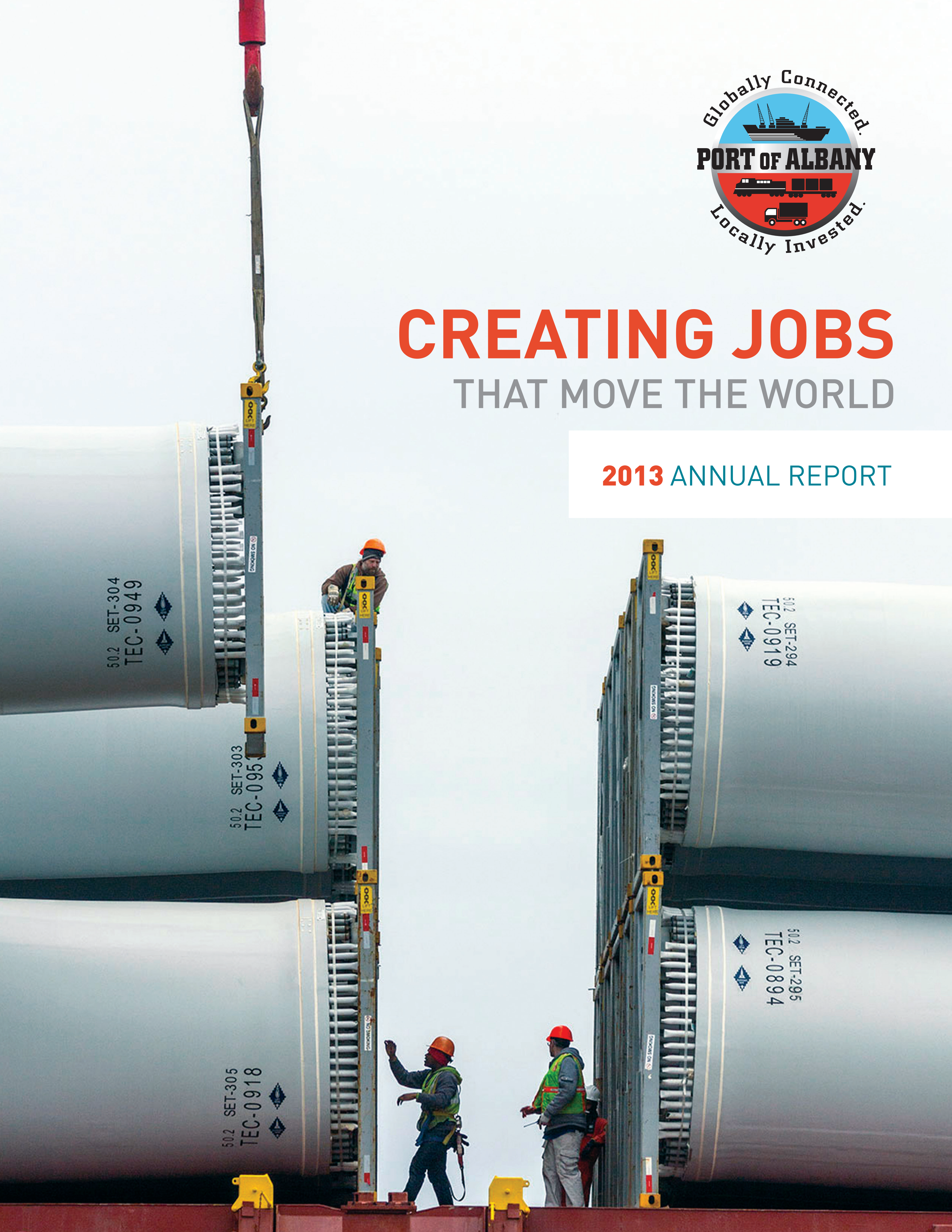
Globally Connected.
PORT OF ALBANY
Locally Invested.

CREATING JOBS
THAT MOVE THE WORLD

2013 ANNUAL REPORT



STATE OF NEW YORK
EXECUTIVE CHAMBER
ALBANY 12224

ANDREW M. CUOMO
GOVERNOR

Dear New Yorkers:

For nearly a century, the Port of Albany has been a center of commerce and logistics in the Capital Region. As one of only a handful of inland ports in New York State, the Port is critical for the movement of goods between our great state and the rest of the world. It also provides important support for the Port of New York and New Jersey, accepting overflow and shipments that reduce congestion on the waterways and roadways of the NY/NJ metropolitan area.

As a hub of commercial and industrial activity that hosts over 30 business tenants, the Port of Albany is a major contributor to the local and state economies, and it is imperative that the Port and its partners conduct operations in a secure and transparent manner. I commend the Albany Port District Commission for upholding a high standard of safety through regular security drills and preventative planning. I look forward to continuing to work together to maintain safety on the water and ensure that each and every ship that leaves the Port will experience the utmost safety and service in Albany and Rensselaer.

As we continue to build a new New York, the investments being made at the Port of Albany are positively contributing to the Capital Region economy and beyond. I applaud the Port on another great year of positive operations and commerce and extend my best wishes for continued success.

Sincerely,

ANDREW M. CUOMO

WE WORK FOR THE PEOPLE
PERFORMANCE ★ INTEGRITY ★ PRIDE

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Chairman

Leo Dean
Secretary

Anthony Ferrara
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Commissioner

Dominick Tagliento
Commissioner

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Josh Ostrander
Assistant Foreman

Jason Carroll

RJ Hendrick

John Shell

Federal Marine Terminal (FMT) is the Port of Albany's Longshore labor team

FMT

GOVERNANCE OF THE APDC

The Mayoral role in the Governance of the Albany Port District Commission.

The APDC Board of Commissioners is comprised of five members. Four of the Commissioners are appointed by the Governor, on recommendation from the Mayor of Albany and one Commissioner is appointed by Governor, on recommendation from the Mayor of Rensselaer.

Albany Mayor Kathy M. Sheehan

Rensselaer Mayor Daniel J. Dwyer

The Albany Port District Commission (APDC) was created by authority of Chapter 192 of the laws of 1925 by the State of New York. Enabling legislation stated that the APDC "shall have power over the survey, development, control and operation of port facilities and such facilities, operations or things as may be incidental or appurtenant thereto, within such port district, and the coordination of the same with existing or future agencies of transportation, with a view to the increase and efficiency of all such facilities and the furtherance of commerce and industries in the district."

A Message to 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 2013 Annual Financial Report of the Albany Port District Commission.

Back in June of 1932, another New York governor, Franklin D. Roosevelt, dedicated the new Port of Albany, calling it a "splendid example" of how to accomplish public works projects through the cooperation of all levels of government and its citizens, noting that the opening of the new Port of Albany symbolized the bringing of the seven seas to Albany. But the advent of seagoing commerce to Albany would mean so much more to the Capital Region in the decades ahead—more, I suspect, than even Governor Roosevelt could have imagined.

