PORT OF OSWEGO AUTHORITY

FINANCIAL STATEMENTS

March 31, 2018 and 2017

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BOWERS & COMPANY
CPAs PLLC
CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

BOARD MEMBERS OF
PORT OF OSWEGO AUTHORITY

We have audited the accompanying financial statements of the Port of Oswego Authority, a component unit of the State of New York, as of and for the years ended March 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Port of Oswego Authority's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Port of Oswego Authority, as of March 31, 2018 and 2017, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis pages 3-8, Schedule of Funding Progress of the Post Employment Healthcare Benefit Plan page 30, Schedule of Proportionate Share of Net Pension Liability page 31, Schedule of Contributions NYSERS page 32, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2018, on our consideration of the Port of Oswego Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port of Oswego Authority's internal control over financial reporting and compliance.

Bowers & Company

Syracuse, New York
June 27, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended March 31, 2018

Introduction

The following discussion and analysis of the financial performance and activity of the Port of Oswego Authority (the “Port”) is intended to provide an introduction to the understanding of the financial statements of the Port for the year ended March 31, 2018, with selected comparative information for the year ended March 31, 2017. This selection has been prepared by management of the Port and should be read in conjunction with the financial statements and note disclosures that follow this section.

Financial Highlights

- The current assets of the Port exceeded its current liabilities at the close of the most recent fiscal year by $1,306,785. This amount may be used to the meet the Port’s ongoing obligations to vendors and creditors in accordance with the Port’s fiscal policies.

- The Port’s total net position decreased by $1,970,678 for the year ending March 31, 2018. The decrease is attributable to a significant decrease in operating revenues from the prior period.

- Total operating revenues of the Port decreased by $1,021,642 which is attributable to a decrease in customer activity resulting from increased competition from competing industries.

- Total operating expenses of the Port decreased by $196,036. The decrease is a result of employee compensation and insurance expense being lower compared to the prior period.

- Operating loss of the Port increased by $825,606. The increase is directly related to the significant decrease in operating revenues.

- Capital contributions decreased by $1,994,257 which is attributable to the completion of certain capital projects in the prior period.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended March 31, 2018

Statements of Net Position

The Statements of Net Position present the financial position of the Port at the end of the fiscal year and include all of its assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position represents the difference between assets and deferred outflows of resources, and liabilities, and deferred inflows of resources. A summarized comparison of the Port's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position as follows:

	2018	2017	2016
Current Assets	$ 2,287,594	$ 1,502,713	$ 1,488,637
Property Held for Lease – Net	1,963,722	1,981,206	2,069,513
Capital Assets – Net	11,268,473	13,431,525	13,266,039
Total Assets	15,519,789	16,915,444	16,824,189
Deferred Outflows of Resources	183,086	349,057	21,488
Current Liabilities	220,188	245,557	966,397
Long Term Liabilities	3,851,043	4,275,240	4,698,076
Other Long Term Liabilities	612,060	511,400	411,386
Total Liabilities	4,683,291	5,032,197	6,075,859
Deferred Inflows of Resources	80,793	83,456	38,387
Net Position:			
Invested in Capital Assets, Net of Related Debt	9,611,194	11,488,469	10,189,126
Unrestricted	1,327,597	660,379	542,305
Total Net Position	$ 10,938,791	$ 12,148,848	$ 10,731,431

The total net position of the Port decreased by 10 percent ($10,938,791 in 2018 compared to $12,148,848 in 2017).

The total net position of the Port increased by 13 percent ($12,148,848 in 2017 compared to $10,731,431 in 2016).

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended March 31, 2018

Statements of Revenues, Expenses, and Changes in Net Position

Change in net position is an indicator of whether the overall fiscal condition of an organization has improved or worsened during the year. Following is a summary of the Statement of Revenues, Expenses and Changes in Net Position:

	2018	2017	2016
REVENUES			
Operating Revenue	$ 3,066,399	$ 4,088,041	$ 5,424,995
Nonoperating Revenue	288,129	1,816	1,457
Total Revenue	3,354,528	4,089,857	5,426,452
EXPENSES			
Operating Expenses	3,200,001	3,441,512	4,022,649
Other Operating Expenses – Depreciation	1,018,505	977,288	680,339
Other Operating Expenses – OPEB Expense	146,582	142,324	132,545
Nonoperating Expenses	4,117	435,486	62,624
Total Expenses	4,369,205	4,996,610	4,898,157
Income (Loss) From Operating and Nonoperating	(1,014,677)	(906,753)	528,295
Capital Contributions	329,913	2,324,170	1,977,233
Loss on Debt Extinguishment	(181,017)	0	0
Impairment Loss	(344,276)	0	0
Change in Net Position	(1,210,057)	1,417,417	2,505,528
Net Position, Beginning of Year	12,148,848	10,731,431	8,225,903
Net Position, End of Year	$ 10,938,791	$ 12,148,848	$ 10,731,431

Total revenue decreased by 18 percent ($3,354,528 in 2018 compared to $4,089,857 in 2017).

