

BOROUGH OF CARTERET MUNICIPAL PORT AUTHORITY
(A Component Unit of the Borough of Carteret,
County of Middlesex, State of New Jersey)

Financial Statements and Supplementary Schedules

For the year ended December 31, 2019

(With Independent Auditor's Report thereon)

BOROUGH OF CARTERET MUNICIPAL PORT AUTHORITY
(A Component Unit of the Borough of Carteret, County of Middlesex, State of New Jersey)
Financial Statements and Supplementary Schedules
For the year ended December 31, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Chairman and Commissioners
of the Borough of Carteret Municipal Port Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Borough of Carteret Municipal Port Authority, a component unit of the Borough of Carteret, County of Middlesex, State of New Jersey, as of and for the year ended December 31, 2019 and the related notes to the financial statements, which collectively comprise the 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 opinions 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; and in compliance with audit standards prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. 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 respective financial position of the business-type activities of the Borough of Carteret Municipal Port Authority, a component unit of the Borough of Carteret, County of Middlesex, State of New Jersey as of December 31, 2019 and the respective changes in financial position and cash flows thereof for the year 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 and the schedules related to accounting and reporting for pensions 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 audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of Carteret Municipal Port Authority's basic financial statements. The budgetary comparison information, schedule of revenues, expenses and changes in unrestricted and restricted net position and the schedule of unrestricted cash receipts, cash disbursements and changes in cash are presented for purposes of additional analysis, and are not a required part of the basic financial statements.

The accompanying budgetary comparison information, schedule of revenues, expenses and changes in unrestricted and restricted net position and the schedule of unrestricted cash receipts, cash disbursements and changes in cash are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison information, schedule of revenues, expenses and changes in unrestricted and restricted net position and the schedule of unrestricted cash receipts, cash disbursements and changes in cash are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2020 on our consideration of the Borough of Carteret Municipal Port 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 Borough of Carteret Municipal Port Authority's internal control over financial reporting and compliance.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

November 16, 2020
Toms River, New Jersey

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

To the Chairman and Commissioners
of Borough of Carteret Municipal Port Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the business-type activities of the Borough of Carteret Municipal Port Authority as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Borough of Carteret Municipal Port Authority’s basic financial statements and have issued our report thereon dated November 16, 2020.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Borough of Carteret Municipal Port Authority's financial statements are free of 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* or audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, and State of New Jersey.

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 Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Audit Standards* and audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, and State of New Jersey in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

November 16, 2020
Toms River, New Jersey

**BOROUGH OF CARTERET MUNICIPAL PORT AUTHORITY
(A COMPONENT UNIT OF THE BOROUGH OF CARTERET,
COUNTY OF MIDDLESEX, STATE OF NEW JERSEY)
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

As management of Borough of Carteret Municipal Port Authority (the “Authority”), we offer readers of the Authority’s financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended December 31, 2019. The intent of this narrative is to look at Authority’s overall financial performance in terms easily understood by the lay person. Please read this in conjunction with the Authority’s financial statements which begin on page 11. Notes to the financial statements will provide the reader with additional useful information and they begin on page 15.

FINANCIAL HIGHLIGHTS

- The assets of the Authority exceeded its liabilities at December 31, 2019 by \$1,524,543. In 2018 and 2017 the excess of liabilities over assets was \$997,427 and \$510,410, respectively.
- During 2019 Authority operated at a surplus of \$527,116. In 2018 the Authority operated at a surplus of \$487,017 and in 2017 the Authority operated at a deficit of \$472,165.
- The Authority decreased their liabilities by \$4,536 in 2019, and increased their total assets by \$522,580.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority’s basic financial statements are comprised of two components: Authority financial statements and notes to the basic financial statements.

Reporting on the Authority as a Whole

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-term 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 subfund 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 summary of the Authority’s significant accounting policies.

FINANCIAL ANALYSIS

Authority's net position is a useful indicator of the Authority's financial condition. At the end of 2019, the Authority's assets exceeded its assets by \$1,524,543.

