



AUDITED FINANCIAL STATEMENTS
AND
OTHER INFORMATION

Years ended December 31, 2022 and 2021

ALBANY PORT DISTRICT COMMISSION

TABLE OF CONTENTS

	Page
Independent Auditor's Report	1
Management's Discussion and Analysis	4
Financial Statements	
Statements of Net Position	12
Statements of Revenues and Expenses and Changes in Net Position	13
Statements of Cash Flows	14
Notes to Financial Statements	15
Required Supplementary Information	
Schedule of the Commission's Proportionate Share of the Net Pension Liability	
- New York State and Local Employees' Retirement System	33
Schedule of Commission Contributions	
- New York State and Local Employees' Retirement System	34
Schedule of Changes in the Commission's Total OPEB Liability	35
Other Information	
Schedules of Payroll and Related Costs and Other Operating Expenses	36
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 <i>Government Auditing Standards</i>	37

INDEPENDENT AUDITOR'S REPORT

To the Commissioners
Albany Port District Commission

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of Albany Port District Commission (the "Commission", a component reporting unit of the City of Albany), which comprise the statements of net position as of December 31, 2022 and 2021, and the respective statements of revenues and expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

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, 2022 and 2021, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in Note 2 to the financial statements, the Commission adopted GASB Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Commission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 to 11 and other required supplementary information on pages 33 through 35 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic consolidated 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 consolidated financial statements, and other knowledge we obtained during our audit of the basic consolidated 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.

Supplementary 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. Such information is the responsibility of management and was 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 31, 2023 on our consideration of the Albany Port District Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's 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 Commission's internal control over financial reporting and compliance.

UHY LLP

Albany, New York
March 31, 2023

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, 2022, with comparative data for the fiscal year ended December 31, 2021. 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 tenant needs, 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 external 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 400 acres within three municipalities, directly and indirectly employing hundreds of men and women, and generating hundreds of millions of dollars in regional and state-wide economic output.

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 global economic and industry influence.

INFRASTRUCTURE INVESTMENT

The guiding principle for Port infrastructure investment is to create an environment which enhances supply chain performance and promotes the efficient movement of cargo between the Port and customer markets. Significant resources are allocated by the APDC to develop projects, identify funding opportunities, and perform grant administration related to infrastructure investments. These investments will assist in retaining and attracting customers as the Port develops into a regional logistics hub.

ALBANY PORT DISTRICT COMMISSION

Management's Discussion and Analysis

As previously reported, the Port has engaged in a multi-year, multi-project initiative to ensure the Port's capacity is aligned with anticipated market demand. Upon completion in 2023, this initiative will have created over \$40 million in mission-critical capital improvements. Nearly \$18 million of funding for this work is through the Transportation Investment Generating Economic Recovery ("TIGER") program. This program, administered by the United States Department of Transportation ("USDOT"), is providing funding to support strategic maritime terminal improvements. Grants totaling \$19 million from New York State have funded new and replacement infrastructure. During 2021 the capital investment related to new/replacement Port infrastructure was approximately \$1.3 million. Of this amount, 81% was funded from Federal sources.

Over the past five (5) years, projects have been undertaken to grow the Port's maritime storage and transportation capacity for manufactured products. Demonstrating the inter-relationship between maritime activity and upland development, these projects will result in new assets both within the maritime terminal and on underutilized land adjacent to the terminal. The Port has leveraged these projects to establish a competitive advantage to pursue business and cargo capture.

The construction of a 60,000 square foot maritime warehouse at the southern portion of the upland terminal area was completed in the first quarter of 2021. The location of the new building is adjacent to the new roll on roll off ramp ("ro-ro") and wharf area, which was completed in late 2019. This additional warehouse space is a major upgrade for the Port of Albany and increases cargo handling and storage capacity that will be absorbed by other big lift / special cargo handling areas. This warehouse has been put into service and resulted in increased storage and handling capacity in covered space with a floor capacity of 1,000 pounds per square foot. With the modern style column span spacing and having as much clear span as possible, the terminal operator has been able to make dynamic use of this space in 2022.

Adjacent to this area, the Port created an expanded outdoor maritime laydown and cargo handling area where a former underutilized and deteriorated vacant building was demolished. This area was cleared, improved, and securely fenced in 2020 – enabling a nearly 25% larger FMT maritime operating area adjacent to the newly reconstructed wharf and ro-ro. In 2021 this outdoor space was put into use and was utilized in steel shipments.

In 2021, the final design for the rehabilitation of the full marine terminal was completed by the Port's consulting engineers. In 2022, an additional NYS DOT Port and Freight Rail Infrastructure Grant was secured by the Port of Albany to make upgrades to the maritime terminal that will support and augment the cargo and freight handling capabilities. This will result in improving and modernizing 58,000 square feet of on-dock warehouse space for expanded covered cargo handling and storage, as well as on-dock rail and warehouse siding rail improvement for improved cargo handling. This is expected to offer expanded paper pulp and / or timber, steel or other special project handling capabilities. The final design and bid plan for the reconstruction of the maritime terminal has been coordinated surrounding these planned improvements and are going out to bid in 2023 for construction. This will result in a fully modernized and safe cargo handling and storage area in the maritime terminal. With all of these maritime infrastructure upgrades coming together, 2023 is expected to be a busy time for construction in the Port district's existing maritime area.

EXPANSION

In 2022, construction activity began at the Port's expansion area for development for Offshore Wind manufacturing. This multi-million dollar and multi-year development began in 2018 with the purchase of an 80-acre site adjacent to the Port's southeastern border in the town of Bethlehem. This acquisition increased the size of the Port by 25% to nearly 400 acres. The development plans include close to 100

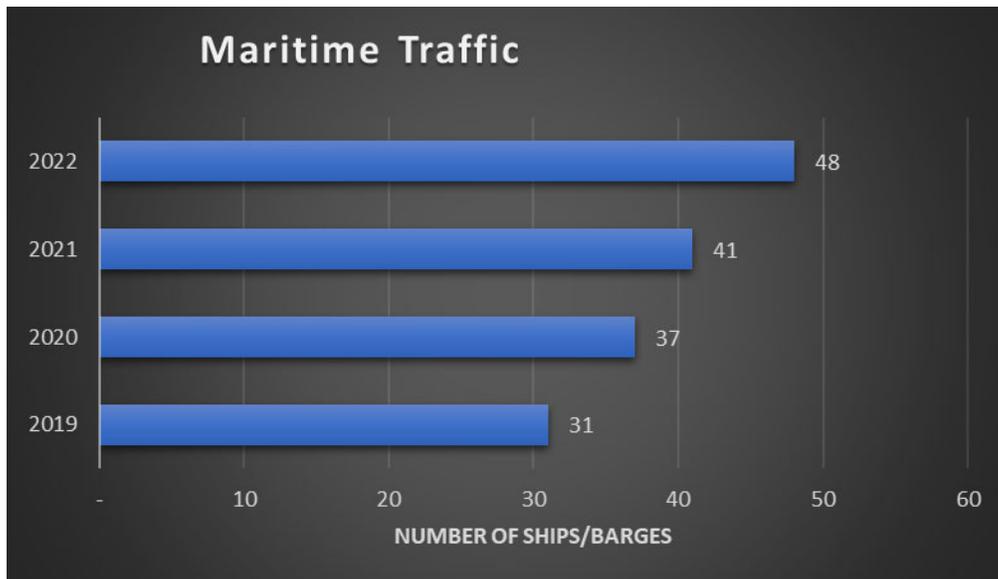
ALBANY PORT DISTRICT COMMISSION

Management’s Discussion and Analysis

acres for development at the Port, including a 14-acre site in the Port’s existing district. Construction activity included clearing the land and importing fill to cap the site per NYS DEC requirements. Importing material also increases the site above flood plain and set the base of future building with surcharge and necessary settlement work. Construction activity has also included creating a new southern entrance to the site and creating internal haul roads. This work will continue in 2023 with additional site and infrastructure work.

