

**BOROUGH OF CARTERET
MUNICIPAL PORT AUTHORITY
COUNTY OF MIDDLESEX, NEW JERSEY**

**REPORT OF AUDIT
YEARS ENDED DECEMBER 31, 2013 and 2012**

BOROUGH OF CARTERET MUNICIPAL PORT AUTHORITY

REPORT OF AUDIT

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BOROUGH OF CARTERET MUNICIPAL PORT AUTHORITY

REPORT OF AUDIT

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Borough of Carteret Municipal Port Authority
Carteret, NJ

We have audited the accompanying financial statements of the Borough of Carteret Municipal Port Authority, which comprise the statements of net position as of December 31, 2013 and 2012, and the related statements of revenues and changes in net position, functional expenses, and cash flows for the years then ended and the related notes to the financial statements.

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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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, 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 aspects, the financial position of Borough of Carteret Municipal Port Authority as of December 31, 2013 and 2012, and the changes in its net 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 5 through 7 and budgetary comparison information on page 19 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 Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of Carteret Municipal Port Authority basic financial statements. The accompanying financial information on pages 17 and 18 and listed as supplementary data in the table of contents is not a required part of the financial statements and are presented for purposes of additional analysis as required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The information has been subjected to auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

F. J. & L. W.

Hazlet, NJ
September 3, 2014

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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

To the Board of Commissioners
Borough of Carteret Municipal Port Authority
Carteret, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the Borough of Carteret Municipal Port Authority (the "Authority") as of and for the year ended December 31, 2013, and have issued our report thereon dated September 3, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Borough of Carteret Municipal Port Authority's internal control over financial reporting (internal control) to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 Authority'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.

Falke June LW

Hazlet, NJ
September 3, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

**CARTERET MUNICIPAL PORT AUTHORITY
BOROUGH OF CARTERET
MIDDLESEX COUNTY, NEW JERSEY**

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

December 31, 2013

The Carteret Municipal Port Authority (the "Authority") is a component-unit of the Borough of Carteret, County of Middlesex, New Jersey (the "Borough"). The following Management's Discussion and Analysis of the activities and financial performance of the Authority provide an introduction to the financial statements of the Authority for the year ended December 31, 2013. Please read it in conjunction with the Authority's financial statements and accompanying notes.

The Management's Discussion and Analysis is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No.34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued June 1999.

FINANCIAL HIGHLIGHTS

Cash increased by \$54,372.52 (49.3%) to \$164,636.16 in 2013 from \$110,263.64 in 2012.

Operating revenues decreased by \$5,755.42 (7.0%) to \$75,438.99 in 2013 from \$81,194.41 in 2012.

Operating expenses decreased by \$58,669.97 (68.3%) to \$27,211.26 in 2013 from \$85,881.23 in 2012.

Operating Income (loss) increased by \$52,914.55 from operating income of \$48,227.73 in 2013 from operating loss of \$4,686.82 in 2012.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority is a self-supporting entity and follows enterprise fund reporting. The Authority's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting in accordance with generally accepted accounting principles as promulgated by GASB. Enterprise fund statements reflect short- and long-term financial information about the activities and operations of the Authority. These statements are presented in a manner similar to a private business. While detailed sub-fund information is not presented, separate accounts are maintained for each program and certain restricted funds or accounts have been established as required by bond resolutions and agreements. See the notes to the financial statements for a summary of the Authority's significant accounting policies.

FINANCIAL ANALYSIS OF THE AUTHORITY

Financial Position. The following table summarizes the changes in financial position and net assets between December 31, 2013 and 2012:

| | <u>2013</u> | <u>2012</u> | <u>% Increase (Decrease)</u> |
|----------------------|----------------------------|----------------------------|----------------------------------|
| Current assets | \$ <u>164,636.16</u> | \$ <u>111,763.64</u> | 47.3% |
| Total assets | <u>164,636.16</u> | <u>111,763.64</u> | 47.3% |
| Current -liabilities | <u>4,758.75</u> | <u>462.33</u> | 929.2% |
| Total liabilities | <u>4,758.75</u> | <u>462.33</u> | 929.2% |
| Unrestricted | <u>159,877.41</u> | <u>111,301.31</u> | 43.6% |
| Net Position | <u>\$159,877.41</u> | <u>\$111,301.31</u> | 43.6% |

