

**PARKING AUTHORITY OF THE
TOWN OF WEST NEW YORK
(A Component Unit of the Town of West New York)
REPORT OF AUDIT
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

PARKING AUTHORITY OF THE TOWN OF WEST NEW YORK

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INDEPENDENT AUDITORS' REPORT

Honorable Chairperson and Members of the Board of Commissioners
Parking Authority of the Town of West New York
West New York, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the Parking Authority of the Town of West New York, a component unit of the Town of West New York as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Parking Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express 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 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 from material misstatement.

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Parking Authority of the Town of West New York as of December 31, 2013, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of the Parking Authority of the Town of West New York as of December 31, 2012, were audited by other auditors whose report dated April 17, 2013, expressed an unmodified opinion on those statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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.

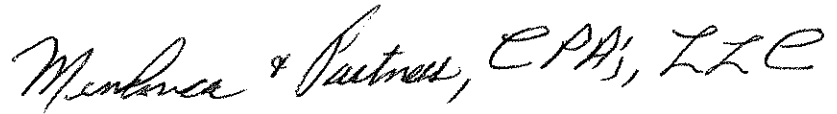
Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Parking Authority of the Town of West New York's basic financial statements. The supplementary schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 15, 2014, on our consideration of the Parking Authority of the Town of West New York's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Parking Authority of the Town of West New York's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Mendonca & Partners, CPA's, LLC". The signature is written in a cursive style.

Union, New Jersey
July 15, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

PARKING AUTHORITY OF THE TOWN OF WEST NEW YORK

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2013

This section of the Parking Authority of the Town of West New York's (the "Authority") annual financial report presents our discussion and analysis of the Authority's financial performance during the fiscal year ended December 31, 2013. Please read it in conjunction with the Authority's financial statements and accompanying notes.

The Authority was created by municipal ordinance adopted on September 7, 1964 by the Town of West New York. The principal purpose of the Authority is to provide a means of addressing the current and future parking demands of the Town.

Financial Highlights

- The Authority generated operating revenues of \$1,886,891 which was comprised of \$1,501,074 of parking meter fees and permits and \$385,817 of parking fines.
- Operating expenses amounted to \$1,580,694 which included \$1,081,152 of administrative and executive expenses, \$271,560 for parking operations and \$227,982 for depreciation.
- Non-operating revenues consisted of \$5,648 of investment earnings.
- Non-operating expenses consisted of \$375,397 in interest expense.

OVERVIEW OF FINANCIAL STATEMENTS

This annual financial report consists of two parts: Management's Discussion and Analysis (this section) and the basic financial statements. The Authority follows enterprise fund reporting; accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting.

Enterprise Fund statements offer short and long-term financial information about the activities and operations of the Authority. These statements are presented in the manner prescribed by the Government Accounting Standards Board ("GASB").

PARKING AUTHORITY OF THE TOWN OF WEST NEW YORK

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2013

FINANCIAL ANALYSIS OF THE AGENCY

Net Position – Net Position at December 31, 2013, 2012 and 2011 were as follows:

	<u>2013</u>	<u>Restated 2012</u>	<u>Restated 2011</u>
Assets:			
Current and Other Assets	\$2,217,584	\$2,508,022	\$2,846,794
Capital Assets	<u>12,257,105</u>	<u>12,470,452</u>	<u>12,683,867</u>
Total Assets	<u>14,474,689</u>	<u>14,978,474</u>	<u>15,530,661</u>
Liabilities:			
Non-Current Liabilities	8,975,594	9,282,287	9,573,980
Current Liabilities	<u>348,450</u>	<u>481,990</u>	<u>471,784</u>
Total Liabilities	<u>9,324,044</u>	<u>9,764,277</u>	<u>10,045,764</u>
Net Position:			
Invested in Capital Assets, Net of Related Debt	3,489,304	3,410,907	3,342,578
Restricted	645,932	845,858	1,422,082
Unrestricted	<u>1,015,409</u>	<u>957,432</u>	<u>720,237</u>
Total Net Position	<u>\$5,150,645</u>	<u>\$5,214,197</u>	<u>\$5,484,897</u>

PARKING AUTHORITY OF THE TOWN OF WEST NEW YORK

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2013

OPERATING ACTIVITIES

The following table summarizes the revenues, expenses and changes in net position for the fiscal years ended December 31, 2013, 2012 and 2011.

	2013	Restated 2012	Restated 2011
OPERATING REVENUES			
Parking Fees and Permits	\$1,501,074	\$1,221,737	\$1,226,503
Parking Fines	385,817	331,034	322,459
Total Operating Revenues	1,886,891	1,552,771	1,548,962
OPERATING EXPENSES			
Administrative and Executive	1,081,152	965,225	866,691
Cost of Providing Services	271,560	236,870	373,024
Depreciation	227,982	227,885	227,403
Total Operating Expenses	1,580,694	1,429,980	1,467,118
OPERATING INCOME (LOSS)	306,197	122,791	81,844
NONOPERATING REVENUE (EXPENSES)			
Investment Earnings	5,648	5,973	4,682
Gain on Sale of Capital Assets	-	-	18,190
Interest Expense	(375,397)	(399,464)	(410,710)
Total Non-Operating Revenues (Expenses)	(369,749)	(393,491)	(387,838)
CHANGE IN NET POSITION	(63,552)	(270,700)	(305,994)
Total Net Position, Beginning of Year	5,214,197	5,484,897	6,043,801
Total Net Position, End of Year	\$5,150,645	\$5,214,197	\$5,484,897

PARKING AUTHORITY OF THE TOWN OF WEST NEW YORK

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2013

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The following table summarizes the Authority's capital assets as of December 31, 2013, 2012 and 2011.

	2013	2012	2011
<u>Capital Assets:</u>			
Land	\$3,816,900	\$3,816,900	\$3,816,900
Parking Lot Improvements	892,822	878,187	863,717
Buildings	9,067,069	9,067,069	9,067,069
Equipment	962,756	962,756	962,756
Total Capital Assets	14,739,547	14,724,912	14,710,442
Less:			
Accumulated Depreciation	(2,482,442)	(2,254,460)	(2,026,575)
Total Capital Assets (Net of Accumulated Depreciation)	\$12,257,105	\$12,470,452	\$12,683,867

Additional information on the Authority's capital assets can be found in the Notes to the Basic Financial Statements.

Capital Debt

The Authority had the following outstanding debt as of December 31, 2013, 2012 and 2011.

	2013	2012	2011
Serial Bonds Payable	\$7,890,000	\$8,090,000	\$8,285,000
Obligations Under Capital Lease Payable	1,235,000	1,320,000	1,400,000
Total Long-Term Debt	\$9,125,000	\$9,410,000	\$9,685,000

Additional information on the Authority's capital debt can be found in the Notes to the Basic Financial Statements.