Statement of Net Position

	2019	2018	2017	2019-2018		2018-2017	
				\$ Change	% Change	\$ Change	% Change
Total assets and deferred outflows of resources	\$ 1,539,240	\$ 1,016,660	\$ 537,341	522,580	51.4%	479,319	89.2%
Total liabilities and deferred inflows of resources	(14,697)	(19,233)	(26,931)	4,536	-23.6%	7,698	-28.6%
Net position	\$ 1,524,543	\$ 997,427	\$ 510,410	527,116	52.8%	487,017	95.4%
Unrestricted	\$ 1,524,543	\$ 997,427	\$ 510,410	527,116	52.8%	487,017	95.4%
Total net position	\$ 1,524,543	\$ 997,427	\$ 510,410	527,116	52.8%	487,017	95.4%

At the end of 2019 the net position of Authority increased \$527,116 as a result of the increase Binocular fees collected in the current year and the inflow from the Local Subsidy.

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenue, Expenses and Changes in Net Position shows the cost of the operations and the revenues offsetting these costs. A summary of these activities follows:

Revenue	2019	2018	2017	2019-2018		2018-2017	
				\$ Change	% Change	\$ Change	% Change
Operating revenues							
Local subsidy	\$ 500,000	\$ 500,000	\$ 500,000	-	0.0%	-	100.0%
Binocular fees and Rental	112,353	499	309	111,854	22415.6%	190	61.5%
Other operating revenue	698	1,706	-	(1,008)	100.0%	1,706	100.0%
Total operating revenues	\$ 613,051	\$ 502,205	\$ 500,309	110,846	22.1%	1,896	0.4%
Expenses							
Operating expenses							
Administrative expenses	\$ 55,750	\$ 24,383	\$ 31,273	31,367	128.6%	(6,890)	-22.0%
Cost of Operations and maintenance	48,202	-	-	48,202	100.0%	-	0.0%
Total operating expenses	103,952	24,383	31,273	79,569	326.3%	(6,890)	-22.0%
Non-operating revenue							
Interest income	18,017	9,195	3,129	8,822	95.9%	6,066	193.9%
Total non-operating revenue	18,017	9,195	3,129	8,822	95.9%	6,066	193.9%
Increase (decrease) in net position	527,116	487,017	472,165	40,099	8.2%	14,852	3.1%
Net Position, January 1	997,427	510,410	38,245	487,017	95.4%	472,165	1234.6%
Net Position, Dec. 31	\$ 1,524,543	\$ 997,427	\$ 510,410	527,116	52.8%	487,017	95.4%

Local Subsidy constituted 82% of the total governmental activities revenues received by Authority in 2019. In 2018 and 2017 local subsidy also constituted 99% and 99% of total revenues, respectively. The Binocular fees and Rentals constituted for 18% in 2019. The two years prior Binocular fees constituted less than 1%.

The Cost of Operations was 46% of the Authority's total expenses in 2019. In 2018 and 2017, this Cost represented 0% of total expenses. Administration expenses equaled 54% of the total expenses in in 2019. In 2018 and 2017, this cost constituted 100% of costs.

Budgetary Highlights

The 2019 Budget had a deficit in revenues and required the utilization of unrestricted surplus accumulated from prior years of \$500,000. The unused surplus becomes available for future budget periods as undesignated surplus.

The Authority had total actual revenues in excess of budgeted revenues of \$131,068 in 2019. The Board anticipates in 2020 that actual revenues will exceed the budgeted revenues.

The Authority spent \$896,448 less than originally anticipated in the operating budget for 2019.

ECONOMIC FACTORS AND NEXT YEARS BUDGET

In 2019, Authority was able to cover all its appropriations through the local subsidy and other revenues. In 2019 the local subsidy amounted to 82% of total revenue collected.

Authority adopted their 2019 budget on June 11, 2019.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's finances for all of those with an interest in the Authority's finances. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to the Treasurer of the Borough of Carteret Municipal Port Authority, 61 Cooke Avenue, Carteret, New Jersey, 07008.

