

**TOWN OF NEWTON PARKING AUTHORITY**  
**(A Component Unit of the Town of Newton)**

**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**WITH INDEPENDENT AUDITORS' REPORT**

**TOWN OF NEWTON PARKING AUTHORITY**  
**(A Component Unit of the Town of Newton)**

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**TOWN OF NEWTON PARKING AUTHORITY**  
**(A Component Unit of the Town of Newton)**

**REPORT ON AUDIT OF FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2011**

**TOWN OF NEWTON PARKING AUTHORITY  
(A Component Unit of the Town of Newton)**

**ROSTER OF OFFICIALS**

December 31, 2011

**Commissioners**

Kenneth Edwards – Chairman

Keith Mitchell - Vice Chairman

Mary Christine Ochrym – Commissioner

Richard Valentino – Commissioner

Edward Dudes – Commissioner

Thomas S. Russo, Jr. - Secretary

Dawn Babcock – Treasurer

**Authority Attorney**

Hollander, Strelzik, Pasculli, Hinkes,  
Vandenberg & Hontz, L.L.C.

**Authority Auditor**

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

# Ferraioli, Wielkottz, Cerullo & Cuva, P.A.

Charles J. Ferraioli, Jr., MBA, CPA, RMA  
Steven D. Wielkottz, CPA, RMA  
James J. Cerullo, CPA, RMA  
Paul J. Cuva, CPA, RMA  
Thomas M. Ferry, CPA, RMA

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Newton Office  
100B Main Street  
Newton, N.J. 07860  
973-579-3212  
Fax 973-579-7128

## INDEPENDENT AUDITOR'S REPORT

April 19, 2012

Honorable Chairperson and  
Members of the Commission of the  
Town of Newton Parking Authority  
Town of Newton, NJ 07860

We have audited the accompanying financial statements of the business type activities of the Newton Parking Authority (the "Authority"), a component unit of the Town of Newton, as of and for the year ended December 31, 2011, which collectively comprise the Authority's financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits 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, 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business type activities of the Newton Parking Authority as of December 31, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.



Honorable Chairperson and  
Members of the Commission  
April 19, 2012  
Page 2

In accordance with *Government Auditing Standards*, we have also issued our report dated April 19, 2012 on our consideration of the Newton Parking Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreement and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of our audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management Discussion, Analysis, and Supplementary Information on pages 6 through 10 and 20 through 23 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America and the Division of Local Government Services, Department of Community Affairs, State of New Jersey. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Newton Parking Authority's basic financial statements. The accompanying introductory section and other supplemental information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplemental schedules listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.



Thomas M. Ferry, C.P.A.  
Registered Municipal Accountant

*Ferraioli, Wielkocz, Cerullo, + Cova, P.A.*

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



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## 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 Commission of the  
Town of Newton Parking Authority  
Town of Newton, NJ 07860

We have audited the financial statements of the Newton Parking Authority (a component unit of the Town of Newton), State of New Jersey as of and for the year ended December 31, 2011, which collectively comprise the basic financial statements of the Newton Parking Authority (a component unit of the Town of Newton), and have issued our report thereon dated April 19, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

Management of the Town of Newton Parking Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Newton Parking Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Newton Parking Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Newton Parking Authority's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.



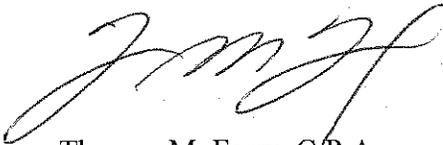
Honorable Chairperson and  
Members of the Commission of the  
Town of Newton Parking Authority  
April 19, 2012  
Page 2

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

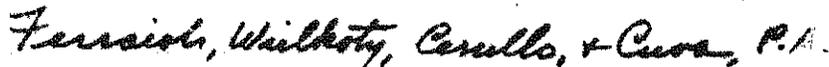
**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Newton 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 tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Division of Local Government Services, and the Department of Community Affairs, State of New Jersey.

