UPSTATE IMPACT WORLDWIDE REACH

YEAR IN REVIEW

PORT OF ALBANY

“The expansions we plan today will set the tone for all the Port of Albany will be able to offer in 2050. I hope whoever is managing the Port then is as excited as I am right now.”

-Richard Hendrick, General Manager


9.5M

Our MISSION

The Albany Port District Commission strives to responsibly and effectively manage the publicly- owned maritime Port of Albany-Rensselaer, driving 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**
- **Integrity, Professionalism & Customer Service**

Through the execution of this mission, APDC has emerged as an award-winning, multi-faceted organization offering world-class facilities and services with a world-wide economic influence.

PERFORMANCE MEASUREMENTS

The following are the measurements by which the Albany Port District Commission's performance & achievement of its mission may be measured:

- Estimated total economic impact
- Estimated total local and statewide jobs supported
- Ships entering the Port per year
- Tonnage crossing the wharf per year
- Tonnage being stored in the maritime area
- Number of longshore labor hours worked during the year
- Percent of available real property in the Port being leased for commercial activity
- Rent per acre being realized from leases to tenants
- Operating profit / losses

Vision & VALUES

ASPIRATION

- State of The Art
- First Rate
- Invested in Community
- Progressive
- Ready to Serve as Center Of Commerce

ETHOS

- Hardworking
- With Integrity
- Professional
- Of Highest Quality

APPROACH

- Active
- Proving Excellent Quality Labor
- Devoted to Extraordinary
- Customer Service
- Safe

REPUTATION

- Capable and Competent
- Efficient
- Handling Cargo On Time
- Experienced
- Established
- Reliable

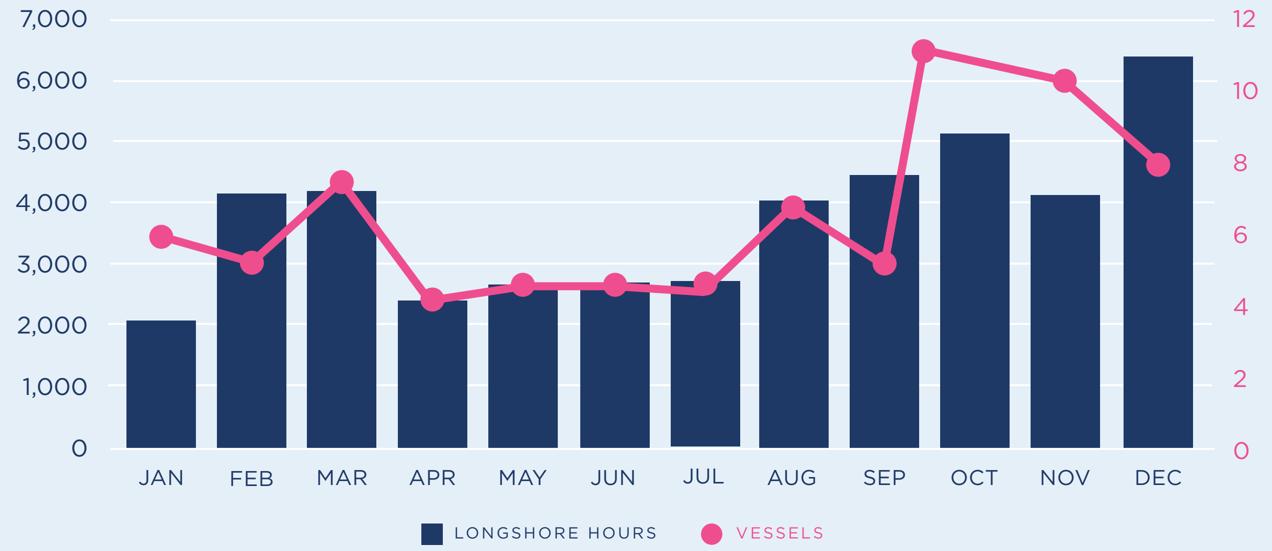
CAPABILITY

- Accessible
- Year-Round
- No Lift Too Big
- Multi-Modal

Maritime Activity 2016 & ECONOMIC IMPACT

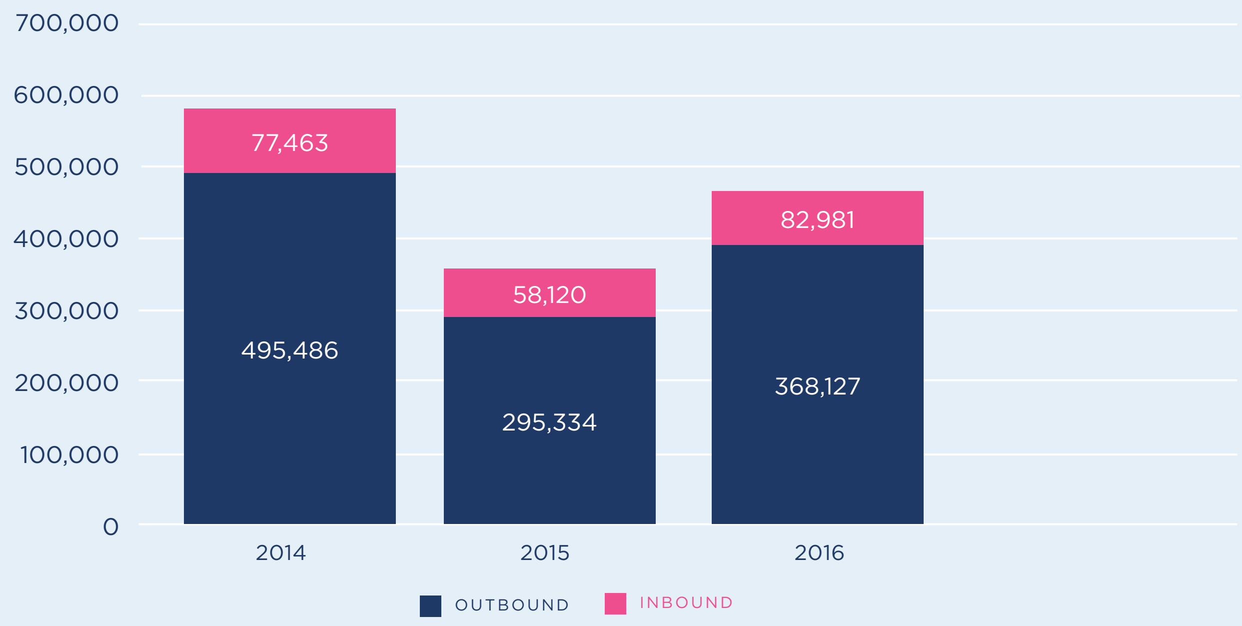
An economic impact study of the Port of Albany completed by Capital District Regional Planning Commission concluded that tenants of the APDC paid over $80 million in wages and benefits for approximately 1,400 local jobs and 4,500 jobs throughout New York State. The Port's overall economic impact on New York State was measured at more than $813 million. The measure of the Port's significance to the Regional economy in terms of output was more than $428 million.

VESSEL CALLS & LONGSHORE HOURS BY MONTH



COMPARATIVE TONNAGE BY VOLUME

Graphical representations of the APDC's vessel traffic, tonnage and longshore hours through December 31, 2014, 2015, and 2016.



UPSTATE IMPACT WORLDWIDE REACH

The Port of Albany connects the upstate New York econo
bringing commodities to the local marketplace or bringing
goods to consumers around the world, the Port of Albany
worldwide transportationnetwork. In 2016, the Port of Alb
corner of the globe, including the following:

omy to the world. Whether it is
g regionally manufactured
y is the critical connection to the
pany handled ships from every

Algeria
Maryland
Belgium
China
Columbia
Costa Rica

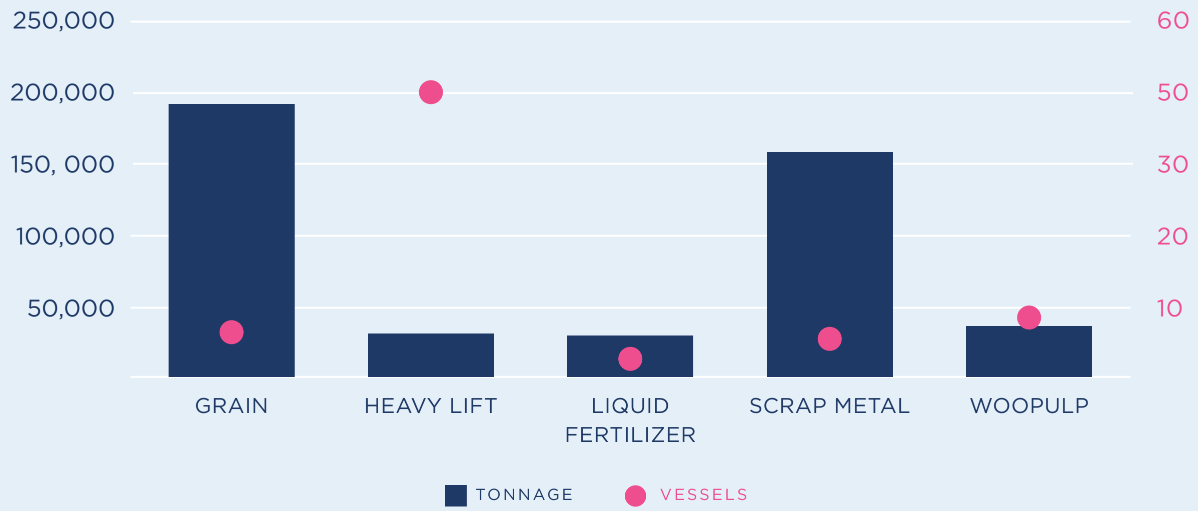
Cuba
Dominican Republic
Canada
Honduras
Houston

Italy
Lithuania
Mexico
New Orleans
New York
New Jersey

Virginia
Pakistan
Netherlands
Puerto Rico
Georgia
S. Carolina

Sweden
Turkey
Venezuela

TONNAGE & VESSELS BY COMMODITY



"Probably no other port in the world has been blessed with so many natural advantages for commercial development and the convenient and economical transportation of goods, as the Port of Albany."

-Port of Albany's 1932"Gateway to the World" Dedication, given by New York Governer Franklin D. Roosevelt.


HANSA HEAVY LIFT
PORT OF ALBANY

2016 And Beyond

Planning for THE FUTURE

The Port of Albany has experienced record growth in certain commodity sectors, while simultaneously securing substantial resources to support infrastructure system upgrades. To be sure the Port is prepared for the future, 2016 was a year in which leadership took many proactive steps

SECURING THE ADVICE OF EXPERTS

Early in 2016, the Port's board and management identified the need to retain a firm possessing the requisite experience in port market sectors, engineering, finance, economics, data analysis and logistics to develop a strategic assessment and growth strategy.

An internationally-recognized consulting firm with extensive experience in the planning, design and construction of port and terminal projects was retained as the primary consultant in a team comprised of leaders in the fields of investment banking, public-private partnerships ("P3") and port economics and market sectors. With the assistance of world-class engineering team Louis Berger & Associates, along with trusted experts at Nathan Associates, the Port has worked to define market opportunities, increase business development activities, identify potential growth sectors and provide guidance for future planning.

The team has presented its findings. The completed deliverable from the team provides the Albany Port District Commission (APDC) with a unique, highly-specific and actionable plan. The Port has already taken several steps based on early recommendations, setting the framework for exciting expansions that will have long-term positive impacts for the region and beyond.

Findings Put Expansion ON THE HORIZON

The APDC leadership recognizes that the Port serves as a major economic engine in upstate New York, as well as a major logistics hub connecting the region to the world markets. With critical economic indicators showing the need and demand for growth in certain sectors, especially those related to transportation, the Port is leading an effort to foster an environment for economic growth and investment.

The new "Strategic Assessment and Growth Strategy" completed by Louis Berger & Associates and Nathan Associates identified areas for expansion, specifically: general warehouse, distribution and logistics supply chain real estate. The Port has explored expansion opportunities and has taken steps toward one development option. In 2016, the Port executed a purchase contract on 80 acres adjacent to Port operations for the purpose of facility expansion. While the first phase is conducting due diligence and feasibility evaluation, the goal is to achieve expansion of the Port facility, specifically adding land for development for private businesses that complement the Port as a logistics hub location.

The Port currently supports nearly 6,000 jobs statewide, with an average wage of $57,000. It is expected that this expansion would continue a similar positive impact on the regional and statewide economy. While this effort will create jobs and

The Port of Albany is approximately 300 acres on both sides of the Hudson River. One of the recommendations of the recently completed growth strategy and market assessment is to expand the Port's land size in areas adjacent to the Port's current footprint along the Hudson River.

The undersupply of developable land in the industrial and manufacturing sector has caused the Port and region to lose out on economic development opportunities. However, the Port can grow and accommodate 1,000,000 square feet of new building, allowing existing businesses and sectors to be enhanced, additional jobs to be created and investment potential to be spurred.

investment for the region, it specifically aims to grow and enrich the flourishing business ecosystem that exists at the Port: Where tenants and businesses are interrelated for commerce and where coordination with one commodity can be used among 3-4 businesses to produce goods in the regional economy. Providing space for businesses to grow or newly locate in the region will expand the Port both physically and in value.

