s—and tomorrow’s—bigger ships and heavier cargo.

**Here’s what our tenants and marketing agent are saying about the Port’s recent renovations of its wharf and pier:**

***Bill Ring, General Manager,  
Federal Marine Terminals***

“We are the terminal operator at the Port, responsible for loading and unloading cargo at the port. The new dock section and extended heavy lift rail are a real advantage in dealing with the larger and heavier cargo we’re handling these days. The Port is one of a select few that now has this heavy lift capacity. It’s a perfect fit for General Electric, one of our best customers. GE is projecting to build and ship even heavier generators worldwide in 2014. Just recently, a 655,000# transformer bound for Pittsburgh opted to come by water from another port south of Albany to be loaded onto rail at the Port of Albany and then on to Pennsylvania. We anticipate more of this type of business going forward as cargo continues to get bigger and heavier and there are a limited number of ports able to handle it.”



***Joel Constantino, Vice President/  
Director of Operations, New England  
Steamship Agents, Inc.***

“The recent renovations at the Port have had a dramatic impact on the businesses that call the Port home both in terms of safety and efficiency. The new bollards and cleats, the new foundations at Sheds 4 & 5, the dredging, the new dock area and heavy lift rail expansion all contribute to the safety and efficiency of the Port. Even the new GPS antenna that lets me locate my ships through my I-Phone is a ‘plus’. And the Port’s ability to handle more than two heavy lift cargoes simultaneously is a huge advantage, especially for customers like General Electric with their gas and steam turbines and generators. All this makes the Port a natural choice for general cargo transport throughout the Northeast.”

## Tony Vasil, Marketing Representative for the Port of Albany

“There is no question that the rehabilitation of the Port of Albany’s dock and wharf will have a substantial impact on future business development at the Port. From a features and benefit standpoint, our new dock and wharf reconstruction provides:

**2,000 feet of heavy lift on dock rail capability** for staging and handling generators, transformers, and other manufactured products such as machinery and project cargos.

**Increased load bearing capability** (up from 1,000 PSF to 1,200 PSF), which will allow exporters, importers and EPCs to move heavier and larger pieces of product currently in the planning and design stage.

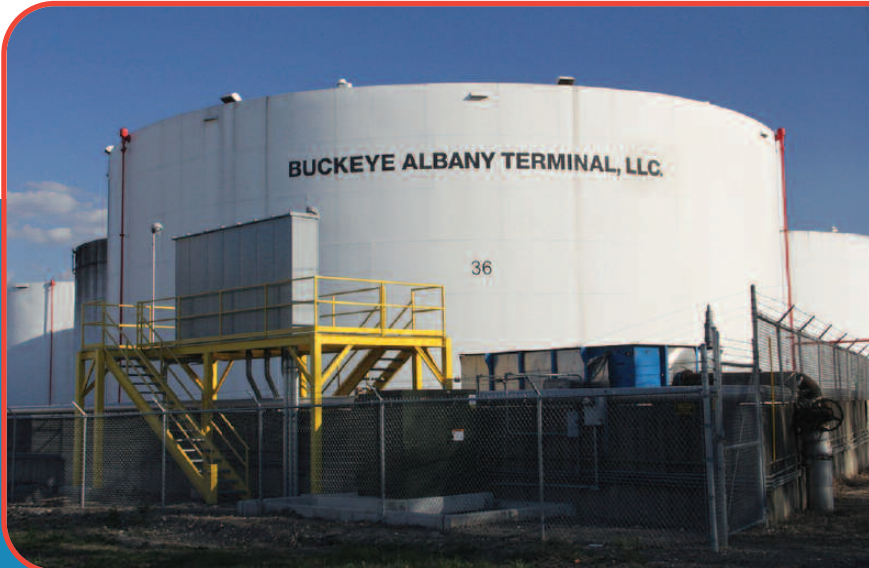
**Capacity to handle three heavy lift/project cargo or other type of vessels at one time.** Not only does this result in smooth operation and movement of customer products with no delays or vessel waiting time for berths to load or discharge product; it also allows the Port of Albany to build on one of its strengths: heavy lift project cargo.

**A new rail track loop**, which enables The Port to explore new markets and enhance the service it currently provides to existing customers.

**New market development** such as unit trains carrying wind energy products for movement to the Midwest.

**Winter Port capability**, positioning the Port to move steel and other cargo year-round by unit trains to the Midwest, especially during the closure of the Great Lakes for the winter season.

From a leadership standpoint, the Port’s Board of Commissioners possess the vision to move ahead with these types of projects that keep the Port “in the game” in this highly competitive market. The Port staff management continues to remain proactive, professional and provide the leadership required to keep the Port functioning at optimal level. The stevedore and terminal operator is not only professional, but responsive to customer and prospective customer needs and highly respected in the marketplace. Finally, the ILA labor force is experienced, professional and proactive, providing superior service in the heavy lift/project cargo market segment.”



## Optimism for the future abounds at the Port of Albany. Just ask Buckeye Albany Terminal’s John Ryan about the recently completed upgrades to the BATNY Lead Terminal Operator facility.

