

PORT OF OSWEGO AUTHORITY

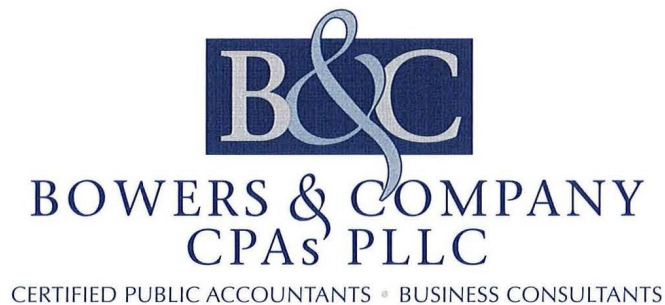
FINANCIAL STATEMENTS

March 31, 2020 and 2019

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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, 2020 and 2019, 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, 2020 and 2019, 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.

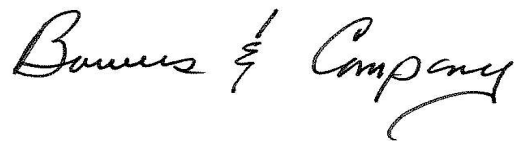
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4-10, Schedule of Changes in the Port's Total OPEB Liability and Related Ratios on page 40, Schedule of Proportionate Share of Net Pension Liability on page 41, and Schedule of Contributions NYSERS on page 42, 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 July 22, 2020, 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 black ink that reads "Bowers & Company". The signature is written in a cursive, flowing style.

Syracuse, New York
July 22, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

For the Year Ended March 31, 2020

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, 2020, with selected comparative information for the year ended March 31, 2019. 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 \$1,731,182. 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 \$894,652 for the year ending March 31, 2020. The decrease is attributable primarily to a loss from operations predominantly due to \$1,018,814 in depreciation expense.
- Total operating revenues of the Port increased by \$59,649 which is attributable to higher operating fees earned for labor, trucking, and rent. Additionally, storage charges were reinstated for the winter of 2020 which the Port waived (2018 & 2019) to regain customers during the aluminum tariffs.
- Total operating expenses of the Port decreased by \$142,270. The decrease is a result of pension expenses, marina expenses and supplies.
- Operating loss of the Port decreased by \$201,919. The decrease is directly related to the decrease in operating expenses.
- Capital contributions decreased by \$443,464 which is attributable to federal grants being awarded and utilized in the prior year.

PORT OF OSWEGO AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

For the Year Ended March 31, 2020

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:

| | 2020 | 2019 |
|--------------------------------|---------------------|---------------------|
| Current Assets | \$ 2,243,082 | \$ 2,482,205 |
| Property Held for Lease – Net | 1,830,571 | 1,893,017 |
| Capital Assets – Net | <u>10,908,600</u> | <u>10,602,947</u> |
| Total Assets | <u>14,982,253</u> | <u>14,978,169</u> |
| Deferred Outflows of Resources | <u>455,133</u> | <u>646,178</u> |
| Current Liabilities | 576,111 | 207,209 |
| Noncurrent Liabilities | 3,994,952 | 3,615,421 |
| Other Noncurrent Liabilities | <u>1,915,094</u> | <u>1,795,919</u> |
| Total Liabilities | <u>6,486,157</u> | <u>5,618,549</u> |
| Deferred Inflows of Resources | <u>141,715</u> | <u>301,632</u> |
| Net Position: | | |
| Invested in Capital Assets, | | |
| Net of Related Debt | 8,658,114 | 8,940,563 |
| Unrestricted | <u>151,400</u> | <u>763,603</u> |
| Total Net Position | <u>\$ 8,809,514</u> | <u>\$ 9,704,166</u> |

The total net position of the Port decreased by 9 percent (\$8,809,514 in 2020 compared to \$9,704,166 in 2019). At year end, there were \$240,000 less in grants receivable and \$236,000 more in accounts payable than at 3/31/19. These were due primarily to construction projects. Additionally, liabilities increased \$393,000 due to financing of a 365-ton Liebherr crane.

See notes to financial statements.

