

BRIDGETON MUNICIPAL PORT AUTHORITY AUDITTABLE OF CONTENTS

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## BRIDGETON MUNICIPAL PORT AUTHORITY

Roster of Officials  
As of June 30, 2015

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<u>NAME</u>	<u>POSITION</u>
Jack Surrency	Executive Director
Robert Brewer	President
Henry Murad	Vice President
Gladys Lugardo-Hemple (resigned April 1, 2015)	Secretary / Treasurer
J. Curtis Edwards (since April 1, 2015)	Secretary / Treasurer
Albert Kelly	Member
Albert K. Marmero	Solicitor

## INDEPENDENT AUDITOR'S REPORT

The Chairman and Members of  
Bridgeton Municipal Port Authority  
Bridgeton, New Jersey 08302

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of the Bridgeton Municipal Port Authority, in the County of Cumberland, State of New Jersey, a component unit of the City of Bridgeton, as of and for the years ended June 30, 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 financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and in compliance with the audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Basis for Qualified Opinion on Generally Accepted Accounting Principles**

Management has not been able to substantiate the remaining mortgage and mortgage interest payable of \$23,069.08 and \$1,289.91 with respect to a debt restructuring in 2002, as of June 30, 2015 and June 30, 2014. In addition to the principal and interest recorded by the Authority, additional interest and/or late payments may be payable; however, are not able to be quantified. Accounting principles generally accepted in the United States of America require that such expense be recorded, which would decrease the assets and increase expenses in the basic financial statements. The amount by which this departure would affect the assets, liabilities and expenses is not reasonably determinable.

**Qualified Opinion on Generally Accepted Accounting Principles**

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Bridgeton Municipal Port Authority, in the County of Cumberland, State of New Jersey as of June 30, 2015 and 2014, and the changes in its financial position and its cash flows thereof for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

***Emphasis of Matter******Going Concern***

The accompanying financial statements have been prepared assuming that the Bridgeton Municipal Port Authority, County of Cumberland, will continue as a going concern. As discussed in Note 7, the Port Authority is in the process of selling certain capital assets which may not eliminate the deficit in net investment in capital assets nor in the unrestricted net position. These conditions raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters also are described in Note 7. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

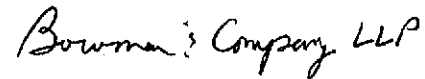
**Other Matters*****Required Supplementary Information***

Management has omitted management's discussion and analysis and other required supplementary information with respect to historical and budget to actual data that accounting principles general accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 were unable to apply certain limited procedures to the required supplementary information in accordance with auditing standards general accepted in the United States of America as the information was omitted. As a result of the omission of this required supplementary information our opinion on the basic financial statements remains qualified.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated August 25, 2016 on our consideration of the 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 Authority's internal control over financial reporting and compliance.

Respectfully submitted,



BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants

Voorhees, New Jersey  
August 25, 2016

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

**INDEPENDENT AUDITOR'S REPORT**

The Chairman and Members of  
Bridgeton Municipal Port Authority  
Bridgeton, New Jersey 08302

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and in compliance with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey the financial statements of the business-type activities of the Bridgeton Municipal Port Authority, in the County of Cumberland, State of New Jersey, a component unit of the City of Bridgeton, (Authority), as of and for the year ended June 30, 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 August 25, 2016.

We issued a qualified opinion with respect to the uncertainty of a mortgage liability and the omission of management's discussion and analysis. In our independent auditor's report we included an emphasis of matter relating to conditions with respect to the Authority's continuing as a going concern. Management has addressed these considerations which are described in Note 7 in the accompanying Notes to Financial Statements.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Recommendations, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 Authority's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Recommendations to be a material weakness, Finding number 2015-001

## 31200

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. We consider the deficiency described in the accompanying Schedule of Findings and Recommendations to be a significant deficiency, Finding number 2015-004.

### 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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards or audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey and which are described in the accompanying Schedule of Findings and Recommendations as items 2015-001, 2015-002, and 2015-003.