Total expenses decreased by 12 percent ($4,369,205 in 2018 compared to $4,996,610 in 2017).

Total revenue decreased by 25 percent ($4,089,857 in 2017 compared to $5,426,452 in 2016).

Total expenses increased by 2 percent ($4,996,610 in 2017 compared to $4,898,157 in 2016).

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended March 31, 2018

Schedule of Long-Term Debt

	2018	2017	2016
Mortgage, Note, and Bond Payable	$ 0	$ 300,000	$ 1,029,602
New York State Retirement System	57,270	72,097	88,060
Due to State of New York	3,605,926	3,605,926	3,655,926
Less: Current Portion	(60,952)	(65,963)	(138,097)
Total	$ 3,602,244	$ 3,912,060	$ 4,635,491

At March 31, 2018 total long-term debt decreased by $309,816 from 2017.

At March 31, 2017 total long-term debt decreased by $723,431 from 2016.

The New York State Advance agreement expired on March 31, 2005. The Port is in the process of negotiating a new agreement.

Schedule of Capital Assets and Property Held for Lease

	2018	2017	2016
Capital Assets	$ 11,268,473	$ 13,431,525	$ 13,266,039
Property Held For Leases	1,963,722	1,981,206	2,069,513
Total	$ 13,232,195	$ 15,412,731	$ 15,335,552

At March 31, 2018 total capital assets and property held for leases decreased by 14 percent or $2,180,536 decrease from 2017.

At March 31, 2017 total capital assets and property held for leases increased by 1 percent or $77,179 increase from 2016.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended March 31, 2018

Management Discussion

The Port of Oswego Authority operation is the first U.S. port of call and deep-water port on the Great Lakes from the St. Lawrence Seaway. Its mission is to serve as an economic catalyst in the Region by providing diversified and efficient transportation services while conducting operations in a manner that promotes regional growth and development.

Located on Lake Ontario, en route to the interior of North America, the Port is accessible from any international port in the world.

A Challenging Year

A number of factors played into the Port's overall decrease in operating revenue of 25 percent over the previous year. Furthermore, rate increases over the last several years on aluminum services eroded the Port's business with a number of aluminum companies that use the Port as a trans-loading point for Novelis.

The 2017-2018 year was marked by economic challenges in the price of diesel, which was at a low for the last several years making the transport by truck of aluminum direct from Canada to Novelis more competitive than water based transportation, which is the backbone of the Port's business. Also taken into account is the loss of a state contract by one of the Port's salt vendors, leaving no salt business for the 2017-2018 season.

In early 2017 the high-water emergency on Lake Ontario and reconstruction of the gas dock adversely affected the marina operations resulting in a 6.5 percent decrease in overall sales.

What is noteworthy is the effect of the Inland Port project on this year's financial position. The Port was not reimbursed by the New York State Department of Transportation for $552,621 in expenses incurred. Added to this was the one time write off of $1,104,897 for this reporting year.

Upturn in fourth quarter 2018 (*new administration*)

At the close of the fourth quarter the Port made an aggressive outreach to customers for aluminum rail business. As a result of this the port received, from January 2018 to March 2018, 15 aluminum railcars for a total of 4,305 metric tons. Compared to 2016-2017, wherein there were 3 railcars for the entire year, totaling only 296 metric tons.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended March 31, 2018

Management Discussion – Continued

In addition, the Port in January 2018 reached out to Novelis and offered a reduced rate for their winter based trans-load business. This resulted in the Port receiving 105 trucks with a total combined weight of 2,274 metric tons. The absence and eventual return of this business over the last several years accounted for the increase in aluminum trucking for the 2017-2018 fiscal year as compared to 2016-2017.

Future Developments

Increase in grain export

The foundation for grain expansion was made in the fourth quarter. The Port was granted a USDA grain export license in conjunction with Perdue Agribusiness' investment for a new ship loading system. The Port is scheduled to increase grain export from 15,000 MT to 65,000 MT.

Aggressive aluminum pricing structure

Over the last few years the Port has increased its aluminum handling fees to the point that it has made direct truck shipment a more viable option. We are now looking at market conditions and will be presenting, at the end of June, an aggressive pricing structure.

Return of Break Wall Project

The awarded bidder for the Army Corps had initially, in November of 2017, declined the port's offer of using us a base of operations. The Port reached out in January of 2018 to offer a new proposal which resulted in a lease agreement which returns the project to the Port.

Contacting the Port's Financial Management

This report is designed to provide a general overview of the Port's finances and to demonstrate the Port's accountability for money it receives. If you have questions about this report or need additional information, contact the Port Management, at the following address: Port of Oswego Authority, 1 East 2nd Street, Oswego, NY 13126.