PARKING AUTHORITY OF THE TOWN OF WEST NEW YORK

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2013

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The adopted calendar year 2014 budget was approved by the Division of Local Government Services in April of 2014. The following is anticipated to be undertaken during calendar year 2014:

- Adoption of a five year plan which includes annual goals to reconfigure and improve existing facilities, upgrade and replacement of existing meter equipment and stricter controls on collection of permit fees.
- Improvement and replacement of signage in the municipal parking lots and streets for clearer notice to the public and more efficient enforcement.
- Repairing of various municipal parking lots on an as needed basis.
- Ongoing evaluation of the utilization of Parking Authority properties for the purpose of increasing revenues.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Town of West New York, New Jersey citizens with a general overview of the Authority's finances to demonstrate the Authority's accountability for the revenues it receives. If you have questions about this report or need additional financial information, contact The Parking Authority of the Town of West New York.

BASIC FINANCIAL STATEMENTS

**PARKING AUTHORITY OF THE TOWN OF WEST NEW YORK
COMPARATIVE STATEMENTS OF NET POSITION
AS OF DECEMBER 31, 2013 AND 2012 (RESTATED)**

	2013	Restated 2012
ASSETS		
Current Assets		
Unrestricted Current Assets:		
Cash and Cash Equivalents	\$1,035,514	\$939,750
Other Accounts Receivable	28,345	27,515
Prepaid Expense	-	187,157
	1,063,859	1,154,422
Restricted Current Assets:		
Project Fund		
Cash and Cash Equivalents	112,974	112,963
Debt Service Reserve Fund		
Cash and Cash Equivalents	313,396	313,363
Cost of Issuance Fund		
Cash and Cash Equivalents	81,423	81,416
2006 Excess Proceeds Account		
Cash and Cash Equivalents	645,932	845,858
	1,153,725	1,353,600
Total Current Assets	2,217,584	2,508,022
Noncurrent Assets		
Capital Assets Not Being Depreciated:		
Land	3,816,900	3,816,900
Capital Assets Net of Accumulated Depreciation:		
Buildings	8,162,488	8,343,405
Parking Lot Improvements	269,431	287,192
Equipment	8,286	22,955
	12,257,105	12,470,452
Total Capital Assets (Net of Accumulated Depreciation)	12,257,105	12,470,452
Total Noncurrent Assets	12,257,105	12,470,452
Total Assets	\$14,474,689	\$14,978,474
DEFERRED OUTFLOWS OF RESOURCES	-	-
Total Deferred Outflows of Resources	-	-

See Accompanying Notes to the Basic Financial Statements

**PARKING AUTHORITY OF THE TOWN OF WEST NEW YORK
COMPARATIVE STATEMENTS OF NET POSITION
AS OF DECEMBER 31, 2013 AND 2012**

	<u>2013</u>	<u>Restated 2012</u>
LIABILITIES		
Current Liabilities Payable from Unrestricted Assets:		
Accounts Payable	\$48,450	\$9,833
Accrued Interest Payable	-	187,157
	<u>48,450</u>	<u>196,990</u>
Total Current Liabilities Payable from Unrestricted Assets		
Current Liabilities Payable from Restricted Assets:		
Revenue Bonds Payable, Current Portion	210,000	200,000
Obligations Under Capital Lease Payable, Current Portion	90,000	85,000
	<u>300,000</u>	<u>285,000</u>
Total Current Liabilities Payable from Restricted Assets		
Non-Current Liabilities:		
Revenue Bonds Payable	7,830,594	8,047,287
Obligations Under Capital Lease Payable	1,145,000	1,235,000
	<u>8,975,594</u>	<u>9,282,287</u>
Total Non-Current Liabilities		
Total Liabilities	<u>\$9,324,044</u>	<u>\$9,764,277</u>
DEFERRED INFLOWS OF RESOURCES	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>
NET POSITION		
Investment in Capital Assets, Net of Related Debt	\$3,489,304	\$3,410,907
Restricted	645,932	845,858
Unrestricted	1,015,409	957,432
	<u>\$ 5,150,645</u>	<u>\$ 5,214,197</u>
Total Net Position		

**PARKING AUTHORITY OF THE TOWN OF WEST NEW YORK
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012 (RESTATED)**

	<u>2013</u>	<u>Restated 2012</u>
OPERATING REVENUES		
Parking Meters	\$987,326	\$784,051
Parking Permits	513,748	437,686
Fine Revenue	385,817	331,034
	<u>1,886,891</u>	<u>1,552,771</u>
OPERATING EXPENSES		
Administrative and Executive	1,081,152	965,225
Cost of Providing Services	271,560	236,870
Depreciation	227,982	227,885
	<u>1,580,694</u>	<u>1,429,980</u>
OPERATING INCOME	<u>306,197</u>	<u>122,791</u>
NON-OPERATING REVENUES (EXPENSES)		
Investment Earnings	5,648	5,973
Interest Expense	(375,397)	(399,464)
	<u>(369,749)</u>	<u>(393,491)</u>
CHANGE IN NET POSITION	(63,552)	(270,700)
Total Net Position, Beginning of Year	<u>5,214,197</u>	<u>5,484,897</u>
Total Net Position, End of Year	<u><u>\$5,150,645</u></u>	<u><u>\$5,214,197</u></u>

**PARKING AUTHORITY OF THE TOWN OF WEST NEW YORK
COMPARATIVE STATEMENTS OF CASH FLOWS
AS OF DECEMBER 31, 2013 AND 2012 (RESTATED)**

	<u>2013</u>	<u>Restated 2012</u>
Cash Flows from Operating Activities		
Receipts from Parking Fees and Permits	\$1,886,061	\$1,561,412
Payments for Employees Salaries and Benefits	(1,081,152)	(965,225)
Payments to Suppliers	<u>(232,943)</u>	<u>(233,154)</u>
Net Cash Provided by Operating Activities	<u>571,966</u>	<u>363,033</u>
Cash flows from Capital and Related Financing Activities		
Purchase of Capital Assets	(14,635)	(14,470)
Principal Payment - Capital Lease Obligation	(85,000)	(80,000)
Principal Payment - Revenue Bonds Payable	(200,000)	(195,000)
Interest Paid on Capital lease Obligation	(11,401)	(28,333)
Interest Paid on Bonds	<u>(370,689)</u>	<u>(568,491)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(681,725)</u>	<u>(886,294)</u>
Cash Flows from Investing Activities		
Interest on Investments	<u>5,648</u>	<u>5,973</u>
Net Cash Provided by Investing Activities	<u>5,648</u>	<u>5,973</u>
Net (Decrease) in Cash and Cash Equivalents	(104,111)	(517,288)
Cash and Cash Equivalents, Beginning of Year	<u>2,293,350</u>	<u>2,810,638</u>
Cash and Cash Equivalents, End of Year	<u>\$2,189,239</u>	<u>\$2,293,350</u>
Analysis of Balance at December,		
Unrestricted	\$1,035,514	\$939,750
Restricted	<u>1,153,725</u>	<u>1,353,600</u>
	<u>\$2,189,239</u>	<u>\$2,293,350</u>