“The Buckeye Albany Terminal is one of the most diverse assets within the Buckeye system with rail, truck, and marine receipt/delivery capabilities. The terminal, which was previously home to a refinery, is one of the most critical ethanol handling facilities on the East Coast as well as a major asphalt location. Gasoline and ULSD were recently added during the second quarter of 2011. The Buckeye Albany Terminal Work Team’s customer-focused approach has been instrumental in transforming this key facility located within the Port of Albany, and will continue to strive for further advancement. It has been the relentless hard-working effort and determination of the Buckeye Albany Terminal Work Team that has made this makeover possible.”

# 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
- 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







## 2011 *Ships & Tonnage*

Cargo	Number of Ships & Barges	Total Tonnage
Grain .....	3.....	47,251
Heavy Lift/ Project Cargo .....	22.....	20,731
Molasses .....	1.....	10,485
Scrap Iron .....	8.....	200,146
Woodpulp .....	8.....	26,665

# The Port of Albany in the News

timesunion.com

## Port of Albany work: full steam ahead \$12.35 million renovation project for wharves, rail line nears early completion

By ERIC ANDERSON Business editor | Saturday, August 20, 2011

ALBANY— The \$12.35 million renovation of the wharves and rail line at the Port of Albany is nearing completion and may be done ahead of schedule, said Richard Hendrick, the port's general manager.

"They put the last timber pile on the face of the dock this morning," Hendrick said Friday afternoon. "They're getting ready to do punch lists," typically the last tasks needed to complete a project.

Work started more than three years ago to replace the port's 80-year-old wharves. Concrete decks, a new rail line that connects at both ends with a nearby freight line, and other improvements expanded the port's capacity to handle cargo, especially the so-called "heavy lift" shipments of generators and steam turbines built at the local General Electric Co. plant in Schenectady.

The project last year was hailed as one of the 100 stimulus projects that "are changing America," according to the White House.



Workers finish new railroad tracks on the south end of the new wharf new Shed 5 at the Port of Albany Tuesday Aug. 16, 2011. Work is winding down and should be completed in September. (John Carl D'Annibale / Times Union)

50,000-square-foot warehouse that will be used by Cargill Animal Nutrition, although no date has yet been set for construction to begin, Hendrick said. The new warehouse will add 10 jobs and is one of four business units that Cargill has at the port.

Four heavy-lift cargo ships can now be loaded at one time, twice the port's previous capacity, according to Hendrick.

Contractor C.D. Perry of Troy hopes to have the reconstruction complete as soon as Labor Day. Port officials previously said it would be done by the end of September.

Meanwhile, work is expected to start soon on a

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### Albany port, airport development projects win big

Date: Friday, December 16, 2011, 6:05am EST

Related: Manufacturing, Logistics & Transportation

**Pam Allen**  
Reporter - The Business Review

**The Port of Albany** and **Albany International Airport** were among the Capital Region's biggest winners in the Cuomo administration's new statewide initiative to promote economic development.

A \$11.46 million award for the port—the region's largest award—will be used to rebuild 600 feet of the 1920s-era wharf on the Rensselaer side of the port. The project would employ 40 to 50 workers during the 18-month construction period, and add eight to 14 permanent longshoreman, security and management jobs as more ships and barges are able to dock at the refurbished wharf.

Albany airport will use its \$3.78 million award to double the size of Colgan Air's existing maintenance hangar, allowing room for two turbo-prop jets instead of one.

The port's wharf reconstruction will double the capacity on the Rensselaer side for boats and barges. Almost half of the 1,000-foot wharf was reconstructed in the 1970s; the remaining 600 feet is the original wood-timber wharf, built in 1927 and unusable because of its age, general manager **Rich Hendrick** said.

"This will enable us to replace it with concrete and steel pilings. We haven't used that section in 20-plus years," he said.

Earlier this year, the port rebuilt 600 feet of wharf on its Albany side, doubling its capacity to four ships.

Hendrick said he's talking with local and out-of-town gravel companies that want to ship between six and eight barges of stone to New York City each month.

Wharf construction will start in the spring.

Work on the airport's expanded hangar will start next summer.

**John O'Donnell**, airport CEO, said the expansion could add between 30 and 50 mechanic positions with salaries around \$50,000. Colgan, which maintains its fleet of 74-seat, Q400 turboprops at Albany airport, already employs 50 people there. The year-long construction project will employ 16 workers.

O'Donnell expects Pinnacle Airlines, the company that owns Colgan, to sign a long-term lease because Colgan has been pushing to expand the facility for more than a year. Colgan operates the planes for United and Continental airlines.

Another benefit: Albany will gain at least one flight because the planes that arrive for maintenance will carry passengers.

"Airlines won't fly empty planes because it's cost-prohibitive. Having a maintenance facility at your airport means that the company will contract for the last flight of the day," O'Donnell said.

The two projects were among those chosen from 460 applications submitted for consideration by a Capital Region 21-member economic development council appointed by Gov. **Andrew Cuomo**. Both the port and the airport must cover 10 percent of their respective awards.

social business award

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- US Airways informs employees of potential merger plans

allen@bizjournals.com | 518-640-6812 | Twitter: @pambizreview

## Shipshape Port of Albany debuts \$12 million renovation project lets facility handle larger ships, more cargo

By ERIC ANDERSON Business editor | Thursday, October 20, 2011

ALBANY -- Smooth concrete and sturdy steel beams have replaced the rotting wooden piles and rough asphalt surfaces at the Port of Albany, thanks to a \$12 million rebuilding project that was supported with \$4 million in federal stimulus funds.

