

**THE PARKING AUTHORITY OF THE TOWN OF  
HACKETTSTOWN  
(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)**

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**REPORT ON EXAMINATION OF FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2012**

**THE PARKING AUTHORITY OF THE TOWN OF HACKETTSTOWN**  
**(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)**

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**FINANCIAL SECTION**

**INDEPENDENT AUDITOR'S REPORT**



# VM ASSOCIATES, INC.

Vincent M. Montanino, RMA, PSA  
Michael S. Zambito, CPA, RMA  
Antonia Russo, Associate

## INDEPENDENT AUDITOR'S REPORT

Honorable Chairperson and Members  
The Parking Authority of the Town of Hackettstown  
Hackettstown, New Jersey 07840

We have audited the accompanying basic financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of The Parking Authority of the Town of Hackettstown (A Component Unit of the Town of Hackettstown) as of and for the year ended December 31, 2012, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of The Parking Authority of the Town of Hackettstown's (A Component Unit of the Town of Hackettstown) management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our 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, each major fund, and the aggregate remaining fund information of The Parking Authority of the Town of Hackettstown (A Component Unit of the Town of Hackettstown) as of December 31, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated April 16, 2013 on our consideration of The Parking Authority of the Town of Hackettstown's (A Component Unit of the Town of Hackettstown) 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 the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

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The Management's Discussion and Analysis on pages 4 through 7 and budgetary comparison information on Exhibit 1 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise The Parking Authority of the Town of Hackettstown's (A Component Unit of the Town of Hackettstown) basic financial statements. The accompanying other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.



Vincent M. Montanino  
Registered Municipal Accountant  
License No. CR000375



Michael S. Zambito  
Certified Public Accountant  
License No. 20CC00789500

April 16, 2013

**REQUIRED SUPPLEMENTARY INFORMATION – PART 1**

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Hackettstown Parking Authority's ( A Component Unit of the Town of Hackettstown) financial activities for the calendar year ended December 31, 2012. Please read it in conjunction with the Authority's financial statements.

### FINANCIAL HIGHLIGHTS

- The Authority's net assets decreased \$20,654.73 as a result of this year's operations. Net assets of our business-type activities decreased by \$20,654.73, or 4.68 percent.
- Total cost of all of the Authority's programs was \$75,157.15 in 2012 compared to \$49,158.27 in 2011.
- During the year, the Authority had program expenses for business-type activities that were \$20,654.73 more than program revenues.

### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Authority as a whole and present a longer-term view on the Authority's finances. Fund financial statements begin on page 11. Fund financial statements report the Authority's operation in more detail than the government-wide statements by providing information about the Authority's most financially significant funds.

#### Reporting the Authority as a Whole

##### The Statement of Net Assets and the Statement of Activities

One of the most important questions asked about the Authority's finances is "Is the Authority as a whole better off or worse off as a result of the year's activities?". The Statement of Net Assets and the Statement of Activities report information about the Authority as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Authority's *net assets* and changes in them. You can think of the Authority's net assets, the difference between assets and liabilities, as one way to measure the Authority's financial health, or *financial position*. Over time, *increases* or *decreases* in the Authority's net assets are one indicator whether its *financial health* is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Authority's user fee base, and the condition of the Authority's capital assets to assess the overall *health* of the Authority. Critical to the financial health of the Authority is its user fee base.

#### Reporting the Authority's Most Significant Funds

##### Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds-not the Authority as a whole. Some funds are required to be established by State law.

*Proprietary funds*: when the Authority charges customers for the full cost of the services it provides, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the Authority's enterprise funds (a component of business type funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

**THE AUTHORITY AS A WHOLE**

The Authority's *combined* net assets changed from a year ago, *decreasing* from \$441,859.51 to \$421,204.78. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the Authority's business-type activities as of December 31.

**Table 1**  
**Net Assets**

	Business-type Activities	
	<u>2012</u>	<u>2011</u>
Current and Other Assets	\$ 227,953.61	\$ 242,075.89
Capital Assets	<u>197,660.25</u>	<u>204,015.50</u>
Total Assets	<u>425,613.86</u>	<u>446,091.39</u>
Other Liabilities	<u>4,396.75</u>	<u>4,231.88</u>
Total Liabilities	<u>4,396.75</u>	<u>4,231.88</u>
Net Assets:		
Invested in Capital Assets, Net of Debt	197,660.25	204,015.50
Restricted	25,733.71	20,733.71
Unrestricted	<u>197,810.82</u>	<u>217,110.30</u>
Total Net Assets	<u>\$ 421,204.78</u>	<u>\$ 441,859.51</u>

Net assets of the Authority's business-type activities decreased 4.68 percent. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements –decreased \$19,299.48. Restricted net assets increased \$5,000.00. The investment in capital assets, net of debt category decreased \$6,355.25

**Table 2**

**Changes in Net Assets**

	Business-Type Activities	
	<u>2012</u>	<u>2011</u>
<u>Revenues</u>		
Program Revenues:		
Charges for Services	\$ 53,431.79	\$ 47,504.46
General Revenues:		
Interest and Investment Earnings	<u>1,070.63</u>	<u>2,543.11</u>
Total Revenues	<u>54,502.42</u>	<u>50,047.57</u>
<u>Program Expenses Including Indirect Expenses</u>		
Business-Type Activities:		
Parking	<u>75,157.15</u>	<u>49,158.27</u>
Total Expenses	<u>75,157.15</u>	<u>49,158.27</u>
Increase/(Decrease) in Net Assets	<u>\$ (20,654.73)</u>	<u>\$ 889.30</u>

**Business-type Activities**

Authority's major Enterprise Fund consists of the Parking Operations. The basic financial statements for the major funds are included in this report. Because the focus on business-type funds is a cost of service measurement or capital maintenance, we have included these funds in Table 3, which demonstrates return on ending assets and return on ending net assets.

