

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

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
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, 2017

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

ROSTER OF OFFICIALS

December 31, 2017

Commissioners

Kenneth Edwards – Chairman

Keith Mitchell - Vice Chairman

Reverend Frank Leone – Commissioner

James Ciaravolo– Commissioner

Edward Dudes – Commissioner

Thomas S. Russo, Jr. - Secretary

Dawn Babcock – Treasurer

Authority Attorney

Ursula H. Leo, Esq.
Laddey, Clark & Ryan, L.L.C.

Authority Auditor

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

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

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

Certified Public Accountants
401 Wanaque Avenue
Pompton Lakes, New Jersey 07442
973-835-7900
Fax 973-835-6631

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying statement of net position of the Town of Newton Parking Authority (the "Authority"), a component unit of the Town of Newton, in the County of Sussex, as of and for the year ended December 31, 2017, the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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



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

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

Opinion

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

Other Matters

Required Supplementary Information

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

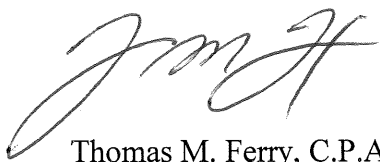
Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 17, 2018 on our consideration of the Town of 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 agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Newton Parking Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Newton Parking Authority's internal control over financial reporting and compliance.



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

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

Newton, New Jersey

April 17, 2018

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

Charles J. Ferraioli, Jr., MBA, CPA, RMA
Steven D. Wielkotz, CPA, RMA
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Certified Public Accountants
401 Wanaque Avenue
Pompton Lakes, New Jersey 07442
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Fax 973-835-6631

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

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 Commission
Town of Newton Parking Authority
Newton, New Jersey 07860

We have audited 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, the financial statements of the Town of Newton Parking Authority, a component unit of the Town of Newton, in the County of Sussex as of and for the year ended December 31, 2017, the related notes to the financial statements which collectively comprise the Town of Newton Parking Authority's basic financial statements, and have issued our report thereon dated April 17, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Newton Parking Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Newton Parking Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Newton Parking Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 Town of 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*.

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 Town of Newton Parking Authority internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Newton Parking Authority internal controls and compliance. Accordingly, this communication is not suitable for any other purpose.



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

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

Newton, New Jersey

April 17, 2018

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017

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, 2017. 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 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 Position 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 Position. 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 Position, and the Statement of Revenues, Expenses, and Changes in Net Position report information about the Authority's activities in a way that will help answer this question. These two statements report net position of the Authority and the changes in the position. The reader can think of the Authority's net position - the difference between assets and liabilities - as one way to measure financial health

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

MANAGEMENT'S DISCUSSION AND ANALYSIS CONTINUED
DECEMBER 31, 2017

FINANCIAL ANALYSIS OF THE AUTHORITY (continued)

or financial position. Over time, increases or decreases in the Authority's net position 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 POSITION

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

Condensed Statement of Net Position

	<u>FY</u> <u>2017</u>	<u>FY</u> <u>2016</u>
Current and Other Assets	<u>\$153,753.43</u>	<u>\$150,719.64</u>
Capital Assets:		
Capital Assets, Net	<u>391,041.68</u>	<u>402,317.36</u>
Total Assets	<u>544,795.11</u>	<u>553,037.00</u>
Liabilities:		
Accounts Payable	<u>5,441.91</u>	<u>2,460.00</u>
Net Position:		
Invested in Capital Assets		
Net of Related Debt	391,041.68	402,317.36
Unrestricted	<u>148,311.52</u>	<u>148,259.64</u>
Total Net Position	<u><u>\$539,353.20</u></u>	<u><u>\$550,577.00</u></u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS CONTINUED
DECEMBER 31, 2017

NET POSITION, (continued)