PORT OF OSWEGO AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

For the Year Ended March 31, 2020

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:

| | 2020 | 2019 |
|---|---------------------|---------------------|
| REVENUES | | |
| Operating Revenue | \$ 3,675,214 | \$ 3,615,565 |
| Nonoperating Revenue | 24,031 | 3,045 |
| Total Revenue | <u>3,699,245</u> | <u>3,618,610</u> |
| EXPENSES | | |
| Operating Expenses | 3,390,612 | 3,460,536 |
| Other Operating Expenses – Depreciation | 1,018,814 | 1,068,138 |
| Other Operating Expenses – OPEB Expense | 184,993 | 208,015 |
| Total Expenses | 4,594,419 | 4,736,689 |
| Loss From Operating and Nonoperating | (895,174) | (1,118,079) |
| Capital Contributions | 522 | 443,986 |
| Change in Net Position | (894,652) | (674,093) |
| Net Position – Beginning of Year | <u>9,704,166</u> | <u>10,378,259</u> |
| Net Position – End of Year | <u>\$ 8,809,514</u> | <u>\$ 9,704,166</u> |

Total revenue increased by 2 percent (\$3,699,245 in 2020 compared to \$3,618,610 in 2019). Storage changes were reinstated for the winter of 2020 after the Port waived in the previous two years (2018 & 2019) to regain customers during the aluminum tariffs. Additionally, the Port gained an increase from the rental of the Fitzgibbons site for projects. Also, there was also an increase in aluminum transactions in quarter three in 2019 due to tariffs being lifted.

Total expenses decreased by 3 percent (\$4,594,419 in 2020 compared to \$4,736,689 in 2019). Insurances both general and health saw a decrease due to the Port changing plans and negotiating better rates.

PORT OF OSWEGO AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

For the Year Ended March 31, 2020

Schedule of Long-Term Debt

| | 2020 | 2019 |
|----------------------------------|---------------------|---------------------|
| New York State Retirement System | \$ 27,617 | \$ 42,443 |
| Due to State of New York | 3,505,926 | 3,555,926 |
| Note Payable | 0 | 0 |
| Less: Current Portion | <u>(94,872)</u> | <u>(60,957)</u> |
| Total | <u>\$ 3,438,671</u> | <u>\$ 3,537,412</u> |

At March 31, 2020 total long-term debt increased due to a loan taken out for purchase of a crane during 2020.

The New York State Advance agreement expired on March 31, 2005. The Port has requested a new agreement however there has been no agreement as of yet.

Schedule of Capital Assets and Property Held for Lease

| | 2020 | 2019 |
|--------------------------|----------------------|----------------------|
| Capital Assets | \$ 10,908,600 | \$ 10,602,947 |
| Property Held For Leases | <u>1,830,571</u> | <u>1,893,017</u> |
| Total | <u>\$ 12,739,171</u> | <u>\$ 12,495,964</u> |

At March 31, 2020 total capital assets and property held for leases increased by 1 percent or \$178,996 from 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

For the Year Ended March 31, 2020

Management Discussion – Continued

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 \$59,649 which is attributable to higher operating fees earned for labor, trucking, and rent. Additionally, storage charges were reinstated for the winter of 2020 after the port waived in 2018 & 2019 to regain customers during the aluminum tariffs.

A noteworthy accomplishment for the Port, was receiving the 2019 St. Lawrence Seaway Pacesetter Award. This award is given for increased tonnage, compared to the prior year, shipped through the seaway. This is the second consecutive year that the Port has received this award.

Total operating expenses of the Port decreased by \$142,270. This is a result of decreases in pension expenses, marina expenses, fuel, insurance and supplies.

The Port successfully negotiated the Lehigh lease that better addressed accurately the current market value of the facility.

Capital contributions decreased by \$443,464 which is attributable to fewer grants receivable at year end than at the prior year end.

Long-term debt was reduced 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 and increased as a result of the additional note payable taken on from the purchase of a crane.

Future Developments

Increase in Grain Export/Potash Storage

The Port is in the process of the development of a \$15-million-dollar "CNY Regional Agriculture Export Center Expansion Project", with the remaining "Inland Port" monies. The New York State DOT is in process of moving forward with design and a contract for the project in early 2020. Additionally, we will be building a new dome to double potash storage at the Port.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

For the Year Ended March 31, 2020

Future Developments – Continued

We have projected once built, the grain and potash revenue will be the below.

| Year | Total Projected Increased Revenue |
|------|-----------------------------------|
| 1 | \$0 |
| 2 | \$2,157,671 |
| 3 | \$2,470,113 |
| 4 | \$2,804,840 |
| 5 | \$3,163,651 |

REDI Awards

The Port was awarded over 2.3 million dollars from the New York State Resiliency & Economic Development Initiative (REDI) in 2019. The port will be utilizing the award for following:

- The construction of a new 25 slip Westside Marina.
- Adding 12 additional docks to the Oswego Marina.
- Repairs to the east and west operating docks.

Aluminum Pricing

After over three years of no increases in aluminum pricing the Port is in the process of creating a new pricing structure for both rail and ship. This will bring additional revenue in the future as we match the market price structure.