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BOROUGH OF CARTERET MUNICIPAL PORT AUTHORITY
(A Component Unit of the Borough of Carteret, County of Middlesex, State of New Jersey)
Statement of Net Position
December 31, 2019

	2019
ASSETS	
Current assets:	
Unrestricted assets:	
Cash and cash equivalents (Note 3)	\$ 1,536,528
Prepaid expenses	1,500
Total current unrestricted assets	1,538,028
Total assets	1,538,028
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions (Note 5)	1,212
Total deferred outflow of resources	1,212
Total assets and deferred outflow of resources	\$ 1,539,240
LIABILITIES	
Current liabilities paid from unrestricted assets:	
Pension payable (Note 5)	\$ 548
Total current liabilities paid from unrestricted assets	548
Non-current unrestricted liabilities:	
Net pension liability (Note 5)	10,151
Total non-current unrestricted liabilities	10,151
Total liabilities	10,699
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions (Note 5)	3,998
Total deferred inflow of resources	3,998
Total liabilities and deferred inflow of resources	14,697
NET POSITION	
Unrestricted net position	1,524,543
Total net position	1,524,543
Total liabilities, deferred inflow of resources and net position	\$ 1,539,240

The accompanying notes to the financial statements are an integral part of this statement.

BOROUGH OF CARTERET MUNICIPAL PORT AUTHORITY
(A Component Unit of the Borough of Carteret, County of Middlesex, State of New Jersey)
Statement of Revenues, Expenses and Change in Net Position
For the year ended December 31, 2019

	2019
Operating revenues:	
Binocular fees and rentals	\$ 112,353
Miscellaneous	698
Local subsidy	500,000
Total operating revenues	613,051
Operating expenses:	
Administration	55,750
Cost of Providing Services	48,202
Total operating expenses	103,952
Net income from operations	509,099
Non-operating revenues:	
Interest income	18,017
Total non-operating revenues	18,017
Change in net position	527,116
Net position, January 1	997,427
Net position, December 31	\$ 1,524,543

The accompanying notes to the financial statements are an integral part of this statement.

BOROUGH OF CARTERET MUNICIPAL PORT AUTHORITY
(A Component Unit of the Borough of Carteret, County of Middlesex, State of New Jersey)
Statement of Cash Flows
For the year ended December 31, 2019

	2019
Cash flows from operating activities:	
Cash received from service users	\$ 112,353
Cash received from local subsidy	500,000
Cash received from rentals	698
Cash paid to suppliers and employees	(107,605)
Net cash flows from operating activities	505,446
Cash flows from investing activities:	
Interest received	18,017
Net cash flows from investing activities	18,017
Change in cash	523,463
Cash and cash equivalents, January 1	1,013,065
Cash and cash equivalents, December 31	\$ 1,536,528
Reconciliation of net income to cash flows from operating activities:	
Net change from operations	509,099
Working capital changes which provided (used) cash:	
Accounts payable	(326)
Pension payable	(179)
Deferred outflow of resources	883
Net pension liability	(1,073)
Deferred inflows related to pension	42
Accrued expenses	(3,000)
Net cash flows from operating activities	\$ 505,446

The accompanying notes to the financial statements are an integral part of this statement.

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BOROUGH OF CARTERET MUNICIPAL PORT AUTHORITY
(A Component Unit of the Borough of Carteret, County of Middlesex, State of New Jersey)
Notes to Financial Statements
For the year ended December 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB).

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 member, 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. The 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 primary criterion for including activities with the Authority’s reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, is whether:

- the organization is legally separate (can sue or 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.

There were no additional entities required to be included in the reporting entity under the criteria as described above.

The Authority is a component unit of the Borough. The Authority issues separate financial statements from the Borough. However, if the Borough presented its financial statements in accordance with GAAP, these financial statements would be included in the Borough’s on a blended basis.

General

The Authority currently operates binocular rentals located on Borough owned property. In 2014, the Authority rebuilt 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.

Basis of Accounting

The financial statements of the Authority have been prepared on the accrual basis of accounting and in accordance with generally accepted accounting principles (“GAAP”) applicable to enterprise funds of state and local governments.

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

BOROUGH OF CARTERET MUNICIPAL PORT AUTHORITY
(A Component Unit of the Borough of Carteret, County of Middlesex, State of New Jersey)
Notes to Financial Statements
For the year ended December 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting (Continued)

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, liabilities and deferred inflow or outflow of resources associated with the operations are included on the statement of net position. Net position (i.e., total assets net of total liabilities) are segregated into invested in capital assets, net of related debt and unrestricted components.