This report is intended solely for the information and use of the governing body, management, the Division of Local Government Services, the Department of Community Affairs, State of New Jersey, and other federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Thomas M. Ferry, C.P.A.  
Registered Municipal Accountant



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

**TOWN OF NEWTON PARKING AUTHORITY  
(A Component Unit of the Town of Newton)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2011**

*As management of the Town of Newton Parking Authority, we offer the Authority's financial statements this narrative overview and analysis of the Authority's financial performance during the fiscal year ended December 31, 2011. Please read this analysis in conjunction with the Authority's financial statements, which follow this section.*

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report includes this management discussion, the independent auditor's report and the basic financial statements of the Authority. The financial statements also include notes that explain in more detail some of the information in the financial statements.

**REQUIRED FINANCIAL STATEMENTS**

The financial statements of the Authority report information of the Authority using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The Statement of Net Assets includes all of the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Authority creditors (liabilities). It also provides the basis for evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Assets. This statement measures the results of the Authority operations over the past year and can be used to determine whether the Authority has recovered all its costs through its user fees and other charges, operational stability and credit worthiness.

The final required financial statement is the Statement of Cash Flows. This statement reports cash receipts and cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as what operational sources provided cash, what was cash used for, and what was the change in cash balance during the reporting period.

**FINANCIAL ANALYSIS OF THE AUTHORITY**

One of the most important questions asked about the Authorities finances is "Is the Authority as a whole better able to fulfill its mission as a result of this years activities?" The Statement of Net Assets, and the Statement of Revenues, Expenses, and Changes in Net Assets report information about the Authority's activities in a way that will help answer this question. These two statements report net assets of the Authority and the changes in those assets. The reader can think of the Authority's net

**TOWN OF NEWTON PARKING AUTHORITY**  
**(A Component Unit of the Town of Newton)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS CONTINUED**  
**DECEMBER 31, 2011**

**FINANCIAL ANALYSIS OF THE AUTHORITY (continued)**

assets - the difference between assets and liabilities - as one way to measure financial health or financial position. Over time, increases or decreases in the Authority's net assets are one indicator of whether its financial health is improving or deteriorating. However, one will need to consider other non - financial factors such as changes in economic conditions, population growth, development, and new or changed government regulation.

**NET ASSETS**

A summary of the Authority's Statement of Net Assets is presented in the following table:

**Condensed Statement of Net Assets**

|                            | <b><u>FY</u></b><br><b><u>2011</u></b> |
|----------------------------|--|
| Current and Other Assets   | <u>\$56,004.09</u>                     |
| Restricted Assets:         |  |
| Capital Assets, Net        | <u>433,521.91</u>                      |
| Total Assets               | <u>489,526.00</u>                      |
| Liabilities:               |  |
| Accounts Payable           | <u>1,925.00</u>                        |
| Invested in Capital Assets |  |
| Net of Related Debt        | 433,521.91                             |
| Unrestricted               | <u>54,079.09</u>                       |
| Total Net Assets           | <u>\$487,601.00</u>                    |

**TOWN OF NEWTON PARKING AUTHORITY**  
**(A Component Unit of the Town of Newton)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS CONTINUED**  
**DECEMBER 31, 2011**

**NET ASSETS, (continued)**

**Condensed Statement of Activities**

|                                       | <b><u>FY</u></b><br><b><u>2011</u></b> |
|---------------------------------------|--|
| Operating Revenues                    | \$78,901.61                            |
| Non-Operating Revenues                | <u>1,538.91</u>                        |
| Total Revenues                        | <u>80,439.80</u>                       |
| Depreciation and Amortization Expense | 7,369.66                               |
| Other Operating Expense               | <u>99,449.98</u>                       |
| Total Expenses                        | <u>106,819.64</u>                      |
| Changes in Net Assets                 | (26,379.84)                            |
| Beginning Net Assets                  | <u>513,980.84</u>                      |
| Ending Net Assets                     | <u>\$487,601.00</u>                    |

While the Statement of Net Assets shows the change in financial position of net assets, the Statement of Revenues, Expenses, and Changes in Net Assets provides answers as to the nature and source of these changes. As can be seen in the above table, net assets decreased by \$26,379.84.

