ALBANY PORT DISTRICT COMMISSION

Globally Connected.
PORT OF ALBANY
Locally Invested.

Creating Partnerships

Annual Report 2012

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CREATING PARTNERSHIPS

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 2012.

It is the Port's intention that this annual report presentation of the functions and activities of the Commission during the past year will provide the interested public with a greater understanding of the operations of this modern, year-round deep water terminal.

Dear Governor Cuomo:

In accordance with the provisions of Chapter 192 of the laws of 1925, State of New York, as amended, I am pleased to present to you, the New York State Legislature and Comptroller the 2012 Annual Financial Report of the Albany Port District Commission.

The Port of Albany is one of five public ports in New York State and is a significant economic engine for the Capital Region and state. The most recent economic impact study of the Port of Albany concluded that the Port's overall economic impact on New York State is more than $813 million annually. Tenants of the APDC pay over $80 million in wages and benefits for approximately 1,400 local jobs and 4,500 jobs throughout New York State. To that end, the Port administration takes its responsibility of the stewardship of the Port facilities and its impact on the surrounding community very seriously.

I am happy to report that 2012 was an extraordinary year for the Port of Albany, with more ships arriving at our newly-constructed docks carrying an increasing amount of cargo. This has generated plenty of work for our dedicated and hardworking longshore labor.

In 2011, the Port completed a major reconstruction project of its entire Albany-side wharf system, which was first dedicated when Franklin D. Roosevelt was in the Governor's Mansion. With State and Federal funds, the Port was able to construct a modern concrete and steel wharf system capable of handling today's larger ships and heavier cargo. Some 900 feet of new on dock rail was also added to assist in moving cargo quickly from ship to shore. During the construction process, dozens of union jobs were generated, especially important during difficult economic times.

Thanks to the financial support of New York State and the Federal government, we built it—and now they are coming. 2012 saw a 21 percent increase in the number of ships docking and leaving our wharfs carrying grain, project cargo, molasses, woodpulp, and scrap iron. As a result, there was a 28 percent increase in cargo tonnage passing through the Port, with grain, molasses, and project cargo taking the lead.

In 2012, the Port also made great strides with real estate activity. An 18-acre parcel of vacant land was leased to a New York State-based metal recycler who will invest $15 million to construct a shipping center at the Port. In addition, another Port tenant—Buckeye Partners—increased maritime activity and lease income by increasing crude oil shipments out of the Port.

All of this activity, both maritime and real estate, helps to strengthen the Port's financial position. Revenue is up, long term debt is down, and the Port's cash flow trends continue to be very positive.

The Port Commission board continues to operate in a very transparent fashion, ensuring that all board meetings are streamed live on the internet and archived, along with minutes and other documents on our website. We also have adopted various policies and procedures to ensure that we are fully compliant with all appropriate laws, rules, and regulations governing public authorities. In addition, all board members and our staff have received training through the Authorities Budget Office.

On behalf of the board, I want to thank you and your Administration for your strong support and demonstration of leadership which has been instrumental to our success. In addition, we want to thank Albany Mayor Jerry Jennings who, having once worked at the Port as a longshoremen, understands the importance of our Port for the economic well being of the Capital District and beyond. He has been—and continues to be—a steadfast advocate on our behalf to the Federal and State governments. The board also appreciates the dedication of General Manager Richard Hendrick and his staff of professionals who assist him manage the day-to-day operations at the Port. With Rich at the helm, the future looks bright indeed.

I also want to thank my fellow board members—Tony Ferrara, Leo Dean, Georgette Steffens, and Dominick Tagliento—for their dedication in helping us achieve great things for our Port. We look forward to more exciting news in 2013—more ships calls at the Port, and more cargo handled by our talented longshore labor. Fair winds and following seas in the year ahead!

Robert F. Cross
Chairman

Message from Gerald D. Jennings

Mayor, City of Albany

Once again, it is my honor to contribute to the Albany Port District Commission's Annual Financial Report.

I am pleased that this report will indicate that 2012 has been a very good year for the Port of Albany. The Port's long term initiative to invest in infrastructure is paying off in commerce, job opportunities and global reputation as a first rate heavy cargo Port. The most recent reconstruction of the aging wharf system on the Albany side of the river has positioned the Port to increase business and economic development.

The new modern wharf system is providing enhanced cargo handling capability for the Port's current tenants and allows more aggressive marketing of our Port across the nation and the world! The Port's global connections include Africa, Australia, Brazil, Canada, Egypt, Russia, South America, Sweden and Turkey to name most recent import and export locations. The $12 million state-of-the-art concrete and steel wharf system is critical to continuing the Port's premier operations.

We have witnessed nothing short of remarkable progress over the past decade at our Port, and plans continue to invest and grow capacity. This is key to the Port proudly taking its place as an important player in the world of international commerce and growing jobs right here in the community.

I want to thank Governor Cuomo for his steadfast support of our efforts to build and expand our Port. As a vital economic engine for the Capital District and beyond, the Port of Albany is poised for even more greatness in the years ahead. I also want to commend Port Chairman Robert Cross and the other members of his board along with Port General Manager Richard Hendrick. It is because of their leadership and hardwork that we are witnessing the transformation of a once-sleepy upstate port to a vital, active and critical asset which will benefit all New Yorkers.

Gerald D Jennings

Gerald D. Jennings
Mayor, City of Albany

Message from Daniel J. Dwyer

Mayor, City of Rensselaer

DANIEL J. DWYER
MAYOR

On behalf of the City of Rensselaer I am pleased to contribute to the Port of Albany's annual report. The City of Rensselaer has been a part of the Port District since its inception in 1929, when laws of New York State declared the "Albany Port District" as territory on the easterly and westerly sides of the Hudson River within the Cities of Albany and of Rensselaer. While the proportion of Rensselaer land within the Port is small, its contribution to maritime activity and real estate development is important. With approximately 45 acres and 1,200 feet of waterfront access, the economic development potential in Rensselaer is a key component of the overall Port District.

This year I am pleased that a substantial investment is taking place to modernize the Rensselaer wharf. Through Governor Cuomo's Regional Economic Development Councils, the Port District successfully secured $11.5 million in funding to replace 600 feet of wharf. This will double the capacity of commercial waterfront activity on the Rensselaer side of the Port, since only a portion of the wharf had been usable due to age and deterioration. This is expected to allow twice as many ships to dock at the same time on the easterly side of the Hudson River. Which means greater likelihood for more cargo to handle which translates into more jobs. We look forward to the development activity on the riverfront this upcoming year to bring this project to reality! I am committed to working with the Albany Port District Commission to expand business at the Port and generate revenue and job opportunities for the City and Region.

