

PORT OF OSWEGO AUTHORITY

FINANCIAL STATEMENTS

March 31, 2019 and 2018

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BOWERS & COMPANY CPAs PLLC

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

BOARD MEMBERS OF PORT OF OSWEGO AUTHORITY

Report on the Financial Statements

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, 2019 and 2018, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Port of Oswego Authority, as of March 31, 2019 and 2018, 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.

Emphasis of Matter

As described in Note 12 to the financial statements, the March 31, 2018 net position has been restated to correct misstatements. Our opinion is not modified with respect to these matters.

Change in Accounting Principle

As described in Note 3 to the financial statements, in 2018, the Port adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

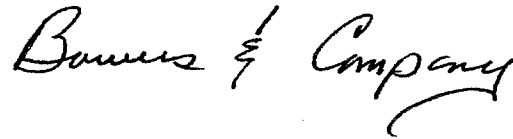
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4-10, Schedule of Changes in the Port's Total OPEB Liability and Related Ratios on page 39, Schedule of Proportionate Share of Net Pension Liability on page 40, and Schedule of Contributions NYSEERS on page 41, 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, 2019, 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.

A handwritten signature in cursive script that reads "Bowers & Company". The signature is written in black ink and is positioned to the right of the date and location text.

Syracuse, New York
June 27, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

For the Year Ended March 31, 2019

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, 2019, with selected comparative information for the year ended March 31, 2018. 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 \$2,274,996. This amount may be used to 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 \$674,093 for the year ending March 31, 2019. The decrease is attributable to a loss from operations.
- Total operating revenues of the Port increased by \$636,628 which is attributable to higher operating fees earned for labor, trucking, and rent.
- Total operating expenses of the Port increased by \$370,738. The increase is a result of employee compensation, pension expenses, and contract trucking.
- Operating loss of the Port decreased by \$265,890. The decrease is directly related to the increase in operating revenues.
- Capital contributions increased by \$25,748 which is attributable to federal grants being awarded and utilized.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

For the Year Ended March 31, 2019

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:

	2019	2018
Current Assets	\$ 2,482,205	\$ 2,287,594
Property Held for Lease – Net	1,893,017	1,963,722
Capital Assets – Net	<u>10,602,947</u>	<u>11,268,473</u>
Total Assets	<u>14,978,169</u>	<u>15,519,789</u>
Deferred Outflows of Resources	<u>646,178</u>	<u>664,216</u>
Current Liabilities	207,209	220,188
Noncurrent Liabilities	3,615,421	3,851,043
Other Noncurrent Liabilities	<u>1,795,919</u>	<u>1,653,722</u>
Total Liabilities	<u>5,618,549</u>	<u>5,724,953</u>
Deferred Inflows of Resources	<u>301,632</u>	<u>80,793</u>
Net Position:		
Invested in Capital Assets, Net of Related Debt	8,940,563	9,611,194
Unrestricted	<u>763,603</u>	<u>767,065</u>
Total Net Position – Restated	<u>\$ 9,704,166</u>	<u>\$ 10,378,259</u>

The total net position of the Port decreased by 6 percent (\$9,704,166 in 2019 compared to \$10,378,259 in 2018).

PORT OF OSWEGO AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

For the Year Ended March 31, 2019

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:

	2019	2018
REVENUES		
Operating Revenue	\$ 3,615,565	\$ 2,978,937
Nonoperating Revenue	<u>3,045</u>	<u>288,129</u>
Total Revenue	<u>3,618,610</u>	<u>3,267,066</u>
EXPENSES		
Operating Expenses	3,460,536	3,200,864
Other Operating Expenses – Depreciation	1,068,138	1,018,505
Other Operating Expenses – OPEB Expense	208,015	146,582
Nonoperating Expenses	<u>0</u>	<u>4,117</u>
Total Expenses	4,736,689	4,370,068
Loss From Operating and Nonoperating	(1,118,079)	(1,103,002)
Capital Contributions	443,986	418,238
Loss on Debt Extinguishment	0	(181,017)
Impairment Loss	<u>0</u>	<u>(344,276)</u>
Change in Net Position	(674,093)	(1,210,057)
Net Position – Beginning of Year – Restated	<u>10,378,259</u>	<u>11,588,316</u>
Net Position – End of Year – Restated	<u>\$ 9,704,166</u>	<u>\$ 10,378,259</u>

Total revenue increased by 11 percent (\$3,618,610 in 2019 compared to \$3,267,066 in 2018).

Total expenses increased by 8 percent (\$4,736,689 in 2019 compared to \$4,370,068 in 2018).

PORT OF OSWEGO AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

For the Year Ended March 31, 2019

Schedule of Long-Term Debt

	2019	2018
New York State Retirement System	\$ 42,443	\$ 57,270
Due to State of New York	3,555,926	3,605,926
Less: Current Portion	<u>(60,957)</u>	<u>(60,952)</u>
Total	<u>\$ 3,537,412</u>	<u>\$ 3,602,244</u>

At March 31, 2019 total long-term debt decreased by \$64,832 from 2018.