**PARKING AUTHORITY OF THE TOWN OF WEST NEW YORK
COMPARATIVE STATEMENTS OF CASH FLOWS
AS OF DECEMBER 31, 2013 AND 2012 (RESTATED)**

	<u>2013</u>	<u>Restated 2012</u>
Reconciliation of Operating Income to Net Cash		
Provided by Operating Activities:		
Operating Income	<u>\$306,197</u>	<u>\$122,791</u>
Adjustments to Reconcile Operating Income to Net Cash		
Provided by Operating Activities:		
Depreciation	227,982	227,885
Changes in Assets and Liabilities:		
Decrease (Increase) in Other Receivable	(830)	8,641
Increase (Decrease) in Accounts Payable	<u>38,617</u>	<u>3,716</u>
Total Adjustments	<u>265,769</u>	<u>240,242</u>
Net Cash Provided by Operating Activities	<u><u>\$571,966</u></u>	<u><u>\$363,033</u></u>
Noncash Investing, Capital and Financing Activities:		
Amortization of Original Issue Premium	<u><u>(\$6,693)</u></u>	<u><u>(\$6,693)</u></u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

**PARKING AUTHORITY OF THE TOWN OF WEST NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012 (RESTATED)**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Parking Authority of the Town of West New York (the "Authority") is a public body corporate and politic of the State of New Jersey. The Authority was created by a municipal ordinance adopted on September 7, 1964 by the Town of West New York (the "Town") pursuant to the provisions of the Parking Authorities Law (the "Act") (N.J.S.A. 40:11A-1 et. seq.)

The Town created the Authority for the principal purpose to provide a means of addressing the current and future parking demands of the Town including the preparation of a comprehensive and coordinated plan for the development, financing, construction, operation and/or management of parking resources and certain specific parking facilities located within the Town.

The Authority is governed by a Board of Commissioners (the "Board") consisting of five members each of whom is appointed by the Town's governing body. The Commissioners, who receive no compensation, who are first appointed, shall be designated to serve terms of one, two, three, four and five years, respectively from the date of their appointment, but thereafter Commissioners shall be appointed for a term of five years. All vacancies shall be filled for the unexpired term.

The Authority has broad powers under the Act, including, among others, the following: to retain, operate, manage and administer its property; to enforce applicable ordinances, laws and regulations as to parking of vehicles in the Town; to acquire, lease or otherwise hold and use parking projects and land; to provide for bonds and secure their payment and rights of holders thereof; to charge and collect fees and service charges for the use of its facilities and to revise such fees and service charges to ensure that the revenues of the Authority will at all times be adequate to pay all operating and maintenance expenses, including reserves and to pay the principal of and the interest on any bonds, notes or loans, and to maintain such reserves or sinking funds therefore as may be required by the terms of any contract of the Authority; and to make and enforce rules and regulations for the management of its business and affairs.

The Parking Authority of the Town of West New York includes in its financial statements the primary government and those component units for which the primary government is financially accountable or for which the nature and significant 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 for an organization if the Authority appoints a voting majority of the organization's board, and (1) the Authority is able to significantly influence the programs or services performed or provided by the organization; or (2) the Authority is legally entitled to or can otherwise access the organization's resources; the Authority is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization, or the Authority is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Authority in that the Authority approves the budget, the issuance of debt or the levying of taxes. Based on the foregoing criteria, the Authority has no component units. The Authority would be includable as a component unit of the Town of West New York on the basis of such criteria.

**PARKING AUTHORITY OF THE TOWN OF WEST NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012 (RESTATED)**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounts of the Authority are organized on the basis of funds, in accordance with the 2006 Bond Resolution (see Note 1C), each of which is considered a separate accounting entity. The accounts are accounted for with a separate set of self-balancing accounting records that comprise its assets, liabilities, net position, revenues and expenses. Government resources are allocated and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various activities are grouped into one generic fund type and one broad fund category, as follows:

Proprietary Fund Types

Enterprise Fund - The Enterprise Fund is used to account for governmental operations which are financed and operated in a manner similar to private enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to its users on a continuing basis be financed or recovered primarily through user charges.

The Authority's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with these operations are included on the Statement of Net Position. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Authority's financial transactions are recorded in accounts that are created by various resolutions adopted by the Authority to meet bond or note covenant requirements (more fully defined in Note 1C).

Private-sector standards of accounting and financial reporting issued by the Financial Accounting Standards Board (FASB) prior to December 1, 1989, generally are followed in proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Authority has elected not to follow FASB guidance issued subsequent to December 1, 1989.

**PARKING AUTHORITY OF THE TOWN OF WEST NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012 (RESTATED)**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**B. Measurement Focus, Basis of Accounting and Financial Statement Presentation
(Continued)**

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority are parking fees and parking fines. Operating expenses include the cost of operations and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

C. Assets, Liabilities and Net Position

1. Deposits and Investments

Cash and cash equivalents are considered to be cash on hand, cash in banks, certificates of deposit and all short-term investments with original maturities of three months or less from the date of purchase. Investments are reported at market value. See Note 3 for specific disclosures on cash and investments.

2. Inventory

The costs of inventories are deemed immaterial and are recognized as expenses when purchased. The Authority does not record inventory on its statement of net position.

3. Restricted Assets

Certain proceeds of the Authority's revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants. The revenue bonds capitalized interest, debt service reserve, and reserve for cost of issuance have been classified as restricted assets for the payment of interest, principal and costs associated with the outstanding revenue bonds. Remaining long-term debt proceeds which have been set aside to finance the construction are also reported as restricted assets.

Cash has been deposited into various trustee funds with a fiscal agent to satisfy legal covenants. Further, the amounts have been invested into various short and long-term investments in compliance with the Parking Authority's investment policy.

**PARKING AUTHORITY OF THE TOWN OF WEST NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012 (RESTATED)**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Net Position (Continued)

3. *Restricted Assets* (Continued)

The following is a brief synopsis of the various trustee funds:

Project Fund

The project fund was established to fund construction of the parking decks.

Debt Service Fund

The debt service fund was established to fulfill the debt service requirements on the outstanding bonds as and when they become due and payable.