This project is a long-term investment by the APDC, with a long-term growth trajectory for the Capital Region. The eventual economic output from the APDC's initial investment is expected to be exponential, as the Port captures business activity that currently has limited options in the region, expands the Port's impact on employment in the local community, and reinforces existing resources and infrastructure.

Unprecedented INVESTMENTS

The APDC regularly maintains and upgrades infrastructure systems in the maritime terminal and throughout the Port's operations in order to provide the highest quality customer service and business experience. This is a mighty task, with the size and scale of operations throughout the 300-acre district. This approach has also proven to be an effective way to attract and increase commerce at the Port.

PREVIOUS INFRASTRUCTURE INVESTMENTS & ROI

APDC invested in a second mobile harbor crane in 2014. That new crane quickly became an integral part of operations, and overall crane usage more than doubled the next year.

In 2015, the APDC undertook a $2.5 million dredging project to remove approximately 5,000 cubic yards of material adjacent to the Rensselaer Wharf that was reconstructed in 2014. The project was critical to achieve a draft of 32 feet in the area. This allowed safe dockage for commercial vessels that would load and unload substantial product. Overall the improvements enabled doubling commercial vessel activity at the dock. These and other investments set the stage for the next wave of investments and improvements.

BIGGER THINKING, BIGGER INVESTMENTS

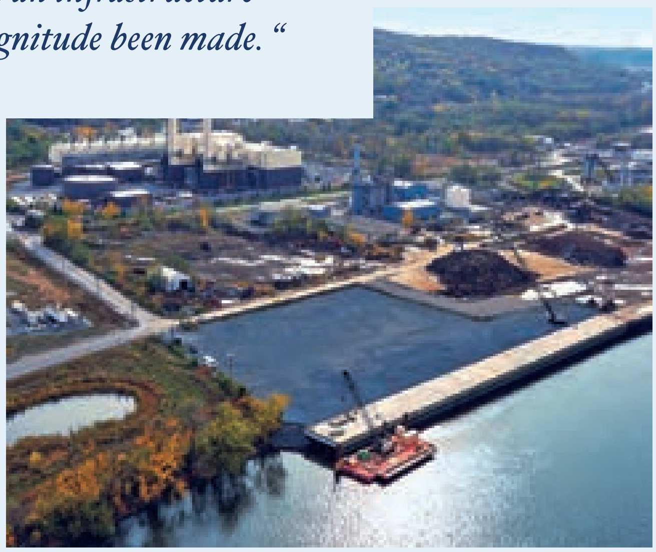
Investing in infrastructure and improving the Port operations proved to enhance the Port's maritime customer reputation, which translated into commerce. These recent Port improvements correlated with historic customer contracts in heavy lift and project cargo handling projects. Anticipating customer need and pursuing opportunity, the General Manager envisioned a Port of Albany 50 years in the future when proposing maritime upgrades. The Port team utilized customer projections and maritime and supply chain trends to develop a plan for a renewed Port. This plan was the basis for applying for competitive economic development resources to support the necessary projects and to garner necessary state, federal and private industry support.

Successfully attracting federal and state sources to leverage into new Port infrastructure investments will result in approximately $50 million of new construction and facility improvements over the next three years.

Project plans include the reconstruction of 840 linear feet of wharf – a section of wharf dating back to the Port's original construction, one ship or two barges can berth at a time. In addition, almost 100,000 square feet of warehouse space will be added to meet customer demand.

In 2016, the APDC executed an agreement with the New York State Department of Transportation (NYSDOT) to fund $15 million of capital investments to the southern dock on the western side of the facility. This investment, called for in the Governor's 2015 Executive Budget and administered by NYSDOT, will provide for the expansion of shipping capacity and facility enhancements to expand heavy lift cargo operations.


"Not since the original construction of the Port, circa 1929, has an infrastructure investment of this magnitude been made."

Transportation Investment
GENERATING ECONOMIC RECOVERY

Through a highly competitive process, the APDC was awarded nearly $18 million of funding through the Transportation Investment Generating Economic Recovery (TIGER) program. This program, administered by the United States Department of Transportation (USDOT), will provide funding to support strategic maritime terminal improvements, including the improvements to the 840 linear feet of wharf previously referenced.

"GE, Siemens and Cargill have all told us … They want to use the port more & more."

- U.S. Sen. Charles E. Schumer, who advocated for the Port's award.

GE moves wind turbines and blades, generators, and steam turbines through the port, while Cargill and other shippers ship commodities, including wheat and corn.

"GE has been considering using barges to move generators and turbines, which have grown larger and heavier. 'Our newest products are 30 percent heavier, one and a quarter million pounds,' said Jeff Connelly, Vice President of Global Supply for GE Power. GE exports 90 percent of the generating equipment it produces at its Schenectady factory, he added."

- Albany Times Union, July 18, 2016

Last year, 60 percent of the international cargo handled at the port consisted of such heavy-lift cargo from companies that included not only GE and Siemens, but Dresser-Rand, Bechtel and Iberdrola.

Spotlight: 840 feet of
WHARF RECONSTRUCTION

WHARF DESIGN

The new wharf will come complete with a dock system and design that accommodates the next generation of heavy lift cargo, such as General Electric generators, better prepare for the projected increase in volume of containerized cargo resulting from the Panama Canal expansion, and ensure reliable bulk product transfer.

Future use of the facility may include container-on barge operations and special heavy lift project cargo handling operations; hence, it is advantageous to provide for flexibility in the berth configuration to allow for bulk cargo, container movements, heavy cargo movement and a variety of potential other uses.

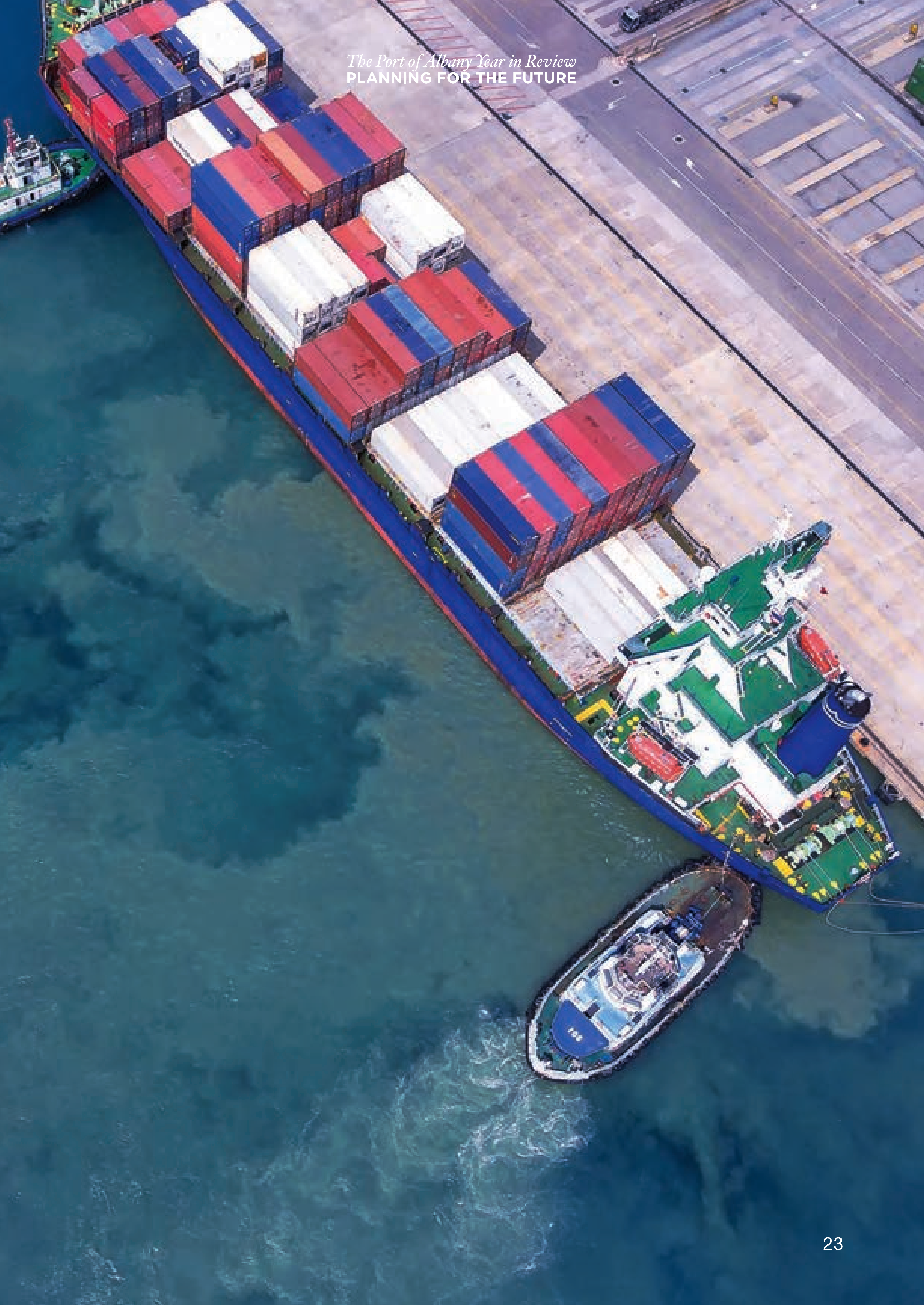
When regional manufacturers decide to move pieces of heavy equipment from their local plant by barge, the Port of Albany will be prepared to handle and transport these pieces of cargo with no challenge to the transportation timing and export.

WHARF RECONSTRUCTION

The new structure has been designed to provide a fully operational facility with a useful service life in excess of 50 years, requiring little to no maintenance for primary structural elements.

A feature of the new wharf will be a roll-on, roll-off ("RoRo") slip, which will enable the loading and unloading of items that may be dimensionally too large or too heavy to utilize rail or truck transportation. The RoRo will allow a barge to bring their load directly to the point of unloading without requiring separately sourcing a heavy-lift crane for unloading.

Following exploration of several design alternatives, project engineers and sponsors have established that construction of a pile-supported high level deck system, with cast-in-place concrete bent caps supporting precast concrete panels and composite cast-in-place concrete deck slab closures, combined with a high-modulus steel sheet pile cutoff wall with inclined pressure-injected rock anchors, is both fit for the project purpose, well-suited for the site and environmental conditions, and appropriate for operational and functional considerations.



Spotlight: On the
BIG LIFT WAREHOUSE

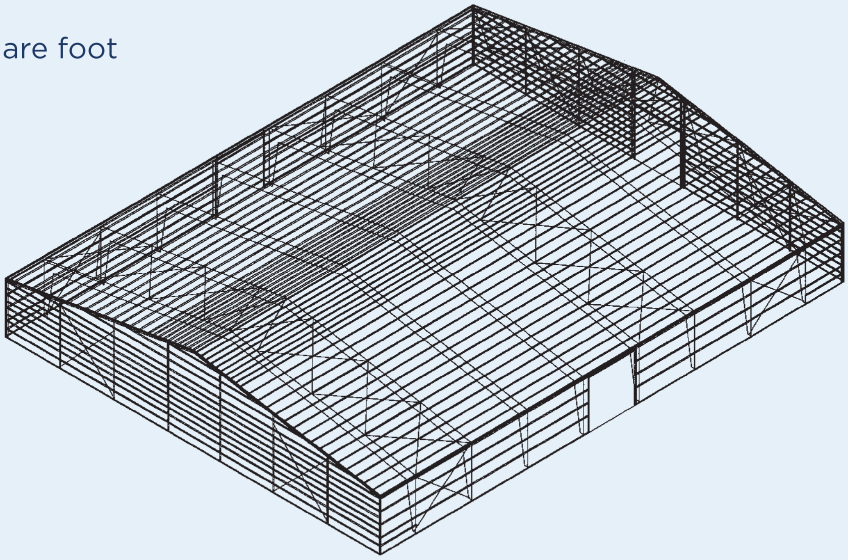
The Port is constructing a climate-controlled, secure and modern facility comprised of 45,000 square feet with high ceilings and an open floor plan. This maritime heavy lift cargo operations building will be built in an upland area of the port, with weight capacity to handle the weight and dimension of the new heavy lift cargo that is manufactured in the region, which is expected to grow in 2017-2018 and beyond. The project seeks to meet the current and anticipated logistics and storage needs of regionally based international manufacturing companies that produce heavy lift or project cargo.

The dedicated Big Lift maritime warehouse is critical to the Port of Albany's expanding capacity as a big lift and special cargo capable port. The path to the development of this structure has been a long time coming and is made possible by the State of New York and the Federal TIGER grant. The building fits into the overall plan to offer capacities to these unique cargo handling requirements, and to ensure that the regional manufacturers are able to move their goods to the worldwide marketplace.