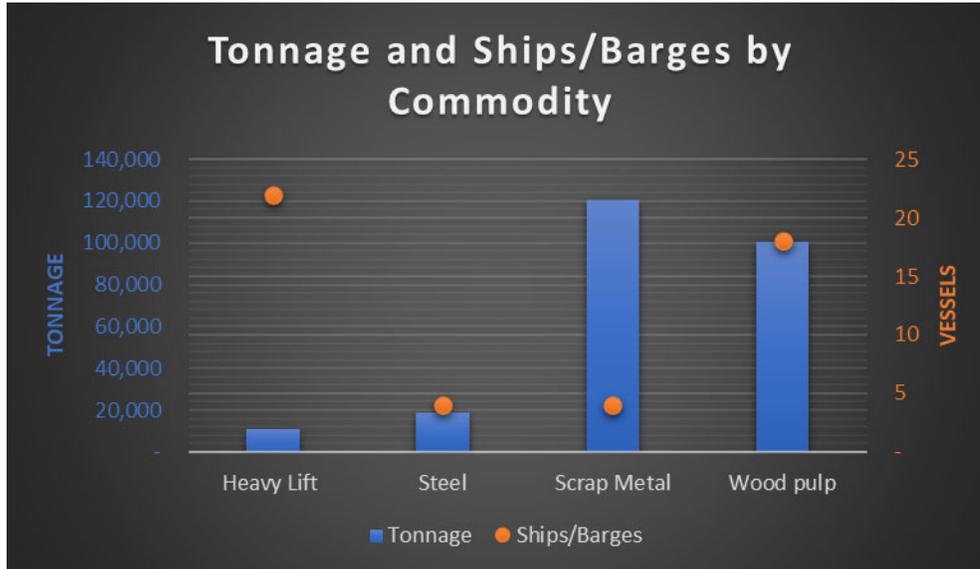
The Port continued to pursue expansion opportunities in 2022, with the identification of an approximately 42-acre parcel in the City of Rensselaer adjacent to Port operations that could provide maritime commerce development opportunity. The site is a vacant, industrially zoned brownfield site that has been unused and undeveloped for a number of years since its last industrial use. The Port staff performed due diligence work, including analyzing historical environmental testing and coordinating with municipal and state government agencies. The Port staff also pursued economic development funding assistance with state agencies. The site will initially be acquired through a sub-lease agreement that will be acquired after a 2- year period. Future operations on-site can benefit from the adjacent commercial wharf the Port of Albany improved in recent years. This expansion will add another 25% of land area to the Port district and will provide further opportunities for the Port to increase economic development benefits to the Capital Region.

MARITIME-RELATED ACTIVITY

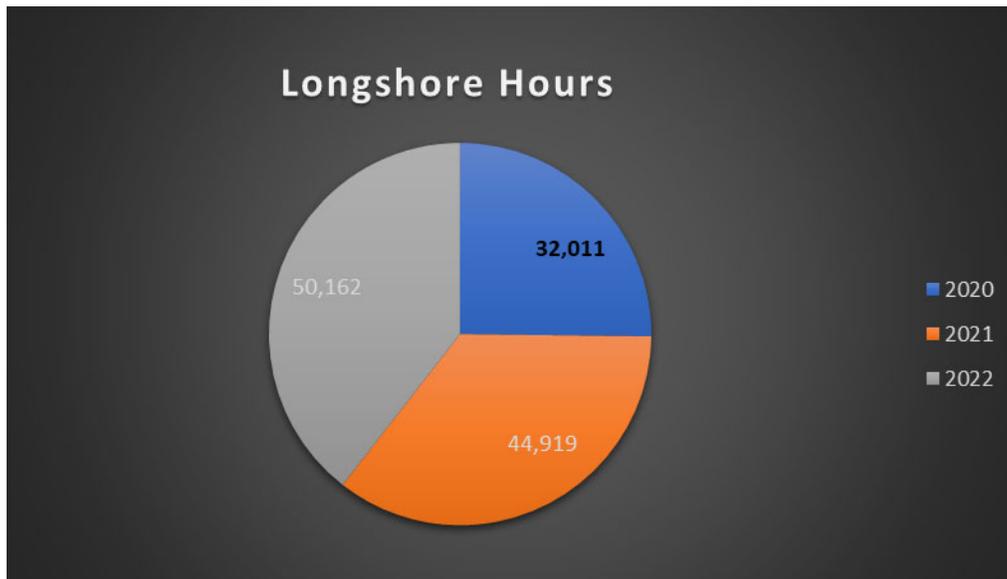


- As compared to 2021, calls to the Port increased by 7 ships/barges overall during 2022. The primary driver of this increase is within the Barge-Heavy Lift, which had seen a decrease in 2021. There was also increased utilization in the Wood pulp category, which saw a cumulative 11% increase. The other commodities stayed constant, with a 33% decline in scrap iron activity.

**ALBANY PORT DISTRICT COMMISSION
Management’s Discussion and Analysis**

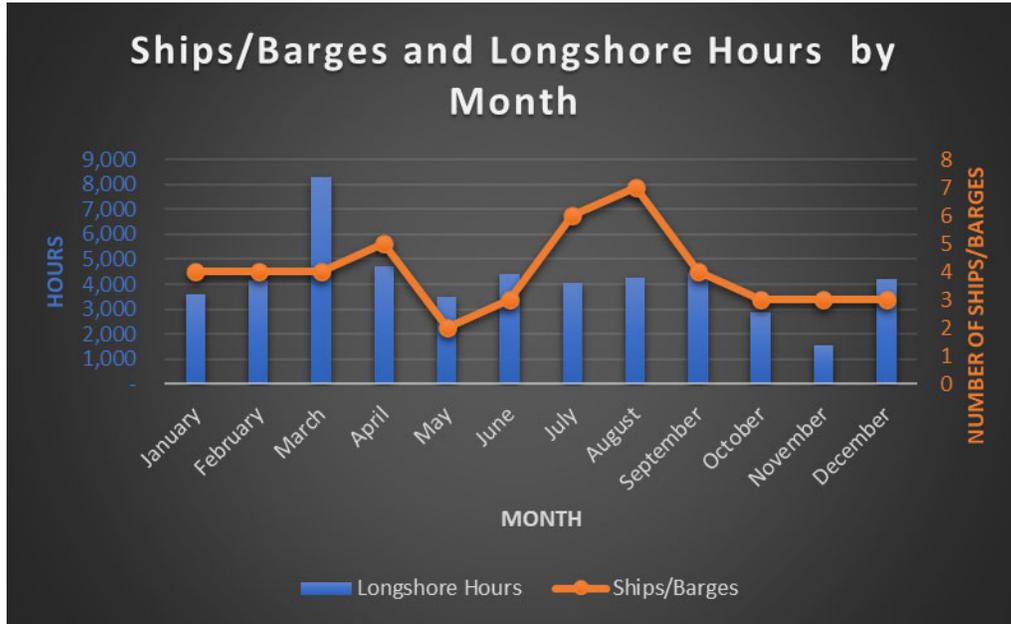


- Scrap metal remains the highest-volume commodity in terms of tonnage by a substantial margin. Scrap metal represents 48% of total tonnage for the year. On a per vessel basis, average tonnage for scrap metal was about 30,000 tons.
- Wood pulp continues to yield the second highest volume of tonnage (40% of total tonnage in 2022).
- Although heavy lift/project cargo represents a relatively modest amount of total 2022 tonnage, 27% of all cargo-carrying ship and barge calls in 2022 fell into this category.

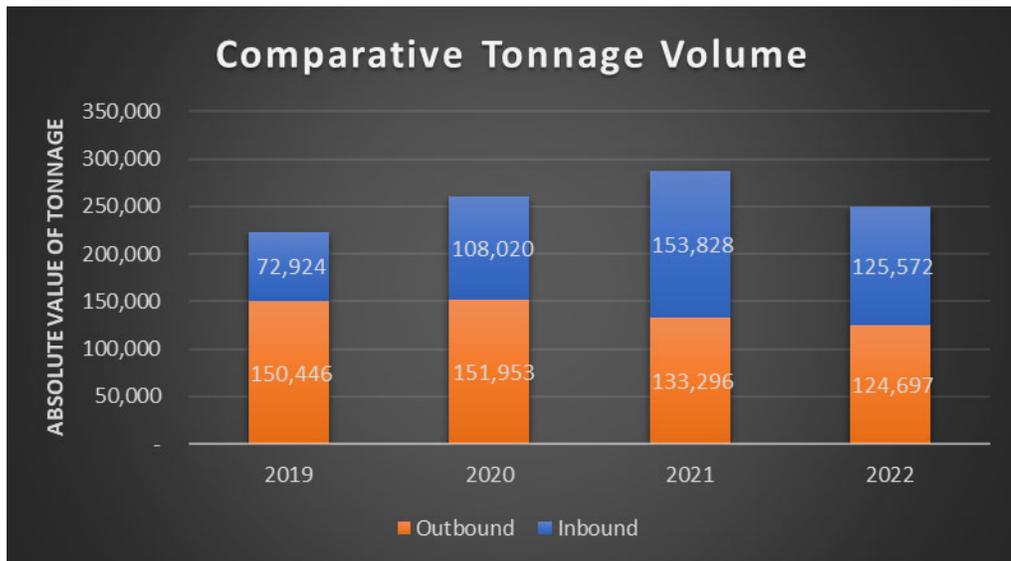


- The number of longshore hours worked is one of the Port’s key indicators and is discussed in detail with the Board of Commissioners monthly. This metric is important as it demonstrates the economic value and job opportunities created by the Port’s maritime activity. The Port saw an 11% increase of labor hours in 2022 due to its project tracking and efforts to diversify business and customer opportunities in an effort to offset a decline in project cargo.

