PORT OF OSWEGO AUTHORITY

FINANCIAL STATEMENTS
March 31, 2017 and 2016

Table of Contents

BOWERS & COMPANY
CPAs PLLC
CERTIFIED PUBLIC ACCOUNTANTS · BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' 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, 2017 and 2016, 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.

120 Madison Street, 1700 AXA Tower II, Syracuse, NY 13202 Phone: 315.234.1100 · Fax: 315.234.1111
1120 Commerce Park Drive East, Watertown, NY 13601 Phone: 315.788.7690 · Fax: 315.788.0966
www.bcpllc.com

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Port of Oswego Authority, as of March 31, 2017 and 2016, 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 3-9, 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 28, 2017, 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 28, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

For the Year Ended March 31, 2017

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, 2017, with selected comparative information for the year ended March 31, 2016. 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 $1,257,156. 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 increased by $1,417,417 for the ending March 31, 2017. The increase is attributable to the receipt of state grant monies for capital projects.

- Total operating revenues of the Port decreased $1,336,954 which is attributable to increased competition from the trucking industry and the decrease in storage revenue from the prior period.

- Total operating expenses of the Port decreased $274,409. The decrease is a result of employee compensation and insurance expense being lower compared to the prior period.

- Operating income of the Port decreased $1,062,545. The decrease is directly related to the significant decrease in operating revenues.

- Capital grants and contributions increased $346,937 which is attributable to the completion of certain capital projects.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended March 31, 2017

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:

	2017	2016	2015
Current Assets and Other Assets	$ 1,502,713	$ 1,488,637	$ 1,056,853
Other Asset - Property Held for Lease	1,981,206	2,069,513	1,942,226
Capital Assets	13,431,525	13,266,039	11,153,244
Total Assets	16,915,444	16,824,189	14,152,323
Total Deferred Outflows of Resources	349,057	21,488	0
Current Liabilities	245,557	966,397	701,866
Long Term Liabilities	4,275,240	4,698,076	4,869,238
Other Long Term Liabilities	511,400	411,386	318,329
Total Liabilities	5,032,197	6,075,859	5,889,433
Total Deferred Inflows of Resources	83,456	38,387	36,987
Net Position:			
Invested in Capital Assets,			
Net of Related Debt	11,488,469	10,189,126	8,139,311
Unrestricted	660,379	542,305	86,592
Total Net Position	$ 12,148,848	$ 10,731,431	$ 8,225,903

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

The total net position of the Port increased by 30 percent ($10,731,431 in 2016 compared to $8,225,903 in 2015).

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended March 31, 2017

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:

	2017	2016	2015
REVENUES			
Operating Revenue	$ 4,088,041	$ 5,424,995	$ 4,508,606
Nonoperating Revenue	1,816	1,457	202,346
Total Revenue	4,089,857	5,426,452	4,710,952
EXPENSES			
Operating Expenses	3,441,512	4,022,649	3,906,135
Other Operating Expenses - Depreciation	977,288	680,339	697,458
Other Operating Expenses - OPEB Expense	142,324	132,545	125,680
Nonoperating Expenses	435,486	62,624	74,765
Total Expenses	4,996,610	4,898,157	4,804,038
Income (Loss) Before Capital Contributions	(906,753)	528,295	(93,086)
Capital Grants and Contributions	2,324,170	1,977,233	2,573,826
Change in Net Position	1,417,417	2,505,528	2,480,740
Net Position, Beginning of Year	10,731,431	8,225,903	5,745,163
Net Position, End of Year	$ 12,148,848	$ 10,731,431	$ 8,225,903

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).

Total revenue increased by 15 percent ($5,426,452 in 2016 compared to $4,710,952 in 2015).

Total expenses increased by 2 percent ($4,898,157 in 2016 compared to $4,804,038 in 2015).

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended March 31, 2017

Schedule of Long- Term Debt

	2017	2016	2015
Notes and Loan Payable	300,000	$ 1,029,602	$ 1,112,903
New York State Retirement System	72,097	88,060	104,023
Advances Due to State of New York	3,605,926	3,655,926	3,705,926
Less Current Portion Due within One Year	(65,963)	(138,097)	(137,330)
Total	$ 3,912,060	$ 4,635,491	$ 4,785,522

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

At March 31, 2016 total long-term debt decreased by $150,031 from 2015.