For years, the Port of Albany has adapted to meet the needs of the regional economy and to be sure the region has access to the goods necessary for next

levels of innovation and expanding commerce. The next generation of power units that are exported from the region to customers throughout the world are one example of this unique supply chain. The project is being partially supported through a grant from Empire State Development, through Governor Cuomo's Regional Economic Development Councils. It is expected that construction will commence in 2017 and the building will come on line in 2018.

45,000 square foot warehouse



2016

Reducing Our Footprint

The Green Marine ENVIRONMENTAL PROGRAM

In 2016, the Port of Albany became the first New York port to join the Green Marine program, an environmental certification program for the North American marine industry.

The Green Marine program is a voluntary, transparent and inclusive initiative that encourages U.S. and Canadian marine companies to focus on key environmental issues and reduce their environmental footprint. The Port joins with ship owners, ports, terminals, Seaway corporations and shipyards to address environmental issues through Green Marine's 12 performance indicators.

Participants are committed to continuously improving their environmental performance through the monitoring of invasive species, GHG emissions and air pollutants, spill prevention, community impacts, environmental leadership and waste management.To obtain Green Marine certification, members must benchmark their annual performance through the program's comprehensive self-evaluation guides, have their results verified by an accredited external verifier and agree to publication of their individual results. The Port intends to use this program to help make even greater improvements in the environmental efficiencies the Port already strives for in daily operations.

With the membership by the Port of Albany increasing program participants to more than 100, the Green Marine program reached an important milestone that reflects the progressive reach of the environmental program throughout North America and the commitment of the shipping industry to sustainable development.

The Port of Albany self-audit is nearly complete, with certification expected in Spring 2017.

"The Port of Albany is critical for the movement of goods between our great state and the rest of the world"

-Governor Andrew M. Cuomo

Meet Richard J. Hendrick Sr.
GENERAL MANAGER OF THE PORT OF ALBANY

The following interview (continued on www.PortofAlbany.us) contains interesting and insightful perspective from Rich who has been with the Port for over a decade and travels across the nation on Port business.

Q: What are you most proud of about the Port these days?

A: Well it's tough to say one thing because there is so much happening at the Port. But one thing is how our reputation is growing. Years ago, when I was a kid in this town, people used to say, "Oh, Albany has a port?" But today, regionally, nationally and internationally, people know about us. They've seen the expansions and our awards. They know they can get their cargo to our port and that we never close. Our port has become a tremendous asset for our region.

Q: What is so special about the Port of Albany?

A: The Port of Albany is special for a number of reasons: the roads and river structure we have; being five minutes from three different interstates; our deep-water facility; even our close proximity to airport runways. In recent years, I've watched the cargo get larger – so large it cannot travel by truck or rail. And that's even more why we need to be prepared. The docks have been nearly completely reconstructed. We've improved our rail lines. Right now, thanks in large part to federal and state support, we're positioning ourselves to be the partner that moves any type of goods by rail, by sea, or by road through this entire northeast part of the United States, while serving worldwide needs, as well.

Q: What do you love about your job?

A: I have a phenomenal job. I've been able to work with great staff here, have lunch with ambassadors from different countries, and hear from sailors who tell me, “We look forward to coming back to the Port of Albany.” That makes me happy, and I thank the people of the port that help make this so. I see the smiles on peoples’ faces when they come to work here. Between the employees of the port and our tenants, over 1,400 people work right here, and we all work toward the same goal: to make every piece of the port and every tenant in the port better. No day is the same, but every day is exciting.

Q: What do you think people don’t know about the Port of Albany?

A: Our impact. As we improve our port, lives in the surrounding communities improve, as well. We drive over $800M each year in economic impact for the region. The port and our tenants provide great jobs, with strong wages and benefits.

Watch The Full INTERVIEW

Richard Hendrick has been with the Port of Albany nearly 13 years, serving as the General Manager since 2008. Rich serves on the Board of Commissioners of Pilots of the State of New York, he was elected to the Board of Directors of the American Association of Port Authorities (AAPA) United States – North America and is the Assistant Chair of the North American Ports committee for AAPA alongside Chairperson Molly Campbell from the Port of NYNJ. Rich also serves on the Board of Historic Cherry Hill in Albany’s South End. For more on Rich’s interview please go to **www.portofalbany.us**

STAFF

Richard J. Hendrick Sr., General Manager

Erik Smith, Director of Internal Controls & Enterprise Analysis

Patrick K. Jordan, General Counsel

Anthony J. Vasil, Manager of Business Development and Marketing

John C. Kosa, Director of Operations and Facilities

Megan Daly, Director of Economic Development and Procurement

David B. Williams, Security and Threat Assessment Director

James Teller, Deputy Security Director

Annie Fitzgerald, Staff Accountant and HR Coordinator

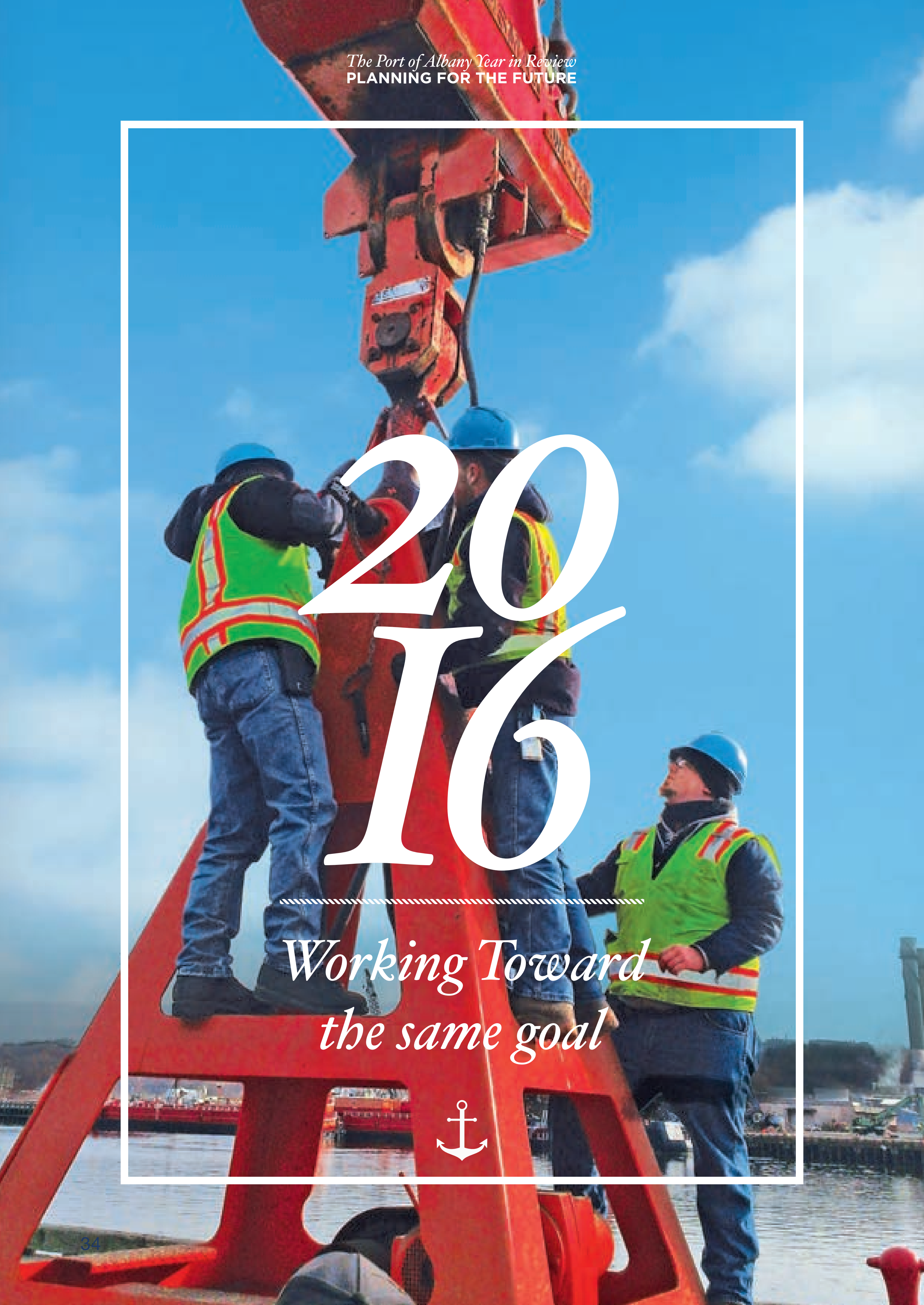
Thomas McGuinness, Director of Information Technology

Annette Gaspary, Administrative Assistant to General Counsel

Linda Wilkinson, Commission Secretary

MAINTENANCE & OPERATIONS

James P. Williams, Maintenance Foreman
Joshua Ostrander, Assistant Maintenance Foreman
Paul Eddy
RJ Hendrick
Jason Carrol
Reid Lisosky



2016

Working Toward the same goal

"Distribution at the Port of Albany can happen through 'the three Rs' — river, rail or road. The port has all three and that is perhaps the highest value of the logistics hub at the Port of Albany."

- Georgette Steffens,
Chair Albany Port District Commission

Joeseph E. Coffey Jr., Treasurer — *Georgette Steffens,* Chairwoman — *Noelle M. Kinsch,* Commissioner — *Dominic Tagliento,* Secretary

Port LEADERSHIP

GOVERNANCE

The APDC is the government entity charged with operating the Port of Albany. Created by the Laws of the State of New York in 1925, the Commission consists of five members, four appointed by the Governor upon nomination of the Mayor of Albany, and one appointed by the Governor upon nomination of the Mayor of Rensselaer.

Safety at the PORT OF ALBANY

The Port of Albany is committed to providing a safe, secure and professional facility to protect our most important assets: our employees, customers and community. Safety and security are and will continue to be core values of our operation. Our top management shares this philosophy, and it is constantly communicated to our employees, customers and tenants.

The Port of Albany has one of the finest security systems in place for maritime industry, a huge value for businesses that rely on safe handling transportation of their products. The Port of Albany's security measures encompass the entire facility, offering a safe and secure environment for tenants.

The Maritime Transportation Security Act (MTSA) of 2002 established certain requirements related to terminal access and vessel security for US ports. The majority of security features in place at the Port of Albany are based upon practices and protocols required under the Albany Port District Commission's Facility Security Plan, which was designed and implemented under the MTSA and is regulated by the US Coast Guard.

The Port SECURITY TEAM

Our well-regarded Port security team provides security services to neighboring private businesses along the Hudson River that are also under the jurisdiction of the US Coast Guard. The Port security team is comprised of highly qualified professionals with many years of law enforcement experience, preventing dangerous events while protecting safety and security on a daily basis.

The Port security team regularly conducts safety drills and invites law enforcement leaders from the Capital Region, as well as port tenants and stakeholders, to participate. Drills include representatives from the US Coast Guard, CSX, CP Rail, City of Albany Fire and Police, the Albany County Hazmat Response Team based at the Watervliet Arsenal and representatives from Port businesses. The team meets to discuss safety setups and even produces mock safety events to run practice drills. The Port security team has won awards and received recognition for the highest standards and safety on a number of occasions. Perhaps most prestigious of all, the United States Coast Guard Area Maritime Committee recognized The Port of Albany, together with the Port of New York and New Jersey, for outstanding achievements and safeguarding the marine transportation system.

2016

Keeping Us Open 24/7/365

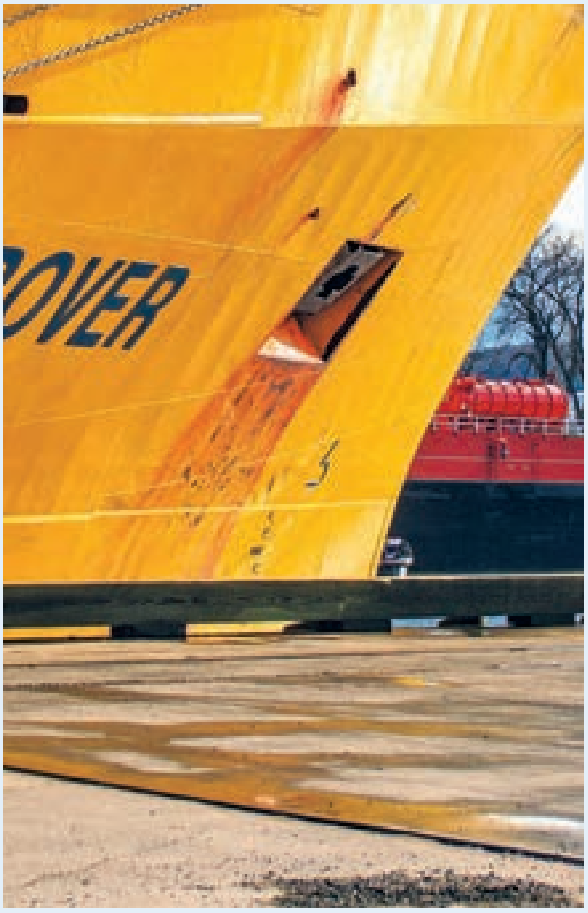
Maintenance & OPERATIONS

At the Port of Albany, rail, maritime and transload mobility all converge on our 300-acre business ecosystem. The maritime and commercial landscape is equipped with specialized facilities and equipment to serve each ship, each customer and every unique tenant requirement. The Albany Port District Commission strives to ensure facilities are state-of-the-art and that the operations offer convenience, high value, integrity and security. We strive to create an environment for commerce business innovation and commercial investment.