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amount.

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 of America or 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, when the funds are secured in accordance with the Act.

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.

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.

Compensated Absences

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

BOROUGH OF CARTERET MUNICIPAL PORT AUTHORITY
(A Component Unit of the Borough of Carteret, County of Middlesex, State of New Jersey)
Notes to Financial Statements
For the year ended December 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating Revenues and Expenses

The Authority recognizes revenue on the accrual basis earned.

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

Equity Classifications

Equity is classified as net position and can be displayed in three components as follows:

Net Investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets. The Authority does not have net investment in capital assets as of the end of the year.

Restricted net position – Consists of net position with constraints placed on use either by (1) external groups such as creditors, grantors, contributors, laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The Authority does not have any restricted net position as of the end of the year.

Unrestricted net position – All other net position that do not meet the definition of "restricted" or "net investment in capital assets".

Budgets and 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. As such, certain items such depreciation expense is not included in budgetary expenses.

Deferred Outflows and Deferred Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future periods and so will not be recognized as an inflow of resources (revenue) until that time.

BOROUGH OF CARTERET MUNICIPAL PORT AUTHORITY
(A Component Unit of the Borough of Carteret, County of Middlesex, State of New Jersey)
Notes to Financial Statements
For the year ended December 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pensions Section

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Subsequent Events

The Authority has evaluated subsequent events occurring after December 31, 2019 through November 16, 2020, which is the date the financial statements were available to be issued.

NOTE 2: 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 had not been established.

NOTE 3: CASH AND CASH EQUIVALENTS

The Authority is governed by the deposit limitations of New Jersey state law. The deposits held at December 31, 2019 reported at fair value are as follows:

	Carrying Value
	<u>2019</u>
Type:	
Deposits:	<u>\$1,537,401</u>
Demand deposits	<u>\$1,537,401</u>
Total deposits	
 Reconciliation to Statements of Net Position:	
Current unrestricted assets:	
Cash and cash equivalents	<u>\$1,537,401</u>
Total cash and cash equivalents	<u>\$1,537,401</u>

BOROUGH OF CARTERET MUNICIPAL PORT AUTHORITY
(A Component Unit of the Borough of Carteret, County of Middlesex, State of New Jersey)
Notes to Financial Statements
For the year ended December 31, 2019

NOTE 3: CASH AND CASH EQUIVALENTS (continued)

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. The Authority does not have a deposit policy for custodial credit risk. As of December 31, 2019, the Authority's bank balance of \$1,537,401 was insured or collateralized as follows:

	Insured	\$ 250,000
	GUDPA	<u>1,287,401</u>
Total Deposits		<u>\$ 1,537,401</u>

NOTE: 4: 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 5: PENSION OBLIGATIONS

Public Employees' Retirement System (PERS)

Plan Description - The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about PERS, please refer to Division's Comprehensive Annual Financial Report (CAFR), which can be found at <http://www.nj.gov/treasury/pensions/financial-reports.shtml>.

The vesting and benefit provisions are set by *N.J.S.A. 43:15A*. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65.

BOROUGH OF CARTERET MUNICIPAL PORT AUTHORITY
(A Component Unit of the Borough of Carteret, County of Middlesex, State of New Jersey)
Notes to Financial Statements
For the year ended December 31, 2019

NOTE 5: PENSION OBLIGATIONS (continued)

Public Employees' Retirement System (PERS) (continued)

Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 with 25 or more years of service credit before age 62 and tier 5 with 30 or more years of service credit before age 65.

Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Basis of Presentation – The schedules of employer allocations and the schedules of pension amounts by employer (collectively, the Schedules) present amounts that are considered elements of the financial statements of PERS or its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of PERS or the participating employers. The accompanying Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of PERS to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

Contributions – The contribution policy for PERS is set by *N.J.S.A. 43:15A* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For the fiscal year 2019, the State's pension contribution was less than the actuarial determined amount. The local employers' contribution amounts are based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. For the year ended December 31, 2019, the Authority's contractually required contribution to PERS plan was \$548.