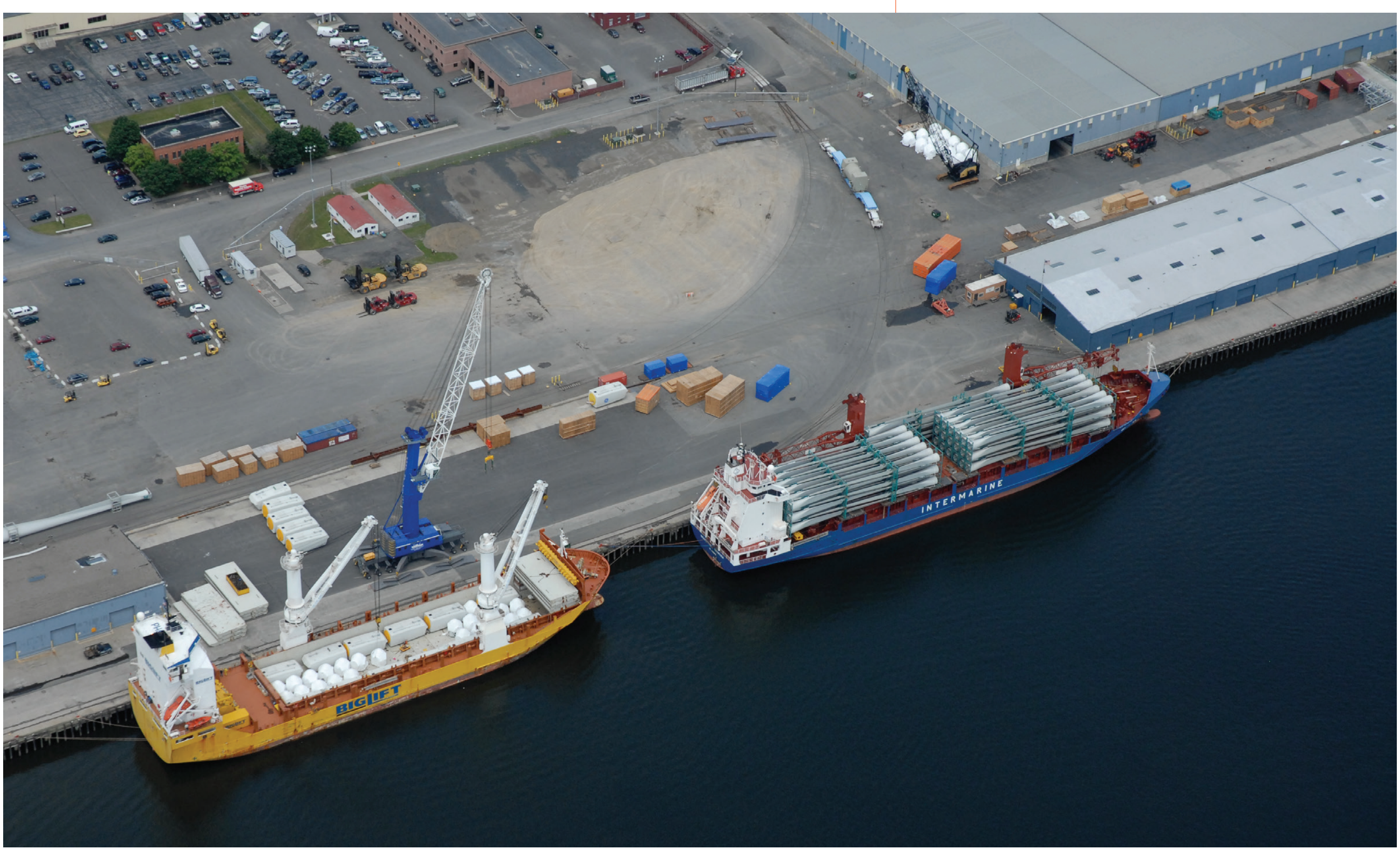
I would like to thank Port Chairman Robert Cross, Commissioner Dominick Tagliento and the other members of the Board along with General Manager Rich Hendrick. The dedication and hard work at the Port District is creating exciting economic development for our region and beyond.

Daniel J. Dwyer
Mayor, City of Rensselaer

Port of Albany 2012 Stats

Commodity	Number of Ships/Barges	Total Tonnage
GRAIN	4	112,752
Heavy Lift/Project Cargo	39	24,539
MOLASSES	2	20,072
Scrap Iron	9	205,702
Woodpulp	10	28,405
TOTALS	**64**	**391,470**

Longshore Hours Worked	
January	3,483
February	2,041.5
March	4,691.5
April	2,160
May	2,722.5
June	1,745.5
July	3,370
August	2,595
September	2,934.5
October	1,768
November	2,314
December	3,894.5
Total	**33,720**



Strong Partnerships, New Potential

2012 was a year of creating new opportunities and expanding potential at the Port of Albany through strong partnerships.

Oil, ethanol, grain, scrap metal and heavy lift/project cargo are anchor commodities for the Port of Albany and our partners such as Buckeye, Cargill, Upstate Shredding and Mohawk Paper. Through innovative ideas and investments, the Port and these businesses have been able to create partnerships that are expanding commerce and maritime activity. For example, Buckeye and Cargill forged an agreement in 2012 that will enable flow of ethanol in a more efficient manner and allow an expanded market base in the Northeast.

It is the Port's strong relationship with the federal and state governments that underpins these partnerships and investments. With state and federal support, the Port has made multi-million dollar investments on both the Albany and Rensselaer sides of the port, modernizing wharves and strengthening infrastructure that maximize the Port as a premier destination for business and maritime activity.

In 2011, the Port received $12 million from New York State and the Federal American Recovery and Reinvestment Act to install a 900 ft. steel wharf system and added 300 ft. to the Port's on-dock rail line on the Albany side of the Hudson. The results of these upgrades in 2012 are tangible. In 2012, there was a 21% increase in ships coming to the Port to unload 28% more cargo tonnage with grain, molasses and project cargo taking the lead. These upgrades also made it possible to attract new real estate tenants to the Port that need to access the wharf.

The Port has initiated similarly substantial investments to the Rensselaer side of the Port with an $11.5 million grant through the Capital Region Economic Development Council. Pre-development work began on the rehabilitation of 600 feet of wharf, which will double the shipping capacity on the Rensselaer side of the Port operations.

The Port's continued investment in infrastructure and promise of innovative relationships is what help ink agreements with new partners. In 2012, the Port and Upstate Shredding signed a lease which will bring at least $15 million investment, 40 new jobs and a 20 year commitment to the Port.

"We're investing $15 to $20 million into this project," said Adam Weitsman, Upstate Shredding LLC/Ben Weitsman & Son, Inc. owner. "We'll be building offices, warehouses, bringing in new equipment, paving the whole facility and hiring 20 to 25 people to begin our business of shredding and recycling all kinds of metals from retail, wholesale and industrial based customers."

And like it's facility in Owego, Weitsman promises his new business will be one of the best looking sites in the Port. "We won't look like a scrap company."

The activity at the Buckeye Tank Field in the Port reflects major commerce beyond New York State. In 2012, Buckeye began transferring shale oil from railroad tankers to its tank field and then to barges destined to New York City and beyond. The oil originates in the

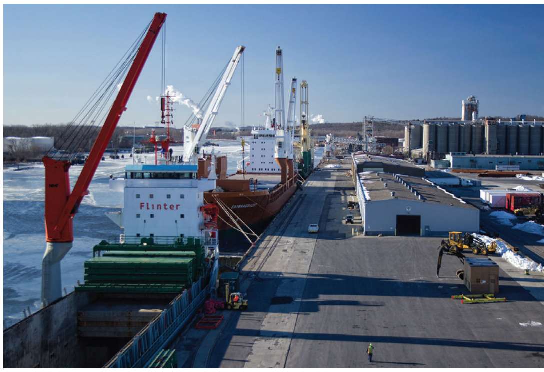
Bakken field in North Dakota and comes into the Port and to Buckeye along CP Rail lines. Buckeye and Cargill have created a partnership to move the oil from the former's tank field along Cargill's rail line to expedite shipping down the Hudson River.