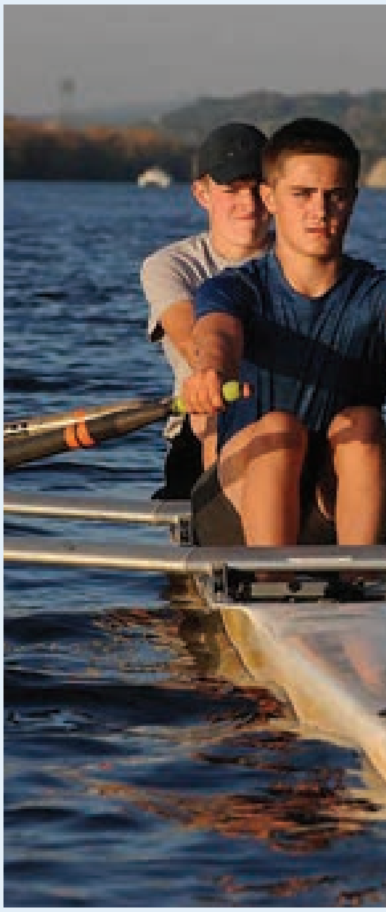
Critical to managing daily operations throughout the port district is the Albany Port District Commission's on-site, fully-equipped maintenance shop and team.

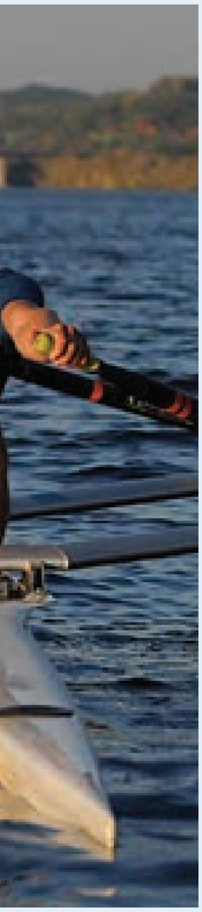
The Port's director of operations, John C. Kosa, oversees the division, while also serving as the on-the-ground project manager for infrastructure improvement and new construction projects. The crew of six, with an experienced and dependable foreman, Jim Williams is responsible for overseeing the maintenance of 21 tenant buildings, 6 marine warehouses and 300,000 square feet of covered storage facilities. Maintenance provides potable water for ships, and it services all maritime equipment and terminal needs. The Albany Port District Commission maintenance operation includes over 40 pieces of heavy equipment necessary for maritime operations, as well as general industrial facility usage for districtwide capitalization.


390
GATX




FMT
Your cargo





The Port

A COMMUNITY PARTNER

A COMMUNITY PARTNER

The APDC is committed to increasing commerce, and it is dedicated to being a good community partner. The Port of Albany often hosts community tours, including student visits, leadership tours, Chamber outings and visiting dignitaries. The Port also participates in as many external regional meetings, events and civic endeavors as possible. Together, these are excellent opportunities to promote Port activities and inform the public about what takes place at the Port and the role it plays in the economy and the consumer ecosystem.

The Port annually hosts Port Industry Day. This is a chance for the community, including business, government, elected officials and general public to come into the Port's secure terminal and participate in a day-long event highlighting tenants, maritime activity and issues involving the Port.

MARITIME MINISTRY

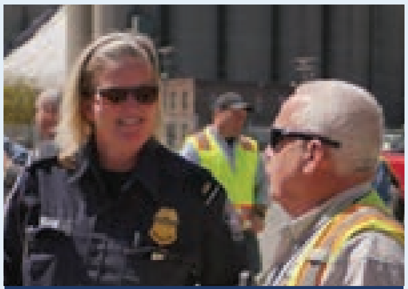
Albany Maritime Ministry is an all-volunteer; ecumenical group meeting the spiritual, personal and practical needs of mariners arriving in and around the Port of Albany. It is a ministry of hospitality and welcome!

Founded in 1995 by a committed group of volunteers, it provides a vital link to essential services for visiting seafarers from around the world. Albany Maritime Ministry is incorporated under the laws of NYS and is a Federal 501c3 organization working closely with a variety of churches in the Capital District, members of the business community and city, state and federal agencies. Rev. Dr. William Hempel serves as chaplain and director of the ministry. Offices are located in the Port Security Operations Center.

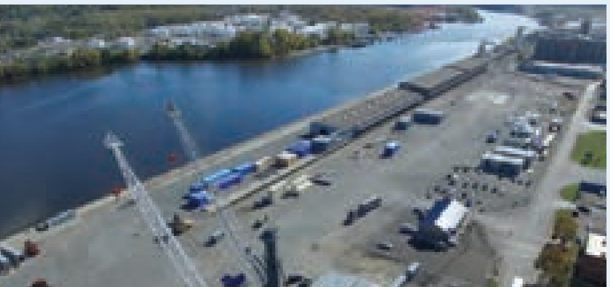
Port Facilities & OPERATIONS

The Port of Albany is upstate New York's busiest port, responsible for $800 million in state economic output annually. The Port is a bulk, break bulk and special project international seaport. As a significant player in transporting goods, The Port of Albany moves a variety of bulk cargoes (such as grain, salt, molasses, liquid fertilizer, ethanol, petroleum and scrap iron) as well as break-bulk cargoes (heavy lift, project, over-dimensional, steel and wood pulp) demonstrating a truly global impact of operations.

FOUR TRANSIT SHEDS & TWO BACKUP
WAREHOUSES TOTALING
32,500 SQ FT
OF SPRINKLERED STORAGE



ON SITE CUSTOMS & BORDER PROTECTION



CENTRALLY LOCATED
IN THE NORTHEAST AT THE CROSSROADS OF
I-90 & I-87

4,200 FT
WHARF LENGTH
ON THE ALBANY SIDE OF THE RIVER

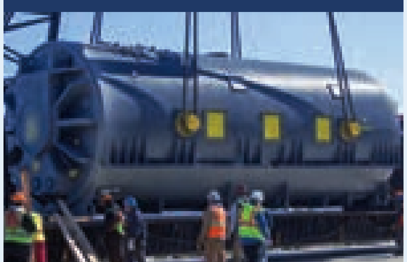
32 FT
FRESH WATER DRAFT

225 MI
SOUTH OF MONTREAL

2 LIEBHERR
MOBILE HARBOR
CRANES

248 MT
LIFT CAPACITY

HEAVY LIFT
ON-DOCK RAIL CAPABILITY



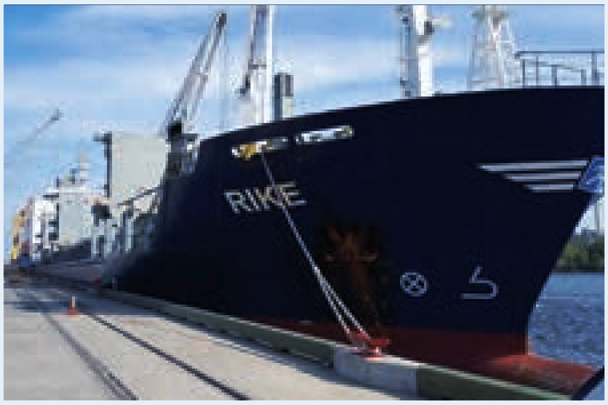
160 MI
WEST OF BOSTON

ON SITE
SPECIALIZED
CARGO
INSPECTION
SERVICES AVAILABLE

13.5
MILLION BUSHEL
CAPACITY GRAIN ELEVATOR WITH A PECO LOADER

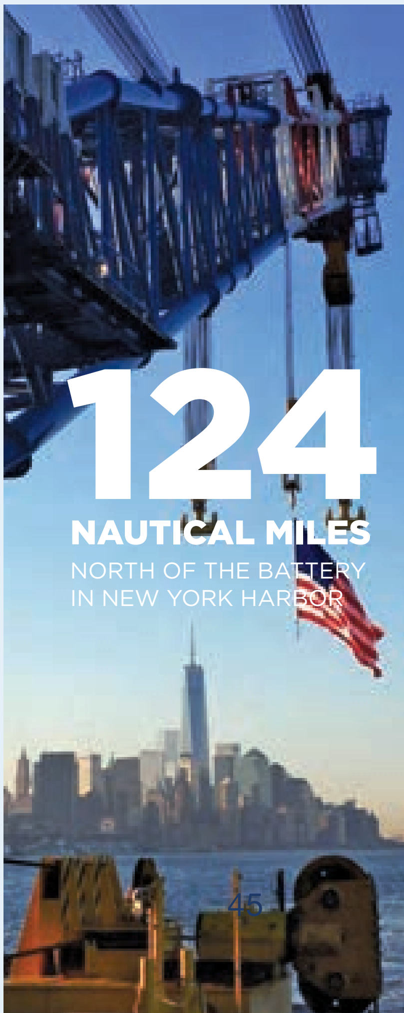
105 MILLION GALLON
CAPACITY BULK LIQUID STORAGE

1,200 FT
WHARF LENGTH
ON THE RENSSELAER SIDE OF THE RIVER



20 ACRE
PAVED MARINE TERMINAL

OPEN & ACTIVE
YEAR ROUND



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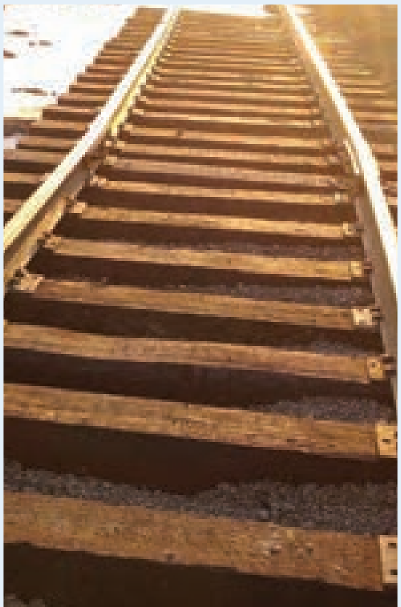
NAUTICAL MILES
NORTH OF THE BATTERY IN NEW YORK HARBOR



300 ACRES
LAND & DEEP WATER FACILITIES ON BOTH SIDES OF THE HUDSON RIVER

PORT OF ALBANY

AUDITED FINANCIAL STATEMENTS AND OTHER INFORMATION

Years ended December 31, 2016 and 2015

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Albany Port District Commission

Management's Discussion and Analysis

The following discussion and analysis (MD&A) of the activities and financial performance of the Albany Port District Commission ("APDC" or the "Port") is offered as an introduction and overview of the financial statements of APDC for the fiscal year ended December 31, 2016, with comparative data for the fiscal year ended December 31, 2015. Following this MD&A are the basic financial statements of APDC 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, certain supplementary information is presented to assist with the understanding of the APDC's financial operations.

APDC is governed by a five member Board of Commissioners ("Board"). All Commissioners are appointed by the Governor of New York State based upon recommendations of the Mayors of Albany and Rensselaer. The Board has adopted several policies as required under the Public Authorities Accountability Act ("PAAA") of 2005 and the Public Authorities Reform Act ("PARA") of 2009, enhancing transparency and embracing best governance practices.

The APDC Finance Committee meets on a quarterly basis or more frequently if necessary to review project and transactional analysis. As necessary, the Committee makes recommendations for consideration by the Board. On a monthly basis, the Board meets to discuss infrastructure needs, project activity and progress, maritime activity performance and the APDC's financial position and performance. Additionally, the APDC Audit Committee, without management present, independently meets with the independent auditors to discuss relevant issues and concerns.

Introduction

In 1925 the Albany Port District Commission was established through an act of the New York State Legislature ("Enabling Legislation"). The Enabling Legislation granted broad authority to the APDC to develop, construct, and manage a maritime facility. During the succeeding decades, the APDC developed into a year-round, twenty-four hour operation encompassing nearly 300 acres within two municipalities, directly and indirectly employing hundreds of men and women and generating hundreds of millions of dollars in regional and state-wide economic impact.

Stevedoring services are provided by Federal Marine Terminals, Inc. ("FMT"). Through a Terminal Operating Agreement ("TOA") between APDC and FMT, FMT is authorized to manage a portion of APDC property for general cargo and commodity handling and to conduct various activities related to vessel servicing. Under the TOA, FMT is obligated to make monthly payments to APDC ("Base Payments"). Additionally, upon achieving certain gross revenue thresholds, FMT is also obligated to pay a percentage of gross revenue to APDC ("Revenue Share Payments").

The APDC strives to responsibly and effectively manage the publicly-owned maritime Port of Albany-Rensselaer, driving 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.
- Integrity, Professionalism and Customer Service.