Debt Service Reserve Fund

The debt service reserve fund was established to account for the accumulation of resources for the payment of principal and interest due on the Series 2006 Bonds in the event that there are insufficient funds available.

Cost of Issuance Fund

The cost of issuance trust fund was established to pay for all legal, financial and other costs related to acquiring and maintaining various bond issues.

2006 Excess Proceeds Account

The 2006 excess proceeds account was established for funds within the Construction Fund that are unneeded for the original purpose and will be applied to future debt service.

4. *Accounts Receivable*

All receivables are reported at their gross value and where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

5. *Prepaid Items*

Certain payments to vendors reflect costs applicable for future accounting periods and are recorded as prepaid items in the financial statements.

6. *Capital Assets*

All capital assets acquired or constructed by the Authority are reported as expenses in the account that finances the acquisition of the assets and are capitalized in the operating account. Capital assets are defined by the Authority as assets with an individual cost of \$2,000 and an estimated useful life of at least five years. Such capital assets are valued at historical cost.

**PARKING AUTHORITY OF THE TOWN OF WEST NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012 (RESTATED)**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Net Position (Continued)

6. *Capital Assets (Continued)*

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Construction costs are charged to construction in progress until such time as they are completed and certified by the Authority's consulting engineers, at which time they are transferred to their respective asset category and are then depreciated over their useful lives. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the Authority during 2013 and 2012 was \$375,397 and \$399,464, respectively. Of these amounts, \$-0- was included as part of the cost of capital assets under construction for those years.

All capital assets are depreciated on the straight-line method based on their asset class and estimated useful lives as follows:

<u>Assets</u>	<u>Years</u>
Buildings	50
Parking Lot Improvements	10-40
Equipment	5-7

7. *Net Position*

Restricted net position represents funds segregated in conjunction with a specific purpose. Unrestricted net position represents funds available to be used at the discretion of the Authority for any legally authorized purpose.

8. *Net Position Flow Assumption*

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted - net position is applied.

**PARKING AUTHORITY OF THE TOWN OF WEST NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012 (RESTATED)**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Net Position (Continued)

9. *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management of the Authority to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

10. *Long-Term Obligations*

Long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums are deferred and amortized over the life of the debt. Bonds payable are reported net of the applicable unamortized bond premium.

11. *Reclassifications*

Certain reclassifications may have been made to the December 31, 2012 balances to conform to the December 31, 2013 presentation.

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

1. *Budgetary Accounting*

The Authority annually prepares an operating budget. The budget is prepared in accordance with the Budget Manual for Local Public Authorities as promulgated by the Division of Local Government Services, which differs in certain respects from accounting principles generally accepted in the United States of America. The budgets serve as a plan for expenses and the proposed means for financing them. Unexpended appropriations lapse at year end.

The annual budget is generally approved at least sixty days prior to the beginning of the fiscal year. The budgets must be approved by the Board and submitted to the Division of Local Government Services, Bureau of Authority regulation for approval prior to adoption. Budget adoptions and amendments are recorded in the Authority's minutes.

Six Year Capital budgets are also prepared. Included within the budget are individual projects along with their estimated cost, completion date and source of funding.

The encumbrance method of accounting is utilized by the Authority for budgetary purposes. Under this method purchase orders, contracts and other commitments for expenditures of resources are recorded to reserve a portion of the applicable budget appropriation.

**PARKING AUTHORITY OF THE TOWN OF WEST NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012 (RESTATED)**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

1. *Budgetary Accounting* (Continued)

In accordance with accounting principles generally accepted in the United States of America, outstanding encumbrances at year-end for which goods or services are received, are classified to expenses and accounts payable. All other encumbrances in the annual budgeted funds are reversed at year-end and are either cancelled or are included as reappropriations of fund equity for the subsequent year. Encumbrances at year-end in funds that are budgeted on a project basis automatically carry forward along with their related appropriations and are not subject to annual cancellations and reappropriations.

2. *Revenues*

Revenues from user charges are recognized on the accrual basis when earned. Grants received are recognized as revenue when the resources are expended for the purpose specified in the grant agreement. Grant funds received and the related program income not yet expended are reported as deferred revenue.

NOTE 3 DEPOSITS AND INVESTMENTS

Deposits

The Authority's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), Securities Investor Protection Corporation (SIPC) or New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The Authority is required to deposit their funds in a depository which is protecting such funds pursuant to GUDPA. GUDPA requires all banks doing business in the State of New Jersey to pledge collateral equal to at least 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of the lesser of 75% of its capital funds or \$200 million for all deposits not covered by the FDIC.

Bank balances for interest bearing accounts are insured up to \$250,000 in the aggregate by the FDIC for each bank. Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, temporary unlimited deposit insurance coverage was provided for non-interest bearing accounts from December 31, 2010 through December 31, 2012. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2013 and 2012, the book value of the Authority's deposits were \$1,035,514 and \$939,750 and bank balances of the Authority's cash and deposits amounted to \$1,053,302 and \$941,926.

**PARKING AUTHORITY OF THE TOWN OF WEST NEW YORK
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2013 AND 2012 (RESTATED)**

NOTE 3 DEPOSITS AND INVESTMENTS (Continued)

The Authority's deposits which are displayed on the statement of net assets as "cash and cash equivalents" are categorized as:

<u>Depository Account</u>	<u>Bank Balances at December 31,</u>	
	<u>2013</u>	<u>2012</u>
Insured	<u>\$1,053,302</u>	<u>\$941,926</u>

Investments

New Jersey statutes permit the Authority to purchase the following types of investments:

- a. Bonds or other obligations of the United States or obligations guaranteed by the United States of America.
- b. Government Money Market Mutual Funds.
- c. Any obligations that a federal agency or a federal instrumentality has issued, 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.
- d. Bonds or other obligations of the Authority or bonds or other obligations of school districts, which are within the Authority's jurisdiction.
- e. Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, that are approved by the New Jersey Department of Treasury, Division of Investments.
- f. Local Government investment pools.
- g. Agreements for the repurchase of fully collateralized securities, if transacted in accordance with NJSA 40A:5-15.1(8a-8e).

