

**PARKING AUTHORITY OF THE
BOROUGH OF FORT LEE
(A Component Unit of the Borough of Fort Lee)**

Financial Statements and Schedules

December 31, 2012

(With Independent Auditors' Reports Thereon)

PARKING AUTHORITY OF THE BOROUGH OF FORT LEE
(A Component Unit of the Borough of Fort Lee)

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INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners
Parking Authority of the Borough of Fort Lee
Fort Lee, New Jersey

Report on the Financial Statements

We have audited the accompanying statement of net position of the Parking Authority of the Borough of Fort Lee (a component unit of the Borough of Fort Lee) as of December 31, 2012, and the related statements of revenues, expenses, and changes in fund 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 Parking Authority of the Borough of Fort Lee as of December 31, 2012, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

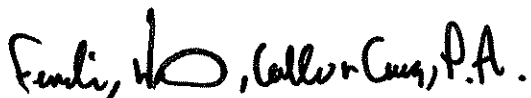
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprises the Parking Authority of the Borough of Fort Lee's financial statements. The Supplemental Schedules are presented for purposes of additional analysis and are not a required part of the financial statements.

The supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such 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 supplemental schedules are 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 September 16, 2013 on our consideration of the Parking Authority of the Borough of Fort Lee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Parking Authority of the Borough of Fort Lee's internal control over financial reporting and compliance.

Very truly yours,



FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants
Pompton Lakes, New Jersey

September 16, 2013



**PARKING AUTHORITY OF THE BOROUGH OF FORT LEE
(A Component Unit of the Borough of Fort Lee)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012**

As management of the Fort Lee 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, 2012. Please read this analysis in conjunction with the Authority's financial statements, which follow this section.

Financial Highlights

- The Authority's assets exceeded its liabilities by \$1,115,662 (net assets) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$1,005,732.

- Total net position are comprised of the following:

Invested in capital assets, net of related debt of \$204,290 includes equipment and leasehold improvements, net of applicable accumulated depreciation.

The undesignated net position of \$698,713 represent the portion available to maintain the Authority's continuing obligations.

- Total liabilities of the Authority increased by \$1,161 to \$175,067 during the fiscal year.

Overview of the Financial Statements

The Authority is a corporate and politic body organized under the laws of the State of New Jersey. The Comprehensive Annual Financial Report is presented in two sections: Financial Statements and Notes, and Supplemental Schedules and Comments. The Financial section includes Management's Discussion and Analysis and Financial Statements with notes that explain in more detail some of the information in the financial statements. The Supplemental Schedules include detailed financial information along with general comments and recommendations. The Authority has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement 34 for the fiscal year ended December 31, 2012.

Required Financial Statements

The financial statements of the Authority report information about 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.

PARKING AUTHORITY OF THE BOROUGH OF FORT LEE
(A Component Unit of the Borough of Fort Lee)

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012
(continued)

Required Financial Statements, continued

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.

The *Statement of Revenues, Expenses, and Changes in Fund Net Position* reports how the Authority's net position changed during the current fiscal year. All current revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the Authority's distinct activities or functions on revenues provided by the Authority's customers and other funding sources.

All of the current year's revenues and expenses are accounted for in the *Statement of Revenues, Expenses and Changes in Fund Net Position*. This statement measures the results of the Authority's operations over the past year and can be used to determine whether the Authority has recovered all its costs through user fees and other changes, 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 the cash used for, and what was the change in cash balance during the reporting period.

Notes to the Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the financial statements. The notes to the financial statements begin immediately following the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information. This supplementary information follows the notes to the financial statements.

**PARKING AUTHORITY OF THE BOROUGH OF FORT LEE
(A Component Unit of the Borough of Fort Lee)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012
(continued)**

Financial Analysis of the Authority

One of the most important questions asked about the Authority's 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 Fund Net Position* 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 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 the non-financial factors such as changes in economic conditions, population growth, development, and new or changed government regulation.

Net Position

As year-to-year financial information is accumulated on a consistent basis, changes in fund net position may be observed and used to discuss the changing financial position of the Authority as a whole.

PARKING AUTHORITY OF THE BOROUGH OF FORT LEE
(A Component Unit of the Borough of Fort Lee)

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012
(continued)

Net Position, continued

The Authority's net position at fiscal year-end is \$1,115,662. This is a \$109,930 increase from last year's net position of \$1,005,732. A summary of the Authority's statement of net position is presented in the following table:

Condensed Statement of Net Position

	<u>2012</u>	<u>2011</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>2010</u>
Current Assets	\$1,085,404	\$933,635	\$151,769	16.3%	\$738,323
Noncurrent Assets	<u>205,325</u>	<u>246,003</u>	<u>(40,678)</u>	(16.5)%	<u>269,293</u>
Total Assets	<u>1,290,729</u>	<u>1,179,638</u>	<u>111,091</u>	9.4%	<u>1,007,616</u>
Other Liabilities	<u>175,067</u>	<u>173,906</u>	<u>1,161</u>	0.7%	<u>101,777</u>
Total Liabilities	<u>175,067</u>	<u>173,906</u>	<u>1,161</u>	0.7%	<u>101,777</u>
Invested in Capital Assets, Net of Related Debt	204,290	244,968	(40,678)	(16.6)%	268,258
Residential Parking Program	125,612	124,004	1,608	1.3%	111,773
Sweeper Program	87,047	62,083	24,964	40.2%	47,628
Undesignated	<u>698,713</u>	<u>574,677</u>	<u>124,036</u>	21.6%	<u>478,180</u>
Total Net Position	<u>\$1,115,662</u>	<u>\$1,005,732</u>	<u>\$109,930</u>	10.9%	<u>\$905,839</u>

PARKING AUTHORITY OF THE BOROUGH OF FORT LEE
(A Component Unit of the Borough of Fort Lee)

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012
(continued)

Net Position, continued

While the *Statement of Net Position* shows the change in financial position, the *Statement of Revenues, Expenses and Changes in Fund Net Position* provides answers as to the nature and source of these changes. As can be seen in the following table, net position increased by \$99,253.