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

	2019	2018
Capital Assets	\$ 10,602,947	\$ 11,268,473
Property Held For Leases	<u>1,893,017</u>	<u>1,963,722</u>
Total	<u>\$ 12,495,964</u>	<u>\$ 13,232,195</u>

At March 31, 2019 total capital assets and property held for leases decreased by 6 percent or \$735,231 from 2018.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

For the Year Ended March 31, 2019

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 and the only port in New York State on Lake Ontario.

In 1955, New York State (NYS) legislation created the Oswego Port Authority and constructed the new facility within a few years of the opening of the St. Lawrence Seaway.

The Port's 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.

Fiscal Year Overview

The Port's overall increase in operating revenue of \$636,628 from the previous year was largely due to grain exports, a break wall project and project cargo. However, in the third quarter aluminum tariffs were imposed that will reflect in the future year.

Operating expenses increased due to longshoremen costs including rate increases and a pension rate increase.

Additionally, previously negotiated contracts did not accurately address labor cost to revenue in operations. These contracts are up in 2019-2020 and management will be addressing. Contract trucking was hardly utilized in the previous year and picked up this year with an increase of \$101,000, which was offset by the revenue that it generated.

Capital contributions increased from grants with the completion of PIN 3935.59, which was the East Pier Rehab project and the FEMA floodwater disaster.

Long-term debt decreased as a result of the annual payment to New York State on the fifth supplemental agreement as well as the reduction in the amortized payments due to NYS Retirement System.

Future Developments

Increase in Grain Export/Potash Storage

The Port is in the process of the development of a \$12.5-million-dollar "CNY Regional Agriculture Export Center Expansion Project", with the remaining "Inland Port" monies. The Port is working closely with New York State DOT in development of the project that is expected to start at the end of 2019.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

For the Year Ended March 31, 2019

Future Developments – Continued*Increased Revenue Projections*

The Port is anticipating continued growth in Grain/Soybean and Potash handling in future years. Given the greater proposed utilization of water carriers and improvements (*New York State DOT Grain Export Project*), the Port is anticipating, conservatively, the following growth projections over the first five years:

Grain			CPS		
	NBR Rail Car	Revenue		NBR Rail Car	Revenue
Year 1	0	\$0.00	Year 1	0	\$0.00
Year 2	114	\$37,050.00	Year 2	32	\$10,400.00
Year 3	214	\$69,550.00	Year 3	85	\$27,625.00
Year 4	314	\$102,050.00	Year 4	155	\$50,375.00
Year 5	414	\$134,550.00	Year 5	230	\$74,750.00
Total	1,056	\$343,200	Total	502	\$163,150

Aggressive Aluminum Pricing Structure-Tariffs

In fiscal year 2018-2019, the Port reduced handling fees to encourage increased volume for aluminum. However, because of tariffs on aluminum, this proposal has not been fully realized.

Foreign Trade Zone (FTZ)

In order to increase the future revenue and place the Port in the position of the only port on Lake Ontario with an FTZ, we are moving ahead with an application for the Port. This will both provide our customers a buffer with tariffs and provide a service to importers that has been lacking in the CNY market.

US Army Corp 107 for Harbor Deepening

The Port has made application to the Army Corp to increase the harbor depth at the Port of Oswego. This will increase the size of ships that can call on the Port, thus opening new markets and increased load to be received and shipped.

Opening up Discussions with Novelis on Expansion at the Port – Scrap and Rail Cars

Discussions have been started to utilize a grant to create a warehousing project to handle scrap aluminum.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

For the Year Ended March 31, 2019

Future Developments – Continued

iFreeze

Operation Oswego County is in the first stages of developing a project at the Fitzgibbons expansion site. Funding is available with a presently awarded grant that meets the scope of the project.

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.

AUDITED FINANCIAL STATEMENTS**STATEMENTS OF NET POSITION**

March 31, 2019 and 2018

	ASSETS	
	2019	2018 (Restated)
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 975,136	\$ 673,306
Certificates of Deposit	57,350	171,779
Certificates of Deposit – Reserved for Marina Improvements	16,252	15,903
Accounts Receivable	179,198	277,791
Other Receivable	760,621	760,621
Grants Receivable	433,027	318,870
Prepaid Expenses	56,019	62,861
Inventory	4,602	6,463
Total Current Assets	<u>2,482,205</u>	<u>2,287,594</u>
NONCURRENT ASSETS		
Capital Assets – Net	10,602,947	11,268,473
Property Held for Leases – Net	<u>1,893,017</u>	<u>1,963,722</u>
Total Noncurrent Assets	<u>12,495,964</u>	<u>13,232,195</u>
Total Assets	<u>14,978,169</u>	<u>15,519,789</u>
DEFERRED OUTFLOWS OF RESOURCES		
OPEB	415,312	481,130
Pension	<u>230,866</u>	<u>183,086</u>
Total Deferred Outflows of Resources	<u>\$ 646,178</u>	<u>\$ 664,216</u>

See notes to financial statements.