One of five public ports in New York State, the Port of Albany has grown into a major economic engine for the entire Capital Region and beyond, creating thousands of jobs, with an overall economic impact of more than $800 million annually. This had its beginnings almost a century ago with a vision and an $18 million investment. That certainly was one investment that really paid off—today our balance sheets have never looked better!

Eight decades later, we are continuing to make those same kinds of investments in our Port. Because of your support, in 2013 we embarked on an $8.7 million rehabilitation of 600 feet of the aging Rensselaer wharf, with a completion date of 2014, doubling the capacity for ships to dock on the Rensselaer side. This project comes on the heels of the 2012 completion of a $12 million project to rebuild a majority of the wharf on the Albany side of the river. Now, we have a modern concrete and steel wharf system capable of handling more of today's larger ships and heavier cargo.

We are already seeing positive impacts from these and other construction projects to improve our facility. With more ships docking and significant increases in tonnage passing through the Albany terminal, longshore labor hours were boosted by 32 percent compared to 2012. More jobs and more hours worked is the true measure of the success of the Port and certainly is great news for those who depend upon us to pay their bills and support their families.

As we look ahead, the future is bright indeed. The Port of Albany has been selected to handle cargo for the largest turbine contract in the history of General Electric, a $2.7 billion order to provide 38 power plant steam and gas turbines and generators to Algeria. With at least half of this equipment expected to be shipped through our Port, we are confident 2014 will be another banner year.

I am enormously proud to say that the Port of Albany was ranked among the top five ports in all of America in 2013 for overall quality, quality of facilities, customer service and customer satisfaction by the Railway Industrial Clearance Association. This high honor doesn't happen by accident. Our Port is fortunate to have an extraordinary and gifted leader, General Manager Richard Hendrick. Through his tireless dedication, Rich has taken our Port in new directions, attracting more business and opening new doors of economic opportunity, benefiting the entire Capital Region. He has carefully assembled a knowledgeable and talented team of professionals to help him carry out our mission. Our stevedoring company, Federal Marine Terminals, supervises our resourceful longshore laborers, who always handle their jobs with efficiency and timeliness. We are very proud of their efforts under the leadership of their boss, Bill Ring.

I also want to thank my fellow board members Tony Ferrara, Leo Dean, Georgette Steffens and Dominick Tagliento for their dedication in helping to guide us along our journey. In more than 16 years as a port commissioner, I never have been more satisfied with the commitment and dedication shown by our board members. I am confident that in 2014, we will see even more and exciting progress as we continue our quest to be the best inland seaport in America.

Robert F. Cross
Chairman

A Message to Chairman Cross:

Dear Chairman Cross, members of the Board of Commissioners and members of the public:

Over the past five years, the Port of Albany has invested in mission critical infrastructure improvements, including wharf restoration projects on both sides of the Hudson River, major security system enhancements, warehouse upgrades, new equipment and rail improvements. This was done with substantial support from State and Federal programs, and with the goal of increasing commerce and operational capacity for the Albany Port District. I am pleased to report that we are already seeing results from these investments in more ways than we may have expected. Benefits are showing in the maritime operations as well as in tenant activity and even in the way we interact with customers. All signs are very positive – and very busy!

I am proud of the highlights that this Annual Report will show for 2013. Even more, the strong financial position of the APDC will speak for itself in the audited financial statements from UHY. The APDC team endeavors to create and take advantage of every economic development opportunity, while also serving our customers with the highest standards. Our reputation for efficiency and service is building.

As our stevedoring partner recently said related to customers choosing a port of call, "If it is going to hit the Northeast, it is going to go through Albany."

Highlights from 2013 will illustrate how the APDC was part of a monumental business deal in the Capital Region while also working on daily and smaller short-term projects, all the while doing this with the highest standard of integrity, safety and security while striving to be a good neighbor on the water. It is my hope that as you read this you will learn much more about what occurs at the Port and you will appreciate how effectively it is getting done.

As the General Manager for the Port of Albany for the past six years I have been proud to lead some of the largest infrastructure projects the Port has ever done, and to have them completed on time and under budget. I am also pleased to report that these projects are paying off with increased work opportunities for the labor force in the Capital Region. These are hard working, quality jobs that are moving product from Albany to places around the world. Our small staff at the APDC works each day with a dedication to serve and to strive to do even better. I believe you will see the work is showing results.

I offer great appreciation to the Board of Commissioners for its support and direction. I admire the unequivocal call for transparency and integrity at the APDC and I am committed to upholding this charge throughout the Albany Port District.

Richard Hendrick
General Manager

Richard J. Hendrick

About the Albany Port District Commission

The APDC strives to responsibly and effectively manage the publicly-owned maritime Port of Albany-Rensselaer, contributing to the economy of the Capital Region and beyond while emphasizing transparency and public stewardship. The APDC's mission consists of three main tenets: Effective Management of the Public's Asset, Economic Contribution to the Region and Integrity, Professionalism and Customer Service.

The Port District has 2,400 feet of modern dock on both sides of the Hudson River in upstate New York, where hundreds of thousands of tons of cargo are transported between the Capital Region and the world. The Port's economic contribution to 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.

Port of Albany 2013 Stats

Ships & Barges	2013	Tonnage
Grain	7	133,100
Heavy Lift/Project	29	18,023
Barges-Heavy Lift/Project	5	1,077
Molasses	5	42,125
Scrap Iron	7	175,309
Woodpulp	7	20,780
Total	**60**	**390,414**

1,400
Local Jobs

4,500
Jobs Across NYS

Longshore Hours	
January	4,433
February	4,392
March	3,642.5
April	1,983
May	2,249
June	4,890.5
July	2,373.5
August	3,365.5
September	4,291.5
October	4,228.5
November	4,127.5
December	4,443
Total	**44,419.5**