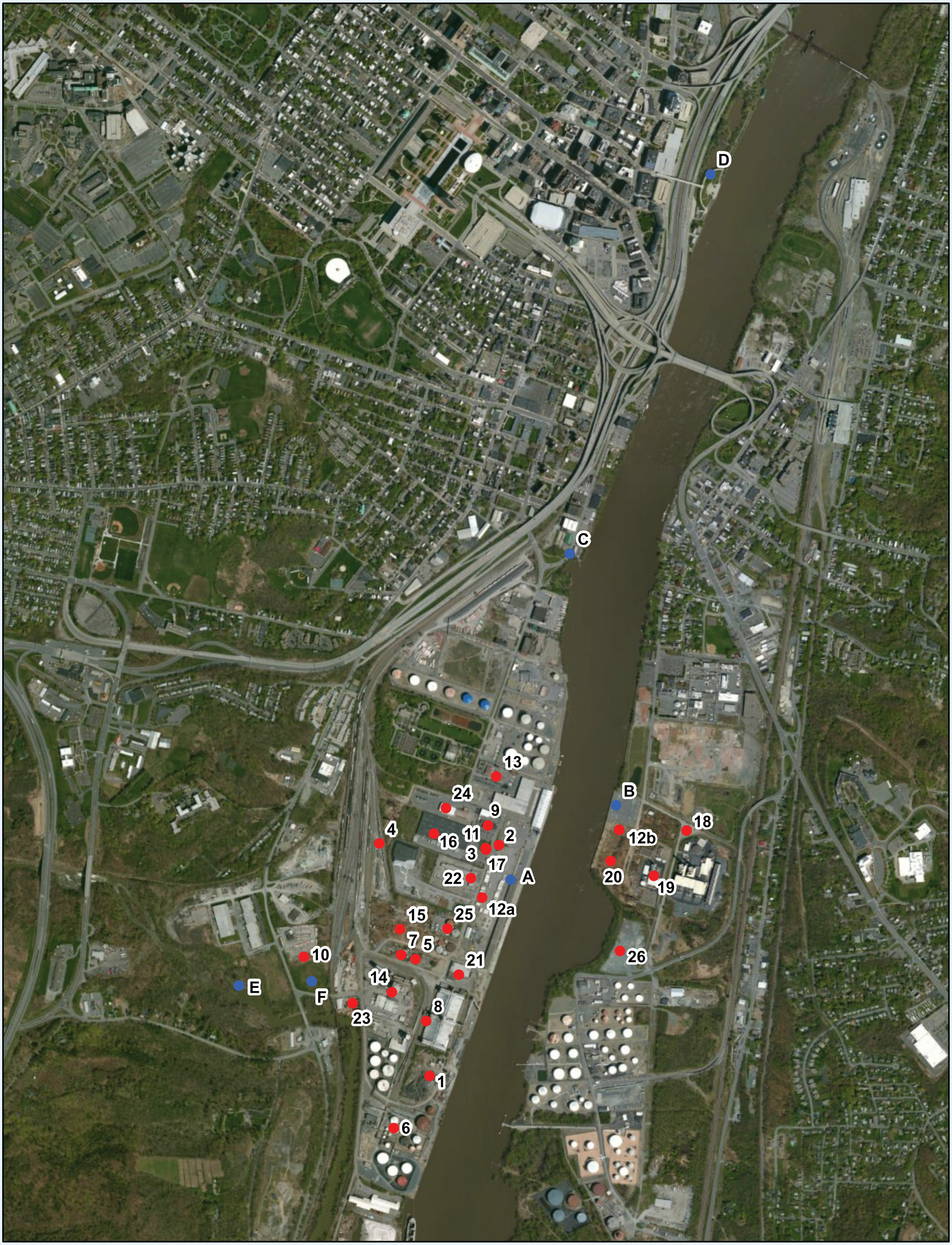
With this greater capability, Buckeye will be able to handle 135,000 barrels a day. Couple that amount with the 160,000 barrels Global Partners handles, which is located just outside the Port, Port General Manager Rich Hendrick expects the Port to have its own "oil boom" in the next five years with port fees expected to reach $500,000 a year.

The Port partnered on another oil project in 2012. Instead of facilitating the shipment of oil, the Port worked with Champion Homes to ship modular units to an Exxon/Mobile off-shore drilling project in Newfoundland. This activity created a boom of activity for longshoreman. Champion Homes chose the Port of Albany because of its expertise in handling multi-dimensional project cargo/heavy lift shipments.

A major shipment in 2012 included two heavy transformers weighing 665,000 lbs. each. The shipment originated from the Far East on an ocean going vessel, was transferred to a barge and brought up the Hudson River to the Port because of a growing reputation for expertise in handling turbines and other large multi-dimensional cargo. The Port's longshoreman transferred the transformers from the barge to a Schnable rail car which is designed to carry these types of unique heavy loads. Once loaded, the transformers were shipped to a job site in Cranberry Township, approximately 20 miles north of Pittsburgh, PA.

All in all, the Port of Albany continued to demonstrate its standing as a major economic development engine for the region and state in 2012. The Port's overall economic impact on New York State is more than $813 million annually, with more than 1,400 local jobs and 4,500 jobs throughout the state. With the support of strong partners and smart investments, the potential at the Port of Albany is limitless!





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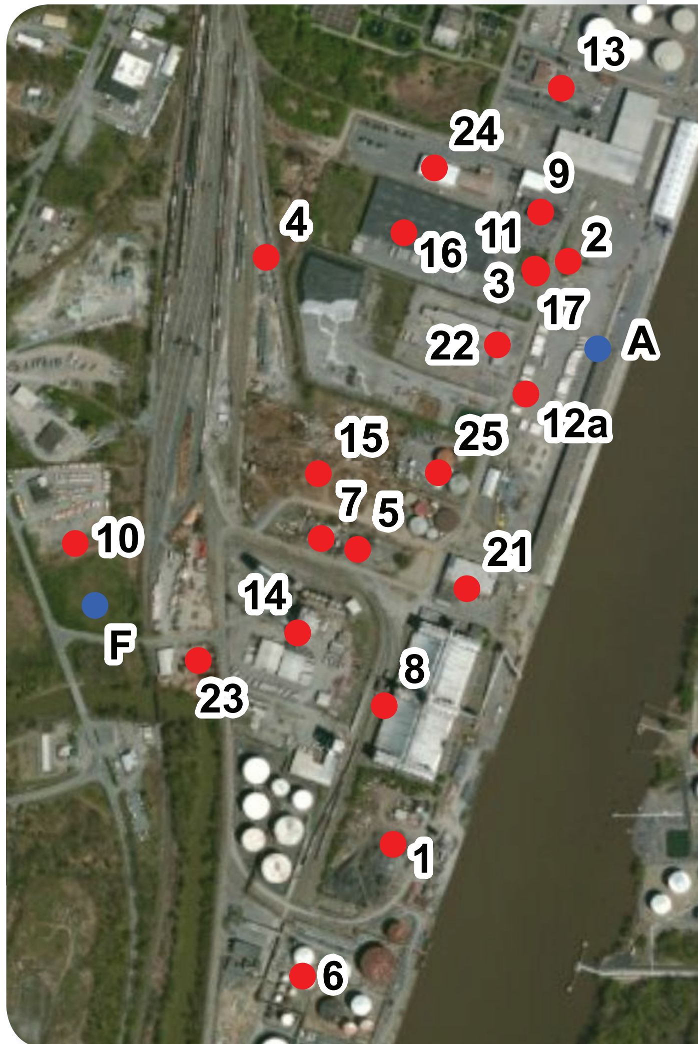
Albany Port District Commission Map of Property, Leases and Projects