Foreign Trade Zone (FTZ)

The Port has made application and is the process obtaining a Foreign Trade Zone (FTZ). The application is now in the final stages of approval.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

For the Year Ended March 31, 2020

Future Developments – Continued

US Army Corp 107 for Harbor Deepening

The Port made application to the Army Corp to increase the harbor depth at the Port of Oswego. The first stage, financial analysis has been completed and with positive results. In 2020, the Port will be looking to negotiating an agreement to start the schedule for phase two, which will be a contract for the project. 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

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, 2020 and 2019

| | ASSETS | |
|--|-------------------|-------------------|
| | 2020 | 2019 |
| CURRENT ASSETS | | |
| Cash and Cash Equivalents | \$ 657,584 | \$ 975,136 |
| Certificates of Deposit | 92,887 | 57,350 |
| Certificates of Deposit – Reserved for Marina Improvements | 519,477 | 16,252 |
| Accounts Receivable | 146,744 | 179,198 |
| Other Receivable | 760,621 | 760,621 |
| Grants Receivable | 2,729 | 433,027 |
| Prepaid Expenses | 55,986 | 56,019 |
| Inventory | 7,054 | 4,602 |
| | <u>2,243,082</u> | <u>2,482,205</u> |
| Total Current Assets | | |
| NONCURRENT ASSETS | | |
| Capital Assets – Net | 10,908,600 | 10,602,947 |
| Property Held for Leases – Net | 1,830,571 | 1,893,017 |
| | <u>12,739,171</u> | <u>12,495,964</u> |
| Total Noncurrent Assets | | |
| Total Assets | <u>14,982,253</u> | <u>14,978,169</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| OPEB | 349,494 | 415,312 |
| Pension | 105,639 | 230,866 |
| | <u>455,133</u> | <u>646,178</u> |
| Total Deferred Outflows of Resources | | |

LIABILITIES AND NET POSITION

| | 2020 | 2019 |
|---|----------------------------|----------------------------|
| CURRENT LIABILITIES | | |
| Accounts Payable | \$ 394,419 | \$ 92,184 |
| Accrued Payroll and Related Charges | 39,389 | 32,581 |
| Accrued Vacation | 47,431 | 21,487 |
| Current Portion of Long-Term Debt | <u>94,872</u> | <u>60,957</u> |
| Total Current Liabilities | <u>576,111</u> | <u>207,209</u> |
| NONCURRENT LIABILITIES | | |
| New York State Retirement System | 27,617 | 42,443 |
| Due to the State of New York | 3,505,926 | 3,555,926 |
| Postemployment Healthcare (OPEB) Liability | 1,915,094 | 1,795,919 |
| Net Pension Liability – Proportionate Share | 161,627 | 78,009 |
| Note Payable | <u>394,654</u> | <u>0</u> |
| | 6,004,918 | 5,472,297 |
| Less: Current Portion | <u>(94,872)</u> | <u>(60,957)</u> |
| Total Noncurrent Liabilities | <u>5,910,046</u> | <u>5,411,340</u> |
| Total Liabilities | <u>6,486,157</u> | <u>5,618,549</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Pension | 65,878 | 256,795 |
| Deferred Revenue | <u>75,837</u> | <u>44,837</u> |
| Total Deferred Inflows of Resources | <u>141,715</u> | <u>301,632</u> |
| NET POSITION | | |
| Net Investment in Capital Assets | 8,658,114 | 8,940,563 |
| Unrestricted | <u>151,400</u> | <u>763,603</u> |
| Total Net Position | <u><u>\$ 8,809,514</u></u> | <u><u>\$ 9,704,166</u></u> |

See notes to financial statements and independent auditor's report.

PORT OF OSWEGO AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Years Ended March 31, 2020 and 2019