Statement of Revenues, Expenses and Changes in Net Position

	<u>FY</u> <u>2017</u>	<u>FY</u> <u>2016</u>
Operating Revenues	\$97,055.98	\$ 83,197.34
Non-Operating Revenues	<u>1,048.19</u>	<u>100,530.94</u>
Total Revenues	<u>98,104.17</u>	<u>183,728.28</u>
Depreciation and Amortization Expense	12,780.86	10,325.91
Other Operating Expense	<u>98,052.29</u>	<u>69,722.11</u>
Total Expenses	<u>110,833.15</u>	<u>80,048.02</u>
Changes in Net Position	(12,728.98)	103,680.26
Net Position - January 1 as Previously Reported	550,577.00	<u>446,896.74</u>
Prior Period Adjustment (Note 7)	<u>1,505.18</u>	
Net Position - January 1 as Restated	552,082.18	
Ending Net Position	<u>\$539,353.20</u>	<u>\$550,577.00</u>

While the Statement of Net Position shows the change in financial position of net position, the Statement of Revenues, Expenses, and Changes in Net Position provides answers as to the nature and source of these changes. As can be seen in the above table, net position decreased by \$12,728.98.

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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS CONTINUED
DECEMBER 31, 2017

BUDGETARY HIGHLIGHTS (continued)

The following table provides a 2017 budget comparison:

	Budget vs. Actual FY2017		
	<u>2017 Budget</u>	<u>2017 Actual</u>	<u>Variance</u>
Revenues			
Retained Earnings Appropriated	\$39,000.00	\$39,000.00	\$ -
User Charges and Fees	70,600.00	96,355.98	25,755.98
Interest on Investments	200.00	998.19	798.19
Leasing Contract	4,700.00	700.00	(4,000.00)
Miscellaneous	<u>-</u>	<u>50.00</u>	<u>50.00</u>
Total Revenues	<u>114,500.00</u>	<u>137,104.17</u>	<u>22,604.17</u>
Expenses			
Cost of Providing Services:			
Contractual - Other Expenses	43,740.00	42,400.00	1,340.00
Administrative:			
Other Expenses	12,880.00	12,319.86	560.14
Operations:			
Other Expenses	18,880.00	10,384.43	8,495.57
Capital Improvements:			
Capital Outlay	<u>39,000.00</u>	<u>32,948.00</u>	<u>6,052.00</u>
Total Operating Expenses	<u>\$114,500.00</u>	<u>\$98,052.29</u>	<u>\$16,447.71</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS CONTINUED
DECEMBER 31, 2017

BUDGETARY HIGHLIGHTS (continued)

	Budget vs. Actual FY2016		
	<u>2016 Budget</u>	<u>2016 Actual</u>	<u>Variance</u>
Revenues			
Retained Earnings Appropriated	\$6,000.00	\$6,000.00	\$ -
User Charges and Fees	74,000.00	82,497.34	8,497.34
Interest on Investments	70.00	232.92	162.92
Leasing Contract	650.00	700.00	50.00
Miscellaneous	-	298.02	298.02
Town Center Lease	<u>-</u>	<u>100,000.00</u>	<u>100,000.00</u>
Total Revenues	<u><u>80,720.00</u></u>	<u><u>189,728.28</u></u>	<u><u>109,008.28</u></u>
Expenses			
Cost of Providing Services:			
Contractual - Other Expenses	43,700.00	42,724.00	976.00
Administrative:			
Other Expenses	12,520.00	12,125.59	394.41
Operations:			
Other Expenses	18,500.00	11,717.48	6,782.52
Capital Improvements:			
Capital Outlay	<u>6,000.00</u>	<u>3,155.04</u>	<u>2,844.96</u>
Total Operating Expenses	<u><u>\$80,720.00</u></u>	<u><u>\$69,722.11</u></u>	<u><u>\$10,997.89</u></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, 2017

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 POSITION
DECEMBER 31, 2017**

Assets:**Current Assets:**

Unrestricted:

Cash and Cash Equivalents	\$ 153,753.43
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Capital Assets:

Land and Land Use Improvements	367,390.81
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Other Capital Assts, Net	23,650.87
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Total Capital Assets	391,041.68
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Total Assets	544,795.11
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Liabilities:

Current Liabilities:

Payable from Unrestricted Assets:

Accounts Payable	5,441.91
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NET POSITION:

Invested in Capital Assets Net of Related Debt	391,041.68
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Unrestricted	148,311.52
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TOTAL NET POSITION	\$ 539,353.20
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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 NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2017

Operating Revenues	
Parking Meter Receipts	\$ 96,355.98
Western Plaza Contract	700.00
Total Operating Revenues	<u>97,055.98</u>
Operating Expenses	
Administration Other Expenses	12,319.86
Contractual Town of Newton	42,400.00
Other Expenses	10,384.43
Capital Outlay	32,948.00
Depreciation	12,780.86
Total Operating Expenses	<u>110,833.15</u>
Operating Income (Loss)	<u>(13,777.17)</u>
Non-Operating Revenues (Expenses)	
Interest Income	998.19
Miscellaneous	50.00
Total Non-Operating Revenues (Expenses)	<u>1,048.19</u>
Change in Net Position	(12,728.98)
Net Position - January 1 as Previously Reported	550,577.00
Prior Period Adjustment (Note7)	<u>1,505.18</u>
Net Position - January 1 as Restated	<u>552,082.18</u>
Net Position - December 31	<u>\$ 539,353.20</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
FOR THE YEAR ENDED DECEMBER 31, 2017

Increase (Decrease) in Cash and Cash Equivalents:**Cash Flows from Operating Activities:**

Receipts from Customers	\$ 97,055.98
Payments to Suppliers	(95,070.38)
Miscellaneous	50.00
Interest Received	998.19

Net Cash Used for Operating Activities	3,033.79
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Net Increase (Decrease) in Cash and Cash Equivalents	3,033.79
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Cash and Cash Equivalents - Beginning of Year	150,719.64
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Cash and Cash Equivalents - End of Year	\$ 153,753.43
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Reconciliation of Operating Income (Loss) to Net Cash**Provided (Used) by Operating Activities:**

Operating Income (Loss)	(12,728.98)
Adjustment to Reconcile Net Income to Net Cash Used by Operating Activities:	
Depreciation	12,780.86
Increase / (Decrease) in Accounts Payable	2,981.91

Net Cash Used for Operating Activities	3,033.79
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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, 2017

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 Governmental Accounting Standards Board Statement 14 requires that disclosure be made in the financial statements regarding the financial reporting entity of governmental units.

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

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

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.

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

Notes to Financial Statements
December 31, 2017

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

C. Basis of Presentation (continued)

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.

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.

The Authority's investment practices are governed by New Jersey State Statute 40A:5-15. Statutes authorize the Authority to invest in certificates of deposit, repurchase agreements, passbooks, and other available bank investments provided that approved securities are pledged to secure those funds on deposit in an amount equal to the amount of those funds and a maturity date not greater than 12 months from the date of purchase. In addition, the Authority can invest in direct debt securities of the United States or obligations guaranteed by the United States, bonds and other obligations of the local municipality or bonds or obligations of school districts of which the Authority is a part or within which the Authority is located unless such investments are expressly prohibited by law.

F. Plant and Equipment

Plant and Equipment are stated at cost, which includes direct acquisition costs and other expenditures related to acquisition or construction. Acquisitions that do not provide both current and future benefits are charged to current operating results.

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

Notes to Financial Statements
December 31, 2017

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

F. Plant and Equipment (continued)

Depreciation is determined on a straight-line basis for all plant and equipment. Depreciation is provided for over the following estimated useful lives:

Furniture, Fixtures and Equipment	10 Years
Vehicles	5 Years

G. 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.

H. 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.

I. Recent Accounting Pronouncements

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

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

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

Notes to Financial Statements
December 31, 2017

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

I. Recent Accounting Pronouncements (continued)

In August 2015, the Government Accounting Standards Board issued GASB Statement No. 77 *Tax Abatement Disclosures*, which improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. The Authority does not believe this Statement will have any effect on future financial statements.