Components of Net Pension Liability – At December 31, 2019, the Authority's proportionate share of the PERS net pension liability was \$10,151. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019. The Authority's proportion of the net pension liability was based on the Authority's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2019. The Authority's proportion measured as of June 30, 2019, was 0.0000563377% which was a decrease of 0.000006623% from its proportion measured as of June 30, 2018.

BOROUGH OF CARTERET MUNICIPAL PORT AUTHORITY
(A Component Unit of the Borough of Carteret, County of Middlesex, State of New Jersey)
Notes to Financial Statements
For the year ended December 31, 2019

NOTE 5: PENSION OBLIGATIONS (continued)

Public Employees' Retirement System (PERS) (continued)

Balances at December 31, 2019 and December 31, 2018

	<u>12/31/2019</u>	<u>12/31/2018</u>
Actuarial valuation date (including roll forward)	June 30, 2019	June 30, 2018
Deferred Outflows of Resources	\$ 1,212	\$ 2,095
Deferred Inflows of Resources	3,998	3,956
Net Pension Liability	10,151	11,224
Authority's portion of the Plan's total Net Pension Liability	0.00006%	0.00006%

Pension Expense and Deferred Outflows/Inflows of Resources – At December 31, 2019, the Authority's proportionate share of the PERS expense, calculated by the plan as of the June 30, 2019 measurement date is \$548. At December 31, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ 182	\$ 45
Changes of Assumptions	1,014	3,523
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	160
Changes in Proportion and Differences between Authority Contributions and Proportionate Share of Contributions	16	270
	<u>\$ 1,212</u>	<u>\$ 3,998</u>

BOROUGH OF CARTERET MUNICIPAL PORT AUTHORITY
(A Component Unit of the Borough of Carteret, County of Middlesex, State of New Jersey)
Notes to Financial Statements
For the year ended December 31, 2019

NOTE 5: PENSION OBLIGATIONS (continued)

Public Employees' Retirement System (PERS) (continued)

The Authority will amortize the above sources of deferred outflows and inflows related to PERS over the following number of years:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2014	-	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	5.48	-
June 30, 2018	5.63	-
June 30, 2019	5.21	-
Changes of Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	-	5.48
June 30, 2018	-	5.63
June 30, 2019	-	5.21
Net Difference between Projected and Actual Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:		
June 30, 2014	-	5.00
June 30, 2015	-	5.00
June 30, 2016	5.00	-
June 30, 2017	5.00	-
June 30, 2018	5.00	-
June 30, 2019	5.00	-
Changes in Proportion and Differences between Contributions and Proportionate Share of Contributions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	6.44
June 30, 2015	5.72	5.72
June 30, 2016	5.57	5.57
June 30, 2017	5.48	5.48
June 30, 2018	5.63	5.63
June 30, 2019	5.21	5.21

BOROUGH OF CARTERET MUNICIPAL PORT AUTHORITY
(A Component Unit of the Borough of Carteret, County of Middlesex, State of New Jersey)
Notes to Financial Statements
For the year ended December 31, 2019

NOTE 5: PENSION OBLIGATIONS (continued)

Public Employees' Retirement System (PERS) (continued)

The following is a summary of the deferred outflows of resources and deferred inflows of resources related to PERS that will be recognized in future periods:

Year Ending	Amount
<u>Dec 31,</u>	
2020	\$ 40,225
2021	(48,582)
2022	1,287
2023	4,326
2024	(42)
	\$ (2,786)

Actuarial Assumptions – The total pension liability for the June 30, 2019 measurement date was determined by using an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019. This actuarial valuation used the following actuarial assumptions:

Inflation	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through 2026	2.00 - 6.00% Based on Years of Service
Thereafter	3.00 - 7.00% Based on Years of Service
Investment Rate of Return	7.00%
Mortality Rate Table	
PERS	Pub-2010 General Classification Headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2019
Period of Actuarial Experience	
Study upon which Actuarial Assumptions were Based	July 1, 2014 - June 30, 2018

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rate were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on the mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scales.