**Condensed Statement of Revenues, Expenses
And Changes in Fund Net Position**

	<u>2012</u>	<u>2011</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>2010</u>
Operating Revenues	\$1,463,837	\$1,550,159	(\$86,322)	(5.6)%	\$1,441,226
Non-operating Revenues	<u>144,766</u>	<u>144,305</u>	<u>461</u>	0.3%	<u>145,096</u>
Total Revenues	<u>1,608,603</u>	<u>1,694,464</u>	<u>(85,861)</u>	(5.1)%	<u>1,586,322</u>
Depreciation	59,703	64,554	(4,851)	(7.5)%	59,700
Other Operating Expense	1,264,341	1,284,121	(19,780)	(1.5)%	1,232,087
Other Non-operating Expense	<u>234,332</u>	<u>245,896</u>	<u>(11,564)</u>	(4.7)%	<u>195,212</u>
Total Expenses	<u>1,558,376</u>	<u>1,594,571</u>	<u>(36,195)</u>	(2.3)%	1,486,999
Change in Net Position	50,227	99,893	(49,666)	(49.7)%	99,323
Beginning Net Position	<u>1,005,732</u>	<u>905,839</u>	<u>99,893</u>	11.0%	<u>805,516</u>
Ending Net Position	<u>\$1,055,959</u>	<u>\$1,005,732</u>	<u>\$50,227</u>	5.0%	<u>\$904,839</u>

The Authority's operating revenues decreased by \$86,322 to \$1,463,837 in fiscal year 2012 from \$1,550,159 in 2011. Non-operating revenues increased by \$461 to \$144,766 due to an increase in interest earnings.

PARKING AUTHORITY OF THE BOROUGH OF FORT LEE
(A Component Unit of the Borough of Fort Lee)

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012
(continued)

Budgetary Highlights

The State of New Jersey requires local authorities to prepare and adopt annual budgets in accordance with the Local Authorities Fiscal Control Law and regulations adopted by the Local Finance Board pursuant to this statute and codified as N.J.A.C. 5:31-1 et seq. The statutory budget was designed to demonstrate to the Bureau of Authority Regulation of the Division of Local Government Services that the cash flows of the Authority for the coming year will be sufficient to cover operating expenses, interest accruing on bonded indebtedness and cash payments of maturing bond principal.

The following table provides a 2012 budget comparison:

Budget vs. Actual			
FY 2012			
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Operating	\$1,507,000	\$1,463,837	(\$43,163)
Non-Operating	<u>6,000</u>	<u>144,766</u>	<u>138,766</u>
	<u>1,513,000</u>	<u>1,608,603</u>	<u>95,603</u>
Expenses:			
Operating	1,421,443	1,264,341	157,102
Non-Operating	<u>12,000</u>	<u>234,332</u>	<u>(222,332)</u>
	<u>1,433,443</u>	<u>1,498,673</u>	<u>(65,230)</u>
Income Before Depreciation	<u>\$79,557</u>	<u>\$109,930</u>	<u>\$30,373</u>

Supplementary Schedule 1 shows that, on a budgetary basis, the Authority realized an unfavorable variance of \$65,230 on budgeted expenses of \$1,433,443 for the period ended December 31, 2012. The Authority realized a favorable variance on the revenue side of \$95,603 resulting in a budgetary basis net profit of \$30,373. No adjustments are necessary to reconcile the budgetary basis net income to GAAP.

PARKING AUTHORITY OF THE BOROUGH OF FORT LEE
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MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012
(continued)

Operating Lease

The Authority's premises are leased from the Borough for a 50-year period expiring in the year 2030 at the nominal rental of \$1 per year.

The Authority also leases the municipal parking lot situated south of South Marginal Road and north of Main Street, between Center Avenue and Lemoine Avenue. The lease agreement requires the Authority to share equally with the Borough, the Authority's annual net income in excess of \$25,000, exclusive of the residential parking program operations and the Borough Street Sweeping Program.

The Authority's street and lot parking program operated at a net profit of \$141,719 for the year ended December 31, 2012 and a net profit of \$121,419 for the year ended December 31, 2011. For the year ended December 31, 2012, \$58,360 is due to the Borough of Fort Lee as its share.

Residential Parking Permit Program

On April 30, 1991, the Authority and the Borough entered into an agreement whereby the Authority would supervise and administer a residential parking permit program (Program).

The Program, which is intended to be self supporting, is to be funded by 30% of the violation fines. These fees, when collected by the Borough, are to be turned over to the Authority on a monthly basis. This program operated at a net profit of \$3,215 in 2012 and a net profit of \$24,461 in 2011. The agreement between the Authority and the Borough allows the Authority to recoup any accumulated losses, before sharing any accumulated profits equally. For the year ended December 31, 2012, \$1,608 is due to the Borough of Fort Lee as its share.

All revenues received from the sale of business parking permits, by resolution of the Authority's Board of Commissioners, are to be used solely for the creation and maintenance of off-street parking facilities. At December 31, 2012, \$125,612 remains available for off-street parking projects, as a part of the Authority's total retained earnings.

PARKING AUTHORITY OF THE BOROUGH OF FORT LEE
(A Component Unit of the Borough of Fort Lee)

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012
(continued)

Borough Street Sweeping Program

On June 25, 1996 the Authority and the Borough entered into an agreement whereby the Authority would supervise and administer a street sweeping program (Sweeper Program).