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

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

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

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

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

Notes to Financial Statements
December 31, 2017

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

I. Recent Accounting Pronouncements (continued)

In March 2016, the Government Accounting Standards Board issued GASB Statement No. 82, *Pension Issues - an Amendment of GASB Statements No. 67, No. 68 and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statement No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement is effective for reporting periods beginning after June 15, 2016. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice.

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

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

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

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

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

Notes to Financial Statements
December 31, 2017

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

I. Recent Accounting Pronouncements (continued)

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

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, 2017, \$-0- of the Authority's bank balance of \$153,005.91 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.

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

Notes to Financial Statements
December 31, 2017

NOTE 3. CAPITAL AND OPERATING LEASE

The authority does not have any capital or operating leases as of December 31, 2017.

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, 2017 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.

NOTE 6: SUBSEQUENT EVENT

The Authority has evaluated subsequent events through April 17, 2018, the date which the financial statements were available to be issued and no other items were noted for disclosure.

NOTE 7: NET POSITION

Net position at the beginning of 2017 has been adjusted to correct an error (wrong accumulated depreciation) made in 2016. The error had no effect on net income for 2017.

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, 2016 \$ 150,719.64

Cash Receipts:

Parking Meter Receipts	96,355.98	
Interest	998.19	
Leasing Contracts	700.00	
Miscellaneous-Other Revenue	<u>50.00</u>	
		<u>98,104.17</u>
		248,823.81

Cash Disbursements:

Parking Authority Bills	<u>95,070.38</u>
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CASH - DECEMBER 31, 2017 \$ 153,753.43

SCHEDULE 2

TOWN OF NEWTON PARKING AUTHORITY

(A Component Unit of the Town of Newton)

**STATEMENT OF PARKING METER REVENUES
YEAR ENDED DECEMBER 31, 2017**

	<u>Total</u>	<u>Western Plaza</u>	<u>Central Plaza</u>	<u>Main Street</u>	<u>Adams Street</u>	<u>Passes</u>	<u>Parking Meters</u>
Cash Received	<u>96,355.98</u>	<u>9,591.83</u>	<u>6,048.40</u>	<u>2,010.91</u>	<u>1,717.67</u>	<u>53,625.00</u>	<u>23,362.17</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> <u>Dec. 31, 2017</u>
Land and Cost of Acquisition	334,456.65
Parking Area	
Construction Costs	245,370.51
Improvements to Landscaping	16,679.60
Vehicles	30,017.00
Parking Meters	41,951.79
Parking Signs	4,589.08
Improvement to Various Lots	16,254.56
Ticket Machine(s) & Mounts	<u>69,523.24</u>
	<u><u>\$ 758,842.43</u></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
FOR THE YEAR ENDED DECEMBER 31, 2017**

<u>REVENUES</u>	2017 <u>Budget</u>	2017 <u>Actual</u>
Retained Earnings Appropriated	39,000.00	39,000.00
User Charges and Fees	70,600.00	96,355.98
Interest on Investments	200.00	998.19
Miscellaneous	-	50.00
Leasing Contract	<u>4,700.00</u>	<u>700.00</u>
TOTAL REVENUES	<u><u>114,500.00</u></u>	<u><u>137,104.17</u></u>
 <u>EXPENSES</u>		
Cost of Providing Services:		
Contractual - Other Expenses	43,740.00	42,400.00
Administrative:		
Other Expenses	12,880.00	12,319.86
Operations:		
Other Expenses	18,880.00	10,384.43
Capital Improvements:		
Capital Outlay	<u>39,000.00</u>	<u>32,948.00</u>
	<u><u>114,500.00</u></u>	<u><u>98,052.29</u></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 July 1, 2015, the bid threshold in accordance with N.J.S.A. 40A:11-3 and 40A:11-4 (as amended) is \$17,500.00 and with a qualified purchasing agent the threshold may be up to \$40,000.00.

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

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

COMMENTS AND RECOMMENDATIONS
DECEMBER 31, 2017

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

April 17, 2018