Results of Operations. The following table summarizes the changes in results of operations between fiscal years 2013 and 2012:

| | <u>2013</u> | <u>2012</u> | <u>% Increase (Decrease)</u> |
|-----------------------------------|---------------------------|----------------------------|----------------------------------|
| Operating - Revenues | \$75,438.99 | \$81,194.41 | (7.0)% |
| Operating - expenses | <u>27,211.26</u> | <u>85,881.23</u> | (68.3)% |
| Income (Loss) from -operations | 48,227.73 | (4,686.82) | |
| Non-operating - revenues - net | <u>348.37</u> | <u>364.44</u> | (4.4)% |
| Change in Net Position | <u>\$48,576.10</u> | <u>\$(4,322.38)</u> | |

Operating revenues consist mainly of local subsidy appropriations from the Borough of Carteret. Miniature golf fess and binocular fees amounted to \$438.99 in 2013 from \$5,926.45 in 2012. The decrease in the ancillary revenue amount was the result of the miniature golf course closure due to Hurricane Sandy, which rendered the course unplayable.

Non-operating revenues relates mainly to interest the Authority also earns interest on cash, cash equivalents and investments.

BUDGETARY HIGHLIGHTS

The State of New Jersey requires local authorities to prepare and adopt annual budgets in accordance with the Local Authorities Fiscal Control Law and regulations adopted by the Local Finance Board pursuant to this statute and codified as N.J.A.C. 5:31-1 et seq. The statutory budget was designed to demonstrate to the Bureau of Authority Regulation of the Division of Local Government Services that the cash flows of the Authority for the coming year will be sufficient to cover operating expenses, interest accruing on bonded indebtedness and cash payments of maturing bond and loan principal.

CONTACTING THE AUTHORITY'S MANAGEMENT

This financial report is designed to provide Borough of Carteret residents and taxpayers, and the Authority's customers, investors and creditors, with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional information, please contact the Treasurer, Carteret Municipal Port Authority, 61 Cooke Avenue, Carteret, New Jersey, 07008, or visit the Authority's website at: www.carteret.net.

FINANCIAL STATEMENTS

**BOROUGH OF CARTERET MUNICIPAL PORT AUTHORITY
STATEMENTS OF NET POSITION
DECEMBER 31,**

ASSETS

| | <u>2013</u> | <u>2012</u> |
|----------------------|----------------------|----------------------|
| Current Assets: | | |
| Cash | \$ 164,636.16 | \$ 110,263.64 |
| Prepaid Expenses | <u> -</u> | <u>1,500.00</u> |
| Total Current Assets | <u>164,636.16</u> | <u>111,763.64</u> |
| Total Assets | \$ <u>164,636.16</u> | \$ <u>111,763.64</u> |

LIABILITIES

| | | |
|------------------------------|--------------------|------------------|
| Current Liabilities: | | |
| Accounts Payable - Operating | \$ <u>4,758.75</u> | \$ <u>462.33</u> |
| Total Liabilities | <u>4,758.75</u> | <u>463.33</u> |

NET POSITION

| | | |
|--------------------|-----------------------------|-----------------------------|
| Net Position: | | |
| Unrestricted | <u>159,877.41</u> | <u>111,301.31</u> |
| Total Net Position | \$ <u><u>159,877.41</u></u> | \$ <u><u>111,301.31</u></u> |

See independent auditors' report and accompanying notes to financial statements

**BOROUGH OF CARTERET MUNICIPAL PORT AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31,**

| | <u>2013</u> | <u>2012</u> |
|--------------------------------------|-----------------------------|-----------------------------|
| Operating Revenues: | | |
| Golf Course Fees | \$ - | \$ 5,455.00 |
| Binocular Fees | 438.99 | 471.45 |
| Miscellaneous Income | - | 267.96 |
| Local Subsidy | <u>75,000.00</u> | <u>75,000.00</u> |
| Total Operating Revenues | <u>75,438.99</u> | <u>81,194.41</u> |
| Operating Expenses: | | |
| Administrative and General | 25,711.26 | 71,556.35 |
| Cost of Providing Services | <u>1,500.00</u> | <u>14,324.88</u> |
| Total Operating Expenses | <u>27,211.26</u> | <u>85,881.23</u> |
| Operating Income (Loss) | <u>48,227.73</u> | (<u>4,686.82</u>) |
| Non-Operating Revenue/(Expenses): | | |
| Interest Income | <u>348.37</u> | <u>364.44</u> |
| Net Non-Operating Revenue/(Expenses) | <u>348.37</u> | <u>364.44</u> |
| Change in Net Position | 48,576.10 | (4,322.38) |
| Net Position, beginning of year | <u>111,301.31</u> | <u>115,623.69</u> |
| Net Position, end of year | \$ <u><u>159,877.41</u></u> | \$ <u><u>111,301.31</u></u> |