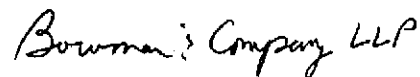
### The Authority's Response to Findings

The Authority's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Recommendations. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### 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 and audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants

Voorhees, New Jersey  
August 25, 2016

**Bridgeton Municipal Port Authority**  
**Statements of Net Position**  
 As of June 30, 2015 and 2014

<b>ASSETS</b>	<u>2015</u>	<u>2014</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,692.82	\$ 1,691.82
NONCURRENT ASSETS:		
Capital Assets:		
Land	125,545.23	125,545.23
Building and Improvements, net of accumulated depreciation	148,675.43	161,641.25
Total noncurrent assets	274,220.66	287,186.48
Total assets	275,913.48	288,878.30
<b>LIABILITIES</b>		
CURRENT LIABILITIES :		
Accounts payable and accrued expenses	34,534.01	20,479.50
Intergovernmental Payable	182,353.84	182,353.84
Urban Enterprise Zone Authority Loan - Interest Payable	25,209.82	25,209.82
Urban Enterprise Zone Authority Loan - Current Portion Payable	126,091.42	116,091.42
Mortgage Interest Payable	1,289.91	1,289.91
Mortgages Payable	23,069.08	23,069.08
Judgment Payable	801,892.73	758,611.20
Total current liabilities	1,194,440.81	1,127,104.77
Total liabilities	1,194,440.81	1,127,104.77
<b>NET POSITION</b>		
Net Investment (Deficit) in Capital Assets	(550,741.15)	(494,493.80)
Unrestricted (Deficit)	(367,786.18)	(343,732.67)
Total Net Position	\$ (918,527.33)	\$ (838,226.47)

The notes to the financial statements are an integral part of these statements.



**Bridgeton Municipal Port Authority**  
 Statements of Revenues, Expenses and Changes in Net Position  
 For the Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>OPERATING REVENUES</b>		
Total operating revenues	\$ -	\$ -
<b>OPERATING EXPENSES</b>		
Professional Services	24,054.51	29,774.00
Depreciation	12,965.82	12,965.82
Total operating expenses	<u>37,020.33</u>	<u>42,739.82</u>
<b>OPERATING INCOME (LOSS)</b>	(37,020.33)	(42,739.82)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Bank Service Charges		(72.45)
Judgment Expenses	(43,281.53)	(43,281.53)
Miscellaneous	1.00	0.01
Total nonoperating revenues (expenses)	<u>(43,280.53)</u>	<u>(43,353.97)</u>
<b>CHANGE IN NET POSITION</b>	(80,300.86)	(86,093.79)
<b>NET POSITION - JULY 1</b>	<u>(838,226.47)</u>	<u>(752,132.68)</u>
<b>NET POSITION JUNE 30</b>	<u><u>\$(918,527.33)</u></u>	<u><u>\$(838,226.47)</u></u>

The notes to the financial statements are an integral part of these statements.

**Bridgeton Municipal Port Authority**  
**Statements of Cash Flows**  
For the Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net cash provided by operating activities	\$ -	\$ -
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Net cash used in capital and related financing activities	-	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Bank Service Charge		(72.45)
Miscellaneous	1.00	0.01
Net cash Provided by (Used in) investing activities	1.00	(72.44)
Net increase (decrease) in cash and cash equivalents	1.00	(72.44)
<b>CASH AND CASH EQUIVALENTS, JULY 1</b>	<u>1,691.82</u>	<u>1,764.26</u>
<b>CASH AND CASH EQUIVALENTS, JUNE 30</b>	<u>\$ 1,692.82</u>	<u>\$ 1,691.82</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ (37,020.33)	\$ (42,739.82)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Increase in Accounts Payable and Accrued Expenses	14,054.51	9,774.00
Increase in UEZ Loans Payable	10,000.00	20,000.00
Depreciation	12,965.82	12,965.82
Net cash provided by operating activities	<u>\$ -</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of these statements.

**BRIDGETON MUNICIPAL AUTHORITY**  
Notes to Financial Statements  
For the Years Ended June 30, 2015 and 2014

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**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Bridgeton Municipal Port Authority (the "Authority") have been prepared to conform with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant of these policies.