Through the execution of this mission, APDC has emerged as an award-winning, multi-faceted organization offering world-class facilities and services with a wide-reaching economic influence.

The year 2016 saw the start of major initiatives that will provide a roadmap for growth, generate new investment in APDC facilities, pursue expansion through property acquisition and identify new business opportunities.

Planning for the Future

Early in 2016, the Board and management identified the need to retain a firm possessing the requisite experience in port market sectors, engineering, finance and economics, data analysis and logistics to develop a strategic assessment and growth strategy ("Growth Strategy"). An internationally recognized consulting firm with extensive experience in the planning, design and construction of port and terminal projects was retained to lead a team comprised of leaders in the fields of investment banking, public-private partnerships ("P3") and port economics and market sectors (collectively the "Team") to work with APDC leadership in the development of the Growth Strategy.

When completed, the Team's deliverable will provide the APDC with a unique and highly specific actionable plan. Work undertaken during 2016 will result in defined market opportunities, increased business development activities, identifying potential growth sectors and providing guidance for future planning.

Expansion

Being proactive and positioning itself to meet the needs of existing and future customers and tenants for decades, the Port identified approximately 80 acres of undeveloped waterfront property adjacent to the southern boundary of the existing facility ("Property") for a potential acquisition. During the fourth quarter of 2016, the APDC engaged an engineering firm to conduct site evaluation, feasibility and master planning services for the Property. The Port holds an option on the Property while due diligence is conducted.

The Capital District Regional Economic Development Council ("CDREDC") has recognized the evolutionary opportunity this expansion could present. In the most recent round of CDREDC funding the APDC was awarded $5 million to partially offset the cost of building a new heavy capacity bridge to bring vehicle and rail access to the Property.

Infrastructure Investment

Successfully attracting federal and state sources to leverage into new infrastructure investments has resulted in approximately $50 million of new construction and facility improvements over the next three years. This activity will result in the reconstruction of 840 linear feet of wharf – an area planned dating back to the Port's original construction. Almost 100,000 square feet of warehouse space will be added to meet customer demand. This level of activity represents a magnitude of infrastructure investment not seen since the circa 1930's original construction of the Port.

During 2016, the APDC executed an agreement with the New York State ("NYS") Department of Transportation ("NYSDOT") to fund $15 million of capital investments to the southern dock on the western side of the facility. This investment by NYSDOT will provide for the expansion of shipping capacity and facility enhancements to expand heavy lift cargo operations. A feature of the new wharf will be a roll-on, roll-off ("RoRo") slip which will enable the loading and unloading of items which for sundry reasons are unable to utilize rail or truck transportation. The RoRo will create economic opportunities for customers by creating a more efficient mode of cargo transportation to and from the Port without necessarily requiring separately sourcing a heavy-lift crane. Design work for this project was completed in 2016.

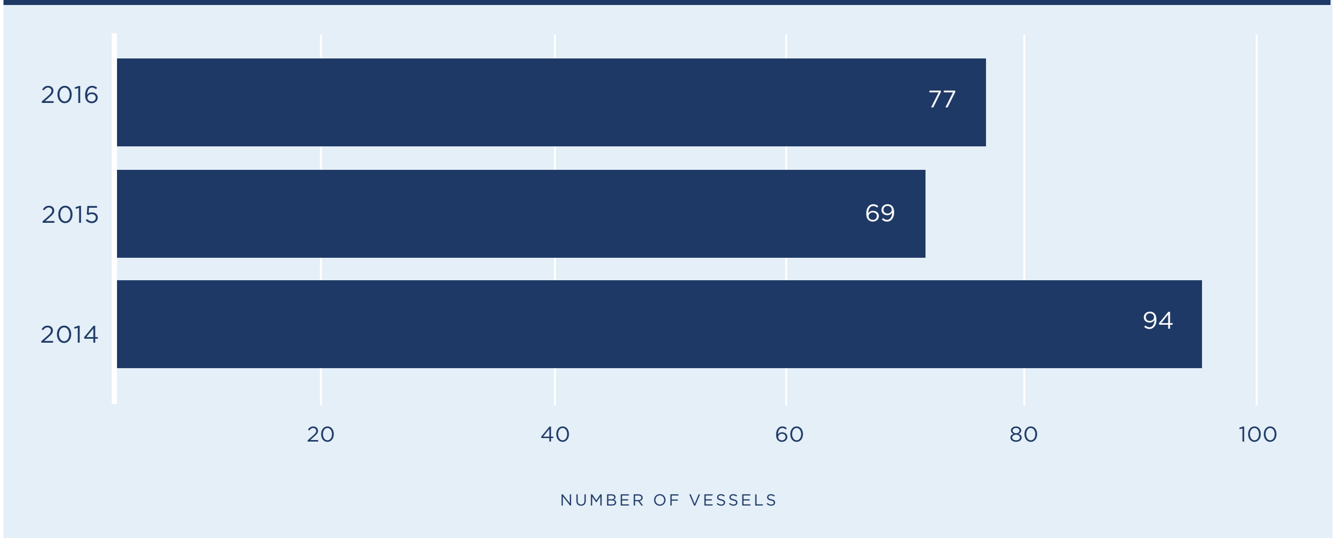
The Board of Commissioners has selected an engineering firm to design a climate-controlled, secure and modern facility comprised of 45,000 square feet. This facility will meet the current and anticipated logistics and storage needs of a Fortune 500 company. The design and construction cost of this approximately $8 million project will be partially offset through a grant from the NYS Department of Economic Development ("EDC").

In August 2016, the APDC was awarded nearly $18 million of funding through the Transportation Investment Generating Economic Recovery ("TIGER") program. This program, administered by the United States Department of Transportation ("USDOT"), will provide funding to support strategic maritime terminal improvements in the future.

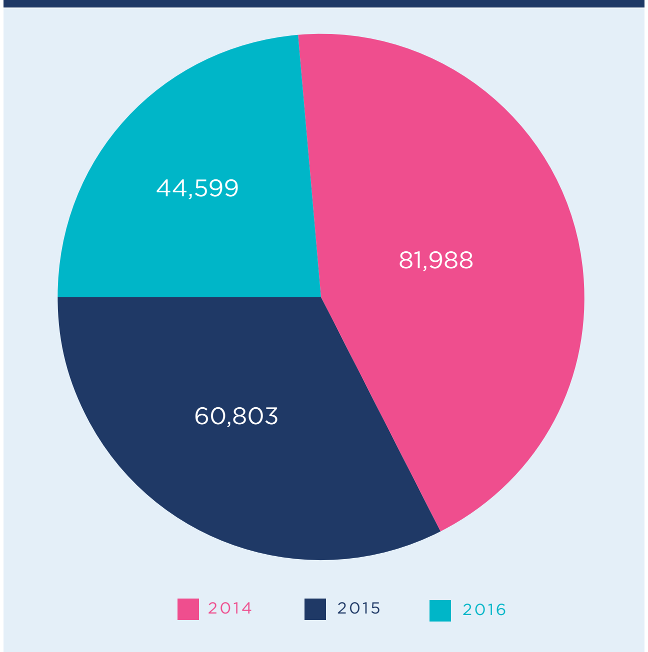
Maritime Related Activity

- As in past years, grain and scrap metal remain the two highest-volume commodities in terms of tonnage. Together, these commodities brought over 350,000 tons of bulk cargo activity to the Port during 2016. Grain and scrap metal represent 43% and 35%, respectively, of total tonnage for 2016.
- Heavy lift activity represents approximately 7% (31,000 tons) of 2016 tonnage. As a function of vessel traffic; however, 64% of all cargo-carrying ship calls in 2016 were heavy lift vessels.
- Of the 49 heavy lift vessels in 2016, 37% of this vessel traffic were related to domestic cargo moves.
- Just under 6,500 longshore hours were worked in December; this represents 15% of total longshore hours (44,599) worked in 2016 and the highest one-month total for the year.
- Although December saw fewer vessels than October and November, December longshore hours were higher than in those months due to a significant volume of non-vessel terminal activity.
- In bound cargo tonnage in 2016 represents a 3-year high and is a 7% increase over the previous high in 2014.

VESSEL TRAFFIC



LONGSHORE HOURS

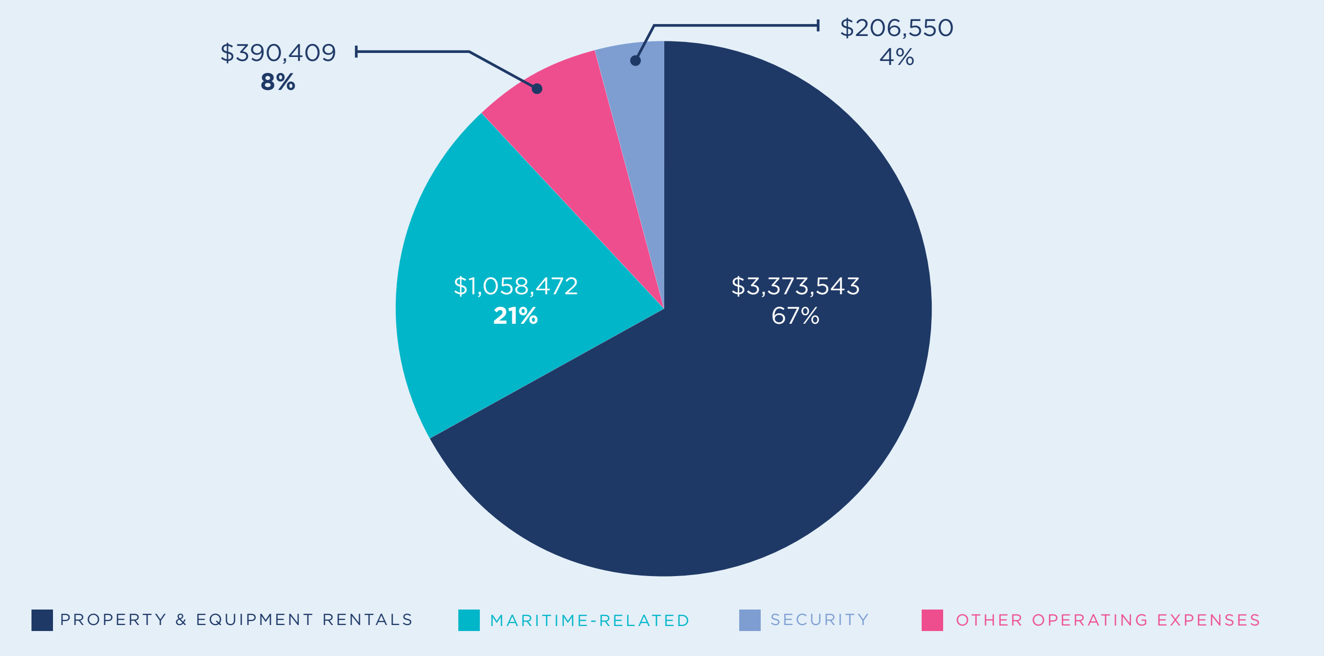


FINANCIAL OPERATIONS HIGHLIGHTS

A condensed summary of revenues and expenses for the years ended December 31, 2016 and 2015 is shown below.

	2016	2015
OPERATING REVENUES		
Property and equipment rentals	$ 3,373,543	$ 3,419,664
Maritime-related	1,058,472	1,221,292
Security	390,409	583,376
Other operating revenues	206,550	237,269
Total operating revenues	5,028,974	5,461,601
OPERATING EXPENSES		
Payroll and related expenses	2,614,316	2,521,528
Maintenance and material handling	267,119	211,801
Professional services	668,512	518,088
Other operating expenses	429,129	445,102
Total operating expenses	3,979,076	3,696,519
OPERATING INCOME	1,049,898	1,765,082
Depreciation and other items	(2,681,901)	(2,181,417)
CHANGE IN NET POSITION BEFORE CAPITAL FUNDING	(1,632,003)	(416,335)
Capital grant funding	610,591	958,692
INCREASE (DECREASE) IN NET POSITION	(1,021,412)	542,357
Total net position, beginning of year	45,052,908	44,510,551
Total net position, end of year	$ 44,031,496	$ 45,052,908

2016 OPERATING REVENUE



Operating Revenue decreased approximately $430,000 or 8% from 2015.

The decrease in 2016 operating revenues as compared to 2015 is primarily the result of less revenue generated from security fees; partially due to decreased lay berth utilization. Property rental revenue was virtually flat from 2015 as certain available parcels remained vacant in 2016. As a category, property rentals comprise almost 60% of APDC's operating revenue and acts as a stabilizing revenue source to offset the volatility within the other sectors.

- Dockage Fees are charged for vessels that are utilizing berths and are based upon either the length or net registered tonnage of the vessel. Fees for dockage decreased by approximately $104,000 or 20%. Although as an aggregate, the number of vessels increased by about 12% (from 69 vessels in 2015 to 77 vessels in 2016) dockage revenue has declined. That decrease is attributable to fewer wood pulp ships in 2016 and also is the result of a nearly 80% decline in lay berths; from 151 in 2015 to 34 in 2016.