**ALBANY PORT DISTRICT COMMISSION
Management’s Discussion and Analysis**



The longshore hours increased by 11% in 2022, compared to 2021



- Overall tonnage had a decrease from 2021 by 13%. This decrease is consistent with the trends seen in the types of ships and barges.
- The year-over-year inbound tonnage decrease is 18% and outbound tonnage decrease is 6%. There were increases in tonnage occurred in Barges – Heavy lift/ Project (3,418 tons) and Wood pulp (23,093 tons) categories; with the decreases being seen in the remainder of the categories.

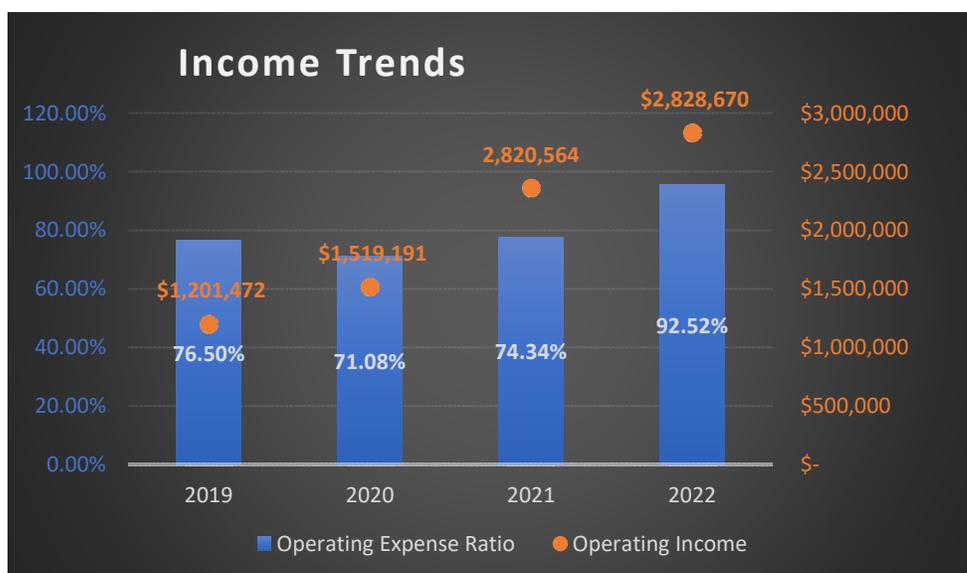
ALBANY PORT DISTRICT COMMISSION Management's Discussion and Analysis

FINANCIAL OPERATIONS HIGHLIGHTS

A condensed summary of revenues and expenses for the years ended December 31, 2022 and 2021 is shown below.

	<u>2022</u>	<u>2021</u> (as restated)
OPERATING REVENUES		
Property and equipment rentals	\$ 4,386,657	\$ 4,344,981
Maritime-related	1,786,953	1,367,286
Security	453,188	427,805
Offshore Wind project	30,984,075	4,609,068
Other operating revenues	209,937	244,887
Total operating revenues	<u>37,820,810</u>	<u>10,994,027</u>
OPERATING EXPENSES		
Payroll and related expenses	2,829,373	2,507,344
Maintenance and material handling	618,820	553,687
Professional services	556,324	403,231
Offshore Wind project	30,594,773	4,383,971
Other operating expenses	392,850	325,230
Total operating expenses	<u>34,992,140</u>	<u>8,173,463</u>
OPERATING INCOME	2,828,670	2,820,564
Depreciation and other items	<u>(2,950,975)</u>	<u>(3,055,956)</u>
CHANGE IN NET POSITION BEFORE CAPITAL FUNDING	(122,305)	(235,392)
Capital grant funding	<u>292,453</u>	<u>1,046,792</u>
INCREASE IN NET POSITION	170,148	811,400
Total net position, beginning of year, as restated	<u>67,940,940</u>	<u>67,129,540</u>
Total net position, end of year	<u>\$ 68,111,088</u>	<u>\$ 67,940,940</u>

Income generated from operations has increased by approximately \$8,106 over 2021.



ALBANY PORT DISTRICT COMMISSION

Management's Discussion and Analysis

Operating Revenue increased by approximately \$26,826,783 or 244%.

- The majority of this increase, \$26.4 million, relates to the Empire Wind Pre-funding agreement and represents the expenditures to date for this funding phase of the project, plus administrative revenue of \$389,000 earned by APDC.
- Other improvement from 2021 was primarily in Maritime Revenue of approximately \$420,000 or 31%, along with a 1% increase in Property and Equipment Rentals (approximately \$42,000), 6% in Security Revenue (approximately \$25,000) and a 14% decrease in other operating revenue (approximately \$35,000).
- Dockage Fees are charged for vessels that are utilizing berths and are based upon either the length or net registered tonnage ("NRT") of the vessel. Overall, revenue derived from this category increased by approximately \$43,000 or 11%.
- Revenue derived from wharfage increased in 2022 by approximately \$411,000 or 86%. This increase is the result of tenant negotiations and agreement for payment of past due minimum wharfage fees.
- Revenue generated from utilization of the APDC's two Liebherr mobile harbor cranes increased slightly 3% (approximately \$9,000) as compared to 2021. The revenue reflects hours of use by FMT for maritime terminal operations.

Operating expenses in 2022 saw an increase from 2021 of approximately \$26,818,677 or 328%. \$26,210,802 of this increase is related to the expenses for the Empire Wind Project and are reflected in the revenue from the pre-funding agreement. The remaining expenses increased by 16% or approximately \$608,000.

- Payroll and related expenses have increased by approximately \$322,000 from 2021. Salary expense increased 3% from 2021 which reflects one FTE added in 2022. Pension, health and other benefit costs increased approximately \$108,000 and the annual adjustments made for pension and other post-employment benefit liabilities activity increased approximately \$146,000.
- Professional services and consulting fees increased overall by 47% (approximately \$73,000) from 2021. This increase represents outside consultants utilized in recruiting and business development activities.
- Maintenance and material handling increased by 12% or approximately \$65,000 from 2021. This increase is due to parts and repairs related to port vehicles and equipment as well as the Port's mobile harbor cranes.
- Insurance expense saw a 33% increase in 2022. The majority of this increase was in the General Liability, Property and Equipment policy.

A condensed summary of APDC's net position at December 31, 2020, 2021, and 2022 is shown below.

The net position increase from December 31, 2020 to December 31, 2022 was \$982 thousand.