The Sweeper Program, which is intended to be self supporting, is to be funded by 30% of the violation fines. These fees, when collected by the Borough, are to be turned over to the Authority on a monthly basis. This program operated at a net profit of \$49,922 in 2012 and a net profit of \$28,910 in 2011. The agreement between the Authority and the Borough allows the Authority to recoup any accumulated losses, before sharing any accumulated profits equally. For the year ended December 31, 2012, \$24,964 is due to the Borough of Fort Lee as its share.

All revenues received from the Sweeper Program, by resolution of the Authority's Board of Commissioners, are to be used solely for the creation and maintenance of the Sweeper Program. At December 31, 2012, \$87,047 remains available for Sweeper Program projects, as a part of the Authority's total retained earnings.

Capital Assets

At the end of fiscal year 2012, the Authority had invested \$204,290 in capital assets. A summary of the Authority's capital assets is presented in the following table:

Capital Assets				
(Net of Depreciation)				
	<u>2012</u>	<u>2011</u>	<u>Dollar</u> <u>Change</u>	<u>2010</u>
Building and Building Improvements	\$68,683	\$69,851	(\$1,168)	\$90,563
Machinery and Equipment	<u>135,607</u>	<u>175,117</u>	<u>(39,510)</u>	<u>177,695</u>
	<u>\$204,290</u>	<u>\$244,968</u>	<u>(\$40,678)</u>	<u>\$268,258</u>

**PARKING AUTHORITY OF THE BOROUGH OF FORT LEE
(A Component Unit of the Borough of Fort Lee)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012
(continued)**

Economic Factors, Future Years' Budgets and Rates

The Commissioners and management of the Authority consider many factors when preparing each year's budget and annual charges. Two of the main factors are growth in the Authority's system and new regulations issued by the State and Federal governments.

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 Parking Authority of the Borough of Fort Lee, 309 Main Street, Fort Lee, New Jersey 07024.

PARKING AUTHORITY OF THE BOROUGH OF FORT LEE
(A Component Unit of the Borough of Fort Lee)
Statement of Net Position
Proprietary Funds
December 31, 2012

Assets

Current assets:	
Cash and cash equivalents	\$ 849,129
Receivables, net:	
Fort Lee Municipal Court	15,685
Restricted assets	
Cash and cash equivalents	212,659
Deficit in Reserve for Unemployment Compensation Insurance	<u>7,931</u>
Total current assets	<u>1,085,404</u>
Noncurrent assets:	
Other assets	1,035
Capital assets	<u>204,290</u>
Total noncurrent assets	<u>205,325</u>
Total assets	<u>\$ 1,290,729</u>

Liabilities and Net Position

Current liabilities:	
Accounts Payable	\$ 44,675
Accrued Expenses	45,460
Amount due to Borough of Fort Lee	<u>84,932</u>
Total current liabilities	<u>175,067</u>
Total liabilities	<u>175,067</u>
Net Position:	
Invested in Capital Assets, net of Related Debt	204,290
Restricted for:	
Residential Parking Program	125,612
Sweeper Program	87,047
Undesignated	<u>698,713</u>
Total net position	<u>\$ 1,115,662</u>

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

PARKING AUTHORITY OF THE BOROUGH OF FORT LEE
 (A Component Unit of the Borough of Fort Lee)
 Statement of Revenues, Expenses, and Changes in Fund Net Position
 Proprietary Funds
 Year ended December 31, 2012

Operating revenues:	
Parking fees	\$ 1,172,351
Other operating fees	268,369
Miscellaneous income	<u>23,117</u>
	<u>1,463,837</u>
Operating expenses:	
Administration:	
Salaries and wages	142,654
Fringe benefits	41,640
Other expenses	137,148
Cost of providing services:	
Salary and wages	570,618
Fringe benefits	166,559
Other expenses	<u>205,722</u>
Total operating expenses	<u>1,264,341</u>
Operating Income (Loss)	<u>199,496</u>
Nonoperating income (expenses):	
Operating grants and entitlements	140,000
Interest on investments	4,766
Borough of Fort Lee employee parking permits	(149,400)
Due to the Borough of Fort Lee - Shared Revenue	<u>(84,932)</u>
Net nonoperating income	<u>(89,566)</u>
Net Income (Loss)	109,930
Net position at beginning of year	<u>1,005,732</u>
Net position at end of year	<u><u>\$ 1,115,662</u></u>

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

PARKING AUTHORITY OF THE BOROUGH OF FORT LEE
(A Component Unit of the Borough of Fort Lee)
Statement of Cash Flows
Proprietary Funds
December 31, 2012

Cash flow from operating activities	
Receipts from customers	1,298,596
Payments to employees	(965,102)
Payments to suppliers	(344,661)
Miscellaneous	23,117
	<u>11,950</u>
Net cash provided by (used for) operating activities	<u>11,950</u>
Cash flows from capital financing activities	
Purchase of capital assets	(19,025)
Sale of capital assets	40,719
	<u>21,694</u>
Net cash provided by (used for) capital financing activities	<u>21,694</u>
Cash flows from investing activities	
Interest	4,766
	<u>4,766</u>
Net cash provided by (used for) investing activities	<u>4,766</u>
Cash flows from noncapital financing activities	
Operating grants and entitlements	140,000
Revenue Share - current year entitlements	74,255
Revenue Share - Paid to the Borough of Fort Lee	(91,908)
	<u>122,347</u>
Net cash provided by (used for) noncapital financing activities	<u>122,347</u>
Net increase (decrease) in cash and cash equivalents	160,757
Cash and cash equivalents, beginning of year	<u>901,031</u>
Cash and cash equivalents, end of year	<u><u>1,061,788</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	178,142
Depreciation expense	59,703
Employee parking permits	(149,400)
Borough - Shared Revenue	(74,255)
Change in assets and liabilities:	
Receivables, net	7,276
Accounts payable	2,227
Accrued liabilities	(11,743)
	<u>11,950</u>
Net cash provided by (used for) operating activities	<u><u>11,950</u></u>