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

	2017	2016	2015
Capital Assets	$ 13,431,525	$ 13,266,039	$ 11,153,244
Property Held For Leases	1,981,206	2,069,513	1,942,226
Total	$ 15,412,731	$ 15,335,552	$ 13,095,470

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

At March 31, 2016 total capital assets and property held for leases increased by 17 percent or $2,240,082 increase from 2015.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

For the Year Ended March 31, 2017

Management Discussion

The Port operates 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 and conducting operations in a manner that promotes regional growth and development while being mindful of our responsibility as a serve a steward of the environment.

Located on Lake Ontario, en route to the interior of North America, the Port is accessible from any international port in the world. The Port is one of the most productive ports in North America, with more than one million tons of cargo moving through on an annual basis. With international clients and cargoes that span the globe from Brazil and the Netherlands, to Russia and Indonesia, the Port of Oswego has proven it is an international contender.

The Port is open 24 hours a day, seven-days a week to accommodate vessels from all ports on the Great Lakes and around the world. It is a leading exporter of New York agricultural products to Asia and, as an eight-time Seaway Pacesetter Award Winner, the Port has a proven track record of economically and efficiently handling international cargoes. This past year the port exported 15,000 tons of soybeans via vessel for the first time with even larger grain export plans in the future once the proper means of measures are installed. The port also handled a European container vessel delivering brewing equipment and is anticipating future shipments of specialized cargo.

The Port is the winner of a $2,000,000 New York State DOT grant for the Oswego Intermodal Center. The grant would be used to add additional Railroad car storage capacity improvements and track integration at its Intermodal Center once agreement is reached with CSX. Port's Intermodal railroad yard has been extremely successful for business throughput and the resulting in increased in rail activity. The larger yard should enable the Port to handle larger railroad car volume and add more flexibility to our customers resulting in future business opportunity. Therefore, the Port's logistical experience and expertise handling shipping water and road shipping traffic, coupled with its experience in managing a U.S. DOT TIGER grant, lends it to be the logical choice and catalyst for serving as the lead developer of the new CenterState New York Inland Port and Rail Connector Project ("Inland Port Rail Connector Project").

In addition to the Rail Connector Project, the Port is recording a challenging year in its aluminum movement. The Port's business is greatly impacted by the commodity prices of aluminum and grain, if the commodity prices fluctuate, they impact our material shipping volumes. The low price of fuel has allowed some trucking competition on aluminum deliveries to the local customer impacting shipping deliveries. The aluminum car industry and Novelis expansion will ensure double-digit aluminum cargo growth for years to come.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended March 31, 2017

Management Discussion - Continued

The agriculture product will benefit by both the Port's expansion into container service and by developing the inland port project. Agriculture is expected to grow in a range of 20% over the next couple of years due to new market development and Port obtaining USDA certification.

The need for an Inland Port in the central New York region has been recognized and prioritized through various planning processes, including the creation of the CenterState New York Metropolitan Export Initiative, which responds the former president's call for increasing exports through the National Export Initiative. The Inland Port Rail Connector Project will provide an efficient and cost-effective method of transporting export freight that has been unavailable within this region.

The Inland Port and Rail Connector Project will truly transform the way local manufacturers and businesses are able to operate export/import shipments, creating the potential for unprecedented levels of economic growth through the region.

The Port is also planning to grow its current business and diversify its cargo mix. The Port is developing inter-lake shipping opportunities with both bulk and general cargo customers. It has entered into preliminary agreements with a number of shippers and anticipates a shipping operation during the next fiscal period. In addition, the Port is making a large push into International business opportunities by developing an European customer base and further developing current customer relationships. The Port infrastructure and water facilities have been updated with in the past two years enjoying full depth wharf and both railroad access and heavy lift access to the marine structures as well as backland storage.

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, 2017 and 2016

ASSETS

	2017	2016
CURRENT ASSETS		
Cash and Cash Equivalents	$ 1,083,315	$ 768,760
Certificates of Deposit	169,323	167,840
Certificates of Deposit - Reserved for Marina Improvements	15,676	15,541
Accounts Receivable	160,138	399,917
Grants Receivable	2,729	44,429
Prepaid Expenses	62,929	89,795
Inventory	8,603	2,355
Total Current Assets	1,502,713	1,488,637
NONCURRENT ASSETS		
Capital Assets - Net	13,431,525	13,266,039
Property Held for Leases - Net	1,981,206	2,069,513
Total Noncurrent Assets	15,412,731	15,335,552
Total Assets	16,915,444	16,824,189
DEFERRED OUTFLOWS OF RESOURCES		
Pension	349,057	21,488
Total Deferred Outflows of Resources	349,057	21,488

See notes to financial statements.

LIABILITIES AND NET POSITION

	2017	2016
CURRENT LIABILITIES		
Accounts Payable	$ 119,646	$ 660,566
Accrued Payroll and Related Charges	32,845	59,113
Line of Credit	0	21,308
Deposits	0	60,000
Accrued Vacation Compensation	27,103	27,313
Current Portion of Long-Term Debt	65,963	138,097
Total Current Liabilities	245,557	966,397
NONCURRENT LIABILITIES		
New York State Retirement System	72,097	88,060
Mortgage, Note, and Bond Payable	300,000	1,029,602
Due to the State of New York	3,605,926	3,655,926
Postemployment Healthcare (OPEB) Liability	511,400	411,386
Net Pension Liability - Proportionate Share	363,180	62,585
	4,852,603	5,247,559
Less: Current Portion	(65,963)	(138,097)
Total Noncurrent Liabilities	4,786,640	5,109,462
Total Liabilities	5,032,197	6,075,859
DEFERRED INFLOWS OF RESOURCES		
Pension	43,049	0
Deferred Revenue	40,407	38,387
Total Deferred Inflows of Resources	83,456	38,387
NET POSITION		
Net Investment in Capital Assets	11,488,469	10,189,126
Unrestricted	660,379	542,305
Total Net Position	$ 12,148,848	$ 10,731,431

See notes to financial statements.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Years Ended March 31, 2017 and 2016

	2017	2016
OPERATING REVENUES		
Rentals	$ 711,805	$ 703,065
Marina Operating Revenue	516,841	554,550
Port Operating Fees	2,859,395	4,167,380
Total Operating Revenue	4,088,041	5,424,995
OPERATING EXPENSES		
Salaries and Wages	1,297,658	1,474,286
Payroll Taxes and Fringe Benefits	313,486	309,790
Annual OPEB Expense	142,324	132,545
Employee Retirement and Pension Expense	472,329	537,865
Travel	18,290	43,516
Automotive	55,450	64,549
Office Supplies and Expense	44,580	39,406
Insurance	231,445	342,475
Advertising and Printing	2,899	10,667
Telephone and Postage	39,309	37,677
Utilities	57,343	80,158
Household Supplies	27,154	18,454
Special Supplies and Expense	100,881	86,528
Community Support	11,264	12,013
Metered Water	6,055	5,112
Professional Fees	42,089	192,351
Repairs and Maintenance	155,220	105,644
Rentals	195,880	215,024
Contract Trucking	46,182	87,724
Technical Services	44,837	25,716
Marina Supplies and Expense	273,240	324,518
Bad Debt Expense	5,921	9,176
Depreciation	977,288	680,339
Total Operating Expenses	4,561,124	4,835,533
TOTAL OPERATING INCOME (LOSS)	(473,083)	589,462
NON OPERATING REVENUE (EXPENSE)		
Loss on Disposal of Capital Assets	(403,746)	0
Miscellaneous Income	1,816	1,457
Interest Expense	(31,740)	(62,624)
Total Nonoperating Expense	(433,670)	(61,167)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(906,753)	528,295
Capital Grants and Contributions	2,324,170	1,977,233
Change in Net Position	1,417,417	2,505,528
Net Position - Beginning of Year	10,731,431	8,225,903
Net Position, End of Year	$ 12,148,848	$ 10,731,431

See notes to financial statements.

STATEMENTS OF CASH FLOWS
Years Ended March 31, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	$ 4,323,919	$ 5,338,015
Payments to Suppliers	(1,866,172)	(1,305,490)
Payments to Employees	(2,109,951)	(2,332,750)
Net Cash Provided By Operating Activities	347,796	1,699,775
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from Capital Contributions	2,365,870	2,356,460
Purchases of Capital Assets / Construction in Progress	(2,344,153)	(3,174,888)
Proceeds from Sale of Capital Assets	100,173	20,000
Principal Paid on Capital Debt and Line of Credit	(125,207)	(149,264)
Interest Paid on Capital Debt and Line of Credit	(31,740)	(62,624)
Net Cash Used In Capital and Related Financing Activities	(35,057)	(1,010,316)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Earned	1,816	1,457
Net Cash Provided by Investing Activities	1,816	1,457
Net Increase in Cash and Cash Equivalents	314,555	690,916
Cash, Beginning of Year	768,760	77,844
Cash, End of Year	$ 1,083,315	$ 768,760
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income (Loss)	$ (473,083)	$ 589,462
Depreciation	977,288	680,339
Bad Debt Expense	5,921	9,176
Annual OPEB Expense	142,324	132,545
(Increase) Decrease in Assets:		
Accounts Receivable	233,858	(88,380)
Prepaid Expenses	26,866	19,325
Increase (Decrease) in Liabilities:		
Accounts Payable	(540,920)	366,717
Accrued Payroll and Related Charges	(26,268)	(17,771)
Accrued Vacation Compensation	(210)	6,962
Deferred Revenue	2,020	1,400
Net Cash Provided by Operating Activities	$ 347,796	$ 1,699,775

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS
March 31, 2017 and 2016

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, 2017 and 2016

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, 2017 and 2016, the Port's bank balance was approximately $1,279,000 and $1,070,000, 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, 2017 and 2016

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, 2017 and 2016, the liability for accrued vacation leave was approximately $27,000.

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 Concentrations

A portion of the Port's employees are covered by a collective bargaining agreement. The agreement expires December 31, 2017.

NOTES TO FINANCIAL STATEMENTS
March 31, 2017 and 2016

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 International Longshoremen's Association Pension Fund on behalf of members of the Association. Benefits are based upon rates per hour worked by members for the Port.

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, 2017, the Port implemented the following new standard issued by GASB:

GASB has issued Statement No. 74, *Financial Reporting for Postemployment Benefits Other Than Pension Plans*, effective for the year ending March 31, 2017.

GASB has issued Statement No. 77, *Tax Abatement Disclosure*, effective for the year ending March 31, 2017.

GASB has issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, effective for the year ending March 31, 2017.

GASB has issued Statement No. 80, *Blending Requirements for Certain Component Units*, effective for the year ending March 31, 2017.

GASB has issued Statement No. 82, *Pension Issues*, effective for the year ending March 31, 2017.

NOTES TO FINANCIAL STATEMENTS
March 31, 2017 and 2016

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES - Continued

Future Changes in Accounting Standards

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.

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.

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, 2017 and June 28, 2017, 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, 2017 and 2016

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 as of March 31, 2017.

	Balance at 3/31/16	Additions	Payments	Balance at 3/31/17
Line of Credit	$ 21,308	$ 0	21,308	$ 0

NOTE 4 – LONG-TERM DEBT

Long-term debt activity for the year ended March 31, 2017 was as follows:

	Balance at 3/31/16	Additions	Payments	Balance at 3/31/17
Due State of New York	$ 3,655,926	$ 0	$ 50,000	$ 3,605,926
Notes Payable	164,755	0	164,755	0
Mortgage Payable	564,847	0	564,847	0
Bond Payable	300,000	0	0	300,000
Due to NYSERS – Chapter 57	88,060	0	15,963	72,097
Total Long-Term Debt	4,773,588	$ 0	$ 795,565	3,978,023
Less Amount Due Within One Year	(138,097)			(65,963)
	$ 4,635,491			$ 3,912,060

NOTES TO FINANCIAL STATEMENTS
March 31, 2017 and 2016

NOTE 4 – LONG-TERM DEBT - Continued

Due State of New York for First Instance Advances

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 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 terms and conditions of this agreement will continue until a new agreement is executed. The total advances due to New York State was approximately $3,606,000 and $3,656,000 as of March 31, 2017 and 2016, respectively.

Note Payable – 101 Mitchell Street

The Port entered into a commercial loan agreement on February 21, 2014 in the amount of $150,000 with a financial institution. The terms include repayment of the loan in monthly payments of $1,668 including principal and interest. The interest rate was 5.95%. During the current year, the real property associated with this note payable was sold and the note payable was paid off with the proceeds. As of March 31, 2016, the outstanding balance was approximately $127,000.

Mortgage Payable – 101 Mitchell Street

The Port signed a promissory note on February 21, 2014 to borrow $600,000 from a financial institution. The terms include repayment of the loan in monthly payments of $4,120. The interest rate was 5.375%. During the current year, the real property associated with this note payable was sold and the note payable was paid off with the proceeds. As of March 31, 2016, the outstanding balance was approximately $565,000.

NOTES TO FINANCIAL STATEMENTS
March 31, 2017 and 2016

NOTE 4 – LONG-TERM DEBT - Continued

Note Payable – Marina Improvements

The Port entered into a commercial loan agreement on November 17, 2006 in the amount of $500,000 with a financial institution. The loan is payable in monthly payments of $4,786 including principal and interest. Interest is calculated at 70.5% of the prime rate. The loan matured and was paid off on November 17, 2016. As of March 31, 2016, the outstanding balance was approximately $38,000.

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 interest only annual installments for twenty years with the principal balance due at maturity. The interest rate at March 31, 2017 is 6%. The loan is scheduled to mature on June 1, 2033. The outstanding balance at March 31, 2017 and 2016 is $300,000.

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, 2017 and 2016 was approximately $72,000 and $88,000, respectively.

Future Maturities

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

	Principal	Interest
2018	$ 65,963	$ 24,000
2019	65,963	24,000
2020	65,963	24,000
2021	65,963	24,000
2022	54,015	18,000
Thereafter	3,660,156	189,000
Total	$ 3,978,023	$ 303,000

NOTES TO FINANCIAL STATEMENTS
March 31, 2017 and 2016

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 ("the 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 ("NYS RSSL"). Once an employer elects to participate in the ERS, 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,		
2017	$	109,566
2016		110,075
2015		101,341

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

At March 31, 2017, 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, 2016, 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, 2017 and 2016

NOTE 5 – PENSION PLAN - Continued

At March 31, 2017, the Port reported the following:

Net Pension Liability	$ 363,180
Port's Proportion Percent	0.0022628%
Pension Expense	$ 139,012

At March 31, 2017, the Port reported deferred outflows and inflows related to NYSERS:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 1,836	$ 43,049
Changes of Assumptions	96,849	0
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	215,458	0
Changes in Proportion and Differences Between the Port's Contributions and Proportionate Share of Contributions	34,914	0
Total	$ 349,057	$ 43,049

The Port recognized deferred outflows of resources related to pensions resulting from contributions made subsequent to the measurement date of March 31, 2016, which resulted in a reduction of the net pension liabilities as of March 31, 2017.

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

2018	$ 78,023
2019	78,023
2020	78,023
2021	71,939
	$ 306,008

NOTES TO FINANCIAL STATEMENTS
March 31, 2017 and 2016

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%)
Employer's Proportionate Share of the Net Pension Liability	$ (818,944)	$ (363,180)	$ 21,922

Pension Plan Fiduciary Net Position

The components of the current year net pension liability of the employers as of March 31, 2016 were as follows:

Measurement Date	March 31, 2016
Employer's Total Pension Liability	$ (172,303,544)
Plan Net Position	156,253,265
Employer's Net Pension Liability	$ (16,050,279)
Ratio of Plan Net Position to the Employer's Total Pension Liability	90.7%

Actuarial Assumptions

The total pension liability at March 31, 2016 was determined using an actuarial valuation as of April 1, 2015, with update procedures used to roll forward the total pension liability to March 31, 2017.

NOTES TO FINANCIAL STATEMENTS
March 31, 2017 and 2016

NOTE 5 – PENSION PLAN - Continued

The actuarial valuation used the following assumptions:

Measurement Date	March 31, 2016
Actuarial Valuation Date	April 1, 2015
Interest Rate	7.0%
Salary Scale	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 in accordance with Actuarial Standard of Practice (ASOP) No. 27, Selection of Economic Assumptions for Measuring Pension Obligations. ASOP No. 27 provides guidance on the selection of appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for equities and fixed income as well as historical investment data and plan performance.

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	7.30%
International Equity	8.55%
Private Equity	11.00%
Real Estate	8.25%
Absolute Return Strategies	6.75%
Opportunistic Portfolio	8.60%
Real Assets	8.65%
Bonds and Mortgages	4.00%
Cash	2.25%
Inflation - Indexed Bonds	4.00%

NOTES TO FINANCIAL STATEMENTS
March 31, 2017 and 2016

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 – GRANTS

Federal Grant

The Port was awarded a TIGER grant totaling $1,527,000 from the U.S. Department of Transportation Maritime Administration ("MARAD"). The grant is for capital improvements at the Port for the East Terminal Intermodal Connector Project. The grant is subject to various federal requirements and to grant specific requirements. A total of $1,527,000 has been utilized by the Port with approximately $404,000 earned during the year ended March 31, 2016. The revenue earned from the grant is recorded in capital grants and contribution line on the statement of revenue, expenses and changes in net position.

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, 2017, a total of approximately $3,876,000 has been utilized by the Port with approximately $1,484,000 and $1,308,000 earned during the years ended March 31, 2017 and 2016, respectively. The revenue earned from the grant is recorded in capital grants and contribution 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 grants and contribution line on the statement of revenue, expenses and changes in net position.

NOTES TO FINANCIAL STATEMENTS
March 31, 2017 and 2016

NOTE 6 – GRANTS - 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, 2017 and 2016, under these agreements was approximately $495,000 and $588,000, respectively.

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

	2017	2016
Land and Land Improvements	$ 24,311	$ 24,311
Buildings and Improvements	3,734,895	3,734,895
Accumulated Depreciation	(1,778,000)	(1,689,693)
Total	$ 1,981,206	$ 2,069,513

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

Year Ending March 31,	
2018	$ 498,660
2019	464,189
2020	474,721
2021	241,286
2022	242,286
Thereafter	1,384,130
Total	$ 3,305,272

NOTES TO FINANCIAL STATEMENTS
March 31, 2017 and 2016

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, 2017 and 2016

NOTE 8 – POSTEMPLOYMENT HEALTHCARE BENEFITS -
Continued

Annual OPEB Cost and Net OPEB Obligation - Continued

		2017		2016
Annual Required Contribution	$	153,784	$	140,822
Interest on Net OPEB Obligation		16,455		12,733
Adjustment to Annual Required Contribution		(27,915)		(21,010)
Annual OPEB Cost		142,324		132,545
Contributions Made		(42,310)		(39,488)
Increase in Net OPEB Obligation		100,014		93,057
Net OPEB Obligation – Beginning of Year		411,386		318,329
Net OPEB Obligation – End of Year	$	511,400	$	411,386

The Port's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the proceeding two years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2017	142,324	42,310	511,400
June 30, 2016	135,545	39,488	411,386
June 30, 2015	48,964	15,978	1,194,340

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, 2017 is 22 years.

NOTES TO FINANCIAL STATEMENTS
March 31, 2017 and 2016

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, 2017 and 2016 under these agreements amounted to approximately $192,000 and $165,000, respectively.

Minimum future rental payments under the preceding non-cancellable operating leases, as of March 31, 2017, are as follows:

2018	$ 191,892
2019	188,526
2020	185,160
2021	67,704
Total	$ 633,282

NOTE 10 – NYS BUDGET

Included in the prior year New York State budget is $65,000,000 for complex port capacity and connectivity projects. The Port has been designated to receive $40,000,000 to link the facility with the Port of New York and create additional intermodal rail yards in Syracuse and Binghamton. The New York State Department of Transportation will directly administer this funding. The Port received approximately $750,000 in funding through a grant agreement during the current fiscal year. Subsequent to year end, an application for payment of approximately $1,200,000 has been submitted.

NOTE 11 – SALE OF PROPERTY

On January 26, 2015, the Port entered into an agreement with a third party to sell real property. The purchase price is approximately $875,000. The purchaser will occupy the property while obtaining financing on a month to month agreement. The monthly payments will be $8,500 with $5,000 being credited toward the purchase price. On August 1, 2016, the sale of real property was closed. The sale of real property resulted in loss of approximately $404,000. The loss is recorded in non-operating revenue (expense) on the statement of revenue, expenses, and changes in net position.

NOTES TO FINANCIAL STATEMENTS
March 31, 2017 and 2016

NOTE 12 – SCHEDULE OF CHANGES IN CAPITAL ASSETS AND PROPERTY HELD FOR LEASES AND ACCUMULATED DEPRECIATION - YEAR ENDED MARCH 31, 2017

	Capital Assets				Accumulated Depreciation				
	Balance 4/1/2016	Additions	Retirements	Balance 3/31/17	Balance 4/1/2016	Additions	Retirements	Balance 3/31/17	Depreciable Cost
Capital Assets:									
Construction Work in Progress	$ 1,559,611	$ 1,410,405	$ (451,964)	$ 2,518,052	$ 0	$ 0	$ 0	$ 0	$ 2,518,052
Land and Land Improvements	11,421,331	1,140,368	(878,294)	$ 11,683,405	4,154,474	516,775	0	4,671,249	7,012,156
Buildings and Improvements	8,942,878	0	(394,596)	8,548,282	5,403,679	199,004	(24,451)	5,578,232	2,970,050
Equipment and Software	2,811,683	204,097	0	3,015,780	1,911,311	173,202	0	2,084,513	931,267
Total	$ 24,735,503	$ 2,754,870	$(1,724,854)	$ 25,765,519	$ 11,469,464	$ 888,981	$ (24,451)	$ 12,333,994	$ 13,431,525
Property Held for Leases:									
Land and Land Improvements	$ 24,311	$ 0	$ 0	$ 24,311	$ 17,900	$ 1,621	$ 0	$ 19,521	$ 4,790
Buildings and Improvements	3,734,895	0	0	3,734,895	1,671,793	86,686	0	1,758,479	1,976,416
	$ 3,759,206	$ 0	$ 0	$ 3,759,206	$ 1,689,693	$ 88,307	$ 0	$ 1,778,000	$ 1,981,206

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

Year Ended March 31, 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)
4/1/2016	$ 0	$ 1,127,591	$ 1,127,591	0%	$ 672,941	167.6%
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, 2017 and 2016

Employees' Retirement System (ERS)	2017	2016
Port's Proportion of the Net Pension Liability	0.0022628%	0.0018526%
Port's Proportionate Share of the Net Pension Liability	$ 363,180	$ 62,585
Port's Covered Payroll	$ 753,140	$ 638,429
Port's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	48.2%	9.8%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	90.7%	97.9%

SCHEDULE OF CONTRIBUTIONS - NYSERS
Years Ended March 31, 2017 and 2016

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

BOWERS & COMPANY
CPAs PLLC
CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' 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, 2017 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 28, 2017.

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 28, 2017

120 Madison Street, 1700 AXA Tower II, Syracuse, NY 13202 Phone: 315.234.1100 • Fax: 315.234.1111
1120 Commerce Park Drive East, Watertown, NY 13601 Phone: 315.788.7690 • Fax: 315.788.0966
www.bcpllc.com

BOWERS & COMPANY
CPAs PLLC
CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' 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, 2017, 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 28, 2017