

WOODBINE PORT AUTHORITY
(A component unit of the Borough of Woodbine)

REPORT OF AUDIT

FOR THE YEAR ENDED

DECEMBER 31, 2012 AND 2011

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Independent Auditor's Report

The Chairman and Members of the
Woodbine Port Authority
Woodbine, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Woodbine Port Authority (a component unit of the Borough of Woodbine) in the County of Cape May, State of New Jersey, as of and for the years ended December 31, 2012 and 2011, 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that

are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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 Woodbine Port Authority (a component unit of the Borough of Woodbine) in the County of Cape May, State of New Jersey, as of December 31, 2012 and 2011, and the respective changes in financial position and, cash flows thereof 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* identified in the table of contents 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 Woodbine Port Authority's basic financial statements. The Schedule of Changes in Required Funds and the Schedule of Appropriations Compared to Budget are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Changes in Required Funds and the Schedule of Appropriations Compared to Budget is the responsibility of management and was 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 Schedule of Changes in Required Funds and the Schedule of Appropriations Compared to Budget is 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 July 5, 2013 on our consideration of the Woodbine 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 the Woodbine Port Authority's internal control over financial reporting and compliance.

Ford Scott & Associates, LLC

Ford Scott & Associates, LLC

July 5, 2013

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REQUIRED SUPPLEMENTAL INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section presents management's analysis of the Authority's financial condition and activities for the year. This information should be read in conjunction with the financial statements.

Financial Highlights

Management believes the Authority's financial condition is stable. The following are key financial highlights:

- Total assets at year-end were \$8,529,457 and exceeded liabilities in the amount of \$7,987,366 (i.e. net position). Of the \$248,932 classified as unrestricted, the total amount was available to support ongoing operations of the Authority. Total assets and total net position increased \$140,438 and \$490,299, respectively.
- Operating revenues were \$486,348, a increase from year 2011 in the amount of \$34,054..
- Operating expense increased \$172,674 from 2011.
- Operating loss for the year was \$165,788 compared with an operating loss of \$27,168 for the year ended 2011.

Overview of Annual Financial Report

Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with, the basic audited financial statements and supplemental information. The MD&A represents management's examination and analysis of the Authority's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the Authority's capital plan, budget bond resolutions and other management tools were used for this analysis.

The financial statements report information about the Authority using full accrual accounting methods as utilized by similar business activities in the private sector. However, rate-regulated accounting principles applicable to private sector utilities are not used by government utilities. The financial statements include a statement of net position, statement of activities, statement of cash flows and notes to the financial statements.

The **statement of net position** presents the financial position of the Authority on a full accrual historical cost basis. The statement of net position presents information on all of the Authority's assets and liabilities, with the difference reported as net position. Over time, increases and decreases in net position are one indicator of whether the financial position of the Authority is improving or deteriorating.

While the statement of net position provides information about the nature and amount of resources and obligations at year-end, the **statement of activities** presents the results of the business activities over the course of the fiscal year and information as to how the net assets changed during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This statement also provides certain information about the Authority's recovery of its costs.

The **statement of cash flows** presents changes in cash and cash equivalents, resulting from operational, financing, and investing activities. This statement presents cash receipts and cash disbursement information, without consideration of the earnings event, when an obligation arises, or depreciation of capital assets.

The **notes to the financial statements** provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Authority's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

Supplementary information

A schedule of appropriations compared to budget is comparing the budget to actual expenses as well as an independent auditors' report in accordance with government auditing standards and schedules of federal and state awards.

Summary of the Organization and Business

The Authority was created to operate an airport and industrial park to serve the municipality of the Borough of Woodbine, New Jersey. The Authority is a component unit of the Borough of Woodbine.

As a public body, under existing statute, the Authority is exempt from both federal and state taxes.

The Authority has no taxing power. Operational and maintenance costs are funded from customer fees and charges. The acquisition and construction of capital assets are funded by capital (cash and systems) contributions from customers, including developers, Federal and State grants and loans, and customer revenues.

Financial Analysis

The following comparative condensed financial statements and other selected information serve as the key financial data and indicators for management, monitoring and planning. Comments regarding budget-to-actual variances and year-to-year variances are included in each section by the name of the statement or account.

Condensed Financial Statements

Condensed Statement of New Position

	December 31,		
	2012	2011	2010
Assets:			
Current Assets	\$ 396,461	696,864	566,577
Capital Assets, Net	8,273,434	7,832,593	7,354,313
Total Assets	8,669,895	8,529,457	7,920,890
Liabilities:			
Current Liabilities	192,529	507,365	389,363
Long Term Debt Outstanding	490,000	525,025	556,657
Total Liabilities	682,529	1,032,390	946,020
Net Position:			
Investment in Capital Assets	7,738,434	7,275,936	6,767,564
Unrestricted	248,932	221,131	207,306
Total Net Position	7,987,366	7,497,067	6,974,870
Total Liabilities and Net Position	\$ 8,669,895	8,529,457	7,920,890