Facility Highlights

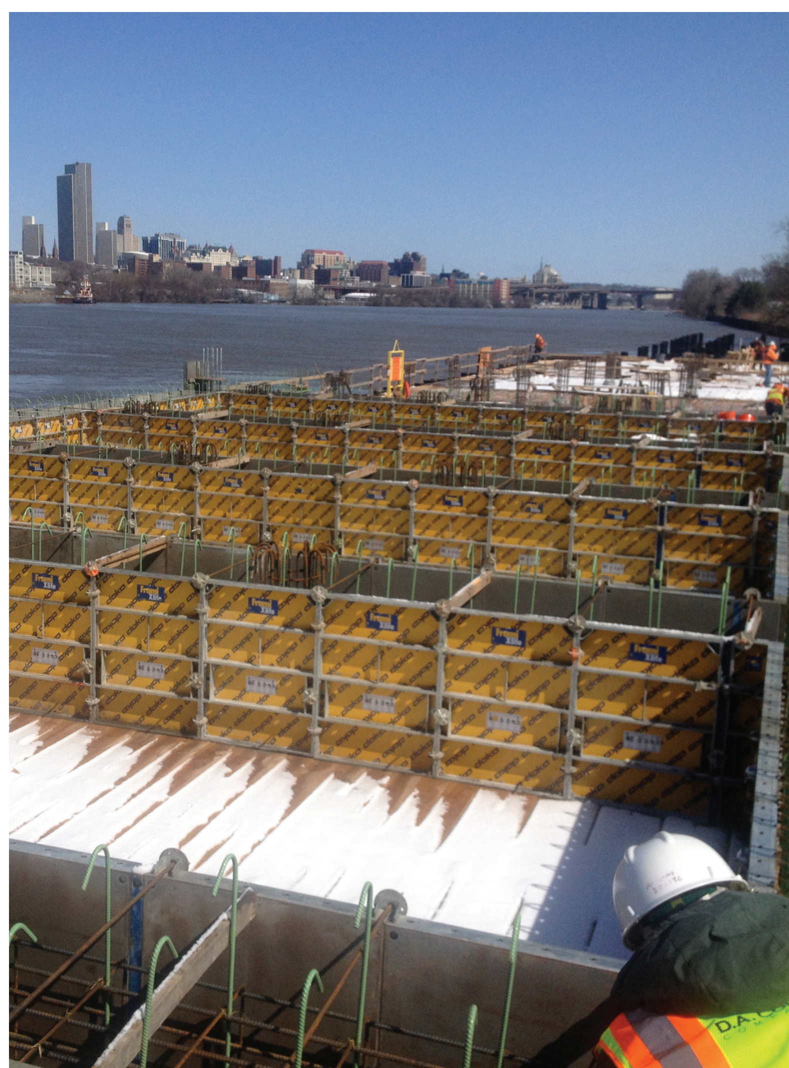
- Located 124 nautical miles north of New York Harbor on the Hudson River
- Channel Depth 32 feet
- Deep water facilities are located on the Albany (west) and Rensselaer (east) sides of the Hudson River
- Wharf length on the Albany (west) side of the river is 4,200 feet and on the Rensselaer (east) side 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 sprinkler-protected storage
- 20 miles of standard gauge switching railroad
- Heavy lift on-dock rail
- Super-sacking and bagging operation
- Liebherr mobile harbor crane with a lift 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 Office to expedite cargo clearance
- 13.5 million bushel capacity grain elevator with a Peco loader
- 105 million gallon capacity bulk liquid storage
- On-site specialized cargo inspection services available

Rensselaer Wharf Reconstruction Project

In 2013, the APDC's investment in major infrastructure projects continued, and the return on these investments is already beginning to show. Through the support of Governor Andrew Cuomo, the NYS Department of Transportation and the Capital Regional Economic Development Council, the Port is undergoing an $8.7 million rehabilitation of 600 feet of the Rensselaer wharf. The award of funds was announced in late 2011, pre-development occurred in 2012 and major construction has been completed in 2013. The project is on schedule and on budget and is slated for completion in 2014. **This project 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 and allow heavy cargo handling**. This means greater opportunities for jobs as more vessels call at the Rensselaer side of the Port operations.

The remainder of the $11.5 million grant's proceeds are programmed for acquisition of a mobile harbor crane. An RFP was issued for the technical specifications required for a new crane in 2013, with selection, manufacturing and delivery expected in 2014. This will be the second mobile harbor crane at the Port of Albany. This mobile harbor crane is expected to attract additional heavy cargo work and induce potential relationships that will add commercial activity at the Port.

In 2013, the APDC presented an update on the progress of the Rensselaer Wharf construction project to the Governor's Regional Council statewide assessment team. The Capital Region, one of ten regional councils across New York State, had its tour with Governor Cuomo and the assessment team in November to show progress of CFA-funded projects as well as its strategic plan and to compete for additional funding. The Port was one of three projects presented to the team in person, before touring a number of Capital Region projects. The Capital Region has close to 200 projects funded through Rounds I, II and III of the Regional Council program. **The Port of Albany's CFA was the largest grant funding award made in the Capital Region.**



RENSSELAER IRON AND STEEL

15 YEARS

Rensselaer Iron and Steel has been a tenant of the Port of Albany for more than 15 years on the Rensselaer side of the Port. The company leases 10 acres and is the dedicated user of approximately half of the Rensselaer Wharf. The company is a metal recycling facility that takes materials in from the public and ships product internationally, most often destined for Turkey. The company ships close to 25,000 tons of processed scrap metal at a time. The business is directly responsible for inducing between 4 to 5 ships on average that depart from Rensselaer each year.

Rensselaer Iron and Steel is family owned and operated and runs an extremely lean and efficient operation. It has developed a strong reputation among customers and industry peers alike. The modest operation is not the only one for the Grimmel family that runs it; the family has operations up and down the eastern coast of the United States with facilities as far south as Florida and as far north as Maine. The business is a valued tenant of the Port of Albany and will be a good neighbor to the activity that will undoubtedly be spurred when the rehabilitation of the remaining Rensselaer wharf is completed in 2014.

Infrastructure Investments Pay Off

GE's largest turbine contract in history means more business for the Port

In September 2013, GE announced a $2.7 billion order to provide 38 power plant steam and gas turbines and generators to Algeria. At least half of the equipment will be shipped through the Port of Albany, which means a substantial increase in work for the longshore team at the Port. It also means more wharf activity as cargo begins to be shipped out to Northern Africa. The GE product is being built for the Sonelgaz Group, Algeria's state-owned utility. The Port and FMT made upgrades to prepare operations for the increased cargo and shipping activity, including working with National Grid to bring additional power to the terminal for the temporary storage of the power units. The Port and FMT are experiencing more work as a result of the deal with GE.

FMT longshoreman unloading wind blade shipment from the BBC Arizona that arrived at the Port of Albany from Brazil. The blades are destined for a wind energy project in western NY.

LONGSHORE HOURS INCREASE

In 2013, longshore hours worked saw a notable increase. FMT reported that the increase in hours was largely attributable to value added services available at the Port, including the custom cargo inspection services available. Companies are electing to utilize these value added services, including crate and product inspections and special cargo care.

Longshore hours worked were up

32%

as compared to the previous year.

(or over 44,500 hours)

Safety First

The Port of Albany takes safety and security very seriously. The Port invests in ensuring the security team has the equipment and tools it needs. To that end, the security team has a new home. Construction of a state-of-the-art Security and Emergency Operations Center was completed in 2013. This development was made possible through a $750,000 grant in federal funds, which covered a portion of the project costs. The new facility houses the APDC Security Operations, Federal Marine Terminals, shipping and receiving and the Maritime Ministries. The building replaces four obsolete trailers and is a major upgrade suitable for the caliber of operations at the Port of Albany.

SAFE + SECURE

AWARD-WINNING SECURITY TEAM

comprised of professionals with the highest qualifications and years of experience in law enforcement

The Albany Port Security team is comprised of professionals with the highest qualifications and years of experience in law enforcement. In 2013, this team received an award along with the Port of NY/NJ for outstanding achievements and contributions in safeguarding the Marine Transportation System. Safety, security and preventing events are what the team does on a daily basis.