LIABILITIES AND NET POSITION

	2019	2018 (Restated)
CURRENT LIABILITIES		
Accounts Payable	\$ 92,184	\$ 92,403
Accrued Payroll and Related Charges	32,581	29,185
Accrued Vacation	21,487	37,648
Current Portion of Long-Term Debt	60,957	60,952
Total Current Liabilities	207,209	220,188
NONCURRENT LIABILITIES		
New York State Retirement System	42,443	57,270
Due to the State of New York	3,555,926	3,605,926
Postemployment Healthcare (OPEB) Liability	1,795,919	1,653,722
Net Pension Liability – Proportionate Share	78,009	248,799
	5,472,297	5,565,717
Less: Current Portion	(60,957)	(60,952)
Total Noncurrent Liabilities	5,411,340	5,504,765
Total Liabilities	5,618,549	5,724,953
DEFERRED INFLOWS OF RESOURCES		
Pension	256,795	37,781
Deferred Revenue	44,837	43,012
Total Deferred Inflows of Resources	301,632	80,793
NET POSITION		
Net Investment in Capital Assets	8,940,563	9,611,194
Unrestricted	763,603	767,065
Total Net Position – Restated	\$ 9,704,166	\$ 10,378,259

PORT OF OSWEGO AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Years Ended March 31, 2019 and 2018

	2019	2018
OPERATING REVENUES		
Rentals	\$ 768,044	\$ 664,649
Marina Operating Revenue	551,936	483,176
Port Operating Fees	2,295,585	1,831,112
Total Operating Revenues	<u>3,615,565</u>	<u>2,978,937</u>
OPERATING EXPENSES		
Salaries and Wages	1,236,856	1,128,661
Payroll Taxes and Fringe Benefits	304,207	261,057
Annual OPEB Expense	208,015	146,582
Employee Retirement and Pension Expense	461,074	390,574
Travel	8,113	7,825
Automotive	52,595	40,053
Office Supplies and Expense	42,386	54,437
Insurance	196,294	183,015
Advertising and Printing	9,161	4,477
Telephone and Postage	42,363	37,441
Utilities	66,062	69,393
Special Supplies and Expense	86,986	51,497
Community Support	0	21,000
Professional Fees	116,721	281,047
Repairs and Maintenance	99,270	105,410
Rentals	222,724	209,223
Contract Trucking	112,270	12,822
Technical Services	37,860	45,284
Marina Supplies and Expense	365,489	297,648
Bad Debt Expense	105	0
Depreciation	1,068,138	1,018,505
Total Operating Expenses	<u>4,736,689</u>	<u>4,365,951</u>
TOTAL OPERATING LOSS	(1,121,124)	(1,387,014)
NON OPERATING REVENUE		
Gain on Disposal of Capital Assets	0	288,129
Miscellaneous Income (Expense)	3,045	(4,117)
Total Nonoperating Revenue	<u>3,045</u>	<u>284,012</u>
LOSS FROM OPERATIONS AND NON OPERATING ITEMS	(1,118,079)	(1,103,002)
Capital Contributions	443,986	418,238
Loss on Debt Extinguishment	0	(181,017)
Impairment Loss	0	(344,276)
Change in Net Position	<u>(674,093)</u>	<u>(1,210,057)</u>
Net Position – Beginning of Year – Restated	<u>10,378,259</u>	<u>11,588,316</u>
Net Position – End of Year – Restated	<u>\$ 9,704,166</u>	<u>\$ 10,378,259</u>

See notes to financial statements.

STATEMENTS OF CASH FLOWS

Years Ended March 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$ 3,715,878	\$ 2,863,026
Payments to Suppliers	(1,449,810)	(1,773,407)
Payments to Employees	(2,014,902)	(1,444,744)
Net Cash Provided By (Used In) Operating Activities	<u>251,166</u>	<u>(355,125)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from Capital Contributions	329,829	102,097
Purchases of Capital Assets / Construction in Progress	(217,383)	(308,367)
Proceeds from Sale of Capital Assets	0	163,330
Principal Paid on Capital Debt and Line of Credit	(64,827)	(14,827)
Net Cash Provided By (Used In) Capital and Related Financing Activities	<u>47,619</u>	<u>(57,767)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Earned	<u>3,045</u>	<u>2,883</u>
Net Cash Provided By Investing Activities	<u>3,045</u>	<u>2,883</u>
Net Increase (Decrease) in Cash and Cash Equivalents	301,830	(410,009)
Cash and Cash Equivalents – Beginning of Year	<u>673,306</u>	<u>1,083,315</u>
Cash and Cash Equivalents – End of Year	<u>\$ 975,136</u>	<u>\$ 673,306</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating Loss	\$ (1,121,124)	\$ (1,387,014)
Depreciation	1,068,138	1,018,505
Bad Debt Expense	105	0
Annual OPEB Expense	208,015	146,582
(Increase) Decrease in Assets:		
Accounts Receivable	98,488	(117,653)
Prepaid Expenses	6,842	68
Inventory	1,861	2,140
Increase (Decrease) in Liabilities:		
Accounts Payable	(219)	(27,243)
Accrued Payroll and Related Charges	3,396	(3,660)
Accrued Vacation	(16,161)	10,545
Deferred Revenue	1,825	2,605
Net Cash Provided By (Used In) Operating Activities	<u>\$ 251,166</u>	<u>\$ (355,125)</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

March 31, 2019 and 2018

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, 2019 and 2018

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, 2019 and 2018, the Port's bank balance was approximately \$1,059,000 and \$887,000, 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, 2019 and 2018

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, 2019 and 2018, the liability for accrued vacation leave was approximately \$21,000 and \$38,000, 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, 2019 and 2018

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 6 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, 2019, the Port implemented, as applicable, the following new standards issued by GASB:

- Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for the year ending March 31, 2019.
- Statement No. 85, *Omnibus 2017*, effective for the year ending March 31, 2019.
- Statement No. 86, *Certain Debt Extinguishment Issues*, effective for the year ending March 31, 2019.