STATEMENTS OF NET POSITION

March 31, 2018 and 2017

ASSETS

	2018	2017
CURRENT ASSETS		
Cash and Cash Equivalents	$ 673,306	$ 1,083,315
Certificates of Deposit	171,779	169,323
Certificates of Deposit – Reserved for Marina Improvements	15,903	15,676
Accounts Receivable	277,791	160,138
Other Receivable	760,621	0
Grants Receivable	318,870	2,729
Prepaid Expenses	62,861	62,929
Inventory	6,463	8,603
Total Current Assets	2,287,594	1,502,713
NONCURRENT ASSETS		
Capital Assets – Net	11,268,473	13,431,525
Property Held for Leases – Net	1,963,722	1,981,206
Total Noncurrent Assets	13,232,195	15,412,731
Total Assets	15,519,789	16,915,444
DEFERRED OUTFLOWS OF RESOURCES		
Pension	183,086	349,057
Total Deferred Outflows of Resources	183,086	349,057

See notes to financial statements.

LIABILITIES AND NET POSITION

	2018	2017
CURRENT LIABILITIES		
Accounts Payable	$ 92,403	$ 119,646
Accrued Payroll and Related Charges	29,185	32,845
Accrued Vacation	37,648	27,103
Current Portion of Long-Term Debt	60,952	65,963
Total Current Liabilities	220,188	245,557
NONCURRENT LIABILITIES		
New York State Retirement System	57,270	72,097
Bond Payable	0	300,000
Due to the State of New York	3,605,926	3,605,926
Postemployment Healthcare (OPEB) Liability	612,060	511,400
Net Pension Liability – Proportionate Share	248,799	363,180
	4,524,055	4,852,603
Less: Current Portion	(60,952)	(65,963)
Total Noncurrent Liabilities	4,463,103	4,786,640
Total Liabilities	4,683,291	5,032,197
DEFERRED INFLOWS OF RESOURCES		
Pension	37,781	43,049
Deferred Revenue	43,012	40,407
Total Deferred Inflows of Resources	80,793	83,456
NET POSITION		
Net Investment in Capital Assets	9,611,194	11,488,469
Unrestricted	1,327,597	660,379
Total Net Position	$ 10,938,791	$ 12,148,848

See notes to financial statements.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Years Ended March 31, 2018 and 2017

	2018	2017
OPERATING REVENUES		
Rentals	$ 664,649	$ 711,805
Marina Operating Revenue	570,638	516,841
Port Operating Fees	1,831,112	2,859,395
Total Operating Revenue	3,066,399	4,088,041
OPERATING EXPENSES		
Salaries and Wages	1,128,661	1,297,658
Payroll Taxes and Fringe Benefits	261,057	313,486
Annual OPEB Expense	146,582	142,324
Employee Retirement and Pension Expense	390,574	472,329
Travel	7,825	18,290
Automotive	40,053	55,450
Office Supplies and Expense	54,437	44,580
Insurance	183,015	231,445
Advertising and Printing	4,477	2,899
Telephone and Postage	37,441	39,309
Utilities	69,393	63,398
Special Supplies and Expense	51,497	128,035
Community Support	21,000	11,264
Professional Fees	281,047	42,089
Repairs and Maintenance	104,512	155,220
Rentals	209,223	195,880
Contract Trucking	12,822	46,182
Technical Services	45,284	44,837
Marina Supplies and Expense	297,683	273,240
Bad Debt Expense	0	5,921
Depreciation	1,018,505	977,288
Total Operating Expenses	4,365,088	4,561,124
TOTAL OPERATING LOSS	(1,298,689)	(473,083)
NON OPERATING REVENUE (EXPENSE)		
Gain (Loss) on Disposal of Capital Assets	288,129	(403,746)
Miscellaneous Income (Expense)	(4,117)	1,816
Interest Expense	0	(31,740)
Total Nonoperating Revenue (Expense)	284,012	(433,670)
LOSS FROM OPERATIONS AND NON OPERATING ITEMS	(1,014,677)	(906,753)
Capital Contributions	329,913	2,324,170
Loss on Debt Extinguishment	(181,017)	0
Impairment Loss	(344,276)	0
Change in Net Position	(1,210,057)	1,417,417
Net Position – Beginning of Year	12,148,848	10,731,431
Net Position, End of Year	$ 10,938,791	$ 12,148,848

See notes to financial statements.

STATEMENTS OF CASH FLOWS
Years Ended March 31, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	$ 2,951,351	$ 4,323,919
Payments to Suppliers	(1,773,407)	(1,866,172)
Payments to Employees	(1,444,744)	(2,109,951)
Net Cash Provided By (Used In) Operating Activities	(266,800)	347,796
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from Capital Contributions	13,772	2,365,870
Purchases of Capital Assets / Construction in Progress	(308,367)	(2,344,153)
Proceeds from Sale of Capital Assets	163,330	100,173
Principal Paid on Capital Debt and Line of Credit	(14,827)	(125,207)
Interest Paid on Capital Debt and Line of Credit	0	(31,740)
Net Cash Used In Capital and Related Financing Activities	(146,092)	(35,057)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Earned	2,883	1,816
Net Cash Provided By Investing Activities	2,883	1,816
Net Increase (Decrease) in Cash and Cash Equivalents	(410,009)	314,555
Cash and Cash Equivalents, Beginning of Year	1,083,315	768,760
Cash and Cash Equivalents, End of Year	$ 673,306	$ 1,083,315
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Loss	$ (1,298,689)	$ (473,083)
Depreciation	1,018,505	977,288
Bad Debt Expense	0	5,921
Annual OPEB Expense	146,582	142,324
(Increase) Decrease in Assets:		
Accounts Receivable	(117,653)	233,858
Prepaid Expenses	68	26,866
Inventory	2,140	0
Increase (Decrease) in Liabilities:		
Accounts Payable	(27,243)	(540,920)
Accrued Payroll and Related Charges	(3,660)	(26,268)
Accrued Vacation	10,545	(210)
Deferred Revenue	2,605	2,020
Net Cash Provided By (Used In) Operating Activities	$ (266,800)	$ 347,796