**Reporting Entity**

The Authority was created to establish, develop and improve facilities in its Port District to be accomplished by or through the acquisition, construction, improvement, maintenance or operation of projects in and along the Cohansey River.

Since its inception, the Authority has undertaken the following activities to develop the Port District of Bridgeton:

- a. Feasibility Studies
- b. Environmental Assessments, Statements and Reviews
- c. Permit Preparation, Fee Payment and Submissions
- d. Engineering Studies
- e. Marketing of the Port
- f. Port Development
- g. Port Operation

The Authority was established by ordinance of the City of Bridgeton on January 4, 1983. The Authority is governed by five Commissioners, appointed to 5-year terms with vacancies filled by the City of Bridgeton. The Commissioners are responsible for the management of the Authority. Financial accounting and record keeping are the responsibility of the solicitor.

**Component Unit**

In evaluating how to define the Authority for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statements No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*. Blended component units, although legally separate entities, are in-substance part of the government's operations. Each discretely presented component unit would be or is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and / or its citizens.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity.

Based upon the application of these criteria, the Authority has no component units and is a component unit of the City of Bridgeton.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Basis of Presentation**

The financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to enterprise funds of State and Local Governments on a going concern basis. The focus of enterprise funds is the measurement of economic resources, that is, the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The Authority is a single enterprise fund and maintains its records on the accrual basis of accounting. Enterprise funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (ii) that are required by law or regulations that the activity's cost of providing services, including capital cost (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service). Under this method, revenues are recorded when earned and expenses are recorded when the related liability is incurred.

**Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Enterprise funds are accounted for using the accrual basis of accounting.

**Revenues -- Exchange and Non-Exchange Transactions** - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Non-exchange transactions, in which the Authority receives value without directly giving equal value in return, include grants, contributed capital, and donations. Revenue from grants, contributed capital, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Authority must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Authority on a reimbursement basis.

**Expenses / Expenditures** - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

**Budgets and Budgetary Accounting**

The Authority must adopt an annual budget in accordance with N.J.A.C. 5:31-2. N.J.A.C. 5:31-2 requires the governing body to introduce the annual Authority budget at least 60 days prior to the end of the current fiscal year and to adopt not later than the beginning of the Authority's fiscal year. The governing body may amend the budget at any point during the year. The budget is adopted on the accrual basis of accounting with provisions for cash payments for bond principal. Depreciation expense is not included in the budget appropriations.

The legal level of budgetary control is established at the detail shown on the Statement of Revenues, Expenses and Changes in Net Position. All budget transfers and amendments to those accounts must be approved by resolution of the Authority as required by the Local Finance Board. Management may transfer among supplementary line items as long as the legal level line items are not affected. There are no statutory requirements that budgetary line items not be over-expended.

The Authority did adopt a budget for the fiscal year ending June 30, 2015, but the budget was introduced and adopted during the fiscal year.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Budgets and Budgetary Accounting**

The Authority records encumbrances. An encumbrance represents a commitment related to unperformed contracts for goods or services. The issuance of a purchase order or the signing of a contract would create an encumbrance. The encumbrance does not represent an expenditure for the period, only a commitment to expend resources. At year-end, the accounting records are adjusted to record only expenses in accordance with generally accepted accounting principles.

**Cash, Cash Equivalents and Investments**

Cash and cash equivalents include petty cash, change funds and cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. Such is the definition of cash and cash equivalents used in the statement of cash flows.

New Jersey governmental units are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or in the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of investments which may be purchased by New Jersey municipal units. In addition, other State statutes permit investments in obligations issued by local authorities and other state agencies.

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act ("GUDPA"), a multiple financial institutional collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the amount of their deposits to the governmental units.

Additionally, the Authority is required to adopt a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act. In lieu of designating a depository, the cash management plan may provide that the local unit make deposits with the State of New Jersey Cash Management Fund.

**Capital Assets**

Capital assets primarily consist of expenditures to acquire, construct, place in operation and improve the facilities of the Authority. Assets purchased are stated at actual cost. The Authority has no infrastructure capital assets.