**Table 3**

	<u>Parking</u>
Total Assets	\$ 425,613.86
Net Assets	421,204.78
Change in Net Assets	(20,654.73)
Return on Ending Total Assets	-4.85%
Return on Ending Net Assets	-4.90%

## CAPITAL ASSET AND DEBT ADMINISTRATION

### CAPITAL ASSETS

**Table 4**  
**Capital Assets at Year-end**

	Business-Type Activities	
	<u>2012</u>	<u>2011</u>
Land	\$ 141,649.31	\$ 141,649.31
Land Improvements	150,700.28	150,700.28
Machinery and Equipment	<u>41,519.89</u>	<u>41,519.89</u>
Subtotal	333,869.48	333,869.48
Accumulated Depreciation	<u>(136,209.23)</u>	<u>(129,853.98)</u>
Totals	<u>\$ 197,660.25</u>	<u>\$ 204,015.50</u>

More detailed information about the Authority's capital assets is presented in the notes to the basic financial statements

### BUDGETS

There were no variances between the originally adopted budget and the final budget for the year 2012, see Exhibit 1 for more detailed information regarding the 2012 budget.

### CONTACTING THE AUTHORITY FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Authority Secretary, Hackettstown Parking Authority, 215 Stiger Street, P. O Box 216, Hackettstown, New Jersey 07840.

## **BASIC FINANCIAL STATEMENTS**

**FUND FINANCIAL STATEMENTS**

**PROPRIETARY FUNDS**

**THE PARKING AUTHORITY OF THE TOWN OF HACKETTSTOWN  
(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
DECEMBER 31, 2012**

	<u>Business-type Activities - Enterprise Funds</u>	
	<u>Parking</u>	<u>Totals</u>
<b>ASSETS</b>		
Current Assets:		
Cash and Investments - Unrestricted	\$ 192,421.54	\$ 192,421.54
Cash and Investments - Restricted	25,733.71	25,733.71
Prepaid Expenses	<u>9,798.36</u>	<u>9,798.36</u>
Total Current Assets	<u>227,953.61</u>	<u>227,953.61</u>
Noncurrent Assets:		
Capital Assets	333,869.48	333,869.48
Less Accumulated Depreciation	<u>(136,209.23)</u>	<u>(136,209.23)</u>
Total Noncurrent Assets	<u>197,660.25</u>	<u>197,660.25</u>
Total Assets	<u>425,613.86</u>	<u>425,613.86</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	<u>4,396.75</u>	<u>4,396.75</u>
Total Current Liabilities	<u>4,396.75</u>	<u>4,396.75</u>
Total Liabilities	<u>4,396.75</u>	<u>4,396.75</u>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	197,660.25	197,660.25
Restricted for:		
Renewal and Replacement	25,733.71	25,733.71
Unrestricted	<u>197,810.82</u>	<u>197,810.82</u>
Total Net Assets	<u>\$ 421,204.78</u>	<u>\$ 421,204.78</u>

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

**THE PARKING AUTHORITY OF THE TOWN OF HACKETTSTOWN**  
**(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Business-type Activities - Enterprise Funds</u>	
	<u>Parking</u>	<u>Totals</u>
<b>Operating Revenues:</b>		
On and Off Street Revenues	\$ 53,431.79	\$ 53,431.79
Total Operating Revenues	<u>53,431.79</u>	<u>53,431.79</u>
<b>Operating Expenses:</b>		
Personnel Services	28,815.82	28,815.82
Employee Benefits	6,558.40	6,558.40
Administrative Expenses	10,711.91	10,711.91
Operations and Maintenance	22,715.77	22,715.77
Depreciation	<u>6,355.25</u>	<u>6,355.25</u>
Total Operating Expenses	<u>75,157.15</u>	<u>75,157.15</u>
Operating (Loss)	<u>(21,725.36)</u>	<u>(21,725.36)</u>
<b>Nonoperating Revenues (Expenses):</b>		
Interest Income	<u>1,070.63</u>	<u>1,070.63</u>
Total Nonoperating Revenues (Expenses)	<u>1,070.63</u>	<u>1,070.63</u>
Change in Net Assets	(20,654.73)	(20,654.73)
Total Net Assets—Beginning	<u>441,859.51</u>	<u>441,859.51</u>
Total Net Assets—Ending	<u>\$ 421,204.78</u>	<u>\$ 421,204.78</u>