	2020 (as restated)	2021 (as restated)	2022
Assets and Deferred Outflows of Resources			
Current assets	\$ 4,006,246	\$ 10,745,799	\$ 17,421,109
Capital assets	75,562,834	75,455,322	73,296,615
Other long term assets	29,884,684	23,820,113	20,792,836
Deferred outflows of resources	896,815	1,069,857	718,193
Total assets and deferred outflows of resources	<u>\$ 110,350,579</u>	<u>\$ 111,091,091</u>	<u>\$ 112,228,753</u>
Liabilities			
Current liabilities	\$ 3,885,925	\$ 7,007,073	\$ 13,331,162
Long-term liabilities	9,122,557	8,627,701	6,588,547
Deferred inflows of resources	30,212,557	27,515,377	24,197,956
Total liabilities and deferred inflows of resources	<u>\$ 43,221,039</u>	<u>\$ 43,150,151</u>	<u>\$ 44,117,665</u>
Net Position			
Invested in capital assets, net of related debt	\$ 70,710,943	\$ 69,432,110	\$ 68,961,615
Unrestricted	(3,581,403)	(1,491,170)	(850,527)
Total net position	<u>\$ 67,129,540</u>	<u>\$ 67,940,940</u>	<u>\$ 68,111,088</u>

ALBANY PORT DISTRICT COMMISSION

Management's Discussion and Analysis

CURRENT KNOWN FACTS, DECISIONS OR CONDITIONS

A \$3 million sub-lease under the existing master lease with Bank of America was executed during February of 2021. This sub-lease carries a four-year term and a fixed rate of 1.76%. Certain APDC-owned equipment assets serve as collateral under the terms of the sub-lease.

Pre-development activities, including design engineering and specific site plan permitting applications have continued in 2022 for the Port Expansion for the development of the first of its kind wind tower manufacturing facility together with Equinor and Marmen/Welcon (Offshore Wind Project, see Note 11). Construction site work began in 2022 and will continue into 2023.

During the year ended December 31, 2022, certain phases of the TIGER project were completed including:

- In 2022 final design of both the reconstruction of Smith Blvd and the reconstruction of the marine terminal were completed in preparation of construction bid to be release in early 2023.

Next phase of TIGER projects will continue and conclude the plan:

- Bidding for construction and the construction work on both the reconstruction of Smith Blvd and the reconstruction of the marine terminal coordinated with warehouse improvement plans are expected to occur in 2023.
- The Port will make repairs and upgrades to the Port's oldest marine terminal building, Shed 1, to accommodate increased timber and paper pulp cargo at the Port.
- A sublease will be executed in 2023 completing the acquisition of an additional 42 acre parcel in the City of Rensselaer.
- In 2023, Logistec, a world-wide maritime transportation leader acquired FMT, including the Port of Albany operation. The takeover will be formalized April 1. Currently, expectations are for operations to continue as they have been with FMT agreements and contracts.

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

ALBANY PORT DISTRICT COMMISSION
STATEMENTS OF NET POSITION
December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u> <u>(as restated)</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and cash equivalents	\$ 11,666,069	\$ 6,501,133
Investments	735,762	-
Accounts receivable	1,413,976	524,737
Lease receivables	3,244,957	3,031,217
Grants receivable	49,760	612,730
Other current assets	310,585	75,982
Total current assets	<u>17,421,109</u>	<u>10,745,799</u>
LONG-TERM ASSETS		
Lease receivables	19,685,822	22,967,394
Net pension asset	337,487	-
Right-to-use lease assets, net of amortization	769,527	852,719
Net property and equipment	73,296,615	75,455,322
Total long-term assets	<u>94,089,451</u>	<u>99,275,435</u>
Total assets	<u>111,510,560</u>	<u>110,021,234</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to net pension liability	718,193	880,713
Deferred outflows related to other post employment benefit obligation	-	189,144
Total deferred outflows of resources	<u>718,193</u>	<u>1,069,857</u>
	<u>\$ 112,228,753</u>	<u>\$ 111,091,091</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 1,732,244	\$ 1,688,212
Lease liabilities	238,864	223,350
Deferred revenue	22,133	2,911,915
Accounts payable	3,714,733	1,220,379
Accrued expenses	7,623,188	963,217
Total current liabilities	<u>13,331,162</u>	<u>7,007,073</u>
LONG-TERM LIABILITIES		
Long-term debt, net of current maturities	2,602,756	4,335,000
Lease liabilities	254,415	492,561
Security deposits	119,623	117,299
OPEB obligation	3,611,753	3,679,026
Net pension liability	-	3,815
Total long-term liabilities	<u>6,588,547</u>	<u>8,627,701</u>
Total liabilities	<u>19,919,709</u>	<u>15,634,774</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to net pension liability	1,184,270	1,157,757
Deferred inflows related to other post employment benefit obligation	827,148	772,273
Deferred inflows related to lease receivables	22,186,538	25,585,347
Total deferred inflows of resources	<u>24,197,956</u>	<u>27,515,377</u>
NET POSITION		
Net investment in capital assets	68,961,615	69,432,110
Unrestricted	(850,527)	(1,491,170)
Total net position	<u>68,111,088</u>	<u>67,940,940</u>
	<u>\$ 112,228,753</u>	<u>\$ 111,091,091</u>

See notes to financial statements.

ALBANY PORT DISTRICT COMMISSION
STATEMENTS OF REVENUES AND EXPENSES AND CHANGES IN NET POSITION
Years ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u> <u>(as restated)</u>
OPERATING REVENUES		
Property rentals	\$ 4,106,517	\$ 4,073,451
Dockage fees	448,754	405,176
Wharfage fees	888,163	476,808
Stevedore fees	450,036	485,302
Crane/equipment rentals	280,140	271,530
Offshore Wind project	30,984,075	4,609,068
Security fees	453,188	427,805
Storage and other services	209,937	244,887
	<u>37,820,810</u>	<u>10,994,027</u>
OPERATING EXPENSES		
Payroll and related benefit costs	2,829,373	2,507,344
Maintenance expense	373,911	341,018
Material handling	244,909	212,669
Insurance	325,323	245,598
Professional and consulting fees	231,001	157,633
Offshore Wind project	30,594,773	4,383,971
Other operating expenses	392,850	325,230
	<u>34,992,140</u>	<u>8,173,463</u>
OPERATING INCOME, BEFORE DEPRECIATION AND OTHER ITEMS	<u>2,828,670</u>	<u>2,820,564</u>
DEPRECIATION AND OTHER ITEMS		
Depreciation	(2,655,513)	(2,591,161)
Amortization on right-to-use lease asset	(83,192)	(83,192)
Loss on sale of property and equipment	-	(7,791)
Waterfront development costs	(53,709)	(30,206)
Municipal support agreement costs	(16,856)	(160,263)
Interest income	1,142	336
Interest expense	(142,847)	(183,679)
	<u>(2,950,975)</u>	<u>(3,055,956)</u>
CHANGE IN NET POSITION BEFORE CAPITAL FUNDING	(122,305)	(235,392)
Capital grant funding	292,453	1,046,792
CHANGE IN NET POSITION	170,148	811,400
Total net position, beginning of the year, as restated	<u>67,940,940</u>	<u>67,129,540</u>
Total net position, end of year	<u>\$ 68,111,088</u>	<u>\$ 67,940,940</u>

See notes to financial statements.

ALBANY PORT DISTRICT COMMISSION
STATEMENTS OF CASH FLOWS
Years ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u> <u>(as restated)</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from rentals	\$ 4,056,830	\$ 3,901,052
Cash received for facility usage	1,323,466	1,327,113
Cash received from Offshore Wind project	27,662,999	7,500,000
Cash received from other services	663,125	672,692
Cash payments to employees and professionals	(3,057,185)	(2,820,562)
Cash payments for materials and maintenance	(574,849)	(631,131)
Cash payments for insurance	(586,282)	(240,883)
Cash payments for Offshore Wind project	(21,192,323)	(3,374,679)
Cash payments for other expenses	(386,134)	(310,877)
Net cash provided by operating activities	<u>7,909,647</u>	<u>6,022,725</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash payments for municipal support agreement costs and waterfront development costs	<u>(293,197)</u>	<u>(410,469)</u>
Net cash used in noncapital financing activities	<u>(293,197)</u>	<u>(410,469)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Cash payments for capital assets	(745,917)	(3,998,364)
Cash received from capital grant funding	855,423	2,479,734
Interest expense	(138,001)	(183,679)
Cash received from long-term debt and other obligations	-	3,000,000
Cash payments on long-term debt and other obligations	(1,688,212)	(1,828,679)
Net cash used in capital and related financing activities	<u>(1,716,707)</u>	<u>(530,988)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash received from interest	955	336
Cash paid for purchase of investments	(1,019,045)	-
Cash received from sale of investments	283,283	499,970
Net cash (used in) provided by investing activities	<u>(734,807)</u>	<u>500,306</u>
Net change in cash	5,164,936	5,581,574
Cash, beginning of year	<u>6,501,133</u>	<u>919,559</u>
Cash, end of year	<u>\$ 11,666,069</u>	<u>\$ 6,501,133</u>
RECONCILIATION OF OPERATING INCOME, BEFORE DEPRECIATION AND OTHER ITEMS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income, before depreciation and other items	\$ 2,828,670	\$ 2,820,564
Adjustments to reconcile operating income to net cash provided by operating activities:		
Changes in:		
Accounts receivable	(889,239)	(34,341)
Lease receivables	3,067,832	2,950,162
Other assets	(234,416)	(25,333)
Accounts payable	2,708,784	379,695
Accrued expenses	6,692,130	631,024
Deferred revenue	(2,889,782)	2,895,249
Deferred inflows related to leases	(3,398,809)	(3,398,808)
OPEB obligation and net pension liability (asset) related accounts	24,477	(195,487)
Total adjustments	<u>5,080,977</u>	<u>3,202,161</u>
Net cash provided by operating activities	<u>\$ 7,909,647</u>	<u>\$ 6,022,725</u>

See notes to financial statements.