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS
March 31, 2018 and 2017

NOTE 1 – ORGANIZATION

Financial Reporting Entity

The accompanying financial statements include the combined operations of the Port Facilities Development Fund established under the Port of Oswego Authority Act, as amended by Section 4, Chapter 917, of the Laws of 1960 of the State of New York and the Port of Oswego Fund established under Section 1362, Chapter 917, of the Laws of 1960 of the State of New York. Properties and income of the Port of Oswego Authority (the "Port") are exempt from taxation.

The Port is considered a component unit of the State of New York. Component units are legally separate organizations for which the State is financially accountable. The Port meets the definition as a component unit due to the financial accountability criteria. Board Members are appointed by the Governor of the State and the Authority's budgets must be approved by the State. As such the State is financially accountable for the actions of the Port.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Port operations consist of a Port Fund, which is a proprietary type fund. Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the statement of net position. Proprietary fund equity is classified as net position. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

NOTES TO FINANCIAL STATEMENTS
March 31, 2018 and 2017

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits, money market accounts, and short-term investments with original maturities of three months or less from the date of acquisition. All deposits with financial institutions must be collateralized in an amount equal to 102% of deposits not insured by the Federal Deposit Insurance Corporation. Securities that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of the state and its municipalities and school districts. At March 31, 2018 and 2017, the Port's bank balance was approximately $887,000 and $1,279,000, respectively, and all deposits were insured or collateralized.

The Port's investment policies are governed by state statutes. Permissible instruments include obligations of the United States of America, obligations guaranteed by agencies of the United States of America and obligations of the State of New York.

Receivables

Accounts receivable are stated at net estimated realizable value by writing off bad debts as they are determined to be uncollectible. An allowance for bad debts is not maintained. An allowance will be established when an event occurs in the future that would necessitate a reserve. Trade accounts receivable are carried at their estimated collectible amounts. Trade credit is generally extended on a short-term basis; thus trade receivables do not bear interest.

Grants receivable from federal and state agencies are recorded at the time the right to receive such funds occurs.

Prepaid Expenses

Expenses paid in advance are recorded as an asset and are amortized over the period of benefit.

Inventory

Inventory is valued at cost, which approximates the net realizable value, using the first-in, first-out method. The inventory of the Port consists of bait and tackle supplies and is recorded as an expenditure when consumed rather than when purchased.

NOTES TO FINANCIAL STATEMENTS
March 31, 2018 and 2017

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Capital Assets

Capital assets are stated at cost or appraised value. The Port capitalizes all expenditures for property and equipment in excess of $1,000 and an estimated useful life of one year or more. Expenditures for maintenance, repairs, renewals and improvements which do not materially extend the useful lives of the assets are charged to operations when incurred.

Grants received from other governmental agencies to finance capital projects are shown as capital contributions and depreciation is recorded as a reduction to the investment in capital assets, net position account.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets. Buildings and improvements are assigned lives of 10 to 60 years, equipment 5 to 10 years, furniture and fixtures 5 to 10 years, and computer software 3 years.

Compensated Absences

The Port allows employees to accumulate unused sick leave to a maximum of 120 days. Earned vacation time can be accumulated up to 30 days in any single year. Employees may carry 10 vacation days from one year to the next or they may receive pay for unused vacation time. Upon termination, unused sick leave shall not have any monetary value, while vacation time accumulated up to 30 days will be paid to the employee. As of March 31, 2018 and 2017, the liability for accrued vacation leave was approximately $38,000 and $27,000, respectively.

Economic Dependency

The Port receives significant funding for capital projects from both New York State and the federal government. Curtailment of such revenue would have a significant impact on the Port's ability to fund capital projects. In addition, a significant percentage of revenue is derived from shipping aluminum to a local company.

Labor Agreement

The Port has an agreement with the International Longshoremen Association "Longshoremen" to provide labor services through December 31, 2017. As of the date of the financial statements, the agreement is in negotiations.

NOTES TO FINANCIAL STATEMENTS
March 31, 2018 and 2017

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Retirement Benefit Plans

Substantially all full-time employees of the Port participate in the New York State Retirement System. The Port accrues this benefit based upon estimated rates furnished by the Retirement System and adjustments based upon actual payroll costs. Costs are funded as they are billed by the Retirement System. See Note 5 for additional information.

