

The New Jersey Maritime Pilot and
Docking Pilot Commission

Financial Statements

June 30, 2011 and 2010

The New Jersey Maritime Pilot and Docking Pilot Commission

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
The New Jersey Maritime Pilot and Docking Pilot Commission
Newark, New Jersey

We have audited the accompanying statement of assets, liabilities and net assets of The New Jersey Maritime Pilot and Docking Pilot Commission (the "Commission") as of June 30, 2011, and the related statements of revenues, expenses and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on the financial statements based on our audit. The financial statements of the Commission as of June 30, 2010, were audited by other auditors whose report dated September 20, 2011 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The New Jersey Maritime Pilot and Docking Pilot Commission as of June 30, 2011, and the changes in net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Hutchins, Farrell, Meyer & Allison, P.A.
March 7, 2012

The New Jersey Maritime Pilot and Docking Pilot Commission

Statements of Assets, Liabilities and Net Assets

June 30, 2011 and 2010

Assets

	<u>2011</u>	<u>2010</u>
Current Assets:		
Cash	\$ 37,893	\$ 60,848
Amount on account with State of New Jersey/DOT	526,899	368,018
Statutory fees receivable	<u>11,012</u>	<u>54,111</u>
Total Current Assets	<u>\$ 575,804</u>	<u>\$ 482,977</u>

Liabilities and Net Assets

Current Liabilities:		
Accounts payable	\$ <u>5,750</u>	\$ -
Total Current Liabilities	5,750	-
Unrestricted Net Assets	<u>570,054</u>	<u>482,977</u>
Total Current Liabilities and Unrestricted Net Assets	<u>\$ 575,804</u>	<u>\$ 482,977</u>

See Independent Auditor's Report and
Accompanying Notes to Financial Statements

The New Jersey Maritime Pilot and Docking Pilot Commission

Statements of Revenues, Expenses and Changes in Net Assets

For the Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Unrestricted Net Assets:		
Revenue:		
Statutory fee income	\$ 392,546	\$ 623,327
Licensing fee income	<u>8,006</u>	<u>-</u>
Total Revenue	<u>400,552</u>	<u>623,327</u>
Expenses:		
Payroll and taxes	196,222	329,559
Fringe benefits	68,605	114,675
Rent	24,000	-
Office supplies and equipment	6,804	8,912
Professional fees	6,483	7,500
Meetings	4,030	3,457
Commissioner incidents	2,671	104
Newspaper announcements	1,793	2,218
Pilot training	952	5,000
Miscellaneous	629	2,003
Travel	489	1,724
Annual memberships	354	354
Awards and plaques	195	87
Conferences	150	150
Dues and subscriptions	98	256
Per Diem	-	2,143
Harbor inspection tour	-	600
Printing	<u>-</u>	<u>557</u>
Total Expenses	<u>313,475</u>	<u>479,299</u>
Increase in Net Assets	87,077	144,028
Net Assets, Beginning of Year	<u>482,977</u>	<u>338,949</u>
Net Assets, End of Year	<u>\$ 570,054</u>	<u>\$ 482,977</u>

See Independent Auditor's Report and
Accompanying Notes to Financial Statements

The New Jersey Maritime Pilot and Docking Pilot Commission

Statements of Cash Flows

For the Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash Flows from Operating Activities:		
Increase in net assets	\$ 87,077	\$ 144,028
Adjustments to Reconcile Increase in Fund Balance to Net Cash (Used in) Provided by Operating Activities:		
Change in Operating Assets and Liabilities:		
Amount on account with State of New Jersey/DOT	(158,881)	(135,917)
Statutory fees receivable	43,099	939
License fees receivable	-	750
Accounts payable	<u>5,750</u>	<u>-</u>
Net Cash (Used in) Provided by Operating Activities and Net (Decrease) Increase in Cash	<u>(22,955)</u>	<u>9,800</u>
Cash - Beginning of Year	<u>60,848</u>	<u>51,048</u>
Cash - End of Year	<u>\$ 37,893</u>	<u>\$ 60,848</u>

See Independent Auditor's Report and
Accompanying Notes to Financial Statements

The New Jersey Maritime Pilot and Docking Pilot Commission

Notes to Financial Statements

June 30, 2011 and 2010

Note 1: Nature of Organization and Summary of Significant Accounting Policies

Nature of Organization

The New Jersey Maritime Pilot and Docking Pilot Commission (the "Commission") is a public agency, created by the New Jersey State Legislature, Laws of 1837, as amended, to provide for the competitive selection, training, licensing and regulation of State Pilots, who navigate large seagoing vessels, as they enter the Port of New Jersey/New York (the "Port"), travel within the respective waterways and depart from the Port. The Commission has six Commissioners appointed by the Governor. The Commission's administrative expenses are funded by the statutorily prescribed fees received by New Jersey licensed maritime pilots and docking pilots and these funds are received and held by the New Jersey Department of Transportation ("NJDOT"). NJDOT provides certain administrative services, primarily payroll and accounting services, to the Commission and reimburses the Commission from the Commission's funds, those amounts expended from the Commission's bank account.

Basis of Accounting and Presentation

The accompanying financial statements of The New Jersey Maritime Pilot and Docking Pilot Commission have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

The assets of the Commission are used solely for the purposes described above, therefore, it has not been necessary and, accordingly, no resolution restricting the net assets of the Commission has been adopted.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. The collectability of receivables, among other accounts, require the significant use of estimates. Actual results could differ from those estimates.