Condensed Statement of Activities

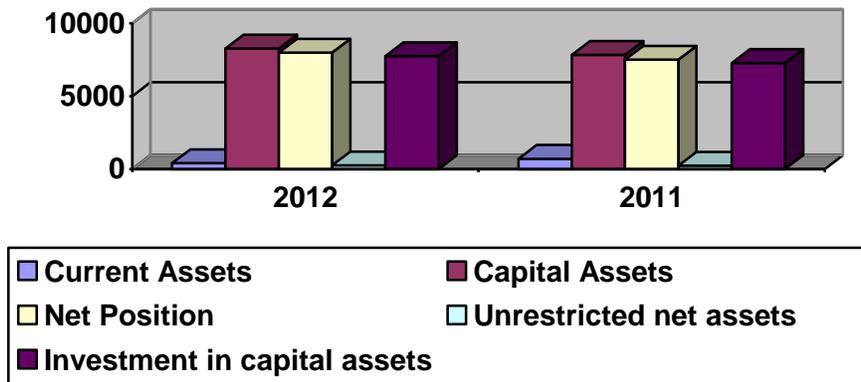
	<u>2012</u>	<u>2011</u>	<u>2010</u>
Revenues:			
Leases	\$ 174,060	162,080	163,954
Tie Downs	1,415	4,800	1,540
Banner Towing	10,000	10,000	10,000
Fuel Sales	266,449	243,677	216,914
Vending Machines	230	427	498
Miscellaneous	34,194	31,310	4,736
Total Operating Revenues	<u>486,348</u>	<u>452,294</u>	<u>397,642</u>
Expenses:			
Operating Appropriations	405,573	358,446	337,366
Depreciation	246,563	121,016	115,319
Total operating expenses	<u>652,136</u>	<u>479,462</u>	<u>452,685</u>
Operating Loss	(165,788)	(27,168)	(55,043)
Non-operating revenue net	<u>656,087</u>	<u>549,365</u>	<u>917,102</u>
Increase in net assets	<u>\$ 490,299</u>	<u>\$ 522,197</u>	<u>862,059</u>

General Trends and Significant Events

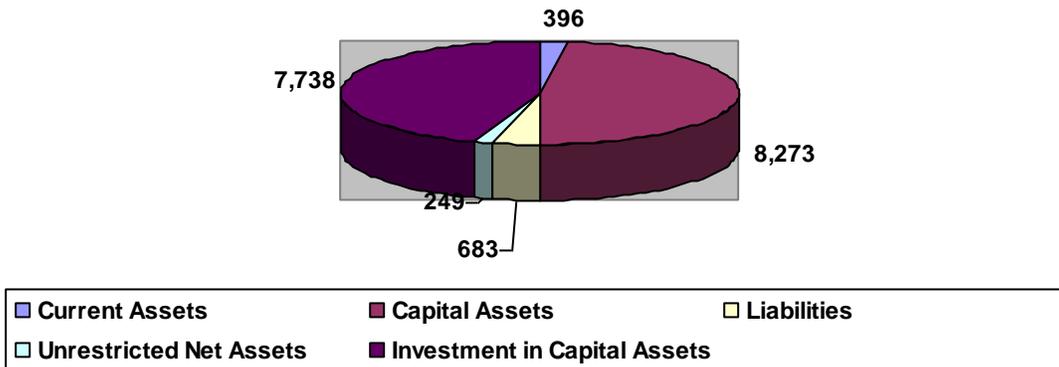
Financial Condition

The Authority's operating loss remained consistent with the prior year except for the increase in depreciation. The increase in net position is from Federal, State and Local Grants received during the year. The following charts summarize the statement of net assets with comparisons to the prior year.

Assets and Net Position in thousands



FY 2012 Statement of Net Position (in thous.)



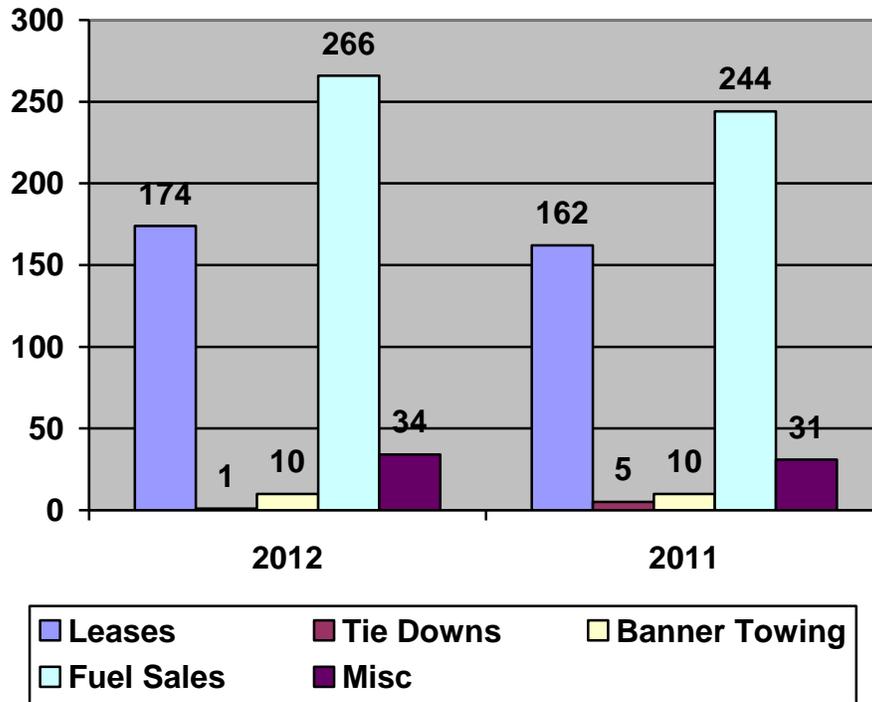
Total assets increased \$140,438 or 1.7%. The increase was primarily related to an increase in Capital Assets.