On Thursday afternoon, an official opening drew politicians and port officials, who talked about the significance of the port's role in the region's economy.

"I worked here as a longshoreman," said Albany Mayor Jerry Jennings. "It taught me the benefits of good, hard work."

The new facilities double the number of ships that can be handled at one time, and the new rail line allows cargo to be moved directly between train and ship, eliminating intermediate trucking and saving time and fuel.

"Larger ships and more cargo," said U.S. Rep. Paul Tonko, "translates into jobs."

The Port of Albany has about 30 employees, port General Manager Richard Hendrick said. Another 40 to 50 longshoremen are also employed as needed, while the nearby Cargill facility employs hundreds, Hendrick said.

The rail line will allow so-called unit trains that might be able to take all the pieces for a wind farm—blades, turbines, towers—from the ship to the construction site, Hendrick said.

The port has been the point of entry for hundreds of blades and other

parts shipped here from a former Enron plant in Brazil that's now operated by General Electric Co.

The port also has handled a variety of cargo from subway car bodies and scrap metal to molasses and wheat.

What's next?

Hendrick said he'd like to rebuild the northern part of the wharf on the Rensselaer side of the Hudson River.

## Port of Albany's \$12M wharf to have ribbon cutting Thursday

October 14, 2011 at 1:13 pm by Eric Anderson

The Albany Port District Commission will open its new cement and steel wharf during a ribbon-cutting ceremony at 2 p.m. Thursday at the Port of Albany. The new wharf, constructed of steel and concrete, replaces a wood timber wharf that was built in 1927, when Franklin Roosevelt was governor of New York.

The new wharf can handle up to 1,200 lbs. per square foot, twice the load that the timber wharf could support. The \$12 million project also includes an extended rail line along the wharf.

The first phase, replacing 500 feet of wharf, cost \$7.6 million, \$6.5 million of which came from the Rebuild NY Bond Act. The second phase, which cost \$4.3 million, was financed through the state Department of Transportation with federal stimulus funds.

The new wharf will be able to handle four ships simultaneously, twice the number of the old wharf. C.D. Perry and Sons of Troy did the work, which employed about 60 local union workers.



photos by Paul Buckowski / Times Union



# Albany Port District Commission



## **AUDITED FINANCIAL STATEMENTS AND OTHER INFORMATION**

**Years ended December 31, 2011 and 2010**

**UHY** **LLP**  
Certified Public Accountants

# Albany Port District Commission

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# MANAGEMENT'S DISCUSSION AND ANALYSIS

The American Recovery and Reinvestment Act ("ARRA") played a significant role in continuing the modernization of the Port of Albany in 2011. The \$5 million in ARRA stimulus funding provided to the Port completed the installation of over 800 feet of new wharf and associated rail infrastructure. Completion of this project, which replaced the original wood dock installed in the 1920's, doubled the ship docking and cargo handling capability on the Albany side of the Port.

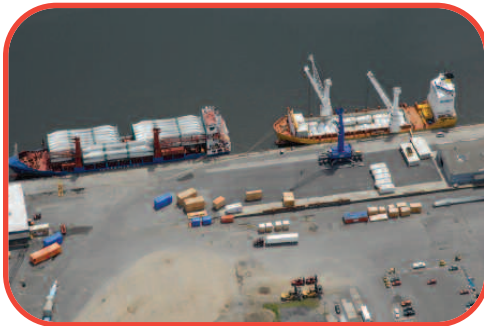
In October 2011, federal, state and local officials "cut the ribbon" to celebrate the completion of the new wharf project. This new concrete wharf system is built to withstand 1,200 pounds per foot and is reinforced with steel piles. It also includes an extension of approximately 300 feet of new rail lines to expedite the handling of large cargo.

This work would never have been accomplished without the strong support of Albany Mayor Gerald Jennings. Under his leadership, 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). Additionally, the Port received support from many strong partners, including Governor Cuomo's Office, Congressman Tonko's Office, Senator Breslin, Assemblyman Canestrari and the New York State Departments of Transportation and Labor. Finally, the ARRA funded wharf project was completed on time and on budget due the contributions of the contractors and organized labor involved in the work.

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



	<u>2009</u>	<u>2010</u>	<u>2011</u>
Ships	54	49	42
Barges-Heavy Lift	4	9	11
<b>Total</b>	<u>58</u>	<u>58</u>	<u>53</u>
<b>Tonnage:</b>			
Inbound	34,357	28,579	37,430
Outbound	217,388	423,339	267,591
<b>Total</b>	<u>251,745</u>	<u>451,918</u>	<u>305,021</u>
<b>Longshoremen Man Hours</b>	<u>35,604</u>	<u>29,565</u>	<u>41,020</u>

## Financial Operation Highlights

Total fund equity increased \$1,777,096 for 2011 compared with a \$6,200,039 increase from the prior year.