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

**THE PARKING AUTHORITY OF THE TOWN OF HACKETTSTOWN**  
**(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Business-type Activities - Enterprise Funds</u>	
	<u>Parking</u>	<u>Totals</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Customers	\$ 53,431.79	\$ 53,431.79
Payments to Suppliers	<u>(68,637.03)</u>	<u>(68,637.03)</u>
Net Cash (Used for) Operating Activities	<u>(15,205.24)</u>	<u>(15,205.24)</u>
<b>CASH OUTFLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Donation	<u>(9,460.00)</u>	<u>(9,460.00)</u>
Net Cash (Used for) Non-Capital Financing Activities	<u>(9,460.00)</u>	<u>(9,460.00)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest and Dividends	<u>1,070.63</u>	<u>1,070.63</u>
Net Cash Provided by Investing Activities	<u>1,070.63</u>	<u>1,070.63</u>
Net Decrease in Cash and Cash Equivalents	<u>(23,594.61)</u>	<u>(23,594.61)</u>
Balances—Beginning of Year	<u>241,749.86</u>	<u>241,749.86</u>
Balances—End of Year	<u>\$ 218,155.25</u>	<u>\$ 218,155.25</u>
<b>Reconciliation of Operating Income to</b>		
<b>Net Cash (Used for) Operating Activities:</b>		
Operating (Loss)	\$ (21,725.36)	\$ (21,725.36)
Adjustments to Reconcile Operating (Loss) to Net Cash (Used for) Operating Activities:		
Depreciation	6,355.25	6,355.25
Increase in Accounts Payable	<u>164.87</u>	<u>164.87</u>
Total Adjustments	<u>6,520.12</u>	<u>6,520.12</u>
Net Cash (Used for) Operating Activities	<u>\$ (15,205.24)</u>	<u>\$ (15,205.24)</u>

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

THE PARKING AUTHORITY OF THE TOWN OF HACKETTSTOWN  
(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)

NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2012

Note I: Summary of Significant Accounting Policies

A. Basis of Presentation

The financial statements of the Parking Authority of the Town of Hackettstown (“the Authority”) have been prepared in conformity 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 Authority is required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the Authority has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the Authority has chosen not to do so. The more significant accounting policies established in GAAP and used by the Authority are discussed below.

In March 2009, the Governmental Accounting Standards Board (GASB) adopted Statement No.54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement will become effective for fiscal periods beginning after June 15, 2010. The effective date for the Authority is the fiscal year beginning December 1, 2010. The objective of the statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications and clarifying the existing fund balance type definitions.

B. Reporting Entity

These financial statements present The Parking Authority of the Town of Hackettstown (A Component Unit of the Town of Hackettstown). As defined by GASB No. 14, component units are legally separate entities that are included in the Town’s reporting entity because of the significance of their operating or financial relationships with the Town.

The Division of Local Government Services, Department of Community Affairs, State of New Jersey has not mandated that municipalities in the State of New Jersey implement GASB 34 therefore the Town’s financial statements are not presented.

THE PARKING AUTHORITY OF THE TOWN OF HACKETTSTOWN  
(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)

NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2012  
(CONTINUED)

Note I: Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

The Parking Authority of the Town of Hackettstown was created by ordinance of the Town of Hackettstown, N.J. finally adopted by the Town Council on September 30, 1957, pursuant to Chapter 198, P.L. 1948, (Revised Statutes 40:11A). The Authority exists as a public body politic and corporate constituting a political subdivision of the State of New Jersey.

Under the Enabling Act, the Authority is authorized and empowered, among other things: to construct, maintain, repair and operate parking projects; to issue its revenue bonds; to fix, alter, charge and collect rents, rates and fees for use of parking projects; to sue and be sued; to borrow money; to invest its funds; and to sell, transfer and dispose of any of its property. The Authority also has the right to acquire real property by the exercise of the power of eminent domain, subject to the consent of the governing body of the Town of Hackettstown.

The Authority is restricted to function within the geographical limits of the Town of Hackettstown.

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

The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the primary government is not accountable but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and either the primary government is able to impose its will on the organization; or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government.

The Authority is a component unit of the primary government of the Town of Hackettstown. The Commissioners of The Authority are appointed by the Town Council of the Town of Hackettstown for staggered terms of five years and the Town would be obligated to guarantee the Authority's Debt Service, to the extent not met by other sources.

THE PARKING AUTHORITY OF THE TOWN OF HACKETTSTOWN  
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NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2012  
(CONTINUED)

Note I: Summary of Significant Accounting Policies (Continued)

C. Basic Financial Statements- Fund Financial Statements

Proprietary Fund Type

The focus of Proprietary Fund measurement is upon determination of net income, changes in net assets, financial position and cash flows. The accounted principles generally accepted in the United States of America applicable are those similar to businesses in the private sector. The following is a description of the Proprietary Funds of the Authority:

Enterprise Funds – The Enterprise Funds are utilized to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the Authority is that the costs (i.e. expenses including depreciation and indirect costs) of providing goods or services to the users on a continuing basis be financed or recovered primarily through user charges; or, where the Authority has decided that the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Depreciation of all exhaustive fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	20-50 Years
Improvements	10-20 Years
Machinery and Equipment	5-10 Years
Light Trucks and Vehicle	5 Years
Heavy Trucks and Vehicle	6 Years
Infrastructure	10-50 Years

D. Measurement Focus and Basis of Accounting

The proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Authority gives (or receives) value without directly receiving (or giving) equal value in exchange, include state and federal aid, grants entitlements and donations

E. Budgets/Budgetary Control

The annual budget is required to be balanced and authorities are permitted to utilize unreserved retained earnings to balance their budget; however, the maximum amount which can be utilized is the lesser of (a) the estimated year-end balance of unreserved retained earnings or (b) working capital reduced by unrestricted assets not ordinarily convertible into cash (non-liquid, such as prepaid insurance and inventory).

THE PARKING AUTHORITY OF THE TOWN OF HACKETTSTOWN  
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NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2012  
(CONTINUED)

Note I: Summary of Significant Accounting Policies (Continued)

E. Budgets/Budgetary Control (Continued)

For the purpose of using projected Unreserved Retained Earnings or funding operating deficits, Authorities are permitted to amend or modify the annual operating budget, since actual results may differ from the amount estimated in the budget process.