**BUDGETARY HIGHLIGHTS**

The Authority prepares and submits an annual operating budget to the State of New Jersey, which approves the budget for adoption by the Authority prior to the beginning of the fiscal year.

The following table provides a 2011 budget comparison:

**TOWN OF NEWTON PARKING AUTHORITY**  
**(A Component Unit of the Town of Newton)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS CONTINUED**  
**DECEMBER 31, 2011**

**BUDGETARY HIGHLIGHTS (continued)**

|                                | <b>Budget vs. Actual<br/>FY2011</b> |                               |                        |
|--------------------------------|-------------------------------------|-------------------------------|------------------------|
|                                | <b><u>2011<br/>Budget</u></b>       | <b><u>2011<br/>Actual</u></b> | <b><u>Variance</u></b> |
| <b><u>Revenues</u></b>         |                                     |                               |                        |
| Retained Earnings Appropriated | \$52,900.00                         | \$52,900.00                   | \$ -                   |
| User Charges and Fees          | 81,600.00                           | 78,251.61                     | (3,348.39)             |
| Interest on Investments        | 2,500.00                            | 1,538.91                      | (961.81)               |
| Leasing Contract               | 600.00                              | 650.00                        | 50.00                  |
| Miscellaneous                  | -                                   | -                             |                        |
| Total Revenues                 | <u>137,600.00</u>                   | <u>133,339.80</u>             | <u>(4,260.20)</u>      |
| <b><u>Expenses</u></b>         |                                     |                               |                        |
| Cost of Providing Services:    |                                     |                               |                        |
| Administering - Other Expenses | 6,000.00                            | 2,379.00                      | (3,621.00)             |
| Contractual - Other Expenses   | 59,500.00                           | 59,500.00                     | -                      |
| Administrative:                |                                     |                               |                        |
| Other Expenses                 | 14,250.00                           | 11,453.74                     | (2,796.26)             |
| Operations:                    |                                     |                               |                        |
| Other Expenses                 | 30,250.00                           | 26,048.24                     | (4,201.76)             |
| Capital Improvements:          |                                     |                               |                        |
| Capital Outlay                 | <u>27,000.00</u>                    | <u>69.00</u>                  | <u>(26,931.00)</u>     |
| Total Operating Expenses       | <u>\$137,000.00</u>                 | <u>\$99,449.98</u>            | <u>\$37,550.02</u>     |

**ECONOMIC FACTORS, FUTURE YEARS BUDGETS AND RATES**

The Commissioners and management of the Authority consider many factors when preparing each year's budget. The main factors are growth in the Authority's parking fees.

**TOWN OF NEWTON PARKING AUTHORITY  
(A Component Unit of the Town of Newton)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS CONTINUED  
DECEMBER 31, 2011**

**CONTACTING THE AUTHORITY**

This financial report is designed to provide our customers and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the fees it receives. If you have any questions about this report or need additional information, contact the Town of Newton Parking Authority, 39 Trinity Street, Newton, New Jersey 07860.

**TOWN OF NEWTON PARKING AUTHORITY**  
**(A Component Unit of the Town of Newton)**  
**STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2011**

|   | <u>Business -type<br/>Activities</u> |
|---|--------------------------------------|
| <b>ASSETS</b>                                   |                                      |
| Current Assets:                                 |                                      |
| Unrestricted                                    |                                      |
| Cash and Cash Equivalents                       | \$ <u>56,004.09</u>                  |
| Restricted assets:                              |                                      |
| Capital assets, net                             | <u>433,521.91</u>                    |
| <b>TOTAL ASSETS</b>                             | <u>489,526.00</u>                    |
| <b>LIABILITIES</b>                              |                                      |
| Current Liabilities:                            |                                      |
| Accounts Payable                                | <u>1,925.00</u>                      |
| <b>NET ASSETS</b>                               |                                      |
| Invested in capital assets, net of related debt | 433,521.91                           |
| Unrestricted                                    | <u>54,079.09</u>                     |
| <b>TOTAL NET ASSETS</b>                         | <u>\$ <u>487,601.00</u></u>          |