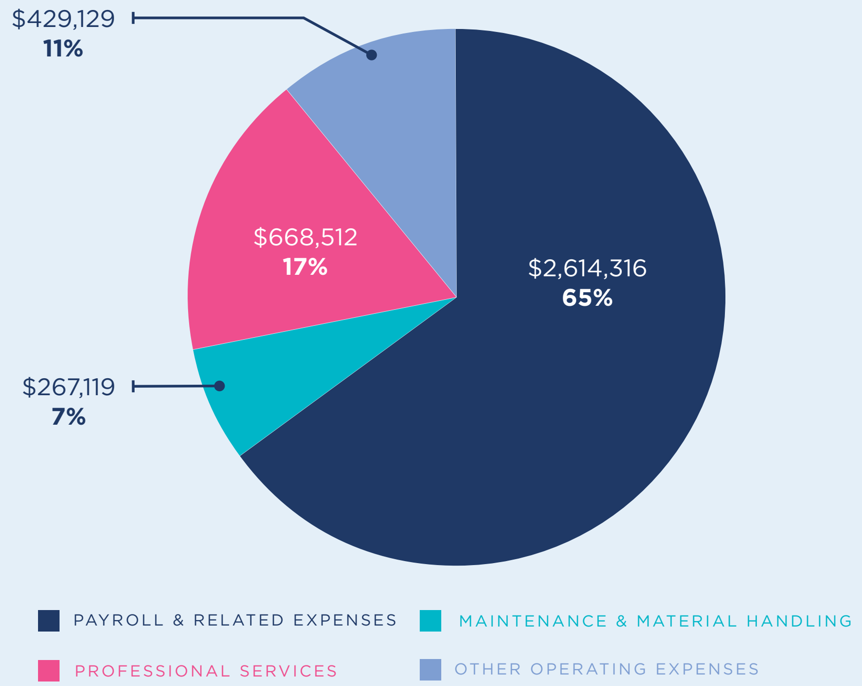
- Wharfage Fees increased by $76,000 or 22% over 2015. Grain outperformed in 2016 as compared to 2015, generating approximately $63,000 more wharfage revenue. Additionally, wharfage fees generated by heavy lift/project cargo and wood pulp exceeded 2015 by 25% and 27%, respectively.

- Stevedore Fees declined by 39% from $347,000 in 2015 to $212,000 in 2016. Revenue Share Payments received from FMT decreased by $98,000. Although not captured in the APDC's financial performance, a corollary to this decrease is evidenced by the number of longshore hours worked in 2016 as compared to 2015. Longshore hours worked decreased by about 16,000; from 61,000 hours in 2015 to 45,000 hours in 2016.

- Revenue derived from crane and equipment rentals decreased by $53,000 from $228,000 in 2015 to $175,000 in 2016. This is attributable to a decline of approximately 151 hours of crane utilization by FMT in 2016 for maritime terminal operations. APDC charges an hourly rate to FMT for crane usage.

- The Maritime Transportation Security Act of 2002 ("MTSA") established certain requirements related to terminal access and vessel security for U.S. ports. The majority of security fees received by the APDC are based upon practices and protocols required under the APDC's Facility Security Plan, which was designed and implemented under the MTSA. Revenue for Security Fees was $390,000 in 2016 as compared to $583,000 in 2015; a decrease of $193,000 or 33%.

2016 OPERATING EXPENSES



Operating expenses increased by approximately $283,000 or 7.6%
Professional and consulting fees include approximately $208,000 for the retention of a consulting firm. Excluding this increase in cost, operating expenses increased by $74,000 or 2%.

- Payroll and Related Expenses increased overall by 4%. Total expenses in the category; however, reflect the expense recognition required under GASB 68. In 2015, GASB 68-related expense was $60,800; 2016's expense is $241,000. As explained in the notes to the financial statements, the amount of this non-cash expense is determined by an actuarial analysis and utilizes a lower assumed discount rate from 2015.

- Maintenance Expense increased by $34,000 (25%) to $169,000 from $134,000 in 2015. This increase is driven primarily by an escalation of the service contract used to support the Port's security technology.

- Material Handling increased by just over $21,000 or 27%. Expenses for parts and supplies of the Port's fork truck fleet increased by approximately $14,000 and repairs related to the two mobile harbor cranes increased by $5,500.

A condensed summary of APDC's net position at December 31, 2016 and 2015 is shown below:

Total net position decreased by approximately $1.02 million from December 31, 2015 to December 31, 2016.

	2016	2015
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and cash equivalents	$ 2,371,583	$ 1,257,396
Investments	3,296,761	3,268,087
Accounts receivable	321,459	363,565
Grants receivable	113,622	10,000
Other current assets	34,004	636,407
Total current assets	6,137,429	5,535,455
NET PROPERTY AND EQUIPMENT	42,937,259	44,766,415
Total assets	49,074,688	50,301,870
DEFERRED OUTFLOWS OF RESOURCES	594,722	251,527
	$ 49,669,410	$ 50,553,397
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Current maturities of long-term debt	$ 452,527	$ 443,087
Deferred revenue	24,749	19,966
Accounts payable	91,594	428,455
Accrued expenses	255,287	190,225
OPEB obligation, current portion	77,000	43,000
Total current liabilities	901,157	1,124,733
LONG-TERM LIABILITIES		
Security deposits	127,098	127,097
OPEB obligation, net of current portion	2,238,790	2,009,051
Net pension liability	634,538	125,953
Long-term debt, net of current maturities	1,661,117	2,113,655
Total long-term liabilities	4,661,543	4,375,756
Total liabilities	5,562,700	5,500,489
DEFERRED INFLOWS OF RESOURCES	75,214	-
NET POSITION		
Net investment in capital assets	40,823,615	42,209,673
Unrestricted	3,207,881	2,843,235
Total net position	44,031,496	45,052,908
	$ 49,669,410	$ 50,553,397

CURRENT KNOWN FACTS, DECISIONS OR CONDITIONS

- During the first quarter of 2017, a request-for-proposals ("RFP") was issued for reconstruction of the southern wharf. Additionally, an engineering firm was selected to provide construction support services. Construction is anticipated to begin in the early part of the second quarter of 2017.

- Design will be completed and an RFP issued for construction of a 45,000 square foot warehouse during Q2 of 2017. Construction will commence during 2017 and the building is anticipated to be placed into service during the fourth quarter.

- A remediation plan for an approximately 12 acre site will be submitted to the Environmental Protection Agency ("EPA"). Once the EPA approves the plan, remediation work will begin to prepare the site for disposition via a long-term lease.

- The first phase of the strategic assessment and growth strategy will be completed and delivered to the Board in February 2017. It is expected that the actions identified will be further developed in a subsequent phase of the plan.

- The initial due diligence on an 80-acre parcel for possible expansion will be completed during the first quarter of 2017. Subsequent actions will be considered by the Board at that time. This activity could include property acquisition or termination of the purchase option.

- Management will continue to pursue federal and state funding opportunities to invest not only in existing infrastructure but also to create new infrastructure in response to emerging trends within the maritime and transportation logistics industries.

FINANCIAL STATEMENTS

APDC'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). Revenue is recognized when earned, not when received and 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 APDC's financial condition. Questions concerning the information provided in this report may be addressed in writing to:

Albany Port District Commission
106 Smith Boulevard
Albany, NY 12202

UHY LLP
Certified Public Accountants

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, 2016 and 2015, 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, 2016 and 2015, 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 9 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 29, 2017 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.

UHY LLP

Albany, New York
March 29, 2017

Statements of Net Position

DECEMBER 31, 2016 AND 2015

	2016	2015
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and cash equivalents	$ 2,371,583	$ 1,257,396
Investments	3,296,761	3,268,087
Accounts receivable	321,459	363,565
Grants receivable	113,622	10,000
Other current assets	34,004	636,407
Total current assets	6,137,429	5,535,455
NET PROPERTY AND EQUIPMENT	42,937,259	44,766,415
Total assets	49,074,688	50,301,870
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LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Current maturities of long-term debt	$ 452,527	$ 443,087
Deferred revenue	24,749	19,966
Accounts payable	91,594	428,455
Accrued expenses	255,287	190,225
OPEB obligation, current portion	77,000	43,000
Total current liabilities	901,157	1,124,733
LONG-TERM LIABILITIES		
Security deposits	127,098	127,097
OPEB obligation, net of current portion	2,238,790	2,009,051
Net pension liability	634,538	125,953
Long-term debt, net of current maturities	1,661,117	2,113,655
Total long-term liabilities	4,661,543	4,375,756
Total liabilities	5,562,700	5,500,489
DEFERRED INFLOWS OF RESOURCES	75,214	-
NET POSITION		
Net investment in capital assets	40,823,615	42,209,673
Unrestricted	3,207,881	2,843,235
Total net position	44,031,496	45,052,908
	$ 49,669,410	$ 50,553,397

Statements of Revenues and Expenses and Changes in Net Position

YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
OPERATING REVENUES		
Property rentals	$ 3,198,858	$ 3,191,709
Dockage fees	414,772	519,021
Wharfage fees	432,107	355,687
Stevedore fees	211,593	346,584
Crane/equipment rentals	174,685	227,955
Security fees	390,409	583,376
Storage and other services	206,550	237,269
Total operating revenues	5,028,974	5,461,601
OPERATING EXPENSES		
Payroll and related benefit costs	2,614,316	2,521,528
Maintenance expense	168,559	134,440
Material handling	98,560	77,361
Insurance	245,166	255,295
Professional and consulting fees	423,346	262,793
Other operating expenses	429,129	445,10
Total operating expenses	3,979,076	3,696,519
OPERATING INCOME, BEFORE DEPRECIATION AND OTHER ITEMS	1,049,898	1,765,082
DEPRECIATION AND OTHER ITEMS		
Depreciation	(2,018,463)	(1,948,358)
Gain on sale of property and equipment	-	217,500
Waterfront development costs	(243,168)	(223,892)
Municipal support agreement costs	(400,000)	(200,000)
Interest income	29,398	30,862
Interest expense	(49,668)	(57,529)
Net depreciation and other items	(2,681,901)	(2,181,417)
CHANGE IN NET POSITION BEFORE CAPITAL FUNDING	(1,632,003)	(416,335)
Capital grant funding	610,591	958,692
(DECREASE) INCREASE IN NET POSITION	(1,021,412)	542,357
Total net position, beginning of the year	45,052,908	44,510,551
Total net position, end of year	$ 44,031,496	$ 45,052,908

Statements of Cash Flows

YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from rentals	$ 3,382,243	$ 3,393,922
Cash received for facility usage	1,096,661	1,451,112
Cash received from other services	596,959	820,645
Cash payments to employees and professionals	(2,505,438)	(2,600,297)
Cash payments for materials and maintenance	(198,846)	(225,648)
Cash payments for insurance	(41,829)	(245,172)
Cash payments for other expenses	(425,137)	(445,092)
Net cash provided by operating activities	1,904,613	2,149,470
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash payments for municipal support agreement costs and waterfront development costs	(243,168)	(823,892)
Net cash used in noncapital financing activities	(243,168)	(823,892)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Cash payments for capital assets	(564,115)	(3,772,890)
Cash received from sale of property and equipment	-	217,500
Cash received from capital grant funding	506,969	1,360,099
Interest expense	(48,550)	(57,529)
Cash payments on long-term debt and other obligations	(443,098)	(433,844)
Net cash used in capital and related financing activities	(548,794)	(2,686,664)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash received from interest	30,210	30,486
Cash paid for purchase of investments	(1,836,878)	(1,171,810)
Cash received from sale of investments	1,808,204	1,139,001
Net cash provided by (used in) investing activities	1,536	(2,323)
Net change in cash	1,114,187	(1,363,409)
Cash, beginning of year	1,257,396	2,620,805
Cash, end of year	$ 2,371,583	$ 1,257,396
RECONCILIATION OF OPERATING INCOME, BEFORE DEPRECIATION AND OTHER ITEMS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income, before depreciation and other items	$ 1,049,898	$ 1,765,082
Adjustments to reconcile operating income to net cash provided by operating activities:		
Changes in:		
Accounts receivable	42,106	225,903
Other assets	201,592	8,040
Accounts payable	37,947	(11,763)
Accrued expenses	63,944	19,554
Deferred revenue	4,783	(21,825)
OPEB obligation	263,739	290,053
Net pension related accounts	240,604	(125,574)
Total adjustments	854,715	384,388
Net cash provided by operating activities	$ 1,904,613	$ 2,149,470

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 for this purpose 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.

- *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 either December 31, 2016 and 2015.

Note 2 — SIGNIFICANT ACCOUNTING POLICIES (Continued)

- 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.

Basis of Accounting (Continued): 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. This limitation effectively minimizes the Commission's investment related risk. 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**

Note 2 — SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accrued Employee Benefits: It is the Commission's policy to record employee benefits, including accumulated vacation earned, retirement benefits and post-retirement benefits, as a liability. Commission employees are granted vacation leave in varying amounts and may carry-over unused leave, subject to stated policy limitations. In the event of termination, an employee is paid for such time.