ALBANY PORT DISTRICT COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

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, 2022 or 2021.
- **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.

ALBANY PORT DISTRICT COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 and returns. The Commission's investments, which are managed by an independent investment advisor, are stated in the statements of net position at fair 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 Federal and State 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

Right-to-Use Lease Assets: The commission's right-to-use lease assets are reported within the major class of the underlying asset and initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made at or before the commencement of the lease term, less any lease incentives, plus ancillary charges necessary to place the lease asset into service. The right-to-use lease assets are amortized on a straight-line basis over the life of the related lease.

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 certain rents received in advance. In 2021, the Commission also recognized deferred revenue for prefunding related to an Offshore Wind Project (see Note 11).

ALBANY PORT DISTRICT COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 is a party to an agreement with the City of Albany which provides payments for municipal support for certain costs and services provided by the municipality (see Note 12).

Capital Funding: Capital funding represents grants, generally from federal and state funding sources, which are designated for capital asset acquisition and/or construction.

Income Taxes: The properties and income of the Commission are exempt from all Federal and State income and franchise taxes.

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

Subsequent Events: For purposes of preparing the financial statements, the Commission has considered events through March 31, 2023, the date the financial statements were available to be issued.

Reclassifications: Certain 2021 financial statement line items have been reclassified to conform with the current year's presentation.

Changes in Accounting Principle: During the fiscal year ended December 31, 2022, the Commission implemented GASB Statement No. 87, *Leases*. This statement changes the reporting of leases that were previously classified as operating leases, requiring the recognition of certain lease assets and liabilities along with the recognition of inflows and outflows of resources, as appropriate.

The Commission applied the new standard retroactively to January 1, 2021, the beginning of the earliest period presented. As a result of implementation, the beginning balances on the statement of net position as of January 1, 2021 were restated as follows:

ALBANY PORT DISTRICT COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Assets were increased by \$28,948,773 due to recognition of lease receivables.
- Deferred inflows of resources were increased by \$28,984,155.
- Liabilities were decreased by \$35,382 due to reclassification of certain prepaid rents from deferred revenues to an offset to lease receivables.
- Assets and liabilities were both increased by \$935,911 for recognition of right-to-use lease assets and related lease liabilities.
- There was no impact on the Commission's net position at January 1, 2021.

In addition, due to the retroactive implementation, adjustments were made to the 2021 comparative statement of net position and statement of revenues and expenses and changes in net position. This resulted in the restatement of the following line items for the year ended December 31, 2021:

	<u>2021</u> <u>(original)</u>	<u>2021</u> <u>(as restated)</u>	<u>Increase</u> <u>(decrease)</u>
Assets			
Lease receivables	\$ -	\$ 25,998,611	
Right-to-use lease assets	-	852,719	
	<u>\$ -</u>	<u>\$ 26,851,330</u>	<u>\$ 26,851,330</u>
Liabilities and Deferred Inflows of Resources			
Lease liabilities	\$ -	\$ 715,911	
Deferred revenue	2,959,853	2,911,915	
Deferred inflows related to lease receivables	-	25,585,347	
	<u>\$ 2,959,853</u>	<u>\$ 29,213,173</u>	<u>\$ 26,253,320</u>
Total Net Position	<u>\$ 67,342,930</u>	<u>\$ 67,940,940</u>	<u>\$ 598,010</u>
Operating Revenues			
Property rentals	\$ 3,612,249	\$ 4,073,451	
Other Items (Expenses)			
Amortization on right-to-use lease asset	-	(83,192)	
Waterfront development costs	(250,206)	(30,206)	
	<u>\$ 3,362,043</u>	<u>\$ 3,960,053</u>	<u>\$ 598,010</u>

NOTE 3 — CASH AND CASH EQUIVALENTS

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

	<u>2022</u>		<u>2021</u>	
	<u>Carrying</u> <u>Value</u>	<u>Bank</u> <u>Balance</u>	<u>Carrying</u> <u>Value</u>	<u>Bank</u> <u>Balance</u>
Deposit accounts	<u>\$ 11,666,069</u>	<u>\$ 12,197,144</u>	<u>\$ 6,501,133</u>	<u>\$ 6,658,415</u>

At December 31, 2022 and 2021, the Commission's cash and deposits were covered by FDIC insurance or otherwise collaterally secured through its principal financial institution, KeyBank.

ALBANY PORT DISTRICT COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 4 — INVESTMENTS

At December 31, 2022, investments, which are stated on the statements of net position at fair value, are comprised of U.S. Government agency obligations, as follows (none at December 31, 2021):

Investment Rate	Par Amount	Maturity	Fair Value	Adjusted Cost (a)
United States Treasury Bill (zero coupon)	\$ 500,000	1/26/2023	\$ 498,760	\$ 495,889
United States Treasury Bill (zero coupon)	250,000	3/15/2024	237,002	243,754
	\$ 750,000		\$ 735,762	\$ 739,643

(a) *The adjusted cost basis reflects any cumulative original issue discount, premium, or acquisition premium (including any year-to-date amount). The amounts were amortized or accrued from the acquisition date through the disposition date. Premium amortization was calculated using the yield-to-maturity method. Acquisition premium was calculated using the ratable accrual method. Any market discount accretion for this position was calculated using the straight-line method and, if applicable, recognized upon disposition.*

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 the fair value hierarchy, defines the requirements on how fair value should be measured and which assets 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, 2022 and 2021, all investments measured at fair value were considered Level 1 investments under the fair value hierarchy.

NOTE 5 — PROPERTY AND EQUIPMENT AND RIGHT-TO-USE LEASE ASSETS

At December 31, 2022 property and equipment is comprised of the following:

	December 31 2021	Additions	Deletions / Transfers	December 31 2022
Port marine facilities	\$ 128,380,892	\$ 26,656	\$ 8,972,861	\$ 137,380,409
Transportation, equipment and furniture	1,504,117	42,803	-	1,546,920
Construction in process	12,111,639	427,347	(8,972,861)	3,566,125
Total	141,996,648	496,806	-	142,493,454
Less accumulated depreciation	66,541,326	2,655,513	-	69,196,839
Net property and equipment	\$ 75,455,322	\$ (2,158,707)	\$ -	\$ 73,296,615

ALBANY PORT DISTRICT COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 5 — PROPERTY AND EQUIPMENT AND RIGHT-TO-USE LEASE ASSETS (Continued)

At December 31, 2021 property and equipment is comprised of the following:

	<u>December 31 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31 2021</u>
Port marine facilities	\$ 128,339,788	\$ 114,914	\$ 73,810	\$ 128,380,892
Transportation, equipment and furniture	1,475,652	53,789	25,324	1,504,117
Construction in process	9,788,902	2,322,737	-	12,111,639
Total	139,604,342	2,491,440	99,134	141,996,648
Less accumulated depreciation	64,041,508	2,591,161	91,343	66,541,326
Net property and equipment	<u>\$ 75,562,834</u>	<u>\$ (99,721)</u>	<u>\$ 7,791</u>	<u>\$ 75,455,322</u>

Depreciation expense was \$2,655,513 and \$2,591,161 for the years ended December 31, 2022 and 2021, respectively.