The Port Security team regularly runs safety drills and invites law enforcement from the Capital Region and from Port tenants or stakeholders. Safety drills include representatives from the US Coast Guard, CSX, CP Rail, City of Albany fire and police, Albany County Hazmat response team based at Watervliet Arsenal and representatives from Port businesses. The team meets to discuss safety set-ups and even mock safety events to run practice drills.

One outstanding example of safety first was a training "train" classroom, which took place on the docks of the Port. Five (5) cars with hazard-ous product were staged for safety drills and all representatives – including every shift from the Albany fire department - participated. **This allowed every member of the district a real life opportunity to experience what is required in the event of an emergency.**

REGULAR SAFETY DRILLS

INVOLVING

U.S. COASTGUARD
CSX
CP RAIL
CITY OF ALBANY FIRE
CITY OF ALBANY POLICE
ALBANY COUNTY HAZMAT
PORT EMPLOYEES

The Port worked with the Albany Fire Department to fill its critical need for a fireboat to improve safety on the water. The Port of Albany and three businesses in or near the Port contributed funds toward the purchase. The fireboat was delivered in the summer of 2013, and it is now docked at the Port for the Albany Fire Department's use.

Timber Replacement Project

Navigating a ship to shore takes finesse. As a ship approaches the wharf, timber beams buffer the ship from the concrete dock. When the buffer is approached with great impact, these timbers can be damaged, but they ensure little if any damage to the ship or the dock. In the world of Port operations, replacing timber piles is a costly but necessary endeavor.

In 2013, the Port initiated a $1.5 million investment in replacing the timber piles along the Albany wharf. In total, approximately 180 timber piles are to be removed from the riverbed and replaced with specialized southern pine that is treated in an environmentally-sustainable manner to prolong the life of the timber. The Port secured approval by the Army Corps of Engineers and NYS DEC to proceed within a limited timetable that would not disturb certain ecosystems in the Hudson. The project requires a highly specialized team that uses a tug and barge unit with a floating crane to drive the timber 65 feet. DA Collins is the team hired by the APDC in charge of this intricate project. The first phase of the project was completed in 2013.

Value Added

The Port's flexibility and value added services also contributed to a deal that served a major airline need. In November, the Port of Albany received shipment of a 737 former commercial carrier airplane that is leasing storage space in the Port's secure terminal. The plane traveled up by barge from LaGuardia Airport and was accompanied by a 1,000-ton floating crane to move the plane from ship to shore. The plane was recently decommissioned and the airline contacted the Port of Albany for temporary storage. The plane is expected to ultimately be retired in 2014 and dismantled for scrap.

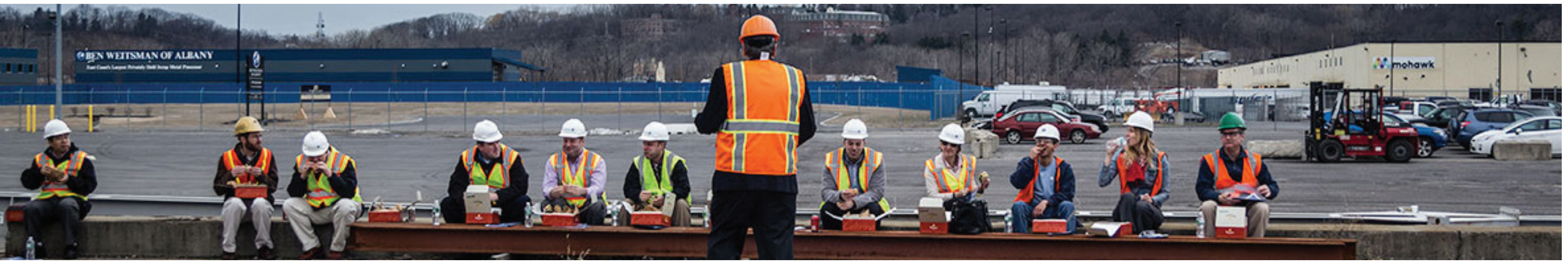
FLEXIBILITY + SERVICE

Tenant News

The APDC is comprised of nearly 300 acres on both sides of the Hudson River, with the vast majority located on the Albany side of the river. A substantial portion of this land, outside of the maritime operations, is occupied by tenants. The APDC values the tenants and their business contributions to the Port, to the Capital Region and beyond. The tenants are a major portion of the APDC's revenue stream and a large factor in operational responsibilities and expenses. Some notable activities from 2013 are highlighted here.

Upstate Shredding

In 2013, the Port's newest and soon to be largest tenant opened to the public. Upstate Shredding took a lease for 18 acres in the center of the Albany Port District Facility. The operation is a metal recycling business that invested at least $15 million to make substantial improvements to the property and constructed a new office, scale house, metals building and a separate fluid recovery building. The business takes metals from public walk-ins seven (7) days a week and has become extremely competitive in the industry. Most scrap metal is shipped to domestic locations for reuse. By the end of 2013, Upstate Shredding was already pursuing an additional 12 acres at the Port to expand its operations.



New Castle Asphalt

A new tenant took over a vacant parcel of land on the Rensselaer side of The Port of Albany in 2013. New Castle Asphalt signed a long term lease for 10 acres on the port's Rensselaer side, where the company will produce asphalt for paving projects. New Castle is the product of two construction companies, Rifenburg Construction Inc. in Troy and D.A. Collins in Wilton, and R.J. Valente Cos., a gravel company based in Waterford. The plant will employ six people on site and provide opportunities for as many as 10 independent truck drivers that will transport blacktop to work sites around the Capital Region. The plant could produce up to 400 tons of blacktop an hour using a mixture of crushed stone, sand and liquid asphalt. The company would also utilize the newly restored wharf for any shipping on water needs that may arise, as the site adjacent to the waterfront.

Capital Scrap Metal Company

One of the Port's longest standing tenants said farewell in 2013. Capital Scrap Metal Company merged with new tenant Upstate Shredding, who will incorporate its operations as part of the company's business expansion and improvements planned for 2014. Capital Scrap Metal Company was a family owned and operated small business, operating out of less than three quarters of an acre at the Port. Their business operations spanned more than 75 years in the City of Albany.

The company was originally known as the Capitol Bag and Burlap Company and was located on Duncan Ave in Albany. The business bought and sold burlap bags which farmers used for bagging corn and contractors used for sand bagging as well as other uses. The bags were sorted, often fixed with sewing machines and resold for their use. The company's founder, Raymond Segel, was a young and ambitious man who worked hard to build up his business. His wife Evelyn helped with the bookkeeping. Twenty (20) years later, they were relocated when construction of a new housing project got underway in the City. Then Mayor Erastus Corning helped Raymond find a new suitable business location in the Port of Albany, where Capital Scrap Metal Company was for the last 55 years. Capitol Bag and Burlap added newspaper recycling, cardboard recycling, rags and scrap metal to the business.