Amendments to the operating and/or capital budgets may be permitted for a variety of conditions, as more fully described in the rules and regulations promulgated by the Local Finance Board. There were no significant budget amendments during the fiscal year.

F. Assets, Liabilities and Fund Equity

1. Deposits and Investments

Deposits are cash and cash equivalents including petty cash, change funds, 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. Other than Certificates of Deposit, deposits with maturities of greater than three months are considered to be investments. U.S. Treasury and Agency Obligations and Certificate of Deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

New Jersey Authorities are limited as to the types of investments and types of financial institutions they may invest in. New Jersey statute 40A:5-15.1 et. seq. provides a list of permissible investments that may be purchased by New Jersey Authorities.

2. Short – term Interfund Receivables/Payables

Short – term interfund receivables/payables represents amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the Authority and that are due within one year.

3. Inventories

The cost of consumable materials and supplies on hand are immaterial to the financial statements and the Authority has therefore chosen to report these items as expenditures/expenses at the time of purchase.

4. Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Business-type activities report user fees and interest earnings as their major receivables.

THE PARKING AUTHORITY OF THE TOWN OF HACKETTSTOWN  
(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)

NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2012  
(CONTINUED)

Note I: Summary of Significant Accounting Policies (Continued)

F. Assets, Liabilities and Fund Equity (Continued)

5. Capital Assets

Capital assets purchased or acquired are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on the following assets is provided on the straight – line basis over the following estimated useful lives:

Buildings	20-50 years
Machinery and Equipment	5-10 years
Improvements	10-20 years
Other Infrastructure	10-50 years

Land and Construction in Progress are not depreciated.

6. Restricted Assets

Restricted assets include cash and investments of the proprietary fund that are legally restricted as to their use. The primary restricted assets are related to renewal and replacement reserves.

7. Long-term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of bonds, notes and loans payable.

The accounting for proprietary fund debt is the same in the fund statements as it is in the government-wide statements.

THE PARKING AUTHORITY OF THE TOWN OF HACKETTSTOWN  
(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)

NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2012  
(CONTINUED)

Note I: Summary of Significant Accounting Policies (Continued)

F. Assets, Liabilities and Fund Equity (Continued)

8. Equity Classifications

Proprietary Fund Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

9. 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 certain reports, amounts and disclosures. Accordingly, actual results could differ from those estimates.

THE PARKING AUTHORITY OF THE TOWN OF HACKETTSTOWN  
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NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2012  
(CONTINUED)

Note I: Summary of Significant Accounting Policies (Continued)

G. Revenues, Expenditures and Expenses

1. Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

2. Expenditures/Expenses

In the fund financial statements, expenditures are classified as follows:

Proprietary Fund – By Operating and Nonoperating

In the fund financial statements, proprietary funds report expenses relating to use of economic resources.

Note II: Stewardship, Compliance and Accountability

By its nature as a local government unit, the Authority is subject to various federal, state, and local laws and contractual regulations. An analysis of the Authority's compliance with significant laws and regulations and demonstration of its stewardship over Authority resources follows.

A. Revenue Restrictions and Debt Covenants

Restricted Accounts - The Authority has established the following cash and investment accounts for the deposit, in the priority of the order listed, of all revenue received by the Authority:

<u>Account</u>	<u>Amount</u>	<u>Use for which restricted</u>
Revenue/Operating	All revenue received by the Authority.	Authorized operating expenses
Renewal and Replacement	Amounts budgeted annually.	To build a reserve for renewal, replacement and repair of facilities.

Investments are stated at cost which approximates market.

For purposes of the Schedule of Cash Flow, the Authority considers all investments to be cash equivalents.

THE PARKING AUTHORITY OF THE TOWN OF HACKETTSTOWN  
(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)

NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2012  
(CONTINUED)

Note III: Detailed Disclosure Regarding Assets and Revenues

A. Deposits and Investments

Deposits

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey which are insured by the Federal Deposit Insurance Corporation (FDIC), the Savings Association Insurance Fund, or by any other agencies of the United States that insure deposits or the State of New Jersey Cash Management Fund.

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). Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks 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 full amount of their deposits to the Governmental Units.

At December 31, 2012 the Authority's cash and cash equivalent's amounted to \$218,162.73. This entire amount was covered by federal depository insurance (F.D.I.C.) and \$0.00 was covered by a collateral pool maintained by the banks as required by GUDPA.

At December 31, 2012 the Authority did not participate in the State of New Jersey Cash Management Fund.

Pursuant to GASB Statement No. 40, *Deposit and Investment Risk Disclosures* ("GASB 40"), the Authority's operating cash accounts are profiled in order to determine exposure, if any, to Custodial Credit Risk (risk that in the event of failure of the counterparty the Authority would not be able to recover the value of its deposits and investments). Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized (securities not pledged to the depositor), collateralized with securities held by a pledging financial institution, or collateralized with securities held by the financial institution's trust department or agent but not in the government's name.

As of December 31, 2012, none of the Authority's cash and cash equivalents was exposed to custodial credit risk.

The Authority does not have a policy for the management of custodial credit risk, except as noted above, other than depositing all of its funds in banks covered by GUDPA. At least five percent of the Authority's deposits were fully collateralized by funds held by the financial institution, but not in the name of the Authority. Due to the nature of GUDPA, further information is not available regarding the full amount that is collateralized.