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

**TOWN OF NEWTON PARKING AUTHORITY**  
**(A Component Unit of the Town of Newton )**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

| <u>Functions/Programs</u>            | <u>Expenses</u> | <u>Indirect Expenses Allocation</u> | <u>Program Revenues</u> | <u>Net (Expense) Revenue and Changes in Net Assets</u> |
|--------------------------------------|-----------------|-------------------------------------|-------------------------|--|
| <b>Primary Government</b>            |                 |                                     |                         |  |
| Business-type Activities:            |                 |                                     |                         |  |
| General                              | 99,449.98       |                                     | 78,901.61               | (20,548.37)  |
| Depreciation                         |                 | 7,369.66                            |                         | (7,369.66)   |
| Total Governmental Activities        | 99,449.98       | 7,369.66                            | 78,901.61               | (27,918.03)  |
| Total Primary Government             | 99,449.98       | 7,369.66                            | 78,901.61               | (27,918.03)  |
| General Revenues:                    |                 |                                     |                         |  |
| Investment Earnings                  |                 |                                     |                         | 1,538.19   |
| Total General Revenues and Transfers |                 |                                     |                         | 1,538.19   |
| Change in Net Assets                 |                 |                                     |                         | (26,379.84)  |
| Net Assets - Beginning               |                 |                                     |                         | 513,980.84   |
| Net Assets - Ending                  |                 |                                     |                         | 487,601.00   |

**TOWN OF NEWTON PARKING AUTHORITY  
 (A Component Unit of the Town of Newton)  
 STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS  
 DECEMBER 31, 2011**

|  | <u>Business-type<br/>Activities</u> |
|--|-------------------------------------|
| <b><u>Assets:</u></b>                          |                                     |
| <b>Current Assets:</b>                         |                                     |
| Unrestricted:                                  |                                     |
| Cash and Cash Equivalents                      | \$ <u>56,004.09</u>                 |
| <b>Capital Assets:</b>                         |                                     |
| Furniture, Machinery, Equipment                | 709,575.43                          |
| Less Accumulated Depreciation                  | <u>(276,053.52)</u>                 |
| Total Capital Assets                           | <u>433,521.91</u>                   |
| <b>Total Assets</b>                            | <u>489,526.00</u>                   |
| <b>Liabilities:</b>                            |                                     |
| Current Liabilities:                           |                                     |
| Accounts Payable                               | <u>1,925.00</u>                     |
| <b>NET ASSETS:</b>                             |                                     |
| Invested in Capital Assets Net of Related Debt | 433,521.91                          |
| Unrestricted                                   | <u>54,079.09</u>                    |
| <b>Total Net Assets</b>                        | <u><u>\$ 487,601.00</u></u>         |

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

**TOWN OF NEWTON PARKING AUTHORITY**  
**(A Component Unit of the Town of Newton)**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

|  |    | <u>Business-type<br/>Activities</u> |
|--|----|-------------------------------------|
| <b>Operating Revenues</b>                      |    |                                     |
| Parking Meter Receipts                         | \$ | 78,251.61                           |
| Western Plaza Contract                         |    | 650.00                              |
| <b>Total Operating Revenues</b>                |    | <u>78,901.61</u>                    |
| <br><b>Operating Expenses</b>                  |    |                                     |
| Administration Other Expenses                  |    | 11,453.74                           |
| Contractual Town of Newton                     |    | 59,500.00                           |
| Other Expenses                                 |    | 28,427.24                           |
| Capital Outlay                                 |    | 69.00                               |
| Depreciation                                   |    | 7,369.66                            |
| <b>Total Operating Expenses</b>                |    | <u>106,819.64</u>                   |
| <br><b>Operating Income (Loss)</b>             |    | <u>(27,918.03)</u>                  |
| <br><b>Non-Operating Revenues (Expenses)</b>   |    |                                     |
| Interest Income                                |    | 1,538.19                            |
| <b>Total Non-Operating Revenues (Expenses)</b> |    | <u>1,538.19</u>                     |
| <br><b>Change in Net Assets</b>                |    | (26,379.84)                         |
| <br><b>Total Net Asset - Beginning of Year</b> |    | <u>513,980.84</u>                   |
| <br><b>Total Net Asset - End of Year</b>       | \$ | <u><u>487,601.00</u></u>            |