See independent auditors' report and accompanying notes to financial statements

**BOROUGH OF CARTERET MUNICIPAL PORT AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,**

| | <u>2013</u> | <u>2012</u> |
|--|----------------------|-----------------------|
| Cash Flows from Operating Activities: | | |
| Cash Received from Customers | \$ 438.99 | \$ 6,194.41 |
| Cash Received from Local Subsidy | 75,000.00 | 75,000.00 |
| Cash Paid to Employees | (4,000.00) | (5,500.00) |
| Cash Paid to Suppliers | <u>(17,414.84)</u> | <u>(79,918.90)</u> |
| Net Cash Flows (to) from Operating Activities | <u>54,024.15</u> | <u>(4,224.49)</u> |
| Cash Flows from Investing Activities: | | |
| Interest Received on Investments | <u>348.37</u> | <u>364.44</u> |
| Net Cash Provided by Investing Activities | <u>348.37</u> | <u>364.44</u> |
| Net Increase (Decrease) in Cash | 54,372.52 | (3,860.05) |
| Balance, January 1 | <u>110,263.64</u> | <u>114,123.69</u> |
| Balance, December 31 | \$ <u>164,636.16</u> | \$ <u>110,263.64</u> |
| Reconciliation of Operating Income to Net Cash Flows from Operating Activities: | | |
| Operating Income (Loss) | \$ 48,227.73 | \$ (4,686.82) |
| Changes in Assets and Liabilities | | |
| (Increase)/Decrease in Prepaid Expenses | 1,500.00 | - |
| Increase/(Decrease) in Accounts Payable | <u>4,296.42</u> | <u>462.33</u> |
| Net Cash Flows from Operating Activities | \$ <u>54,024.15</u> | \$ <u>(4,224.49)</u> |

See independent auditors' report and accompanying notes to financial statements

NOTES TO FINANCIAL STATEMENTS

BOROUGH OF CARTERET MUNICIPAL PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 and 2012

NOTE 1 ORGANIZATION

Reporting Entity

The Borough of Carteret Municipal Port Authority (the "Authority") was created by Ordinance of the Borough of Carteret (the "Borough") on September 4, 2003. The purpose of the Authority is to exercise all of the powers and privileges granted by the Port Authority Law of New Jersey (N.J.S.A. 40:68A et seq) and to thereby advance the interests of the residents of the Borough of Carteret by developing, operating, maintaining and expanding all lawful activities pertaining to the waterfront throughout the Borough on properties owned or otherwise controlled by the Authority now or in the future. The Authority is governed by five Members and one alternate members, all in accordance with the statute and the terms of the enabling Ordinance. The Members have the authority to exercise all of the powers and privileges provided under the law. These powers include the ability to sue or be sued in its corporate name, the power to establish and collect rates, rentals and other charges, the authority to acquire, construct, operate, manage and maintain facilities, the authority to buy and sell real and personal property, and the authority to issue debt for acquiring or constructing any facility or permanent improvement.

The Authority's financial statements include all accounts of the Authority's operations. The criteria for including organizations as component units within the Authority's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, including whether:

- the organization is legally separate (can sue and be sued in their own name)
- the Authority holds the corporate powers of the organization
- the Authority appoints a voting majority of the organization's board
- the Authority is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Authority
- there is a fiscal dependency by the organization on the Authority

Based on the aforementioned criteria, the Authority has no component units.

General

The Authority currently operates binocular rentals located on Borough owned property. In addition, the Authority plans to rebuild the miniature golf course which was destroyed by Superstorm Sandy in 2012. As a public body, under existing statute, the Authority is exempt from both federal and state taxes.

BOROUGH OF CARTERET MUNICIPAL PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 and 2012

NOTE 2 **SIGNIFICANT ACCOUNTING POLICIES**

A. Basis of Presentation and Accounting

The Authority's financial statements are presented on the full accrual basis in accordance with the accounting principles generally accepted in the United States of America. The Authority applies all Governmental Accounting Standards Board (GASB) pronouncements as well as Financial Accounting Standards Board (FASB) statements and interpretations, and the Accounting Principles Board (APB) of the Committee on Accounting Procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

These financial statements include the implementation of GASB No. 34, Basic Financial Statements, Management's Discussion and Analysis, for State and Local Governments and related standards. This standard provides for significant changes in terminology; recognition of contributions in the Statement of Revenues, Expenses and Changes in Net Position; inclusion of a management discussion and analysis as supplementary information; and other changes.