THE PARKING AUTHORITY OF THE TOWN OF HACKETTSTOWN  
(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)

NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2012  
(CONTINUED)

Note III: Detailed Disclosure Regarding Assets and Revenues (Continued)

A. Deposits and Investments (Continued)

Investments

New Jersey statutes (N.J.S.A. 40A:5-15.1) permit the Authority to purchase the following types of securities:

a. When authorized by resolution adopted by a majority vote of all its members the board of commissioners of any Authority may use moneys which may be in hand for the purchase of the following types of securities which, if suitable for registry, may be registered in the name of the Authority;

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations of the Authority or bonds or other obligations of local unit or units within which the Authority is located;
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by Authority;
- (6) Local government investment pools;
- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4) or
- (8) Agreements for the repurchase of fully collateralized securities, if:
  - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a;
  - (b) the custody of collateral is transferred to a third party;
  - (c) the maturity of the agreement is not more than 30 days;
  - (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.17:9-41) and for which a master repurchase agreement providing for the custody and security of collateral is executed.

Credit Risk: The Authority does not have an investment policy regarding the management of credit risk. GASB 40 requires that disclosures be made as to the credit rating of all debt security investments except for obligations of the U.S. government or investments guaranteed by the U.S. government. The Authority did not have any investments at December 31, 2012.

Interest Rate Risk: The Authority does not have a formal policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Authority did not have any investments at December 31, 2012.

Concentration of Credit Risk: The Authority places no limit on the amount the Authority may invest in any one issuer. The Authority did not have any investments at December 31, 2012.

THE PARKING AUTHORITY OF THE TOWN OF HACKETTSTOWN  
(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)

NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2012  
(CONTINUED)

Note III: Detailed Disclosure Regarding Assets and Revenues (Continued)

B. Capital Assets

Capital asset activity for the year ended December 31, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirement</u>	<u>Ending Balance</u>
Business-type Activities:				
Capital Assets not Being Depreciated:				
Land	\$ 141,649.31	\$ -	\$ -	\$ 141,649.31
Total Capital Assets not Being Depreciated	<u>141,649.31</u>			<u>141,649.31</u>
Land Improvements	150,700.28	-		150,700.28
Machinery and Equipment	41,519.89	-	-	41,519.89
Totals at Historical Cost	<u>192,220.17</u>	<u>-</u>	<u>-</u>	<u>192,220.17</u>
Less Accumulated Depreciation for:				
Land Improvements	(93,294.64)	(5,374.97)		(98,669.61)
Machinery and Equipment	(36,559.34)	(980.28)		(37,539.62)
Total Accumulated Depreciation	<u>(129,853.98)</u>	<u>(6,355.25)</u> (1)	<u>-</u>	<u>(136,209.23)</u>
Net Capital Assets Being Depreciated	<u>62,366.19</u>	<u>(6,355.25)</u>	<u>-</u>	<u>56,010.94</u>
Business - type Activities Capital Assets, Net	<u>\$ 204,015.50</u>	<u>\$ (6,355.25)</u>	<u>\$ -</u>	<u>\$ 197,660.25</u>

(1) Depreciation expense was charged as follows:

Parking	<u>\$ 6,355.25</u>
	<u>\$ 6,355.25</u>

THE PARKING AUTHORITY OF THE TOWN OF HACKETTSTOWN  
(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)

NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2012  
(CONTINUED)

Note IV: Detailed Disclosures Regarding Liabilities and Expenses/Expenditures

A. Operating Leases

The Authority has no commitments to lease equipment under operating leases.

B. Long - Term Liabilities

There was no Long -Term liability for the year ended December 31, 2012.

THE PARKING AUTHORITY OF THE TOWN OF HACKETTSTOWN  
(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)

NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2012  
(CONTINUED)

Note V: Detailed Disclosure Regarding Fund Equity

A. Restricted Net Assets

Enterprise Fund:	
Restricted for:	
Renewal and Replacement	\$25,733.71

Note VI: Pension Plans

The State of New Jersey sponsors and administers the following defined contribution public employee retirement program covering certain state and local government employees which include those Authority employees who are eligible for pension coverage.

The Defined Contribution Retirement Program (DCRP) was established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2008 to provide coverage to elected and certain appointed officials, effective July 1, 2007. Membership is mandatory for such individuals with vesting occurring after one (1) year of membership.

According to the state law, all obligations of each retirement system will be assumed by the State of New Jersey should any retirement systems terminate. The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits issues a publicly available financial report that includes the financial statements and required supplementary information of each of the above systems. These reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey 08625-0295 or the reports can be accessed on the internet at [http://www.state.nj.us/treasury/pensions/annrpts\\_archive.htm](http://www.state.nj.us/treasury/pensions/annrpts_archive.htm).

Contribution Requirements – Requirements

The contribution policy is set by New Jersey State Statutes and contributions are required by active members and contribution employers. Plan member and employer contributions may be amended by State of New Jersey legislation. The DCRP pension funds provide for employee contributions based on 5.5% of employees' annual compensation, as defined.

In the DCRP, member contributions are matched by a 3% employer contribution.

Note VII: Related Party Transaction

Claudia Conway, an Authority Member, is also an employee of Fulton Bank where the Parking Authority of the Town of Hackettstown maintains its checking account and certificates of deposit.

Note VIII: Subsequent Events

The Authority's management has informed us that there are no significant events that need to be disclosed after the balance sheet date through the date of audit.