Raymond's son Burt worked at Capitol Bag and Burlap during the summers and school holidays, and he started full-time 37 years ago. It was at that time Capitol Bag and Burlap became Capitol Scrap Metal Company, exclusively handling scrap metal specializing in copper, brass, aluminum and stainless steel. Capital Scrap Metal Company shipped domestically to mills and refineries and exported metals worldwide.

The Port Secures Rail Improvement Grant for Mohawk Paper

Mohawk Paper occupies the largest single-story warehouse in the Port district. The business, with manufacturing operations in Cohoes, is a paper company that receives regular shipments of paper pulp from Sweden. The company has credits including printing the cover paper for the Harry Potter books, providing the paper for the U.S. Presidential Inauguration invitations and providing cover paper for many international magazines and periodicals.

The warehouse has rail siding that can be rendered unusable by weather factors. When Governor Cuomo announced statewide rail grants, the Port of Albany was quick to apply for funds to improve 1,400 feet of rail access to Mohawk Paper's warehouse. The rail has deteriorated and been impaired by weather hazards, including flooding that impacts the business's ability to bring rail cars directly to the building's siding. The Port was successful in securing over $200,000 toward the cost of improving the rail so the business can maximize its logistics operations. The Port will administer the rail improvement project, with an RFP expected to be released in early 2014 for construction services. The project should be completed in 2014.

$200,000
to aid in improving
1,400ft of rail

National Leader and Community Host

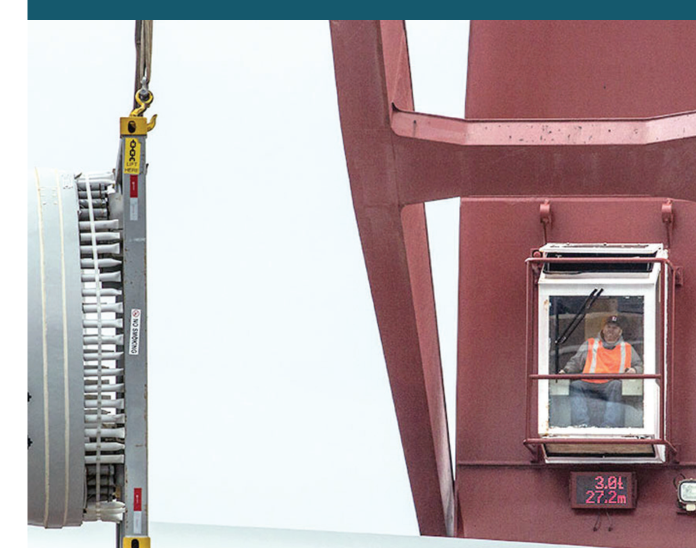
The North Atlantic Ports Association (NAPA) held its Annual Conference in Albany for three (3) days in June and was hosted by the APDC. This was the first time NAPA's Annual Conference was held in Albany since it was founded by a group of port and terminal operators in New York City in 1949. Close to 100 representatives from seaports from as far south as Norfolk, VA and as far north as the Canadian Maritime Provinces were in attendance. The APDC was proud to host the greatest attendance for a NAPA annual conference in years.

NAPA is made up of port authorities, shipping agents, stevedores, terminal operators, consultants, Engineering, Procurement and Construction companies (EPCs) and governmental agencies.

The keynote speaker of the opening conference was then Albany Mayor Gerald Jennings. The Annual Conference program consisted of topics related to commerce, cargo and employment. A panel consisting of the Executive Director of the New York State Pilot's Commission, pilots from Sandy Hook Pilots Association, Northeastern Pilots Association, Delaware River and Bay Pilots Association took place – the first ever covering pilotage issues and topics. Another panel, also a first, focused on Stevedores and Terminal Operator. Top-level executives from the largest stevedore in the United States, the Port of Albany stevedore and terminal operator and the head of the negotiating team that successfully negotiated an agreement with the International Longshoreman's Association (ILA) made presentations. The APDC hosted an evening reception at the New York State Museum and offered tours of the 9/11 exhibit.

The APDC was thrilled to host so many port-related leaders from around the northeast in New York's capital city. By all indications, with attendance up by 30 percent, people are very interested in the business occurring at the Port of Albany.

REPRESENTING LEADERSHIP



Community Partner

The APDC is dedicated to its mission of increasing commerce, but it also capitalizes on making opportunities to market the Port and to partner with the region to be a good neighbor on the water. In 2013, the Port continued this pledge.

The Port hosted a number of college and university tours, including the Syracuse University engineering department and the College of Saint Rose's international business students. The Port also welcomed new University at Albany President Robert Jones with a reception and tour. These occurrences may not directly impact the Port's bottom line, but they contribute to a long-term mission to encourage business and economic development opportunities.

The Port accepted interns from the University of Albany's MBA Going Green Globally "G3" program, and a US EPA-funded intern who studied ballast water regulations and their potential operational impact on the Port of Albany. All of these serve as opportunities to market the Port and increase business and economic development opportunities.

Also in 2013, the APDC Board voted in favor of partnering with the City of Albany and Capitalize Albany Corporation on completing a tactical plan for downtown Albany, including studying how to improve the riverfront preserve. As a stakeholder in the land, the Port recognizes its role in enhancing the waterfront recreational area that is in the district. This also supports one of the Port's long-term investments. The Port was one of the largest partners in the tactical plan funding with a pledge of $25,000.

The APDC sold a portion of land on the Rensselaer riverside of operations to Empire Generating Company LLC to comply with a PSC directive for the company to create a bike path and Hudson River overlook as part of its power generation construction project. A very small but integral portion of land necessary to connect the intended bike path was held by the APDC. In order to be a good community partner, the Port Commission authorized the sale of the parcel at fair market value.

Award-Winning Port

In 2013 the APDC and its partners received a number of impressive awards or recognitions. We are pleased to share some highlights.

TOP FIVE IN

- Overall Quality
- Quality of Facilities
- Customer Service
- Customer Satisfaction

In 2013, the Port of Albany was ranked among the top five (5) ports in the nation for overall quality, quality of facilities, customer service and customer satisfaction by the Railway Industrial Clearance Association (RICA). The association, which supports what is called the heavy and dimensional transportation industry (oversized or oddly-shaped cargo), ranked the Port of Houston first, followed by Charleston, Savannah, Albany and Corpus Christi. The five were selected from a pool of 25 ports nationwide.

The Albany Port Security team, together with the Port Authority of New York and New Jersey was awarded the Coast Guard's Area Maritime Security Committee of the Year! The recognition was the most distinguished for outstanding achievements and contributions in safeguarding the Marine Transportation System. The Port's security team is under the jurisdiction of the U.S. Coast Guard and is required to submit a district-wide security plan.