Investments in capital assets, net of related debt increased \$440,841. Unrestricted net assets increased by \$27,801.

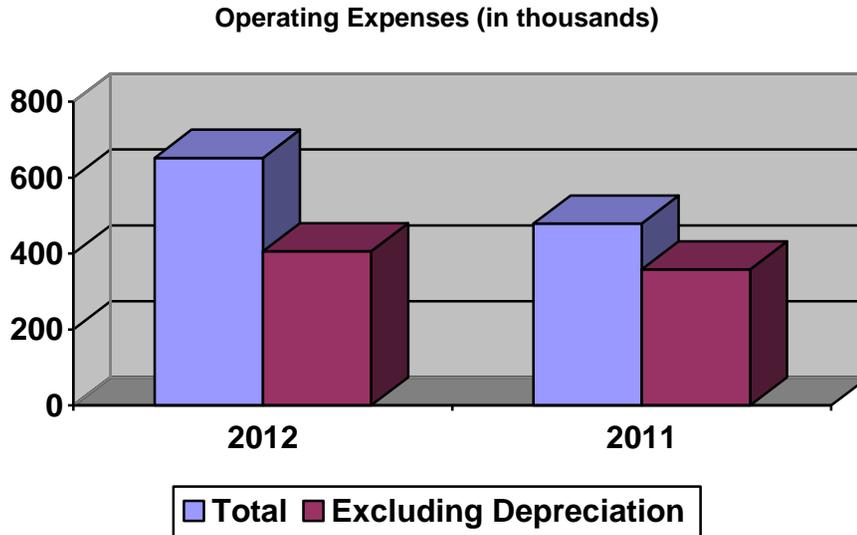
Results of Operations

Operating Revenues: Revenues from operations fall into three general categories: leases, fuel sales, and other. The following chart depicts revenues for the past two years.

Operating Revenues (in thousands)



Expenses: Total operating expenses of the Authority increased \$172,674 over the fiscal year 2011. Operating expenses, including and excluding depreciation, for the last two years are graphed below:



Cash Flow Activity

The following table shows the Authority’s ability to generate net operating cash. Net cash provided by operating activities is shown both in total dollars and as a percentage of operating revenues.

	<u>2012</u>	<u>2011</u>
Total operating revenues	\$ 486,348	452,294
Net cash provided by operations	75,291	75,340
Net operating cash as a % of operating revenue	15.48%	16.66%

Capital Assets and Debt Administration

Capital assets, net of depreciation, increased \$599,297 during 2012.

Capital Assets

	<u>2012</u>	<u>2011</u>
Hangars	\$ 366,445	401,658
Runways & Lights	6,859,323	4,048,662
Maintenance Equipment	1,260	1,620
Office Equipment	-	118
Fuel Tank	17,631	20,983
Well and Septic System	-	-
Land	354,000	354,000
Building	-	-
Construction in Progress	674,774	3,005,551
Total	<u><u>\$ 8,273,433</u></u>	<u><u>7,832,592</u></u>

Long-term Debt. At the end of the current fiscal year, the Authority had total debt outstanding of \$535,000.

	<u>2012</u>	<u>2011</u>
Loan Payable	<u>\$ 535,000</u>	<u>\$ 556,657</u>
	<u>\$ 535,000</u>	<u>\$ 556,657</u>

Economic Factor and Next Year's Budget and Rates

- Grant projects will continue.

This factor was considered in preparing the Authority's budget for the 2013 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the government's finances. Questions

concerning any of the information provided in this report or requests for additional financial information should be addressed to Melissa Rodriguez at 609-861-2164.