Revenue Recognition and Receivables

Revenues are recognized in the period pilot services are provided and consist primarily of pilot fees that are reported at estimated net realizable amounts which are used to support various programs.

Statutory fees receivable is recorded at the net realizable value and does not bear interest. There is no allowance recorded at June 30, 2011 and 2010.

The New Jersey Maritime Pilot and Docking Pilot Commission

Notes to Financial Statements

June 30, 2011 and 2010

Note 1: Nature of Organization and Summary of Significant Accounting Policies (continued)

Risk and Uncertainties

The Commission's significant credit risk is the amount on account from the State of New Jersey/DOT. There is potential that the State of New Jersey will appropriate surplus funds to subsidize New Jersey State budget deficiencies. Due to this level of risk, it is at least reasonably possible that changes in funds available to the Commission will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

Financial Instruments

The carrying values of the Commission's financial instruments as of June 30, 2011 including cash, receivables and amounts on account with State of New Jersey/DOT approximate their fair value due to the relatively short maturity of these instruments.

Fair Value Disclosures

The Commission has provided fair value disclosure information for relevant assets and liabilities in these financial statements.

For applicable assets and liabilities subject to the provisions of the accounting standard relating to fair value measurements, the Commission will value, such assets and liabilities using quoted market process in active markets for identical assets and liabilities to the extent possible. To the extent that such market prices are not available, management will next attempt to value such assets and liabilities using observable measurement criteria, including quoted market prices of similar assets and liabilities in active and inactive markets and other corroborated factors. In the event that quoted market prices in active markets for identical assets or liabilities (Level 1) and other observable measurement criteria (Level 2) or unobservable inputs are not available (Level 3), the Commission will develop measurement criteria based on the best information available, including information from banking institutions and advisors. All of the Commission's financial assets are Level 1.

Concentrations of Credit Risk

Financial instruments which potentially subject the Commission to concentrations of credit risk consist principally of cash, receivables and amount on account with State of New Jersey/DOT. The Commission places its cash with high credit quality financial institutions. The Commission monitors the financial condition of the banking institutions, along with their cash balances, to minimize this risk.

The New Jersey Maritime Pilot and Docking Pilot Commission

Notes to Financial Statements

June 30, 2011 and 2010

Note 2: Amount on Account with State of New Jersey/DOT

The State of New Jersey/DOT maintains a non-interest bearing account on behalf of the Commission within the State of New Jersey's control. The account is used to receive substantially all fees, as well as pay various expenses, on behalf of the Commission. At June 30, 2011 and 2010, the State of New Jersey/DOT owed the Commission \$526,899 and \$368,018, respectively.

Note 3: Pension Plan

Commission employees are considered employees of the State of New Jersey and participate in the Public Employees' Retirement System ("PERS" or "System") which has been established by state statute. The Division of Pensions and Benefits ("Division") within the Treasury Department of the State of New Jersey is the administrator of the plan. According to the State of New Jersey Administrative Code, all obligations of the System will be assumed by the State of New Jersey should the System terminate. The PERS is considered a cost-sharing multiple-employer plan.

The Public Employees' Retirement System was established in January 1955 and significantly amended on May 21, 2010 under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all full time employees of the State or any county, municipality, school district or public agency provided the employee is not a member of another State-administered retirement system. The 2010 legislation implemented the "tiered" system whereby employees are eligible for benefits based upon their date of hire, number of weekly hours worked and annual salary. Vesting for pension benefits occurs after 10 years of service and 25 years for health care coverage. Members are eligible for retirement at age 60 for Tier 1 and Tier 2 employees and at age 62 for Tier 3 and Tier 4 employees with an annual benefit generally determined to be 1/55th of the final average salary for Tier 1, 2 and 3 employees and 1/60th of the final average salary for Tier 4 employees multiplied by the number of years of service. Early retirement is available to those under normal retirement age with 25 or more years of credited service, but at a reduced rate.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information for PERS. As of June 30, 2010 the aggregate funded ratio and unfunded accrued liability for local PERS obligations was 58.8% and \$7,177 billion, respectively. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey, 08625-0295.

The New Jersey Maritime Pilot and Docking Pilot Commission

Notes to Financial Statements

June 30, 2011 and 2010

Note 3: Pension Plan (continued)

Funding Policy

The contribution policy is set by the New Jersey State Statutes and contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provided for employee contributions of 5.50% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate. The actuarially-determined contribution includes funding for cost of living adjustments, noncontributory death benefits and post-retirement medical premiums.

In accordance with the provisions of N.J.S.A. 43:15A, the contribution policy requires State related employers and the State of New Jersey to make a normal contribution and an accrued liability contribution, if applicable, determined by a qualified actuary. The State's base payroll subject to PERS contributions for the year ended June 30, 2010 was \$4,564,850,886.

Contributions to PERS for the years ended June 30th made by the State were as follows:

<u>Year Ending</u>	<u>Annual Required Contribution</u>	<u>State's Contribution</u>	
	<u>Amount</u>	<u>Amount</u>	<u>Percent</u>
6/30/2011	\$ 871,820,619	\$ 30,156,774	3.5%
6/30/2010	\$ 684,036,322	\$ 27,910,317	4.1%
6/30/2009	\$ 622,123,112	\$ 49,408,878	7.9%

Note 4: Subsequent Events

The Commission has evaluated subsequent events occurring after June 30, 2011 through the date of March 7, 2012, which is the date the financial statements were available to be issued. Based on this evaluation, the Commission has determined that no subsequent events have occurred which require disclosure in the financial statements.