Deferred Revenue: Deferred revenue consists principally of rents received in advance.

Retirement Benefits: The Commission provides retirement benefits for its employees through contributions to the New York State Employees' Retirement System ("ERS" or "System"). The System's retirement programs provide various plans and options, some of which require employee contributions. The Commission uses GASB Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68) to recognize the net pension liability, deferred outflows and deferred inflows of resources, pension expense, and information about and changes in the fiduciary net position on the same basis as reported by the respective defined benefit pension plans.

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, storage fees, 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.

Municipal Support Agreement Costs: The Commission was a party to certain agreements which provide payments for municipal support to the cities of Albany and Rensselaer for certain fire protection costs and other services provided by the two municipalities (see Note 11).

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.

Note 2 — SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events: For purposes of preparing the financial statements, the Commission has considered events through March 29, 2017, the date the financial statements were available to be issued.

Reclassifications: Certain 2015 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:

	2016		2015	
	Carrying Value	Bank Balance	Carrying Value	Bank Balance
Deposit accounts	$ 2,371,583	$ 2,401,641	$ 1,257,396	$ 1,284,173

At December 31, 2016 and 2015, the Commission's cash and deposits were covered by FDIC insurance or otherwise collaterally secured.

Note 4 INVESTMENTS

At December 31, 2016, 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:

Investment Rate	Par Amount	Maturity	Market (Carrying) Value	Cost
Federal Home Loan Mortgage Corp Note (1%)	$ 150,000	6/29/2018	$ 149,763	$ 150,007
United States Treasury Note (.625%)	80,000	2/15/17	80,019	80,002
United States Treasury Note (.75%)	150,000	3/15/17	150,086	149,295
United States Treasury Note (.875%)	290,000	5/15/17	290,296	289,987
United States Treasury Note (2.625%)	350,000	1/31/18	356,220	355,217
United States Treasury Note (1.5%)	100,000	12/31/18	100,582	99,244
United States Treasury Note (1.125%)	100,000	6/30/21	96,785	99,424
Ally Bank (CD; 1%)	115,000	7/14/17	115,258	115,074
Ally Bank (CD; .95%)	62,000	2/27/17	62,037	61,926
American Express Federal Savings Bank (CD; 1.2%)	90,000	7/24/17	90,104	90,159
Beal Bank USA (CD; .85%)	42,000	8/23/17	42,005	41,959
Capital One Bank (CD; 1.2%)	152,000	8/7/17	152,257	152,339
Comenity Capital Bank (CD; 1.1%)	63,000	7/2/18	62,846	62,953
Comenity Capital Bank (CD; .95%)	150,000	3/6/18	149,547	149,550
Compass Bank (CD; 1.15%)	200,000	11/30/17	200,298	199,241
Discover Bank (CD; 1.75%)	170,000	5/2/17	170,547	170,185
Discover Bank (CD; 1.75%)	80,000	5/9/17	80,326	80,265
First General Bank (CD; .90%)	125,000	7/31/17	125,228	125,072
Goldman Sachs Bank USA (CD; 1.6%)	50,000	9/26/17	50,258	50,053
Goldman Sachs Bank USA (CD; 1.75%)	200,000	5/4/17	200,720	200,228
Goldman Sachs Bank USA (CD; 1%)	75,000	2/27/17	75,050	75,000
Kaw Valley Bank (CD; 2.7%)	54,000	7/24/17	54,704	54,512
Peoples United Bank (CD; .55%)	235,000	1/20/17	235,002	234,866
Sallie Mae Bank (CD; 1.7%)	145,000	8/22/17	145,903	145,144
ZB Bank NA (CD; .75%)	61,000	8/25/17	60,920	60,970
	$ 3,289,000		$ 3,296,761	$ 3,292,672

Note 4 — INVESTMENTS (Continued)

At December 31, 2015, 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 Rate	Par Amount	Maturity	Market (Carrying) Value	Cost
United States Treasury Bill (.46%)	$ 75,000	6/23/16	$ 74,834	$ 74,836
United States Treasury Note (.75%)	150,000	3/15/17	149,783	149,295
United States Treasury Note (.875%)	290,000	5/15/17	289,820	289,987
United States Treasury Note (2.625%)	350,000	1/31/18	360,829	359,955
United States Treasury Note (1.5%)	100,000	12/31/18	100,453	99,244
Ally Bank (CD; .7%)	148,000	6/13/16	148,047	147,951
Ally Bank (CD; .95%)	62,000	2/27/17	61,974	61,926
American Express Centurion (CD; 2.2%)	50,000	11/10/16	50,566	50,301
American Express Centurion (CD; 1.35%)	163,000	10/4/16	163,789	163,255
BMW Bank of North America (CD; 1.15%)	100,000	9/20/16	100,283	100,249
Barclays Bank (CD; 2%)	95,000	12/21/16	95,999	95,538
Barclays Bank (CD; .55%)	150,000	4/15/16	149,994	150,000
Capital One Bank (CD; 1%)	150,000	10/31/16	150,206	150,182
Compass Bank (CD; 1.15%)	200,000	11/30/17	199,068	199,241
Discover Bank (CD; 1.75%)	170,000	5/2/17	171,214	170,731
Discover Bank (CD; .75%)	75,000	5/9/16	75,041	74,890
Synchrony Bank (CD; 2.25%)	100,000	10/11/16	101,088	101,034
GE Capital Retail Bank (CD; 1.75%)	200,000	5/4/17	201,690	200,889
GE Capital Retail Bank (CD; .7%)	45,000	5/31/16	45,016	44,730
Goldman Sachs Bank USA (CD; 1.6%)	50,000	9/26/17	50,217	50,124
Goldman Sachs Bank USA (CD; .5%)	100,000	3/7/16	99,996	99,831
Goldman Sachs Bank USA (CD; 1%)	75,000	2/27/17	74,969	75,000
Safra National Bank of New York (CD; .45%)	127,000	2/26/16	126,987	126,896
Sallie Mae Bank (CD; 1.7%)	145,000	8/22/17	146,221	145,365
Synovus Bank (CD; .65%)	80,000	6/24/16	80,003	80,045
	$ 3,250,000		$ 3,268,087	$ 3,261,495

Investments and Fair Value Measurements

Investments are carried at fair value on a recurring basis, based on current market prices. GASB No. 72, Fair Value Measurement and Application, establishes and defines the requirements on how fair value should be measured, which assets and liabilities should be measured at fair value, and what information about fair value should be disclosed in the notes to the financial statements. Recurring fair value measurements are those that GASB Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As of December 31, 2016 and 2015, all investments measured at fair value were considered Level 1 investments under the fair value hierarchy.

Note 5 PROPERTY AND EQUIPMENT

At December 31, 2016 property and equipment is comprised of the following:

	December 31 2015	Additions	Deletions	December 31 2016
Port marine facilities	$ 96,984,043	$ 443,188	$ 700,000	$ 96,727,231
Transportation, equipment and furniture	1,301,641	72,681	18,186	1,356,136
Construction in process	374,808	749,032	375,594	748,246
Total	98,660,492	1,264,901	1,093,780	98,831,613
Less accumulated depreciation	53,894,077	2,018,463	18,186	55,894,354
Net property and equipment	$ 44,766,415	$ (753,562)	$ 1,075,594	$ 42,937,259

At December 31, 2015 property and equipment is comprised of the following:

	December 31 2014	Additions	Deletions	December 31 2015
Port marine facilities	$ 94,102,530	$ 3,460,029	$ 578,516	$ 96,984,043
Transportation, equipment and furniture	994,552	325,960	18,871	1,301,641
Construction in process	347,692	468,808	441,692	374,808
Total	95,444,774	4,254,797	1,039,079	98,660,492
Less accumulated depreciation	52,543,106	1,948,358	597,387	53,894,077
Net property and equipment	$ 42,901,668	$ 2,306,439	$ 441,692	$ 44,766,415

Depreciation expense was $2,018,463 and $1,948,358 for the years ended December 31, 2016 and 2015, respectively.

Note 6 LONG-TERM DEBT

Long-term debt is comprised of the following:

	December 31 2015	Debt Issued	Debt Payments	December 31 2016
Bank of America lease obligation	$ 2,556,742	$ -	$ 443,098	$ 2,113,644
Less current maturities	443,087			452,527
	$ 2,113,655			$ 1,661,117

The Commission is obligated under a June 2014 master lease financing agreement with Bank of America in the original amount of $3,000,000. Funds under the financing agreement were primarily utilized to retire another Commission obligation and to acquire certain Port related facility equipment. The agreement requires monthly payments of approximately $41,000, including interest at approximately 2.1%, with final maturity in June 2021. The obligation is collateralized by certain Commission assets.

Note 6 — LONG-TERM DEBT (Continued)

At December 31, 2016, long-term debt maturities were comprised of the following:

Year Ending	Principal	Interest	Total
2017	$ 452,527	$ 40,239	$ 492,766
2018	492,766	30,598	492,766
2019	472,015	20,751	492,766
2020	482,071	10,695	492,766
2021	244,863	1,507	246,370
	$ 2,113,644	$ 103,790	$ 2,217,434

Interest expense was $49,668 and $57,529 for 2016 and 2015, respectively.

Note 7 RETIREMENT PLAN AND RELATED BENEFITS

INTRODUCTION

Substantially all Albany Port District Commission full-time employees participate in the New York State and Local Employees' Retirement System ("System" or "ERS"). 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. In general, retirement benefits are determined based on an employee's individual circumstances using a pension factor, an age factor, and final average salary. The benefits vary depending on the individual's employment tier. Pension factors are determined based on tier and an employee's years of service, among other factors. 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 from the New York State and Local Employees' Retirement System at www.osc.state.ny.us/retire.

No employee contribution is required for those hired prior to July 1976. The System requires employee contributions of 3% of salary for the first 10 years of service for those employees who joined the System from July 1976 through December 2009. Participants hired on or after January 1, 2010 through March 31, 2012 are required to contribute 3% of compensation throughout their active membership in the System. Participants hired on or after April 1, 2012 are required to contribute a percentage ranging from 3% to 6% each year, based on their level of compensation. The Comptroller annually certifies the rates used, expressed as a percentage of the wages of participants, to compute the contributions required to be made by the Commission to the pension accumulation fund. For 2016, these rates ranged from 10.5% - 23.1% for the Commission's active employees. Employee contributions are deducted from their salaries and remitted on a current basis to the System.

Note 7 — RETIREMENT PLAN AND RELATED BENEFITS (Continued)

Net Pension Liability, Pension Expense, and Deferred Outflows/Inflows of Resources

At December 31, 2016, the Commission reported a liability of $634,538 for its proportionate share of the ERS net pension liability. The ERS net pension liability was measured as of March 31, 2016, and the total pension liability was determined by an actuarial valuation as of April 1, 2015, with updated procedures used to roll forward the total pension liability to March 31, 2016. The Commission's proportion of the net pension liability was based on the ratio of its actuarially determined employer contribution to ERS's total actuarially determined employer contribution for the fiscal year ended on the measurement date. At the March 31, 2016 measurement date, the Commission's proportion was 0.0039534%.

At December 31, 2015, the Commission reported a liability of $125,953 for its proportionate share of the ERS net pension liability. The ERS net pension liability was measured as of March 31, 2015, and the total pension liability was determined by an actuarial valuation as of April 1, 2014, with updated procedures used to roll forward the total pension liability to March 31, 2015. The Commission's proportion of the net pension liability was based on the ratio of its actuarially determined employer contribution to ERS's total actuarially determined employer contribution for the fiscal year ended on the measurement date. At the March 31, 2015 measurement date, the Commission's proportion was 0.0037284%.

For the year ended December 31, 2016, the Commission recognized net pension expense of $240,605 from ERS and reported deferred outflows and deferred inflows of resources at December 31, 2016 as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 3,206	$ 75,214
Changes in assumptions	169,212	-
Net difference between projected and actual earnings on pension plan investments	376,443	-
Changes in proportion and differences between Commission contributions and proportionate share of contributions	45,861	-
Commission contributions subsequent to measurement date	-	-
	$ 594,722	$ 75,214

Note 7 — RETIREMENT PLAN AND RELATED BENEFITS (Continued)

For the year ended December 31, 2015, the Commission recognized net pension expense of $123,803 from ERS and reported deferred outflows and deferred inflows of resources as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 4,032	$ -
Changes in assumptions	21,876	-
Net difference between projected and actual earnings on pension plan investments	39,255	-
Changes in proportion and differences between Commission contributions and proportionate share of contributions	186,364	-
Commission contributions subsequent to measurement date		
	$ 251,527	$ -

Net Pension Liability, Pension Expense, and Deferred Outflows/Inflows of Resources (Continued)

Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30,	Net Deferred Outflows and Inflows of Resources
2017	$ 134,047
2018	134,047
2019	134,047
2020	117,367
	$ 519,508

Actuarial Assumptions

For ERS, the actuarial assumptions used in the April 1, 2015 valuation, with update procedures used to roll forward the total pension liability to March 31, 2016, were based on the results of an actuarial experience study for the period April 1, 2010 to March 31, 2015. These assumptions are:

Inflation – 2.5%
Salary increases – 3.8%

Investment rate of return – 7.0% compounded annually, net of investment expense, including inflation

Mortality – Based on ERS experience from April 1, 2010 – March 31, 2015 with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014

Discount rate – 7.0%

Note 7 — RETIREMENT PLAN AND RELATED BENEFITS (Continued)

The actuarial assumptions used in the April 1, 2014 valuation, with update procedures to roll forward the total pension liability to March 31, 2015, were based on the results of an actuarial experience study for the period April 1, 2005 to March 31, 2010. These assumptions are:

Inflation – 2.7%

Salary increases – 3.9%

Investment rate of return – 7.5% compounded annually, net of investment expense, including inflation

Mortality – Based on ERS experience from April 1, 2005 – March 31, 2010 with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014

Discount rate – 7.5%

The long-term expected rate of return on the System's pension plan investments was determined in accordance with Actuarial Standard of Practice No. 27, Selection of Economic Assumptions for Measuring Pension Obligations. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class as well as historical investment data and plan performance.