NOTES TO FINANCIAL STATEMENTS

March 31, 2019 and 2018

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Future Changes in Accounting Standards

- Statement No. 83, *Certain Asset Retirement Obligations*, effective for the year ending March 31, 2020.
- Statement No. 84, *Fiduciary Activities*, effective for the year ending March 31, 2020.
- Statement No. 87, *Leases*, effective for the year ended March 31, 2021.
- Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements*, effective for the year ended March 31, 2020.
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for the year ending March 31, 2021.
- Statement No. 90, *Majority Equity Interests*, effective for the year ending March 31, 2020.
- Statement No. 91, *Conduit Debt Obligations*, effective for the year ending March 31, 2021.

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, 2019 and June 27, 2019, which is the date the financial statements were available to be issued. The Port has determined that no such events have occurred.

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE

For the fiscal year ended March 31, 2019, the Port implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of the statement requires the Port to report Other Post-Employment Benefits (OPEB) liabilities, OPEB expenses, deferred outflows of resources and deferred inflows of resources related to OPEB. See Note 12 for the financial statement impact of the implementation of the statement.

NOTES TO FINANCIAL STATEMENTS

March 31, 2019 and 2018

NOTE 4 – 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 bank's prime rate (currently 5.50%) with a floor of 5%. There was no outstanding balance on the line of credit for each of the years ended March 31, 2019 and 2018.

NOTE 5 – LONG-TERM DEBT

Long-term debt activity for the year ended March 31, 2019 was as follows:

	Balance at 3/31/18	Additions	Payments	Balance at 3/31/19
Due State of New York	\$ 3,605,926	\$ 0	\$ 50,000	\$ 3,555,926
Due to NYSERS – Chapter 57	<u>57,270</u>	<u>0</u>	<u>14,827</u>	<u>42,443</u>
Total Long-Term Debt	3,663,196	<u>\$ 0</u>	<u>\$ 64,827</u>	3,598,369
Less Amount Due Within One Year	<u>(60,952)</u>			<u>(60,957)</u>
	<u>\$ 3,602,244</u>			<u>\$ 3,537,412</u>

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 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 \$3,556,000 and \$3,606,000 at March 31, 2019 and 2018, respectively.

NOTES TO FINANCIAL STATEMENTS

March 31, 2019 and 2018

NOTE 5 – LONG-TERM DEBT – Continued

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, 2019 and 2018 was approximately \$42,000 and \$57,000, respectively.

Future Maturities

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

	Principal	Interest
2020	\$ 60,957	\$ 3,000
2021	61,751	3,000
2022	62,600	3,000
2023	59,494	3,000
2024	47,641	3,000
Thereafter	3,305,926	3,000
Total	<u>\$ 3,598,369</u>	<u>\$ 18,000</u>

NOTE 6 – PENSION PLAN

General Information

The Port 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 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 NYSERS. The benefits of NYSERS 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 New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute.

NOTES TO FINANCIAL STATEMENTS

March 31, 2019 and 2018

NOTE 6 – PENSION PLAN – Continued

General Information – Continued

NYSERS 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.

Benefits Provided

Benefits

The System provides retirement benefits as well as death and disability benefits.

Tier 1 and 2

Eligibility: Tier 1 members, with the exception of those retiring under special retirement plans, must be at least age 55 to be eligible to collect a retirement benefit. There is no minimum service requirement for Tier 1 members. Tier 2 members, with the exception of those retiring under special retirement plans, must have 5 years of service and be at least age 55 to be eligible to collect a retirement benefit. The age at which full benefits may be collected for Tier 1 is 55, and the full benefit age for Tier 2 is 62.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If the member retires with 20 or more years of service, the benefit is 2 percent of final average salary for each year of service. Tier 2 members with five or more years of service can retire as early as age 55 with reduced benefits. Tier 2 members age 55 or older with 30 or more years of service can retire with no reduction in benefits. As a result of Article 19 of the RSSL, Tier 1 and Tier 2 members who worked continuously from April 1, 1999 through October 1, 2000 received an additional month of service credit for each year of credited service they have at retirement, up to a maximum of 24 additional months.

Final average salary is the average of the wages earned in the 3 highest consecutive years of employment. For Tier 1 members who joined on or after June 17, 1971, each year's compensation used in the final average salary calculation is limited to no more than 20 percent greater than the previous year. For Tier 2 members, each year of final average salary is limited to no more than 20 percent of the average of the previous 2 years.