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

**PARKING AUTHORITY OF THE BOROUGH OF FORT LEE
(A Component Unit of the Borough of Fort Lee)**

Notes to Financial Statements

December 31, 2012 and 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The Parking Authority of the Borough of Fort Lee (the Authority) is a corporate and political body created on June 16, 1954. The purpose of the Authority is to develop, finance, contract, improve, maintain and/or operate town-wide parking facilities, including surface lots, garages, and paid on-street parking within the Borough of Fort Lee; to establish parking fees and the days and hours of operation and/or collection for all municipally owned, leased or controlled parking meters, pay stations, and/or other parking facilities; and to serve as the principal coordinating body for establishing and affecting parking policy and initiatives throughout the Borough.

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 Borough of Fort Lee 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

PARKING AUTHORITY OF THE BOROUGH OF FORT LEE
(A Component Unit of the Borough of Fort Lee)

Notes to Financial Statements, Continued

December 31, 2012 and 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

C. Basis of Presentation, (continued)

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.

D. Basis of Accounting

The Parking Authority of the Borough of Fort Lee 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.

PARKING AUTHORITY OF THE BOROUGH OF FORT LEE
(A Component Unit of the Borough of Fort Lee)

Notes to Financial Statements, Continued

December 31, 2012 and 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

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.

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. Comparative Data

Comparative data for the prior year have been presented in order to provide an understanding of changes in the Authority's financial position and operations.

J. Accumulated Unpaid Vacation and Sick Pay

The Authority's employees are granted vacation and sick leave in varying amounts. In the event of termination or retirement, an employee is reimbursed for accumulated vacation days up to 120 days. Employees are reimbursed for 50% of accumulated sick leave only upon retirement or termination. Accumulated unpaid vacation and sick leave is accrued when earned.

PARKING AUTHORITY OF THE BOROUGH OF FORT LEE
(A Component Unit of the Borough of Fort Lee)

Notes to Financial Statements, Continued

December 31, 2012 and 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

K. Recent Accounting Pronouncements

The Government Accounting Standards Board issued GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The Authority does not believe this Statement will materially affect its current practice. This Statement is effective for periods beginning after December 15, 2012.

The Government Accounting Standards Board issued GASB Statement No. 66, *Technical Corrections - 2012 - an amendment of GASB Statement No. 10 and No. 62*. The objective of this Statement is to improve accounting and financial reporting for a government financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statement No. 54, *Fund Balance Reporting Guidance Contained in Pre-November 20, 1989 FASB and AICPA Pronouncements*. This Statement is effective for periods beginning after December 15, 2012. The Authority does not believe this Statement will materially affects its current practice.

The Government Accounting Standards Board issued GASB Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*. The objective of this Statement is to improve financial reporting by state and local government pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision - useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. This Statement is effective for financial statements for fiscal years beginning after June 15, 2013. The Authority is currently reviewing what effect, if any, this Statement might have on future financial statements.

PARKING AUTHORITY OF THE BOROUGH OF FORT LEE
(A Component Unit of the Borough of Fort Lee)

Notes to Financial Statements, Continued

December 31, 2012 and 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

K. Recent Accounting Pronouncements, (continued)

The Government Accounting Standards Board issued GASB Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27. The primary objective of this Statement is to improve financial reporting by state and local government for pensions. It also improves information provided by state and local governmental employees about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating transparency. This Statement is effective for financial statements for fiscal years beginning after June 15, 2014. The Authority is currently reviewing what effect, if any, this Statement might have on future financial statements.

The Government Accounting Standards Board issued GASB Statement No. 69, Government Combinations and Disposals of Government Operations. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term "government combinations" includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This Statement is effective for financial statements beginning after December 15, 2013. The Authority does not believe this Statement will materially affect its current practice.

NOTE 2. CASH AND CASH EQUIVALENTS

General Authorization

The Borough of Fort Lee Parking Authority's deposit and investment practices are governed by New Jersey State Statute 40A:5-15.

GASB Statement No. 3, amended by GASB Statement No. 40, requires disclosure of the level of custodial credit risk assumed by the Authority in its cash, cash equivalents and investments.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of a depository financial institution, the Authority will not be able to recover its deposits. The Authority does not have a policy for custodial credit risk; however, the State of New Jersey imposes certain collateral requirements for governmental units that have been adopted in the Authority's cash management plan. These requirements are disclosed in detail in Note 1E.

PARKING AUTHORITY OF THE BOROUGH OF FORT LEE
(A Component Unit of the Borough of Fort Lee)

Notes to Financial Statements, Continued

December 31, 2012 and 2011

NOTE 2. CASH AND CASH EQUIVALENTS, (continued)

Deposits

The Authority's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC) or New Jersey's Governmental Unity Deposit Protection Act (GUDPA). GUDPA requires all banks doing business in the State of New Jersey to maintain additional collateral in the amount of 5% of the average public deposits and to deposit these amounts with the Federal Reserve Bank for all deposits not covered by FDIC.

Bank balances are insured up to \$250,000.00 in the aggregate by the FDIC for each bank. Operating cash, in the form of various checking, savings and NOW Accounts, are held in the Authority's name by commercial banking institutions. At December 31, 2012, the carrying amount of the Authority's deposits was \$1,061,687 and the bank balance was \$1,064,099. Of the bank balance, \$452,162 was insured with Federal Deposit Insurance and \$611,937 was covered by GUDPA.