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

**TOWN OF NEWTON PARKING AUTHORITY  
(A Component Unit of the Town of Newton)  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

|   | <b><u>Business-type<br/>Activities</u></b> |
|---|--|
| <b>Increase (Decrease) in Cash and Cash Equivalents:</b>                          |  |
| <b>Cash Flows from Operating Activities:</b>                                      |  |
| Receipts from Customers   | 78,901.61                                  |
| Payments to Suppliers   | <u>(100,561.05)</u>                        |
| <b>Net Cash Used for Operating Activities</b>                                     | <u>(21,659.44)</u>                         |
| <b>Cash Flows Used by Capital and Related Financing Activities:</b>               |  |
| Purchase of Equipment   | <u>(11,250.00)</u>                         |
| <b>Cash Flows from Investing Activities:</b>                                      |  |
| Interest Income   | <u>1,538.19</u>                            |
| <b>Net Cash Provided by Investing Activities</b>                                  | <u>1,538.19</u>                            |
| <b>Net Increase (Decrease) in Cash and Cash Equivalents</b>                       | (31,371.25)                                |
| <b>Balances - Beginning of Year</b>   | <u>87,375.34</u>                           |
| <b>Balances - End of Year</b>   | <u><u>\$ 56,004.09</u></u>                 |
| <b>Reconciliation of Operating Loss to Net Cash Used by Operating Activities:</b> |  |
| Operating Loss  | (27,918.03)                                |
| Adjustment to Reconcile Operating Loss to Cash Used for Operating Activities:     |  |
| Depreciation  | 7,369.66                                   |
| Increase / (Decrease) in Accounts Payable   | <u>(1,111.07)</u>                          |
| <b>Net Cash Used for Operating Activities</b>                                     | <u><u>(21,659.44)</u></u>                  |

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

**PARKING AUTHORITY OF THE TOWN OF NEWTON**  
**(A Component Unit of the Town of Newton)**

**Notes to Financial Statements**  
**December 31, 2011**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Organization**

The Parking Authority of the Town of Newton (the "Authority") is a corporate and political body which was established in 1954. The purpose of the Authority is to develop, finance, contract, improve, maintain and/or operate certain surface lot facilities within the Town of Newton; to establish parking fees and the days and hours of operation and/or collection for all municipally owned, leased or controlled parking meters or other parking facilities; and to serve as the principal coordinating body for establishing and affecting parking policy and initiatives throughout the Town.

The Authority's fiscal year is the twelve-month period ending December 31, on any year, or such other twelve-month period, which the Authority may establish by Resolution.

**B. Reporting Entity**

The financial statements include the operations for which the Authority is financially accountable. The Authority is considered a component unit of the Town of Newton (the "Town").

**C. Basis of Presentation**

The financial statements of the Parking Authority of the Town of Newton have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to enterprise funds of state and local governmental units. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the Governing Body has decided that periodic determination of revenues earned, expenses incurred, and or net income is appropriate for capital maintenance, public policy, accountability or other purposes.

The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Authority also applies Financial Accounting Standards Board (FASB) statement and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements.

**PARKING AUTHORITY OF THE TOWN OF NEWTON**  
**(A Component Unit of the Town of Newton)**

**Notes to Financial Statements**  
**December 31, 2011**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

**D. Basis of Accounting**

The Parking Authority of the Town of Newton prepares its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles. Under the accrual basis of accounting, revenues are recognized when they are earned and expenses are recognized when the liability is incurred.