At December 31, 2022 right-to-use lease assets is comprised of the following:

	<u>December 31 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31 2022</u>
Land	\$ 935,911	\$ -	\$ -	\$ 935,911
Less accumulated amortization	83,192	83,192	-	166,384
Net lease assets	<u>\$ 852,719</u>	<u>\$ (83,192)</u>	<u>\$ -</u>	<u>\$ 769,527</u>

At December 31, 2021 right-to-use lease assets is comprised of the following:

	<u>December 31 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31 2021</u>
Land	\$ 935,911	\$ -	\$ -	\$ 935,911
Less accumulated amortization	-	83,192	-	83,192
Net lease assets	<u>\$ 935,911</u>	<u>\$ (83,192)</u>	<u>\$ -</u>	<u>\$ 852,719</u>

Amortization expense was approximately \$83,000 for both 2022 and 2021. Interest on lease liabilities was approximately \$1,300 and \$1,800 for 2022 and 2021, respectively, and was included in waterfront development costs on the statements of revenues and expenses and changes in net position.

NOTE 6 — LONG-TERM DEBT

Long-term debt is comprised of the following:

	<u>December 31 2021</u>	<u>Debt Issued</u>	<u>Debt Payments</u>	<u>December 31 2022</u>
Bank of America master lease obligation	\$ 6,023,212	\$ -	\$ 1,688,212	\$ 4,335,000
Less current maturities	1,688,212			1,732,244
	<u>\$ 4,335,000</u>			<u>\$ 2,602,756</u>

ALBANY PORT DISTRICT COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 6 — LONG-TERM DEBT (Continued)

The Commission is a party to a master lease agreement with Bank of America. In June 2014, under the first draw of the agreement, the Commission borrowed \$3,000,000 to retire another Commission obligation and to acquire certain Port related facility equipment. This first draw of the agreement matured in June 2021. In November 2017, under the second draw of the agreement, the Commission borrowed \$4,000,000 to fund certain construction projects. This agreement required interest only payments of approximately \$9,100 per month through May 2018 and, beginning in June 2018, monthly payments of approximately \$52,300, including interest at approximately 2.7%, with final maturity in May 2025.

In November 2018, under the third draw of the agreement, the Commission borrowed \$2,500,000 to fund certain current construction projects. This agreement required interest only payments of approximately \$8,500 per month through May 2019 and, beginning in June 2019, monthly payments of approximately \$34,300, including interest at approximately 4.1%, with final maturity in May 2026.

In January 2021, under the fourth draw of the agreement, the Commission borrowed \$3,000,000 to fund certain current construction projects. This agreement requires monthly payments of approximately \$66,100, including interest at approximately 1.76%, with final maturity in December 2024.

The Bank of America master lease obligation is collateralized by certain Commission assets.

At December 31, 2022, long-term debt maturities were comprised of the following:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 1,732,244	\$ 100,559	\$ 1,832,803
2024	1,777,561	55,239	1,832,800
2025	655,555	17,529	673,084
2026	169,640	1,739	171,379
	<u>\$ 4,335,000</u>	<u>\$ 175,066</u>	<u>\$ 4,510,066</u>

Interest expense on long term debt was approximately \$143,000 and \$184,000 for 2022 and 2021, 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.

ALBANY PORT DISTRICT COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 7 — RETIREMENT PLAN AND RELATED BENEFITS (Continued)

Introduction (Continued)

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 2022, these rates ranged from 10.6% - 23.0% for the Commission's active employees. Employee contributions are deducted from their salaries and remitted on a current basis to the System.

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

At December 31, 2022, the Commission reported an asset of \$337,487 for its proportionate share of the ERS net pension (asset) liability. The ERS net pension (asset) liability was measured as of March 31, 2022, and the total pension (asset) liability was determined by an actuarial valuation as of April 1, 2021, with updated procedures used to roll forward the total pension liability to March 31, 2022. The Commission's proportion of the net pension (asset) 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, 2022 measurement date, the Commission's proportion was 0.0041285%.

At December 31, 2021, the Commission reported a liability of \$3,815 for its proportionate share of the ERS net pension liability. The ERS net pension liability was measured as of March 31, 2021, and the total pension liability was determined by an actuarial valuation as of April 1, 2020, with updated procedures used to roll forward the total pension liability to March 31, 2021. 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, 2021 measurement date, the Commission's proportion was 0.0038313%.

For the year ended December 31, 2022, the Commission recognized net pension expense of \$49,730 from ERS and reported deferred outflows of resources and deferred inflows of resources as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 25,558	\$ 33,151
Changes in assumptions	563,229	9,504
Net difference between projected and actual earnings on pension plan investments	-	1,105,130
Changes in proportion and differences between Commission contributions and proportionate share of contributions	129,406	36,485
Commission contributions subsequent to measurement date	-	-
	<u>\$ 718,193</u>	<u>\$ 1,184,270</u>

ALBANY PORT DISTRICT COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 7 — RETIREMENT PLAN AND RELATED BENEFITS (Continued)

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

For the year ended December 31, 2021, the Commission recognized net pension expense of \$114,598 from ERS and reported deferred outflows of resources and deferred inflows of resources as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 46,591	\$ -
Changes in assumptions	701,451	13,230
Net difference between projected and actual earnings on pension plan investments	-	1,095,886
Changes in proportion and differences between Commission contributions and proportionate share of contributions	132,671	48,641
Commission contributions subsequent to measurement date	-	-
	<u>\$ 880,713</u>	<u>\$ 1,157,757</u>

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

<u>Years Ending March 31,</u>	<u>Net Deferred Outflows and (Inflows) of Resources</u>
2023	\$ (54,780)
2024	(96,171)
2025	(263,683)
2026	(51,443)
	<u>\$ (466,077)</u>

Actuarial Assumptions

For ERS, the actuarial assumptions used in the April 1, 2021 and 2020 valuations, with update procedures used to roll forward the total pension (asset) liability to March 31, 2022 and 2021, respectively, were based on the results of an actuarial experience study for the period April 1, 2015 to March 31, 2020. These assumptions are:

Inflation – 2.7%

Salary increases – 4.4%

Investment rate of return – 5.9% compounded annually, net of investment expense, including inflation

Mortality – Based on ERS experience from April 1, 2015 – March 31, 2020 with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2020

Discount rate – 5.9%

ALBANY PORT DISTRICT COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 7 — RETIREMENT PLAN AND RELATED BENEFITS (Continued)

Actuarial Assumptions (Continued)

The long-term expected rate of return on the System’s pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Investment Asset Allocation

The System’s best estimate of the arithmetic real rates of return for each major asset class and the System’s target asset allocations as of March 31, 2022 are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equities	32%	3.30%
International equities	15%	5.85%
Private equities	10%	6.50%
Real estate	9%	5.00%
Opportunistic/Absolute return strategies	3%	4.10%
Credit	4%	3.78%
Real assets	3%	5.80%
Fixed Income	23%	0.00%
Cash	1%	-1.00%
	100%	

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 (asset) liability calculated using the discount rate of 5.9% and the impact of using a discount rate that is 1% higher or lower than the current rate.

	1.0% Decrease	5.9%	1.0% Increase
Commission's proportionate share of the ERS net pension liability (asset)	\$ 868,689	\$ (337,487)	\$ (1,346,396)

ALBANY PORT DISTRICT COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

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 uses GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75) to recognize the total OPEB liability, deferred outflows and deferred inflows of resources, OPEB expense, and information about and changes in the total OPEB liability.

Plan Description and Funding Policy

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.

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.

Employees Covered by Benefit Terms

At January 1, 2022, the actuarial valuation date, the following employees were covered by benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	10
Inactive employees or beneficiaries entitled to but not yet receiving benefit payments	-
Active employees	<u>17</u>
	<u><u>27</u></u>

Total OPEB Liability

At December 31, 2022 and 2021, the Commission reported a liability of \$3,611,753 and \$3,679,026, respectively. The total OPEB liability as of December 31, 2022 was measured as of December 31, 2022 and was determined by an actuarial valuation as of January 1, 2022. The total OPEB liability as of December 31, 2021 was measured as of December 31, 2021 and was determined by an actuarial valuation as of January 1, 2020.

Actuarial Assumptions and Other Inputs

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.