**PARKING AUTHORITY OF THE TOWN OF WEST NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012 (RESTATED)**

NOTE 3 DEPOSITS AND INVESTMENTS (Continued)

As of December 31, 2013 and 2012, the Authority had the following investments:

	<u>2013</u>	<u>2012</u>
Uninsured and Collateralized:		
Collateral held by pledging financial institution's Trust Department not in Authority Name U.S. Government Security Mutual Funds:		
Restricted	<u>\$1,153,725</u>	<u>\$1,353,600</u>
Investments Reported as "Cash and Cash Equivalents"	<u>\$1,153,725</u>	<u>\$1,353,600</u>

**PARKING AUTHORITY OF THE TOWN OF WEST NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012 (RESTATED)**

NOTE 4 CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2013 and 2012 were as follows:

	Balance January 1, <u>2013</u>	<u>Increases</u>	<u>Decreases</u>	Balance December 31, <u>2013</u>
Capital assets, not being depreciated:				
Land	\$3,816,900	\$ -	\$ -	\$3,816,900
Total capital assets, not being depreciated	<u>3,816,900</u>	<u>-</u>	<u>-</u>	<u>3,816,900</u>
Capital assets, being depreciated:				
Buildings	9,067,069			9,067,069
Parking Lot Improvements	878,187	14,635		892,822
Equipment	<u>962,756</u>	<u>-</u>	<u>-</u>	<u>962,756</u>
Total capital assets being depreciated	<u>10,908,012</u>	<u>14,635</u>	<u>-</u>	<u>10,922,647</u>
Less accumulated depreciation for:				
Buildings	(723,664)	(180,917)	-	(904,581)
Parking Lot Improvements	(590,995)	(32,396)	-	(623,391)
Equipment	<u>(939,801)</u>	<u>(14,669)</u>	<u>-</u>	<u>(954,470)</u>
Total accumulated depreciation	<u>(2,254,460)</u>	<u>(227,982)</u>	<u>-</u>	<u>(2,482,442)</u>
Total capital assets, being depreciated, net	<u>(2,254,460)</u>	<u>(227,982)</u>	<u>-</u>	<u>(2,482,442)</u>
Total capital assets, net	<u>\$12,470,452</u>	<u>(\$213,347)</u>	<u>\$ -</u>	<u>\$12,257,105</u>

**PARKING AUTHORITY OF THE TOWN OF WEST NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012 (RESTATED)**

NOTE 4 CAPITAL ASSETS (Continued)

	Balance January 1, 2012	Increases	Decreases	Balance December 31, 2012
Capital assets, not being depreciated:				
Land	\$3,816,900	\$ -	\$ -	\$3,816,900
Total capital assets, not being depreciated	<u>3,816,900</u>	<u>-</u>	<u>-</u>	<u>3,816,900</u>
Capital assets, being depreciated:				
Buildings	9,067,069			9,067,069
Parking Lot Improvements	863,717	14,470		878,187
Equipment	962,756	-	-	962,756
Total capital assets being depreciated	<u>10,893,542</u>	<u>14,470</u>	<u>-</u>	<u>10,908,012</u>
Less accumulated depreciation for:				
Buildings	(542,748)	(180,916)	-	(723,664)
Parking Lot Improvements	(558,695)	(32,300)	-	(590,995)
Equipment	(925,132)	(14,669)	-	(939,801)
Total accumulated depreciation	<u>(2,026,575)</u>	<u>(227,885)</u>	<u>-</u>	<u>(2,254,460)</u>
Total capital assets, being depreciated, net	<u>(2,026,575)</u>	<u>(227,885)</u>	<u>-</u>	<u>(2,254,460)</u>
Total capital assets, net	<u>\$12,683,867</u>	<u>(\$213,415)</u>	<u>\$ -</u>	<u>\$12,470,452</u>

**PARKING AUTHORITY OF THE TOWN OF WEST NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012 (RESTATED)**

NOTE 5 LONG-TERM DEBT

Long-Term Debt

Revenue Bonds

The Parking Revenue Bonds, Series 2006 of the Parking Authority of the Town of West New York were issued pursuant to a general bond resolution of the Authority authorizing the issuance of the Series 2006 Bonds. The bonds were issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof. Interest on the bonds is payable on January and July 1 of each year, commencing January 1, 2007. The issue matures annually beginning July 1, 2008 through 2024. The Bonds maturing on July 1, 2030 and 2036 are subject to mandatory sinking fund redemptions beginning July 1, 2025 through 2036. Interest is paid semiannually at interest rates ranging from 3.5% to 5%.

The Series 2006 bonds were being issued to provide funds to finance the construction of parking decks in the Town of West New York. In conjunction with this bond project, there are approximately \$3,000,000 in available grants for completion of the construction projects of the parking decks, upon satisfaction of the terms and the conditions of the grant agreements.

The principal and interest on the Series 2006 Bonds is fully and unconditionally secured by the guarantee of the Town of West New York pursuant to Section 22 of the N.J.S.A. 40:11A-42.

The Authority's long-term portion of revenue bonds as of December 31, 2013 and 2012 is as follows:

	<u>2013</u>	<u>2012</u>
Revenue Bonds	\$7,890,000	\$8,090,000
Less: Current Portion of Revenue Bonds Payable	(210,000)	(200,000)
Add: Unamortized Premium	<u>150,594</u>	<u>157,287</u>
Net Long-Term Portion of Revenue Bonds Payable	<u><u>\$7,830,594</u></u>	<u><u>\$8,047,287</u></u>

**PARKING AUTHORITY OF THE TOWN OF WEST NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012 (RESTATED)**

NOTE 5 LONG-TERM DEBT (Continued)

The changes in the Authority's long-term debt during the years ended December 31, 2013 and 2012 were as follows:

	Balance January 1, 2013	Additions	Reductions	Balance December 31, 2013	Due Within One Year
Revenue Bonds	\$8,090,000	\$ -	\$200,000	\$7,890,000	\$210,000
Add: Unamortized Premium	<u>157,287</u>	<u>-</u>	<u>6,693</u>	<u>150,594</u>	<u>-</u>
Total Revenue Bonds-Net	8,247,287	-	206,693	8,040,594	210,000
Obligations Under Capital Leases*	<u>1,320,000</u>	<u>-</u>	<u>85,000</u>	<u>1,235,000</u>	<u>90,000</u>
Long-Term Liabilities	<u>\$9,567,287</u>	<u>\$ -</u>	<u>\$291,693</u>	<u>\$9,275,594</u>	<u>\$300,000</u>
	Balance January 1, 2012	Additions	Reductions	Balance December 31, 2012	Due Within One Year
Revenue Bonds	\$8,285,000	\$ -	\$195,000	\$8,090,000	\$200,000
Add: Unamortized Premium	<u>163,980</u>	<u>-</u>	<u>6,693</u>	<u>157,287</u>	<u>-</u>
Total Revenue Bonds-Net	8,448,980	-	201,693	8,247,287	200,000
Obligations Under Capital Leases*	<u>1,400,000</u>	<u>-</u>	<u>80,000</u>	<u>1,320,000</u>	<u>85,000</u>
Long-Term Liabilities	<u>\$9,848,980</u>	<u>\$ -</u>	<u>\$281,693</u>	<u>\$9,567,287</u>	<u>\$285,000</u>