**E. Cash and Cash Equivalents**

Cash and cash equivalents include money market funds and short-term investments including certificates of deposit, with a maturity of three months or less carried at cost, which approximates market.

**F. Budgetary Procedures**

The budget amounts included in the statement of budget revenues and statement of budget expenditures were approved in accordance with the requirements of the "Local Finance Board" of the State of New Jersey, and were adopted by the Commissioners after legal advertisement and public hearing.

**G. Use of Estimates**

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of 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. Actual results could differ from those estimates.

**PARKING AUTHORITY OF THE TOWN OF NEWTON**  
**(A Component Unit of the Town of Newton)**

**Notes to Financial Statements**  
**December 31, 2011**

**NOTE 2. CASH AND CASH EQUIVALENTS**

**Cash**

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Authority's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. As of December 31, 2011, \$-0- of the Authority's bank balance of \$56,534.38 was exposed to custodial credit risk.

**Investments**

**Investment Rate Risk**

The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, New Jersey Statutes 40A:5-15.1(a) limits the length of time for most investments to 397 days.

**Credit Risk**

New Jersey Statutes 40A:5-15.1(a) limits municipal investments to those specified in the Statutes. The type of allowance investments are Bonds of the United States of America, bonds or other obligations of the towns or bonds or other obligations of the local unit or units within which the town is located: obligations of federal agencies not exceeding 397 days; government money market mutual funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

**Concentration of Credit Risk**

The Authority places no limit on the amount the Authority may invest in any one issuer.

**NOTE 3. CAPITAL AND OPERATING LEASE**

The authority does not have any capital or operating leases as of December 31, 2011.

**PARKING AUTHORITY OF THE TOWN OF NEWTON**  
**(A Component Unit of the Town of Newton)**

**Notes to Financial Statements**  
**December 31, 2011**

**NOTE 4. 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.

Insurance on the parking facilities identified is provided by the Town of Newton's insurance coverage. The Parking Authority reimburses the Town of the Newton for the premium.

**NOTE 5. COMMITMENTS AND CONTINGENCIES**

As of December 31, 2011 and the date of this report, we are advised by the Authority's counsel that there are no lawsuits presently pending that would materially impact the financial statements.

**SUPPLEMENTARY DATA**

SCHEDULE 1

TOWN OF NEWTON PARKING AUTHORITY

(A Component Unit of the Town of Newton)

SCHEDULE OF CASH RECEIPTS AND CASH DISBURSEMENTS

|                          |                 |                     |
|--------------------------|-----------------|---------------------|
| CASH - DECEMBER 31, 2010 |                 | \$ 87,375.34        |
| Cash Receipts:           |                 |                     |
| Parking Meter Receipts   | 78,251.61       |                     |
| Miscellaneous            | 650.00          |                     |
| Interest                 | <u>1,538.19</u> |                     |
|                          |                 | <u>80,439.80</u>    |
|                          |                 | 167,815.14          |
| Cash Disbursements:      |                 |                     |
| Parking Authority Bills  |                 | <u>111,811.05</u>   |
| CASH - DECEMBER 31, 2011 |                 | <u>\$ 56,004.09</u> |

SCHEDULE 2

TOWN OF NEWTON PARKING AUTHORITY

(A Component Unit of the Town of Newton)

STATEMENT OF PARKING METER REVENUES  
YEAR ENDED DECEMBER 31, 2011

|               | Eastern<br>Plaza | Western<br>Plaza | Central<br>Plaza | Main<br>Street  | Adams<br>Street | Theater<br>Lot | Passes           | Parking<br>Meters |
|---------------|------------------|------------------|------------------|-----------------|-----------------|----------------|------------------|-------------------|
| Cash Received | <u>3,316.96</u>  | <u>10,030.98</u> | <u>9,447.83</u>  | <u>7,614.01</u> | <u>2,834.87</u> | <u>320.25</u>  | <u>20,667.00</u> | <u>22,556.00</u>  |
| Total         | <u>78,251.61</u> |                  |                  |                 |                 |                |                  |                   |