Expenditures, which enhance the asset or significantly extend the useful life of the asset are considered improvements and are added to the fixed asset's currently capitalized cost. The cost of normal repairs and maintenance are not capitalized. Expenditures are capitalized when they meet the following requirements:

- 1) Cost of \$5,000.00 or more
- 2) Useful life of more than one year
- 3) Asset is not affected by consumption

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Depreciation**

Depreciation is provided using the straight-line method over the following estimated useful life of the assets:

	<u>Years</u>
Buildings and Improvements	40

A half-year of depreciation is taken in the year of acquisition.

**Net Position**

In accordance with the provisions of GASB Statement No. 34 ("Statement 34") of the Governmental Accounting Standards Board "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments", the Authority has classified its net position into three components – net investment in capital assets, restricted; and unrestricted. These classifications are defined as follows:

**Net Investment in Capital Assets** - This component of net position consists of capital assets, net of accumulated depreciation, reduced, by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflows of resources should be included in the same net position component as the unspent amount.

**Restricted** – Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**Unrestricted** - This component of net position consists of net position that do not meet the definition of "restricted" or "net investment in capital assets." This component includes net position that may be allocated for specific purposes by the Board.

**Income Taxes**

The Authority operates as defined by the Internal Revenue Code Section 115 and appropriately is exempt from income taxes under Section 115.

**Operating and Non-Operating Revenues and Expenses**

The Authority is currently not operating and therefore has no operational revenues.

Operating expenses consist of depreciation and administrative expenses. Non-operating expenses include bank service charges, judgment expenses, and intergovernmental expenses.

**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 estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Impact of Recently Issued Accounting Principles****Recently Issued and Adopted Accounting Pronouncements**

For the fiscal year ended June 30, 2015, the Authority did not adopt GASB 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, and GASB 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. If the Authority was required to adopt these standards, the Authority would have been required to measure and recognize liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to their defined benefit pensions.

**Recently Issued Accounting Pronouncements**

Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The Statement is effective for periods beginning after June 15, 2015. Management has not yet determined the impact of this Statement on the financial statements.

Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. Components of this Statement are effective for periods beginning after June 15, 2015 and 2016. Management does not expect this Statement will have an impact on the financial statements.

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The Statement is effective for periods beginning after June 15, 2016. Management does not expect this Statement will have an impact on the financial statements.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The Statement is effective for periods beginning after June 15, 2017. Management does not expect this Statement will have an impact on the financial statements.

Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The Statement is effective for periods beginning after June 15, 2015. Management does not expect this Statement will have an impact on the financial statements.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Impact of Recently Issued Accounting Principles (Cont'd)**

Statement No. 77, *Tax Abatement Disclosures*. This Statement requires governments that enter into tax abatement agreements to disclose certain information about the agreements. The Statement is effective for periods beginning after December 15, 2015. Management does not expect this Statement will have an impact on the notes to the financial statements.

**Note 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY****Compliance with Finance Related Legal and Contractual Provisions**

The Authority approved and adopted an operating budget for the fiscal year ended June 30, 2015 in accordance with N.J.A.C. 5:31-2; however, the budget was approved and adopted subsequent to beginning of the fiscal year. N.J.A.C. 5:31-2 requires the governing body to introduce the annual Authority budget at least 60 days prior to the end of the current fiscal year and to adopt not later than the beginning of the Authority's fiscal year.

The Authority is in default on several of its loan and mortgage obligations.

**Note 3: DETAIL NOTES - ASSETS****Cash and Cash Equivalents**

**Custodial Credit Risk Related to Deposits** - Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits might not be recovered. Although the Authority does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the Authority in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings or funds that may pass to the Authority relative to the happening of a future condition. If the Authority had any such funds, they would be shown as Uninsured and Uncollateralized in the schedule below.

