

**The New Jersey Maritime Pilot and
Docking Pilot Commission**

**Financial Statements
June 30, 2012 and 2011**

The New Jersey Maritime Pilot and Docking Pilot Commission

Financial Statements

June 30, 2012 and 2011

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INDEPENDENT AUDITORS' REPORT

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, 2012, 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 these financial statements based on our audit. The financial statements of the Commission as of June 30, 2011, were audited by other auditors whose report dated March 7, 2012 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 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, 2012 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.

A handwritten signature in black ink, appearing to read 'Kayode Agunbiade', followed by the letters 'CPA'.

Kayode Agunbiade, CPA
East Orange, New Jersey
January 11, 2013

The New Jersey Maritime Pilot and Docking Pilot Commission
Statements of Assets, Liabilities and Net Assets
June 30, 2012 and 2011

ASSETS	2012	2011
Current Assets		
Cash	\$ 27,811	\$ 37,893
Amount on account with State of New Jersey DOT	548,535	526,899
Statutory fees receivable	<u>2,498</u>	<u>11,012</u>
 Total Current Assets	 <u>\$ 578,844</u>	 <u>\$ 575,804</u>
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	<u>\$ 3,500</u>	<u>\$ 5,750</u>
 Total Current Liabilities	 3,500	 5,750
 Unrestricted Net Assets	 <u>575,344</u>	 <u>570,054</u>
 Total Current Liabilities and Unrestricted Net Assets	 <u>\$ 578,844</u>	 <u>\$ 575,804</u>

The notes are an integral part of these financial statements

**The New Jersey Maritime Pilot and Docking Pilot Commission
Statements of Revenues, Expenses and Changes in Net Assets
June 30, 2012 and 2011**

Unrestricted Net Assets	2012	2011
Revenue:		
Statutory fee income	\$ 320,777	\$ 392,546
Licensing fee income	8,001	8,006
	<hr/>	<hr/>
Total Revenue	<u>328,778</u>	<u>400,552</u>
Expenses:		
Payroll and Taxes	177,953	196,222
Fringe benefits	58,924	68,605
Rent	24,792	24,000
Office Supplies and equipment	13,032	6,804
Professional fees	15,685	6,483
Meetings	3,537	4,030
Commissioner incidentals	1,835	2,671
Newspaper announcements	2,525	1,793
Pilot training	3,395	952
Miscellaneous	15,796	629
Travel	23	489
Annual memberships	225	354
Awards and plaques	368	195
Conferences	-	150
Dues and subscription	-	98
ID/Badges/Wallets	1,232	-
Supplies	2,948	-
Utilities/Telephone	1,218	-
	<hr/>	<hr/>
Total Expenses	<u>323,488</u>	<u>313,475</u>
Increase in Net Assets	5,290	87,077
Net Assets, Beginning of Year	<u>570,054</u>	<u>482,977</u>
Net Assets, End of Year	<u>\$ 575,344</u>	<u>\$ 570,054</u>

The notes are an integral part of these financial statements

The New Jersey Maritime Pilot and Docking Pilot Commission
Statements of Cash Flows
For the Years Ended June 30, 2012 and 2011

	2012	2011
Cash Flows from Operating Activities:		
Increase in net assets	\$ 5,290	\$ 87,077
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	(21,636)	(158,881)
Statutory fees Receivable	8,514	43,099
License fees Rreceivable		
Accounts payable	(2,250)	5,750
Net Cash (Used in) Provided by Operating Activities and Net (Decrease) Increase in Cash	(10,082)	(22,955)
Cash - Beginning of Year	37,893	60,848
Cash - End of Year	\$ 27,811	\$ 37,891

The notes are an integral part of these financial statements

The New Jersey Maritime Pilot and Docking Pilot Commission
Notes to Financial Statements
June 30, 2012 and 2011

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

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 statutory prescribed fees received by New Jersey licensed maritime pilots and docking pilots and these funds are received and held by 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 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 purpose described above, therefore, it has not been necessary and, accordingly, no resolution restricting the net assets of the Commission has been adopted.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. 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, 2012 and 2011.

Risk and Uncertainties

The Commission’s significant credit risk is the amount on account from the State of New Jersey/DOT. There is a potential for the State of New Jersey to 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 such changes could materially affect the amounts reported in the accompanying financial statements.

The New Jersey Maritime Pilot and Docking Pilot Commission
Notes to Financial Statements
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Financial Instruments

The carrying values of the Commission's financial instruments as of June 30, 2012 include cash, receivables and amounts on account with the State of New Jersey/DOT approximate their market value due to the relatively short maturity of these instruments.

Fair Value Disclosure

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 fair value measurements under FASB ASC 820, 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 and liabilities (Level 1) and other observable measurement criteria (Level 2) or unobservable inputs that 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 inputs.

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 the 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.

Amount on account with the State of New Jersey/DOT

The State of New Jersey/DOT maintains a non-interest bearing account on behalf of the Commission with the State of New Jersey's control. The account is used to receive substantial all fees, as well as to pay various expenses, on behalf of the Commission. As of June 30, 2012 and 2011, the State of New Jersey owed the Commission \$ 548,535 and \$ 526,899 respectively.

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 the state statute. The Division of Pensions and Benefits (the "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' Retirements 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 healthcare 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 of service for health care coverage. Members are eligible for retirement at age 60 for

The New Jersey Maritime Pilot and Docking Pilot Commission
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Pension Plan (Continued)

Tier 1 and Tier 2 employees at age 62 for Tier 3 and 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, 2012 the aggregate funded ratio and unfunded accrued liability for local PERS obligations was 58.8 % and \$7,177 billion, respectively. The financial report may be obtained by writing to the State of New Jersey, Department of the treasury, Division of Pension and Benefits. P.O. Box 295, Trenton, New Jersey, 08625-0295.

Funding Policy

The contribution policy is set by the New Jersey 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 5.5% 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:

Year Ending	Annual		Percent
	<u>Required Contributor</u>	<u>State Contribution</u>	
	Amount	Amount	
06/30/2011	\$ 871,820,619	\$ 30,156,774	3.50%
06/30/2010	\$ 684,036,322	\$ 27,910,317	4.40%
06/30/2009	\$ 622,123,112	\$ 49,408,878	7.90%

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Operating Lease:

The commission leases a 620 square feet office space on the 9th floor of the New Jersey Transit Authority headquarters located at One Penn Plaza Newark, NJ 07105 on a month to month lease at \$2,000 per month plus escalation. Rental Expense for the years ended June 30, 2012 and 2011 were \$24,792 and \$24,000 respectively.

Subsequent Events:

The Commission has evaluated subsequent events occurring after June 30, 2012 through the date January 11, 2013, 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.