BOROUGH OF CARTERET MUNICIPAL PORT AUTHORITY
(A Component Unit of the Borough of Carteret, County of Middlesex, State of New Jersey)
Notes to Financial Statements
For the year ended December 31, 2019

NOTE 5 PENSION OBLIGATIONS (continued)

Public Employees' Retirement System (PERS) (continued)

Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Long-Term Expected Rate of Return – In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2019) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan 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 the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	3.00%	4.67%
Cash Equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment Grade Credit	10.00%	4.25%
High Yield	2.00%	5.37%
Private Credit	6.00%	7.92%
Real Assets	2.50%	9.31%
Real Estate	7.50%	8.33%
U.S. Equity	28.00%	8.26%
Non-U.S. Developed Markets Equity	12.50%	9.00%
Emerging Markets Equity	6.50%	11.37%
Private Equity	12.00%	10.85%
	<hr style="width: 100%; border: 0.5px solid black;"/>	
	100.00%	

BOROUGH OF CARTERET MUNICIPAL PORT AUTHORITY
(A Component Unit of the Borough of Carteret, County of Middlesex, State of New Jersey)
Notes to Financial Statements
For the year ended December 31, 2019

NOTE 5: PENSION OBLIGATIONS (continued)

Public Employees' Retirement System (PERS) (continued)

Discount Rate – The discount rate used to measure the total pension liability was 6.28% as of June 30, 2019. The single blended discount rate was based on long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2019 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Authority's proportionate share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate as disclosed above, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.28%) or 1-percentage-point higher (7.28%) than the current rate:

	1% Decrease <u>(5.28%)</u>	Current Discount Rate <u>(6.28%)</u>	1% Increase <u>(7.28%)</u>
Authority's Proportionate Share of the Net Pension Liability	<u>\$ 12,912</u>	<u>\$ 10,151</u>	<u>\$ 7,955</u>

NOTE 6: 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 7: 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.

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BOROUGH OF CARTERET MUNICIPAL PORT AUTHORITY
 (A Component Unit of the Borough of Carteret, County of Middlesex, State of New Jersey)
SCHEDULE OF AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST SEVEN FISCAL YEARS *

	2019	2018	2017	2016	2015	2014	2013
Authority's proportion of the net pension liability (asset)	0.00006%	0.00006%	0.00006%	0.00006%	0.00006%	0.00006%	0.00006%
Authority's proportionate share of the net pension liability (asset)	\$ 10,151	\$ 11,224	\$ 13,418	\$ 17,236	\$ 13,003	\$ 11,084	\$ 10,811
Authority's covered-employee payroll	\$ 3,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	338.37%	280.60%	335.45%	430.90%	325.08%	277.10%	270.28%
Plan fiduciary net position as a percentage of the total pension liability	56.34%	53.60%	48.10%	40.14%	47.93%	52.08%	52.08%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

BOROUGH OF CARTERET MUNICIPAL PORT AUTHORITY
 (A Component Unit of the Borough of Carteret, County of Middlesex, State of New Jersey)
SCHEDULE OF AUTHORITY CONTRIBUTIONS
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST SEVEN FISCAL YEARS*

	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 548	\$ 567	\$ 534	\$ 517	\$ 498	\$ 476	\$ 437
Contributions in relation to the contractually required contribution	(548)	(567)	(534)	(517)	(498)	(476)	(437)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's covered-employee payroll	\$ 3,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000
Contributions as a percentage of covered-employee payroll	18.27%	14.18%	13.35%	12.93%	12.45%	11.90%	10.93%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

Borough of Carteret Municipal Port Authority
(A Component Unit of the Borough of Carteret, County of Middlesex, State of New Jersey)
Notes to the Required Supplementary Information
For the year ended December 31, 2019

Public Employees' Retirement System (PERS)

Changes of Benefit Terms

None.

Changes of Assumptions

The discount rate changed from 5.66% as of June 30, 2018, to 6.28% as of June 30, 2019.