NOTES TO FINANCIAL STATEMENTS

March 31, 2019 and 2018

NOTE 6 – PENSION PLAN – Continued

Benefits Provided – Continued

Tier 3, 4, and 5

Eligibility: Tier 3 and 4 members, with the exception of those retiring under special retirement plans, must have 5 years of service and be at least age 55 to be eligible to collect a retirement benefit. Tier 5 members, with the exception of those retiring under special retirement plans, must have 10 years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tier 3, 4 and 5 is 62.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with between 20 and 30 years of service, the benefit is 2 percent of final average salary for each year of service. If a member retires with more than 30 years of service, an additional benefit of 1.5 percent of final average salary is applied for each year of service over 30 years. Tier 3 and 4 members with five or more years of service and Tier 5 members with 10 or more years of service can retire as early as age 55 with reduced benefits. Tier 3 and 4 members age 55 or older with 30 or more years of service can retire with no reduction in benefits.

Final average salary is the average of the wages earned in the 3 highest consecutive years of employment. For Tier 3, 4 and 5 members, each year's compensation used in the final average salary calculation is limited to no more than 10 percent greater than the average of the previous 2 years.

Tier 6

Eligibility: Tier 6 members, with the exception of those retiring under special retirement plans, must have 10 years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tier 6 is 63 for ERS members.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with 20 years of service, the benefit is 1.75 percent of final average salary for each year of service. If a member retires with more than 20 years of service, an additional benefit of 2 percent of final average salary is applied for each year of service over 20 years. Tier 6 members with 10 or more years of service can retire as early as age 55 with reduced benefits.

Final average salary is the average of the wages earned in the 5 highest consecutive years of employment. For Tier 6 members, each year's compensation used in the final average salary calculation is limited to no more than 10 percent greater than the average of the 4 four years.

NOTES TO FINANCIAL STATEMENTS

March 31, 2019 and 2018

NOTE 6 – PENSION PLAN – Continued

Benefits Provided – Continued

Vested Benefits

Members who joined the System prior to January 1, 2010 need five years of service to be 100 percent vested. Members who joined on or after January 1, 2010 require ten years of service credit to be 100 percent vested.

Disability Retirement Benefits

Disability retirement benefits are available to ERS members unable to perform their job duties because of permanent physical or mental incapacity. There are three general types of disability benefits: ordinary, performance of duty, and accidental disability benefits. Eligibility, benefit amounts, and other rules such as any offset of other benefits depend on a member's tier, years of service, and plan.

Ordinary Death Benefits

Death benefits are payable upon the death, before retirement, of a member who meets eligibility requirements as set forth by law. The first \$50,000 of an ordinary death benefit is paid in the form of group term life insurance. The benefit is generally three times the member's annual salary. For most members, there is also a reduced post-retirement ordinary death benefit available.

Post-Retirement Benefit Increases

A cost-of-living adjustment is provided annually to: (i) all retirees who have attained age 62 and have been retired for five years; (ii) all retirees who have attained age 55 and have been retired for 10 years; (iii) all disability retirees, regardless of age, who have been retired for five years; (iv) ERS recipients of an accidental death benefit, regardless of age, who have been receiving such benefit for five years and (v) the spouse of a deceased retiree receiving a lifetime benefit under an option elected by the retiree at retirement. An eligible spouse is entitled to one-half the cost-of-living adjustment amount that would have been paid to the retiree when the retiree would have met the eligibility criteria. This cost-of-living adjustment is a percentage of the annual retirement benefit of the eligible retiree as computed on a base benefit amount not to exceed \$18,000 of the annual retirement benefit. The cost-of-living percentage shall be 50 percent of the annual Consumer Price Index as published by the U.S. Bureau of Labor, but cannot be less than 1 percent or exceed 3 percent.

NOTES TO FINANCIAL STATEMENTS

March 31, 2019 and 2018

NOTE 6 – PENSION PLAN – Continued

Funding Policies

The NYSERS are noncontributory except for employees who joined 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 3.0% to 3.5% of their salary for their entire length of service. In addition, employee contribution rates under tier VI vary based on a sliding salary scale. Under the authority of 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,	
2019	\$ 102,338
2018	105,713
2017	109,566

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

At March 31, 2019, 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, 2018, 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, which were actuarially determined.

At March 31, 2019, the Port reported the following:

Net Pension Liability	\$ 78,009
Port's Proportion Percent	0.0024170%
Pension Expense	\$ 107,479

NOTES TO FINANCIAL STATEMENTS

March 31, 2019 and 2018

NOTE 6 – PENSION PLAN – Continued

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

At March 31, 2019, the Port reported deferred outflows and inflows related to NYSERS:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences Between Expected and Actual Experience	\$ 27,823	\$ 22,992
Changes of Assumptions	51,726	0
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	113,302	223,646
Changes in Proportion and Differences Between the Port's Contributions and Proportionate Share of Contributions	<u>38,015</u>	<u>10,157</u>
Total	<u>\$ 230,866</u>	<u>\$ 256,795</u>

The Port recognized deferred outflows of resources related to pensions resulting from contributions made subsequent to the measurement date of March 31, 2018, which resulted in a reduction of the net pension liabilities as of March 31, 2019.