The \$1,777,096 increase for 2011 can primarily be attributed to the following:

- Capital Contributions ----- \$2,275,244
- Decrease in Operating Revenues ----- (\$153,637)
- Increase in Operating Expenses ----- (\$132,720)
- Decrease 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 \$31,992,204 at December 31, 2011, an increase of \$1,777,096 from December 31, 2010. A three-year comparison is shown below:

	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>Assets</b>			
Current and other assets	\$ 4,264,868	\$ 4,433,493	\$ 4,246,253
Capital assets	<u>22,916,849</u>	<u>28,851,163</u>	<u>30,757,219</u>
Total assets	<u>\$27,181,717</u>	<u>\$33,284,656</u>	<u>\$35,003,472</u>
<b>Liabilities</b>			
Current and other liabilities	\$ 1,107,672	\$ 1,072,507	\$ 946,874
Long-term liabilities	<u>2,058,976</u>	<u>1,997,041</u>	<u>2,064,394</u>
	<u>\$ 3,166,648</u>	<u>\$ 3,069,548</u>	<u>\$ 3,011,268</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	\$20,977,648	\$27,278,420	\$29,453,694
Unrestricted	<u>3,037,421</u>	<u>2,936,688</u>	<u>2,538,510</u>
Total net assets	<u>\$24,015,069</u>	<u>\$30,215,108</u>	<u>\$31,992,204</u>

## Future Operations



- Governor Cuomo announced an \$11,500,000 New York State grant for the revitalization of the Rensselaer Wharf, which will double the capacity of the Port on the Rensselaer side. The Commission anticipates that engineering work will begin mid-year 2012 with construction to start late in 2012 or early in 2013. The Port looks to continue its role as an economic development engine on both sides of the Hudson River.
- The Commission plans to complete the security upgrade project which began in 2010 funded by a grant from the Department of Homeland Security. The grant provides for up to \$735,000 in federal funds for 75% of the total project cost, estimated to be approximately \$980,000.
- The Commission plans to complete a geographic information system (GIS) for its real property during 2012 to assist in the management of real property assets.
- The Commission plans to issue a Request for Proposal (RFP) for 18 acres within the Port to establish a maritime related business.
- 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 debt associated with this vital Port asset was paid-off in 2011 and it is now owned solely by the Port.

## 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](mailto:thurley@portofalbany.us).





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, 2011 and 2010, 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.

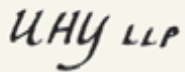
We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan 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, 2011 and 2010, 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 20, 2012 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.

The logo for UHY LLP, featuring the letters 'UHY' in a large, stylized, cursive font, with 'LLP' in a smaller, sans-serif font to the right.

Albany, New York  
March 20, 2012

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an international network of independent accounting and consulting firms

## INDEPENDENT AUDITOR'S REPORT

The logo for UHY LLP, featuring the letters 'UHY' in a large, stylized, blue font, with 'LLP' in a smaller, blue font to the right. Below the logo, the text 'Certified Public Accountants' is written in a smaller, blue font.

# ALBANY PORT DISTRICT COMMISSION BALANCE SHEETS

December 31, 2011 and 2010



	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 354,753	\$ 1,375,276
Investments	2,100,589	2,109,260
Accounts receivable	1,489,884	730,448
Other	265,390	180,208
Total current assets	<u>4,210,616</u>	<u>4,395,192</u>
<b>NET PROPERTY AND EQUIPMENT</b>	<u>30,757,219</u>	<u>28,851,163</u>
<b>CASH, SECURITY DEPOSITS</b>	<u>27,938</u>	<u>27,886</u>
<b>OTHER</b>	<u>7,699</u>	<u>10,415</u>
	<u><b>\$ 35,003,472</b></u>	<u><b>\$ 33,284,656</b></u>
<b>LIABILITIES AND FUND EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Current maturities of long-term debt	\$ 156,807	\$ 269,226
Deferred revenue	166,423	2,883
Accounts payable	193,710	408,025
Accrued expenses	365,296	319,128
OPEB obligation, current portion	36,700	45,359
Total current liabilities	<u>918,936</u>	<u>1,044,621</u>
<b>SECURITY DEPOSITS</b>	<u>27,938</u>	<u>27,886</u>
<b>LONG-TERM LIABILITIES</b>		
OPEB obligation net of current portion	917,676	693,524
Long-term debt, net of current maturities	1,146,718	1,303,517
Total long-term liabilities	<u>2,064,394</u>	<u>1,997,041</u>
Total liabilities	<u>3,011,268</u>	<u>3,069,548</u>
<b>FUND EQUITY</b>		
Invested in capital assets, net of related debt	29,453,694	27,278,420
Unrestricted	2,538,510	2,936,688
Total fund equity	<u>31,992,204</u>	<u>30,215,108</u>
	<u><b>\$ 35,003,472</b></u>	<u><b>\$ 33,284,656</b></u>

See notes to financial statements.