1	Albany Asphalt & Aggregates
2	Albany Maritime Ministries, Inc.
3	Albany Port Employees Association / ILA
4	Albany Port Railroad
5	Albany Port Railroad Corporation Headquarters
6	Buckeye Albany Terminal, LLC
7	Capitol Bag & Waste
8	Cargill, Inc.
9	Dept. of Environmental Conservation
10	Durham School Services, LP
11	F.J. Pugliese Company, Inc.
12a	Federal Marine Terminals, Inc.
12b	Federal Marine Terminals, Inc.
13	Gorman Brothers, Inc.
14	Horizon Milling, LLC
15	Sims Metal Management
16	Mohawk Paper Mills, Inc.
17	New England Steamship Agents, Inc.
18	Normal Truck & Trailer Corporation
19	Rensselaer Cogeneration, LLC
20	Rensselaer Iron & Steel, Inc.
21	Sam Greco Construction Company, Inc.
22	Upstate Shredding
23	W.M. Biers Trucking, Inc.
24	Waste Management of New York, LLC
25	Westway Feed Products, Inc.
26	New Castle Asphalt
A	2012 Albany Wharf reconstruction
B	2013 Rensselaer Wharf reconstruction
C	Port owned 2 acre waterfront development site
D	Port owned Corning Preserve & Hudson Riverfront Park
E	Port owned 26 acre development site
F	Port Owned 3.5 Acre Development Site



Detail

From the Albany Port District Commission General Manager

Chairman Cross and Members of the Board of Commissioners:

As the recently rehabilitated Albany Wharf is tracking more commerce, and the predevelopment work on the Rensselaer Wharf is underway, the Albany Port District Commission is taking major strides toward its core mission of developing infrastructure, transportation, commerce and industries in the Port District.

The Port's contribution to the region's economic growth is especially important during this time when the state and national economies are still recovering slowly. The Port endeavors to create and cultivate each and every opportunity to increase ships, cargo handled through the Port and longshoreman hours. This maritime activity is supported by a healthy real estate portfolio that includes companies utilizing the docks.

To ensure we are successful in executing our mission and running operations safely and open to the public, we continue to pursue the highest standards in the way we do business. The Port requires updates, more modern equipment and additional infrastructure investments which add a burden of identifying capital resources. The Port is committed to do this successfully in order to maximize its competitive advantage in the industry. Investments that have been made at the Port over recent years have yielded tremendous results and we are determined to continue this course. The Port must

be efficient, act with focus and find ways to speed delivery of our projects, while serving the needs of our customers and tenants. Continued investments in infrastructure is critical to serving these goals. This will also create and support hundreds of high quality jobs and increased economic development activity.

Since becoming the General Manager of the Port of Albany in 2008, I have recognized the value of the team that makes all of this possible. This dedicated professional team includes operations, security, maintenance and laborers who are committed to providing 110% to achieving the mission and serving the public. I would like to particularly commend the Port's General Counsel Tom Owens who's service helps to set the Port's highest standard of excellence. It takes a synchronicity of forces to achieve the major infrastructure projects, handle global shipping activity and serve regular tenant retention and attraction and I am very proud to state that the Port of Albany's team achieves this seamlessly.

Our priorities going forward include continued infrastructure improvements, increasing real estate returns at the Port, increasing longshoreman opportunities all while improving efficiencies and decreasing operational expenses. With the $11.5 million Rensselaer rehabilitation underway, at least 33 acres of non-maritime Port real estate currently undergoing new tenant improvements and major cargo shipments expected at the Port over the next 18 months, we are steadfastly working toward these goals. I want to thank the Board of Commissioners for their tireless support and leadership. I look forward to another prosperous year at the Port of Albany!

Facility Highlights

Located 124 nautical miles 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 and on the Rensselaer (east) wide is 1,200 feet

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

Four transit sheds and two backup warehouses totaling 300,000 square feet of sprinklered storage

20 mile standard gauge switching railroad

Heavy lift on-dock

Super-sacking and bagging operation

Liebherr mobile harbor crane with a life capacity that ranges from 123 short tons at 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

108 million gallon capacity bulk liquid storage

In the News 2012

TIMES UNION

GE power generation cargo and gas pipe ready to be loaded aboard the BBC Houston bound for Saudi Arabia at the Port of Albany.

(John Carl D'Annibale / Times Union)

TIMES UNION

Celebrating Albany's New Wharf

Rich Hendrick, center at podium, General Manager of the Port of Albany, addresses those gathered for an event at the port to show off the new wharf and the expanded rail line. Also pictured from left, is former Albany County Executive Michael Breslin, U.S. Congressman Paul Tonko, Albany Mayor Jerry Jennings and Mary Ivey, former New York State Regional Director for DOT Region 1.

(Paul Buckowski / Times Union)

TIMES UNION

A housing unit built in Sangersfield, N.Y. and bound for Newfoundland is hoisted in to the Flinterstream ship in the Port of Albany.

(Skip Dickstein/Times Union)

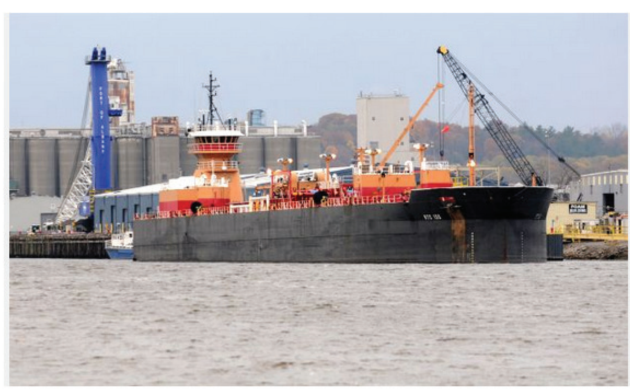
TIMES UNION

Pre-empting a Spill Threat

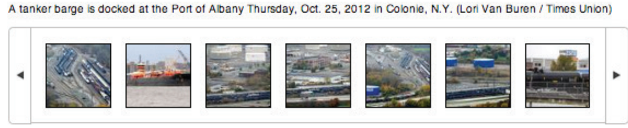
Existing disaster plans are said to be sufficient for heavier Albany river traffic

By Brian Nearing

Published 5:07 pm, Saturday, October 27, 2012



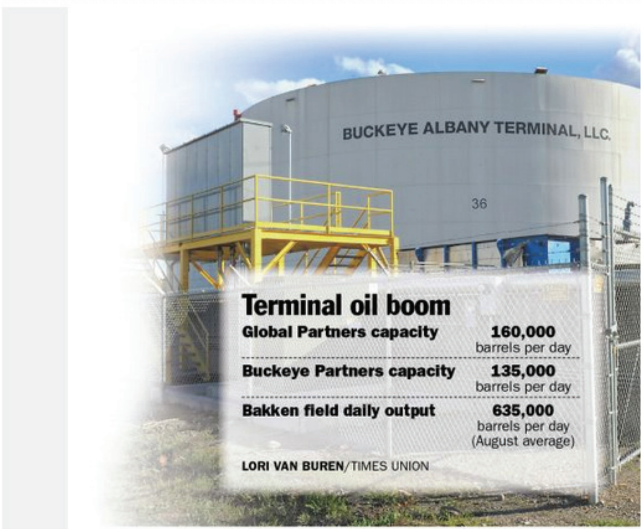
A tanker barge is docked at the Port of Albany Thursday, Oct. 25, 2012 in Colonie, N.Y. (Lori Van Buren / Times Union)



TIMES UNION

Pumping up Albany's Port

Transfer deal could mean more jobs, money, traffic
By Eric Anderson
Updated 7:22 am, Saturday, October 13, 2012



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New Terminal to Provide US Port of Albany Crude Oil Storage

Press Release — Thursday, October 11, 2012

Buckeye Partners, sign a multi-year agreement with an Irving Oil subsidiary for multi-million barrel storage facility in Port of Albany on the Hudson River.