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

2020	\$ 29,870
2021	23,517
2022	(52,841)
2023	<u>(26,475)</u>
	<u>\$ (25,929)</u>

NOTES TO FINANCIAL STATEMENTS

March 31, 2019 and 2018

NOTE 6 – PENSION PLAN – Continued

Actuarial Assumptions

The total pension liability at March 31, 2018 was determined using an actuarial valuation as of April 1, 2017, with update procedures used to roll forward the total pension liability to March 31, 2018.

Significant actuarial assumptions used in the valuations were as follows:

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%

Annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2014.

The actuarial assumptions used in the April 1, 2017 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

The long-term rate of return on pension plan investments was determined using a building-block method in which best 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 weighting the expected future real rates of return by each target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized on the next page.

NOTES TO FINANCIAL STATEMENTS

March 31, 2019 and 2018

NOTE 6 – PENSION PLAN – Continued

Actuarial Assumptions – Continued

Asset Type	
Domestic Equity	4.55%
International Equity	6.35%
Private Equity	7.50%
Real Estate	5.55%
Absolute Return Strategies	3.75%
Opportunistic Portfolio	5.68%
Real Assets	5.29%
Bonds and Mortgages	1.31%
Cash	-0.25%
Inflation - Indexed Bonds	1.25%

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.

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 (6.00%)	Current Assumption (7.00%)	1% Increase (8.00%)
Port's Proportionate Share of the Net Pension Liability (Asset)	\$ 590,235	\$ 78,009	\$ (355,314)

NOTES TO FINANCIAL STATEMENTS

March 31, 2019 and 2018

NOTE 6 – PENSION PLAN – Continued

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of NYSERS as of the respective measurement dates, were as follows:

Measurement Date	March 31, 2018
NYSERS's Total Pension Liability	\$ (183,400,590)
Plan Net Position	<u>180,173,145</u>
NYSERS's Net Pension Liability	<u><u>\$ (3,227,445)</u></u>
Ratio of Plan Net Position to the NYSERS's Total Pension Liability	98.24%

NOTE 7 – CAPITAL CONTRIBUTIONS

Federal Grants

The Port was awarded four grants from the Federal Emergency Management Agency totaling approximately \$6,400,000. The grants cover projects for facility damage to the East and West Terminals emergency protective measures from flooding, weigh scale, and east terminal connector road revetment. The grants are subject to various federal and grant specific requirements. For the year ended March 31, 2019, approximately \$333,000 has been utilized and earned by the Port. The revenue earned from the grant is recorded in capital grants and contribution line on the Statements of Revenues, 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 \$4,605,000 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, 2019, a total of approximately \$3,971,000 has been utilized by the Port with approximately \$94,000 earned during the year ended March 31, 2019. The revenue earned from the grant is recorded in capital contributions line on the Statements of Revenues, Expenses and Changes in Net Position.

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.

NOTES TO FINANCIAL STATEMENTS

March 31, 2019 and 2018

NOTE 7 – CAPITAL CONTRIBUTIONS

Federal Grants

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NOTES TO FINANCIAL STATEMENTS

March 31, 2019 and 2018

NOTE 8 – 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, 2019 and 2018, under these agreements was approximately \$613,000 and \$490,000, respectively.

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

	2019	2018
Land and Land Improvements	\$ 87,314	\$ 87,314
Buildings and Improvements	3,764,134	3,743,045
Accumulated Depreciation	<u>(1,958,431)</u>	<u>(1,866,637)</u>
Total	<u>\$ 1,893,017</u>	<u>\$ 1,963,722</u>

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

2020	\$ 491,000
2021	236,000
2022	237,000
2023	157,000
2024	158,000
Thereafter	<u>979,000</u>
Total	<u>\$ 2,258,000</u>

NOTES TO FINANCIAL STATEMENTS

March 31, 2019 and 2018

NOTE 9 – POSTEMPLOYMENT HEALTHCARE BENEFITS

General Information

Plan Description – The Port’s defined benefit OPEB plan, provides OPEB for all permanent full-time employees of the Port. The plan is a single-employer defined benefit OPEB plan administered by the Port and funded on a pay-as-you go basis. The Port does not fund the OPEB obligation.

GASB Statement 75, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, requires governments to account for other post-employment benefits on an accrual basis, rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially determined expenses on the Statement of Revenues, Expenses and Changes in Net Position when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. The post-employment benefit liability is recognized on the Statement of Net Position over time.

Benefits Provided – The Port provides post-employment healthcare benefits for certain eligible retirees.

Employees Covered by Benefit Terms – As of the Valuation Date, the following employees were covered by the benefit terms.