| | 2020 | 2019 |
|--|---------------------|---------------------|
| OPERATING REVENUES | | |
| Rentals | \$ 789,249 | \$ 768,044 |
| Marina Operating Revenue | 526,667 | 551,936 |
| Port Operating Fees | 2,359,298 | 2,295,585 |
| Total Operating Revenues | <u>3,675,214</u> | <u>3,615,565</u> |
| OPERATING EXPENSES | | |
| Salaries and Wages | 1,258,542 | 1,236,856 |
| Payroll Taxes and Fringe Benefits | 291,927 | 304,207 |
| Annual OPEB Expense | 184,993 | 208,015 |
| Employee Retirement and Pension Expense | 414,242 | 461,074 |
| Travel | 8,537 | 8,113 |
| Automotive | 44,975 | 52,595 |
| Office Supplies and Expense | 42,025 | 42,386 |
| Insurance | 181,020 | 196,294 |
| Advertising and Printing | 8,275 | 9,161 |
| Telephone and Postage | 39,501 | 42,363 |
| Utilities | 67,665 | 66,062 |
| Special Supplies and Expense | 112,548 | 86,986 |
| Community Support | 10,250 | 0 |
| Professional Fees | 153,814 | 116,721 |
| Repairs and Maintenance | 103,251 | 99,270 |
| Rentals | 223,597 | 222,724 |
| Contract Trucking | 94,554 | 112,270 |
| Technical Services | 35,004 | 37,860 |
| Marina Supplies and Expense | 300,877 | 365,489 |
| Bad Debt Expense | 8 | 105 |
| Depreciation | 1,018,814 | 1,068,138 |
| Total Operating Expenses | <u>4,594,419</u> | <u>4,736,689</u> |
| TOTAL OPERATING LOSS | (919,205) | (1,121,124) |
| NON OPERATING REVENUE | | |
| Miscellaneous Income | 24,031 | 3,045 |
| Total Nonoperating Revenue | <u>24,031</u> | <u>3,045</u> |
| LOSS FROM OPERATIONS AND NON OPERATING ITEMS | (895,174) | (1,118,079) |
| Capital Contributions | 522 | 443,986 |
| Change in Net Position | (894,652) | (674,093) |
| Net Position – Beginning of Year | 9,704,166 | 10,378,259 |
| Net Position – End of Year | <u>\$ 8,809,514</u> | <u>\$ 9,704,166</u> |

See notes to financial statements and independent auditor's report.

STATEMENTS OF CASH FLOWS

Years Ended March 31, 2020 and 2019

| | 2020 | 2019 |
|--|--------------------------|--------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts from Customers | \$ 3,738,660 | \$ 3,715,878 |
| Payments to Suppliers | (1,126,077) | (1,449,810) |
| Payments to Employees | (1,931,959) | (2,014,902) |
| Net Cash Provided By Operating Activities | <u>680,624</u> | <u>251,166</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Proceeds from Capital Contributions | 430,820 | 329,829 |
| Purchases of Capital Assets / Construction in Progress | (807,355) | (217,383) |
| Principal And Interest Paid on Note Payable | (49,000) | 0 |
| Principal Paid on Capital Debt | (64,826) | (64,827) |
| Net Cash Provided By (Used In) Capital and Related Financing Activities | <u>(490,361)</u> | <u>47,619</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Insurance Proceeds | 22,408 | 0 |
| Purchase of Certificate of Deposit | (535,500) | 0 |
| Interest Earned | 5,277 | 3,045 |
| Net Cash Provided By (Used In) Investing Activities | <u>(507,815)</u> | <u>3,045</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | (317,552) | 301,830 |
| Cash and Cash Equivalents – Beginning of Year | <u>975,136</u> | <u>673,306</u> |
| Cash and Cash Equivalents – End of Year | <u><u>\$ 657,584</u></u> | <u><u>\$ 975,136</u></u> |
| RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | | |
| Operating Loss | \$ (919,205) | \$ (1,121,124) |
| Depreciation | 1,018,814 | 1,068,138 |
| Bad Debt Expense | 8 | 105 |
| Annual OPEB Expense | 184,993 | 208,015 |
| (Increase) Decrease in Assets: | | |
| Accounts Receivable | 32,446 | 98,488 |
| Prepaid Expenses | 33 | 6,842 |
| Inventory | (2,452) | 1,861 |
| Increase (Decrease) in Liabilities: | | |
| Accounts Payable | 302,235 | (219) |
| Accrued Payroll and Related Charges | 6,808 | 3,396 |
| Accrued Vacation | 25,944 | (16,161) |
| Deferred Revenue | 31,000 | 1,825 |
| Net Cash Provided By Operating Activities | <u><u>\$ 680,624</u></u> | <u><u>\$ 251,166</u></u> |

See notes to financial statements and independent auditor's report.

NOTES TO FINANCIAL STATEMENTS

March 31, 2020 and 2019

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

New Accounting Pronouncement

On January 1, 2019, the Port adopted ASU No. 2014-09 “*Revenue from Contracts with Customers*” (Topic 606) and all subsequent ASUs that modified Topic 606, which supersedes previous revenue recognition guidance. Topic 606, “*Revenue from Contracts with Customers*”, requires that a company recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration the company expects to receive in exchange for those goods or services. On January 1, 2019, the Port adopted Topic 606, using the modified retrospective method applied to contracts that were not completed as of January 1, 2019. Comparative financial information has not been restated and continues to be reported in accordance with the historic accounting under Topic 605. The Port did not recognize any adjustment to the opening balance of retained earnings upon adoption of Topic 606. There was no material impact to the Port’s net income on adoption of this new standard in 2019. As of January 1, 2019, the Port had no material remaining performance obligations.