THE PARKING AUTHORITY OF THE TOWN OF HACKETTSTOWN  
(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)

OFFICIALS IN OFFICE

<u>Name</u>	<u>Title</u>	<u>Amount of Surety Bond</u>
Claudia Conway	Chairwomen/Recording Secretary	
Arthur Sheldon	Member	
Scott Pace	Member	
Keith DeTombeur	Member	
Christine Labadie	Member	
Kathleen Block	Secretary/Treasurer	\$5,000.00

There was a Public Employees' Honesty Blanket Position Bond in the amount of \$5,000.00 with the Selective Insurance Company of America Policy #B1064949.

**OTHER SUPPLEMENTARY INFORMATION**

**THE PARKING AUTHORITY OF THE TOWN OF HACKETTSTOWN  
(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)**

**STATEMENT OF OPERATING REVENUES AND COSTS FUNDED BY OPERATING REVENUES  
COMPARED TO THE BUDGET FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012  
WITH COMPARATIVE ACTUAL AMOUNTS FOR FISCAL YEAR ENDED DECEMBER 31, 2011**

<u>Revenues</u>	<u>2012 Budget</u>	<u>2012 Actual</u>	<u>Variance</u>	<u>2011 Actual</u>
Operating:				
Parking Meter Receipts	\$ 28,500.00	\$ 45,313.84	\$ 16,813.84	\$ 38,683.94
Annual Parking Rents	3,000.00	3,250.00	250.00	1,000.00
Fines	9,000.00	3,142.95	(5,857.05)	1,468.86
Overnight Fees	<u>3,000.00</u>	<u>1,725.00</u>	<u>(1,275.00)</u>	<u>6,351.66</u>
Total Operating Revenues	<u>43,500.00</u>	<u>53,431.79</u>	<u>9,931.79</u>	<u>47,504.46</u>
Non-Operating:				
Retained Earnings Appropriated	37,500.00	37,500.00	-	29,500.00
Interest on Investments and Deposits	<u>1,000.00</u>	<u>1,070.63</u>	<u>70.63</u>	<u>2,543.11</u>
Total Non-Operating Revenues	<u>38,500.00</u>	<u>38,570.63</u>	<u>70.63</u>	<u>32,043.11</u>
 Total Revenues	 <u>\$ 82,000.00</u>	 <u>\$ 92,002.42</u>	 <u>\$ 10,002.42</u>	 <u>\$ 79,547.57</u>
Expenses:				
Employees Benefits:				
Public Employees' Retirement System	\$ 500.00	\$ 3,026.24	\$ (2,526.24)	\$ -
Social Security Tax	3,000.00	1,628.16	1,371.84	1,112.19
Unemployment Insurance	6,250.00	1,904.00	4,346.00	3,400.00
Administrative Expenses:				
Personnel Services	14,500.00	8,567.25	5,932.75	10,002.25
Audit	4,000.00	4,000.00	-	3,900.00
Office Supplies and Administrative Expenses	5,450.00	5,856.64	(406.64)	4,669.20
Convention Expenses	3,000.00		3,000.00	-
Annual Meeting	2,800.00	855.27	1,944.73	-
Operations and Maintenance Expenses:				
Personnel Services	20,500.00	20,248.57	251.43	9,680.50
Insurance	500.00	500.00	-	500.00
Uniforms	1,000.00	434.20	565.80	724.80
Maintenance and Repairs - Meters	2,650.00	3,975.46	(1,325.46)	1,748.08
Sign/Lot Maintenance	1,950.00	7,406.11	(5,456.11)	7,066.00
Public Events	10,000.00	10,000.00	-	-
Training and Education	500.00	-	500.00	-
Contingencies	<u>400.00</u>	<u>400.00</u>	<u>-</u>	<u>-</u>
	<u>77,000.00</u>	<u>68,801.90</u>	<u>8,198.10</u>	<u>42,803.02</u>
Other Costs Funded by Operating Revenues:				
Reserve for Renewal and Replacement	<u>5,000.00</u>	<u>5,000.00</u>	<u>-</u>	<u>5,000.00</u>
 Total Expenses	 <u>\$ 82,000.00</u>	 <u>\$ 73,801.90</u>	 <u>\$ 8,198.10</u>	 <u>\$ 47,803.02</u>

**THE PARKING AUTHORITY OF THE TOWN OF HACKETTSTOWN  
(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)**

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN  
RETAINED EARNINGS - RESERVED AND UNRESERVED**

	<u>Unreserved</u>	<u>Reserved Renewal and Replacement</u>	<u>Totals (Memorandum Only)</u>	
			<u>2012</u>	<u>2011</u>
Operating Revenues:				
Parking Meter Revenues	\$ 45,313.84	\$ -	\$ 45,313.84	\$ 38,683.94
Annual Parking Rents	3,250.00		3,250.00	1,000.00
Fines and Overnight Fees	<u>4,867.95</u>		<u>4,867.95</u>	<u>7,820.52</u>
	<u>53,431.79</u>		<u>53,431.79</u>	<u>47,504.46</u>
Operating Expenses:				
Personnel Services	28,815.82		28,815.82	19,682.75
Employee Benefits	6,558.40		6,558.40	4,512.19
Administrative Expenses	10,711.91		10,711.91	8,569.20
Operations and Maintenance	<u>22,715.77</u>		<u>22,715.77</u>	<u>10,038.88</u>
	<u>68,801.90</u>		<u>68,801.90</u>	<u>42,803.02</u>
Operating Income/ (Loss)	(15,370.11)		(15,370.11)	4,701.44
Non Operating Revenues and (Expenses):				
Interest Income	1,070.63		1,070.63	2,543.11
Retained Earnings Appropriated	<u>37,500.00</u>	-	<u>37,500.00</u>	<u>29,500.00</u>
Net Income (Deficit) Before Transfers	23,200.52	-	23,200.52	36,744.55
Transfers:				
Transferred to Restricted Assets	<u>(5,000.00)</u>	<u>5,000.00</u>	-	-
Increase in Retained Earnings	18,200.52	5,000.00	23,200.52	36,744.55
Retained Earnings January 1	<u>217,110.30</u>	<u>20,733.71</u>	<u>237,844.01</u>	<u>230,599.46</u>
	235,310.82	25,733.71	261,044.53	267,344.01
Decreased By:				
Utilization as Anticipated Revenue	<u>(37,500.00)</u>	-	<u>(37,500.00)</u>	<u>(29,500.00)</u>
Retained Earnings December 31	<u>\$ 197,810.82</u>	<u>\$ 25,733.71</u>	<u>\$ 223,544.53</u>	<u>\$ 237,844.01</u>

**THE PARKING AUTHORITY OF THE TOWN OF HACKETTSTOWN  
(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)**

**SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN CASH AND INVESTMENTS  
UNRESTRICTED ACCOUNTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012**

Cash and Investments January 1, 2012	\$ 221,016.15
Cash Receipts:	
Parking Meter Receipts:	
Streets and Lots	45,313.84
Annual Parking Rents	3,250.00
Fines	3,142.95
Overnight Fees	1,725.00
Interest on Investments and Deposits	1,070.63
Total Cash and Investments Available	<u>275,518.57</u>
Cash Disbursements:	
Operations	63,655.15
Prepaid Expenses	10,210.00
Accounts Payable	4,231.88
Transfer to Restricted Accounts	5,000.00
Total Cash Disbursements	<u>83,097.03</u>
Cash and Investments December 31, 2012	<u>\$ 192,421.54</u>
Balance Comprised of:	
Cash	\$ 5,105.18
Investments:	
Certificates of Deposit	<u>187,316.36</u>
	<u>\$ 192,421.54</u>

**THE PARKING AUTHORITY OF THE TOWN OF HACKETTSTOWN  
(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)**

**SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN CASH AND INVESTMENTS  
RESTRICTED ACCOUNTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012**

	<u>Reserve and Replacement Account</u>
Cash and Investments January 1, 2012	\$ 20,733.71
Cash Receipts:	
Transfer from Unrestricted Accounts	<u>5,000.00</u>
Total Cash and Investments Available	<u>25,733.71</u>
Cash and Investments December 31, 2012	<u>\$ 25,733.71</u>
Balance Comprised of:	
Investments:	
Certificates of Deposit	<u>\$ 25,733.71</u>

**THE PARKING AUTHORITY OF THE TOWN OF HACKETTSTOWN  
(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)**

**SCHEDULE OF PREPAID EXPENSES**

Balance January 1, 2012	\$ 326.03
Increased by:	
Purchases in 2012:	
Cash Disbursed	<u>10,210.00</u>
	10,536.03
Decreased by:	
Amount Charged to Operations	<u>737.67</u>
Balance December 31, 2012	<u>\$ 9,798.36</u>

Analysis of Balance December 31, 2012

Hackettstown BID	\$ 9,460.00
Insurance	<u>338.36</u>
	<u>\$ 9,798.36</u>

Schedule 5

**SCHEDULE OF PROPERTY, PLANT AND EQUIPMENT**

Balance January 1, 2012	\$ <u>333,869.48</u>
Balance December 31, 2012	\$ <u>333,869.48</u>

**THE PARKING AUTHORITY OF THE TOWN OF HACKETTSTOWN  
(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)**

**SCHEDULE OF ACCOUNTS PAYABLE**

Balance January 1, 2012	\$ 4,231.88
Increased by:	
Accounts Payable Charged to 2012 Budget	<u>4,396.75</u>
	8,628.63
Decreased by:	
Accounts Payable Paid in 2012	<u>4,231.88</u>
Balance December 31, 2012	<u>\$ 4,396.75</u>
 <u>Analysis of Balance December 31, 2012</u>	
<u>Category</u>	
Audit - 2012	\$ 4,000.00
Miscellaneous-Lawn Care	334.00
Utility	<u>62.75</u>
	<u>\$ 4,396.75</u>

**REPORTS PURSUANT TO GOVERNMENT AUDITING  
STANDARDS**



# VM ASSOCIATES, INC.

Vincent M. Montanino, RMA, PSA  
Michael S. Zambito, CPA, RMA  
Antonia Russo, Associate

INDEPENDENT AUDITOR'S 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

Honorable Chairperson and Members  
The Parking Authority of the Town of Hackettstown  
Hackettstown, New Jersey 07840

We have audited the financial statements of The Parking Authority of the Town of Hackettstown (A Component Unit of the Town of Hackettstown) as of and for the year ended December 31, 2012, and have issued our report thereon dated April 16, 2013. 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.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered The Parking Authority of the Town of Hackettstown's (A Component Unit of the Town of Hackettstown) internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Parking Authority of the Town of Hackettstown's (A Component Unit of the Town of Hackettstown) internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of The Parking Authority of the Town of Hackettstown's (A Component Unit of the Town of Hackettstown) internal control over financial reporting.

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 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. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting. Finding 12-01.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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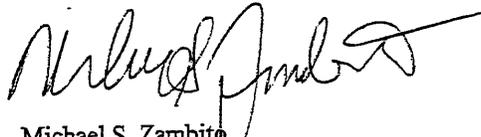
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Parking Authority of the Town of Hackettstown's (A Component Unit of the Town of Hackettstown) basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have direct and material effect on the determination of basic 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 Governmental 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.

This report is intended solely for the information and use of management, the Parking Authority of the Town of Hackettstown (A Component Unit of the Town of Hackettstown), the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs (the cognizant audit agency), and other state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



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April 16, 2013

THE PARKING AUTHORITY OF THE TOWN OF HACKETTSTOWN  
(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)

SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2012

Part I – Summary of Auditor’s Results

**Financial Statement Section**

A) Type of auditor’s report issued:

B) Internal Control over financial reporting:

1) Material weakness(es) identified? \_\_\_\_\_yes        X  no

2) Were significant deficiencies identified  
that were not considered to be material  
weaknesses?        X  yes      \_\_\_\_\_no

C) Noncompliance material to basic  
financial statements noted?      \_\_\_\_\_yes        X  no

**Federal Awards Section**

Not Applicable

**State Financial Assistance Section**

Not Applicable

THE PARKING AUTHORITY OF THE TOWN OF HACKETTSTOWN  
(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)

SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(CONTINUED)

Part 2 – Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the basic financial statements that are required to be reported in accordance with Chapter 5.18 of Government Auditing Standards.

Finding #12-1

Criteria or specific requirement:

Management is responsible for establishing and maintaining an internal control system to ensure compliance with requirements of laws, regulations, contracts and grants.

Condition:

Because of a limited number of available personnel, it is not always possible to adequately segregate certain incompatible duties, so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction. Consequently, the possibility exists that unintentional or intentional errors or irregularities could exist and not be promptly detected. Certain functions by the Authority are handled by one person.

Questioned Costs:

Not Applicable

Context:

While this situation is not unusual in operations the size of the Authority management should be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view.

Effect:

Our audit did not reveal any significant errors or irregularities resulting from this lack of segregation of employee duties and responsibilities.

Recommendation:

Not Applicable

THE PARKING AUTHORITY OF THE TOWN OF HACKETTSTOWN  
(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)

SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(CONTINUED)

Part 3 – Schedule of Federal Awards and State Financial Assistance Findings and Responses

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by OMB Circular A-133 and New Jersey OMB's Circular 04-04.

Not Applicable

THE PARKING AUTHORITY OF THE TOWN OF HACKETTSTOWN  
(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)

SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS  
AND RESPONSES AS PREPARED BY MANAGEMENT  
FOR THE YEAR ENDED DECEMBER 31, 2012

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of Government Auditing Standards, U.S. OMB Circular A-133 (section .315 (a) (b)) and New Jersey OMB's Circular 04-04.

STATUS OF PRIOR YEAR FINDINGS

Finding #11-1

Condition:

Because of a limited number of available personnel, it is not always possible to adequately segregate certain incompatible duties, so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction. Consequently, the possibility exists that unintentional or intentional errors or irregularities could exist and not be promptly detected. Certain functions by the Authority are handled by one person.

Current Status

Unchanged. See Finding #12-1.

## **GENERAL COMMENTS AND RECOMMENDATIONS**

## GENERAL COMMENTS

### CONTRACTS AND AGREEMENTS REQUIRED TO BE ADVERTISED PER N.J.S.A. 40A:11-4

N.J.S.A. 40A:11-4 states "Every contract or agreement, for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of the act, shall be made or awarded only after public advertising for bids and bidding therefore, except as is provided otherwise in the act or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate the amount set forth in, or the amount calculated by the Governor pursuant to, Section 3 of c. 198, P.L. (N.J.S.A. 40A:11-3) except by contract or agreement."

The governing body of the Parking Authority of the Town of Hackettstown has the responsibility of determining whether the expenditures in any category will exceed the statutory limit within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, professional opinion should be sought before a commitment is made.

Effective April 17, 2000 N.J.S.A. 40A:11-1 et seq. (Local Public Contracts Law) was revised by P.L. 1999, c.440 (originally known as Assembly bill No. 3519). The Division of Local Government Services in the Department of Community Affairs, after consultation with the Commissioner of Education, shall prescribe rules and procedures to implement the requirements of the law.

Effective July 1, 2010 and thereafter the bid threshold in accordance with N.J.S.A. 40A:11-3 (as amended) is \$26,000.00, however effective January 1, 2011 the bid threshold for entities without a qualified purchasing agent was rolled back to \$17,500.00.

Inasmuch as the system of records did not provide for an accumulation of payments by categories for the performance of any work or the furnishings or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear cut violations existed. None were disclosed.

The results of our examination indicated that no individual payments, contracts or agreements were made "for the performance of any work or the furnishing or hiring of any materials or supplies," in excess of the statutory limit where there had been no advertising for bids in accordance with the provisions of N.J.S.A. 40A:11-4.

### EXAMINATION OF CLAIMS

Claims paid during the period under review were examined for clerical accuracy and proper approvals.

The review and inquiry indicate good scrutiny on the part of the Authority and Authority Officials regarding expenditures.

RECOMMENDATIONS

NONE

Status of Prior Years' Audit Findings/Recommendations:

Not Applicable

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Should any questions arise as to our comments please do not hesitate to call us.

We wish to express our appreciation of the assistance and courtesies extended to us by the Authority officials and employees during the course of the audit.



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April 16, 2013