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WOODBINE PORT AUTHORITY
(A component unit of the Borough of Woodbine)
COMPARATIVE STATEMENT OF NET POSITION

ASSETS

	December 31,	
	2012	2011
Current Assets:		
Cash	\$ 256,568	\$ 167,980
Accounts Receivable		
Rent/Fuel	50,335	36,297
Intergovernmental - Federal	14,661	1,425
Intergovernmental - State	14,708	355,714
Intergovernmental - Local	40,728	107,432
Other		-
Inventory - Fuel	19,462	28,016
 Total current assets	 396,461	 696,864
Capital Assets		
Land	354,000	354,000
Construction in progress	674,774	3,005,551
Depreciable assets, net of depreciation	7,244,659	4,473,042
 Total capital assets, net of depreciation	 8,273,434	 7,832,593
 Total assets	 \$ 8,669,895	 \$ 8,529,457

See accompanying notes to financial statements

WOODBINE PORT AUTHORITY

COMPARATIVE STATEMENT OF NET POSITION
(A component unit of the Borough of Woodbine)

LIABILITIES AND FUND EQUITY

	<u>December 31,</u>	
	<u>2012</u>	<u>2011</u>
Current Liabilities:		
Security Deposits	\$ 15,070	\$ 14,695
Escrow Deposits	2,312	2,312
Current Maturities of Long Term Debt	45,000	31,632
Contracts Payable	<u>130,147</u>	<u>458,726</u>
Total Current Liabilities	<u>192,529</u>	<u>507,365</u>
Long Term Obligations:		
Long Term Portion of Loans Payable	<u>490,000</u>	<u>525,025</u>
Total Long Term Liabilities	<u>490,000</u>	<u>525,025</u>
Total Liabilities	<u>682,529</u>	<u>1,032,390</u>
Net Position:		
Investment in Capital Assets, Net of Related Debt	7,738,434	7,275,936
Unrestricted	<u>248,932</u>	<u>221,131</u>
Total net position	<u>7,987,366</u>	<u>7,497,067</u>
Total liabilities and position	<u><u>\$ 8,669,895</u></u>	<u><u>\$ 8,529,457</u></u>

See accompanying notes to financial statements

WOODBINE PORT AUTHORITY
(A component unit of the Borough of Woodbine)
COMPARATIVE STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED

	<u>December 31,</u>	
	<u>2012</u>	<u>2011</u>
Operating Revenues:		
Leases	\$ 174,060	\$ 162,080
Tie Downs	1,415	4,800
Banner Towing	10,000	10,000
Fuel Sales	266,449	243,677
Vending Machines	230	427
Miscellaneous	34,194	31,310
	<u>486,348</u>	<u>452,294</u>
Operating Expenses :		
Operating Expenses	405,573	358,446
Depreciation	246,563	121,016
	<u>652,136</u>	<u>479,462</u>
Operating (Loss)	<u>(165,788)</u>	<u>(27,168)</u>
Non-Operating Revenue (Expenses):		
Interest Income	173	363
Interest Expense	(27,223)	(28,654)
Grant Write-Off	(30,593)	(19,840)
Gain on Refinancing	26,326	-
State and Federal Grants	645,759	571,429
Local Grants	41,645	26,067
	<u>656,087</u>	<u>549,365</u>
Increase in net position	490,299	522,197
Net position at beginning of year	7,497,067	6,974,870
Net position at end of year	<u>\$ 7,987,366</u>	<u>\$ 7,497,067</u>

WOODBINE PORT AUTHORITY
(A component unit of the Borough of Woodbine)
COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED

	<u>December 31,</u>	
	<u>2012</u>	<u>2011</u>
Cash Flows From Operating Activities:		
Receipts from Leases	\$ 180,656	\$ 151,290
Receipts from Fuel Sales	245,814	243,677
Receipts from Other	45,840	46,537
Payments to Suppliers and Vendors	(397,019)	(366,164)
	<u>75,291</u>	<u>75,340</u>
Cash Flows From Investing Activities:		
Interest Income	173	363
	<u>173</u>	<u>363</u>
Cash flows from capital and related financing activities:		
Purchase of Capital Assets	(925,555)	(457,423)
Federal and State Grants	988,945	431,538
Net Escrow Deposit	-	2,312
Net proceeds of Loan Refinancing	26,402	-
Local Grants	(28,088)	-
Security Deposits Received	375	1,325
Payment of Loans	(21,732)	(30,092)
Interest Paid on Capital Debt	(27,223)	(28,654)
	<u>13,124</u>	<u>(80,994)</u>
Increase (Decrease) in Cash and Cash Equivalents	88,588	(5,291)
Cash and Cash Equivalents at the Beginning of the Year	<u>167,980</u>	<u>173,271</u>
Cash and Cash Equivalents at the End of the Year	<u>\$ 256,568</u>	<u>\$ 167,980</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Loss	\$ (165,788)	\$ (27,168)
Adjustments:		
Depreciation	246,563	121,016
(Increase) in Accounts Receivable - Operating	(14,038)	(10,790)
Decrease in Accounts Receivable - Other	-	-
(Increase) Decrease in Inventory - Fuel	8,554	(4,116)
(Decrease)Increase in Accounts Payable	-	(3,602)
	<u>75,291</u>	<u>75,340</u>
Net Cash Provided by Operating Activities	<u>\$ 75,291</u>	<u>\$ 75,340</u>

See accompanying notes to financial statements

WOODBINE PORT AUTHORITY
(A component unit of Borough of Woodbine)
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 AND 2011

Note 1. Organization

The Woodbine Port Authority, hereafter referred to as the “Authority,” was established in 1975. The Authority’s governing board selects management staffs, sets user charges, establishes budgets and controls all aspects of general aviation, airport management and airport development. The Authority is organized and existing under and by virtue of the laws of the State of New Jersey. The Authority is a component unit of the Borough of Woodbine.