NOTES TO FINANCIAL STATEMENTS

March 31, 2020 and 2019

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

The performance obligation is satisfied when the service is provided to the customer. Under the new accounting standard, revenue is recognized over time as a series of single performance obligations when the Port earns revenue from shipping services, rental fees, and storage which result from the Port's primary ongoing operations. Shipping services revenues consist of fees assessed for various activities relating to vessel and cargo movement.

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, 2020 and 2019, the Port's bank balance was approximately \$1,270,000 and \$1,059,000, 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.

NOTES TO FINANCIAL STATEMENTS

March 31, 2020 and 2019

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued

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 fuel and bait and tackle supplies and is recorded as an expenditure when consumed rather than when purchased.

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.

NOTES TO FINANCIAL STATEMENTS

March 31, 2020 and 2019

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued

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, 2020 and 2019, the liability for accrued vacation leave was approximately \$47,000 and \$21,000, respectively.

Statements of Cash Flows

Supplemental disclosures of cash flow information for the years ended March 31 are as follows:

| | 2020 | 2019 |
|----------------|-----------------|-------------|
| Cash Payments: | | |
| Interest | <u>\$ 3,654</u> | <u>\$ 0</u> |

Supplemental disclosures of noncash investing and financing activities are as follows:

| | 2020 | 2019 |
|--|-------------------|-------------|
| Equipment Financed with a Note Payable | <u>\$ 440,000</u> | <u>\$ 0</u> |

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, 2020 and 2019

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 4 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, 2020, the Port implemented, as applicable, the following new standards issued by GASB:

- Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, effective for the year ending March 31, 2020

Future Changes in Accounting Standards

- Statement No. 84, *Fiduciary Activities*, effective for the year ending March 31, 2021.
- Statement No. 87, *Leases*, effective for the year ended March 31, 2021.
- 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. 91, *Conduit Debt Obligations*, effective for the year ending March 31, 2021.

NOTES TO FINANCIAL STATEMENTS

March 31, 2020 and 2019

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Future Changes in Accounting Standards – Continued

- Statement No. 83, *Certain Asset Retirement Obligations*, effective for the year ending March 31, 2021.
- Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements*, effective for the year ended March 31, 2021.
- Statement No. 90, *Majority Equity Interests*, 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, 2020 and July 22, 2020 which is the date the financial statements were available to be issued. Management has determined such events have occurred, see Note 11 for a description of such events.

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 prime rate published in the Wall Street Journal (currently 3.25%) less one percentage point. There was no outstanding balance on the line of credit for each of the years ended March 31, 2020 and 2019.

NOTES TO FINANCIAL STATEMENTS

March 31, 2020 and 2019

NOTE 4 – LONG-TERM DEBT

Long-term debt activity for the year ended March 31, 2020 was as follows:

| | Balance at 3/31/19 | Additions | Payments | Balance at 3/31/20 |
|------------------------------------|-------------------------------|-------------------|-------------------|-------------------------------|
| Due State of New York | \$ 3,555,926 | \$ 0 | \$ 50,000 | \$ 3,505,926 |
| Due to NYSERS - Chapter 57 | 42,443 | 0 | 14,826 | 27,617 |
| Equipment Loan | <u>0</u> | <u>440,000</u> | <u>45,346</u> | <u>423,284</u> |
| Total Long-Term Debt | 3,598,369 | <u>\$ 440,000</u> | <u>\$ 110,172</u> | 3,928,197 |
| Less Amount Due Within One Year | <u>(60,957)</u> | | | <u>(94,872)</u> |
| | <u>\$ 3,537,412</u> | | | <u>\$ 3,833,325</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 \$3,506,000 and \$3,556,000 at March 31, 2020 and 2019, respectively.

NOTES TO FINANCIAL STATEMENTS

March 31, 2020 and 2019

NOTE 4 – 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, 2020 and 2019 was approximately \$28,000 and \$42,000, respectively.

Equipment Loan

During 2020 the Port financed a piece of equipment for \$440,000. There was a \$40,000 payment due upfront followed by monthly payments of \$4,500 for 24 months, followed by approximately \$5,400 for 60 months with the remainder due in March 2027 with an interest rate of 5.50%. The note is secured by equipment. The balance of the note at March 31, 2020 was approximately \$395,000.

Future Maturities

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

| | Principal | Interest |
|------------|---------------------|------------------|
| 2021 | \$ 94,872 | \$ 3,000 |
| 2022 | 99,345 | 3,000 |
| 2023 | 101,107 | 3,000 |
| 2024 | 100,539 | 3,000 |
| 2025 | 103,390 | 3,000 |
| Thereafter | 3,428,944 | 0 |
| Total | <u>\$ 3,928,197</u> | <u>\$ 15,000</u> |

NOTES TO FINANCIAL STATEMENTS

March 31, 2020 and 2019

NOTE 5 – 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.