The Port also contributes to the Longshoremen's Pension Fund on behalf of members of the Association. Contributions are based upon rates per hour worked as defined in the labor agreement.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Standards

The Port has adopted all current Statements of the Governmental Accounting Standards Board ("GASB") that are applicable. At March 31, 2018, the Port implemented, as applicable, the following new standards issued by GASB:

GASB has issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, effective for the year ending March 31, 2018.

GASB has issued Statement No. 81, *Irrevocable Split-Interest Agreements*, effective for the year ending March 31, 2018.

NOTES TO FINANCIAL STATEMENTS
March 31, 2018 and 2017

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Future Changes in Accounting Standards

GASB has issued Statement No. 83, *Certain Asset Retirement Obligations,* effective for the year ending March 31, 2020.

GASB has issued Statement No. 84, *Fiduciary Activities,* effective for the year ending March 31, 2020.

GASB has issued Statement No. 85, *Omnibus 2017,* effective for the year ending March 31, 2019.

GASB has issued Statement No. 86, *Certain Debt Extinguishment Issues,* effective for the year ending March 31, 2019.

GASB has issued Statement No. 87, *Leases*, effective for the year ended March 31, 2021.

GASB has issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements*, effective for the year ended March 31, 2020.

The Port will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

Subsequent Events

The Port has evaluated events and transactions that occurred between March 31, 2018 and June 27, 2018, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

NOTES TO FINANCIAL STATEMENTS
March 31, 2018 and 2017

NOTE 3 – LINE OF CREDIT

The Port has available a line of credit with a financial institution totaling $500,000. The line of credit is unsecured and bears interest at the banks' prime rate with a floor of 5%. There was no outstanding balance on the line of credit at March 31, 2018 and 2017, respectively.

NOTE 4 – LONG-TERM DEBT

Long-term debt activity for the year ended March 31, 2018 was as follows:

	Balance at 3/31/17	Additions	Payments	Balance at 3/31/18
Due State of New York	$ 3,605,926	$ 0	$ 0	$ 3,605,926
Bond Payable	300,000		300,000	0
Due to NYSERS – Chapter 57	72,097	0	14,827	57,270
Total Long-Term Debt	3,978,023	$ 0	$ 314,827	3,663,196
Less Amount Due Within One Year	(65,963)			(60,952)
	$ 3,912,060			$ 3,602,244

Due State of New York

During prior periods, the Port was appropriated funds from New York State through a number of appropriations acts. These appropriations totaled $5,570,000. These appropriations are advances from New York State and are repayable in accordance with the terms and conditions of such appropriation acts. The fifth supplement agreement extending the original repayment term expired in 2005. The terms and conditions of the fifth supplement agreement will continue until a new agreement is executed.

The advances are payable in annual installments of $50,000 and are non-interest bearing. The Port requested relief for the current period annual installment. The agreement requires the Port to pay any funds in excess of $750,000 (measured on an annual basis) to the State Comptroller until said advance is fully repaid. The total advances due to New York State was approximately $3,606,000 at March 31, 2018 and 2017.

NOTES TO FINANCIAL STATEMENTS
March 31, 2018 and 2017

NOTE 4 – LONG-TERM DEBT – Continued

Bond Payable – 29 E. Cayuga Street

The Port entered into a bond agreement on May 30, 2013 in the amount of $300,000 with a corporation. The bond is payable in two annual interest only installments for twenty years with the principal balance due at maturity. The bond may be redeemed prior to the maturity at a redemption price equal to the principal outstanding balance, accrued interest, and the present value of all interest scheduled through the maturity date. The interest rate was 6%. The outstanding balance at March 31, 2017 was $300,000.

During the current period, the real property associated with this bond was sold and the bond payable was paid off with the proceeds. The interest expense the Port was still liable for created a loss on extinguishment of approximately $181,000. The loss is record on the loss from extinguishment line in the statement of revenue, expenses, and changes in net position.

Due to NYSERS – Chapter 57

Chapter 57 of the Laws of 2010 of the State of New York allows local employers to amortize a portion of their retirement bill for 10 years. This law requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the System's fiscal years when the employer opts to participate in the program. The total unpaid liability for the years ended March 31, 2018 and 2017 was approximately $57,000 and $72,000, respectively.

Future Maturities

Annual principal and interest payments of long-term debt are as follows:

	Principal	Interest
2019	$ 60,952	$ 3,000
2020	60,957	3,000
2021	61,751	3,000
2022	62,600	3,000
2023	59,494	3,000
Thereafter	3,357,442	6,000
Total	$ 3,663,196	$ 21,000

NOTES TO FINANCIAL STATEMENTS
March 31, 2018 and 2017

NOTE 5 – PENSION PLAN

General Information

The Port of Oswego Authority participates in the New York State and Local Employees' Retirement System (“NYSERS”). This system is a cost sharing multiple-employer retirement system, providing retirement benefits as well as death and disability benefits. The net position of the NYSERS is held in the New York State Common Retirement Fund, established to hold all net position and record changes in plan net position allocated to the NYSERS. The NYSERS benefits are established under the provisions of the New York State Retirement and Social Security Law (“NYSRSSL”). Once an employer elects to participate in the NYSERS, the election is irrevocable.