ALBANY PORT DISTRICT COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 8 — OTHER POST-EMPLOYMENT BENEFITS (Continued)

Actuarial Assumptions and Other Inputs (Continued)

The total OPEB liability was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount rate used in current measurement – 3.72%

Discount rate used in prior measurement – 2.12%

Healthcare cost trend rates used in current measurement – 5.30% for 2022 (decreasing to an ultimate rate of 4.5% by 2026)

Healthcare cost trend rates used in prior measurement – 5.50% for 2021 (decreasing to an ultimate rate of 4.5% by 2023)

The discount rate was based on the Bond Buyer General Obligation 20-year municipal bond index.

Mortality rates used in the current measurement were based on NYS employee retirement system mortality rates. Mortality rates used in the prior measurement were based on the Society of Actuaries' RP-2014 mortality tables with adjustments for mortality improvements based on MP-2014 scales.

Changes in the Total OPEB Liability

Changes in the total OPEB liability were as follows:

	Total OPEB Liability
Beginning balance for year end December 31, 2021	<u><u>\$ 3,249,549</u></u>
Changes for the year:	
Service cost	181,102
Interest	90,781
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions or other inputs	336,233
Benefit payments	<u>(178,639)</u>
Net changes	<u>429,477</u>
Ending balance for year end December 31, 2021	<u><u>\$ 3,679,026</u></u>
Changes for the year:	
Service cost	172,783
Interest	77,876
Changes of benefit terms	-
Differences between expected and actual experience	84,151
Changes of assumptions or other inputs	(259,273)
Benefit payments	<u>(142,810)</u>
Net changes	<u>(67,273)</u>
Ending balance for year end December 31, 2022	<u><u>\$ 3,611,753</u></u>

ALBANY PORT DISTRICT COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 8 — OTHER POST-EMPLOYMENT BENEFITS (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Commission, as well as what the Commission's total OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current discount rate:

	<u>1.0% Decrease</u>	<u>Discount Rate</u>	<u>1.0% Increase</u>
Total OPEB Liability	<u>\$ 3,842,977</u>	<u>\$ 3,611,753</u>	<u>\$ 3,443,747</u>

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates

The following presents the total OPEB liability of the Commission, as well as what the Commission's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rates:

	<u>1.0% Decrease</u>	<u>Discount Rate</u>	<u>1.0% Increase</u>
Total OPEB Liability	<u>\$ 3,376,653</u>	<u>\$ 3,611,753</u>	<u>\$ 3,860,746</u>

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2022 and 2021, the Commission recognized OPEB expense of approximately \$320,000 and \$174,000, respectively. At December 31, 2022, the Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 341,214
Changes of assumptions or other inputs	-	485,934
Total	<u>\$ -</u>	<u>\$ 827,148</u>

At December 31, 2021, the Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 471,935
Changes of assumptions or other inputs	-	300,338
Expected benefit payments subsequent to the measurement date	189,144	-
Total	<u>\$ 189,144</u>	<u>\$ 772,273</u>

ALBANY PORT DISTRICT COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 8 — OTHER POST-EMPLOYMENT BENEFITS (Continued)

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB (Continued)

Amounts reported as deferred inflows of resources will be recognized in OPEB expense as follows:

<u>Year ended December 31</u>	<u>Deferred Inflows of Resources</u>
2023	\$ (120,246)
2024	(120,246)
2025	(120,246)
2026	(120,246)
2027	(120,246)
Thereafter	<u>(225,918)</u>
	<u>\$ (827,148)</u>

NOTE 9 — PROPERTY HELD FOR LEASE

The Commission has entered into various leases with tenants for the use of space at Port owned buildings, terminals, offices, and other facilities. The Commission reported lease receivables on the statements of net position of \$22,930,779 and \$25,998,611 (which includes current interest receivable on leases of \$31,880 and \$44,926) at December 31, 2022 and 2021, respectively. Lease receivables were recognized at present value utilizing discount rates ranging from 1.75% to 3.25%.

The approximate minimum future rentals scheduled to be received on leases in effect on December 31, 2022 were as follows:

<u>Year ended December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Receipts</u>
2023	\$ 3,213,078	\$ 482,187	\$ 3,695,264
2024	3,159,688	424,522	3,584,210
2025	3,184,667	352,870	3,537,537
2026	3,151,917	280,128	3,432,045
2027	2,913,518	210,196	3,123,714
2028-2032	5,481,167	481,256	5,962,423
2033-2037	1,626,152	109,508	1,735,660
2038-2042	95,314	13,161	108,475
2043-2047	7,454	11,631	19,085
2048-2052	8,767	10,318	19,085
2053-2057	10,311	8,773	19,084
2058-2062	12,128	6,956	19,084
2063-2067	14,265	4,819	19,084
2068-2072	16,778	2,306	19,084
2073-2077	3,695	122	3,817
	<u>\$ 22,898,899</u>	<u>\$ 2,398,753</u>	<u>\$ 25,297,651</u>

ALBANY PORT DISTRICT COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 9 — PROPERTY HELD FOR LEASE (Continued)

Deferred inflows of resources of \$22,186,538 and \$25,585,347 were reported in the statements of net position at December 31, 2022 and 2021, respectively. The deferred inflows of resources will be recognized as lease revenue over the terms of the leases on a straight-line basis.

Lease related revenues, recognized in property rentals on the statement of revenues and expenses and changes in net position, were as follows:

	<u>2022</u>	<u>2021</u>
Lease-related Revenue		
Lease Revenue		
Building	\$ 2,247,089	\$ 2,247,089
Office Space	20,402	20,402
Total Lease Revenue	<u>\$ 3,398,809</u>	<u>\$ 3,398,809</u>
Interest Revenue	562,702	628,681
Variable and Other Revenue	<u>145,006</u>	<u>45,961</u>
Total	<u><u>\$ 4,106,517</u></u>	<u><u>\$ 4,073,451</u></u>

Variable and other revenues consist of rents on short-term leases and additional rent payments including CPI increases on certain lease agreements.

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 a lease under GASB Statement No. 87, *Leases*, 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 2.06%, 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 \$225,000 in 2022 to \$255,000 in 2024, thus providing for the full amortization of the bonds by the 2027 maturity date.

ALBANY PORT DISTRICT COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 10 — WATERFRONT DEVELOPMENT COSTS (Continued)

The lease liability related to the above agreement was recorded at the present value of the future minimum lease payments as of January 1, 2021, the implementation date of GASB 87, and measured at a rate of 0.23%, the rate on the related bonds at the time of implementation.

Future maturities related to the lease liability are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
2023	\$ 238,864	\$ 1,136	\$ 240,000
2024	<u>254,414</u>	<u>586</u>	<u>255,000</u>
	<u>\$ 493,278</u>	<u>\$ 1,722</u>	<u>\$ 495,000</u>

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

During 2022 and 2021, the Commission’s project improvement costs, interest expense on the lease liability, and other operating expenses related to the waterfront development project approximated \$54,000 and \$30,000, respectively. These costs are included in the Commission’s statements of revenues and expenses and changes in net position under waterfront development costs.

NOTE 11 — OFFSHORE WIND PROJECT

In March 2021, the Commission entered into a predevelopment funding agreement with Empire Offshore Wind LLC (Empire Wind). The predevelopment funding agreement provided initial funding of \$10 million for predevelopment activities of site preparation and development of a manufacturing plant for an Offshore Wind Farm Project. The Commission is responsible for engaging all third-party vendors and consultants to provide or perform the services outlined in the agreement to facilitate continuation of the Offshore Wind Project including due diligence, pre-construction, and site preparation services until definitive agreements are in place. Under this predevelopment funding agreement, all data and work products arising out of the services shall be owned by Empire Wind. All expenses incurred by the Commission to move the project forward are reimbursed by Empire Wind including administrative costs for internal time and expenses incurred by the Commission as manager of the project.

As of December 31, 2021, \$7,500,000 of the \$10,000,000 initial prefunding commitment was received. During 2021, the Commission recognized expenses under the agreement of approximately \$4,384,000 and recognized revenue under the agreement of approximately \$4,609,000 which are included in the operating expenses and operating revenues, respectively, in the statements of revenues and expenses and changes in net position. The remaining approximate \$2,891,000 of funding received but not recognized as revenue was included in deferred revenue as a liability at December 31, 2021.