Pursuant to GASB Statement No. 40, "Deposit and Investment Risk Disclosures" ("GASB 40"), the Authority's bank accounts are profiled in order to determine exposure, if any, to Custodial Credit Risk (risk that in the event of failure of the counterparty, the Authority would not be able to recover the value of its deposits or investment). Deposits are considered to be exposed to Custodial Credit Risk if they are uncollateralized (securities not pledged by the depositor), collateralized with securities held by the pledging institution or collateralized with securities held by the financial institution's trust department or agent but not in the government's name. At December 31, 2012, all of the Authority's deposits were insured with Federal Deposit Insurance or under the provisions of the Governmental Unit Deposit Protection Act (GUDPA) and not exposed to custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority's investment maturities are limited by its bond indenture as a means of managing its exposure to interest rate risk. Additionally, New Jersey Statutes 40A:5-15.1(a) limits the length of time for most investments to 397 days.

Monies in the funds established under the Resolutions may be invested at the Authority's direction in Investment Obligations, which are defined by the Resolutions.

PARKING AUTHORITY OF THE BOROUGH OF FORT LEE
(A Component Unit of the Borough of Fort Lee)

Notes to Financial Statements, Continued

December 31, 2012 and 2011

NOTE 2. CASH AND CASH EQUIVALENTS, (continued)

Credit Risk

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. New Jersey Statutes 40A:5-15.1(a) limits municipal investments to those specified in the Statutes. The types of allowable investments are bonds or other obligations of the United States or obligations guaranteed by the United States; obligations of federal agencies not exceeding 397 days; bonds or other obligations of the local unit or school districts of which the local unit is a part; government money market mutual funds; local government investment pools; the State of New Jersey Cash Management Fund or agreements to repurchase fully collateralized securities as described in the Statutes.

Concentration of Credit Risk

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

NOTE 3. BUDGETARY PROCEDURES

The Authority follows the following procedures in establishing the budget.

At least 60 days prior to January 1, the Authority submits its proposed budget to the Division of Local Government Services for approval. The operating budget includes proposed appropriations and the estimated revenues to finance them.

Public hearings are conducted to obtain citizen comments on the proposed budget.

Appropriations lapse at the close of the fiscal year to the extent that they have not been expended.

The Authority's budget is prepared in accordance with generally accepted accounting principles. Revenues are recorded when they become earned and measurable, and expenditures are recorded when they are incurred.

The level at which expenditures cannot exceed budget is at the total budget level.

PARKING AUTHORITY OF THE BOROUGH OF FORT LEE
(A Component Unit of the Borough of Fort Lee)

Notes to Financial Statements, Continued

December 31, 2012 and 2011

NOTE 4. CAPITAL ASSETS

The following is a summary of capital asset activity for the year ended December 31, 2012:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Business-type activities:				
Building and building improvements	228,621	19,025		247,646
Machinery and equipment	<u>945,066</u>		<u>59,021</u>	<u>1,004,087</u>
Totals at historical cost	<u>1,173,687</u>	<u>19,025</u>	<u>59,021</u>	<u>1,251,733</u>
Less accumulated depreciation for:				
Building, improvements and equipment	(158,770)	(20,193)		(178,963)
Machinery and equipment	<u>(769,949)</u>	<u>(39,510)</u>	<u>(59,201)</u>	<u>(868,660)</u>
Total accumulated depreciation	<u>(928,719)</u>	<u>(59,703)</u>	<u>(59,201)</u>	<u>(1,047,623)</u>
Total building, improvements and equipment assets being depreciated, net of accumulated depreciation	<u>244,968</u>	<u>(40,678)</u>	_____	<u>204,290</u>
Business-type activities capital assets, net	<u>244,968</u>	<u>(40,678)</u>	<u>0</u>	<u>204,290</u>

NOTE 5. PENSION PLAN

Description of Plan - All required employees of the Authority are covered by the Public Employees' Retirement System which has been established by state statute and is administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of the System will be assumed by the State of New Jersey should the System terminate.

Public Employees' Retirement System (PERS) - Established in January 1955, under provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement health care, to substantially all full time employees of the state or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 8 to 10 years of service for pension benefits and 25 years for post-retirement health care coverage.

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

PARKING AUTHORITY OF THE BOROUGH OF FORT LEE
(A Component Unit of the Borough of Fort Lee)

Notes to Financial Statements, Continued

December 31, 2012 and 2011

NOTE 5. PENSION PLAN, (continued)

Other Pension Funds

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

The cost of living increase for PERS is funded directly by the respective system and are considered in the annual actuarial calculation of the required State contribution for the system.

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

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issued publicly available financial reports that include the financial statements and required supplementary information of each of the above systems. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasurey/pensions.

Basis of Accounting

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

Investment Valuation

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

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

PARKING AUTHORITY OF THE BOROUGH OF FORT LEE
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Notes to Financial Statements, Continued

December 31, 2012 and 2011

NOTE 5. PENSION PLAN, (continued)

Significant Legislation

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

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

- New members of PERS hired on or after June 28, 2011 (Tier 5 members), will need 30 years of creditable service and age 65 for receipt of early retirement benefit without a reduction of 1/4 to 1 percent for each month that the member is under age 65.
- The eligibility age to qualify for a service retirement in the PERS is increased from age 62 to 65 for Tier 5 members.
- The annual benefit under special retirement for new PERS members enrolled after June 28, 2011 (Tier 3 members), will be 60 percent instead of 65 percent of the member's final compensation plus 1 percent for each year of creditable service over 25 years but not to exceed 30 years.
- Active member contribution rates will increase. PERS active member rates increase from 5.5 percent of annual compensation to 6.5 percent plus an additional 1 percent phased-in over 7 years. For Fiscal Year 2012, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contributions for PERS members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law.