Federal Marine Terminals Inc. (FMT), the stevedoring company that employs the longshoremen who load and unload shipments at the Port, was named as the 2013 Trade Partner of the Year by the Tech Valley Global Business Network. The award is one of five (5) categories of recognition for Excellence in International Trade. The Tech Valley Global Business Network is a partnership among the Albany-Colonie Regional Chamber, Chamber of Schenectady County, Rensselaer County Regional Chamber, Chamber of Southern Saratoga County, Saratoga County Chamber and the Center for Economic Growth (CEG). The recognition is for accomplishments in international trade, conducting business overseas or support for international trade in Tech Valley.

TRADE PARTNER OF THE YEAR **2013**

FINANCIAL REPORT →

Albany Port District Commission

Financial Statements

Table of Contents

UHY LLP Certified Public Accountants

Independent Auditor's Report

To the Commissioners
Albany Port District Commission

Report on Financial Statements

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, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Albany Port District Commission, as of December 31, 2013 and 2012, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information: Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 4 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 19, 2014 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.

Statements of Net Position

	2013	2012
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 551,965	$ 829,595
Investments	3,216,668	3,196,021
Accounts receivable	1,743,057	503,430
Other current assets	234,646	245,535
Total current assets	5,746,336	4,774,581
NET PROPERTY AND EQUIPMENT	35,647,925	30,305,131
OTHER ASSETS	2,267	4,983
	$ 41,396,528	$ 35,084,695
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Current maturities of long-term debt	$ 1,001,036	$ 145,683
Deferred revenue	26,150	75,392
Accounts payable	375,566	147,600
Accrued expenses	455,233	361,908
OPEB obligation, current position	35,000	36,700
Total current liabilities	1,892,985	767,283
SECURITY DEPOSITS	127,080	127,043
LONG-TERM LIABILITIES		
OPEB obligation net of current portion	1,430,573	1,130,193
Long-term debt, net of current maturities	–	1,001,036
Total long-term liabilities	1,430,573	2,131,229
Total liabilities	3,450,638	3,025,555
NET POSITION		
Net investment in capital assets	34,646,889	29,158,412
Unrestricted	3,299,001	2,900,728
Total net position	37,945,890	32,059,140
	$ 41,396,528	$ 35,084,695

Financial Statements
December 31, 2013 and 2012

Statements of Revenues and Expenses and Changes in Net Position

	2013	2012
OPERATING REVENUES		
Property rentals	$ 3,160,262	$ 2,908,097
Dockage fees	445,794	310,336
Wharfage fees	313,383	330,730
Stevedore fees	190,074	170,106
Crane/equipment rentals	43,750	115,500
Security fees	358,625	213,503
Storage and other services	303,667	149,606
Total operating revenues	4,815,555	4,197,878
OPERATING EXPENSES		
Payroll and related benefits costs	2,317,434	1,786,030
Maintenance expense	133,863	72,666
Material handling	81,939	125,345
Insurance	263,649	286,829
Professional and consulting fees	209,456	239,909
Other operating expenses	524,029	423,081
Total operating expenses	3,530,370	2,933,860
OPERATING INCOME, BEFORE DEPRECIATION AND OTHER ITEMS	1,285,185	1,264,018
DEPRECIATION AND OTHER ITEMS		
Depreciation and amortization	(1,407,378)	(1,463,925)
Insurance recovery	1,300,000	–
Waterfront development expenses	(340,620)	(323,667)
Unrealized loss on investments	(25,738)	(27,970)
Interest income	39,107	29,799
Interest expense	(38,937)	(38,737)
Net depreciation and other items	(473,566)	(1,824,500)
CHANGE IN NET POSITION BEFORE CAPITAL FUNDING	811,619	(560,482)
Capital contributions	5,075,131	627,418
INCREASE IN NET POSITION	5,886,750	66,936
Total net position, beginning of the year	32,059,140	31,992,204
Total net position, end of the year	$ 37,945,890	$ 32,059,140

Statements of Cash Flows

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from rentals	$ 3,214,117	$ 3,036,576
Cash received for facility usage	933,079	794,460
Cash received from other services	706,042	319,361
Cash payments to employees and professionals	(2,134,885)	(1,816,801)
Cash payments for materials and maintenance	(213,070)	(344,325)
Cash payments for insurance	(247,229)	(266,974)
Cash payments for other expenses	(523,992)	(323,976)
Net cash provided by operating activities	1,734,062	1,398,321
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash payments for waterfront development	(340,620)	(323,667)
Net cash used in noncapital financing activities	(340,620)	(323,667)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Cash payments for capital assets	(6,495,819)	(1,098,991)
Cash received from capital grant funding	3,718,945	1,762,216
Cash received from insurance recovery	1,300,000	–
Interest expense	(38,937)	(38,737)
Cash payments on long-term debt and other obligations	(145,683)	(156,806)
Net cash (used in) provided by capital and related financing activities	(1,661,494)	467,682
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash received from interest	13,369	1,829
Cash paid for purchase of investments	(3,687,565)	(3,669,094)
Cash received from sale of investments	3,664,618	2,571,833
Net cash used in investing activities	(9,578)	(1,095,432)
Net change in cash	(277,630)	446,904
Cash, beginning of year	829,595	382,691
Cash, end of year	$ 551,965	$ 829,595

Statements of Cash Flows (continued)

	2013	2012
RCONCILIATION OF OPERATING INCOME, BEFORE DEPRECIATION AND OTHER ITEMS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income, before depreciation and other items	$ 1,285,185	$ 1,264,018
Adjustments to reconcile operating income to net cash provided by operating activities:		
Changes in:		
Accounts receivable	116,199	(148,344)
Other assets	10,889	19,855
Accounts payable	(21,011)	45,580
Accrued expenses	93,362	95,726
Deferred revenue	(49,242)	(91,031)
OPEB obligation	298,680	212,517
Total adjustments	448,877	134,303
Net cash provided by operating activities	$ 1,734,062	$ 1,398,321

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:

Net Investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction, or improvement of those assets. 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.

NOTE 2 | SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2013 and 2012.

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

Basis of Accounting

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

NOTE 2 | SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Deferred Revenue

Deferred revenue consists principally of rents received in advance. At December 31, 2012, deferred revenue also included approximately $59,100 received from insurance proceeds as a result of certain damage incurred to the Commission's property. These proceeds were used to offset the expense when the related repairs were undertaken in 2013.

Operating Revenues

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

Insurance Recovery

During June 2011, certain dock facilities owned by the Commission experienced damage as a result of a collapse. The resulting debris was cleared and shoreline instability was remediated by the Commission and, concurrent with this rehabilitation project, the Commission submitted a claim to its insurance carrier for damages incurred and other costs related to this loss. The claim resulted in the Commission's recovery of substantially all costs it incurred relating to the incident. It was the position of the Commission, however, that these steps were insufficient to return the dock facility to its preexisting condition. As a result, the Commission entered into a subrogation process under which, in 2013, the Commission received an additional and final settlement from its insurance carrier in the amount of $1,300,000. This settlement has been recorded as a component of 'other items' in the 2013 Statement of Revenues and Expenses.