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BOROUGH OF CARTERET MUNICIPAL PORT AUTHORITY
(A Component Unit of the Borough of Carteret, County of Middlesex, State of New Jersey)
Schedule of Revenues and Costs Compared to Budget
For the year ended December 31, 2019
(With comparative totals for the year ended December 31, 2018)

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	December 31, 2018 Actual
Revenues:					
Operating revenues:					
Binocular fees and rentals	\$ -	\$ -	\$ 112,353	\$ 112,353	\$ 499
Miscellaneous	-	-	698	698	1,706
Local subsidy	500,000	500,000	500,000	-	500,000
Total operating revenues	<u>500,000</u>	<u>500,000</u>	<u>613,051</u>	<u>113,051</u>	<u>502,205</u>
Non-operating revenues:					
Interest income	-	-	18,017	18,017	9,195
Total non-operating revenues	<u>-</u>	<u>-</u>	<u>18,017</u>	<u>18,017</u>	<u>9,195</u>
Total revenues	<u>500,000</u>	<u>500,000</u>	<u>631,068</u>	<u>131,068</u>	<u>511,400</u>
Operating appropriations:					
Administration					
Salaries and wages	6,000	6,000	2,750	3,250	4,000
Fringe benefits	1,500	1,500	1,500	-	544
Other expenses	102,500	102,500	51,100	51,400	20,271
Total administration	<u>110,000</u>	<u>110,000</u>	<u>55,350</u>	<u>54,650</u>	<u>24,815</u>
Cost of providing services					
Salaries and wages	425,000	425,000	19,813	405,187	-
Other expenses	465,000	465,000	28,389	436,611	-
Total cost of providing services	<u>890,000</u>	<u>890,000</u>	<u>48,202</u>	<u>841,798</u>	<u>-</u>
Total operating appropriations	<u>1,000,000</u>	<u>1,000,000</u>	<u>103,552</u>	<u>896,448</u>	<u>24,815</u>
Less: total unrestricted net position utilized	<u>(500,000)</u>	<u>(500,000)</u>	<u>-</u>	<u>(500,000)</u>	<u>-</u>
Net variance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 527,516</u>	<u>\$ 527,516</u>	<u>\$ 486,585</u>
Reconciliation of change in net position to Statements of Net Position:					
Less: unbudgeted pension expense			(400)		432
Change in net position per Statements of Revenues, Expenses and Changes in Net Position			<u>\$ 527,116</u>		<u>\$ 487,017.00</u>

BOROUGH OF CARTERET MUNICIPAL PORT AUTHORITY
(A Component Unit of the Borough of Carteret, County of Middlesex, State of New Jersey)
Schedule of Revenues, Expenses and Changes in Net Position
Restricted and Unrestricted
For the year ended December 31, 2019
(With comparative totals for the year ended December 31, 2018)

	Unrestricted	Restricted	Total	
			December 31, 2019	December 31, 2018
Operating revenues:				
Binocular fees and rentals	\$ 112,353	\$ -	\$ 112,353	499
Miscellaneous	698	-	698.00	1,706
Local subsidy	500,000	-	500,000	500,000
Total operating revenues	613,051	-	613,051	502,205
Operating expenses:				
Administration	55,750	-	55,750	24,383
Cost of Providing Services	48,202	-	48,202	-
Total operating expenses	103,952	-	103,952	24,383
Net income from operations	509,099	-	509,099	477,822
Non-operating revenues (expenses):				
Interest income	18,017	-	18,017	9,195
Total non-operating revenues (expenses)	18,017	-	18,017	9,195
Change in net position	527,116	-	527,116	487,017
Net position, January 1	997,427	-	997,427	510,410
Net position, December 31	\$ 1,524,543	\$ -	\$ 1,524,543	\$ 997,427

BOROUGH OF CARTERET MUNICIPAL PORT AUTHORITY
(A Component Unit of the Borough of Carteret, County of Middlesex, State of New Jersey)
Schedule of Cash Receipts, Cash Disbursements and Changes in Cash
Unrestricted
For the year ended December 31, 2019
(With comparative totals for the year ended December 31, 2018)