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

Funding Status and Funding Progress

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

**PARKING AUTHORITY OF THE BOROUGH OF FORT LEE
(A Component Unit of the Borough of Fort Lee)**

Notes to Financial Statements, Continued

December 31, 2012 and 2011

NOTE 5. PENSION PLAN, (continued)

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

Actuarial Methods and Assumptions

In the July 1, 2010 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for the retirement systems. The actuarial assumptions included (1) 8.25 percent for investment rate or return for the retirement systems and (2) 5.45 percent for projected salary increased for the PERS.

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan member and employer contributions may be amended by State of New Jersey legislation with the amount of contributions by the State of New Jersey contingent upon the Annual Appropriations Act. As defined, the retirement systems require employee contributions based on 6.5% for PERS and 5.50% for DCRP of the employee's annual compensation.

Annual Pension Costs (APC)

Per the requirements of GASB Statement No. 27 for the year ended June 30, 2012 for PERS, which is a cost sharing multi-employer defined benefit pension plan, the annual pension cost equals contributions made. PERS employer contributions are made annually by the Authority to the pension system in accordance with Chapter 114, P.L. 1997. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

Three Year Trend Information for PERS

<u>Year Funding</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/12	\$79,002	100%	\$ 0
12/31/11	60,492	100%	0
12/31/10	48,007	100%	0

PARKING AUTHORITY OF THE BOROUGH OF FORT LEE
(A Component Unit of the Borough of Fort Lee)

Notes to Financial Statements, Continued

December 31, 2012 and 2011

NOTE 6. OPERATING LEASES

The Authority's premises are leased from the Borough for a 50-year period expiring in the year 2030 at the nominal rental of \$1 per year.

The Authority also leases the municipal parking lot situated south of South Marginal Road and north of Main Street, between Center Avenue and Lemoine Avenue. Such lease agreement includes, among other matters, requirements for the Authority to operate the Senior Citizen bus service, maintain liability insurance, satisfy the outstanding mortgage obligation of the Borough for approximately \$300,000 and share equally with the Borough the Authority's annual net income in excess of \$25,000, exclusive of the residential parking program operations and the Borough Street Sweeping Program. The initial term of the agreement expired on December 15, 1991. The agreement automatically renewed on December 15, 1991 on a yearly basis, and either party has the right to give written notice at least six months prior to December 31 of its intention to terminate this agreement.

The Authority's street and lot parking program operated at a net profit of \$141,719 for the year ended December 31, 2012 and a net profit of \$121,419 for the year ended December 31, 2011. For the year ended December 31, 2012, the profit in excess of \$25,000 is \$116,719, of which \$58,360 is due to the Borough of Fort Lee as its share.

NOTE 7. RESIDENTIAL PARKING PERMIT PROGRAM

On April 30, 1991, the Authority and the Borough entered into an agreement whereby the Authority would supervise and administer a residential parking permit program (Program). The agreement is for a five-year period commencing on April 30, 1991 provided that prior to each anniversary hereof, the parties agree independently to review and evaluate the performance of the Program and to determine whether or not to continue the Program through the succeeding year. Upon completion of such review, this agreement may be terminated upon mutual agreement of the parties.

The Program, which is intended to be self supporting, is to be funded by 30% of the violation fines. These fees, when collected by the Borough, are to be turned over to the Authority on a monthly basis. This program operated at a net profit of \$3,215 in 2012 and a net profit of \$24,461 in 2011. The agreement between the Authority and the Borough allows the Authority to recoup any accumulated losses, before sharing any accumulated profits equally. As a result, the accumulated profits for the year ended December 31, 2012 are \$3,215, of which \$1,608 is due to the Borough of Fort Lee.

PARKING AUTHORITY OF THE BOROUGH OF FORT LEE
(A Component Unit of the Borough of Fort Lee)

Notes to Financial Statements, Continued

December 31, 2012 and 2011

NOTE 7. RESIDENTIAL PARKING PERMIT PROGRAM, (continued)

All revenues received from the sale of business parking permits, by resolution of the Authority's Board of Commissioners, are to be used solely for the creation and maintenance of off-street parking facilities. At December 31, 2012, \$125,612 remains available for off-street parking projects, as a part of the Authority's total retained earnings.

In the event that the parties mutually agree to terminate this agreement, the notice of termination is to be given to the Authority no less than six months prior to actual termination. The Authority would continue to receive 30% per the parking ticket fines collected for that six-month period.

NOTE 8. BOROUGH STREET SWEEPING PROGRAM

On June 25, 1996 the Authority and the Borough entered into an agreement whereby the Authority would supervise and administer a street sweeping program (Sweeper Program). The agreement is for a five-year period commencing on June 25, 1996 provided that prior to each anniversary hereof, the parties agree independently to review and evaluate the performance of the Program and to determine whether or not to continue the Sweeper Program through the succeeding year. Upon completion of such review, this agreement may be terminated upon mutual agreement of the parties.

The Sweeper Program, which is intended to be self supporting, is to be funded by 30% of the violation fines. These fees, when collected by the Borough, are to be turned over to the Authority on a monthly basis. This program operated at a net profit of \$49,927 in 2012 and a net profit of \$28,910 in 2011. The agreement between the Authority and the Borough allows the Authority to recoup any accumulated losses, before sharing any accumulated profits equally. The accumulated profits for the year ended December 31, 2012 are \$49,927 of which, \$24,964 is due to the Borough of Fort Lee as its share.

All revenues received from the Sweeper Program, by resolution of the Authority's Board of Commissioners, are to be used solely for the creation and maintenance of the Sweeper Program. At December 31, 2012, \$87,047 remains available for Sweeper Program projects, as a part of the Authority's total retained earnings.