The system is included in the State’s financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us.retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

The NYSERS are noncontributory except for employees who joined the NYSERS after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3 percent of their salary for their entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers’ contributions based on salaries paid during the NYSERS fiscal year ending March 31.

The required contributions for the current year and the two preceding years are as follows:

Year Ending March 31,		
2018	$	105,713
2017		109,566
2016		110,075

Pension Liability, Pension Expense, and Deferred Outflows Related to Pensions

At March 31, 2018, the Port reported a net pension liability for its proportionate share of NYSERS net pension liability. The net pension liability was measured as of March 31, 2017, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of that date. The Port’s proportion of the net pension liabilities were based on a projection of the Port’s long-term share of contributions to the pension plan relative to the projected contributions of all participating members, were actuarially determined.

NOTES TO FINANCIAL STATEMENTS
March 31, 2018 and 2017

NOTE 5 – PENSION PLAN – Continued

At March 31, 2018, the Port reported the following:

Net Pension Liability		248,799
Port's Proportion Percent		0.0026479%
Pension Expense	$	155,871

At March 31, 2018, the Port reported deferred outflows and inflows related to NYSERS:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
Differences Between Expected and Actual Experience	$	6,235	$	37,781
Changes of Assumptions		84,998		0
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		49,695		0
Changes in Proportion and Differences Between the Port's Contributions and Proportionate Share of Contr		42,158		0
Total	$	183,086	$	37,781

The Port recognized deferred outflows of resources related to pensions resulting from contributions made subsequent to the measurement date of March 31, 2017, which resulted in a reduction of the net pension liabilities as of March 31, 2018.

The other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

2019	$	60,446
2020		60,446
2021		53,692
2022		(29,279)
	$	145,305

NOTES TO FINANCIAL STATEMENTS
March 31, 2018 and 2017

NOTE 5 – PENSION PLAN – Continued

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

The following presents the Port's proportionate share of the net pension liability calculated using the discount rate of 7.0% percent, as well as what the Port's proportionate share of the net pension liability would be if it was calculated using a discount rate that is 1% lower (6.0%) or 1% percent higher (8.0%) than the current rate:

	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Port's Proportionate Share of the Net Pension Liability	$ (794,613)	$ (248,799)	$ 212,687

Pension Plan Fiduciary Net Position

The components of the current year net pension liability of the employers as of March 31, 2017 were as follows:

Measurement Date	March 31, 2017
NYSERS's Total Pension Liability	$ (177,400,586)
Plan Net Position	168,004,363
NYSERS's Net Pension Liability	$ (9,396,223)
Ratio of Plan Net Position to the NYSERS's Total Pension Liability	94.7%

Actuarial Assumptions

The total pension liability at March 31, 2017 was determined using an actuarial valuation as of April 1, 2016, with update procedures used to roll forward the total pension liability to March 31, 2017.

NOTES TO FINANCIAL STATEMENTS
March 31, 2018 and 2017

NOTE 5 – PENSION PLAN – Continued

The actuarial valuation used the following assumptions:

Cost of Living Adjustments	1.3%
Interest Rate	7.0%
Salary Increases	3.8%
Decrement Tables	April 1, 2010 - March 31, 2015 System's Experience
Inflation Rate	2.5%

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

Best estimates of arithmetic real rates of return for each major asset class included target asset allocation as of March 31, 2017 are summarized below:

Asset Type	
Domestic Equity	4.55%
International Equity	6.35%
Private Equity	7.75%
Real Estate	5.80%
Absolute Return Strategies	4.00%
Opportunistic Portfolio	5.89%
Real Assets	5.54%
Bonds and Mortgages	1.31%
Cash	-0.25%
Inflation - Indexed Bonds	1.50%

NOTES TO FINANCIAL STATEMENTS
March 31, 2018 and 2017

NOTE 5 – PENSION PLAN – Continued

Discount Rate

The discount rate used to calculate the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Plan'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.

NOTE 6 – CAPITAL CONTRIBUTIONS

New York State Grants

The Port is included as a recipient of funding under the Transportation Bond Act of 2005. The Port has been allocated $4,600,000 in state grant funds for the rehabilitation of the barrel building, railroad upgrades, replacement of garage roof and paving. The State agrees to reimburse the Port a specified percentage of eligible project costs in accordance with the grant agreement. As of March 31, 2018, a total of approximately $3,876,000 has been utilized by the Port with approximately $1,484,000 earned during the year ended March 31, 2017. The revenue earned from the grant is recorded in capital contributions line on the statement of revenue, expenses and changes in net position.