NOTE 2 | SIGNIFICANT ACCOUNTING POLICIES (continued)

Waterfront Development Expenses

In 2002, the Commission entered into an operating lease agreement with Capitalize Albany Corporation (CAC), formerly Albany Local Development Corporation, for the use of the Corning Preserve and Hudson River waterfront (see Note 10). All lease payments made to CAC 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.

Estimates and Judgments

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from these estimates.

Subsequent Events

For purposes of preparing the financial statements, the Commission has considered events through March 19, 2014, the date the financial statements were available to be issued.

Reclassification

Certain 2012 financial statement line items have been reclassified to conform with the current year's presentation.

NOTE 3 | CASH AND CASH EQUIVALENTS

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

	2013		2012	
	Carrying Value	Bank Balance	Carrying Value	Bank Balance
Deposit Accounts	$ 551,965	$ 727,116	$ 829,595	$ 862,252

At December 31, 2013 and 2012, the Commission's cash and deposits were covered by FDIC insurance or otherwise collaterally secured.

NOTE 4 | INVESTMENTS

At December 31, 2013, investments, which are stated on the statements of net position at market value, are comprised of certificates of deposit and U.S. Government agency obligations, as follows:

	2013		2012	
Investment	Par Amount	Maturity	Market Carrying Value	Cost
Federal Farm Credit Bank	$ 125,000	2/10/2014	$ 125,011	$ 124,994
Federal Home Loan Bank	74,000	4/14/2014	73,989	73,989
Federal Farm Credit Bank	200,000	10/6/2014	201,488	201,325
United States Treasury	100,000	12/31/2018	98,875	99,244
Ally Bank Midvale Utah (CD)	99,000	10/22/2014	99,997	99,399
Ally Bank Midvale Utah (CD)	150,000	6/27/2014	150,293	150,080
American Expres (CD)	138,000	10/6/2014	138,940	138,262
American Expres Centrn	50,000	11/10/2016	51,239	50,871
BMW Bank North Amer Utah	55,000	12/29/2015	56,459	55,632
BMW Bank North Amer Utah	50,000	1/22/2015	51,183	51,267
BMW Bank North Amer Utah	67,000	8/27/2014	67,616	67,178
BMW Bank North Amer Utah	45,000	10/22/2014	45,490	45,122
Barclays Bank DEL (CD)	95,000	12/21/2016	96,805	96,402
Beal Bank USA Las Vegas NEV (CD)	100,000	4/2/2014	99,953	99,985
Cit Bank Salt Lake City UT (CD)	50,000	12/15/2015	51,180	50,534
Cit Bank Salt Lake City UT (CD)	128,000	2/24/2015	129,449	129,146
Compass Bank Birmingham ALA (CD)	225,000	6/29/2015	225,630	226,213
Discover Bank Greenwood Del (CD)	245,000	6/30/2014	246,080	245,295
GE Cap Retail Bank Draper Utah (CD)	150,000	6/9/2014	150,488	150,566
GE Cap Bank INC Retail (CD)	45,000	5/31/2016	44,812	44,730
GE Cap Bank INC Retail (CD)	200,000	7/7/2014	200,452	200,310
Goldman Sachs Bank USA NY (CD)	245,000	12/1/2014	246,815	246,987
Safra Natl Bank New York NY (CD)	121,000	3/16/2015	120,712	121,020
Sallie Mae Bank Slt Lake City UT (CD)	190,000	10/3/2014	190,500	190,274
Sovereign Bank FSB Wilmington DE (CD)	140,000	6/6/2014	140,250	140,324
Wex Bank Midvale Utah (CD)	113,000	3/28/2014	112,962	113,007
	$ 3,200,000		$ 3,216,668	$ 3,212,156

NOTE 4 | INVESTMENTS (continued)

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

Investment	Par Amount	Maturity	Market Carrying Value	Cost
Federal National Mortgage Association	$ 295,000	2/12/2013	$ 296,141	$ 303,148
First Niagara Bank NA (CD)	249,000	2/25/2013	248,965	249,000
Federal Home Loan Mortgage Corporation	260,000	4/11/2013	261,144	263,994
Federal Home Loan Mortgage Corporation	250,000	4/15/2013	251,075	252,000
Federal Home Loan Bank	325,000	5/29/2013	325,517	325,929
Federal Home Loan Bank	340,000	6/7/2013	340,326	340,347
Goldman Sachs Bank (CD)	249,000	8/22/2013	248,978	249,000
Apple Bank for Savings New York (CD)	99,000	8/29/2013	98,988	99,000
Apple Bank for Savings New York (CD)	148,000	10/24/2013	147,736	148,000
Safra National Bank (CD)	249,000	10/25/2013	248,552	249,000
Federal National Mortgage Association	165,000	12/11/2013	169,229	169,519
Federal Home Loan Bank (CD)	225,000	12/13/2013	231,268	231,561
Federal Farm Credit Bank (CD)	125,000	2/10/2014	125,034	124,994
Federal Farm Credit Bank (CD)	200,000	10/6/2014	203,068	203,194
	$ 3,179,000		$ 3,196,021	$ 3,208,686

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, 2013 and 2012 are categorized as Category 1.

NOTE 5 | PROPERTY AND EQUIPMENT

At December 31, 2013 property and equipment is comprised of the following:

	December 31 2012	Additions	Deletions	December 31 2013
Port marine facilities	$ 78,489,783	$ 385,149	$ –	$ 78,874,932
Transportation, equipment and furniture	810,749	156,902	–	967,651
Construction in process	655,676	6,205,405	–	6,861,081
Total	79,956,208	6,747,456	–	86,703,664
Less accumulated depreciation	49,651,077	1,404,662	–	51,055,739
Net property and equipment	$ 30,305,131	$ 5,342,794	$ –	$ 35,647,925

At December 31, 2012 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 $1,404,662 and $1,461,209 for the years ended December 31, 2013 and 2012, respectively

NOTE 6 | LONG-TERM DEBT

Long-term debt is comprised of the following:

	December 31 2012	Debt Issued	Debt Payments	December 31 2013
NYS First Instance advances (A)	$ 157,709	$ –	$ 80,000	$ 77,709
M&T warehouse obligation (B)	989,010	–	65,683	923,327
	1,146,719	$ –	$ 145,683	1,001,036
Less current maturities	145,683			1,001,036
	$ 1,001,036			$ –

NOTE 6 | LONG-TERM DEBT (continued)

(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 Capitalize Albany Corporation (CAC) and issued, for the benefit of CAC, 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 CAC 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.

It is the intent of the Commission that the balloon obligation will be refinanced in advance of the November 2014 maturity date.