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 <https://www.osc.state.ny.us/retirement/publications> 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.

NOTES TO FINANCIAL STATEMENTS

March 31, 2020 and 2019

NOTE 5 – PENSION PLAN – Continued

Benefits Provided – Continued

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.

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.

NOTES TO FINANCIAL STATEMENTS

March 31, 2020 and 2019

NOTE 5 – PENSION PLAN – Continued

Benefits Provided – Continued

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.

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.

NOTES TO FINANCIAL STATEMENTS

March 31, 2020 and 2019

NOTE 5 – PENSION PLAN – Continued

Benefits Provided – Continued

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, 2020 and 2019

NOTE 5 – 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:

| | |
|------------------------|-----------|
| Years Ending March 31, | |
| 2020 | \$ 87,758 |
| 2019 | 102,338 |
| 2018 | 109,566 |

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

At March 31, 2020, 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, 2019, 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, 2020, the Port reported the following:

| | |
|---------------------------|------------|
| Net Pension Liability | \$ 161,627 |
| Port's Proportion Percent | 0.0022812% |
| Pension Expense | \$ 102,338 |

NOTES TO FINANCIAL STATEMENTS

March 31, 2020 and 2019

NOTE 5 – PENSION PLAN – Continued

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

At March 31, 2020, the Port reported deferred outflows and inflows related to NYSERS:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Differences Between Expected and Actual Experience | \$ 31,828 | \$ 10,850 |
| Changes of Assumptions | 40,626 | 0 |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | 0 | 41,482 |
| Changes in Proportion and Differences Between the Port's Contributions and Proportionate Share of Contributions | <u>33,185</u> | <u>13,546</u> |
| Total | <u>\$ 105,639</u> | <u>\$ 65,878</u> |

The Port recognized deferred outflows of resources related to pensions resulting from contributions made subsequent to the measurement date of March 31, 2019, which resulted in a reduction of the net pension liabilities as of March 31, 2020.

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

| | |
|------|------------------|
| 2020 | \$ 45,714 |
| 2021 | (26,752) |
| 2022 | (2,100) |
| 2023 | <u>22,899</u> |
| | <u>\$ 39,761</u> |

NOTES TO FINANCIAL STATEMENTS

March 31, 2020 and 2019

NOTE 5 – PENSION PLAN – Continued

Actuarial Assumptions

The total pension liability at March 31, 2019 was determined using an actuarial valuation as of April 1, 2018, with update procedures used to roll forward the total pension liability to March 31, 2019.

Significant actuarial assumptions used in the valuations were as follows:

| | |
|----------------------------|--|
| Cost of Living Adjustments | 1.3% |
| Interest Rate | 7.0% |
| Salary Increases | 4.2% |
| 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, 2018 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, 2020 and 2019

NOTE 5 – 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) | \$ 706,657 | \$ 161,627 | \$ (296,238) |

NOTES TO FINANCIAL STATEMENTS

March 31, 2020 and 2019

NOTE 5 – PENSION PLAN – Continued

Pension Plan Fiduciary Net Position

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

| | |
|---|-----------------------|
| Measurement Date | March 31, 2019 |
| NYSERS's Total Pension Liability | \$ (189,803,429) |
| Plan Net Position | <u>182,718,124</u> |
| NYSERS's Net Pension Liability | <u>\$ (7,085,305)</u> |
| Ratio of Plan Net Position to the NYSERS's Total Pension Liability | 96.27% |

NOTE 6 – 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 years ended March 31, 2020 and 2019, approximately \$0 and \$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, 2020, a total of approximately \$4,065,00 has been utilized by the Port with approximately \$0 and \$94,000 earned during the years ended March 31, 2020 and 2019, respectively. The revenue earned from the grant is recorded in capital contributions line on the Statements of Revenues, Expenses and Changes in Net Position.

NOTES TO FINANCIAL STATEMENTS

March 31, 2020 and 2019

NOTE 6 – CAPITAL CONTRIBUTIONS – 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, 2020 and 2019, under these agreements was approximately \$637,000 and \$613,000, respectively.

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

| | 2020 | 2019 |
|----------------------------|----------------------------|----------------------------|
| Land and Land Improvements | \$ 87,314 | \$ 87,314 |
| Buildings and Improvements | 3,794,281 | 3,764,134 |
| Accumulated Depreciation | <u>(2,051,024)</u> | <u>(1,958,431)</u> |
| Total | <u><u>\$ 1,830,571</u></u> | <u><u>\$ 1,893,017</u></u> |

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

| | |
|------------|----------------------------|
| 2021 | \$ 284,000 |
| 2022 | 215,000 |
| 2023 | 175,000 |
| 2024 | 177,000 |
| 2025 | 189,000 |
| Thereafter | <u>914,000</u> |
| Total | <u><u>\$ 1,954,000</u></u> |

NOTES TO FINANCIAL STATEMENTS

March 31, 2020 and 2019

NOTE 8 – 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 | 16 |

NOTES TO FINANCIAL STATEMENTS

March 31, 2020 and 2019

NOTE 8 – POSTEMPLOYMENT HEALTHCARE BENEFITS –Continued

Total OPEB Liability

The Port has obtained an actuarial valuation report as of March 31, 2020 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, 2020 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 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 index provided by Bond Buyer 20-Bond General Obligation Index based on 20 year AA municipal bond rate 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, 2020 and 2019

NOTE 8 – 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:

| | 2020 | 2019 |
|--|---------------------|---------------------|
| Net OPEB Liability - Beginning of Year | \$ 1,795,919 | \$ 1,653,722 |
| Service Cost | 97,684 | 91,803 |
| Interest On Net OPEB Liability | 67,199 | 63,473 |
| Changes in Assumptions | 0 | 30,960 |
| Contributions Made | (45,708) | (44,039) |
| Net OPEB Liability - End of Year | <u>\$ 1,915,094</u> | <u>\$ 1,795,919</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 | \$ 2,163,195 | \$ 1,915,094 | \$ 1,719,940 |

NOTES TO FINANCIAL STATEMENTS

March 31, 2020 and 2019

NOTE 8 – 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 | \$ 1,504,858 | \$ 1,915,094 | \$ 2,374,502 |

Deferred Outflow of Resources

At March 31, 2020, the Port reported deferred outflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources |
|--|---|
| Differences between Expected and Actual Experience | \$ 65,818 |
| Changes of Assumptions or Other Inputs | 283,676 |
| Total | <u>\$ 349,494</u> |

NOTES TO FINANCIAL STATEMENTS

March 31, 2020 and 2019

NOTE 8 – 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:

| | |
|------------|-------------------|
| 2021 | \$ 65,818 |
| 2022 | 65,818 |
| 2023 | 65,818 |
| 2024 | 65,818 |
| Thereafter | <u>86,222</u> |
| Total | <u>\$ 349,494</u> |

NOTE 9 – OPERATING LEASES – LESSEE

The Port leases equipment and vehicles under operating lease agreements expiring various years through 2025. Rent expense incurred for the years ended March 31, 2020 and 2019 under these agreements amounted to approximately \$192,000 and \$172,000, respectively.

Minimum future rental payments under the preceding non-cancellable operating leases, as of March 31, 2020, are as follows:

| | |
|-------|-------------------|
| 2021 | \$ 160,000 |
| 2022 | 101,000 |
| 2023 | 97,000 |
| 2024 | 83,000 |
| 2025 | <u>36,000</u> |
| Total | <u>\$ 477,000</u> |

NOTES TO FINANCIAL STATEMENTS

March 31, 2020 and 2019

NOTE 10 – NYS BUDGET

During 2015, the New York State budget designated the Port to receive \$40,000,000 to link the facility with the Port of New York and create additional rail yards. The New York State Department of Transportation administered this funding through grant agreements. A total of \$1,382,000 has been utilized by the Port with approximately \$0 earned during the year ended March 31, 2019.

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.

NOTE 11 – SUBSEQUENT EVENT

In recent weeks, the COVID-19 outbreak in the United States has resulted in business disruption. While the disruption is currently expected to be temporary, there is considerable uncertainty around the disruption. Therefore, while the Port expects this matter to negatively impacts its operating results and the financial condition, the related financial impact and duration cannot be reasonably estimated at this time.

As a result of COVID-19 impacts to the Port, the Port has applied for and received Paycheck Protection Program funds in the amount of approximately \$355,000.