# ALBANY PORT DISTRICT COMMISSION STATEMENTS OF REVENUES AND EXPENSES AND CHANGES IN FUND EQUITY

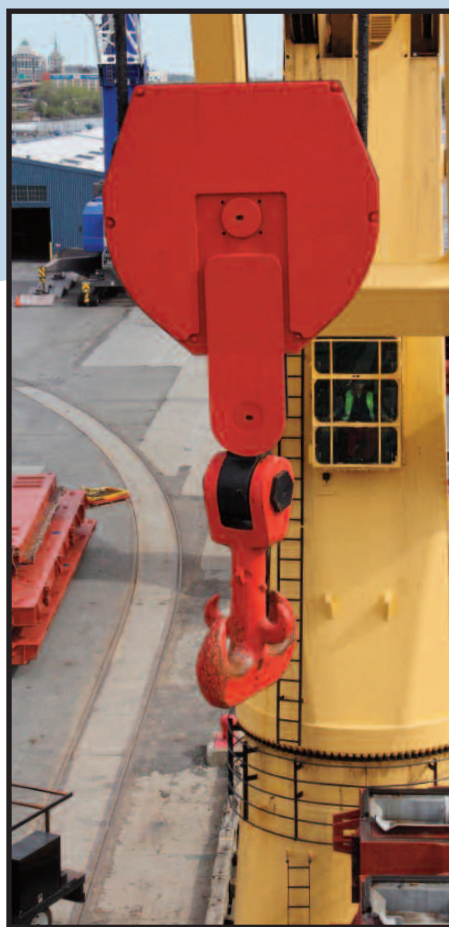
*Years ended  
December 31, 2011 and 2010*

	<u>2011</u>	<u>2010</u>
<b>OPERATING REVENUES</b>		
Property rentals	\$ 2,856,182	\$ 2,947,330
Dockage fees	204,864	307,799
Wharfage fees	279,180	347,320
Stevedore fees	202,378	108,717
Crane/equipment rentals	53,025	67,200
Security fees	395,155	357,236
Cargo storage and other services charges	117,348	126,167
Total operating revenues	<u>4,108,132</u>	<u>4,261,769</u>
<b>OPERATING EXPENSES</b>		
Payroll and related costs	1,763,751	1,727,373
Maintenance expense	106,602	75,866
Material handling	90,684	71,223
Insurance	209,865	205,846
Professional and consulting fees	246,537	236,845
Other operating expenses	497,358	464,924
Total operating expenses	<u>2,914,797</u>	<u>2,782,077</u>
<b>OPERATING INCOME, BEFORE DEPRECIATION AND OTHER ITEMS</b>	<u>1,193,335</u>	<u>1,479,692</u>
<b>DEPRECIATION AND OTHER ITEMS</b>		
Depreciation and amortization	(1,304,344)	(1,264,879)
Waterfront development expenses	(332,155)	(314,774)
Other revenue	-	180,300
Decrease in fair value of investments	(5,705)	-
Interest income	1,806	4,488
Interest expense	(51,085)	(66,872)
Net depreciation and other items	<u>(1,691,483)</u>	<u>(1,461,737)</u>
<b>(DECREASE) INCREASE IN FUND EQUITY BEFORE CAPITAL FUNDING</b>	<u>(498,148)</u>	<u>17,955</u>
Capital contributions	2,275,244	6,182,084
<b>INCREASE IN FUND EQUITY</b>	<u>1,777,096</u>	<u>6,200,039</u>
Total fund equity, beginning of the year	<u>30,215,108</u>	<u>24,015,069</u>
Total fund equity, end of year	<u>\$ 31,992,204</u>	<u>\$ 30,215,108</u>



# ALBANY PORT DISTRICT COMMISSION STATEMENTS OF CASH FLOWS

Years ended  
December 31, 2011 and 2010



	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from rentals	\$ 2,934,831	\$ 2,994,448
Cash received for facility usage	745,467	744,749
Cash received from other services	675,121	483,403
Cash payments to employees and professionals	(1,749,527)	(1,712,656)
Cash payments for materials and maintenance	(190,852)	(166,947)
Cash payments for insurance	(295,047)	(201,552)
Cash payments for other expenses	(497,358)	(469,924)
Net cash provided by operating activities	<u>1,622,635</u>	<u>1,671,521</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Cash payments for waterfront development	(332,155)	(314,774)
Net cash used in noncapital financing activities	<u>(332,155)</u>	<u>(314,774)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Cash payments for capital assets	(3,480,261)	(6,974,470)
Cash received from capital grant funding	1,484,789	5,970,785
Interest expense	(51,085)	(66,872)
Cash payments on long-term debt and other obligations	(269,218)	(366,458)
Net cash used in capital and related financing activities	<u>(2,315,775)</u>	<u>(1,437,015)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash received from interest	1,806	4,488
Cash paid for purchase of investments	(5,177,034)	(6,333,172)
Cash received from sale of investments	5,180,000	6,335,993
Net cash provided by investing activities	<u>4,772</u>	<u>7,309</u>
Net decrease in cash	<u>(1,020,523)</u>	<u>(72,959)</u>
Cash, beginning of year	<u>1,375,276</u>	<u>1,448,235</u>
Cash, end of year	<u>\$ 354,753</u>	<u>\$ 1,375,276</u>
<b>RECONCILIATION OF OPERATING INCOME, BEFORE DEPRECIATION AND OTHER ITEMS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating income, before depreciation and other items	\$ 1,193,335	\$ 1,479,692
Adjustments to reconcile operating income to net cash provided by operating activities:		
Changes in:		
Accounts receivable	82,847	(42,052)
Other assets	(85,182)	4,294
Accounts payable	6,434	(19,858)
Accrued expenses	46,168	39,728
Deferred revenue	163,540	2,883
OPEB obligation	215,493	206,834
Total adjustments	<u>429,300</u>	<u>191,829</u>
Net cash provided by operating activities	<u>\$ 1,622,635</u>	<u>\$ 1,671,521</u>

See notes to financial statements.