As of June 30, 2015 and 2014, the Authority's bank balances were exposed to custodial credit risk as follows:

	<u>2015</u>	<u>2014</u>
Insured by FDIC	\$ 1,692.82	\$ 1,691.82

**Capital Assets**

During the year ended June 30, 2015 and 2014, the following changes in Capital Assets occurred:

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2015</u>
Land	\$ 125,545.23	---	---	\$ 125,545.23
Buildings and Improvements	518,632.72	---	---	518,632.72
	644,177.95	---	---	644,177.95
Less: Accumulated Depreciation	356,991.47	\$ 12,965.82	---	369,957.29
	<u>\$ 287,186.48</u>	<u>\$(12,965.82)</u>	<u>---</u>	<u>\$ 274,220.66</u>



**Note 3: DETAIL NOTES – ASSETS (CONT'D)****Capital Assets (Cont'd)**

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2014</u>
Land	\$ 125,545.23	---	---	\$ 125,545.23
Buildings and Improvements	518,632.72	---	---	518,632.72
	644,177.95	---	---	644,177.95
Less: Accumulated Depreciation	344,025.65	\$ 12,965.82	---	356,991.47
	<u>\$ 300,152.30</u>	<u>\$(12,965.82)</u>	<u>---</u>	<u>\$ 287,186.48</u>

**Note 4: DETAIL NOTES - LIABILITIES****Intergovernmental Accounts Payable (City of Bridgeton)**

The City of Bridgeton has paid certain operating expenses on behalf of the Authority and the expense for demolishing several Authority buildings. As of June 30, 2015 and 2014, the Authority owed the City approximately \$182,353.84. The agreement with the City requires the Authority to reimburse the City of Bridgeton upon the sale of its assets for any amounts outstanding. Included in this amount is \$1,478.15 that remains in trust with the Authority's previous attorney.

**Urban Enterprise Zone Authority Loan Payable (City of Bridgeton)**

In October 1997, the Authority borrowed \$100,000.00 from the City of Bridgeton's Urban Enterprise Zone Authority grant funds. The terms were for the loan to be paid over 10 years at a 5% interest rate in quarterly installments of \$3,192.15. The Authority has not made any payments on this loan since April of 1996.

In March 2014, the Authority borrowed \$20,000.00 from the City of Bridgeton's Urban Enterprise Zone Authority grant funds. The terms were for the balance to be paid upon sale of the Authority property with no interest accrual. The Authority has not made any payments on this loan to date.

In September 2014, the Authority borrowed \$10,000.00 from the City of Bridgeton's Urban Enterprise Zone Authority grant funds. The terms were for the balance to be paid upon sale of the Authority property with no interest accrual. The Authority has not made any payments on this loan to date.

As a result of the three loans above, the balance as of June 30, 2015 and 2014, consisted of \$126,091.42 and \$116,091.42 of principal, respectively, and \$25,209.82 in accrued interest.

**Mortgage Payable – Redland-Genstar Corporation**

In April 1989, Redland-Genstar Corporation (formerly known as Genstar Stone Products Company), now part of Lafarge Corporation, advanced the Authority \$110,658.08 for the purchase of land for the development of a bulk aggregate materials handling facility. Interest on the purchase money mortgage accrued at 7.5% per annum; however, the interest was due by the Authority to Genstar until such time as Genstar notified the Authority, in writing, that Genstar did not seek to use the aforementioned land.

During 1993, Redland-Genstar Corporation was denied various approvals and permits from the New Jersey Department of Environmental Protection for the proposed bulk materials handling facility. On June 15, 1993, Genstar notified the Authority that it no longer sought to use the land. Consequently, interest accrued from April 18, 1989 to June 15, 1993 in the amount of \$34,515.96 and was added to the original mortgage balance. The entire mortgage of \$145,174.04 was to be repaid in monthly installments of \$1,723.24. No payments were made on this mortgage from 1998 to 2002.

**Note 4: DETAIL NOTES – LIABILITIES (CONT'D)****Mortgage Payable – Redland-Genstar Corporation (Cont'd)**

The Authority reached a settlement agreement with Redland-Genstar Corporation on February 7, 2002 that reduced the amount due to Genstar to \$75,000.00. The agreement required the Authority to pay Genstar \$15,000.00 immediately and the balance of the loan over the next sixty months with interest at 6%. As compensation for reducing the principal balance on the mortgage, should the Authority sell the property prior to the discharge of mortgage, the Authority shall pay Genstar the remaining principal amount as well as 50% of the excess proceeds from the sale.