	<u>Operating</u>	<u>Change Fund</u>	<u>Total</u>	
			<u>December 31, 2019</u>	<u>December 31, 2018</u>
Cash, January 1	\$ 1,013,065	\$ -	\$ 1,013,065	\$ 534,181
Cash receipts				
Binocular fees and rentals	112,353	-	112,353	499
Miscellaneous	698	-	698	1,706
Local subsidy	500,000	-	500,000	500,000
Interest Income	18,017	-	18,017	9,195
Total cash receipts	<u>631,068</u>	<u>-</u>	<u>631,068</u>	<u>511,400</u>
Total cash available	<u>1,644,133</u>	<u>-</u>	<u>1,644,133</u>	<u>1,045,581</u>
Cash disbursements				
Operating	<u>107,605</u>	<u>-</u>	<u>107,605</u>	<u>32,516</u>
Total cash disbursements	<u>107,605</u>	<u>-</u>	<u>107,605</u>	<u>32,516</u>
Cash, December 31	<u>\$ 1,536,528</u>	<u>\$ -</u>	<u>\$ 1,536,528</u>	<u>\$ 1,013,065</u>

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BOROUGH OF CARTERET MUNICIPAL PORT AUTHORITY
(A Component Unit of the Borough of Carteret, County of Middlesex, State of New Jersey)
Board of Commissioners
December 31, 2019

	<u>Position</u>
Hank D’Orsi	Chairman
Joseph Caliguari	Vice Chairman
Vincent Bellino.....	Commissioner
Wesley Kaskiw.....	Commissioner
Honorable Mayor Daniel J. Reiman.....	Commissioner
Benny Waters.....	Commissioner/Alternate

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To the Chairman and Commissioners
of Borough of Carteret Municipal Port Authority
61 Cooke Avenue
Carteret, New Jersey 07008

We have audited the financial accounts and transactions of the Borough of Carteret Municipal Port Authority, County of Middlesex, State of New Jersey for the year ended December 31, 2019. In accordance with requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the following are the *General Comments* and *Recommendations* for the year then ended.

We have audited the financial accounts and transactions of the Borough of Carteret Municipal Port Authority, a component unit of the Borough of Carteret, County of Middlesex, State of New Jersey for the year ended December 31, 2019. In accordance with requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the following are the *General Comments* and *Recommendations* for the year then ended.

GENERAL COMMENTS AND RECOMMENDATIONS

Contracts and Agreements Required to be advertised by (N.J.S.A.40A:11-4)

N.J.S.A.40A:11-4 - Every contract or agreement, for the performance of any work or furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only by the governing body of the contracting unit after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other Law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate \$40,000 except by contract or agreement.

It is pointed out that the Members of the Authority have the responsibility of determining whether the expenditures in any category will exceed the statutory minimum within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the solicitor's opinion should be sought before a commitment is made.

Review of the minutes and financial transactions did not identify any bids requested by public advertising.

The minutes indicate that resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services," per *N.J.S.A.40A:11-5*.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed. The results of our examination did not disclose any discrepancies.

Contracts and Agreements Required to be advertised by (N.J.S.A.40A:11-4)(continued)

The examination of expenditures did not reveal any contracts or agreements in excess of \$6,000 "for the performance of any work or the furnishing or hiring of any materials or supplies", other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provision of (N.J.S.A.40A:11-6.1).

The supporting documentation indicated that quotes were requested for all items that required them.

Examination of Bills

A test check of paid bills was made and each bill, upon proper approval, was considered as a separate and individual contract unless the records disclosed it to be a part payment or estimate. The results of the examination did not disclose any discrepancies with respect to signatures, certification or supporting documentation.

Payroll Fund

The examination of the payroll account included the detailed computation of various deductions or other credits from the payroll of the Authority employees and ascertained that the accumulated withholdings were disbursed to the proper agencies.

Budget Adoption

The State of New Jersey requires that the Authority's operating and capital budgets be approved and adopted for each fiscal year. The Authority approved its operating budget on May 14, 2019 and adopted its operating budget on June 11, 2019.

Acknowledgment

We received the complete cooperation of all the Authority Officials and employees and we greatly appreciate the courtesies extended to the members of the audit team.

Should you have any questions concerning our comments or recommendations, or should you desire any assistance in implementing our recommendations, please call us.

Respectfully Submitted,

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

November 16, 2020
Toms River, New Jersey