*See Note 6 and 7

**PARKING AUTHORITY OF THE TOWN OF WEST NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012 (RESTATED)**

NOTE 5 LONG-TERM DEBT (Continued)

The Authority's schedule of principal and interest for long-term debt issued and outstanding as of December 31, 2013 is as follows:

Period Ending December 31,	Revenue Bonds		Total
	Principal	Interest	
2014	\$210,000	\$367,064	\$577,064
2015	215,000	359,294	574,294
2016	225,000	351,232	576,232
2017	235,000	342,794	577,794
2018-2022	1,305,000	1,566,631	2,871,631
2023-2027	1,610,000	1,264,711	2,874,711
2028-2032	2,050,000	827,500	2,877,500
2033-2036	2,040,000	261,250	2,301,250
	<u>\$7,890,000</u>	<u>\$5,340,476</u>	<u>\$13,230,476</u>

NOTE 6 LEASE FINANCING AGREEMENT

On June 15, 1997, the Authority entered into a lease financing agreement, through the Town of West New York, with the Hudson County Improvement Authority (HCIA). The agreement is for the HCIA to provide funding to the Town of West New York for various real estate rehabilitation and improvement projects within the Town of West New York.

The Authority, as a participant in the agreement, has received funding of \$2,200,000 from the HCIA for the acquisition of certain land and construction of the 51st/52nd Street lot, a 178 space parking facility. In consideration for the funding received, the Authority will lease the land to the HCIA and then in turn lease the entire completed facility, land and improvements, from the HCIA for a term to expire July 1, 2025.

Upon the satisfaction of certain criteria, which must include the approval of the Town of West New York, the Authority can elect to purchase the facility from the HCIA. Under the terms of the agreement, it is estimated that the exercise date of the purchase option would be July 1, 2025, the expiration date of the original lease term. The Authority will receive significant credit for the value of net minimum lease payments made to such date to be applied toward the option purchase price. As such, this agreement has been recorded as a capital lease obligation, the terms and conditions of which are detailed in Note 7.

**PARKING AUTHORITY OF THE TOWN OF WEST NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012 (RESTATED)**

NOTE 7 CAPITAL LEASE OBLIGATION

The Authority is the lessee of land and improvements thereto, referred to as the 51st/52nd Street lot, under a capital lease which expires July 1, 2025 (See Note 6). The assets and liabilities under capital lease are recorded at the present value of the minimum lease payments. The assets are depreciated over their estimated productive lives, which is 5 to 7 years for equipment and 10 years for property improvements. Depreciation expense of assets under capital lease in the financial statements amounted to \$-0- for the years ended December 31, 2013 and 2012.

The capital lease obligation for the years ended December 31, 2013 and 2012 was \$85,000 and \$80,000, respectively.

Minimum future lease payments under the capital lease as of December 31, 2013 for each of the next five years and in the aggregate are:

Year Ended December 31:	
2014	149,875
2015	150,271
2016	150,417
2017	150,313
2018-2022	723,166
2023-2024	<u>279,480</u>
Total minimum lease payments	1,603,522
Less: Amount representing interest	<u>(368,522)</u>
Present Value of Net Minimum Lease Payments	<u>\$1,235,000</u>

The initial interest rate on the capital lease was 5% and was based on the HCIA's borrowing rate at the inception of the lease. The future minimum lease payments set forth above assumes a 5% interest rate. However, as of the date of the Agreement, the interest rate payable on the outstanding principal is reset weekly by the Remarketing Agent for the HCIA Pooled Loan Program. The average interest rate for the years ended December 31, 2013 and 2012 were 0.8864% and 2.07%, respectively.

The total minimum lease payments do not include certain other rental payments that will be paid under the lease. Such additional rental payments will be based upon administrative and financing costs incurred by the lessor.

The capital assets acquired through capital leases are as follows:

	<u>2013</u>	<u>2012</u>
Land	\$1,538,779	\$1,538,779
Machinery and Equipment	127,389	127,389
Less: Accumulated Depreciation	<u>(127,389)</u>	<u>(127,389)</u>
	<u>\$1,538,779</u>	<u>\$1,538,779</u>

**PARKING AUTHORITY OF THE TOWN OF WEST NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012 (RESTATED)**

NOTE 8 EMPLOYEE RETIREMENT SYSTEMS

The State of New Jersey sponsors and administers the following contributory defined benefit public employee retirement system (retirement system) covering substantially all state and local government employees which includes those Authority employees who are eligible for pension coverage.

Public Employees' Retirement System (PERS) – established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement healthcare for those eligible employees whose local employers elected to do so, to substantially all full-time employees of the State or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for post-retirement healthcare coverage.

Other Pension Funds

The state established and administers a Supplemental Annuity Collective Trust Fund (SACT) which is available to active members of the State-administered retirement systems to purchase annuities to supplement the guaranteed benefits provided by their retirement system. The state or local governmental employers do not appropriate funds to SACT.

The cost of living increase for PERS is funded directly by each of the respective systems, but are currently suspended as a result of reform legislation.

According to state law, all obligations of the retirement system will be assumed by the State of New Jersey should the retirement system be terminated.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the retirement system and trust. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits website at www.state.nj.us/treasury/pensions.

Basis of Accounting

The financial statements of the retirement system are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the retirement system. Benefits or refunds are recognized when due and payable in accordance with the terms of the retirement system.

**PARKING AUTHORITY OF THE TOWN OF WEST NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012 (RESTATED)**

NOTE 8 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Investment Valuation

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair values.

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund, Common Pension Fund A, Common Pension Fund B, Common Pension Fund D and Common Pension Fund E. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290.

Significant Legislation

P.L. 2011, c.78, effective June 28, 2011, made various changes to the manner in which PERS operate and to the benefit provisions of those systems.

This new legislation's provisions impacting employee pension and health benefits include:

- For new members of PERS hired on or after June 28, 2011 (Tier 5 members), the years of creditable service needed for early retirement benefit is increased from 25 to 30 years and the early retirement age increased from 55 to 65.
- The eligibility age to qualify for a service retirement in the PERS is increased from age 62 to 65 for Tier 5 members.
- It increased the active member contribution rates as follows: PERS active member rates increase from 5.5 percent of annual compensation to 6.5 percent plus an additional 1 percent phased-in over 7 years. The phase-in of the additional incremental member contributions for PERS members will take place in July of each subsequent fiscal year, until a 7.5 percent member contribution rate is reached in July 2018.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries was suspended. COLA increases may be reactivated at a future date as permitted by the law.

In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability from a level percent of pay method to a level dollar of pay.