**SCHEDULE 3**

**TOWN OF NEWTON PARKING AUTHORITY**

**(A Component Unit of the Town of Newton)**

**SCHEDULE OF PROPERTY, PLANT AND EQUIPMENT**

| <u>ACCOUNT</u>               | <u>Balance</u><br><u>Dec. 31, 2011</u> |
|------------------------------|--|
| Land and Cost of Acquisition | 334,456.65                             |
| Parking Area                 |  |
| Construction Costs           | 245,370.51                             |
| Improvements to Landscaping  | 16,679.60                              |
| Parking Meters               | 33,951.79                              |
| Parking Signs                | 4,589.08                               |
| Improvement to Various Lots  | 16,254.56                              |
| Ticket Machine(s) & Mounts   | <u>58,273.24</u>                       |
|                              | <u>\$ 709,575.43</u>                   |

SCHEDULE 4

TOWN OF NEWTON PARKING AUTHORITY

(A Component Unit of the Town of Newton)

SCHEDULE OF OPERATING REVENUES AND COSTS  
FUNDED BY OPERATING REVENUES COMPARED TO BUDGET  
YEAR ENDED DECEMBER 31, 2010 WITH COMPARATIVE ACTUAL AMOUNTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

| <u>REVENUES</u>                | 2011<br><u>Budget</u> | 2011<br><u>Actual</u> |
|--------------------------------|-----------------------|-----------------------|
| Retained Earnings Appropriated | 52,900.00             | 52,900.00             |
| User Charges and Fees          | 81,600.00             | 78,251.61             |
| Interest on Investments        | 2,500.00              | 1,538.19              |
| Miscellaneous                  |                       |                       |
| Leasing Contract               | <u>600.00</u>         | <u>650.00</u>         |
| TOTAL REVENUES                 | <u>137,600.00</u>     | <u>133,339.80</u>     |
| <br><u>EXPENSES</u>            |                       |                       |
| Cost of Providing Services:    |                       |                       |
| Administering-Other Expense    | 6,000.00              | 2,379.00              |
| Cost of Providing Services:    |                       |                       |
| Contractual - Other Expenses   | 59,500.00             | 59,500.00             |
| Administrative:                |                       |                       |
| Other Expenses                 | 14,250.00             | 11,453.74             |
| Operations:                    |                       |                       |
| Other Expenses                 | 30,250.00             | 26,048.24             |
| Capital Improvements:          |                       |                       |
| Capital Outlay                 | <u>27,000.00</u>      | <u>69.00</u>          |
|                                | <u>137,000.00</u>     | <u>99,449.98</u>      |

## **COMMENTS AND RECOMMENDATIONS**

**TOWN OF NEWTON PARKING AUTHORITY**  
**(A Component Unit of the Town of Newton)**

**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 January 1, 2011, the bid threshold in accordance with N.J.S. 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 \$36,000.00.

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.

**TOWN OF NEWTON PARKING AUTHORITY  
(A Component Unit of the Town of Newton)**

**COMMENTS AND RECOMMENDATIONS  
DECEMBER 31, 2011**

Comments

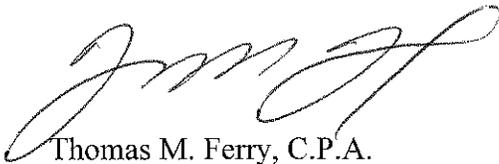
NONE

Recommendations

NONE

We wish to thank the Town of Newton Parking Authority for their cooperation during the performance of our audit.

Respectfully submitted,



Thomas M. Ferry, C.P.A.  
Registered Municipal Accountant

*Ferraioli, Wielkutz, Cerullo, + Cuva, P.A.*

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

April 19, 2012