As a public body, under existing statute, the Authority is exempt from both federal and state taxes.

Note 2. Summary of Significant Accounting Policies

Basis of Financial Statements

The Authority’s financial statements are presented on the full accrual basis in accordance with accounting principles generally accepted in the United States of America. The Authority applies all Governmental Accounting Standard Board (GASB) pronouncements currently in effect.

Reporting Entity

The Authority’s financial statements include the accounts of all Authority operations. The Authority, as a component unit of the Borough of Woodbine, is financially accountable to the Borough. The primary criterion for including activities within 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

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

The Authority, as a component unit, issues separate financial statements from the Borough.

WOODBINE PORT AUTHORITY
(A component unit of Borough of Woodbine)
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 AND 2011

Basis of Financial Statements

The following is a summary of the more significant accounting policies:

The Authority's financial statements are presented on the full accrual basis in accordance with accounting principles generally accepted in the United States of America.

The Authority has adopted GASB No. 34 through 60 and GASB 62 through 64, and related interpretations issued through December 31, 2012. GASB Statement 34 and subsequent Statements and Interpretations required certain changes in terminology, format and content, as well as inclusion of the management's discussion and analysis supplementary information.

The Authority has implemented GASB 62. As result of the implementation the prior year was restated to agree to the presentation requirements of GASB 62. This implementation had no effect on net position of the Authority.

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 enterprises 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 balance sheet. Net position (i.e. total assets net of total liabilities) are segregated into "invested in capital assets, net of related liabilities"; and "unrestricted" components.

Budgets and Budgetary Accounting

An annual operating budget is required to be adopted and integrated into the accounting system to provide budgetary control over revenues and expenditures in accordance with NJSA 40A:5A. The operating budget adopted annually covers the general fund activity only. The current operating budget details the Authority's plans to earn and expend funds for charges incurred for the operation, maintenance, certain interest and general functions, and other charges for the fiscal year.

WOODBINE PORT AUTHORITY
(A component unit of Borough of Woodbine)
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 AND 2011

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date, and reported amounts of revenues and expenses during the reporting period. Estimates are used to determine depreciation expense, the allowance for doubtful accounts and certain claims and judgment liabilities, among other accounts. Actual results may differ from those estimates.

Inventory

Inventory is carried at the lower of FIFO cost or market, and is summarized as follows:

	<u>2012</u>	<u>2011</u>	<u>Change</u>
Fuel Inventory	\$ 19,462	28,017	(8,555)

Risks of Loss

The Authority purchases commercial insurance policies on an annual basis to handle risks of loss associated with property, auto, liability, workers compensation, flood damage, and employee crime coverage. Any potential liability of the Authority with respect to loss claims would be equal to the deductibles associated with the policies and an event, which may exceed policy coverage limits.

Cash and Cash Equivalents

Cash and cash equivalents include various checking and money market accounts, U.S. obligations and certificates of deposit with maturities of three months or less at the time of purchase.

Plant and Equipment

Plant and equipment in service and construction in progress are recorded at cost, if purchased or constructed. Assets acquired through contributions from developers or other customers are capitalized at their estimated fair market value, if available, or at engineers' estimated fair market value or cost to construct at the date of the contribution. Internal engineering costs are capitalized to the extent of direct support and contribution to construction and expansion

WOODBINE PORT AUTHORITY
(A component unit of Borough of Woodbine)
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 AND 2011

projects.

Maintenance and repairs, which do not significantly extend the value of life of plant and equipment, are expensed as incurred.

Depreciation is determined on a straight-line basis for all plant and equipment. Depreciation is provided over the following estimated useful life:

Buildings and Hangers	20 to 39.5 years
Runways and Lights	20 to 39.5 years
Equipment	10 to 50 years

Revenues and Rate Structure

Revenues are recognized on the accrual basis as earned.

Capital Contributions

Contributions are recognized in the Statement of Activities when earned. Contributions include capital grants and other supplemental support by other industrial customers and federal, state and local grants in support of system improvements.

Net Positions

Net positions comprise the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net positions are classified in the following two components: invested in capital assets, net of related liabilities and unrestricted net assets. Invested in capital assets, net of related debt, 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. Unrestricted consists of all other net assets not included in the above categories.

Long-term Obligations

Long-term debt is recognized as a liability of the Authority. A current liability is recorded for principal due within twelve months of the balance sheet date.