The approximately 1.8-million barrel storage facility located within the Port of Albany along the Hudson River is expected to begin handling crude oil on November 1, 2012. Buckeye plans to make modifications to the Albany terminal that, once completed, will allow the terminal to handle both crude oil and ethanol unit-trains with a total capacity in excess of 135,000 barrels per day.

"Rail transport has become a critical component of the logistics chain as domestic crude oil production has increased significantly," said Clark C. Smith, Buckeye's President and Chief Executive Officer. "The addition of crude oil services at our Albany terminal is part of our strategy to increase and improve the utilization of our existing assets. We are excited to continue to develop these kinds of opportunities with a strategic partner such as Irving Oil."

Buckeye Partners, L.P. is a publicly traded master limited partnership that owns and operates one of the largest independent liquid petroleum products pipeline systems in the United States in terms of volumes delivered, with over 6,000 miles of pipeline.

Buckeye's flagship marine terminal in The Bahamas, BORCO, is one of the largest crude oil and petroleum products storage facilities in the world,

TIMES UNION

Gas pipe, left, ready to be loaded aboard the BBC Houston bound for Saudi Arabia at the Port of Albany.

(John Carl D'Annibale / Times Union)

THE BUSINESS REVIEW

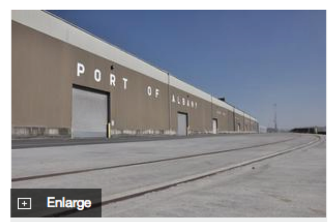
Dec 11, 2012, 2:10pm EST | **UPDATED:** Dec 14, 2012, 2:15pm EST

Albany port, metal recycler sign deal for $15 million shipping center

Pam Allen
Reporter-
The Business Review
Email | Twitter | Google+

A New York scrap-metal recycler near Binghamton, New York, has signed a deal with the Port of Albany to build a $15 million shipping facility that will employ 40 people.

Owego-based Upstate Shredding LLC-Ben Weitsman & Son Inc. will lease 18 acres for $22,500 a month, or $270,000 annually, plus pay an estimated $70,000 a



Donna Abbott Vlahos | The Business Review

A scrap metal recycler based in Owego, New York, has signed a deal with the Port of Albany to build a $15 million shipping facility that will employ 40 people. The cost of the lease plus annual tonnage payments to the port are worth $6.8 million over the 20-year term.

THE BUSINESS REVIEW

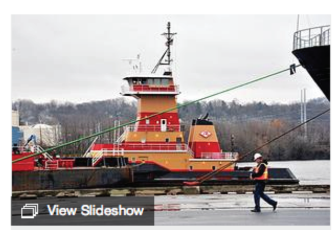
SUBSCRIBER CONTENT: Dec 14, 2012, 6:00am EST

Metal recycler eyes $35M auto shredding operation at port

Pam Allen
Reporter-
The Business Review
Email | Twitter | Google+

A scrap metal recycler that last week inked a deal to build a $15 million shipping center at the Port of Albany wants to piggyback that project with a $35 million automobile shredding operation.

The company, Upstate Shredding LLC-Ben Weitsman & Son Inc., would model the shredding center after the one it currently



Donna Abbott Vlahos | The Business Review

Recent improvements at the Port of Albany have caught the attention of a central New York scrap metal recycler that is planning to invest up to $50 million on two separate projects there.

FINANCIAL STATEMENTS

Financial Statements

December 31, 2012 and 2011

ALBANY PORT DISTRICT COMMISSION

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UHY LLP
Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

New York State Governor Andrew Cuomo and the NYS Department of Transportation played a major role in the plans to further enhance and modernize the Port of Albany in 2012. The Port competed for and was awarded an $11.5M grant from the state through the Regional Councils to revitalize and refurbish the wharfs on the Rensselaer side of the Port. Predevelopment work began in 2012 for the major infrastructure enhancement project. The wharf improvements will enable the Port to increase the level of commerce activity and economic development potential on the east side of the Hudson River. New wharves will provide enhanced capacity for cargo for our current tenants and will enable the Port to increase tonnage and potentially increase the number of vessels on the Rensselaer side of the Port operations.

This project builds upon a similar project funded by the American Recovery and Reinvestment Act which installed 800 ft. of new wharf and associated rail infrastructure in 2011 on the Albany side of the Port. In 2012, the Port already began to see the return on this major investment. The $12 million concrete and steel wharf system was designed to withstand 1,200 pounds per foot and added 300 feet of new on dock rail line. This has allowed the Port to immediately see benefits with increased large cargo handling, increased ships utilizing the port and increased tonnage in 2012.

In 2012, the Port also made strides with real estate activity. An 18 acre parcel of vacant land in the Albany Port District was leased to a New York State based metal recycler who will invest $15 million to construct its shipping center. This is expected to increase longshoreman hours, maritime activity and increase lease income for the Port. Other tenant activity in 2012 that is increasing maritime and longshoremen hours at the Port include Buckeye Partners deal to increase crude oil shipments out of the Port. All perspectives of the Port operations are either experiencing increased activity or planning for increased activity. Investments in infrastructure enhancements are providing critical returns to the Port and to the local and regional economy.

All of our work is accomplished with the strong support of Albany Mayor Gerald Jennings. He has always been at the forefront of advocating for the Port in the Federal and State governments. Mayor Jennings has been critical to assisting the Port secure vital resources to enhance infrastructure systems. The Port is also bolstered by the support of its State Legislative Delegation.

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:

	2010	2011	2012
Ships	49	42	58
Barges-Heavy Lift	9	11	6
Total	58	53	64
Tonnage			
Inbound	28,579	37,430	54,892
Outbound	423,339	267,591	336,578
Total	451,918	305,021	391,470
Longshoremen			
Man Hours	29,565	41,020	33,720

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

FINANCIAL OPERATION HIGHLIGHTS

Total net position increased $66,936 for 2012 compared with a $1,777,096 increase from the prior year.

The $66,936 increase for 2012 can primarily be attributed to the following:

Capital Contributions	$ 627,418
Increase in Operating Revenues	$ 89,746
Increase in Operating Expenses	$ 19,063

Financial Position Summary

Net position may serve over time as a useful indicator of the Commission's financial position. The Commission's assets exceeded liabilities by $32,059,140 at December 31, 2012, an increase of $66,936 from December 31, 2011. A three-year comparison is shown below:

	2010	2011	2012
Assets			
Current and other assets	$ 4,433,493	$ 4,246,253	$ 4,779,564
Capital assets	28,851,163	30,757,219	30,305,131
Total assets	$ 33,284,656	$ 35,003,472	$ 35,084,695
Liabilities			
Current and other liabilities	$ 1,072,507	$ 946,874	$ 894,326
Long-term liabilities	1,997,041	2,064,394	2,131,229
	$ 3,069,548	$ 3,011,268	$ 3,025,555
Net Position			
Invested in capital assets, net of related debt	$ 27,278,420	$ 29,453,694	$ 29,158,412
Unrestricted	2,936,688	2,538,510	2,900,728
Total net position	$ 30,215,108	$ 31,992,204	$ 32,059,140

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Future Operations

- In the 4th quarter of 2012 The Albany Port District Commission signed an Off-Loading Agreement with Buckeye Terminal LLC which will provide an estimated $150,000 annually.
- 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 2013 to assist in the management of real property assets.
- The Commission has issued a Request for Proposals (RFP) for 12 acres within the Port to establish a maritime related business.
- The Port plans to make necessary maintenance and operation investments, including a roof replacement at Warehouse A which will ensure added lease activity. The Port has identified additional operation investments that are necessary to accommodate growing commerce activity. These investments, including equipment needs, will require pursuing funding assistance, including state or federal resources.
- The Port has identified potential real estate investments that would allow new lease opportunities, including demolishing an underutilized shed at 503 Smith Boulevard to make way for new construction opportunities.
- Utilizing a grant obtained from the Department of Homeland Security, the Commission plans to construct a state of the art Security and Emergency Operations Center. The grant provides up to $750,000 in federal funds for 75% of the total project cost, estimated to be $800,000.
- 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.