**PARKING AUTHORITY OF THE TOWN OF WEST NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012 (RESTATED)**

NOTE 8 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems, including PERS and Police and Firemen's Retirement System (PFRS), is 63 percent with an unfunded actuarial accrued liability of \$17.4 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded systems is 48 percent and \$10.4 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS and PFRS is 74 percent and \$7.0 billion, respectively.

The funded status and funding progress of the retirement systems includes actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the retirement systems in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at that point in time. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual limitations on the pattern of cost sharing between the employer and members in the future.

Actuarial Methods and Assumptions

In the July 1, 2013 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for the retirement systems. The actuarial assumptions included (a) an investment rate of return of 7.90 percent; and (b) a projected salary increase of 4.24 percent.

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan members and employer contributions may be amended by State of New Jersey legislation, with the amount of contributions by the State of New Jersey contingent upon the annual Appropriations Act. As defined, the various retirement systems require employee contributions based on 6.50% for PERS of employees' annual compensation.

**PARKING AUTHORITY OF THE TOWN OF WEST NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012 (RESTATED)**

NOTE 8 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Annual Pension Cost (APC)

For PERS, which is a cost sharing multi-employer defined benefit pension plan, annual pension cost equals contributions made.

During the years ended December 31, 2013, 2012 and 2011, the Authority was required to contribute for normal cost pension contributions, accrued liability pension contributions and non-contributory life insurance premiums the following amounts which equaled the required contributions for each year:

<u>Year Ended December 31,</u>	<u>PERS</u>
2013	\$48,143
2012	56,183
2011	55,407

NOTE 9 POST-RETIREMENT MEDICAL BENEFITS

Plan Description

The Town of West New York sponsors and administers a post employment healthcare plan (“the Plan”) for its eligible retirees, spouses and dependents and for the Authority. The plan is a multi-employer defined benefit healthcare plan administered by the Town. In accordance with Town ordinances, contracts and/or policies, the Town provides medical and prescription benefits to retirees and their covered eligible dependents including retirees of the Authority. The Town and the Authority pays the full cost for eligible retirees, spouses and dependents. All active employees who retire directly from the Town and the Authority and meet the eligibility criteria may participate. Additional information regarding the Plan can be found in the audit of the Town of West New York.

Funded Status and Funding Progress

As of January 1, 2012, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$128,152,357, and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$128,152,357.

**PARKING AUTHORITY OF THE TOWN OF WEST NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012 (RESTATED)**

NOTE 9 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2012 actuarial valuation, the Projected Unit Credit method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expense) which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 8.5 percent initially, reduced by decrements to an ultimate rate of 5 percent increase for 2019 and later years. Both rates included a 2 percent inflation assumption. The UAAL is being amortized as a level dollar amount using an open period of 30 years.

Post Retirement Medical Benefits Contributions

The Town sets the employer contribution rate based on a pay-as-you-go basis rather than the *annual required contribution of the employers (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed 30 years. The Authority's contributions to the plan for post-retirement benefits for the years ended December 31, 2013, 2012 and 2011 were \$29,761, \$33,419 and \$28,958, respectively, which equaled the required contributions.

**PARKING AUTHORITY OF THE TOWN OF WEST NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012 (RESTATED)**

NOTE 10 ACCRUED COMPENSATION ABSENCES

Under the existing policies of the Authority, employees are not allowed to accumulate unused sick leave and vacation benefits over the life of their working careers.

NOTE 11 TOWN OF WEST NEW YORK DEBT GUARANTY

On October 4, 2006 the Town of West New York adopted an ordinance to provide an unconditional guaranty in an amount not to exceed \$9,000,000. The Guaranty provides for the payment of the principal of and interest on bonds and/or notes issued by the Authority for the purpose of the Project as defined in Note 5.

NOTE 12 RISK MANAGEMENT

The Authority is exposed to various risks of loss related to general liability, damage and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority has obtained insurance coverage to guard against these events which will provide minimum exposure to the Authority should they occur.

NOTE 13 OPERATING LEASE

On March 15, 2000, the Parking Authority of the Town of West New York entered into an agreement to lease office facilities for a 15-year period with the West New York Housing Corporation, a New Jersey Not-for-Profit Corporation. The Authority will rent commercial office space at a minimum annual rental of \$42,000 with adjustments on the fifth (5th) and tenth (10th) anniversaries of the lease to the then market rate for the rental of the premises. The maximum increase of base rent will not exceed 3% of the previous minimum net rent. The Authority is also responsible for its pro-rata share of pass-through expenses, such as real estate taxes, insurance, maintenance and other expenses. Total rent expense for each of the years ended December 31, 2013 and 2012 was \$42,000.

The Authority leases photocopiers under a 60 month operating lease requiring monthly payments through July of 2015. Lease expense charged to operations amounted to \$1,560 and \$1,560 for the years ended December 31, 2013 and 2012, respectively.

On December 6, 2013, the Authority entered into a 3 year agreement to lease electronic parking pay station equipment requiring monthly payments in the amount of \$1,661. The lease term begins on January 4, 2014 and expires on December 4, 2016.

**PARKING AUTHORITY OF THE TOWN OF WEST NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012 (RESTATED)**

NOTE 13 OPERATING LEASE (Continued)

The future minimum obligation under these leases is as follows:

<u>Year Ended</u> <u>December 31</u>	
2014	\$63,494
2015	62,844
2016	61,934
2017	<u>42,000</u>
Total minimum lease payments	<u>\$230,272</u>

NOTE 14 RELATED PARTIES

The Town of West New York provides health insurance coverage for the Authority's employees. On a monthly basis the Town bills the Authority for the cost of insurance using standard cobra rates provided by the Towns insurance administrator. The total cost of insurance billed and paid by the Authority was \$188,025 in 2013 and \$198,385 in 2012. The amount due to the Town at December 31, 2013 and 2012 was \$-0-.

NOTE 15 FEDERAL ARBITRAGE REGULATIONS

The Authority is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At December 31, 2013 and 2012, the Authority has calculated that there are no estimated arbitrage earnings due to the IRS.

**PARKING AUTHORITY OF THE TOWN OF WEST NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012 (RESTATED)**

NOTE 16 RESTATEMENT

In March 2012, GASB issued Statement No. 65, Items Previously Reported as Assets and Liabilities ("GASB 65"). This Statement, effective for periods beginning after December 15, 2012, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The standard requires retroactive application of the accounting change to the earliest year presented. As a result, the Authority restated the 2012 financials to reflect the charge off of \$232,678 in debt issuance costs. This adjustment has the effect of reducing the Net Position by \$232,678 in 2012 and \$242,794 in 2011.