Recent Accounting Pronouncements

In November 2010, the Governmental Accounting Standards Board (GASB) issued Statement No. 61 "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". The purpose of the statement is to amend the criteria for reporting and including

WOODBINE PORT AUTHORITY
(A component unit of Borough of Woodbine)
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 AND 2011

component units with the primary government. This statement, which is effective for fiscal periods beginning after June 15, 2012, is not anticipated to have any effect on the Authority's financial reporting.

In December 2010, the Governmental Accounting Standards Board (GASB) issued Statement No. 62 "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements". The statement, which is effective for periods beginning after December 15, 2011, amends and supersedes several previously issued GASB statements to incorporate guidance that had been included in AICPA and FASB guidance. This statement has been implemented by the Authority.

Note 3: Investments

Interest Rate Risk. The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, New Jersey Statutes 40A:5-15.1(a) limits the length of time for most investments to 397 days.

Credit Risk. New Jersey Statutes 40A:5-15.1(a) limits municipal investments to those specified in the Statutes. The type of allowable investments are Bonds of the United States of America or of the local unit or school districts of which the local unit is a part of: obligations of federal agencies not exceeding 397 days; government money market mutual funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

Concentration of Credit Risk. The Authority places no limit on the amount the Authority may invest in any one issuer.

Note 4. Cash

Custodial Credit Risk—Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The district's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 18A:20-37 that are treated as cash equivalents. As of December 31, 2012 and 2011, \$0 of the authority's respective bank balances of \$337,472 and \$188,868 were exposed to custodial credit risk.

Note 5. Long-term Obligations

The Authority had an agreement with the Casino Reinvestment Development Authority to borrow \$837,000, at 5% interest per annum. Once the final amount was borrowed, the loan, as per the agreement, was assigned to the Showboat and Tropicana Casinos. The final amount

WOODBINE PORT AUTHORITY
(A component unit of Borough of Woodbine)
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 AND 2011

borrowed was \$741,223. The loan was refinanced in December 2012. The balance at December 31, 2012 was \$0.

The Authority secured a Note from the 1st Bank of Sea Isle City in the amount of \$535,000. \$508,598 of the proceeds were used to redeem the outstanding loan with the Showboat and Tropicana Casinos. The interest rate on the loan varies from 1.25% to 4.00%. The first payment will be on December 1, 2013 and the last payment will be on December 31, 2022. The present value savings were approximately \$75,000.

Schedule of Annual Debt Service for Principal and Interest for Loans Issued and Outstanding:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 45,000	\$ 13,437	\$ 58,437
2014	47,000	12,912	59,912
2015	48,000	12,325	60,325
2016	50,000	11,725	61,725
2017	52,000	10,975	62,975
2018-2022	293,000	33,751	326,751
Total	<u>\$ 535,000</u>	<u>\$ 95,125</u>	<u>\$ 630,125</u>

WOODBINE PORT AUTHORITY
(A component unit of Borough of Woodbine)
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 AND 2011

The following schedule represents the changes in the long-term debt:

	<u>Outstanding</u> <u>12/31/2011</u>	<u>Issues or</u> <u>Additions</u>	<u>Payments or</u> <u>Expenditures</u>	<u>Outstanding</u> <u>12/31/2012</u>	<u>Amounts Due</u> <u>Within 1 Year</u>
Loans Payable	\$ 556,657	\$ 535,000	\$ 556,657	\$ 535,000	\$ 45,000
Total	<u>\$ 556,657</u>	<u>\$ 535,000</u>	<u>\$ 556,657</u>	<u>\$ 535,000</u>	<u>\$ 45,000</u>

Note 6. Property, Plant & Equipment

	<u>Balance</u> <u>12/31/2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2011</u>
Land	\$ 354,000	\$ -	\$ -	\$ 354,000
Construction in Progress	4,873,482	597,496	2,465,427	3,005,551
Buildings	75,000			75,000
Hangars	798,292			798,292
Runways and Lights	3,068,090	2,465,427		5,533,517
Maintenance Equipment	132,324	1,800		134,124
Office Equipment	7,341			7,341
Well & Septic System	2,931			2,931
Fuel Tank	74,385			74,385
Total Cost	<u>9,385,845</u>	<u>3,064,723</u>	<u>2,465,427</u>	<u>9,985,141</u>
Less:				
Accumulated Depreciation	<u>2,031,532</u>	<u>121,016</u>		<u>2,152,548</u>
Capital Assets, Net	<u>\$ 7,354,313</u>	<u>\$ 2,943,707</u>	<u>\$ 2,465,427</u>	<u>\$ 7,832,593</u>

WOODBINE PORT AUTHORITY
(A component unit of Borough of Woodbine)
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 AND 2011