NOTES TO FINANCIAL STATEMENTS

March 31, 2020 and 2019

NOTE 12 – SCHEDULE OF CHANGES IN CAPITAL ASSETS AND PROPERTY HELD FOR LEASES AND ACCUMULATED DEPRECIATION - YEAR ENDED MARCH 31, 2020

| | Capital Assets | | | | Accumulated Depreciation | | | | |
|----------------------------------|----------------------|---------------------|-------------------|----------------------|--------------------------|-------------------|-------------|----------------------|----------------------|
| | Balance 4/1/2019 | Additions | Retirements | Balance 3/31/20 | Balance 4/1/2019 | Additions | Retirements | Balance 3/31/20 | Depreciable Cost |
| Capital Assets: | | | | | | | | | |
| Construction Work in Progress | \$ 22,955 | \$ 644,400 | \$ (2,002) | \$ 665,353 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 665,353 |
| Land and Land Improvements | 13,225,654 | 0 | 0 | 13,225,654 | 5,793,215 | 551,775 | 0 | 6,344,990 | 6,880,664 |
| Buildings and Improvements | 8,453,759 | 0 | 0 | 8,453,759 | 5,951,541 | 192,777 | 0 | 6,144,318 | 2,309,441 |
| Equipment and Software | 3,128,735 | 525,265 | 0 | 3,654,000 | 2,483,400 | 181,669 | 0 | 2,665,069 | 988,931 |
| Total | <u>\$ 24,831,103</u> | <u>\$ 1,169,665</u> | <u>\$ (2,002)</u> | <u>\$ 25,998,766</u> | <u>\$ 14,228,156</u> | <u>\$ 926,221</u> | <u>\$ 0</u> | <u>\$ 15,154,377</u> | <u>\$ 10,844,389</u> |
| Property Held for Leases: | | | | | | | | | |
| Land and Land Improvements | \$ 87,314 | \$ 0 | \$ 0 | \$ 87,314 | 26,175 | \$ 4,648 | \$ 0 | \$ 30,823 | \$ 56,491 |
| Buildings and Improvements | 3,764,134 | 30,147 | 0 | 3,794,281 | 1,932,256 | 87,945 | 0 | 2,020,201 | 1,774,080 |
| | <u>\$ 3,851,448</u> | <u>\$ 30,147</u> | <u>\$ 0</u> | <u>\$ 3,881,595</u> | <u>\$ 1,958,431</u> | <u>\$ 92,593</u> | <u>\$ 0</u> | <u>\$ 2,051,024</u> | <u>\$ 1,830,571</u> |

PORT OF OSWEGO AUTHORITY**REQUIRED SUPPLEMENTARY INFORMATION****SCHEDULE OF CHANGES IN THE PORT'S TOTAL OPEB LIABILITY AND RELATED RATIOS**

Year Ended March 31, 2020

| | 2020 | 2019 |
|---|----------------------------|----------------------------|
| Total OPEB Liability | | |
| Service Cost | \$ 97,684 | \$ 91,803 |
| Interest | 67,199 | 63,473 |
| Changes in Assumptions or Other Inputs | 0 | 30,960 |
| Benefit Payments | <u>(45,708)</u> | <u>(44,039)</u> |
| Net Change in total OPEB Liability | 119,175 | 142,197 |
| Total OPEB Liability - Beginning | <u>1,795,919</u> | <u>1,653,722</u> |
| Total OPEB Liability - Ending | <u><u>\$ 1,915,094</u></u> | <u><u>\$ 1,795,919</u></u> |
| Covered Payroll | \$ 525,721 | \$ 606,297 |
| Total OPEB as a Percentage of Covered Payroll | 364.28% | 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%.

Ten 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, 2020 and 2019

| | 2020 | 2019 | 2018 | 2017 | 2016 |
|--|------------|------------|------------|------------|------------|
| Employees' Retirement System (ERS) | | | | | |
| Port's Proportion of the Net Pension Liability | 0.0022812% | 0.0024170% | 0.0026479% | 0.0022628% | 0.0018750% |
| Port's Proportionate Share of the Net Pension Liability | \$ 161,627 | \$ 78,009 | \$ 248,799 | \$ 363,180 | \$ 62,585 |
| Port's Covered Payroll | \$ 658,487 | \$ 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 | 24.5% | 10.7% | 33.2% | 48.2% | 9.8% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Lia | 96.3% | 98.2% | 94.7% | 90.7% | 97.9% |

Ten 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 CONTRIBUTIONS – NYSERS

Years Ended March 31, 2020 and 2019

| | 2020 | 2019 | 2018 | 2017 | 2016 |
|--|---------------|----------------|----------------|----------------|----------------|
| Employees' Retirement System (ERS) | | | | | |
| Contractually Required Contribution | \$ 87,758 | \$ 102,338 | \$ 105,713 | \$ 109,566 | \$ 110,075 |
| Contributions in Relation to the Contractually Required Contribution | <u>87,758</u> | <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> | <u>\$ 0</u> |
| Port's Covered Employee Payroll | \$ 658,487 | \$ 726,573 | \$ 749,718 | \$ 753,140 | \$ 638,429 |
| Contributions as a Percentage of Covered Employee Payroll | 13.3% | 14.1% | 14.1% | 14.5% | 17.2% |

Ten 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.