The Authority has not made any payments on the mortgage since 2005. No documentation could be obtained indicating if interest is still being accrued. The following is a revised schedule of the payments:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$23,069.08	\$1,289.91	\$24,358.99
2014	\$23,069.08	\$1,289.91	\$24,358.99

It is unknown at this time if there is any further obligation to Genstar with respect to interest or extinguishment of this obligation; however, as of the date of this report, no correspondence from Genstar, nor its successor entity Lafarge, has been received.

**Judgment Payable**

In December 1988, the Authority refinanced two loans utilized for the purchase of land and buildings by obtaining an \$800,000 mortgage from Midland Loan Services. The mortgage was to be paid over 25 years at a variable interest rate. The last known interest rate on the Midland mortgage was 9.5% as of June 30, 2000. The Authority defaulted on the mortgage during fiscal year 1997. The mortgage was purchased from Midland Loan Services by National Mortgage Corporation. Through negotiations with National Mortgage Company, a revised payment schedule was devised with a corresponding interest rate of 10.0%.

In September 2012, a Judgment was approved by the Superior Court of New Jersey which fixed the amount of interest and principal owed to the creditor, now Henry Grove Diversified Investments, LLP. As of the last date on the court approved schedule of the balance owed, October 16, 2012, the Authority owed a principal amount of \$432,815.28 and interest totaled \$252,040.52. Management estimates that the interest accrued at the same rate from October 16, 2012 to June 30, 2015.

No payments were made on this obligation from October 2008 through fiscal year ended June 30, 2015. The following is a schedule of amount due as of June 30, 2015:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$432,815.28	\$369,077.45	\$801,892.73
2014	\$432,815.28	\$325,795.92	\$758,611.20

**Note 5: CONTINGENCIES****Litigation**

The Authority is a defendant in a legal proceeding that is in various stages of litigation. It is believed that the outcome, or exposure to the Authority, from such litigation is either unknown or potential losses, if any, would not be material to the financial statements, other than what has already been recorded.

**Environmental Issues**

During the process of selling the Authority's capital assets in 2004, the Authority ascertained that the property included in the sale of capital assets may have environmental issues. The City of Bridgeton authorized a Remediation Cost Estimate – Soil of the property for which the Authority was selling. Although, an amount was conveyed at that time, the Authority did not undertake any remediation nor was a liability incurred. The Authority is unable to determine if the liability calculation has been updated and therefore has made no adjustment to the financial statements relating to a remediation liability. If an environmental study had been completed to date and the amount of remediation liability was determined this amount would impact the financial statements of the Authority.

**Mortgage and Mortgage Interest Payable**

The Authority has a remaining balance due on a debt restructuring that occurred in 2002. Payments on this mortgage ceased in June 2005, however, the Authority has not received any correspondence relating to the balance of the mortgage or any additional interest and/or late payment fees.

**Note 6: RISK MANAGEMENT**

The Authority is insured under the City of Bridgeton's insurance policy with Statewide Municipal Joint Insurance Fund. The Fund provides the Authority with the following coverage:

Property – Replacement Cost  
Boiler and Machinery  
General Liability  
Fire  
Burglary and Theft

**Note 7: GOING CONCERN AND MANAGEMENT PLANS****Sale of Assets**

The Authority has a deficit in Net Position as a result of its liabilities exceeding its current and capital assets. The Authority is in the process of selling capital assets which could reduce or eliminate the deficits and has a potential buyer interested in purchasing a portion of the Authority's fixed assets. The agreement of sale for the Authority's largest building is contingent on several actions being successfully completed by the Authority.

The potential sale of capital assets referred to above may not be sufficient to eliminate the deficit in net position. However, the Authority is exploring other alternatives to eliminate the deficit including selling additional property, increased economic development of properties owned by the Authority that are related to the potential sale currently under agreement and a potential sale of property overlooking the Cohansy River which may create additional open space and park land to support City recreational opportunities. In addition, the City of Bridgeton has an agreement in place with a developer for properties surrounding the Authority which will be instrumental in the creation of additional employment in the Authority area.