All activities of the Authority are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprise where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statement of net assets. Net assets (i.e., total assets net of total liabilities) are segregated into invested capital assets, net of related debt; restricted for capital activity; restricted for debt service; and unrestricted components.

B. Budgetary Accounting

Each year the Authority adopts a budget which is approved by the State of New Jersey, Department of Community Affairs, Division of Local Government Services. The budget may be amended by resolution of the Board of Commissioners of the Authority. The budgetary basis of accounting is utilized to determine the Authority has sufficient cash to operate and pay debt service. As such, certain items such as bond payments are included in budgetary expenses while depreciation is not included.

BOROUGH OF CARTERET MUNICIPAL PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 and 2012

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Cash and Cash Equivalents

New Jersey Authorities are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of securities which may be purchased by New Jersey authorities. The Authority is required to deposit funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey.

N.J.S.A. 17:9-42 requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

Public funds are defined as the funds of any government unit. Public depositories include banks (both state and national banks), savings and loan institutions and savings banks, the deposits of which are federally insured. All public depositories pledge collateral, having a market value of five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories in the collateral pool, is available to pay the full amount of their deposits to the governmental units.

For the statements of cash flows, the Authority combines the unrestricted cash and cash equivalents with the restricted cash and cash equivalents. The Authority considers investments with maturities of three months or less at the time of purchase to be cash equivalents.

D. Capital Expenditures

The Authority has authorized expenditures for the development of the waterfront on Borough owned properties. The Authority has treated these expenditures as a contribution to the Borough and therefore has not capitalized them on their books and records.

E. 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.

BOROUGH OF CARTERET MUNICIPAL PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 and 2012

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Compensated Absences

Authority employees are not entitled to compensated absences for unused vacation, holiday and sick time.

G. Revenue Recognition

The Authority recognizes revenue on the accrual basis as earned.

The Authority classifies all fees and charges to provide services as operating revenue and all other income as nonoperating revenue.

H. Net Position

Net position comprise the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net position is classified in the following four components: net investment in capital assets; restricted for capital activity; restricted for debt service; and unrestricted net position. Net investment in capital assets consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction and improvement of those assets. Debt related to unspent proceeds or other restricted cash and investments is excluded from the determination. Restricted for capital activity and debt service consists of net position for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposed legal mandates. Unrestricted consists of all other net position not included in the above categories.

I. Subsequent Events

Management has evaluated subsequent events through September 3, 2014 the date the financial statements were available to be issued.

NOTE 3 DONATED MATERIALS AND SERVICES

The Authority does not pay rent to the Borough for the use of the Borough's property. The Borough may provide other services in the form of meeting space, administration, use of office equipment and supplies. The Borough may also engage in similar activities associated with the Authority's purpose. The monetary value of these donated materials and services has not been established.

BOROUGH OF CARTERET MUNICIPAL PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 and 2012

NOTE 4 **CASH AND CASH EQUIVALENTS**

Deposits

All bank deposits as of the balance sheet date are entirely insured or collateralized by a collateral pool maintained by public depositories as required by the Governmental Unit Deposit Protection Act (see Note 2C - Cash and Cash Equivalents).

At December 31, 2013 and 2012, the Authority's deposits had a carrying amount of \$164,636.16 and \$110,263.44, respectively, and a bank balance of \$164,636.16 and \$110,696.17. Of the bank balance, \$114,828.48 was covered by federal depository insurance.

NOTE 5 **OPERATING LEASE**

The Authority leases three coin-operated binoculars for \$500 each annually. The Authority is not obligated to any future payments and can cancel at any time.