The Port was awarded a grant totaling $750,000 from the New York State Department of Transportation. The grant provides for design, construction, reconstruction, improvement or rehabilitation of rail facilities as specified in the grant agreement. For the year ended March 31, 2017, approximately $750,000 has been utilized and earned by the Port. The revenue earned from the grant is recorded in capital contributions line on the statement of revenue, expenses and changes in net position.

NOTES TO FINANCIAL STATEMENTS
March 31, 2018 and 2017

NOTE 6 – CAPITAL CONTRIBUTIONS – Continued

New York State Grants – Continued

On February 2, 2017, the Port was awarded a grant totaling approximately $2,145,000 from New York State Department of Transportation. The grant provides for design, construction, reconstruction, improvement or rehabilitation of rail facilities as specified in the grant agreement. The Port has not received any funding as of the date of these financial statements.

NOTE 7 – OPERATING LEASE - LESSOR

The Port is the lessor of various properties under operating leases expiring in various years through the year 2030. Rental income earned for the years ended March 31, 2018 and 2017, under these agreements was approximately $490,000 and $495,000, respectively.

The following is a summary of property held for lease at March 31:

	2018	2017
Land and Land Improvements	$ 87,314	$ 24,311
Buildings and Improvements	3,743,045	3,734,895
Accumulated Depreciation	(1,866,637)	(1,778,000)
Total	$ 1,963,722	$ 1,981,206

Minimum future rentals on non-cancelable leases are as follows:

2019	$ 487,000
2020	491,000
2021	236,000
2022	237,000
2023	157,000
Thereafter	1,137,000
Total	$ 2,745,000

NOTES TO FINANCIAL STATEMENTS
March 31, 2018 and 2017

NOTE 8 – POSTEMPLOYMENT HEALTHCARE BENEFITS

Plan Description

The Port contributes to the Excellus Blue Cross Blue Shield Plan. The health insurance plan is open to active and retired employees. The Board Members of the Port govern the payment of postemployment health insurance benefits. Employees are eligible to retire at age fifty-five with five years of service.

Employer contributions – The Port currently pays for postemployment health care benefits on a pay-as-you-go basis. Retirees are not required to make contributions. Spouses of retired directors are also not required to make contributions.

The Port does not fund the accrued net OPEB obligation.

The valuation involves 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.

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of the valuation and on the pattern of sharing of costs between the employer and plan members to that point. Calculations reflect a long-term perspective, so methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Funding Policy

Currently, the funding policy for the Port is on a pay-as-you-go basis, since no statutory authority has been provided in the State of New York for local governments to establish the required trust fund to provide funding for these accrued liabilities.

Annual OPEB Cost and Net OPEB Obligation

The Port's OPEB cost is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the Port's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Port's net OPEB obligation.

NOTES TO FINANCIAL STATEMENTS
March 31, 2018 and 2017

NOTE 8 – POSTEMPLOYMENT HEALTHCARE BENEFITS –
Continued

	2018	2017
Annual Required Contribution	$ 160,827	$ 153,784
Interest on Net OPEB Obligation	20,456	16,455
Adjustment to Annual Required Contribution	(34,701)	(27,915)
Annual OPEB Cost	146,582	142,324
Contributions Made	(45,922)	(42,310)
Increase in Net OPEB Obligation	100,660	100,014
Net OPEB Obligation – Beginning of Year	511,400	411,386
Net OPEB Obligation – End of Year	$ 612,060	$ 511,400

Annual OPEB Cost and Net OPEB Obligation - Continued

The Port's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2018 and the proceeding two years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2018	146,582	45,922	612,060
June 30, 2017	142,324	42,310	511,400
June 30, 2016	135,545	39,488	411,386

Actuarial Methods and Assumptions

In the April 1, 2015, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4% discount rate and an annual healthcare cost trend appears below. The initial healthcare trend rate used is 13.43%, in the second year the rate was reduced to 9%, in subsequent years the trend rate is reduced by 1% decrements to an ultimate trend rate of 5% in year 6. The UAAL is being amortized as a level percentage of projected payrolls on an open basis with an initial period of 30 years. The remaining amortization as of March 31, 2018 is 21 years.

NOTES TO FINANCIAL STATEMENTS
March 31, 2018 and 2017

NOTE 9 – OPERATING LEASES – LESSEE

The Port leases equipment and vehicles under operating lease agreements expiring various years through 2021. Rent expense incurred for the years ended March 31, 2018 and 2017 under these agreements amounted to approximately $180,000 and $192,000, respectively.

Minimum future rental payments under the preceding non-cancellable operating leases, as of March 31, 2018, are as follows:

2019	$ 172,000
2020	172,000
2021	54,000
Total	$ 398,000

NOTE 10 – NYS BUDGET

During 2015, the New York State budget designated the Port to receive $40,000,000 to link the facility with the Port of New York and create additional rail yards. The New York State Department of Transportation administered this funding through grant agreements. A total of $1,066,000 has been utilized by the Port with approximately $316,000 and $750,000 earned during the years ended March 31, 2018 and 2017, respectively.