NOTE 17 DATE OF MANAGEMENT'S REVIEW

Management has evaluated the need for additional disclosures and/or adjustments resulting from subsequent events through July 15, 2014, the date the financial statements were available for issuance.

In May 2014, the Town of West New York adopted Ordinance #2/14 which revised the fines for illegal or prohibited parking within the Town of West New York. Effective June 2014, the Authority will receive an additional \$2 per parking ticket paid at the Municipal Court of the Town of West New York.

In June 2014, the Authority approved a resolution to make an applicable to the Local Finance Board to issue bonds to refund all or a portion of its outstanding 2006 Parking Revenue Bonds.

SUPPLEMENTARY SCHEDULES

PARKING AUTHORITY OF THE TOWN OF WEST NEW YORK
SCHEDULE OF REVENUES
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012 (RESTATED)
BUDGETARY BASIS

	<u>2013</u>	<u>Restated</u> <u>2012</u>
OPERATING REVENUES		
Parking Meters -		
Parking Lots		
Madison & 59th Streets	\$33,250	\$35,244
Van Buren and 62nd Streets	10,560	14,105
57th and 58th Streets	40,719	36,585
63rd Street	23,340	19,448
67th Street	15,450	11,337
Park Avenue and 54th Street	14,797	10,025
Park Avenue and 66th Street	42,897	40,676
51st/52nd Streets	36,958	33,329
55th Hudson Avenue	10,180	7,229
62nd Street Garage	79,712	49,711
Park Avenue Garage	3,300	-
Triangle	4,400	-
	<u>315,563</u>	<u>257,689</u>
Total Parking Lots Meters		
	671,763	526,362
On Street		
Total Parking Meters	987,326	784,051
Parking Permits	513,748	437,686
Fine Revenue	<u>385,817</u>	<u>331,034</u>
Total Operating Revenues	<u>1,886,891</u>	<u>1,552,771</u>
NON-OPERATING REVENUES		
Interest Income	5,523	5,813
Restricted Income - Debt Service	<u>125</u>	<u>160</u>
Total Non-Operating Revenues	<u>5,648</u>	<u>5,973</u>
Total Revenues	<u><u>\$1,892,539</u></u>	<u><u>\$1,558,744</u></u>

PARKING AUTHORITY OF THE TOWN OF WEST NEW YORK
SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013
BUDGETARY BASIS

(With comparative actual amounts for the fiscal year ended December 31, 2012 [Restated])

	2013 Budget	2013 Actual	Variance Excess (Deficit)	Restated 2012 Actual
OPERATING REVENUES				
Operating Revenues				
Parking Meters	\$777,000	\$987,326	\$210,326	\$784,051
Parking Permits	495,000	513,748	18,748	437,686
Fine Revenue	352,000	385,817	33,817	331,034
Total Revenues	<u>1,624,000</u>	<u>1,886,891</u>	<u>262,891</u>	<u>1,552,771</u>
NON-OPERATING REVENUES				
Interest on Investments	<u>5,000</u>	<u>5,648</u>	<u>648</u>	<u>5,973</u>
Total Non-Operating Revenues	<u>5,000</u>	<u>5,648</u>	<u>648</u>	<u>5,973</u>
Total Revenues	<u>1,629,000</u>	<u>1,892,539</u>	<u>263,539</u>	<u>1,558,744</u>
OPERATING EXPENSES				
Salaries and Wages	537,600	597,022	(59,422)	539,539
Fringe Benefits	321,200	296,459	24,741	317,939
Other Expenses	440,800	459,231	(18,431)	344,617
Total Operating Expenses	<u>1,299,600</u>	<u>1,352,712</u>	<u>(53,112)</u>	<u>1,202,095</u>
NON-OPERATING EXPENSE:				
Principal Payment - Capital Lease	85,000	85,000		80,000
Principal Payment - Bond Payable	200,000	200,000		195,000
Interest Expense - Capital Lease	64,229	11,401	52,828	28,333
Interest Expense - Bond Payable	374,314	370,689	3,625	381,334
Total Non-Operating Expense	<u>723,543</u>	<u>667,090</u>	<u>56,453</u>	<u>684,667</u>
Total Expenses	<u>2,023,143</u>	<u>2,019,802</u>	<u>3,341</u>	<u>1,886,762</u>
Budgetary Income (Loss)	<u>(\$394,143)</u>	(127,263)	<u>\$260,198</u>	(328,018)
Reconciliation to GAAP Basis:				
Amortization of Original Issue Premium		6,693		6,693
Accrued Interest Payable		-		3,510
Depreciation Expense		(227,982)		(227,885)
Principal Paid on Debt		<u>285,000</u>		<u>275,000</u>
Change in Net Position - GAAP Basis		<u>(\$63,552)</u>		<u>(\$270,700)</u>

GOVERNMENT AUDITING STANDARDS



Certified Public Accountants LLC

Helder Mendonca, CPA
Robert G. D'Uva, CPA
Christopher Reed, CPA
Amedeo Luongo, CPA
João P. Santos, CPA

...Your Business, Our Passion!

INDEPENDENT AUDITORS' 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 of the Board of Commissioners
Parking Authority of the Town of West New York
West New York, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Parking Authority of the Town of West New York, as of and for the year ended December 31, 2013, and the related notes to the financial statements, as listed in the table of contents which collectively comprise the Parking Authority of the Town of West New York's basic financial statements, and have issued our report thereon dated July 15, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Parking Authority of the Town of West New York's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances 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 West New York's internal control. Accordingly, we do not express an opinion on the effectiveness of the Parking Authority of the Town of West New York'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 entity'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. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Parking Authority of the Town of West New York's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we have reported to management of the Parking Authority of the Town of West New York in the Section of our report of audit entitled "General Comments and Recommendations".

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 Parking Authority of the Town of West New York'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 Parking Authority of the Town of West New York's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Union, New Jersey
July 15, 2014

A handwritten signature in cursive script that reads "Mendonca & Partners, CPAs, LLC". The signature is written in black ink and is positioned to the right of the typed date.

ROSTER OF OFFICIALS

AT DECEMBER 31, 2013

<u>Name</u>	<u>Title</u>
Henry Rodriguez	Commissioner (Chairman)
Domenico Ranaudo	Commissioner (Vice Chairman)
Bertica Martens	Commissioner
Vacant	Commissioner
Armando Alvarez	Commissioner
Richard Rivera	Executive Director
Elnardo Webster	General Counsel

GENERAL COMMENTS AND RECOMMENDATIONS

Comments

Current Year

There are none.

Appreciation

We desire to express our appreciation of the assistance of the Executive Director, CFO and Board of Commissioners, during the course of the audit.

RECOMMENDATIONS

There are none.

* * * * *

Status of Prior Year's Audit Findings/Recommendations

There are none.