NOTE 6 **PENSION PLAN**

The employees of the Borough of Carteret Municipal Port Authority participate in the Public Employees' Retirement System (PERS), a cost-sharing multiple-employer defined benefit pension plan administered by the Board of Trustees Division of Pensions within the Treasury Department of the State of New Jersey. PERS provides retirement, death and disability benefits, as well as medical benefits for certain qualified members, and annual cost-of-living adjustments. Membership in PERS is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state or local jurisdiction. The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994 and Chapter 115, P.L. of 1998, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. For 2012 members contribute at a uniform rate of 6.64% of base salary. Employers are required to contribute at an actuarially determined rate. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments, the cost of medical premiums after retirement for qualified retirees, and noncontributory death benefits. This legislation also provides that the State of New Jersey may reduce its normal contributions to PERS based on the revaluation of assets, and fund such contributions from excess assets not needed to cover the costs of all accrued benefits. The PERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to the State of New Jersey, Division of Pensions. During 2013 all required contributions were made. Contributions to the plan for the last three years were as follows:

BOROUGH OF CARTERET MUNICIPAL PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 and 2012

NOTE 6 PENSION PLAN (continued)

| <u>Year</u> | <u>Authority</u> | <u>Employees</u> |
|-------------|------------------|------------------|
| 2013 | \$448.00 | \$285.60 |
| 2012 | 446.00 | 282.80 |
| 2011 | 441.00 | 240.00 |

Under the provisions of Chapter 78, P.L. 2011, employee pension contribution rates for PERS members increased effective July 1, 2012 from 6.64% to 6.78%. The contribution rate will increase by 0.14% each year on July 1 until the rate reaches 7.5% in July, 2018.

NOTE 7 RISK MANAGEMENT

The Authority is exposed to various risk of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The Authority has not obtained any insurance and may not be properly insured for various risks including workers compensation, general liability, or employee theft.

NOTE 8 RELATED PARTY TRANSACTIONS

All of the Authority's revenues are received from the Borough either in the form of a direct local subsidy or miscellaneous revenues derived from Borough owned assets.

During 2013 the Authority authorized \$16,120 for the Carteret Pier and Waterfront Park Mini Golf Building.

SUPPLEMENTARY INFORMATION

BOROUGH OF CARTERET MUNICIPAL PORT AUTHORITY
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
RESTRICTED AND UNRESTRICTED
For the Year Ended December 31, 2013

| | Unrestricted | Restricted | Total December 31, 2013 | Total December 31, 2012 |
|---|----------------------|-------------|-------------------------------|-------------------------------|
| Operating Revenues: | | | | |
| Golf course fees | \$ - | \$ - | \$ - | \$ 5,455.00 |
| Binocular fees | 438.99 | - | 438.99 | 471.45 |
| Local subsidy | 75,000.00 | - | 75,000.00 | 75,000.00 |
| Miscellaneous income | - | - | - | 267.96 |
| Total Operating Revenues | 75,438.99 | - | 75,438.99 | 81,194.41 |
| Operating Expenses: | | | | |
| Cost of providing services | 1,500.00 | - | 1,500.00 | 14,324.88 |
| Administration and general | 25,711.26 | - | 25,711.26 | 71,556.35 |
| Total Operating Expenses | 27,211.26 | - | 27,211.26 | 85,881.23 |
| Operating Income (Loss) | 48,227.73 | - | 48,227.73 | (4,686.82) |
| Non-Operating Revenue: | | | | |
| Interest income | 348.37 | - | 348.37 | 364.44 |
| Revenue | 348.37 | - | 348.37 | 364.44 |
| Net Income (Loss) Before Transfers | 48,576.10 | - | 48,576.10 | (4,322.38) |
| Transfers | - | - | - | - |
| Net Position, January 1 | 111,301.31 | - | 111,301.31 | 115,623.69 |
| Net Position, December 31 | \$ 159,877.41 | \$ - | \$ 159,877.41 | \$ 111,301.31 |

BOROUGH OF CARTERET MUNICIPAL PORT AUTHORITY
SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN CASH
UNRESTRICTED ACCOUNTS
For the Year Ended December 31, 2013

| | Operating Checking | Operating Checking | Change Fund | Total December 31, 2013 | Total December 31, 2012 |
|--|-------------------------|--------------------------|-----------------|-------------------------------|-------------------------------|
| Cash - January 1 | \$ 29,268.46 | \$ 80,995.18 | \$ - | \$ 110,263.64 | \$ 114,123.69 |
| Cash Receipts: | | | | | |
| Golf course fees | - | - | - | - | 5,455.00 |
| Binocular fees | - | 438.99 | - | 438.99 | 471.45 |
| Local subsidy | - | 75,000.00 | - | 75,000.00 | 75,000.00 |
| Interest income | 13.42 | 334.95 | - | 348.37 | 364.44 |
| Miscellaneous income | - | - | - | - | 267.96 |
| Transfers from unrestricted accounts | - | - | - | - | 100.00 |
| Total Cash Receipts | <u>13.42</u> | <u>75,773.94</u> | <u>-</u> | <u>75,787.36</u> | <u>81,658.85</u> |
| Total Cash and Investments Available | <u>29,281.88</u> | <u>156,769.12</u> | <u>-</u> | <u>186,051.00</u> | <u>195,782.54</u> |
| Cash Disbursements: | | | | | |
| Operating claims | 5,757.04 | 15,657.80 | - | 21,414.84 | 85,418.90 |
| Transfers to unrestricted accounts | - | - | - | - | 100.00 |
| Total Cash Disbursements | <u>5,757.04</u> | <u>15,657.80</u> | <u>-</u> | <u>21,414.84</u> | <u>85,518.90</u> |
| Cash and Investments - December 31 | <u>\$ 23,524.84</u> | <u>\$ 141,111.32</u> | <u>\$ -</u> | <u>\$ 164,636.16</u> | <u>\$ 110,263.64</u> |