The Port is currently in negotiations with New York State to be reimbursed for approximately $761,000 of cost associated with this project. The costs are recorded in the other receivable line on the statement of net position.

During the current period, New York State officials decided to enhance an existing rail yard held by a third-party railroad. The decision to enhance an existing rail yard qualifies as a change in environmental factors. Accordingly, the Port will recognize an impairment loss for approximately $345,000. The loss is recorded in the impairment loss line on the statement of revenue, expenses, and changes in net position.

NOTES TO FINANCIAL STATEMENTS
March 31, 2018 and 2017

NOTE 11 – SCHEDULE OF CHANGES IN CAPITAL ASSETS AND PROPERTY HELD FOR LEASES AND ACCUMULATED DEPRECIATION - YEAR ENDED MARCH 31, 2018

	Capital Assets				Accumulated Depreciation				
	Balance 4/1/2017	**Additions**	**Retirements**	**Balance 3/31/18**	**Balance 4/1/2017**	**Additions**	**Retirements**	**Balance 3/31/18**	**Depreciable Cost**
Capital Assets:									
Construction Work in Progress	$ 2,518,052	$ 150,555	$(2,505,237)	$ 163,370	$ 0	$ 0	$ 0	$ 0	$ 163,370
Land and Land Improvements	11,683,406	1,360,344	(231,781)	12,811,969	4,671,249	539,888	0	5,211,137	7,600,832
Buildings and Improvements	8,548,282	41,297	(142,140)	8,447,439	5,578,233	191,880	(12,051)	5,758,062	2,689,377
Equipment and Software	3,015,780	81,727	0	3,097,507	2,084,513	198,100	0	2,282,613	814,894
Total	$ 25,765,520	$ 1,633,923	$(2,879,158)	$ 24,520,285	$ 12,333,995	$ 929,868	$ (12,051)	$ 13,251,812	$ 11,268,473
Property Held for Leases:									
Land and Land Improvements	$ 24,311	$ 63,003	$ 0	$ 87,314	$ 19,521	$ 1,883	$ 0	$ 21,404	$ 65,910
Buildings and Improvements	3,734,895	8,150	0	3,743,045	1,758,479	86,754	0	1,845,233	1,897,812
	$ 3,759,206	$ 71,153	$ 0	$ 3,830,359	$ 1,778,000	$ 88,637	$ 0	$ 1,866,637	$ 1,963,722

SCHEDULE OF THE FUNDING PROGRESS OF THE POST EMPLOYMENT HEALTHCARE BENEFIT PLAN

Years Ended March 31, 2018 and 2017

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
4/1/2017	$ 0	$ 1,254,237	$ 1,254,237	0%	$ 679,749	184.5%
4/1/2016	$ 0	$ 1,127,591	$ 1,127,591	0%	$ 666,420	169.2%
4/1/2015	$ 0	$ 1,007,751	$ 1,007,751	0%	$ 653,353	154.2%

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
Years Ended March 31, 2018 and 2017

Employees' Retirement System (ERS)	2018	2017	2016
Port's Proportion of the Net Pension Liability	0.0026479%	0.0022628%	0.0018527%
Port's Proportionate Share of the Net Pension Liability	$ 248,799	$ 363,180	$ 62,585
Port's Covered Payroll	$ 749,718	$ 753,140	$ 638,429
Port's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	33.2%	48.2%	9.8%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	94.7%	90.7%	97.9%

SCHEDULE OF CONTRIBUTIONS - NYSERS
Years Ended March 31, 2018 and 2017

Employees' Retirement System (ERS)	2018	2017	2016
Contractually Required Contribution	$ 105,713	$ 109,566	$ 110,075
Contributions in Relation to the Contractually Required Contribution	105,713	109,566	110,075
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0
Port's Covered Employee Payroll	$ 749,718	$ 753,140	$ 638,429
Contributions as a Percentage of Covered Employee Payroll	14.1%	14.5%	17.2%

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INDEPENDENT AUDITOR'S REPORT ON INVESTMENT POLICY

MEMBERS OF THE BOARD
PORT OF OSWEGO AUTHORITY

We have audited the statement of net position of the Port of Oswego Authority, a component unit of New York State, as of March 31, 2018 and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended and have issued our report thereon dated June 27, 2018.

We conducted our audit of the Port of Oswego Authority's investment policies, as required by the Office of the Comptroller of the State of New York, 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.

The results of our tests indicate that, with respect to the items tested, the Port of Oswego Authority complied in all material respects with the Port's own investment policies as well as the applicable New York State investment guidelines for public authorities.

Bowers & Company

Syracuse, New York
June 27, 2018

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

BOARD MEMBERS OF
PORT OF OSWEGO AUTHORITY

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, the financial statements of the Port of Oswego Authority, as of and for the year ended March 31, 2018, and the related notes to the financial statements, which collectively comprise the Port of Oswego Authority's basic financial statements and have issued our report thereon dated June 28, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Port of Oswego Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Port of Oswego Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Port of Oswego Authority'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Port's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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.

Bowers & Company

Syracuse, New York
June 27, 2018