PARKING AUTHORITY OF THE BOROUGH OF FORT LEE
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Notes to Financial Statements, Continued

December 31, 2012 and 2011

NOTE 8. BOROUGH STREET SWEEPING PROGRAM, (continued)

In the event that the parties mutually agree to terminate this agreement, the notice of termination is to be given to the Authority no less than six months prior to actual termination. The Authority would continue to receive 30% per the parking ticket fines collected for that six-month period.

NOTE 9. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to general liability, automobile coverage, 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.

The Authority is a member of the Bergen County Joint Insurance Fund (BCJIF) and Municipal Excess Liability Joint Insurance Fund (MEL). The joint insurance funds are both an insured and self-administered group of municipalities established for the purpose of insuring against property damage, general liability, motor vehicles and equipment liability and worker's compensation. The BCJIF and MEL coverage amounts are on file with the Borough.

The relationship between the Authority and respective insurance funds is governed by a contract and by-laws that have been adopted by resolution of each unit's governing body. The Authority is contractually obligated to make all annual and supplementary contributions to insurance funds, to report claims on a timely basis, cooperate with the management of the Fund, its claims administrator and attorneys in claims investigation and settlement, and to follow risk management procedures as outlined by the insurance funds. Members have a contractual obligation to fund any deficit of the insurance funds attributable to a membership year during which they were a member.

The funds provide its members with risk management services, including the defense of and settlement of claims, and established reasonable and necessary loss reduction and prevention procedures to be followed by the members.

There has been no significant reduction in insurance coverage from the previous year nor have there been any settlements in excess of insurance coverages in any of the prior three years.

**PARKING AUTHORITY OF THE BOROUGH OF FORT LEE
(A Component Unit of the Borough of Fort Lee)**

Notes to Financial Statements, Continued

December 31, 2012 and 2011

NOTE 10. NEW JERSEY UNEMPLOYMENT COMPENSATION INSURANCE

The Authority has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the Authority is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Authority is billed quarterly for amounts due to the State. The following is a summary of Authority contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the Authority's restricted net assets for the current and prior year:

Fiscal Year <u>Ending</u>	Authority <u>Contributions</u>	Employee Contributions and Interest	Amount <u>Reimbursed</u>	Ending <u>Balance</u>
12/31/12	\$	\$1,712	\$	\$(7,931)
12/31/11		1,766	904	(9,643)
12/31/10	8,427	1,787	8,453	(10,505)

NOTE 11. LITIGATION

The Authority is a defendant in various legal proceedings. These cases, if decided against the Authority, would be funded by insurance. The Authority expects such amounts, if any, to be immaterial.

NOTE 12. SUBSEQUENT EVENTS

The Authority has evaluated subsequent events through September 16, 2013, the date which the financial statements were available to be issued and no other items were noted for disclosure.

PARKING AUTHORITY OF THE BOROUGH OF FORT LEE
(A Component Unit of the Borough of Fort Lee)

Supplemental Schedule of Operating Revenues and Appropriations -
Budget vs. Actual

Year ended December 31, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance - favorable (unfavor- able)</u>
Revenues:			
Operating revenues			
Parking fees	\$ 1,260,000	1,172,351	(87,649)
Other operating revenues	247,000	268,369	21,369
Miscellaneous income		23,117	23,117
Total operating revenues	<u>1,507,000</u>	<u>1,463,837</u>	<u>(43,163)</u>
Non-operating revenues			
Operating grants and entitlements		140,000	140,000
Interest on deposits	6,000	4,766	(1,234)
Total non-operating revenues	<u>6,000</u>	<u>144,766</u>	<u>138,766</u>
Total Revenues	<u>\$ 1,513,000</u>	<u>1,608,603</u>	<u>95,603</u>
Operating expenditures:			
Administration			
Salary and wages	\$ 165,375	142,654	22,721
Fringe benefits	51,312	41,640	9,672
Other expenses	110,000	137,148	(27,148)
Cost of providing service:			
Salary and wages	618,402	570,618	47,784
Fringe benefits	221,354	166,559	54,795
Other expenses	180,000	205,722	(25,722)
Total Principal Payments on Debt Service in Lieu of Depreciation	<u>75,000</u>		<u>75,000</u>
Total operating expenditures	<u>1,421,443</u>	<u>1,264,341</u>	<u>157,102</u>
Non-operating expenditures:			
Borough of Fort Lee employee parking permits		149,400	(149,400)
Due to the Borough of Fort Lee - Shared Revenue		84,932	(84,932)
Interest Payments on Debt Service	12,000		12,000
Total non-operating expenditures	<u>12,000</u>	<u>234,332</u>	<u>(222,332)</u>
Total expenditures	<u>1,433,443</u>	<u>1,498,673</u>	<u>(65,230)</u>
Excess of Revenue Over Expenditures	<u>\$ 79,557</u>	<u>109,930</u>	<u>30,373</u>

PARKING AUTHORITY OF THE BOROUGH OF FORT LEE
(A Component Unit of the Borough of Fort Lee)

Supplemental Schedule of Analysis of Revenues and Expenses

Year ended December 31, 2012

	<u>Total</u>	<u>Street and lot</u>	<u>Residen- tial parking program</u>	<u>Sweeper program</u>
Revenues:				
Operating revenues				
Lot	\$ 218,929	218,929		
Street	469,451	469,451		
Monthly parking	483,971	483,971		
Rental income	22,740	22,740		
Parking violations fine allocation	109,473		109,473	
Residential Visitor, Business and Sticker parking fees	26,683		26,683	
Street sweeper violations fine allocation	109,473			109,473
Miscellaneous Income	23,117	23,117		
Total operating revenues	<u>1,463,837</u>	<u>1,218,208</u>	<u>136,156</u>	<u>109,473</u>
Non-operating revenues				
Operating grants and entitlements	140,000	140,000		
Interest	4,766	4,766		
Total non-operating revenues	<u>144,766</u>	<u>144,766</u>		
Total revenues	<u>\$ 1,608,603</u>	<u>1,362,974</u>	<u>136,156</u>	<u>109,473</u>