BOROUGH OF CARTERET MUNICIPAL PORT AUTHORITY
SCHEDULE OF OPERATING REVENUES AND EXPENDITURES FUNDED BY
OPERATING REVENUES COMPARED BUDGET
For the Years Ended December 31, 2013 and December 21, 2012

| | 2013 Budget | 2013 Actual | 2012 Budget | 2012 Actual |
|--|----------------------|----------------------|----------------------|----------------------|
| Revenues: | | | | |
| Golf course fees | \$ - | \$ - | \$ - | \$ 5,455.00 |
| Binocular fees | - | 438.99 | - | 471.45 |
| Miscellaneous | - | - | - | 267.96 |
| Local subsidy | 75,000.00 | 75,000.00 | 75,000.00 | 75,000.00 |
| Total operating income | 75,000.00 | 75,438.99 | 75,000.00 | 81,194.41 |
| Interest income | - | 348.37 | - | 364.44 |
| Unreserved retained earnings | 25,000.00 | 111,301.31 | 100,000.00 | 115,623.69 |
| Total revenues | 100,000.00 | 187,088.67 | 175,000.00 | 197,182.54 |
| Expenses: | | | | |
| Administration: | | | | |
| Salaries and wages | 6,500.00 | 4,000.00 | 6,500.00 | 5,500.00 |
| Fringe benefits | 1,000.00 | 826.05 | 1,000.00 | 961.14 |
| Other expenses | 70,000.00 | 20,885.21 | 145,000.00 | 65,095.21 |
| Subtotal Administration | 77,500.00 | 25,711.26 | 152,500.00 | 71,556.35 |
| Cost of providing services: | | | | |
| Salaries and wages | 10,000.00 | - | 10,000.00 | 6,894.00 |
| Fringe benefits | 1,500.00 | - | 1,500.00 | 527.36 |
| Other expense | 11,000.00 | 1,500.00 | 11,000.00 | 6,903.52 |
| Subtotal Cost of Providing Services | 22,500.00 | 1,500.00 | 22,500.00 | 14,324.88 |
| Total Expenses | 100,000.00 | 27,211.26 | 175,000.00 | 85,881.23 |
| Excess revenues over expenditures | - | 159,877.41 | - | 111,301.31 |
| Total Budget | \$ 100,000.00 | \$ 187,088.67 | \$ 175,000.00 | \$ 197,182.54 |
| Reconciliation of Budgetary Basis | | | | |
| to Change in Net Position | | | | |
| Excess revenue over expenditures | | \$ 159,877.41 | | \$ 111,301.31 |
| Unreserved retained earnings | | (111,301.31) | | (115,623.69) |
| Change in Net Position | | \$ 48,576.10 | | \$ (4,322.38) |

ROSTER OF OFFICIALS

**BOROUGH OF CARTERET MUNICIPAL PORT AUTHORITY
ROSTER OF OFFICIALS
DECEMBER 31, 2013**

The following officers were in office during the period under audit:

| <u>OFFICIALS OF THE BOROUGH OF CARTERET MUNICIPAL PORT AUTHORITY</u> | <u>POSITION</u> |
|---|------------------------|
| Hank D'Orsi | Chairman |
| Joseph Caliguari | Commissioner |
| Joseph Sitarz | Commissioner |
| Welsey Kaskiw | Commissioner |
| Honorable Mayor Daniel J. Reiman | Commissioner |
| Benny Waters | Commissioner/Alternate |

COMMENTS & RECOMMENDATIONS

BOROUGH OF CARTERET MUNICIPAL PORT AUTHORITY

**COMMENTS AND RECOMMENDATIONS
Year Ended December 31, 2013**

None