

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

REPORT OF AUDIT

FOR THE YEARS ENDED

DECEMBER 31, 2015 AND 2014

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FINANCIAL SECTION



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, 2015 and 2014, 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, 2015 and 2014, 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 September 23, 2016 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

September 23, 2016

REQUIRED SUPPLEMENTARY 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 \$9,322,467 and exceeded liabilities in the amount of \$8,906,983 (i.e. net position). Of the \$261,028 classified as unrestricted, the total amount was available to support ongoing operations of the Authority. Total assets decreased \$62,670 and net assets increased \$406,482 during the current year. The decrease in assets is due to the receipt of prior year grant receivables, and the increase in net assets was mainly due from additional capital assets.
- Operating revenues were \$391,735 a decrease from year 2014 in the amount of \$73,856.
- Operating expense increased \$10,239 over 2014.
- Operating loss for the year was \$290,252 compared with an operating loss of \$206,157 for the year ended 2014.

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 Net Position

| | December 31, | | |
|---|---------------------|------------------|------------------|
| | 2015 | 2014 | 2013 |
| Assets: | | | |
| Current Assets | \$ 281,512 | 727,953 | 392,843 |
| Capital Assets, Net | 9,040,955 | 8,657,184 | 8,577,968 |
| Total Assets | 9,322,467 | 9,385,137 | 8,970,811 |
| Liabilities: | | | |
| Current Liabilities | 70,484 | 489,636 | 171,260 |
| Long Term Debt Outstanding | 345,000 | 395,000 | 443,000 |
| Total Liabilities | 415,484 | 884,636 | 614,260 |
| Net Position: | | | |
| Investment in Capital Assets | 8,645,955 | 8,214,184 | 8,087,968 |
| Unrestricted | 261,028 | 286,317 | 268,583 |
| Total Net Position | 8,906,983 | 8,500,501 | 8,356,551 |
| Total Liabilities and Net Position | \$ 9,322,467 | 9,385,137 | 8,970,811 |

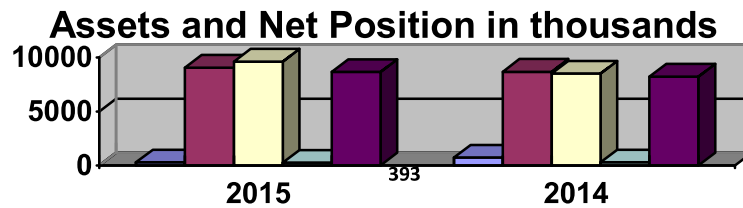
Condensed Statement of Activities

| | 2015 | 2014 | 2013 |
|---------------------------------|-------------------|------------------|------------------|
| Revenues: | | | |
| Leases | \$ 174,981 | 181,666 | 172,760 |
| Tie Downs | 690 | 1,400 | 330 |
| Banner Towing | 10,000 | 10,000 | 10,000 |
| Fuel Sales | 202,299 | 268,562 | 241,317 |
| Vending Machines | 681 | 696 | 400 |
| Miscellaneous | 3,084 | 3,267 | 51,617 |
| Total Operating Revenues | 391,735 | 465,591 | 476,424 |
| Expenses: | | | |
| Operating Appropriations | 399,169 | 388,563 | 378,051 |
| Depreciation | 282,818 | 283,185 | 238,610 |
| Total operating expenses | 681,987 | 671,748 | 616,661 |
| Operating Loss | (290,252) | (206,157) | (140,237) |
| Non-operating revenue net | 696,734 | 350,107 | 509,423 |
| Increase in net assets | \$ 406,482 | 143,950 | 369,186 |

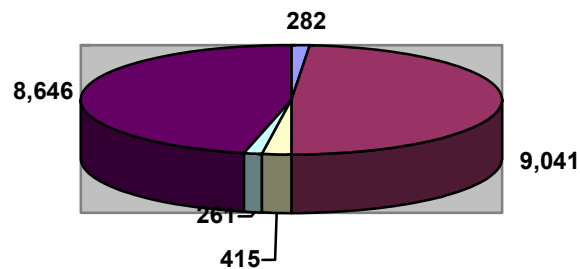
General Trends and Significant Events

Financial Condition

The Authority's operating loss remained consistent with the prior year except for the decrease in fuel sales. 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.



FY 2015 Statement of Net Position (in thous.)