INDEPENDENT AUDITOR'S REPORT

To the Commissioners
Albany Port District Commission

We have audited the accompanying financial statements of Albany Port District Commission (a component reporting unit of the City of Albany) as of December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2012 and 2011, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT (continued)

Management's Discussion and Analysis

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2013 on our consideration of the Albany Port District Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Albany Port District Commission's internal control over financial reporting and compliance.

Supplementary Information

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 22 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, 2013

STATEMENTS OF NET POSITION

December 31, 2012 and 2011

	2012	2011
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 829,595	$ 382,691
Investments	3,196,021	2,100,589
Accounts receivable	503,430	1,489,884
Other current assets	245,535	265,390
Total current assets	4,774,581	4,238,554
NET PROPERTY AND EQUIPMENT	30,305,131	30,757,219
OTHER	4,983	7,699
	$ 35,084,695	$ 35,003,472
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Current maturities of long-term debt	$ 145,683	$ 156,807
Deferred revenue	75,392	166,423
Accounts payable	147,600	193,710
Accrued expenses	361,908	365,296
OPEB obligation, current portion	36,700	36,700
Total current liabilities	767,283	918,936
SECURITY DEPOSITS	127,043	27,938
LONG-TERM LIABILITIES		
OPEB obligation net of current portion	1,130,193	917,676
Long-term debt, net of current maturities	1,001,036	1,146,718
Total long-term liabilities	2,131,229	2,064,394
Total liabilities	3,025,555	3,011,268
NET POSITION		
Invested in capital assets, net of related debt	29,158,412	29,453,694
Unrestricted	2,900,728	2,538,510
Total net position	32,059,140	31,992,204
	$ 35,084,695	$ 35,003,472

See notes to financial statements.

STATEMENTS OF REVENUES AND EXPENSES AND CHANGES IN NET POSITION

Years ended December 31, 2012 and 2011

	2012	2011
OPERATING REVENUES		
Property rentals	$ 2,908,097	$ 2,856,182
Dockage fees	310,336	204,864
Wharfage fees	330,730	279,180
Stevedore fees	170,106	202,378
Crane/equipment rentals	115,500	53,025
Security fees	213,503	395,155
Storage and other services charges	149,606	117,348
Total operating revenues	4,197,878	4,108,132
OPERATING EXPENSES		
Payroll and related benefit costs	1,786,030	1,763,751
Maintenance expense	72,666	106,602
Material handling	125,345	90,684
Insurance	286,829	209,865
Professional and consulting fees	239,909	246,537
Other operating expenses	423,081	497,358
Total operating expenses	2,933,860	2,914,797
OPERATING INCOME, BEFORE DEPRECIATION AND OTHER ITEMS	1,264,018	1,193,335
DEPRECIATION AND OTHER ITEMS		
Depreciation and amortization	(1,463,925)	(1,304,344)
Waterfront development expenses	(323,667)	(332,155)
Decrease in fair value of investments	(27,970)	(5,705)
Interest income	29,799	1,806
Interest expense	(38,737)	(51,085)
Net depreciation and other items	(1,824,500)	(1,691,483)
DECREASE IN NET POSITION BEFORE CAPITAL FUNDING	(560,482)	(498,148)
Capital contributions	627,418	2,275,244
INCREASE IN NET POSITION	66,936	1,777,096
Total net position, beginning of the year	31,992,204	30,215,108
Total net position, end of year	$ 32,059,140	$ 31,992,204

See notes to financial statements.

STATEMENTS OF CASH FLOWS

Years ended December 31, 2012 and 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from rentals	$ 3,036,576	$ 2,934,831
Cash received for facility usage	794,460	745,467
Cash received from other services	319,361	703,059
Cash payments to employees and professionals	(1,816,801)	(1,749,527)
Cash payments for materials and maintenance	(344,325)	(190,852)
Cash payments for insurance	(266,974)	(295,047)
Cash payments for other expenses	(323,976)	(497,358)
Net cash provided by operating activities	1,398,321	1,650,573
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash payments for waterfront development	(323,667)	(332,155)
Net cash used in noncapital financing activities	(323,667)	(332,155)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Cash payments for capital assets	(1,098,991)	(3,480,261)
Cash received from capital grant funding	1,762,216	1,484,789
Interest expense	(38,737)	(51,085)
Cash payments on long-term debt and other obligations	(156,806)	(269,218)
Net cash provided by (used in) capital and related financing activities	467,682	(2,315,775)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash received from interest	1,829	1,806
Cash paid for purchase of investments	(3,669,094)	(5,177,034)
Cash received from sale of investments	2,571,833	5,180,000
Net cash (used in) provided by investing activities	(1,095,432)	4,772
Net increase (decrease) in cash	446,904	(992,585)
Cash, beginning of year	382,691	1,375,276
Cash, end of year	$ 829,595	$ 382,691
RECONCILIATION OF OPERATING INCOME, BEFORE DEPRECIATION AND OTHER ITEMS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income, before depreciation and other items	$ 1,264,018	$ 1,193,335
Adjustments to reconcile operating income to net cash provided by operating activities:		
Changes in:		
Accounts receivable	(148,344)	82,847
Other assets	19,855	(85,182)
Accounts payable	45,580	6,434
Accrued expenses	95,726	46,168
Deferred revenue	(91,031)	163,540
OPEB obligation	212,517	215,493
Total adjustments	134,303	429,300
Net cash provided by operating activities	$ 1,398,321	$ 1,622,635

See notes to financial statements.

Notes to Financial Statements

December 31, 2012 and 2011

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 and Statement 63, establishes standards for external reporting for all state and local government entities. It also requires the classification of net position into three components — invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

Invested in capital assets, net of related debt — This component of net position 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 net position component as the unspent proceeds.

Restricted — This component of net position, when applicable, consists of restrictions placed on fund equity use through external constraints imposed by creditors (such as through debt covenants), by law or regulation, or through enabling legislation. No component of net position was classified as restricted at December 31, 2012 and 2011.

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

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 under the accrual basis of accounting. Within this measurement focus, all assets and liabilities associated with operations are included on the balance sheet with revenues recorded when earned and expenses recorded at the time liabilities are incurred.

Cash and Cash Equivalents

The Commission considers all liquid investments with an original maturity of three months or less to be cash equivalents. The Commission's financial instruments that are exposed to concentrations of credit risk consist primarily of cash, cash equivalents and investments. The Commission places cash and temporary cash investments with high quality credit institutions.