In March 2022, the predevelopment funding agreement with Empire Offshore Wind LLC was amended to provide for additional funding of up to approximately \$99,800,000. As of December 31, 2022, the remaining amount from the initial prefunding agreement was received along with additional funding totaling approximately \$27,663,000. During 2022, the Commission recognized expenses under the

ALBANY PORT DISTRICT COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 11 — OFFSHORE WIND PROJECT (Continued)

agreement of approximately \$30,595,000 and revenues under the agreement of approximately \$30,984,000 which are included in the operating expenses and operating revenues, respectively, in the statements of revenues and expenses and changes in net position. A receivable of approximately \$430,000 was recognized in the statement of net position within accounts receivable at December 31, 2022 for amounts expended but not yet received by Empire Offshore Wind LLC under this Project.

NOTE 12 — 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

In 2018, the Commission entered into Memorandums of Understanding (MoU) with the City of Albany under which the Commission is required to fund annualized municipal support to the City through December 31, 2021. The expense associated with the MoU with the City of Albany, in the amount of approximately \$144,000 for the year ended December 31, 2021 (none for 2022), is included in the statement of revenues and expenses. The expense for the municipal support is based on the assessed value of the Commission owned tax-exempt property as determined by the annual assessment roll of the City of Albany.

Federal and State Grants

The Commission is currently undertaking a series of projects to finalize maritime infrastructure improvements which will enhance the Port's heavy lift and project cargo handling capabilities. The total projects are estimated to cost approximately \$45,950,000. As part of the project, the Commission has secured federal grant funding of approximately \$17,630,000 and state grant funding of approximately \$19,000,000. Federal grant revenue of approximately \$17,600,000 has been earned to date. \$292,000 was earned in 2022 (approximately \$1,047,000 in 2021). State grant revenue of approximately \$19,000,000 has been earned to date. No state grant revenue was earned in 2022 or 2021. These grant revenues are included in capital grant funding in the statements of revenues and expenses and changes in net position. The projects are expected to be completed in 2023.

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.

NOTE 13 — RISKS AND UNCERTAINTIES

The coronavirus (COVID-19) pandemic caused disruptions in the global economy and the shipping industry. Although there has been no significant direct impact on the Commission's critical business or tenants thus far due to the pandemic, management continues to monitor for potential negative impacts on business operations.

ALBANY PORT DISTRICT COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 13 — RISKS AND UNCERTAINTIES (Continued)

Global and domestic financial markets and economic conditions have been volatile in recent years and remain subject to significant disruptions and vulnerabilities. Rising inflation has led to significant increases in costs of goods and services that have influenced the Commission's budgets and increased expenses of both the Commission and its tenants. Continued increases in costs and disruptions in the supply chain, due to ongoing conflicts, trade disruptions, strikes, threats of terrorist attacks, and concerns over future epidemics and pandemics, could adversely affect our operations. As global cost increases continue, management will continue to monitor the potential impacts on current and future agreements, projects, and general operations.

REQUIRED SUPPLEMENTARY INFORMATION

ALBANY PORT DISTRICT COMMISSION
SCHEDULE OF THE COMMISSION'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
NEW YORK STATE AND LOCAL EMPLOYEES' RETIREMENT SYSTEM

<u>As of the measurement date of March 31,</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Commission's proportion of the net pension liability	0.0041285%	0.0038313%	0.0043706%	0.0040079%	0.0040024%	0.003742%	0.0039534%	0.0037280%
Commission's proportionate share of the net pension (asset) liability	\$ (337,487)	\$ 3,815	\$ 1,157,365	\$ 283,973	\$ 129,174	\$ 351,607	\$ 634,538	\$ 125,953
Commission's covered-employee payroll	\$ 1,195,880	\$ 1,161,335	\$ 1,134,059	\$ 1,015,123	\$ 1,024,804	\$ 997,333	\$ 1,000,106	\$ 1,018,736
Commission's proportionate share of the net pension liability as a percentage of its covered-employee payroll	-28.22%	0.33%	102.06%	27.97%	12.60%	35.25%	63.45%	12.36%
Plan fiduciary net position as a percentage of the total pension liability	<u>103.65%</u>	<u>99.95%</u>	<u>86.39%</u>	<u>96.27%</u>	<u>98.24%</u>	<u>94.70%</u>	<u>90.70%</u>	<u>97.90%</u>

Data prior to 2015 is unavailable.

**ALBANY PORT DISTRICT COMMISSION
SCHEDULE OF COMMISSION CONTRIBUTIONS
NEW YORK STATE AND LOCAL EMPLOYEES' RETIREMENT SYSTEM**

<u>March 31,</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 201,999	\$ 294,771	\$ 171,407	\$ 166,548	\$ 160,846	\$ 157,484	\$ 186,364	\$ 234,306	\$ 180,550	\$ 151,392
Contribution in relation to the contractually required contribution	<u>(201,999)</u>	<u>(294,771)</u>	<u>(171,407)</u>	<u>(166,548)</u>	<u>(160,846)</u>	<u>(157,484)</u>	<u>(186,364)</u>	<u>(234,306)</u>	<u>(180,550)</u>	<u>(151,392)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>				
Commission's covered-employee payroll	<u>\$ 1,195,880</u>	<u>\$ 1,161,335</u>	<u>\$ 1,134,059</u>	<u>\$ 1,015,123</u>	<u>\$ 1,024,804</u>	<u>\$ 997,333</u>	<u>\$ 1,000,106</u>	<u>\$ 1,018,736</u>	<u>\$ 861,386</u>	<u>\$ 726,234</u>
Contributions as a percentage of covered-employee payroll	<u>16.89%</u>	<u>25.38%</u>	<u>15.11%</u>	<u>16.41%</u>	<u>15.70%</u>	<u>15.79%</u>	<u>18.63%</u>	<u>23.00%</u>	<u>20.96%</u>	<u>20.85%</u>

ALBANY PORT DISTRICT COMMISSION
SCHEDULE OF CHANGES IN THE COMMISSION'S TOTAL OPEB LIABILITY

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability					
Service cost	\$ 172,783	\$ 181,102	\$ 139,111	\$ 97,120	\$ 92,495
Interest	77,876	90,781	113,649	110,729	113,950
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	84,151	-	97,674	-	(820,236)
Change of assumptions or other inputs	(259,273)	336,233	(257,320)	-	(597,433)
Benefit payments	<u>(142,810)</u>	<u>(178,639)</u>	<u>(155,522)</u>	<u>(132,409)</u>	<u>(128,005)</u>
Net change in total OPEB liability	(67,273)	429,477	(62,408)	75,440	(1,339,229)
Total OPEB liability - beginning	<u>3,679,026</u>	<u>3,249,549</u>	<u>3,311,957</u>	<u>3,236,517</u>	<u>4,575,746</u>
Total OPEB liability - ending	<u>\$ 3,611,753</u>	<u>\$ 3,679,026</u>	<u>\$ 3,249,549</u>	<u>\$ 3,311,957</u>	<u>\$ 3,236,517</u>

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Notes to Schedule:

The actuarial methods and assumptions used to calculate the total OPEB liability are described in Note 8 to the financial statements.

OTHER INFORMATION

ALBANY PORT DISTRICT COMMISSION
SCHEDULES OF PAYROLL AND RELATED COSTS AND
OTHER OPERATING EXPENSES
Years ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
PAYROLL AND RELATED COSTS		
Administrative	\$ 971,215	\$ 1,010,225
Maintenance crews and supervisor	556,371	459,141
Security	342,225	342,625
Pension, health and other benefit costs	492,305	384,190
OPEB expense	319,557	173,832
Payroll taxes	<u>147,700</u>	<u>137,331</u>
Total payroll and related costs	<u><u>\$ 2,829,373</u></u>	<u><u>\$ 2,507,344</u></u>
OTHER OPERATING EXPENSES		
Security	\$ 108,637	\$ 126,202
Utilities	42,160	35,337
City water	6,062	5,621
Advertising and promotion	2,437	18,328
Office supplies and expenses	57,464	65,034
Equipment operating expense	102,732	10,796
Bad debt	4,392	5,432
Other expenses	<u>68,966</u>	<u>58,480</u>
Total other operating expenses	<u><u>\$ 392,850</u></u>	<u><u>\$ 325,230</u></u>

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, 2022, and have issued our report thereon dated March 31, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission’s internal control over financial reporting (internal control) as a basis for designing 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 internal control 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 that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on 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 31, 2023