# ALBANY PORT DISTRICT COMMISSION

## NOTES TO FINANCIAL STATEMENTS

*December 31, 2011 and 2010*

### 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, 2011 and 2010.
- **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."

# ALBANY PORT DISTRICT COMMISSION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2011 and 2010

### 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 40 Years
Furniture and equipment	5 to 10 Years
Transportation equipment	5 to 10 Years



#### Accrued Employee Benefits

It is the Commission's policy to record employee benefits, including accumulated vacation 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.

# ALBANY PORT DISTRICT COMMISSION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2011 and 2010

### NOTE 2 | SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Deferred Revenue

Deferred revenue consists principally of rents received in advance. In 2011, deferred revenue includes \$162,618 received from insurance proceeds as a result of certain damage incurred to the Commission's property. These proceeds will be used to offset the expense when the related repairs are completed.

#### 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 2010 financial statement line items have been reclassified to conform with the current year's presentation.



# ALBANY PORT DISTRICT COMMISSION

## NOTES TO FINANCIAL STATEMENTS

*December 31, 2011 and 2010*

### NOTE 3 | CASH AND CASH EQUIVALENTS

At December 31, 2011 and 2010, the Commission's deposits were covered by FDIC insurance or otherwise collaterally secured.

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

	2011		2010	
	Carrying Value	Bank Balance	Carrying Value	Bank Balance
Cash on hand	\$ 300	\$ 300	\$ 300	\$ 300
Deposit accounts	354,453	425,933	1,374,976	1,418,531
	<u>\$ 354,753</u>	<u>\$ 426,233</u>	<u>\$ 1,375,276</u>	<u>\$ 1,418,831</u>

### NOTE 4 | INVESTMENTS

At December 31, 2011, investments, which are stated on the balance sheets at market value, are comprised of U.S. Government agency obligations, as follows:

<u>Investment</u>	<u>Par Amount</u>	<u>Maturity</u>	<u>Market (Carrying) Value</u>	<u>Cost</u>
Federal Home Loan Mortgage Corporation	\$ 460,000	1/3/2012	\$ 460,000	\$ 459,800
Federal Home Loan Mortgage Corporation	264,000	3/23/2012	265,180	266,173
Federal Farm Credit Bank	150,000	4/4/2012	151,801	152,038
Goldman Sachs Bank (CD)	245,000	4/12/2012	244,855	245,000
Federal National Mortgage Association	240,000	4/20/2012	241,272	242,045
GE Capital Corporation (FDIC GTD)	340,000	6/8/2012	343,121	343,244
Safra National Bank (CD)	245,000	10/5/2012	244,615	244,461
Apple Bank of Savings (CD)	150,000	10/12/2012	149,745	150,000
	<u>\$ 2,094,000</u>		<u>\$ 2,100,589</u>	<u>\$ 2,102,761</u>

At December 31, 2010, investments, which are stated on the balance sheets at market value, were comprised of U.S. Government agency obligations, as follows:

<u>Investment</u>	<u>Par Amount</u>	<u>Maturity</u>	<u>Market (Carrying) Value</u>	<u>Cost</u>
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	06/07/11	499,655	499,667
	<u>\$ 2,110,000</u>		<u>\$ 2,109,260</u>	<u>\$ 2,107,306</u>





# ALBANY PORT DISTRICT COMMISSION

## NOTES TO FINANCIAL STATEMENTS

*December 31, 2011 and 2010*

### 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, 2011 and 2010 are categorized as Category 1.

### NOTE 5 | PROPERTY AND EQUIPMENT

Depreciation expense was \$1,301,628 and \$1,263,705 for the years ended December 31, 2011 and 2010, respectively.

Property and equipment is comprised of the following:

	December 31 <u>2010</u>	<u>Additions</u>	<u>Deletions</u>	December 31 <u>2011</u>
Port marine facilities	\$ 64,263,885	\$ 13,853,053	\$ -	\$ 78,116,938
Transportation, equipment and furniture	809,249	1,500	-	810,749
Construction in process	10,666,269	2,253,229	12,900,098	19,400
Total	75,739,403	16,107,782	12,900,098	78,947,087
Less accumulated depreciation	46,888,240	1,301,628	-	48,189,868
Net property and equipment	<u>\$ 28,851,163</u>	<u>\$ 14,806,154</u>	<u>\$ 12,900,098</u>	<u>\$ 30,757,219</u>

### NOTE 6 | LONG-TERM DEBT

Long-term debt is comprised of the following:

	December 31 <u>2010</u>	<u>Debt Issued</u>	<u>Debt Payments</u>	December 31 <u>2011</u>
NYS First Instance advances (A)	\$ 317,709	\$ -	\$ 80,000	\$ 237,709
M&T warehouse obligation (B)	1,112,634	-	60,556	1,052,078
KeyBank crane obligation (C)	110,516	-	110,516	-
Real Lease capital lease (D)	31,884	-	18,146	13,738
	1,572,743	<u>\$ -</u>	<u>\$ 269,218</u>	1,303,525
Less current maturities	269,226			156,807
	<u>\$ 1,303,517</u>			<u>\$ 1,146,718</u>

(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.