Inactive Members or Beneficiaries	
Currently Receiving Payments	7
Inactive Members Entitled to but	
Not Yet Receiving Benefits	0
Active Members	9
Total Covered Employees	<u>16</u>

NOTES TO FINANCIAL STATEMENTS

March 31, 2019 and 2018

NOTE 9 – POSTEMPLOYMENT HEALTHCARE BENEFITS –

Continued

Total OPEB Liability

The Port has obtained an actuarial valuation report as of March 31, 2019 which indicates that the total liability of other postemployment benefits is \$1,795,919 which is reflected in the Statement of Net Position. The OPEB liability was measured as of March 31, 2019 and was determined by an actuarial valuation as of April 1, 2018.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the April 1, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Methods and Assumptions

Measurement Date	4/1/2018
Rate of Compensation Increase	3.00%
Inflation Rate	5.00%
Discount Rate	3.79%

Assumed Health Care Trend Rate at March 31

Health Care Cost Trend Rate Assumed for Next Fiscal Year	9.50%
Rate to Which Cost Trend Rate is Assumed to Decline (the Ultimate Trend Rate)	5.00%
Fiscal Year that the Rate Reaches the Ultimate Trend Rate	2029

Additional Information

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage
Amortization Period (Years)	7.31
Method Used to Determine Actuarial Value	N/A

The discount rate was based on the rate for a 20-year high-quality tax-exempt municipal bond index as of the measurement date.

Mortality rates were based on the SOA RP-2014 total dataset mortality with scale MP-2017 (base year 2006).

NOTES TO FINANCIAL STATEMENTS

March 31, 2019 and 2018

NOTE 9 – POSTEMPLOYMENT HEALTHCARE BENEFITS –

Continued

Changes in Total OPEB Liability

The following summarizes the changes in the total OPEB liability for each of the years ended March 31:

	2019	2018 (Restated)
Net OPEB Liability – Beginning of Year (GASB 75)	\$ 1,653,722	\$ 1,254,237
Service Cost	91,803	77,220
Interest on Net OPEB Liability	63,473	49,251
Changes in Assumptions	30,960	373,764
Contributions Made	(44,039)	(45,922)
Expected Net OPEB Obligation	1,795,919	1,708,550
Loss Attributable to Experience	0	76,406
Net OPEB Liability – End of Year (GASB 45)	0	1,784,956
Gain Attributable to Change in Method	0	(131,234)
Net OPEB Liability – End of Year (GASB 75)	<u>\$ 1,795,919</u>	<u>\$ 1,653,722</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 4.00 percent to 3.79 percent.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following table presents the total OPEB liability of the Port, as well as what the Port’s total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or higher than the current discount rate (3.79%):

	1% Decrease (2.79%)	Discount Rate (3.79%)	1% Increase (4.79%)
Total OPEB Liability	2,011,732	1,795,919	1,632,468

NOTES TO FINANCIAL STATEMENTS

March 31, 2019 and 2018

NOTE 9 – POSTEMPLOYMENT HEALTHCARE BENEFITS –

Continued

Changes in Total OPEB Liability – Continued

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate – The following table presents the total OPEB liability of the Port, as well as what the Port’s total OPEB liability would be if it were calculated using a health care cost trend rates that is 1 percentage point lower or higher than the current healthcare cost trend rate (19.97% decreasing to 10%):

	1% Decrease	Healthcare Cost Trend Rate (trend decreasing to 10%)	1% Increase
Total OPEB Liability	1,480,180	1,795,919	2,213,285

Deferred Outflow of Resources

At March 31, 2019, the Port reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources
Differences between Expected and Actual Experience	\$ 65,954
Changes of Assumptions or Other Inputs	<u>349,358</u>
Total	<u>\$ 415,312</u>

NOTES TO FINANCIAL STATEMENTS

March 31, 2019 and 2018

NOTE 9 – POSTEMPLOYMENT HEALTHCARE BENEFITS –

Continued

Amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense during the following fiscal years:

2020	\$	65,818
2021		65,818
2022		65,818
2023		65,818
Thereafter		<u>152,040</u>
Total	\$	<u>415,312</u>

NOTE 10 – 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, 2019 and 2018 under these agreements amounted to approximately \$172,000 and \$180,000, respectively.

Minimum future rental payments under the preceding non-cancellable operating leases, as of March 31, 2019, are as follows:

2020	\$	172,000
2021		<u>54,000</u>
Total	\$	<u>226,000</u>

NOTES TO FINANCIAL STATEMENTS

March 31, 2019 and 2018

NOTE 11 – 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 earned during the year ended March 31, 2018.

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 prior 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.

NOTE 12 – RESTATEMENT OF NET POSITION

Due to the Port's implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, a one-time prior period adjustment of \$560,532 must be made to the beginning net position to reflect the transition from GASB Statement No. 45 to GASB Statement No. 75 as of April 1, 2018. The impact of this change does no flow through the annual OPEB expense calculation. The following details the change in the Port's beginning of year net position due to the GASB 75 implementation.