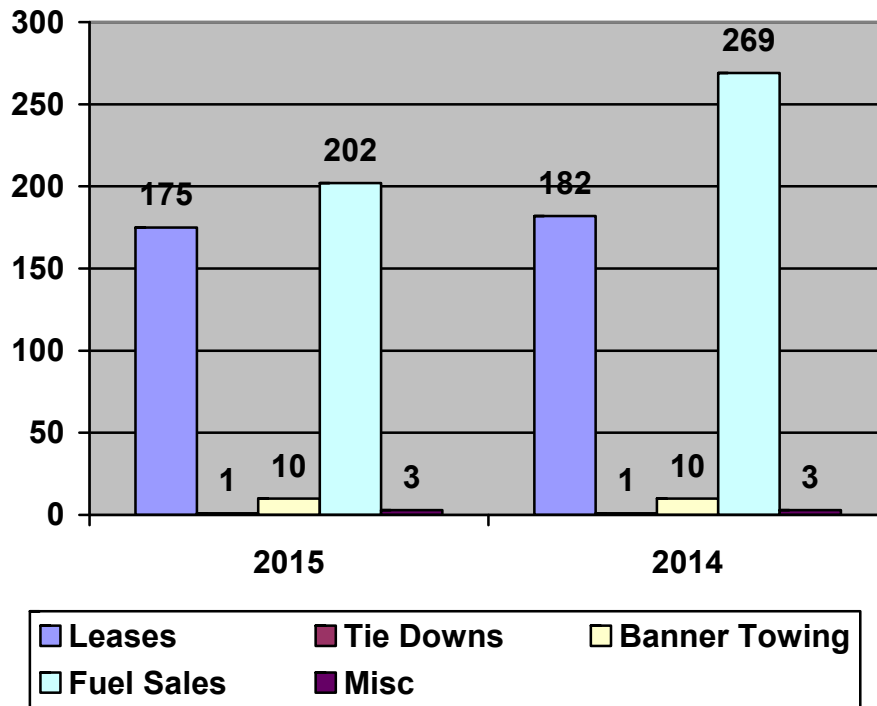
Total assets decreased \$62,670 or .67%. The decrease was primarily related to a decrease in Grants Receivable.

Investments in capital assets, net of related debt increased \$431,771. Unrestricted net assets decreased by \$25,289.

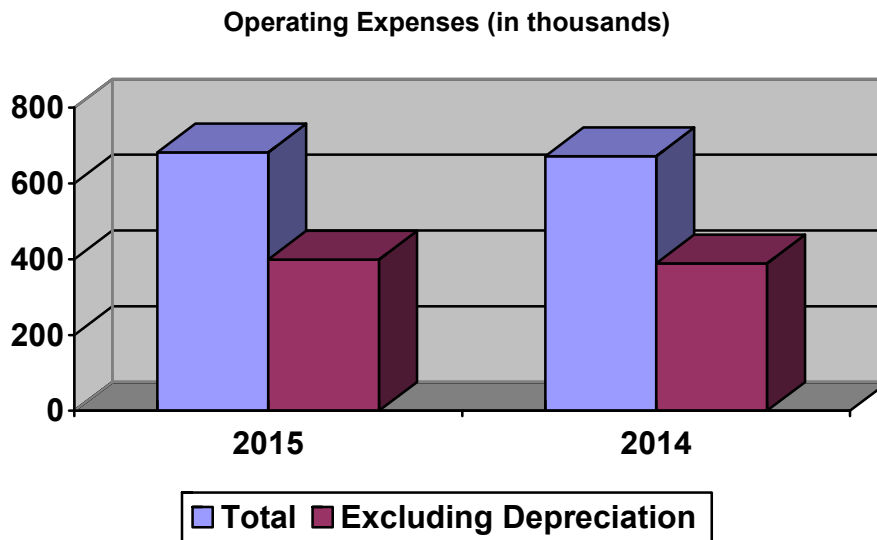
Results of Operations

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 \$10,239 over the fiscal year 2014. 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.

| | 2015 | 2014 | 2013 |
|--|------------|---------|---------|
| Total operating revenues | \$ 391,735 | 465,591 | 476,424 |
| Net cash provided by operations | (13,448) | 69,812 | 125,486 |
| Net operating cash as a % of operating revenue | -3.43% | 14.99% | 26.34% |

Capital Assets and Debt Administration

Capital assets, net of depreciation, increased \$383,771 during 2015.

Capital Assets

| | 2015 | 2014 | 2013 |
|--------------------------|----------------------|-------------------|-------------------|
| Hangers | \$ 798,292 | 798,292 | 798,292 |
| Building | 75,000 | 75,000 | 75,000 |
| Runways & Lights | 9,763,896 | 9,763,896 | 9,763,896 |
| Maintenance Equipment | 101,132 | 101,132 | 101,132 |
| Office Equipment | 7,341 | 7,341 | 7,341 |
| Fuel Tanks | 74,386 | 74,386 | 74,386 |
| Land | 354,000 | 354,000 | 354,000 |
| Well and Septic | 2,931 | 2,931 | 2,931 |
| Construction in Progress | 1,028,990 | 362,401 | |
| Total | <u>\$ 12,205,968</u> | <u>11,539,379</u> | <u>11,176,978</u> |

Long-term Debt. At the end of the current fiscal year, the Authority had total debt outstanding of \$395,000.

| | 2015 | 2014 | 2013 |
|--------------|-------------------|----------------|----------------|
| Loan Payable | \$ 395,000 | 443,000 | 490,000 |
| | <u>\$ 395,000</u> | <u>443,000</u> | <u>490,000</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 2016 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.

BASIC FINANCIAL STATEMENTS

EXHIBIT A

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

ASSETS

| | December 31, | |
|---|---------------------|------------------|
| | 2015 | 2014 |
| Current Assets: | | |
| Cash | \$ 145,004 | 217,105 |
| Accounts Receivable | | |
| Rent/Fuel | 33,608 | 23,304 |
| Intergovernmental - Federal | 19,460 | 208,617 |
| Intergovernmental - State | 33,181 | 224,378 |
| Intergovernmental - Local | 30,266 | 30,266 |
| Inventory - Fuel | 19,993 | 24,283 |
| | | |
| Total current assets | 281,512 | 727,953 |
| | | |
| Capital Assets | | |
| Land | 354,000 | 354,000 |
| Construction in progress | 1,028,990 | 362,401 |
| Depreciable assets, net of depreciation | 7,657,965 | 7,940,783 |
| | | |
| Total capital assets, net of depreciation | 9,040,955 | 8,657,184 |
| | | |
| Total assets | \$ 9,322,467 | 9,385,137 |

The accompanying Notes to Financial Statements are an integral part of this statement

WOODBINE PORT AUTHORITY

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

LIABILITIES AND FUND EQUITY

| | December 31, | |
|---|----------------------------|-------------------------|
| | 2015 | 2014 |
| Current Liabilities: | | |
| Security Deposits | \$ 17,395 | 16,620 |
| Current Maturities of Long Term Debt | 50,000 | 48,000 |
| Contracts Payable | <u>3,089</u> | <u>425,016</u> |
| Total Current Liabilities | <u>70,484</u> | <u>489,636</u> |
| Long Term Obligations: | | |
| Long Term Portion of Loans Payable | <u>345,000</u> | <u>395,000</u> |
| Total Long Term Liabilities | <u>345,000</u> | <u>395,000</u> |
| Total Liabilities | <u>415,484</u> | <u>884,636</u> |
| Net Position: | | |
| Investment in Capital Assets, Net of Related Debt | 8,645,955 | 8,214,184 |
| Unrestricted | <u>261,028</u> | <u>286,317</u> |
| Total net position | <u>8,906,983</u> | <u>8,500,501</u> |
| Total liabilities and position | \$ <u><u>9,322,467</u></u> | <u><u>9,385,137</u></u> |

The accompanying Notes to Financial Statements are an integral part of this statement

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

| | <u>December 31,</u> | |
|--|----------------------------|----------------------------|
| | <u>2015</u> | <u>2014</u> |
| Operating Revenues: | | |
| Leases | \$ 174,981 | 181,666 |
| Tie Downs | 690 | 1,400 |
| Banner Towing | 10,000 | 10,000 |
| Fuel Sales | 202,299 | 268,562 |
| Vending Machines | 681 | 696 |
| Miscellaneous | 3,084 | 3,267 |
| | <hr/> | <hr/> |
| Total Operating Revenues | <hr/> 391,735 | <hr/> 465,591 |
| Operating Expenses : | | |
| Operating Expenses | 399,169 | 388,563 |
| Depreciation | 282,818 | 283,185 |
| | <hr/> | <hr/> |
| Total Operating Expenses | <hr/> 681,987 | <hr/> 671,748 |
| Operating (Loss) | <hr/> (290,252) | <hr/> (206,157) |
| Non-Operating Revenue (Expenses): | | |
| Interest Income | 896 | 619 |
| Interest Expense | (12,325) | (12,913) |
| State and Federal Grants | 708,163 | 362,401 |
| | <hr/> | <hr/> |
| Total Non-operating Income | <hr/> 696,734 | <hr/> 350,107 |
| Increase in net position | 406,482 | 143,950 |
| Net position at beginning of year | 8,500,501 | 8,356,551 |
| Net position at end of year | <u><u>\$ 8,906,983</u></u> | <u><u>\$ 8,500,501</u></u> |

EXHIBIT C

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>2015</u> | <u>2014</u> |
| Cash Flows From Operating Activities: | | |
| Receipts from Leases | \$ 164,677 | 176,591 |
| Receipts from Fuel Sales | 206,589 | 268,733 |
| Receipts from Other | 14,455 | 15,363 |
| Payments to Suppliers and Vendors | (399,169) | (390,875) |
| | <u>(13,448)</u> | <u>69,812</u> |
| Net Cash Provided by Operating Activities | | |
| Cash Flows From Investing Activities: | | |
| Interest Income | <u>897</u> | <u>619</u> |
| Net cash provided by investing activities | <u>897</u> | <u>619</u> |
| Cash flows from capital and related financing activities: | | |
| Purchase of Capital Assets | (708,163) | (46,341) |
| Federal and State Grants | 708,163 | 46,341 |
| Security Deposits Received | 775 | 1,150 |
| Payment of Loans | (48,000) | (47,000) |
| Interest Paid on Capital Debt | <u>(12,325)</u> | <u>(12,913)</u> |
| Net Cash Used by Capital and Related Activities | <u>(59,550)</u> | <u>(58,763)</u> |
| Increase (Decrease) in Cash and Cash Equivalents | (72,101) | 11,668 |
| Cash and Cash Equivalents at the Beginning of the Year | <u>217,105</u> | <u>205,437</u> |
| Cash and Cash Equivalents at the End of the Year | \$ <u>145,004</u> | <u>217,105</u> |
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities: | | |
| Operating Loss | \$ (290,252) | (206,157) |
| Adjustments: | | |
| Depreciation | 282,818 | 283,185 |
| (Increase) in Accounts Receivable - Operating | (10,304) | (5,075) |
| Decrease in Inventory - Fuel | 4,290 | 171 |
| (Decrease) Escrow Deposits | - | (2,312) |
| | <u>(13,448)</u> | <u>69,812</u> |
| Net Cash Provided by Operating Activities | \$ <u>(13,448)</u> | <u>69,812</u> |

The accompanying Notes to Financial Statements are an integral part of this statement

WOODBINE PORT AUTHORITY
(A component unit of Borough of Woodbine)
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 AND 2014

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, as a component unit of the Borough of Woodbine, is financially accountable to the Borough. As set forth in Government Accounting Standards Board (GASB) 14, financial accountability is defined as appointment of a voting majority of the component unit’s board and either the ability to impose will by the primary government or the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. The Authority, as a component unit, issues separate financial statements from the Borough. However, if the Borough presented its financial statements in accordance with accounting principal generally accepted in the United States of America, these financial statements would be includable with the Borough’s on a blended basis.

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.

The Authority has adopted GASB No. 1 through 68 and related interpretations issued through December 31, 2015.

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.

WOODBINE PORT AUTHORITY
(A component unit of Borough of Woodbine)
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 AND 2014

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

Recent Accounting Pronouncements Not Yet Effective

In February 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 72 “Fair Value Measurement and Application”. This statement, which is effective for fiscal periods beginning after June 15, 2015, will not have any effect on the Authority’s financial reporting.

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 73 “Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB 68, and Amendments to Certain Provisions of GASB Statements 67 and 68”. This statement, which is effective for fiscal periods beginning after June 15, 2015, will not have any effect on the Authority’s financial reporting.

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 74 “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans”. This statement, which is effective for fiscal periods beginning after June 15, 2016, will not have any effect on the Authority’s financial reporting.

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 75 “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”. This statement, which is effective for fiscal periods beginning after June 15, 2017, will not have any effect on the Authority’s financial reporting.

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 76 “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments”. This statement, which is effective for fiscal periods beginning after June 15, 2015, will not have any effect on the Authority’s financial reporting.

In August 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 77 “Tax Abatement Disclosures”. This statement, which is effective for fiscal periods beginning after December 15, 2015, will not have any effect on the Authority’s financial reporting.

In December 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 78 “Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans”. This statement, which is effective for fiscal periods beginning after December 15, 2015, will not have any effect on the Authority’s financial reporting.

WOODBINE PORT AUTHORITY
(A component unit of Borough of Woodbine)
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 AND 2014

In December 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 79 "Certain External Investment Pools and Pool Participants". This statement, which is effective for fiscal periods beginning after December 15, 2015, will not have any effect on the Authority's financial reporting.

In January 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 80 "Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14". This statement, which is effective for fiscal periods beginning after June 15, 2016, will not have any effect on the Authority's financial reporting.

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.

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>2015</u> | <u>2014</u> | <u>Change</u> |
|----------------|-------------|-------------|---------------|
| Fuel Inventory | \$ 19,993 | 24,283 | (4,290) |

WOODBINE PORT AUTHORITY
(A component unit of Borough of Woodbine)
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 AND 2014

Risk 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 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 |

WOODBINE PORT AUTHORITY
(A component unit of Borough of Woodbine)
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 AND 2014

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.

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.

WOODBINE PORT AUTHORITY
(A component unit of Borough of Woodbine)
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 AND 2014

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, 2015 and 2014, \$0 of the authority's respective bank balances of \$147,241 and \$279,524 were exposed to custodial credit risk.

Note 5. Long-term Obligations

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%. \$48,000 was paid on December 1, 2015 and the last payment will be on December 1, 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> |
|-------------|-------------------|-----------------|----------------|
| 2016 | \$ 50,000 | 11,725 | 61,725 |
| 2017 | 52,000 | 10,975 | 62,975 |
| 2018 | 55,000 | 10,065 | 65,065 |
| 2019 | 55,000 | 8,828 | 63,828 |
| 2020 | 57,000 | 7,178 | 64,178 |
| 2021-2022 | 126,000 | 7,680 | 133,680 |
| Total | <u>\$ 395,000</u> | <u>56,451</u> | <u>451,451</u> |

The following schedules represent the changes in the long-term debt:

| | <u>Outstanding 12/31/2013</u> | <u>Issues or Additions</u> | <u>Payments or Expenditures</u> | <u>Outstanding 12/31/2014</u> | <u>Amounts Due Within 1 Year</u> |
|---------------|-----------------------------------|--------------------------------|-------------------------------------|-----------------------------------|--------------------------------------|
| Loans Payable | \$ 490,000 | - | 47,000 | 443,000 | 48,000 |
| Total | <u>\$ 490,000</u> | <u>-</u> | <u>47,000</u> | <u>443,000</u> | <u>48,000</u> |

WOODBINE PORT AUTHORITY
(A component unit of Borough of Woodbine)
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 AND 2014

| | Outstanding 12/31/2014 | Issues or Additions | Payments or Expenditures | Outstanding 12/31/2015 | Amounts Due Within 1 Year |
|---------------|---------------------------|------------------------|-----------------------------|---------------------------|------------------------------|
| Loans Payable | \$ 443,000 | - | 48,000 | 395,000 | 50,000 |
| Total | <u>\$ 443,000</u> | <u>-</u> | <u>48,000</u> | <u>395,000</u> | <u>50,000</u> |

Note 6. Property, Plant & Equipment

| | Balance 12/31/2013 | Additions | Deletions | Balance 12/31/2014 |
|--------------------------|-----------------------|----------------|-----------|-----------------------|
| Land | \$ 354,000 | | | 354,000 |
| Construction in Progress | - | 362,401 | | 362,401 |
| Buildings | 75,000 | | | 75,000 |
| Hangars | 798,292 | | | 798,292 |
| Runways and Lights | 9,763,896 | | | 9,763,896 |
| Maintenance Equipment | 101,132 | | | 101,132 |
| Office Equipment | 7,341 | | | 7,341 |
| Well & Septic System | 2,931 | | | 2,931 |
| Fuel Tank | 74,386 | | | 74,386 |
| Total Cost | <u>11,176,978</u> | <u>362,401</u> | <u>-</u> | <u>11,539,379</u> |
| Less: | | | | |
| Accumulated Depreciation | <u>2,599,010</u> | <u>283,185</u> | | <u>2,882,195</u> |
| Capital Assets, Net | <u>\$ 8,577,968</u> | <u>79,216</u> | <u>-</u> | <u>8,657,184</u> |