# ALBANY PORT DISTRICT COMMISSION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2011 and 2010

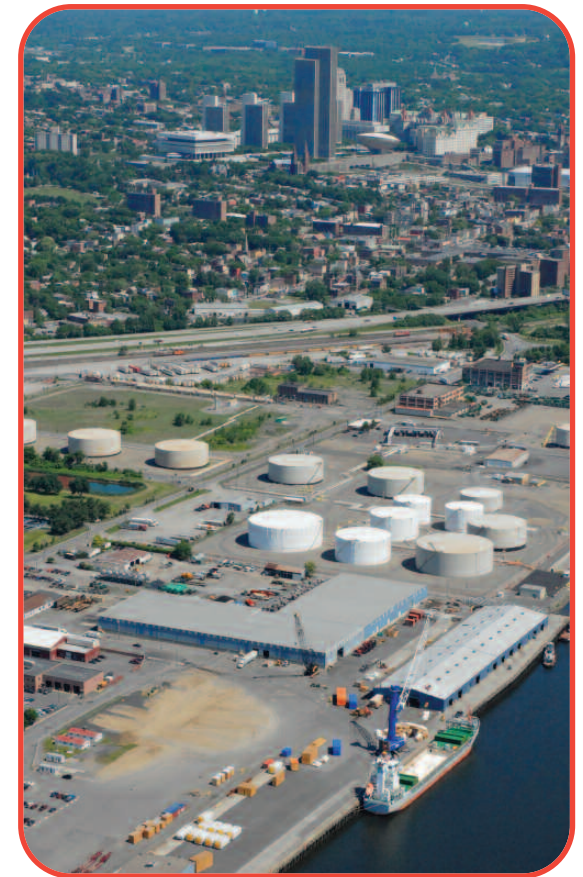
### NOTE 6 | LONG-TERM DEBT (Continued)

(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 approximated 4.76%. Monthly payments approximating \$18,700 were required through June 2011, when the obligation was paid in full. 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.



# ALBANY PORT DISTRICT COMMISSION

## NOTES TO FINANCIAL STATEMENTS

*December 31, 2011 and 2010*

### NOTE 6 | LONG-TERM DEBT (Continued)

Interest expense, inclusive of interest imputed on capital leases and certain other related costs, was \$51,085 and \$66,872 for 2011 and 2010, respectively.

At December 31, 2011, long-term debt maturities were comprised of the following:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 156,807	\$ 41,849	\$ 198,656
2013	145,683	38,937	184,620
2014	1,001,035	33,033	1,034,068
	<u>\$ 302,489</u>	<u>\$ 80,786</u>	<u>\$ 383,276</u>

### NOTE 7 | RETIREMENT PLAN AND RELATED BENEFITS

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

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

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

Pension related payroll and contribution amounts for the years ended December 31, 2011, 2010 and 2009 are as follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Retirement related payroll	\$ 711,985	\$ 739,670	\$ 544,045
Employer Contributions	\$ 119,125	\$ 111,408	\$ 20,025
Employee Contributions	\$ 26,789	\$ 22,425	\$ 17,958

### 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.

# ALBANY PORT DISTRICT COMMISSION

## NOTES TO FINANCIAL STATEMENTS

*December 31, 2011 and 2010*

### 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 \$37,000 and \$45,000 for current premiums in 2011 and 2010, 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.

	2011	2010
<u>Actuarial Accrued Liability (AAL)</u>		
Currently retired	\$ 647,532	\$ 647,532
Active employees	1,747,331	1,747,331
Actuarial accrued liability	2,394,863	2,394,863
Actuarial value of plan assets	-	-
Unfunded actuarial accrued liability (UAAL)	\$ 2,394,863	\$ 2,394,863
Funded ratio	0%	0%
Normal cost	\$ 99,280	\$ 99,280

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

	2011	2010
UAAL	\$ 2,394,863	\$ 2,394,863
Amortization period (years)	28	28
Amortization discount rate	2.50%	2.50%
Present value factor	21.0	21.0
UAAL amortization amount	\$ 114,233	\$ 114,233

# ALBANY PORT DISTRICT COMMISSION

## NOTES TO FINANCIAL STATEMENTS

*December 31, 2011 and 2010*

### 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:

	<b>2011</b>	<b>2010</b>
Normal cost	\$ 99,280	\$ 99,280
Amortization of UAAL	114,233	114,233
ARC	213,513	213,513
Interest on OPEB obligation	13,302	13,302
Adjustment to ARC	25,378	25,378
OPEB expense	\$ 252,193	\$ 252,193

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

	<b>2011</b>	<b>2010</b>
Net OPEB obligation at beginning of year	\$ 738,883	\$ 532,049
Annual OPEB expense	252,193	252,193
Annual OPEB contributions	(36,700)	(45,359)
Net OPEB obligation at end of year	954,376	738,883
Less: estimated current portion of OPEB obligation	36,700	45,359
Estimated long-term portion of OPEB obligation	\$ 917,676	\$ 693,524
Percentage of expense contributed	15.0%	18.0%