Statements of Revenues, Expenses and Changes in Net Position

Net Position Beginning of Year, as Previously Stated	\$	10,938,791
GASB Statement No. 75 Adjustments:		
Net Increase in Total OPEB Liability – GASB 75 Implementation		(560,532)
Net Position Beginning of Year, as Restated	\$	<u>10,378,259</u>

NOTES TO FINANCIAL STATEMENTS

March 31, 2019 and 2018

NOTE 13 – SCHEDULE OF CHANGES IN CAPITAL ASSETS AND PROPERTY HELD FOR LEASES AND ACCUMULATED DEPRECIATION - YEAR ENDED MARCH 31, 2019

	Capital Assets			Accumulated Depreciation			Depreciable Cost
	Balance 4/1/2018	Additions	Retirements	Balance 3/31/19	Balance 4/1/2018	Retirements	Balance 3/31/19
Capital Assets:							
Construction Work in Progress	\$ 163,370	\$ 22,955	\$ (163,370)	\$ 22,955	\$ 0	\$ 0	\$ 22,955
Land and Land Improvements	12,811,969	413,685	0	13,225,654	5,211,137	582,078	7,432,439
Buildings and Improvements	8,447,439	6,320	0	8,453,759	5,758,062	193,479	2,502,218
Equipment and Software	3,097,507	31,228	0	3,128,735	2,282,613	200,787	645,335
Total	<u>\$ 24,520,285</u>	<u>\$ 474,188</u>	<u>\$ (163,370)</u>	<u>\$ 24,831,103</u>	<u>\$ 13,251,812</u>	<u>\$ 976,344</u>	<u>\$ 10,602,947</u>
Property Held for Leases:							
Land and Land Improvements	\$ 87,314	\$ 0	\$ 0	\$ 87,314	\$ 21,404	\$ 4,771	\$ 61,139
Buildings and Improvements	3,743,045	21,089	0	3,764,134	1,845,253	87,003	1,831,878
Total	<u>\$ 3,830,359</u>	<u>\$ 21,089</u>	<u>\$ 0</u>	<u>\$ 3,851,448</u>	<u>\$ 1,866,657</u>	<u>\$ 91,774</u>	<u>\$ 1,893,017</u>

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE PORT'S TOTAL OPEB LIABILITY AND RELATED RATIOS

Year Ended March 31, 2019

Total OPEB Liability	
Service Cost	\$ 91,803
Interest	63,473
Changes in Assumptions or Other Inputs	30,960
Benefit Payments	<u>(44,039)</u>
Net Change in total OPEB Liability	142,197
Total OPEB Liability – Beginning, As Restated	<u>1,653,722</u>
Total OPEB Liability – Ending	<u>\$ 1,795,919</u>
Covered Payroll	\$ 606,297
Total OPEB as a Percentage of Covered Payroll	296.21%

Changes of assumption and other inputs reflect the effects of changes in the discount rate each period. The discount rate in effect for this period is 3.79%.

10 years of historical information was not available upon implementation. An additional year of information will be added each subsequent year of implementation until 10 years of historical data is available.

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY

Years Ended March 31, 2019 and 2018

Employees' Retirement System (ERS)	2019	2018	2017	2016
Port's Proportion of the Net Pension Liability	0.0024170%	0.0026479%	0.0022628%	0.001857%
Port's Proportionate Share of the Net Pension Liability	\$ 78,009	\$ 248,799	\$ 363,180	\$ 62,585
Port's Covered Payroll	\$ 726,573	\$ 749,718	\$ 753,140	\$ 638,429
Port's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	10.7%	33.2%	48.2%	9.8%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	98.2%	94.7%	90.7%	97.9%

10 years of historical information was not available upon implementation. An additional year of information will be added each subsequent year of implementation until 10 years of historical data is available.

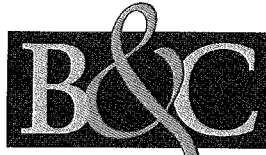
PORT OF OSWEGO AUTHORITY

SCHEDULE OF CONTRIBUTIONS – NYSERS

Years Ended March 31, 2019 and 2018

	2019	2018	2017	2016
Employees' Retirement System (ERS)				
Contractually Required Contribution	\$ 102,338	\$ 105,713	\$ 109,566	\$ 110,075
Contributions in Relation to the Contractually Required Contribution	<u>102,338</u>	<u>105,713</u>	<u>109,566</u>	<u>110,075</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Port's Covered Employee Payroll	\$ 726,573	\$ 749,718	\$ 753,140	\$ 638,429
Contributions as a Percentage of Covered Employee Payroll	14.1%	14.1%	14.5%	17.2%

10 years of historical information was not available upon implementation. An additional year of information will be added each subsequent year of implementation until 10 years of historical data is available.



**BOWERS & COMPANY
CPAs PLLC**

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

INDEPENDENT AUDITOR'S REPORT ON INVESTMENT POLICY

**MEMBERS OF THE BOARD
PORT OF OSWEGO AUTHORITY**

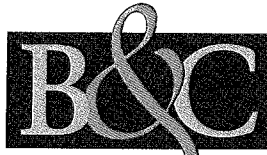
We have audited the statement of net position of the Port of Oswego Authority, a component unit of New York State, as of March 31, 2019 and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended and have issued our report thereon dated June 27, 2019.

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, 2019



BOWERS & COMPANY
CPAs PLLC

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

**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, 2019, 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 27, 2019.

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.

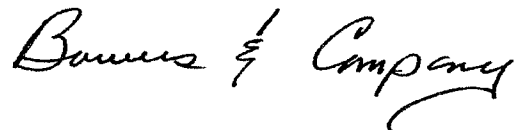
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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.

A handwritten signature in cursive script that reads "Banner & Company". The signature is written in black ink and is positioned in the lower right area of the page.

Syracuse, New York
June 27, 2019