	Balance 12/31/2011	Additions	Deletions	Balance 12/31/2012
Land	\$ 354,000	\$ -	\$ -	\$ 354,000
Construction in Progress	3,005,551	687,404	3,018,181	674,774
Buildings	75,000			75,000
Hangars	798,292			798,292
Runways and Lights	5,533,517	3,018,181		8,551,698
Maintenance Equipment	134,124		38,712	95,412
Office Equipment	7,341			7,341
Well & Septic System	2,931			2,931
Fuel Tank	74,385			74,385
Total Cost	<u>9,985,141</u>	<u>3,705,585</u>	<u>3,056,893</u>	<u>10,633,833</u>
Less:				
Accumulated Depreciation	<u>2,152,548</u>	<u>246,563</u>	<u>38,712</u>	<u>2,360,399</u>
Capital Assets, Net	<u>\$ 7,832,593</u>	<u>\$ 3,459,022</u>	<u>\$ 3,018,181</u>	<u>\$ 8,273,434</u>

Note 7: Net Position

	December 31	
	<u>2012</u>	<u>2011</u>
Invested in Capital Assets, Net of related Liabilities		
Net plant and equipment in service	\$ 8,273,434	\$ 7,832,593
Debt	(535,000)	(556,657)
	<u>7,738,434</u>	<u>7,275,936</u>
Unrestricted	<u>248,932</u>	<u>221,131</u>
Total net position	<u>\$ 7,987,366</u>	<u>\$ 7,497,067</u>

WOODBINE PORT AUTHORITY
(A component unit of Borough of Woodbine)
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 AND 2011

Note 8: Contingencies

In the normal course of business, the Authority may periodically be named as a defendant in litigation. In the opinion of management, supported by legal counsel, the impact of any such matters, if adversely determined, would not have a material adverse effect on the financial statement or operations of the Authority.

Note 9. Risk Management

The Authority is exposed to various risks of loss to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Property, and Liability Insurance – The Authority maintains commercial insurance for property, liability and surety bonds.

The Authority made no payments in excess of the insurance coverage during the fiscal year. Also, there was no decrease in insurance coverage. From time to time, the Authority may be a defendant in legal proceedings relating to its operations as an authority.

Note 10. Subsequent Events

The Authority has evaluated subsequent events through July 5, 2013, the date which the financial statements were available to be issued and no items were noted for disclosure.

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SUPPLEMENTARY INFORMATION

WOODBINE PORT AUTHORITY
(A Component Unit of the Borough of Woodbine)
SCHEDULE OF APPROPRIATIONS COMPARED TO BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Final Budget</u> <u>2012</u>	<u>Actual</u>	<u>Variance</u>	<u>2011</u> <u>Actual</u>
REVENUES:				
Tie Downs	\$ 1,500	\$ 1,415	\$ (85)	\$ 4,800
T-Hangars	164,500	174,060	9,560	162,080
Banner Towing	10,000	10,000	-	10,000
Fuel	240,000	266,449	26,449	243,677
Miscellaneous	4,000	34,194	30,194	31,310
Federal and State Grants		645,759	645,759	571,429
Local Grants		41,645	41,645	26,067
Vending Machine	-	230	230	427
Interest	500	173	(327)	363
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenue	420,500	1,173,925	753,425	1,050,153
EXPENSES:				
<u>Operating Expenses</u>				
Administration:				
Salaries and Wages	16,100	16,246	(146)	6,900
Other Expenses	48,250	63,319	(15,069)	51,154
	<hr/>	<hr/>	<hr/>	<hr/>
Total Administration	64,350	79,565	(15,215)	58,054
Cost of Providing Service:				
Salaries and Wages	20,000	23,335	(3,335)	30,753
Other Expenses	280,578	302,673	(22,095)	263,786
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cost of Providing Services	300,578	326,008	(25,430)	294,539
	<hr/>	<hr/>	<hr/>	<hr/>
Total Operating Expenses	364,928	405,573	(40,645)	352,593
	<hr/>	<hr/>	<hr/>	<hr/>
Interest Expense	27,115	27,223	(108)	28,654
	<hr/>	<hr/>	<hr/>	<hr/>
Other Costs Funded by Operating Revenues:				
Bond Principal	31,632	21,732	9,900	30,092
Grant Write-Off		30,593		19,840
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Costs Funded by Operating Revenues	31,632	52,325	9,900	49,932
	<hr/>	<hr/>	<hr/>	<hr/>
Total Costs Funded by Operating Revenues	423,675	485,121	(30,853)	431,179
	<hr/>	<hr/>	<hr/>	<hr/>
Excess of Revenue over Expenditures	\$ (3,175)	\$ 688,804	\$ 722,572	\$ 618,974

See Accompanying Independent Auditor's Report

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FORD - SCOTT

& ASSOCIATES, L.L.C.

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Independent Auditor's Report

The Chairman and Members of the
Woodbine Port Authority
Woodbine, 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, the financial statements of the business-type activities of Woodbine Port Authority (a component unit of the Borough of Woodbine), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated July 5, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's 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 the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of 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.

Ford Scott & Associates, LLC

Ford Scott & Associates, LLC

July 5, 2013

WOODBINE PORT AUTHORITY
(A component unit of the Borough of Woodbine)
Schedule of Expenditures of Federal Awards
for the Fiscal Year ended December 31, 2012

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Receivable Balance 12/31/2011	Receivable or Revenue Recognized	Cash Received	Receivable Balance 12/31/2012	Disbursement/ Expenditure	Accumulated Expenditures
Department of Transportation										
Airport Improvement Program: Deer & Perimeter Fence	20.106	3-34-0046-19-09	2009	120,730	1,425	13,323	14,748	-	13,323	116,575
Airport Improvement Program: Obstruction Removal	20.106	3-34-0046-18-09	2009	104,158	-	20,194	13,534	6,660	20,194	95,699
Airport Improvement Program: Access Road Expansion	20.106	3-34-0046-18-09	2012	965,475		463,044	455,043	8,001	463,044	463,044
Total Federal Awards					1,425	496,561	483,325	14,661	496,561	

WOODBINE PORT AUTHORITY
(A component unit of the Borough of Woodbine)
Schedule of Expenditures of State Financial Assistance
for the Fiscal Year ended December 31, 2012

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Receivable Balance 12/31/2011	Receivable or Revenue Recognized	Cash Received	Receivable Balance 12/31/2012	Disbursement/ Expenditure	Accumulated Expenditures
STATE OF NEW JERSEY										
Department of Transportation										
Airport Safety Fund: Security Fencing		100-078-6070-xxx	2008	346,555	25,701	958	26,659	-	958	333,279
Airport Safety Fund: Obstruction Removal Design		100-078-6070-xxx	2008	309,324	27,607		27,607	-		304,389
Airport Safety Fund: Access and Apron		100-078-6070-xxx	2008	584,131	296,199	116,378	412,577	-	116,378	524,749
Airport Safety Fund: Obstruction Removal		100-078-6070-xxx	2009	2,741	1,987	535		2,522	534	2,522
Airport Safety Fund: Runway 31 Improvements		100-078-6070-xxx	2009	166,250	-			-		48,137
Airport Safety Fund: Apron/Taxiway Crack Repair		100-078-6070-xxx	2008	71,250	-	19,142	19,142	-	19,142	71,250
Airport Safety Fund: Stump and Brush Removal		100-078-6070-xxx	2010	261,386	-			-		31,641
Airport Safety Fund: Relocate and Install Beacon Tower		100-078-6070-xxx	2010	90,250	-			-		50,514
Airport Improvement Program: Access Road Expansion		100-078-6070-xxx	2012	25,408		12,186		12,186	12,186	12,186
Total State Financial Assistance					<u>351,494</u>	<u>149,199</u>	<u>485,985</u>	<u>14,708</u>	<u>149,198</u>	
Total Federal Awards and State Financial Assistance					<u><u>352,919</u></u>	<u><u>645,760</u></u>	<u><u>969,310</u></u>	<u><u>29,369</u></u>	<u><u>645,759</u></u>	

Woodbine Port Authority
Notes to the Schedules of Financial Assistance
December 31, 2012

NOTE 1. GENERAL

The accompanying schedules of expenditures of federal awards and state financial assistance include federal and state award activity of the Woodbine Port Authority. The Authority is defined in Note 1(A) to the Authority's basic financial statements. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of awards and financial assistance are presented on the accrual basis of accounting. This basis of accounting is described in Note 1 to the Authority's basic financial statements.

NOTE 3. RELATIONSHIP TO GENERAL PURPOSE FINANCIAL STATEMENTS

Amounts reported in the accompanying schedule agree with amounts reported in the Authority's financial statements. Receipts from federal and state grants are realized as revenue when expenditures are recorded. Expenditures are recognized when they become payable. Financial assistance revenue and expenditures are reported in the Authority's financial statements on the accrual basis of accounting.

	<u>Federal</u>	<u>State</u>	<u>Total</u>
Revenue per financial statements	\$ 496,560	149,199	645,759
Total	<u>496,560</u>	<u>149,199</u>	<u>645,759</u>
Disbursements per financial statements	496,560	149,199	645,759
Total	<u>\$ 496,560</u>	<u>149,199</u>	<u>645,759</u>
Local Share			<u>41,645</u>
			<u>\$ 687,404</u>
Allocation:			
Construction In Progress			\$ -
Operating Expense			687,404
			<u>\$ 687,404</u>

STATUS OF PRIOR RECOMMENDATIONS

1. That the Authority maintains a fixed asset accounting system.

This recommendation was cleared during 2012.

2. That the General Ledger be accurately maintained and that the annual budget be entered into the system to monitor expenses.

This recommendation was cleared during 2012.

RECOMMENDATIONS

NONE

Should any questions arise as to my comments or recommendations, or should you desire assistance in implementing my recommendations, please do not hesitate to call.

Very truly yours,

Kenneth W. Moore

Kenneth W. Moore, CPA
Registered Municipal Accountant
No. 231

Ford, Scott & Associates, LLC

Ford, Scott & Associates, LLC