Investment Asset Allocation

The System's best estimate of arithmetic real rates of return for each major asset class and the System's target asset allocations as of the applicable valuation dates are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equities	38%	7.30%
International equities	13%	8.55%
Private equities	10%	11.00%
Real estate	8%	8.25%
Absolute return strategies	3%	6.75%
Opportunistic portfolio	3%	8.60%
Real assets	3%	8.65%
Bonds and mortgages	18%	4.00%
Cash	2%	2.25%
Inflation-Indexed bonds	2%	4.00%
	100%	

Note 7 — RETIREMENT PLAN AND RELATED BENEFITS (Continued)

Discount Rate

The discount rate projection of cash flows assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table presents the Commission's proportionate share of its net pension liability calculated using the discount rate of 7.0% and the impact of using a discount rate that is 1% higher or lower than the current rate.

	1% Decrease	7.0%	1.0% Increase
Commission's proportionate share of the ERS net pension liability (asset)	$ 1,430,836	$ 634,538	$ (38,301)

Other Information

Other information on the Commission's net pension liability, as of March 31, 2016 and 2015[(A)], is as follows:

	2016	2015
Commission's proportion of the System's net pension liability	0.39534%	0.003728%
Commission's proportionate share of the System's net pension liability	$634,538	$125,953
Commission's covered-employee payroll	$ 1,000,106	$ 1,018,746
Commission's proportionate share of the System's net pension liability as a percentage of its covered-employee payroll	63.45%	12.36%
Plan fiduciary net position as a percentage of the total pension liability	90.70%	97.90%

[(A)]*Actuarial data prior to 2015 is unavailable.*

Note 7 — RETIREMENT PLAN AND RELATED BENEFITS (Continued)

A schedule of Commission's contributions to the System is as follows:

March 31	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	$ 186,364	$ 234,306	$180,550	$151,392	$119,125	$111,408	$ 20,025
Contribution in relation to the contractually required contribution	(186,364)	(234,306)	(180,550)	(151,392)	(119,125)	(111,408)	(20,025)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Commission's covered-employee payroll	$1,000,106	$1,018,746	$861,386	$726,234	$711,985	$739,670	$544,045
Contributions as a percentage of covered-employee payroll	18.63%	23.00%	20.96%	20.85%	16.73%	15.06%	3.68%

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 established 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 $48,400 and $43,300 for current premiums in 2016 and 2015, respectively. The costs of administering this Plan are paid by the Commission.

Note 8 — *OTHER POST-EMPLOYMENT BENEFITS (Continued)*

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 tables set forth the actuarial accrued liability and funded status of the Plan as of December 31, 2016, the most recent valuation date, with estimated liability and other information provided as of December 31, 2016 and December 31, 2015, as applicable. Valuations are currently prepared every three years, as required by GASB 45.

	2016	2015
Actuarial Accrued Liability (AAL)		
Currently retired	$ 3,003,101	$ 1,172,336
Active employees	1,536,343	3,139,170
Actuarial accrued liability	4,539,444	4,311,506
Actuarial value of plan assets	-	-
Unfunded actuarial accrued liability (UAAL)	$ 4,539,444	$ 4,311,506
Funded ratio	0%	0%
Normal Cost	$ 120,906	$ 154,030

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

	2016	2015
UAAL	$ 4,539,444	$ 4,311,506
Amortization period (years)	30	30
Amortization discount rate	2.50%	2.50%
Present value factor	17.77	17.86
UAAL amortization amount	$ 255,521	$ 241,424

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:

	2016	2015
Normal cost	$ 120,906	$ 154,030
Amortization of UAAL	255,521	241,424
ARC	376,427	395,454
Interest on OPEB obligation	51,358	51,518
Adjustment to ARC	(115,635)	(113,650)
OPEB expense	$ 312,150	$ 333,322

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

	2016	2015
Net OPEB obligation at beginning of year	$ 2,052,051	$ 1,761,997
Annual OPEB expense	312,150	333,322
Annual OPEB contributions	(48,411)	(43,268)
Net OPEB obligation at end of year	2,315,790	2,052,051
Less: estimated current portion of OPEB obligation	77,000	43,000
Estimated long-term portion of OPEB obligation	$2,238,790	$2,009,051
Percentage of expense contributed	15.5%	13.0%

Trend Information

Year Ended	Beginning OPEB Obligation	Anual OPEB Cost	Actual Employer Contribution	Percentage Contributed	Net OPEB Obligation
12/31/14	$1,465,572	$333,736	$37,311	11.2%	$1,761,997
12/31/15	1,761,997	333,322	43,268	13.0%	2,052,051
12/31/16	2,052,051	312,150	48,411	15.5%	2,315,790

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, 2016 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
2016	11.93%
2017	6.20%
2018	5.90%
2019	5.60%
2020	5.30%
2021	5.30%
2022	5.29%
2023	5.29%
2024	5.29%
2025	5.29%
2030	5.29%
2040	5.29%
2050	4.91%
2060	4.73%
2070	4.21%
2080+	3.94%

An additional 1% increase in the health care trend rate would have a material adverse effect on the OPEB obligation.

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, 2016 were as follows:

2017	$ 2,958,000
2018	2,563,000
2019	2,347,000
2020	2,321,000
2021	2,321,000
Thereafter	9,769,000
	$ 22,279,000

Note 10 WATERFRONT DEVELOPMENT COSTS

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 current improvements made to the project by the Commission are expensed when incurred by the Commission.

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, currently bearing interest at approximately 6/10^{ths} of 1%, 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 and guaranteed by the Commission. Under the letter of credit, any grant proceeds received for the project are required to reduce the outstanding bonds. The letter of credit requires future principal debt reduction payments, ranging from $180,000 in 2017 to $255,000 in 2024, thus providing for the full amortization of the bonds by the 2027 maturity date.

Note 10 — WATER FRONT DEVELOPMENT COSTS (Continued)

Future debt reduction payments are expected as follows:

Year Ending	Amount
2017	$ 180,000
2018	190,000
2019	200,000
2020	210,000
2021	220,000
Thereafter	720,000
	$ 1,720,000

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 impact the Commission's annual lease obligation.

During 2016 and 2015, the Commission's total lease cost, project improvement cost, and other operating expenses related to the waterfront development project approximated $243,000 and $224,000, respectively. These costs are included in the statements of revenues and expenses.

Note 11 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.

Municipal Support Agreement Costs

The Commission entered into Memorandums of Understanding (MoU) with the City of Albany and the City of Rensselaer under which the Commission has agreed to fund certain firefighting, emergency response, and other municipal support services provided by the two cities through August 31, 2016. The expense associated with the MoU's in the amounts of $400,000 (2016) and $200,000 (2015) are included in the statements of revenues and expenses. The Commission incurred no support agreement costs subsequent to August 31, 2016.

Federal and State Grants

In both 2016 and 2015, the Commission's grant funding primarily related to various wharf reconstruction projects, funded by the New York State Department of Transportation. Revenues under these grants are included in capital grant funding in the accompanying statements of revenues and expenses.

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, 2016 AND 2015

	2016	2015
PAYROLL AND RELATED COSTS		
Administrative	$ 936,721	$ 941,596
Maintenance crews and supervisor	344,028	347,951
Security	331,911	397,306
Pension and other benefit costs	566,078	374,247
OPEB expense	312,150	333,321
Payroll taxes	123,428	127,107
Total payroll and related costs	$ 2,614,316	$ 2,521,528
OTHER OPERATING EXPENSES		
Security	$ 43,880	$ 35,487
Utilities	54,710	61,518
City water	7,135	9,375
Advertising and promotion	75,603	66,105
Office supplies and expenses	74,345	63,100
Telephone	24,057	28,372
Snow removal	2,164	10,327
Equipment operating expense	64,127	96,533
Other expenses	83,108	74,285
Total other operating expenses	$ 429,129	$ 445,102

UHY LLP Certified Public Accountants

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, 2016, and have issued our report thereon dated March 29, 2017.

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

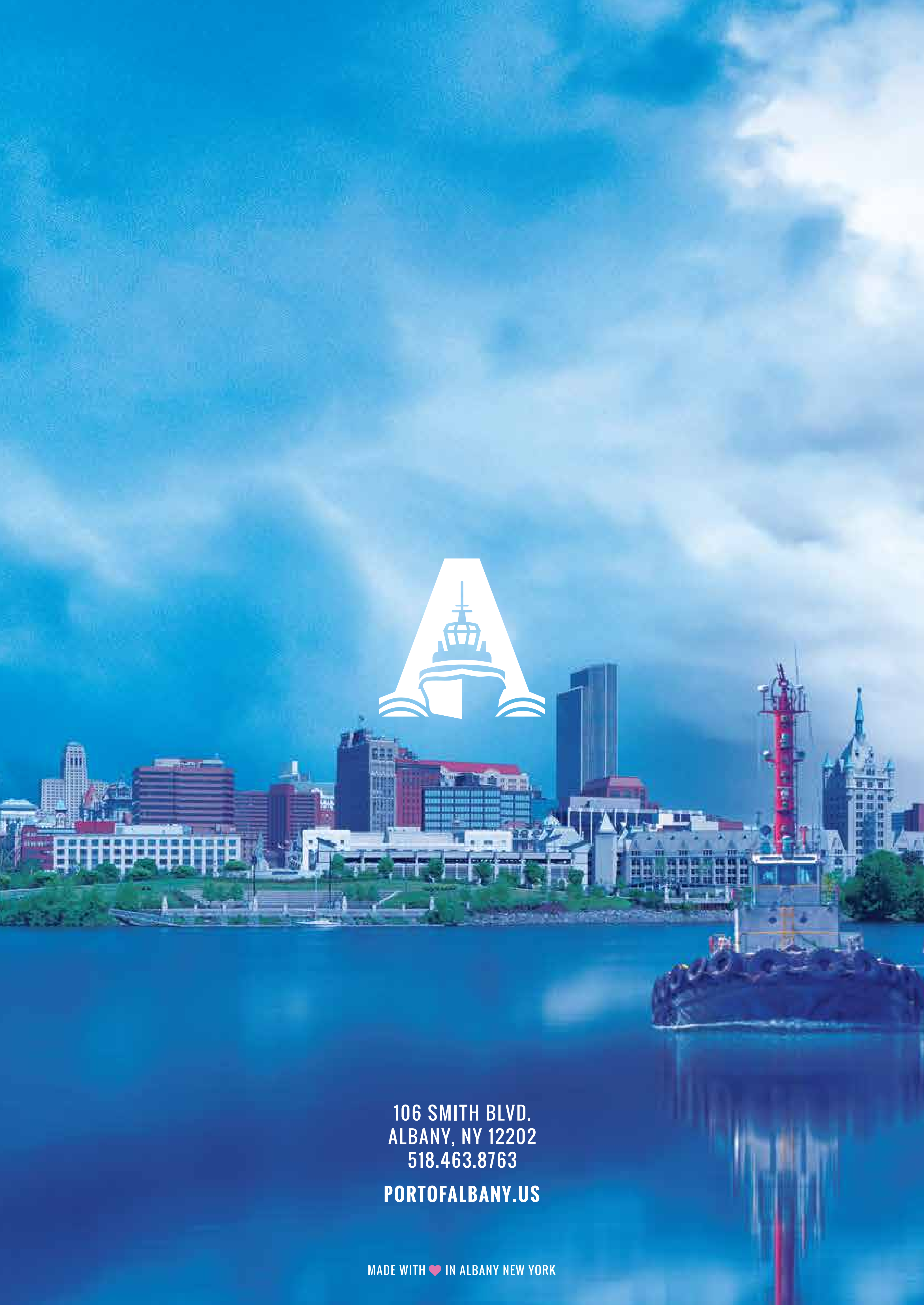
As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters, including Investment Guidelines for Public 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

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

UHY LLP

Albany, New York
March 29, 2017



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