Investments

New York State statutes and guidelines, and the Commission's own investment policies, limit the investment of funds to obligations of the U.S. Government and its agencies, certificates of deposit, and obligations of the State of New York. 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 statements of net position at market value.

Property and Equipment

The Commission's property, equipment, and other facilities are carried at cost and include capital grant funding from federal, state and local Governmental entities utilized to acquire, construct, and improve facilities of the Commission. Such capital funding is recorded for amounts derived from capital project grants and other resources which are restricted to facility acquisition or construction. The Commission recognizes capital funding arising from capital project grants when earned (generally when the related capital expenditure is made). Depreciation is computed on the straight-line method based on estimated useful lives of the related assets, including those financed by capital funding grants. A substantial portion of depreciation is attributable to assets purchased with capital funding under various Governmental grants.

The estimated useful lives used in the calculation of depreciation are generally as follows:

Port marine facilities	10 to 40 Years
Furniture and equipment	5 to 10 Years
Transportation equipment	5 to 10 Years

Accrued Employee Benefits

It is the Commission's policy to record employee benefits, including accumulated vacation and sick leave earned, retirement benefits and post-retirement benefits, 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)

Deferred Revenue

Deferred revenue consists principally of rents received in advance. In 2012 and 2011, deferred revenue also includes approximately $59,100 and $162,600, respectively, received from insurance proceeds as a result of certain damage incurred to the Commission's property. These proceeds are used to offset the expense when the related repairs are undertaken.

Operating Revenues

The Commission's operating revenues are principally derived from four sources: property rentals, dockage fees, wharfage fees and security fees. Rental income is earned from tenants leasing buildings and other property owned by the Commission; dockage fees are earned from ships docked at Commission owned facilities; wharfage fees, including stevedore fees, are earned from unloading ships; and security fees are earned by providing certain security related services to tenants. Operating revenues also include equipment rentals, service charges and other fees.

Operating Expenses

Operating expenses consist principally of payroll and related benefit costs, maintenance costs, material handling costs, insurance costs, professional and consulting fees, promotional expenses and utilities.

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 2011 financial statement line items have been reclassified to conform with the current year's presentation.

Adoption of New GASB Accounting Standards

As of January 1, 2012, the Commission adopted GASB 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. While the change has been applied retroactively, the Commission did not have any resources that would be reported as deferred outflows of resources or deferred inflows of resources at either December 31, 2012 or 2011.

NOTE 3 | CASH AND CASH EQUIVALENTS

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

	2012		2011	
	Carrying Value	Bank Balance	Carrying Value	Bank Balance
Cash on hand	$ 300	$ 300	$ 300	$ 300
Deposit accounts	829,295	861,952	354,453	425,933
	$ 829,595	$ 862,252	$ 354,753	$ 426,233

At December 31, 2012 and 2011, the Commission's cash and deposits were covered by FDIC insurance or otherwise collaterally secured.

NOTE 4 | INVESTMENTS

At December 31, 2012, investments, which are stated on the statements of net position at market value, are comprised of U.S. Government agency obligations, as follows:

Investment	Par Amount	Maturity	Market (Carrying) Value	Cost
Federal National Mortgage Association	$ 295,000	2/12/13	$ 296,141	$ 303,148
First Niagara Bank NA (CD)	249,000	2/25/13	248,965	249,000
Federal Home Loan Mortgage Corporation	260,000	4/11/13	261,144	263,994
Federal Home Loan Mortgage Corporation	250,000	4/15/13	251,075	252,000
Federal Home Loan Bank	325,000	5/29/13	325,517	325,929
Federal Home Loan Bank	340,000	6/7/13	340,326	340,347
Goldman Sachs Bank (CD)	249,000	8/22/13	248,978	249,000
Apple Bank for Savings New York (CD)	99,000	8/29/13	98,988	99,000
Apple Bank for Savings New York (CD)	148,000	10/24/13	147,736	148,000
Safra National Bank (CD)	249,000	10/25/13	248,552	249,000
Federal National Mortgage Association	165,000	12/11/13	169,229	169,519
Federal Home Loan Bank	225,000	12/13/13	231,268	231,561
Federal Farm Credit Bank	125,000	2/10/14	125,034	124,994
Federal Farm Credit Bank	200,000	10/6/14	203,068	203,194
	$ 3,179,000		$ 3,196,021	$ 3,208,686

NOTE 4 | INVESTMENTS (Continued)

At December 31, 2011, investments, which are stated on the statements of net position 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	$ 460,000	1/3/12	$ 460,000	$ 459,800
Federal Home Loan Mortgage Corporation	264,000	3/23/12	265,180	266,173
Federal Farm Credit Bank	150,000	4/4/12	151,801	152,038
Goldman Sachs Bank (CD)	245,000	4/12/12	244,855	245,000
Federal National Mortgage Association	240,000	4/20/12	241,272	242,045
GE Capital Corporation (FDIC GTD)	340,000	6/8/12	343,121	343,244
Safra National Bank (CD)	245,000	10/5/12	244,615	244,461
Apple Bank of Savings (CD)	150,000	10/12/12	149,745	150,000
	$ 2,094,000		$ 2,100,589	$ 2,102,761

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 agewnt 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, 2012 and 2011 are categorized as Category 1.

NOTE 5 | PROPERTY AND EQUIPMENT

Property and equipment is comprised of the following:

	December 31 2011	Additions	Deletions	December 31 2012
Port marine facilities	$ 78,116,938	$ 372,845	$ -	$ 78,489,783
Transportation, equipment and furniture	810,749	-	-	810,749
Construction in process	19,400	636,276	-	655,676
Total	78,947,087	1,009,121	-	79,956,208
Less accumulated depreciation	48,189,868	1,461,209	-	49,651,077
Net property and equipment	$ 30,757,219	$ (452,088)	$ -	$ 30,305,131

Depreciation expense was $1,461,209 and $1,301,628 for the years ended December 31, 2012 and 2011, respectively.

NOTE 6 | LONG-TERM DEBT

Long-term debt is comprised of the following:

	December 31 2011	Debt Issued	Debt Payments	December 31 2012
NYS First Instance advances (A)	$ 237,709	$ -	$ 80,000	$ 157,709
M&T warehouse obligation (B)	1,052,078	-	63,068	989,010
Real Lease capital lease (C)	13,738	-	13,738	-
	1,303,525	$ -	$ 156,806	1,146,719
Less current maturities	156,807			145,683
	$ 1,146,718			$ 1,001,036

(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.

(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 balloon payment approximating $864,000 in November 2014. The mortgage is secured by the warehouse facility.

(C) 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 were 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, 2012, long-term debt maturities were comprised of the following:

Year Ending	Principal	Interest	Total
2013	$ 145,683	$ 38,937	$ 184,620
2014	1,001,036	33,033	1,034,068
	$ 1,146,719	$ 71,970	$ 1,218,688

Interest expense, inclusive of interest imputed on capital leases and certain other related costs, was $38,737 and $51,085 for 2012 and 2011, 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 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, 2012, 2011 and 2010 are as follows:

	2012	2011	2010
Retirement related payroll	$ 726,234	$ 711,985	$ 739,670
Employer Contributions	$ 151,392	$ 119,125	$ 111,408
Employee Contributions	$ 21,864	$ 26,789	$ 22,425

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.

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 2012 and 2011, 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 most recent valuation date. Valuations are currently prepared every three years, as required by GASB 45.