At December 31, 2013, long-term debt maturities were comprised of the following:

Year Ending	2013	2012	2011
2014	$ 1,001,036	$ 33,033	$ 1,034,068
	$ 1,001,036	$ 33,033	$ 1,034,068

Interest expense was $38,937 and $38,737 for 2013 and 2012, 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, 2013, 2012 and 2011 are as follows:

	2013	2012	2011
Retirement related payroll	$ 861,386	$ 726,234	$ 711,985
Employer contributions	$ 180,550	$ 151,392	$ 119,125
Employee contributions	$ 19,224	$ 21,864	$ 26,789

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 $35,100 and $39,700 for current premiums in 2013 and 2012, 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, 2013, the most recent valuation date. Valuations are currently prepared every three years, as required by GASB 45.

	2013	2012
ACTUARIAL ACCRUED LIABILITY (AAL)		
Currently retired	$ 1,153,042	$ 647,532
Active employees	3,087,507	1,747,331
Actuarial accrued liability	4,240,549	2,394,863
Actuarial value of plan assets	–	–
Unfunded actuarial accrued liability (UAAL)	$ 4,240,549	$ 2,394,863
Funded ratio	0%	0%
Normal cost	$ 146,327	$ 99,280

NOTE 8 | OTHER POST-EMPLOYMENT BENEFITS (continued)

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

	2013	2012
UAAL	$ 4,240,549	$ 2,394,863
Amortization period (years)	30	30
Amortization discount rate	2.50%	2.50%
Present value factor	19.42	21.0
UAAL amortization amount	$ 218,311	$ 114,233

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:

	2013	2012
Normal cost	$ 146,327	$ 99,280
Amortization of UAAL	218,311	114,233
ARC	364,638	213,513
Interest on OPEB obligation	29,172	13,302
Adjustment to ARC	(60,074)	25,378
OPEB expense	$ 333,736	$ 252,193

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

	2013	2012
Net OPEB obligation at beginning of year	$ 1,166,893	$ 954,376
Annual OPEB expense	333,736	252,193
Annual OPEB contributions	(35,057)	(39,676)
Net OPEB obligation at end of year	1,465,572	1,166,893
Less: estimated current portion of OPEB obligation	35,000	36,700
Estimated long-term portion of OPEB obligation	$ 1,430,572	$ 1,130,193
Percentage of expense contributed	10.5%	15.0%

NOTE 8 | OTHER POST-EMPLOYMENT BENEFITS (continued)

Trend Information

Year Ended	Beginning OPEB Obligation	Annual OPEB Cost	Actual Employer Contribution	Percentage Contributed	Net OPEB Obligation
12/31/2011	738,883	252,193	36,700	14.6%	954,376
12/31/2012	954,376	252,193	39,676	14.6%	1,166,893
12/31/2013	1,166,893	333,737	35,057	10.5%	1,465,573

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, 2013 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
2013	7.83%
2014	7.37%
2015	6.90%
2016	6.43%
2017	5.96%
2018	5.93%
2019	5.91%
2020	5.89%
2025	5.78%
2030	5.81%
2040	5.19%
2050	5.00%
2060	4.83%
2070	4.35%
Thereafter	4.35%

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, 2013 were as follows:

2014	3,066,000
2015	2,869,000
2016	2,647,000
2017	2,199,000
2018	1,928,000
Thereafter	22,440,000
	35,149,000

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 Capitalize Albany Corporation (CAC), for construction relating to the Corning Preserve/Hudson Riverfront Development Project. The majority of the net proceeds of the Revenue Bonds were utilized to fund various improvements to the project site for recreational and entertainment uses. Concurrent with the issuance of the bonds, CAC and the Commission entered into a shared use and lease agreement, under which CAC leases the project to the Commission for a 30 year lease term. At the end of the lease term, in 2033, the agreement provides that the project improvements are owned by CAC. Accordingly, all 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 CAC's obligations relating to the project, including the funding of installment payments sufficient to cover all related bond debt service and certain other contractual improvement and operating expenses. The AIDA/CAC bonds are 25 year variable rate demand obligations, 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.

NOTE 10 | COMMITMENTS AND CONTINGENCIES (continued)

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	
2014	160,000
2015	165,000
2016	175,000
2017	180,000
2018	190,000
Thereafter	1,350,000
	2,220,000

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

In connection with the issuance of the bonds, CAC 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 CAC monthly payments of $2,425, for 120 months, beginning May 2002 and ended April 2012.

During 2013 and 2012, the Commission's total lease cost, project improvement cost, and other operating expenses related to the waterfront development project approximated $273,000 and $315,000, 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 $270,000 annually.

Federal and State Grants

During 2011, the Commission secured grant funding from the Department of Homeland Security and undertook a security upgrade project. The grant provides for up to $735,000 in federal funds, representing 75% of the total project cost (which approximated $980,000). This project was 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, representing 75% of the total project cost (which approximated $246,000). This 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, representing 75% of

NOTE 10 | COMMITMENTS AND CONTINGENCIES (continued)

the total project cost (estimated to be approximately $1,000,000). At December 31, 2013, the Commission had expended approximately $1,000,000 on this project and, in January 2014, this project was completed.

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 provided approximately $1,570,000 in New York State funding for the initial phase of the project. This phase of the project was completed during 2013. The second grant provides for approximately $9,885,000 in federal funding for the second phase of the project, representing 88.6% of the total phase two project costs to reach the full amount of the estimated cost to complete the project ($12,730,000). At December 31, 2013, the Commission had expended approximately $3,800,000 on this phase of the project, which is expected to be completed in 2014.

The Commission's grants are subject to audit by agencies of the Federal and State governments. Such audits may result in disallowances and a request for a return of funds to the Federal and State governments.

Supplementary Information

SCHEDULES OF PAYROLL AND RELATED COSTS AND OTHER OPERATING EXPENSES

Years ended December 31, 2013 and 2012

	2013	2012
PAYROLL AND RELATED COSTS		
Administrative	$ 849,438	$ 626,071
Maintenance crews and supervisor	289,720	219,774
Security	315,446	247,439
Benefit costs	428,314	353,989
OPEB expense	333,737	252,193
Payroll taxes	100,779	86,564
Total payroll and related costs	$ 2,317,434	$ 1,786,030
OTHER OPERATING EXPENSES		
Security	$ 101,873	$ 52,568
Utilities	119,127	77,709
City water	15,667	11,468
Advertising and promotion	59,546	102,943
Office supplies and expenses	65,040	51,960
Telephone	19,677	21,883
Snow removal	3,988	600
Equipment operating expense	86,160	67,335
Other expenses	52,951	36,615
Total other operating expenses	$ 524,029	$ 423,081

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

To the Commissioners
Albany Port District Commission

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and Investment Guidelines for Public Authorities issued by the Office of the State Comptroller, State of New York, the financial statements of the Albany Port District Commission (the "Commission") as of and for the year ended December 31, 2013, and have issued our report thereon dated March 19, 2014.

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.

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

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 19,2014

www.portofalbany.us

Port of Albany, Albany, NY 12202

p 518.463.8763 f 518.463.8767

2013 ANNUAL REPORT