PARKING AUTHORITY OF THE BOROUGH OF FORT LEE
(A Component Unit of the Borough of Fort Lee)

Supplemental Schedule of Analysis of Revenues and Expenses

Year ended December 31, 2012

	<u>Total</u>	<u>Street and lot</u>	<u>Residen- tial parking program</u>	<u>Sweeper program</u>
Expenditures:				
Payroll and Fringe Benefits:				
Parking Operations	\$ 360,350	360,350		
Residential Parking	85,439		85,439	
Sweeper Program	31,295			31,295
Bus Operations	229,069	229,069		
Employee Benefits	208,199	173,200	25,623	9,376
Operations and Maintenance:				
Administration-				
Office Expenses	22,752	18,063	2,345	2,344
Accounting	14,457	4,820	4,818	4,819
Legal	12,448	3,690	4,380	4,378
Convention	9,612	9,612		
Other Miscellaneous	40,006	40,006		
Utilities	41,312	30,639	6,837	3,836
Meter Repairs/Supplies	33,488	33,488		
Bus Repairs	13,546	13,546		
Other Repairs	37,586	30,589	3,499	3,498
Program	44,219	44,219		
Uniforms	5,959	5,959		
Automobile Expense	14,901	14,901		
Depreciation Expense	59,703	59,703		
	<u>1,264,341</u>	<u>1,071,854</u>	<u>132,941</u>	<u>59,546</u>
Total Operating expenditures				
Non-operating expenditures				
Borough of Fort Lee employee parking permits	149,400	149,400		
Due to the Borough of Fort Lee - Shared Revenue	84,932	58,360	1,608	24,964
	<u>234,332</u>	<u>207,760</u>	<u>1,608</u>	<u>24,964</u>
Total non-operating expenditures				
Total expenditures	<u>\$ 1,498,673</u>	<u>1,279,614</u>	<u>134,549</u>	<u>84,510</u>

PARKING AUTHORITY OF THE BOROUGH OF FORT LEE
(A Component Unit of the Borough of Fort Lee)

Roster of Officials

December 31, 2012

Commissioners

Catherine Nest – Chairperson
Dr. Richard C. Weiner-Clark – Vice Chairperson
Peter Dicostanzo
James T. Viola, Sr.
Patricia McGuirl-Horton

Attorney

Neil D. Marotta

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

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 ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Commissioners
Parking Authority of the Borough of Fort Lee
Fort Lee, New Jersey

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 Parking Authority of the Borough of Fort Lee, as of and for the year ended December 31, 2012, and the related notes to the financial statements, and have issued our report thereon dated September 16, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit on the financial statements, we considered the Parking Authority of the Borough of Fort Lee'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 Parking Authority of the Borough of Fort Lee's internal control. Accordingly, we do not express an opinion on the effectiveness of the Parking Authority of the Borough of Fort Lee's internal control.

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



Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Parking Authority of the Borough of Fort Lee'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.

This report is intended solely for the information of the governing body, management, The Division of Local Government Services, Department of Community Affairs, State of New Jersey, Federal Awarding Agencies and Pass Through Entities and is not intended to be and should not be used by anyone other than these specified parties.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants
Pompton Lakes, New Jersey

September 16, 2013



PARKING AUTHORITY OF THE BOROUGH OF FORT LEE
(A Component Unit of the Borough of Fort Lee)

GENERAL COMMENTS

Contracts and Agreements Required to be Advertised Per N.J.S. 40A:11-3

N.J.S.A. 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, 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 contract 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. The adjustment shall become effective on July 1 of the year in which it is made.

N.J.S.A. 40A:11-4 states:

- a. 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 therefor, 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 subsections 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.

PARKING AUTHORITY OF THE BOROUGH OF FORT LEE
(A Component Unit of the Borough of Fort Lee)

GENERAL COMMENTS, (CONTINUED)

Effective July 1, 2010, the bid threshold, in accordance with N.J.S.A. 40A:11-3 and 40A:11-4 (as amended) is \$26,000 and with a qualified purchasing agent the threshold may be up to \$36,000.

Effective January 1, 2011, P.L., 2009, c.166 eliminated the previous lower non-qualified purchasing agent threshold of \$26,000. Thus a contracting unit without a qualified purchasing agent now has a maximum bid threshold of \$17,500.

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

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed.

Our examination of expenditures did not reveal any individual payments, contracts or agreements "for the performance of any work or the furnishing or hiring of any materials or supplies" in excess of the statutory thresholds other than those where bids had been previously sought by public advertisement or where a resolution had previously been adopted under the provisions of N.J.S.A. 40A:11-6.

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.

**PARKING AUTHORITY OF THE BOROUGH OF FORT LEE
(A Component Unit of the Borough of Fort Lee)**

COMMENTS AND RECOMMENDATIONS

DECEMBER 31, 2012

Comments

1. Employees time card system is not being used properly in order to calculate hours worked.
2. Contract for the rental of Municipal Lot parking spaces not approved in minutes.

Recommendations

1. That the time card system be used properly in order to calculate employees hours.*
2. That all contracts be approved in the minutes.

Status of Prior Years' Audit Findings/Recommendations

A review was performed on all prior years' recommendations and corrective action was taken out on all except those with an "*".

Acknowledgment

We received the complete cooperation of the Officials of the Authority and we greatly appreciate the courtesies extended to all members of the audit team.