**Note 8: SUBSEQUENT EVENTS****Professional Fees**

There may be additional professional fees in the fiscal year ending June 30, 2015 relating to the contingent liability and sale of assets; however, at this time those amounts are not known.

In May 2016, the Authority entered into an agreement with the City of Bridgeton to provide payment for auditing services relating to the fiscal year ending June 30, 2015 audit. A loan in the amount of \$10,000.00 was provided from the City of Bridgeton's Urban Enterprise Zone Authority remaining grant funds. The terms of the loan did not indicate any interest accrual.

**Local Finance Board Resolution**

On February 10, 2016, the Local Finance Board, having reviewed all financial documents and materials submitted to it as well as the statements made during the fiscal year under audit and subsequent to June 30, 2015, resolved that it cannot order the dissolution of the Bridgeton Municipal Port Authority pursuant to N.J.S.A. 40A:5A-21.

**Budget**

The Port Authority received approval from the Bureau of Authority Regulation to not prepare and file a budget for fiscal year 2016-17 due to lack of budgetary revenues and expenditures.

## **SCHEDULE OF FINDINGS AND RECOMMENDATIONS**

**BRIDGETON MUNICIPAL PORT AUTHORITY**  
Schedule of Findings and Recommendations  
For the Year Ended June 30, 2015

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***Schedule of Financial Statement Findings***

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Government Auditing Standards and with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

**Finding No. 2015-001**

**Criteria or Specific Requirement**

The Port Authority is required to establish and maintain internal controls. Internal controls should be designed to reduce, to a relatively low level, the risk that misstatements in amounts, material to the financial statements, will not be detected within a timely period by employees in the normal course of performing their assigned functions.

**Condition**

The Port Authority has little to no internal control over financial reporting.

**Context**

During our audit, a review of the Authority's internal controls indicated no controls over financial reporting were in place and the Authority did not employ a Chief Financial Officer, but has designated an individual that demonstrates skill, knowledge and expertise in financial reporting. In addition, the Authority is utilizing the assistance of the Chief Financial Officer and Business Administrator of the City of Bridgeton.

**Effect**

A lack of internal controls could result in errors and misstatements not being detected.

**Cause**

The Port Authority does not employ any administrative or accounting staff and relies on support from the City of Bridgeton since the volume of financial transactions has been minimal over the past several years.

**Recommendation**

The Port Authority should adopt stronger internal controls over financial reporting.

**View of Responsible Officials and Planned Corrective Action**

The Port Authority management agrees with the Finding.

**BRIDGETON MUNICIPAL PORT AUTHORITY**  
Schedule of Findings and Recommendations  
For the Year Ended June 30, 2015

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*Schedule of Financial Statement Findings (Cont'd)*

**Finding No. 2015-002**

**Criteria or Specific Requirement**

New Jersey Authority Statutes require that every authority prepare an annual budget, adopt a cash management plan and maintain documentation of public meetings.

**Condition**

During the fiscal year ended June 30, 2015, the Port Authority did not adopt a budget in a timely manner, did not adopt a cash management plan and did not maintain documentation of all public meetings.

**Context**

A review of the Port Authority's financial documents indicated that a budget and a cash management plan were prepared, but not adopted within the statutory deadline. In addition, the minutes of one meeting during the fiscal year under audit could not be located.

**Effect**

Lack of an approved budget can lead to inadequate internal controls over financial reporting and accounting for expenditures and revenues. By not adopting a cash management plan and maintaining documentation of all public meetings, the Port Authority is not in compliance with State statutes.

**Cause**

The Port Authority does not employ any administrative or accounting staff. However, through an understanding with the City of Bridgeton, the City is assisting the Port Authority with these technical issues.

**Recommendation**

That the Port Authority adopt its budget within the statutory deadline, adopt a cash management plan, and maintain documentation of all public meetings.

**View of Responsible Officials and Planned Corrective Action**

The Port Authority management agrees with the Finding and subsequently received approval from the Bureau of Authority Regulation that a 2016-17 fiscal year budget does not have to be prepared due to the lack of budgetary revenues and expenditures.