WOODBINE PORT AUTHORITY
(A component unit of Borough of Woodbine)
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 AND 2014

| | Balance 12/31/2014 | Additions | Deletions | Balance 12/31/2015 |
|--------------------------|-----------------------|-----------|-----------|-----------------------|
| Land | \$ 354,000 | | | 354,000 |
| Construction in Progress | 362,401 | 666,589 | | 1,028,990 |
| Buildings | 75,000 | | | 75,000 |
| Hangars | 798,292 | | | 798,292 |
| Runways and Lights | 9,763,896 | | | 9,763,896 |
| Maintenance Equipment | 101,132 | | | 101,132 |
| Office Equipment | 7,341 | | | 7,341 |
| Well & Septic System | 2,931 | | | 2,931 |
| Fuel Tank | 74,386 | | | 74,386 |
| Total Cost | 11,539,379 | 666,589 | - | 12,205,968 |
| Less: | | | | |
| Accumulated Depreciation | 2,882,195 | 282,818 | | 3,165,013 |
| Capital Assets, Net | \$ 8,657,184 | 383,771 | - | 9,040,955 |

Note 7: Net Position

| | December 31 | |
|--|--------------|--------------|
| | 2015 | 2014 |
| Invested in Capital Assets, Net of related Liabilities | | |
| Net plant and equipment in service | \$ 9,040,955 | 8,657,184 |
| Debt | (395,000) | (443,000) |
| | 8,645,955 | 8,214,184 |
| Unrestricted | 261,028 | 286,317 |
| Total net position | \$ 8,906,983 | \$ 8,500,501 |

WOODBINE PORT AUTHORITY
(A component unit of Borough of Woodbine)
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 AND 2014

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 September 23, 2016, the date which the financial statements were available to be issued and no items were noted for disclosure.

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, 2015

| | Final Budget 2015 | Actual | Variance | 2014 Actual |
|--|------------------------------|---------------|-----------------|------------------------|
| REVENUES: | | | | |
| Tie Downs | \$ | 690 | 690 | 1,400 |
| T-Hangars | 175,000 | 174,981 | (19) | 181,666 |
| Banner Towing | 10,000 | 10,000 | - | 10,000 |
| Fuel | 300,000 | 202,299 | (97,701) | 268,562 |
| Miscellaneous | 1,000 | 3,084 | 2,084 | 3,267 |
| Federal and State Grants | | 708,163 | 708,163 | 362,401 |
| Vending Machine | | 681 | 681 | 696 |
| Interest | | 897 | 897 | 619 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Revenue | 486,000 | 1,100,795 | 614,795 | 828,611 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| EXPENSES: | | | | |
| Operating Expenses | | | | |
| Administration: | | | | |
| Salaries and Wages | 16,200 | 14,400 | 1,800 | 13,800 |
| Other Expenses | 55,150 | 59,239 | (4,089) | 58,898 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Administration | 71,350 | 73,639 | (2,289) | 72,698 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Cost of Providing Service: | | | | |
| Salaries and Wages | 25,000 | 25,786 | (786) | 25,878 |
| Other Expenses | 329,325 | 299,744 | 29,581 | 289,987 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Cost of Providing Services | 354,325 | 325,530 | 28,795 | 315,865 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Operating Expenses | 425,675 | 399,169 | 26,506 | 388,563 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Interest Expense | 12,325 | 12,325 | - | 12,913 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Other Costs Funded by Operating Revenues: | | | | |
| Bond Principal | 48,000 | 48,000 | - | 47,000 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Other Costs Funded by Operating Revenues | 48,000 | 48,000 | - | 47,000 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Costs Funded by Operating Revenues | 486,000 | 459,494 | 26,506 | 448,476 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Excess of Revenue over Expenditures | \$ - | \$ 641,301 | \$ 641,301 | \$ 380,135 |



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, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 23, 2016.

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

September 23, 2016

STATUS OF PRIOR RECOMMENDATIONS

NONE

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,

Ford Scott & Associates, LLC

Ford Scott & Associates, LLC