#### Trend Information

Year Ended	Beginning OPEB Obligation	Annual OPEB Cost	Actual Employer Contribution	Percentage Contributed	Net OPEB Obligation
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
12/31/2011	738,883	252,193	36,700	14.6%	954,376



# ALBANY PORT DISTRICT COMMISSION

## NOTES TO FINANCIAL STATEMENTS

*December 31, 2011 and 2010*

### 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:

<u>Year</u>	<u>Trend Increase</u>
2011	8%
2012	7%
2013	6%
2014	5%
2015	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, 2011 were as follows:

2012	\$ 2,326,000
2013	1,686,000
2014	1,228,000
2015	1,109,000
2016	1,007,000
Thereafter	<u>7,708,000</u>
	<u>\$ 15,064,000</u>



# ALBANY PORT DISTRICT COMMISSION

## NOTES TO FINANCIAL STATEMENTS

*December 31, 2011 and 2010*

### 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:

<u>Year Ending</u>	
2012	\$ 145,000
2013	155,000
2014	160,000
2015	165,000
2016	175,000
Thereafter	<u>2,530,000</u>
	<u>\$3,330,000</u>



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

# ALBANY PORT DISTRICT COMMISSION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2011 and 2010

### NOTE 10 | COMMITMENTS AND CONTINGENCIES (Continued)

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 2011 and 2010, the Commission's total lease cost, project improvement cost, and other operating expenses related to the waterfront development project approximated \$332,000 and \$315,000, 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. 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 secured funding in the form of two separate grants from the New York State Department of Transportation for a wharf reconstruction project, performed in two phases, and entered into contracts for construction in the full amount of the project's total estimated cost. The first grant provided 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. At year end, the project was complete and the Commission had expended approximately \$7,970,000 under this grant. The second grant provided 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 project was complete and the Commission had expended approximately \$4,886,000 under this grant.

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 \$839,000 under this grant. The project is expected to be completed during 2012.

The Commission receives grants which are subject to audit by agencies of the Federal and State governments. Such audits may result in disallowances and a request for a return of funds to the Federal and State governments. The Commission is currently involved in a dispute with the federal funding source over certain technical aspects of work performed under the second phase of the wharf reconstruction project. Based on this dispute, the funding source has withheld approximately \$1,120,000 in reimbursement requests that have been submitted by the Commission. Management believes the dispute will be resolved in their favor and that disallowances, if any, will be immaterial.



# SUPPLEMENTARY INFORMATION

## ALBANY PORT DISTRICT COMMISSION SCHEDULES OF PAYROLL AND RELATED COSTS AND OTHER OPERATING EXPENSES

*Years ended  
December 31, 2011 and 2010*

	<u>2011</u>	<u>2010</u>
<b>PAYROLL AND RELATED COSTS</b>		
Administrative	\$ 576,292	\$ 549,909
Maintenance crews and supervisor	213,234	238,068
Security	320,136	303,743
Benefit costs	319,158	302,020
OPEB expense	252,193	252,193
Payroll taxes	<u>82,738</u>	<u>81,440</u>
Total payroll and related costs	<u>\$ 1,763,751</u>	<u>\$ 1,727,373</u>
<b>OTHER OPERATING EXPENSES</b>		
Security	\$ 39,571	\$ 51,169
Utilities	103,091	102,313
City water	4,473	4,109
Advertising and promotion	136,373	136,417
Office supplies and expenses	61,288	44,927
Telephone	25,503	23,807
Snow removal	20,709	5,500
Equipment operating expense	69,304	55,107
Other expenses	<u>37,046</u>	<u>41,575</u>
Total other operating expenses	<u>\$ 497,358</u>	<u>\$ 464,924</u>



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, 2011, and have issued our report thereon dated March 20, 2012. 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.

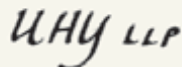
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination 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.



Albany, New York  
March 20, 2012

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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





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# ABOUT THE COMMISSION BOARD

**Robert F. Cross** was first appointed commissioner of the Albany Port District Commission by the Governor 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. Commissioner Cross previously served as an assistant environmental commissioner for New York State in the administration of Governor Mario M. Cuomo. 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 New York State Drought Management Task Force. Commissioner Cross also is author of the 2003 presidential biography, *Sailor in the White House: the Seafaring Life of FDR*, and *Shepherds of the Sea: Destroyer Escorts in World War II*, released in 2010. Both books are published by the Naval Institute Press in Annapolis, Maryland. He currently is at work on his third book.

**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.

**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.



- LEGEND**
- 1. Proposed Site
  - 2. Cogeneration Plant
  - 3. Besicorp Empire Power Plant
  - 4. Getty Petroleum Tank Farm
  - 5. Port of Albany Turning Basin
  - 6. Port of Albany
  - 7. Albany Asphalt Blacktop Plant
  - 8. Commercial/Residential Area
  - 9. Fort Crailo
  - 10. Rensselaer Iron & Steel Salvage
  - 11. BASF Site
  - 12. SNAP
  - 13. Hazardous Waste Landfill
  - 14. APDC Marine Terminal & Cargo Facility
  - 15. Normal Trucking and Trailer
  - Port Commission Property
  - Truck Route