	2012	2011
Actuarial Accrued Liability (AAL)		
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:

	2012	2011
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

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:

	2012	2011
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:

	2012	2011
Net OPEB obligation at beginning of year	$ 954,376	$ 738,883
Annual OPEB expense	252,193	252,193
Annual OPEB contributions	(39,676)	(36,700)
Net OPEB obligation at end of year	1,166,893	954,376
Less: estimated current portion of OPEB obligation	36,700	36,700
Estimated long-term portion of OPEB obligation	$ 1,130,193	$ 917,676
Percentage of expense contributed	15.0%	15.0%

Trend Information

Year Ended	Beginning OPEB Obligation	Annual OPEB Cost	Actual Employer Contribution	Percentage Contributed	Net OPEB Obligation
12/31/10	532,049	252,193	45,359	18.0%	738,883
12/31/11	738,883	252,193	36,700	14.6%	954,376
12/31/12	954,376	252,193	39,676	14.6%	1,166,893

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
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, 2012 were as follows:

2013	$ 2,629,000
2014	2,121,000
2015	1,987,000
2016	1,890,000
2017	1,401,000
Thereafter	18,283,000
	$ 28,311,000

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 those funded from 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 $255,000 in 2024, thus providing for the full amortization of the bonds by the 2027 maturity date.

Future debt reduction payments are expected as follows:

Year Ending	
2013	$ 155,000
2014	160,000
2015	165,000
2016	175,000
2017	180,000
Thereafter	1,540,000
	$ 2,375,000

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.

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 was required to pay ALDC monthly payments of $2,425, for 120 months, beginning May 2002 and ended April 2012.

During 2012 and 2011, the Commission's total lease cost, project improvement cost, and other operating expenses related to the waterfront development project approximated $315,000 and $332,000, respectively.

The Commission's future lease obligations under the shared use and 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 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: During 2011, the Commission secured funding from the Department of Homeland Security and undertook 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 $927,000 on this project, which is expected to be completed during 2013.

During 2012, the Commission undertook a second security upgrade project, also funded with a grant from the Department of Homeland Security. The grant provided for approximately $184,000 in federal funds, over and above which the Commission was required to provide at least 25% of the total project cost, which approximated $246,000. The project was completed in June 2012.

The Commission has also secured funding from the Department of Homeland Security for a Security and Emergency Operations Center building project. The grant provides for up to $750,000 in federal funds, over and above which the Commission must provide at least 25% of the total project cost, estimated to be approximately $800,000. The Commission has requested a waiver that would eliminate the Commission's requirement to provide 25% of the total funding for the project and expects a decision to be made in early 2013. At year end, the Commission had expended approximately $8,000 on this project, which is expected to be completed during 2013.

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. The first grant provides for up to $1,572,220 in New York State funding for the first phase of the project. At December 31, 2012, the Commission had expended approximately $368,000 on this phase of the project, which is expected to be completed during 2013. The second grant provides for approximately $9,885,000 in federal funding for the second phase of the project, over and above which the Commission must provide at least 10% of the total phase two project costs to reach the full amount of the estimated cost to complete the project ($12,730,000). Phase two of the project is expected to begin during 2013 and be completed in 2014.

NOTE 10 | COMMITMENTS AND CONTINGENCIES (Continued)

Prior to 2011, 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 December 31, 2011, 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 December 31, 2011, the project was complete and the Commission had expended approximately $4,886,000 under this grant.

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.

SUPPLEMENTARY INFORMATION

ALBANY PORT DISTRICT COMMISSION

SCHEDULES OF PAYROLL AND RELATED COSTS AND OTHER OPERATING EXPENSES

Years ended December 31, 2012 and 2011

	2012	2011
PAYROLL AND RELATED COSTS		
Administrative	$626,071	$576,292
Maintenance crews and supervisor	219,774	213,234
Security	247,439	320,136
Benefit costs	353,989	319,158
OPEB expense	252,193	252,193
Payroll taxes	86,564	82,738
Total payroll and related costs	$ 1,786,030	$ 1,763,751
OTHER OPERATING EXPENSES		
Security	$52,568	$39,571
Utilities	77,709	103,091
City water	11,468	4,473
Advertising and promotion	102,943	136,373
Office supplies and expenses	51,960	61,288
Telephone	21,883	25,503
Snow removal	600	20,709
Equipment operating expense	67,335	69,304
Other expenses	36,615	37,046
Total other operating expenses	$ 423,081	$ 497,358

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, 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, the financial statements of the Albany Port District Commission (the "Commission") as of and for the year ended December 31, 2012, and have issued our report thereon dated March 25, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters, including Investment Guidelines for Public Authorities and the Commission's Investment Guidelines, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

This report is intended solely for the information and use of the Commissioners and management of the Albany Port District Commission, others within the entity, federal awarding agencies, pass-through entities and New York State departments and agencies, and is not intended to be and should not be used by anyone other than these specified parties.

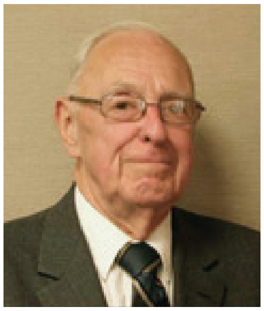
UHY LLP

Albany, New York
March 25, 2013

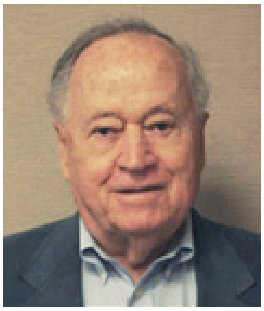
About the Commission Board

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.



Leo Dean was first appointed to the Albany Port District Commission 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.



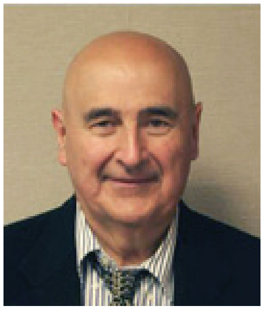
Anthony Ferrara was first appointed to the Albany Port District Commission in 1998 and serves as APDC Treasurer. Commissioner Ferrara has over 45 years of banking/financial services industry experience. During his banking career, he served at all levels with State Bank of Albany/Norstar Bank/ Fleet Norstar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

Georgette Steffens has been the Executive Director of the Downtown Albany Business Improvement District, a nonprofit organization dedicated to the vitality and vibrancy of New York's Capital City, since 2009. In her current capacity she has overseen the marketing of and visual improvements to Downtown, office attraction and retention programs, residential conversion incentive programs, and special events targeted to draw visitors to the Downtown area.

Prior to accepting the position with the Downtown Albany BID Georgette served as the Director of Operations for Triad Consulting Group of Cambridge, Massachusetts, a 15 year old consulting firm with over $3 million in sales that specializes in communication and negotiation. Ms. Steffens streamlined their internal processes and was responsible for human resources, marketing, and the expansion of the company with a new location in London.

Previously, Ms. Steffens worked for the City of Albany, serving as Director of the Albany HomeStore. Her accomplishments there included the development and implementation of an Employer Assisted Housing Program for local colleges and a down-payment assistance program for prospective homeowners. Georgette also served as an Economic Developer for the City of Albany with her main focus being on Downtown and waterfront redevelopment, with the pedestrian bridge that crosses I-787 to connect Downtown to the waterfront as one of her main projects.

Georgette is currently a Commissioner for the Albany Port District Commission and a Board member on both the New York State Urban Council and the Albany Roundtable. She is also a member of the Steffens Scleroderma Center Advisory Board.



Dominick Tagliento was appointed to the Albany Port District Commission 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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Annual Report 2012

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PORT OF ALBANY

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