**BRIDGETON MUNICIPAL PORT AUTHORITY**  
Schedule of Findings and Recommendations  
For the Year Ended June 30, 2015

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*Schedule of Financial Statement Findings (Cont'd)*

**Finding No. 2015-003**

**Criteria or Specific Requirement**

The Port Authority is required to adopt a corrective action plan in accordance with Local Finance Board Notice 97-16.

**Condition**

The Port Authority has not adopted a corrective action plan.

**Context**

During our audit, a review of the Authority's Board minutes indicated that a corrective action plan was not implemented and adopted.

**Effect**

Lack of implementing and adopting a corrective action plan could result in prior findings not being resolved and reviewed.

**Cause**

The Port Authority does not employ any administrative or accounting staff; therefore they did not submit a corrective action plan as required by the relative statutes.

**Recommendation**

That the Port Authority adopt a corrective action plan within the statutory deadline.

**View of Responsible Officials and Planned Corrective Action**

The Port Authority management agrees with the Finding.



**BRIDGETON MUNICIPAL PORT AUTHORITY**  
Schedule of Findings and Recommendations  
For the Year Ended June 30, 2015

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*Schedule of Financial Statement Findings (Cont'd)*

**Finding No. 2015-004**

**Criteria or Specific Requirement**

The Port Authority is required to establish and maintain effective internal controls over their capital assets.

**Condition**

The Port Authority has not appraised their land and buildings in several years.

**Context**

The City of Bridgeton commissioned an appraisal of the Port Authority assets in 2010. An updated appraisal has not been performed since that date.

**Effect**

An updated appraisal could result in capital assets being misstated.

**Cause**

Over the last two fiscal years, the Port Authority has attempted to sell its remaining assets, including land to liquidate their liabilities. Therefore, an up to date appraisal has not been prepared.

**Recommendation**

That an appraisal be performed on all capital assets by the Port Authority.

**View of Responsible Officials and Planned Corrective Action**

The Port Authority management agrees with the Finding.

**BRIDGETON MUNICIPAL PORT AUTHORITY**  
Summary Schedule of Prior Year Audit Findings  
And Recommendations as Prepared by Management

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This section identifies the status of prior year findings related to the financial statements that are required to be reported in accordance with Government Auditing Standards.

### **FINANCIAL STATEMENT FINDINGS**

#### **Finding No. 2014-001**

##### **Condition**

During the fiscal year ended June 30, 2014, the Port Authority did not maintain a double-entry accounting system, adopt a budget, adopt a cash management plan and did not maintain a listing of fixed assets.

##### **Current Status**

The Port Authority did not correct this finding, in its entirety, for fiscal year 2015. The Port Authority did implement a double-entry accounting system. The Port Authority drafted a cash management plan, but did not adopt the plan at a public meeting. The Port Authority introduced and adopted a budget, but it was subsequent to the statutory deadline. The Port Authority maintained a fixed asset accounting system according to relevant statutes, but an appraisal of land and buildings has not been performed in recent years. Finding remains as Findings No. 2015-002 and 2015-004.

##### **Planned Corrective Action**

The Port Authority will adopt its budgets and cash management plan within the statutory deadline.

#### **Finding No. 2014-002**

##### **Condition**

The Port Authority has little to no internal control over financial reporting.

##### **Current Status**

The Port Authority has not appointed a Chief Financial Officer due to the volume of financial transactions being minimal over the last several years. The Port Authority has little to no internal control over financial reporting still. Finding remains as Finding No. 2015-001.

##### **Planned Corrective Action**

The Port Authority will assign the appropriate individual with overseeing and maintaining the accounting system and internal control.

#### **Finding No. 2014-003**

##### **Condition**

The Port Authority has not adopted a corrective action plan.

##### **Current Status**

The condition has not yet been resolved and finding remains as Finding No. 2015-003.

##### **Planned Corrective Action**

The Port Authority will assign the appropriate individual with overseeing the adoption of the corrective action plan.

**APPRECIATION**

We express my appreciation for the assistance and courtesies rendered by the Authority officials during the course of the audit.

Respectfully submitted,

*Bowman & Company LLP*

BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants