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May 8, 2018

Mr. Timothy Cunningham, Director
State of New Jersey
Division of Local Government Services
101 South Broad Street
P. O. Box 803
Trenton, New Jersey 08625

Re: Town of Hackettstown Parking Authority -
2017 Audit

Dear Mr. Cunningham:

Enclosed you will find the year 2017 Audit of the Town of Hackettstown Parking Authority and Audit Questionnaire.

If you have any questions, feel free to contact us.

Very Truly Yours,

Ferraioli, Wielkottz, Cerullo & Cuva, PA

Ferraioli, Wielkottz, Cerullo & Cuva, P.A.
Certified Public Accountants

CC: Ms. Kathleen Block, Treasurer/Secretary



**TOWN OF HACKETTSTOWN PARKING AUTHORITY
(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)
REPORT ON EXAMINATION OF
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

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

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INTRODUCTORY SECTION

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

ROSTER OF OFFICIALS

BOARD MEMBERS

Claudia Conway	Chairperson to 5/1/17
Bill Kuster	Chairperson from 5/1/17
Christine LaBadie	Vice-Chairperson
Keith Detombeur	Board Member
Peter Paftinos	Board Member
Kathleen Block	Treasurer/Secretary*
Lavery, Selvaggi, Abromitis & Cohen P.C.	Attorney
Ferraioli, Wielkottz, Cerullo & Cuva, PA	Auditors

* There was a Public Employees' Honesty Blanket Position Bond in the amount of \$5,000.00 with Selective Insurance Company of America, Policy #B1120053.

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying statement of net position of the Town of Hackettstown Parking Authority (the "Authority"), a component unit of the Town of Hackettstown, in the County of Warren, as of and for the year ended December 31, 2017, the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, 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 misstatements, whether due to fraud or error.

Auditor's Responsibility

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Town of Hackettstown Parking Authority, as of December 31, 2017, and the respective changes in financial position and cash flows for the year ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis which follows this report be presented to supplement the basic financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Hackettstown Parking Authority's financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and are not a required part of the financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2018 on our consideration of the Town of Hackettstown Parking 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 solely 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 effectiveness of the Town of Hackettstown Parking Authority's 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 Town of Hackettstown Parking Authority's internal control over financial reporting and compliance.



Thomas M. Ferry, C.P.A.
Registered Municipal Accountant
No. 497

Ferraioli, Wielkatz, Cerullo & Cuva, PA
FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants

Newton, New Jersey

April 30, 2018

REQUIRED SUPPLEMENTARY INFORMATION

PART 1

TOWN OF HACKETTSTOWN PARKING AUTHORITY
(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2017
(UNAUDITED)

Our discussion and analysis of the Hackettstown Parking Authority's (a Component Unit of the Town of Hackettstown) financial activities for the fiscal year ended December 31, 2017. Please read it in conjunction with the Authority's financial statements

FINANCIAL HIGHLIGHTS

- The Authority's net position of its business-type activities increased \$870.19 or .227 percent as a result of this year's operations.
- Total cost of all of the Authority's programs was \$65,941.17 in 2017 compared to \$69,609.89 in 2016. During the year, the Authority had expenses for its business-type activities that were \$870.19 less than program revenues of \$66,811.36.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position 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 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 Position and the Statement of Revenues, Expenses, and Changes in Fund Net Position

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 Position 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 position* and changes in them. You can think of the Authority's net position, 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 position 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.

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 Position 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.

Major Features of
The Parking Authority of the Town of Hackettstown
(A Component Unit of the Town of Hackettstown)
Fund Financial Statements
(Figure A-1)

Proprietary Funds

Scope	Activities the Authority operates similar to private businesses
Required financial statements	Statement of net position
	Statement of revenues, expenses, and changes in net position
	Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term.
Type of inflow/outflow information	All revenues and expenses, regardless of when cash is received or paid

THE AUTHORITY AS A WHOLE

The Authority's *combined* net position changed from a year ago, *increased* from \$383,713.21 to \$384,583.40. Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Authority's business-type activities as of December 31.

Table 1
Net Position

	Business-Type Activities	
	2017	2016
Current and Other Assets	\$149,870.08	\$140,405.15
Capital Assets	<u>239,147.30</u>	<u>247,679.90</u>
Total Assets	<u>389,017.38</u>	<u>388,085.05</u>
Other Liabilities	<u>4,433.98</u>	<u>4,371.84</u>
Total Liabilities	<u>4,433.98</u>	<u>4,371.84</u>
Net Position:		
Net Investment in Capital Assets	239,147.30	247,679.90
Restricted	74,689.64	69,689.64
Unrestricted	<u>70,746.46</u>	<u>66,343.67</u>
Total Net Position	<u>\$384,583.40</u>	<u>\$383,713.21</u>

- Net Position of the Authority's business-type activities *increased* \$870.19 or 0.23 percent.
- Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - *increased* \$4,402.79.
- Restricted net position, *increased* \$5,000.00 or 7.17%.
- The net investment in capital assets category *decreased* \$8,532.60 due to no parking lot improvements made during the year.

Table 2
Changes in Net Position

	Business-Type Activities	
	<u>2017</u>	<u>2016</u>
<u>Revenues:</u>		
Operating Revenues:		
On and Off Street Parking	\$66,570.90	\$61,591.53
General Revenues:		
Interest and Investment Earnings	227.46	247.37
Other General Revenues	<u>13.00</u>	<u>153.62</u>
	<u>66,811.36</u>	<u>61,992.52</u>
 <u>Program Expenses Including Indirect Expenses</u>		
Business-Type Activities:		
Parking	<u>65,941.17</u>	<u>69,609.89</u>
Total Expenses	<u>65,941.17</u>	<u>69,609.89</u>
Increase/(Decrease) in Net Position	<u>\$870.19</u>	<u>(\$7,617.37)</u>

Business-type Activities

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

Table 3

	<u>Parking</u>
Total Assets	\$389,017.38
Net Position	384,583.40
Change in Net Position	870.19
Return on Ending Total Assets	.224%
Return on Ending Net Position	.226%

CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital Assets
Table 4**

Net Investment in Capital Assets at Year-End

	<u>Business-type Activities</u>	
	<u>2017</u>	<u>2016</u>
Land	\$141,649.31	\$141,649.31
Land Improvements	205,473.90	205,473.90
Machinery and Equipment	<u>62,690.69</u>	<u>62,690.69</u>
Subtotal	410,083.90	410,083.90
Accumulated Depreciation	<u>(170,936.60)</u>	<u>(162,404.00)</u>
Totals	<u>\$239,147.30</u>	<u>\$247,679.90</u>

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

BUDGETS

There were line item transfers between the originally adopted budget and the final budget for the year 2017, see Exhibit 1 for more detailed information regarding the 2017 budget.

CONTACTING THE AUTHORITY'S 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 the Authority Secretary, Hackettstown Parking Authority, 215 Stiger Street, PO Box 216, Hackettstown, New Jersey 07840.

THE PARKING AUTHORITY OF THE TOWN OF HACKETTSTOWN
(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2017

	<u>Business-type Activities - Enterprise Funds</u>	
	<u>Parking</u>	<u>Totals</u>
ASSETS		
Current Assets:		
Cash and Investments - Unrestricted	\$ 74,931.12	\$ 74,931.12
Cash and Investments - Restricted	74,689.64	74,689.64
Prepaid Expenses	<u>249.32</u>	<u>249.32</u>
Total Current Assets	<u>149,870.08</u>	<u>149,870.08</u>
Noncurrent Assets:		
Capital Assets	410,083.90	410,083.90
Less Accumulated Depreciation	<u>(170,936.60)</u>	<u>(170,936.60)</u>
Total Noncurrent Assets	<u>239,147.30</u>	<u>239,147.30</u>
Total Assets	<u>\$ 389,017.38</u>	<u>\$ 389,017.38</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	<u>4,433.98</u>	<u>4,433.98</u>
Total Current Liabilities	<u>4,433.98</u>	<u>4,433.98</u>
Total Liabilities	<u>4,433.98</u>	<u>4,433.98</u>
NET POSITION		
Net Investment in Capital Assets	239,147.30	239,147.30
Restricted for:		
Renewal and Replacement	74,689.64	74,689.64
Unrestricted	<u>70,746.46</u>	<u>70,746.46</u>
Total Net Position	<u>\$ 384,583.40</u>	<u>\$ 384,583.40</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 POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Business-type Activities - Enterprise Funds	
	<u>Parking</u>	<u>Totals</u>
Operating Revenues:		
On and Off Street Revenues	\$ 66,570.90	\$ 66,570.90
Total Operating Revenues	<u>66,570.90</u>	<u>66,570.90</u>
 Operating Expenses:		
Personnel Services	29,357.26	29,357.26
Employee Benefits	10,684.99	10,684.99
Administrative Expenses	5,039.91	5,039.91
Operations and Maintenance	12,326.41	12,326.41
Depreciation	<u>8,532.60</u>	<u>8,532.60</u>
Total Operating Expenses	<u>65,941.17</u>	<u>65,941.17</u>
Operating Gain/(Loss)	<u>629.73</u>	<u>629.73</u>
 Nonoperating Revenues (Expenses):		
Interest Income	227.46	227.46
Miscellaneous Deposits	<u>13.00</u>	<u>13.00</u>
Total Nonoperating Revenues (Expenses)	<u>240.46</u>	<u>240.46</u>
Change in Net Position	870.19	870.19
Total Net Position—Beginning	<u>383,713.21</u>	<u>383,713.21</u>
Total Net Position—Ending	<u>\$ 384,583.40</u>	<u>\$ 384,583.40</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, 2017

	Business-type Activities - Enterprise Funds	
	<u>Parking</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$ 66,570.90	\$ 66,570.90
Payments to Employees	(29,357.26)	(29,357.26)
Payments for Employee Benefits	(10,684.99)	(10,684.99)
Payments to Suppliers	<u>(17,417.20)</u>	<u>(17,417.20)</u>
Net Cash (Used) for Operating Activities	<u>9,111.45</u>	<u>9,111.45</u>
CASH INFLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Miscellaneous Deposits	<u>13.00</u>	<u>13.00</u>
Net Cash Provided by Non-Capital Financing Activities	<u>13.00</u>	<u>13.00</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and Dividends	<u>227.46</u>	<u>227.46</u>
Net Cash Provided by Investing Activities	<u>227.46</u>	<u>227.46</u>
Net Decrease in Cash and Cash Equivalents	9,351.91	9,351.91
Balances—Beginning of Year	<u>140,268.85</u>	<u>140,268.85</u>
Balances—End of Year	<u>\$ 149,620.76</u>	<u>\$ 149,620.76</u>
Reconciliation of Operating Income to		
Net Cash (Used) for Operating Activities:		
Operating (Loss)	\$ 629.73	\$ 629.73
Adjustments to Reconcile Operating (Loss) to Net Cash		
Provided by Operating Activities:		
Depreciation	8,532.60	8,532.60
(Increase)/Decrease in Prepaid Expenses	(113.02)	(113.02)
(Increase) in Accounts Receivable		-
Increase/(Decrease) in Accounts Payable	<u>62.14</u>	<u>62.14</u>
Total Adjustments	<u>8,481.72</u>	<u>8,481.72</u>
Net Cash (Used) for Operating Activities	<u>\$ 9,111.45</u>	<u>\$ 9,111.45</u>

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

Note 1: 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 more significant accounting policies established in GAAP and used by the Authority are discussed below.

B. Reporting Entity

These financial statements present the Town of Hackettstown Parking Authority (A Component Unit of the Town of Hackettstown). GASB has issued Statement's No. 39 and 61, which amends GASB 14 and requires the financial reporting entity to include both the primary government and those component units. Component units are legally separate organizations for which the Authority is financially accountable or other organizations for which the nature and significance of their relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Authority is financially accountable to the Town of Hackettstown (the "Town") since the Town appoints a voting majority of the Authority's board, and (1) the Town is able to significantly influence the programs and services performed or provided by the Authority; or (2) the Town is legally entitled to or can otherwise access the Authority's resources; the Town is legally obligated or has otherwise assumed the responsibility to finance the deficits of; or provide financial support to, the Authority; or the Town is obligated for the debt of the Authority. Component units may also include organizations that are fiscally dependent on the Town in that the Town approves the budget, the issuance of debt or the levying of taxes. Based on the foregoing criteria, the Authority is a component unit of 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 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.

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

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

Note 1: Summary of Significant Accounting Policies

B. Reporting Entity (continued)

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.

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.

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 positions, 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.

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

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

Note 1: Summary of Significant Accounting Policies

C. Basic Financial Statements- Fund Financial Statements (continued)

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

Land and Construction in Progress are not depreciated.

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 net position to balance their budget; however, the maximum amount which can be utilized is the lesser of (a) the estimated year end balance of unreserved net position or (b) working capital reduced by unrestricted assets not ordinarily convertible into cash (non-liquid, such as prepaid insurance and inventory).

For the purpose of using projected Unreserved Net Position 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.

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

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

Note 1: Summary of Significant Accounting Policies (Continued)

F. Assets, Liabilities and Fund Equity

1. Deposits and Investments

Deposits are cash and cash equivalents includes 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 Parking 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.

5. 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.

TOWN OF HACKETTSTOWN PARKING AUTHORITY
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NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

Note 1: Summary of Significant Accounting Policies (Continued)

F. Assets, Liabilities and Fund Equity (continued)

6. 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.

7. Net Position Classifications

Proprietary Fund Statements

Net Position is classified as net assets minus liabilities and displayed in three components:

1. Net Investment in Capital Assets - 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 Position - Consists of net position 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 Position - All other net position amounts that do not meet the definition of "restricted" or "net investment in capital assets."

8. 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 items were estimates would occur are for depreciation of fixed assets and their useful lives.

TOWN OF HACKETTSTOWN PARKING AUTHORITY
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NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

Note 1: 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.

H. Recent Accounting Pronouncements

In June 2015, the Government Accounting Standards Board issued GASB Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions*. This Statement applies to government employers who provided OPEB plans to their employees and basically parallels GASB Statement 68 and replaces GASB Statement 45. The Statement is effective for periods beginning after June 15, 2017. The Authority does not believe this Statement will have any effect on future financial statements.

In June 2015, the Government Accounting Standards Board issued GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which reduces the GAAP hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The first category of authoritative GAAP consists of GASB Statements of Governmental Accounting Standards. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from the American Institute of Certified Public Accountants that is cleared by the GASB. The Authority does not believe this Statement will have any effect on future financial statements.

In August 2015, the Government Accounting Standards Board issued GASB Statement No. 77, *Tax Abatement Disclosures*, which improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions

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

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

Note 1: Summary of Significant Accounting Policies (Continued)

H. Recent Accounting Pronouncements (continued)

more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. The Authority does not believe this Statement will have any effect on future financial statements.

In December 2015, the Government Accounting Standards Board issued GASB Statement No. 78, Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This Statement is effective for reporting periods beginning after December 15, 2015. The Authority does not believe this Statement will have any effect on future financial statements.

In December 2015, the Government Accounting Standards Board issued GASB Statement No. 79, Certain External Investment Pools and Pool Participants. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it established criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement is effective for periods beginning after June 15, 2015, and for certain provisions, periods beginning after December 15, 2015. The Authority does not believe this Statement will have any effect on future financial statements.

In January 2016, the Government Accounting Standards Board issued GASB Statement No. 80, Blending Requirements for Certain Component Units, which provides clarity about how certain component units incorporated as not-for-profit corporations should be presented in the financial statements of the primary state or local government. The Authority does not believe this Statement will have any effect on future financial statements.

In March 2016, the Government Accounting Standards Board issued GASB Statement No. 81, Irrevocable Split-Interest Agreements. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The Authority does not believe this Statement will have any effect on future financial statements.

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

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

Note 1: Summary of Significant Accounting Policies (Continued)

H. Recent Accounting Pronouncements (continued)

In March 2016, the Government Accounting Standards Board issued GASB Statement No. 82, *Pension Issues - an Amendment of GASB Statements No. 67, No. 68 and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statement No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and 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*. This Statement is effective for reporting periods beginning after June 15, 2016. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice. The Authority does not believe this Statement will have any effect on future financial statements.

In November 2016, the Government Accounting Standards Board issued GASB Statement No. 83, *Certain Asset Retirement Obligations*. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflows of resources for asset retirement obligations (AROs). The Authority does not believe this Statement will have any effect on future financial statements.

In January 2017, the Government Accounting Standards Board issued GASB Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify component units and post-employment benefit arrangements that are fiduciary activities. The Authority is currently evaluating the effects, if any, this Statement may have on future financial statements.

In March 2017, the Government Accounting Standards Board issued GASB Statement No. 85, *Omnibus 2017*, which addresses practice issues that have been identified during the implementation and application of certain GASB statements. This Statement addresses a variety of topics including issues relating to blending component units, goodwill, fair value measurement and application, and postemployment benefits. The Authority is currently reviewing what effect, if any, this Statement might have on future financial statements.

In May 2017, the Governmental Accounting Standards Board issued GASB Statement No. 86, *Certain Debt Extinguishment Issues*, which improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves

TOWN OF HACKETTSTOWN PARKING AUTHORITY
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NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

Note 1: Summary of Significant Accounting Policies (Continued)

H. Recent Accounting Pronouncements (continued)

accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The Authority is currently reviewing what effect, if any, this Statement might have on future financial statements.

In June 2017, the Government Accounting Standards Board issued GASB Statement No. 87, *Leases*, which is intended to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, as a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the government's leasing activities. The Authority is currently reviewing what effect, if any, this Statement might have on future financial statements.

Note 2: 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.

TOWN OF HACKETTSTOWN PARKING AUTHORITY
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NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

Note 3: 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, 2017 the Authority's cash and cash equivalents amounted to \$150,173.61. The full 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, 2017 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, 2017, none of the Authority's cash and cash equivalents was exposed to custodial credit risk.

As of December 31, 2017, the Authority's book balance was \$149,620.76 with the difference of \$552.85 from the bank balance being outstanding checks.

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

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

Note 3: Detailed Disclosure Regarding Assets and Revenues (Continued)

A. Deposits and Investments (continued)

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.

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.

TOWN OF HACKETTSTOWN PARKING AUTHORITY
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NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

Note 3: Detailed Disclosure Regarding Assets and Revenues (Continued)

A. Deposits and Investments (continued)

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 risk, "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, 2017.

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, 2017.

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, 2017.

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TOWN OF HACKETTSTOWN PARKING AUTHORITY
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NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

Note 3: Detailed Disclosure Regarding Assets and Revenues (Continued)

B. Capital Assets

Capital asset activity for the year ended December 31, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirement/ Adjustment</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital Assets not Being Depreciated:				
Land	\$156,252.58	\$ -	\$ -	\$156,252.58
Total Assets Not Being Depreciated	<u>156,252.58</u>	<u>-</u>	<u>-</u>	<u>156,252.58</u>
Land Improvements	190,870.63	-	-	190,870.63
Machinery and Equipment	<u>62,960.69</u>	<u>-</u>	<u>-</u>	<u>62,960.69</u>
Totals for Historical Cost	<u>253,831.32</u>	<u>-</u>	<u>-</u>	<u>253,831.32</u>
Less Accumulated Depreciation for:				
Land Improvements	(118,539.67)	(6,383.04)	-	(124,922.71)
Machinery and Equipment	<u>(43,864.33)</u>	<u>(2,149.56)</u>	<u>-</u>	<u>(46,013.89)</u>
Total Accumulated Depreciation	<u>(162,404.00)</u>	<u>(8,532.60)</u> (1)	<u>-</u>	<u>(170,936.60)</u>
Net Capital Assets Being Depreciated	<u>91,427.32</u>	<u>(8,532.60)</u>	<u>-</u>	<u>82,894.72</u>
Business-Type Activities Capital Assets, Net	<u>\$247,679.90</u>	<u>(\$8,532.60)</u>	<u>\$ -</u>	<u>\$239,147.30</u>

(1) Depreciation expense was charged as follows:

Parking	<u>\$8,532.60</u>
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TOWN OF HACKETTSTOWN PARKING AUTHORITY
(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

Note 4: 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

The Authority has no Long - Term liability for the year ended December 31, 2017.

Note 5: Detailed Disclosure Regarding Fund Equity

A. Restricted Net Assets

Enterprise Fund:

Restricted for:

Renewal and Replacement

\$74,689.64

Note 6: Related Party Transaction

Claudia Conway, the Authority Chairperson, who resigned on May 1, 2017, was also an employee of Fulton Bank, where the Parking Authority of the Town of Hackettstown maintains a checking account and money market.

Note 7: 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.

REQUIRED SUPPLEMENTARY INFORMATION

PART 2

**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, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR FISCAL YEAR ENDED DECEMBER 31, 2016**

<u>Revenues</u>	<u>2017 Revised Budget</u>	<u>2017 Actual</u>	<u>Variance</u>	<u>2016 Actual</u>
Operating:				
Parking Meter Receipts	\$ 46,000.00	\$ 56,607.40	\$ 10,607.40	\$ 53,817.03
Annual Parking Rents	3,250.00	7,435.00	4,185.00	1,800.00
Fines	2,550.00	2,528.50	(21.50)	2,009.50
Overnight Fees	4,200.00	-	(4,200.00)	3,965.00
Total Operating Revenues	<u>56,000.00</u>	<u>66,570.90</u>	<u>10,570.90</u>	<u>61,591.53</u>
Non-Operating:				
Retained Earnings Appropriated	17,000.00	17,000.00	-	27,200.00
Miscellaneous		13.00	13.00	154.31
Interest on Investments and Deposits	200.00	227.46	27.46	247.37
Total Non-Operating Revenues	<u>17,200.00</u>	<u>17,240.46</u>	<u>40.46</u>	<u>27,601.68</u>
Total Revenues	<u>\$ 73,200.00</u>	<u>\$ 83,811.36</u>	<u>\$ 10,611.36</u>	<u>\$ 89,193.21</u>
Expenses:				
Employees Benefits:				
Pension	\$ 800.00	\$ 2,550.65	\$ (1,750.65)	\$ 3,003.24
Social Security Tax	3,000.00	8,134.34	(5,134.34)	2,656.81
Unemployment Insurance	1,000.00	-	1,000.00	
Administrative Expenses:				
Personnel Services	10,000.00	29,357.26	(19,357.26)	10,481.25
Audit	4,400.00	4,300.00	100.00	4,300.00
Legal	1,600.00		1,600.00	-
Office Supplies and Administrative Expenses	6,500.00	639.91	5,860.09	558.94
Operations and Maintenance Expenses:				
Personnel Services	23,500.00	-	23,500.00	24,247.75
Insurance	500.00	500.00	-	500.00
Uniforms	1,000.00	634.63	365.37	408.65
Maintenance and Repairs - Meters	3,000.00	1,712.68	1,287.32	1,823.88
Sign/Lot Maintenance	3,000.00	383.00	2,617.00	4,295.27
Parking Lot Rent		4,800.00	(4,800.00)	4,800.00
Snow Removal	4,000.00		4,000.00	-
Public Events	5,000.00	3,059.29	1,940.71	4,731.66
Training and Education	500.00		500.00	-
Utilities	-	671.11		
Miscellaneous	-	716.58		
Contingencies	400.00	-	400.00	-
	<u>68,200.00</u>	<u>57,459.45</u>	<u>12,128.24</u>	<u>61,807.45</u>
Other Costs Funded by Operating Revenues:				
Reserve for Renewal and Replacement	5,000.00	5,000.00	-	15,000.00
Total Expenses	<u>\$ 73,200.00</u>	<u>\$ 62,459.45</u>	<u>\$ 12,128.24</u>	<u>\$ 76,807.45</u>

**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, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR FISCAL YEAR ENDED DECEMBER 31, 2016**

	<u>2017 Revised Budget</u>	<u>2017 Actual</u>	<u>Variance</u>	<u>2016 Actual</u>
Excess (Deficit) of Revenues over Expenses	\$ -	\$ 21,351.91	\$ -	\$ 12,385.76
Reconciliation of Budgetary Basis to GAAP:				
Net Position Appropriated:				
Unrestricted Accounts		(17,000.00)		(27,200.00)
Depreciation Expense		(8,532.60)		(7,802.44)
Prior Year Adjustment - Prepaid Expenses		-		(0.69)
(Increase)/Decrease in Prepaid Expenses		113.02		
Increase/(Decrease) in Accounts Payable		(62.14)		
Reserve for Renewal and Replacement		<u>5,000.00</u>		<u>15,000.00</u>
Total Adjustments		<u>(20,481.72)</u>		<u>(20,003.13)</u>
Change in Net Position		<u>\$ 870.19</u>		<u>\$ (7,617.37)</u>

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

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - RESERVED AND UNRESERVED**

	<u>Unreserved</u>	<u>Reserved Renewal and Replacement</u>	<u>Totals (Memorandum Only)</u>	
			<u>2017</u>	<u>2016</u>
Operating Revenues:				
Parking Meter Revenues	\$ 56,607.40	\$ -	\$ 56,607.40	\$ 53,817.03
Annual Parking Rents	7,435.00		7,435.00	1,800.00
Fines and Overnight Fees	<u>2,528.50</u>		<u>2,528.50</u>	<u>5,974.50</u>
	<u>66,570.90</u>		<u>66,570.90</u>	<u>61,591.53</u>
Operating Expenses:				
Personnel Services	29,357.26		29,357.26	34,729.00
Employee Benefits	10,684.99		10,684.99	5,660.05
Administrative Expenses	4,939.91		4,939.91	4,858.94
Operations and Maintenance	<u>12,477.29</u>		<u>12,477.29</u>	<u>16,559.46</u>
	<u>57,459.45</u>		<u>57,459.45</u>	<u>61,807.45</u>
Operating Income/ (Loss)	9,111.45		9,111.45	(215.92)
Non Operating Revenues and (Expenses):				
Interest Income	227.46		227.46	247.37
Prior Year Adj. Prepaid Expenses			-	(0.69)
Prepaid Expenses	113.02			
Increase in Accounts Payable	(62.14)			
Miscellaneous	13.00		13.00	154.31
Retained Earnings Appropriated	<u>17,000.00</u>	<u>-</u>	<u>17,000.00</u>	<u>27,200.00</u>
Net Income (Deficit) Before Transfers	26,402.79	-	26,351.91	27,385.07
Transfers:				
Transferred to Restricted Assets	<u>(5,000.00)</u>	<u>5,000.00</u>	<u>-</u>	<u>-</u>
Increase in Retained Earnings	21,402.79	5,000.00	26,351.91	27,385.07
Net Position January 1	<u>66,343.67</u>	<u>69,689.64</u>	<u>136,033.31</u>	<u>150,451.51</u>
	87,746.46	74,689.64	162,436.10	177,836.58
Decreased By:				
Utilization as Anticipated Revenue	<u>(17,000.00)</u>	<u>-</u>	<u>(17,000.00)</u>	<u>(27,200.00)</u>
Net Position December 31	<u>\$ 70,746.46</u>	<u>\$ 74,689.64</u>	<u>\$ 145,436.10</u>	<u>\$ 150,636.58</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, 2017**

Cash and Investments January 1, 2017	\$ 70,579.21
Cash Receipts:	
Parking Meter Receipts:	
Streets and Lots	56,607.40
Annual Parking Rents	7,435.00
Fines	2,528.50
Miscellaneous	13.00
Interest on Investments and Deposits	227.46
Total Cash and Investments Available	<u>137,390.57</u>
Cash Disbursements:	
Operations	53,087.61
Accounts Payable	4,371.84
Transfer to Restricted Accounts	5,000.00
Total Cash Disbursements	<u>62,459.45</u>
Cash and Investments December 31, 2017	<u>\$ 74,931.12</u>
Balance Comprised of:	
Cash	\$ 25,484.25
Investments:	
Certificates of Deposit	<u>49,446.87</u>
	<u>\$ 74,931.12</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, 2017**

	Reserve and Replacement <u>Account</u>
Cash and Investments January 1, 2017	\$ 69,689.64
Cash Receipts:	
Transfer from Unrestricted Accounts	<u>5,000.00</u>
Total Cash and Investments Available	<u>74,689.64</u>
Cash and Investments December 31, 2017	<u>\$ 74,689.64</u>
Balance Comprised of:	
Investments:	
Money Market Funds	<u>\$ 74,689.64</u>

Schedule 4

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

SCHEDULE OF PREPAID EXPENSES

Balance January 1, 2017	\$ 136.30
Increased by:	
Purchases in 2017:	
Cash Disbursed	<u>500.00</u>
	636.30
Decreased by:	
Amount Charged to Operations	<u>386.98</u>
Balance December 31, 2017	<u>\$ 249.32</u>
<u>Analysis of Balance December 31, 2017</u>	
Insurance	<u>\$ 249.32</u>
	<u>\$ 249.32</u>

Schedule 5

SCHEDULE OF PROPERTY, PLANT AND EQUIPMENT

Balance January 1, 2017	<u>\$ 410,083.90</u>
Balance December 31, 2017	<u>\$ 410,083.90</u>

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

SCHEDULE OF ACCOUNTS PAYABLE

Balance January 1, 2017	\$ 4,371.84
Increased by:	
Accounts Payable Charged to 2017 Budget	<u>4,433.98</u>
	8,805.82
Decreased by:	
Accounts Payable Paid in 2017	<u>4,371.84</u>
Balance December 31, 2017	<u>\$ 4,433.98</u>
<u>Analysis of Balance December 31, 2017</u>	
<u>Category</u>	
Audit - 2017	\$ 4,400.00
Utility	<u>33.98</u>
	<u>\$ 4,433.98</u>

REPORTS PURSUANT TO
GOVERNMENT AUDITING STANDARDS

Ferraioli, Wielkotz, Cerullo & Cuva, P.A.

Charles J. Ferraioli, Jr., MBA, CPA, RMA
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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"

The Honorable President and
Members of the Board
Town of Hackettstown Parking Authority
County of Warren, New Jersey

We have audited the financial statements of the Town of Hackettstown Parking Authority. We have audited, in accordance with auditing standards generally accepted in the United States of America, audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, (the "Division") and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the Hackettstown Parking Authority in the County of Warren (the "Authority") as of, and for the year ended, December 31, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated April 30, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit, 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 the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as Finding 2017-01 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Hackettstown Parking Authority's 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 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 test disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The Authority's Response to the Findings

The Authority's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. 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 in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Thomas M. Ferry, C.P.A.
Registered Municipal Accountant
No. 497

Ferraioli, Wielkotz, Cerullo & Cava, PA

FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants

Newton, New Jersey
April 30, 2018



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

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2017

Summary of Auditor's Results:

- The Independent Auditor's Report expressed an unmodified opinion on the Authority's governmental activities financial statements.
- Significant deficiencies were disclosed during the audit of financial statements as reported in the *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*. No material weaknesses are reported
- No instances of noncompliance material to the financial statements of the Authority, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

Findings Relating to the Financial Statements Which are Required to be Reported in Accordance with Generally Accepted Government Auditing Standards:

- The audit disclosed the following significant deficiency required to be reported under Generally Accepted Government Auditing Standards:

Finding 2017-01

During our audit, we noted that the Authority does not maintain an adequate segregation of duties due to limited personnel. The functions of handling cash and preparation of cash disbursement books are performed by one individual. This is not unusual in operations the size of the Authority, but management should constantly be aware of this condition and realize the concentration of duties and responsibility in a limited number of individuals is not desirable from a control point of view.

Management Response:

The finding 2017-01 was evaluated. The Authority was made aware of this lack of internal control and will consider strengthening internal control within reason of the costs, benefits derived and budgetary constraints.

TOWN OF HACKETTSTOWN PARKING AUTHORITY
(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, 2017

This section identifies the status of prior-year findings related to the basic financial statements and federal awards and state financial assistance that are required to be reported in accordance with Chapter 6.12 of Government Auditing Standards, Federal Uniform Guidance and New Jersey OMB's Circular 15-08.

NOT APPLICABLE

GENERAL COMMENTS
AND RECOMMENDATIONS

GENERAL COMMENTS

Contracts and Agreements Required to be Advertised for N.J.S.A. 40A:11-4

N.J.S. 40A:11-3 states:

- a. "When the cost or price of any contract awarded by the contracting agent in the aggregate does not exceed in a contract year the total sum of \$17,500, or \$21,000 after July 1, 2005, the contract may be awarded by a purchasing agent when so authorized by ordinance or resolution, as appropriate to the contracting unit, of the governing body of the contracting unit without public advertising for bids, except that the governing body of any contracting unit may adopt an ordinance or resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations. If the purchasing agent is qualified pursuant to subsection b. of section 9 of P.L. 1971, c.198 (C.40A:11-9), the governing body of the contracting unit may establish that the bid threshold may be up to \$25,000. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section.
- b. Any contracts made pursuant to this section may be awarded for a period of 24 consecutive months, except that contracts for professional services pursuant to subparagraph (i) of paragraph (a) of subsection (1) of section 5 of P.L. 1971, c.198 (C.40A:11-5) may be awarded for a period not exceeding 12 consecutive months. The Division of Local Government Services shall adopt and promulgate rules and regulations concerning the methods of accounting for all contracts that do not coincide with the contracting unit's fiscal year.
- c. The Governor, in consultation with the Department of the Treasury, shall, no later than March 1 of every fifth year beginning in the fifth year after the year in which P.L. 1999, c.440 takes effect, adjust the threshold amount and the higher threshold amount which the governing body is permitted to establish, as set forth in subsection a. of this section, or the threshold amount resulting from any adjustment under this subsection, in direct proportion to the rise or fall of the index rate as that term is defined in section 2 of P.L. 1971, c.198 (C.40A:11-2), and shall round the adjustment to the nearest \$1,000. The Governor shall, no later than June 1 of every fifth year, notify each governing body of the adjustment. That adjustment shall become effective on July 1 of the year in which it is made."

N.J.S. 40A:11-4 states: "Every contract awarded by the contracting agent for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law. The governing body of a contracting unit may, by resolution approved by a majority of the governing body and subject to subsection b. and c. of this section, disqualify a bidder who would otherwise be determined to be the lowest responsible bidder, if the governing body finds that it has had prior negative experience with the bidder."

Effective July 1, 2015, the bid threshold in accordance with N.J.S.A. 40A:11-3 and 40A:11-4 (as amended) is \$17,500.00 and with a qualified purchasing agent the threshold may be up to \$40,000.00.

Our review of the Authority's minutes indicated that resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S.A. 40A:11-5.

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.

COMMENTS

Accounting Procedures:

Finding 2017-02

There was no formal general ledger provided by the client.

Management Response:

The Treasurer will discuss with the Board Members about getting Quickbooks in order to maintain all transactions.

RECOMMENDATIONS

1. That the Authority maintain an adequate segregation of duties.
2. That a general ledger be maintained.

APPRECIATION

We wish to express our appreciation for the assistance and courtesies extended to us during the audit. Should any question arise as to our audit comments, please do not hesitate to call us

Respectfully submitted,



Thomas M. Ferry, C.P.A.
Registered Municipal Accountant
No. 497

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